

OECD-Hungary Regional Centre for Competition

Annual Activity Report 2005

I. Introduction and organisational setup

The OECD-Hungary Regional Centre for Competition (RCC) was established by the Organisation for Economic Cooperation and Development (OECD) and the Hungarian Competition Authority (Gazdasági Versenyhivatal – GVH) on 16th February 2005 when a Memorandum of Understanding was signed by the parties. The main objective of the RCC is to foster the development of competition policy, competition law and competition culture in the Central, East and South-East European region and thereby to contribute to economic growth and prosperity in the region. The RCC provides capacity building assistance and policy advice through workshops, seminars and training programmes on competition law and policy for officials in competition enforcement agencies and other parts of government, sector regulators, judges and others. The RCC also works to strengthen competition law and policy in Hungary and the GVH itself.

According to the Memorandum of Understanding, major decisions on the activities and work of the Centre are made jointly by the OECD and the GVH. The parties meet on an annual basis to review the operation of the RCC.

II. Overview of 2005 Activities

Although 2005 was the start-up year for the RCC, it succeeded in organising a very rich programme of events on various competition topics and for a wide range of audiences involved in competition policy matters. During the year, the RCC conducted a total of 9 events which focused on some of the most important core competences of competition authorities as well as best practices in the area of competition law. In this regard, the RCC delivered seminars, inter alia, on merger analysis and procedure, buyer power and sales below cost as well as on abuse of dominance. In the area of advocacy, the high level opening conference of the RCC in September helped to promote competition culture among the political and business society in Hungary and the RCC's other involved countries. A further landmark event in 2005 was a seminar for European Competition Law Judges on Article 82 of the EC Treaty (abuse of dominance).

The RCC's programmes are designed primarily for competition officials directly involved in the investigation and handling of cases. In all, 312 people attended events in Budapest in 2005 either in the capacity of an expert or as a participant. Moreover, through the RCC's core events (excluding the ceremonial opening conference) it delivered over 168 person-days of capacity building.¹ Experts from 11 and participants from 17 countries attended the RCC's programmes coming from Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, FYR of Macedonia, Georgia, Hungary, Moldova, Poland, Romania, Russian Federation, Serbia and Montenegro, Slovakia, Slovenia, Ukraine (participants); EU (European Commission), US, UK, Ireland, Austria, Netherlands, Norway, Italy, Sweden and Turkey (experts).

II. Detailed Review of 2005 Activities

During 2005, the RCC conducted 9 events of which 2 were GVH staff training seminars, and 7 were seminars or conferences for an international audience from Central, Eastern and South-East Europe.

¹ Person-days are defined as the number of days a person attended a RCC seminar. Thus, if 10 people attended a course for 5 days and 4 people attended a course for 3 days the number of person days of support delivered is 62 (10*5 + 4*3 = 62).

1. Events and Capacity Building Seminars

Table I provides an overview on the topics of the seminars held in 2005 as well as the attending countries. There were two events specifically targeted at countries from the SEE region, one for CIS countries and the remainder for a mixed audience. The additional event for the SEE region is due to co-funding which was made available by the European Commission for this target region.

Table I. Summary of Activities 2005

Event Topic	Date	Total Number of Experts and Participants	Attending Countries
Merger analysis and procedure	28 February – 2 March	28	Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR of Macedonia, Hungary, Romania, Serbia, Montenegro Experts: EU (European Commission), US, Hungary, OECD
Buyer power and sales below cost (CECI ²)	21 April	22	Hungary, Poland, Slovakia, Slovenia Experts: Austria, UK, Ireland, Netherlands, OECD
Buyer power and sales below cost	22 April	31	Hungary Experts: UK, OECD
Abuse of dominance	7-10 June	18	Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russian Federation, Ukraine Experts: Norway, Hungary, Italy, OECD
Opening Conference of the RCC	26 September	85	RCC involved countries, representatives of business, politics, academia and media in Hungary Experts: Hungary, OECD, EU (European Commission)
Seminar for European Competition Law Judges on Art. 82 EC	18-19 November	84	Judges from EC member states, Bulgaria and Switzerland Experts: UK, Hungary, EU (European Commission), OECD
Agency efficiency and priorities	5-7 December	24	Albania, Bulgaria, Croatia, FYR of Macedonia, Romania, Montenegro Experts: Sweden, OECD, Slovenia, Turkey

a) Merger Analysis and Procedure (28 February – 2 March)

This workshop organised for authorities from South-East Europe focused on merger enforcement procedures and techniques. The programme combined practice-oriented lectures by experts on merger control law, the review of a hypothetical case based on realistic documentation and the discussion of merger cases dealt with by the participating agencies in their practice. This format proved to be very successful in fostering discussions and practical exercises in a very interactive atmosphere.

