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The European Commission

The Directorate-General for Competition
1049 Brussels
Belgium

The Swedish Board of Agriculture - unhealthy competition and dual roles.

Summary

- The Board of Agriculture is Sweden's highest veterinary authority - and also, via county administrative boards, the highest supervisory authority for veterinary activities and the country's total livestock.
- The Swedish Board of Agriculture is the supervisory authority for the country's animal owners. At the same time, it also sells a wide range of services and products to the objects under their supervision.
- The Board of Agriculture employs 400 veterinary surgeons as official veterinarians in the district veterinary organisation - the same organisation is also Sweden's largest commercial veterinary company, with sales of around SEK 500 million, around 25% of which is made up of budget funds.
- All state-employed district veterinarians receive performance-based commission for the commercial services that they carry out for the subjects under their supervision, the animal owners. It is incumbent on individual district veterinarians to simultaneously fulfil two tasks - as state veterinarians and vendors of commercial veterinary services.
- The Parliamentary Auditor has established that the district veterinary organisation is the wage leader, thereby making it difficult for private companies to recruit personnel. The Board of Agriculture refuses to account for how the government subsidies are deployed.
- The District veterinary organisation receives favourable loans from the government. The loans are provided at rates of interest that are around 2% lower than a private company can obtain through the banking system. Nor do they need to provide any security.
- The Board of Agriculture circumvents current working hours legislation for employees in the district veterinary organisation by not reporting the number of hours worked during standby duty. All private practitioners must comply with the working hours legislation.
- The Board of Agriculture authorises veterinarians and is the only authority that can take the initiative to revoke a veterinary license. At the same time, it is in competition with those practising veterinarians who are not employed by the Board of Agriculture.
- On several occasions, the Swedish competition authorities have criticised the competitive situation in the Swedish veterinary market. However, this has had no effect on the Board of Agriculture, as the commercial activities of authorities do not fall within the mandate of the competition legislation.
- The above facts, in combination with the comprehensive commercial marketing by the Board of Agriculture in which, among other things, the Board emphasises its 24-hour emergency service and its role as the supervisory authority, give rise to an obvious distortion of competition in the Swedish veterinary sector.

Introduction

The primary duty of the Board of Agriculture is to support and develop Swedish agriculture, and in so doing also sharpen its competitive edge vis-à-vis foreign agriculture interests. This authority also runs an organisation, with around 400 veterinarians on its payroll - the district veterinary organisation. The organisation's primary goal has historically speaking been to provide low cost animal health care for Sweden's livestock producers. At the same time, it is the supervisory authority for agriculture. In exactly the same way as veterinarians in private practice, the main task of the district veterinarians is to sell its products and services to animal owners. In other words, district veterinarians must concurrently act as civil servants and official veterinarians.

District veterinarians are also paid on a commission basis, implying that they share the payments from the animal owners 50/50 with the Board of Agriculture. The district veterinarians are, in other words, in a position of financial dependence to the subject under their supervision. The result of this is that the stringent animal protection legislation that Sweden enjoys compared with other countries may very well not be implemented to its full extent. We cannot see any other motive for Sweden needing as many as four hundred official veterinarians. It has become apparent that Swedish producers have had difficulty in complying with the Swedish animal protection legislation. However, they willingly quote the stringent animal protection legislation as a sales argument for food produced in Sweden.

Due to the rationalisation of the structure of Swedish agriculture, the district veterinarians are no longer fully occupied with farm animals. More than 80 % of their work now consists of small animal practice and show horse practice, 24 hours a day, seven days a week. These activities take place at around 80 district veterinary stations spread over the entire country. The government subsidies that are made up of budgetary funding and which currently amount to around SEK 110 million per annum, are used to reinforce the organisation's competitive edge over private veterinarians. As an example, we can mention the acquisition of digital imaging for small animal X-rays. This can even apply to sites with five veterinarians employed and around 2,000 assignments per annum. No private company could bear the costs of such an investment with so little work per veterinary employed. In addition, the Parliamentary Auditor has established that the district veterinary organisation is the wage-leader. A circumstance that is appreciated by the employee organisation, the Swedish Veterinary Association, (Sveriges Veterinärförbund), but which creates problems for the private sector when recruiting veterinary labour while, at the same time, also increasing costs for animal owners.