² The Central European Competition Initiative is a forum for co-operation in competition matters established by Central European competition authorities in 2003. Participating countries: Poland, Czech Republic, Slovak Republic, Slovenia, Hungary and Austria.

b) Buyer power and sales below cost (21 April)

This seminar was organised in the framework of the Central European Competition Initiative (CECI). It aimed at enabling participants from Central European agencies to become acquainted with the theoretical background of sales below cost and buyer power, and to exchange views on this issue. The topicality of the workshop was provided by the legislative process linked to the preparation of the Hungarian Trade Act. The objective of the workshop included familiarising the participants with the rich experience of the UK Office of Fair Trading on the topic.

c) Buyer power and sales below cost (22 April)

This event was designed to address members of the Hungarian public administrative bodies as well as experts from the Hungarian political groups of the parliamentary parties, such as the Hungarian Socialist Party, the Ministry of Finance, the Prime Minister's Office, FIDESZ Hungarian Civic Union, the Ministry of Agriculture and Regional Development, the Ministry of Justice and the Ministry of Economy and Transport on the topic. Its main objective was to discuss the issues of sales below cost on the occasion of a planned amendment of the Hungarian Trade Act in that respect.

d) Abuse of dominance (7-10 June)

This workshop organised for Commonwealth of Independent States countries dealt with enforcement issues related to abusive practices employed by dominant undertakings, which is one of the three main pillars of competition enforcement. The programme consisted of interactive discussions of cases presented by the participants, as well as expert lectures on various key concepts in this policy area such as access to essential facilities, excessive pricing, tying and appropriate remedies to abusive conduct.

e) RCC Opening Conference (26 September)

The opening conference was a high level event bringing together the heads of the competition authorities involved in the Centre's activity, the ambassadors of these countries and high ranking representatives of politics, business, academia and the media in Hungary. The topic of the conference focused on "Competition policy and economic growth – competition as the main driving force of competitiveness and growth in a dynamic economy". It was designed as an advocacy event to illustrate that fierce competition and rigorous competition policy increases competitiveness instead of weakening it, and thus serves general objectives of economic policies such as economic growth and employment. High level speakers at the event included the Hungarian Prime Minister, the Deputy Secretary General of the OECD as well as the Chief Competition Economist of the European Commission.

f) Seminar for European Competition Law Judges (18-19 November)

This seminar, which was hosted by the RCC, and largely financed by the European Commission, was attended by more than 70 judges from 24 European countries. The objective of the seminar was to provide judges with opportunities to improve their understanding of competition law and economics, and to discuss with fellow judges and competition experts current issues in European competition law. The discussions covered current topics and trends in the enforcement of Article 82 of the EC Treaty (prohibition of abuse of dominance) and equivalent provisions in national laws. An important goal of the

event was to encourage judges to consider Article 82 issues from a legal *and* an economic perspective, and to understand how economic principles can inform the application of legal rules.

To achieve this goal, the seminar started with introductory lectures on the general legal framework of Art. 82, the economic context of abuse of dominance as well as the notion of competition on the merits. The following two main sessions of panel presentations and discussions addressed exclusionary and exploitative types of abusive behaviour. These topics were complemented on the second day by discussions on practices of refusals to deal, as well as a session on the Commission's reform discussion in the field of Art. 82. Further to panel presentations and discussions with question-and-answer sessions, the programme included very interactive case discussions in smaller breakout groups moderated by panel experts.

g) Agency efficiency and priority setting (Annual SEECAN meeting, 5-7 December)

This workshop was organised in the framework of the South-East European Competition Agencies Network, and dealt with the core features of an efficient and effective competition agency. Following expert lectures these issues were deepened in working groups where participants were asked to formulate three core reform objectives for 2006 for their authority, to be reviewed at next year's Annual Meeting. Furthermore, participants and the panel discussed major developments in competition policy and enforcement practice in the region, on the basis of country reports and case studies presented by the participating countries.

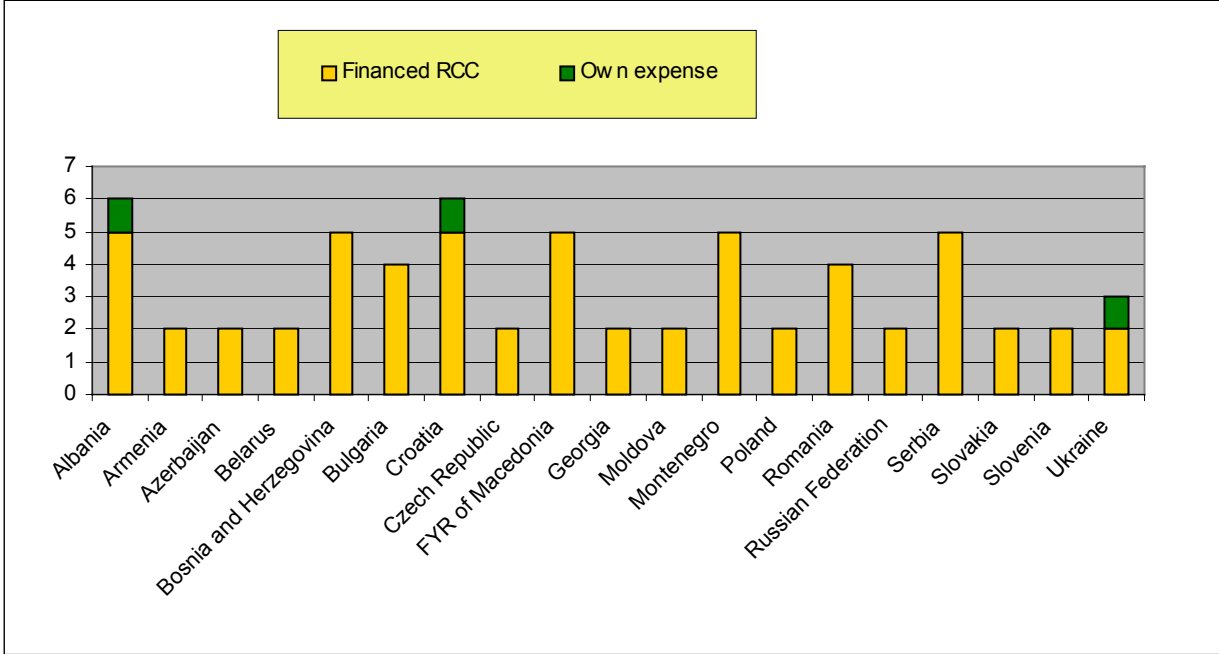
Table II. Number of Experts or Participants and Events Attended

Country	Number of Experts and Participants	Person-Days	Events Attended
Albania	6	18	2
Armenia	1	4	1
Azerbaijan	2	8	1
Belarus	2	8	1
Bosnia and Herzegovina	3	9	1
Bulgaria	4	12	2
Croatia	6	18	2
FYR of Macedonia	5	15	2
Georgia	2	8	1
Moldova	2	8	1
Montenegro	5	15	2
Poland	1	1	1
Romania	4	12	2
Russian Federation	2	8	1
Serbia	3	9	1
Slovakia	1	1	1
Slovenia	2	2	1
Ukraine	3	12	1
TOTAL	54	168	

Table II gives an overview on the number of participants at the seminars. This summary does not include the Opening Conference of the RCC, which was a high level ceremonial event. Taking into account the different number of country specific events, participation per country is spread fairly evenly among the RCC's involved countries.

Chart 1 gives an overview of the number of participants per country and to what extent participants were financed by the RCC or the sending country. The RCC typically offers funding for at least 2 delegates per invited country per event. As can be seen below, some countries sent additional participants at their own expense, while others were not always able to take up the RCC's invitation.

Chart 1: Total number of participants per country attending events in 2005



2. GVH Seminars

During 2005, the RCC provided intensive training to the GVH in the area of applied econometrics through two seminars for GVH staff. Each of these events focused at a high level on empirical techniques such as merger simulation programs. In all, 15 officials from the GVH participated in these programs. Table III summarises this part of the RCC's activities.

Table III. Summary of GVH Training Seminars 2005

Event Name	Date	Participants from GVH
Applied econometrics I	25 October	8
Applied econometrics II	7 December	7

III. Evaluation of RCC Seminars

Feedback from participants confirmed that the programmes were highly relevant and useful for strengthening competition policy and enforcement in the involved countries of the Centre. In January 2006 the Competition Division at the OECD conducted an evaluation of all its work in non-member countries in 2005. Countries were asked to rank the usefulness of each capacity building seminar, including those held by the RCC. Responses to that survey indicate that OECD capacity building seminars are highly valued. As regards the events held by the RCC, on average 58% of the respondents rank the perceived usefulness of the event for the work of the authority as "very high", the highest rank on a scale of 5, the remainder choosing the second highest rank.