The Swedish Board of Agriculture rejects all claims regarding subsidisation, whilst being fully aware that this cannot be checked, as the principle of public access to official records does not apply to the commercial activities of Swedish authorities. Voices have been raised in favour of creating a state owned company of the commercial activities of the Board of Agriculture, which is something that we unequivocally oppose on two grounds. In the first place, operations could continue to be operated without transparency, and if it continues to operate with subsidies it would be difficult to see any improvement. In the second place, we are fully opposed to a government authority working in a market exposed to competition. An opinion that we share with the Swedish Competition Authority as well as the opinion that there is a mixture of exercise of authority and commercial activity from the BOars, (see the letter from the Swedish Competition Authority, pages 7-8). Despite a large number of other public authorities and a series of government commissions also directing criticism against the Board of Agriculture and submitting proposals for change leading to overall improvements, no

changes have taken place. Ignorance is the characteristic for how the Board of Agriculture and Ministry of Agriculture in collaboration with the agricultural industry are shaping Swedish agricultural policy. The concept also involves constantly starting and keeping government commissions going to keep up the appearance of wanting to resolve problems of challenge that obviously exist. A methodology has also been developed that ensures that all of these government commissions do not become realized as a very large number of consultancy bodies are approached and a surprisingly large number of these are in a position of financial dependency on the Board of Agriculture. The agricultural industry exerts a high level of influence over the Board of Agriculture. It is conceivable that the difficulty in making changes to the veterinary sector has its origins in expectations from the agricultural industry to preserve the financial dependency of district veterinarians as these also serve as official veterinarians and promises of subsidised veterinary care.

In our opinion, the Board of Agriculture is also breaking the current regulations governing regulated working hours. To its staff, it claims that working hours' legislation is replaced by flexible duty working hours. For example, the number of hours a district veterinary works during the on-call period, normally beginning at 5 p.m. and ending at 8 p.m. on working days and during weekends from 5 p.m. on Friday to 8 a.m. on Monday, i.e. 63 hours consecutively, are not noted. The shift can be even longer on some long weekends. The on-call shift can be preceded or followed by daytime work. There is, therefore, no upper limit on the number of hours a district veterinary can work without a break. Such a generous interpretation from the point of view of the employer consolidates the Board's dominance of veterinary services during on-call time.

In 2010, the Board of Agriculture initiated a sale of the on-call service. The Board got all of the contracts. Only one private veterinary surgeon submitted a tender. This year, the Board of Agriculture is making a new attempt to sell off the on-call service when, as they write, vacancies are occurring among the District veterinarians. They state that the purpose of this is that private sector veterinarians should be able to participate in the on-call service, in order to increase competition thereby making the activity cheaper for the state. Evidently the state intends to remain as a player in the market even without on-call service. If so, there will be a government organisation occupied daytime by up to 80 % small animal and show horse practice still subsidized by budget funds. As previously stated, the Board does not provide information about the economy of the individual district veterinary stations. After a comprehensive registration process of your own business and subsequent log-in onto the Board of Agriculture's website, you can examine the terms and conditions for submitting a tender. It states there that the district veterinary organisation's tender for their own organisation is calculated by the Board of Agriculture's customer department, and therefore the tender cannot be influenced by the district veterinary organisation. As the basis for the calculation, the customer department has access to the district veterinary station's revenue and expenditure, while private veterinarians have to content themselves with information about the number of transactions for horses, small animals and livestock farming animals during the on-call period. We question how competition can increase when a private veterinary covers for part of the on-call period in a company that is otherwise served by 4-5 and in exceptional cases by up to 10 government veterinarians. The Board of Agriculture benefits from its dominant position in the on-call service, but would probably like to see some relief in the on-call service in order to make its services more attractive for prospective veterinarians. As is evident in the Board of Agriculture's marketing, so much emphasis is placed on operations being around-the-clock, that any alternative with a comprehensive sell-off does not appear credible, (see the attached advertisements). In its prospectus, the Board of