The following observation was made in reply to the survey on an RCC event and illustrates the impact of the RCC’s work:

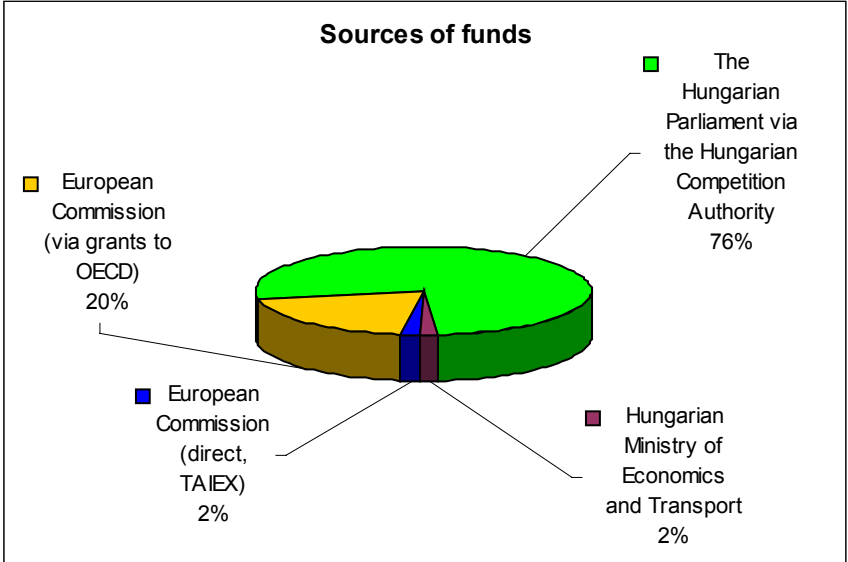
“A useful example is the SEE seminar in December 2005. There the efficiency and effectiveness of competition authorities were in the focus. Concretely, [our] Competition Agency has not so far developed a comprehensive strategy on Agency’s development/activities, but following the discussion with OECD experts in Budapest, a team of Agency’s experts is now developing an Action Plan with priorities to be set for 2006. This is an example of a very practical input from a seminar and a good and concrete result in Agency’s work”

The RCC also asked participants about their priority topics which they would like to be covered in future capacity building events. Respondents expressed a strong interest in seminars on investigating hard core cartels, abuse of dominance, regulated sectors and restrictive agreements. These suggestions have been and will be taken into account in the development of the RCC’s programmes for 2006 and beyond.

IV. Budget

Sources of funds (EUR)	
The Hungarian Parliament via the Hungarian Competition Authority	400 000
Hungarian Ministry of Economics and Transport	9 447
European Commission (direct, TAIEX)	9 981
European Commission (via grants to OECD)	104 831
Total funds	524 259

Chart 1



The RCC had an allocated budget for 2005 of 524 259 EUR. This includes funds made available by the Hungarian government for the operation of the RCC as well as contributions from third party donors such as the European Commission, the Hungarian Ministry of Economics and Transport and the TAIEX.

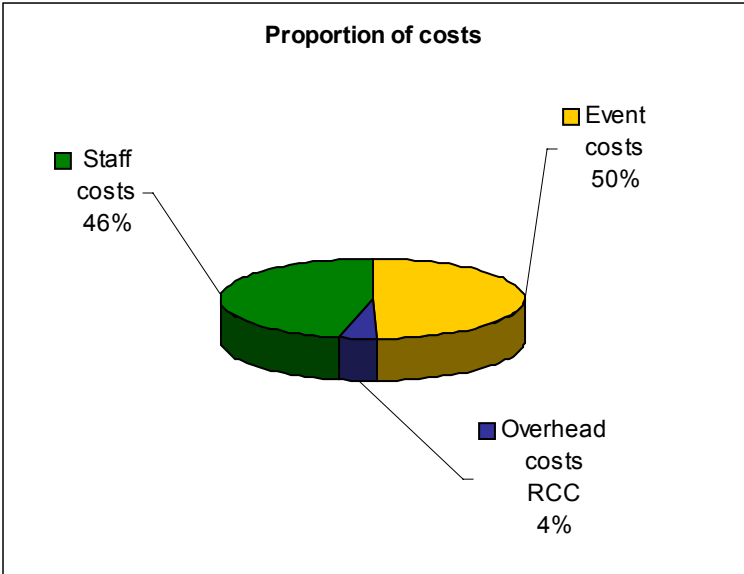
The following tables and charts provide details on the total costs of operation of the RCC in 2005 by event and major categories of costs.