Agriculture writes that the district veterinarians today are responsible for on-call service in areas in which there would otherwise be no veterinary service. If the government service were privatised, it would not affect the extent of service as the government quite obviously claims that it is ready to support a private on-call service financially. The savings that the government would like to see would not be delayed, including the costs for a large number of services from the Board of Agriculture that are linked to the district veterinarians. This is a circumstance that certainly will not benefit the private alternative.

Private animal hospitals and the large private clinics are mainly responsible for the qualified on-call service for small animals and horses.

The private animal health organisations have submitted a request to formalise authorisation for veterinary nurses, so that they can work under their own responsibility. There is a college degree for this category of staff, but the number of training places no longer meets the needs by any means. The desire for formalisation was accepted and drawn up in 2010 by the Board of Agriculture in such a way that it is evident that there will be a lack of veterinary nurses when this comes into force in 2015. It will be possible for staff lacking the college qualification to receive their qualification after completing a number of courses and an approved theory exams. For individuals, the cost of the stipulated courses can be estimated at between SEK 80,000 and 100,000. The course literature is comprehensive and the theory exams are demanding. Only around half of them have passed the theoretical exam at the first test. Many of them hesitate therefore, on the grounds of costs and their abilities, in acquiring the theoretical knowledge. The private animal health organisations has approached the Ministry of Agriculture to broach the need for more training places and to put in place reasonable transitional requirements, thereby being able to retain experienced personnel, but has been refused. The on-call service in particular will lack experienced personnel as there are fewer hands to carry this on and those working there have to master a broader field of work. The consequences of this system are clear. There will be a lack of veterinary nurses with authorisation to perform the tasks that have been previously performed under the responsibility of the duty veterinary. Company downsizings, in particular on-call service companies and redundancies are to be expected. We question the insensitive attitude of the Ministry of Agriculture to a professional group of veterinary nurses, and ask with what right the Ministry of Agriculture cites EU regulations for the implementation of these regulations. We also request EU's opinion on whether, under labour laws, it is permitted for the government to establish a regulatory framework that make it impossible, from an economic point of view, for private practitioners to retain their permanent employees. We question the regulatory framework regarding future work as a veterinary nurse, as it is formulated today, and questions it had existed if the Board of Agriculture had not been a player in the market.

The Board of Agriculture is also the supervisory authority for all of veterinarians in Sweden. For the undersigned veterinary organisation, it is totally unacceptable that the authority that issues and retracts the licenses of all vets is, at the same time, our largest competitor.

The issues above create many problems and lead to a loss of confidence in the authority of, and supervision performed by, the Board of Agriculture. The undersigned believe that the commercial activities of the Board of Agriculture must cease and that its supervisory activities are refined.

Requests

“Veterinärer i Sverige”, ViS, request that the European Commission enjoins Sweden to remove the competitive distortion in the veterinary sector.

We also request that the European Commission enjoins Sweden to create an independent supervisory authority, consisting of civil servants who are not in a financially position of dependence to the subject under their supervision. The latter request implies that veterinarians that perform supervisory work will not be permitted to run a veterinary practice. This also includes a request that the European Commission enjoins Sweden to create an independent supervisory authority for veterinarians.

We also request that the European Commission investigates whether the subsidising of a major veterinary organisation, whose primary purpose is to provide cheap veterinary care to the country's livestock producers, should be regarded as an illegal governmental subsidy.

We also request that the European Commission investigates whether the Board of Agriculture, in order to sharpen its competitive edge, is in breach of EU's working hours legislation by avoiding reporting actual worked hours and instead call unreported time as "duty working hours", (förtroendearbetstid).

We request that the European Commission investigates the consequences, both from the perspective of employees and employers of the introduction of new regulations for veterinary nurses.

Ulricehamn, as above

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