Breakdown Total Expenses (EUR)	
A) Non-staff costs	
I. Workshop on merger analysis and procedure (Co-funded by OECD on the basis of a grant from the European Commission)	69 479
II + III. Seminars on buyer power and sale below cost (Co-funded by the European Commission (TAIEX))	15 239
IV. Seminar on Abuse of a dominance	37 016
V. Opening conference of the Centre (Co-funded by the Hungarian Ministry of Economics and Transport)	46 260
VI. GVH Staff training October	1 957
VII. European judges seminar (Co-funding from OECD on the basis of a grant from the European Commission)	54 291
VIII. Annual Meeting of the SEE Competition Authorities Network	21 087
IX. GVH Staff training December	1 343
Total non-staff costs	246 672
B) Overhead costs RCC	21 405
C) Dedicated staff costs	
Staff costs transferred by the GVH to OECD Paris (see comment 1)	200 000
Staff costs at the GVH	30 927
Total staff costs	230 927
TOTAL EXPENSES 2005	499 004

Total costs of operation of the RCC in 2005 were 499 004 EUR. The positive difference between the allocated budget and the costs of operation was 25 255 EUR. The lower expenses were mainly due to good conditions in financing accommodation and conference facilities. Remaining funds were carried over to 2006.

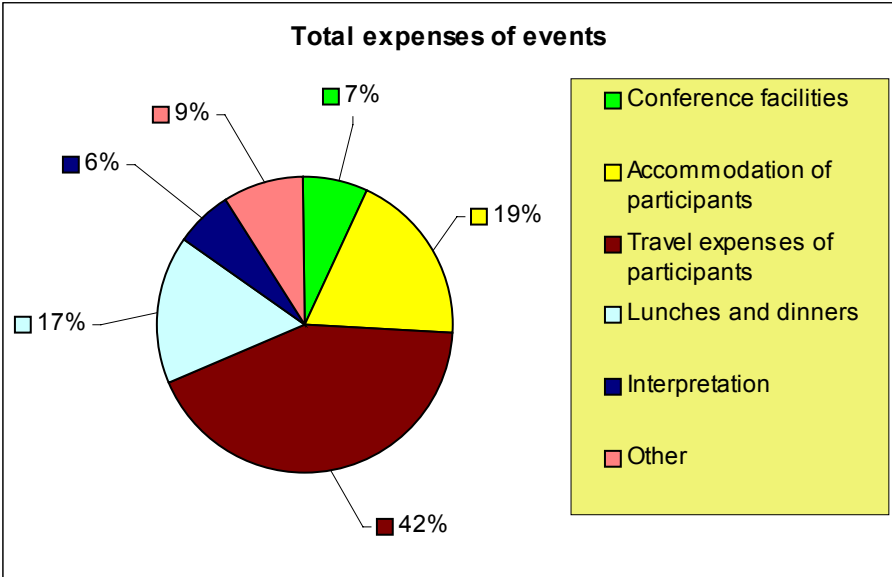
Comment 1: On the basis of the Memorandum of Understanding, the Hungarian Competition Authority made a contribution to the OECD of 200 000 EUR (50 307 410 HUF, converted into EUR on the basis of inter bank rate on 30/12/2005.) for staff-related purposes. The total amount of the staff costs at the OECD in Paris was also only partially used (143 319 EUR), and the remaining amount (56 710 EUR) was carried over to 2006.

Chart 2



Total event costs: Breakdown main categories of expenses (EUR)	
Conference facilities	17 506
Accommodation of participants	46 712
Travel expenses of participants	104 188
Lunches and dinners	40 795
Interpretation	15 647
Other	21 825
Total expenses events	246 672

Chart 3



V. RCC Dedicated Staff

Mrs. Emese Borza (in the GVH) has responsibility for organising the events. She was working only part-time on the RCC until August 2005. Other staff of the GVH also assist with the work of the RCC on a part-time basis.

Mr. Michael König (OECD Principal Administrator) based in Paris, is responsible for the development and delivery of the RCC programme (since September 2005). He is assisted by an administrative assistant on a part-time basis.