

## OECD-HUNGARY REGIONAL CENTRE FOR COMPETITION IN BUDAPEST

Annual Activity Report, 2007



## I. INTRODUCTION AND ORGANISATIONAL SETUP



The OECD-Hungary Regional Centre for Competition in Budapest (RCC) was established by the Gazdasági Versenyhivatal (GVH, Hungarian Competition Authority) and the Organisation for Economic Co-operation and Development (OECD) 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 East, South-East and Central 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, and judges. The RCC also works to strengthen competition law and policy in Hungary and the GVH itself.

The RCC's work focuses on four main target groups. The first set of countries involved in the framework of the RCC are the Eastern European countries and that of the region of South-East Europe, namely Albania, Armenia, Azerbaijan, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Georgia, Macedonia, Moldova, Montenegro, Romania, the Russian Federation, Serbia and Ukraine. These countries share the history of having a centrally planned economy and the RCC aims to help them in their pursuit of building a market economy where markets work well for consumers. Countries in Eastern and Central Europe are all engaged in the development of their competition laws and policies, but have reached very different stages along this path. As a consequence, the needs for capacity building among European non-member countries differ, which calls for a broad approach in the competition outreach work. Major capacity building needs in Eastern and Central Europe include (a) enhancing the analytical skills in competition law enforcement, (b) raising the awareness of the judiciary of the specific characteristics of competition law adjudication, (c) approaches in pro-competitive reform of infrastructure sectors, (d) competition advocacy, (e) relations between competition authorities and sector regulatory agencies, (f) legal and institutional reform in the competition area, and (e) building international co-operation and networking.

The second group of beneficiaries in the work of the RCC are the countries which belong to the Central European Competition Initiative (CECI). The Initiative is a forum for co-operation in competition matters established by Central European competition authorities in 2003. It is a network type inter-agency (not inter-state) co-operation existing especially via workshops and informal meetings. Participating countries of this project are Poland, Czech Republic, Slovak Republic, Slovenia and Hungary. Austria is a permanent participant. The countries involved all belong to the same geographic region, share fundamentally similar cultural traditions and historical experience and more or less are in the same stage of development. As a result, their competition authorities are facing several common challenges and difficulties. Another consequence is that from time to time these authorities have to deal with markets which are regional, overlapping or are connected to each other, as well as having to deal sometimes with the same set of clients (the same companies within the region).

The third beneficiary of the RCC's work is the GVH itself. The RCC organises training for the GVH's staff on a yearly basis in different topics of competition policy and competition law. The agenda of these workshops are related to ongoing projects or hot issues, and provide an excellent opportunity for staff to learn about state-of-the-art antitrust theory and enforcement practice.



Judges represent the fourth target group of the RCC's framework. Seminars offered to judges give judiciaries an opportunity to improve their understanding of competition law and economics, exchange views on the latest developments in EU competition law, and discuss key challenges from the judicial perspective arising in competition law cases. These seminars are organised jointly by the RCC and the Competition Division of the OECD, in co-operation with the Association of European Competition Law Judges (AECLJ).

Concerning the functioning of the RCC, the Memorandum of Understanding of the RCC provides that major decisions on the activities and work are made jointly by the GVH and the OECD. For this purpose, the parties meet on an annual basis to review the operation and performance of the RCC, to prepare the annual plan and budget statements.

Regarding the financing of the RCC, the GVH is responsible for providing most of the necessary funding for the functioning of the RCC and also for making an annual voluntary contribution to the OECD for costs associated with the staff positions in Paris. The OECD helps itself to co-finance the RCC's operation and activities. In addition to this, both the GVH and the OECD co-operate in efforts to raise additional financial support for the RCC from third parties.

## II. OVERVIEW OF THE ACTIVITIES OF THE YEAR 2007

The year 2007 was the third year in the RCC's activity. In 2007, similarly to the previous years' experience, the RCC offered a great number of topics and programmes. The RCC organised a total of seven 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 2007, the RCC continued its two successful initiatives: the seminar on competition for European judges on the one hand, and on the other the workshop with special focus on the interface between competition policy and sector regulation. In 2007, the RCC invited – taking into account all its events – altogether 158 participants and 51 speakers.

Moreover, through the RCC's core events, it delivered over 678 person-days of capacity building.<sup>1</sup> All in all, experts from 17 countries and participants from 21 countries attended the RCC's programmes coming from Albania, Armenia, Austria, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, FYR of Macedonia, Georgia, Hungary, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, the Russian Federation and Ukraine (participants); Austria, EU (European Commission), France, Germany, Hungary, Ireland, Israel, Italy, Norway, Portugal, Spain, Sweden, United Kingdom, United States of America, GVH and OECD (panel members).

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<sup>1</sup> 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 ( $10 \times 5 + 4 \times 3 = 62$ ).

### III. DETAILED REVIEW OF THE ACTIVITIES OF THE YEAR 2007

The RCC delivers two types of seminars: intermediate and upper level courses for the competition authorities of the involved countries. Among the seven events organised by the RCC in 2007 one dealt with merger issues focusing on vertical and conglomerate scenarios on an intermediate level. Another intermediate level seminar's main issue was cartels and agreements. One upper course was held in the topic of abuse of dominance. The workshop on competition policy and enforcement in regulated sectors focused on the electricity market, also on upper level.

The RCC holds workshops for the two other target groups: the judges and the countries of the Central European Competition Initiative (CECI). The European Judges seminar was organised for a different audience than in the previous two years. In 2007, competition judges from South Eastern European countries were invited to the workshop, from new EU member countries, from applicant countries and other countries in South East Europe. The CECI seminar aimed at going through the topic of regional electricity markets with the participation of colleagues coming from both regulatory and competition authorities.

Table N°1 provides a brief overview of the topics of the seminars held in 2007 as well as the attending countries.

**Table N°1 Summary of Activities 2007**

Event Topic	Date	Total Number of Panel Members and Participants	Attending Countries/Institutions
Seminar on merger control with a focus on vertical and conglomerate scenarios (intermediate level)	12-16 February	22	Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, FYR of Macedonia, Montenegro, Romania, Russian Federation, Ukraine Panel members: EU Commission, GVH, OECD, US
Topics in competition policy: mergers and acquisitions, abuse of dominance, vertical restraints, cartels and horizontal agreements, other issues	16-27 April	43	Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Estonia, FYR of Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Romania, Russian Federation, Serbia, Ukraine Panel members: EU Commission, Germany, Italy, GVH, OECD, UK, US
Competition Workshop on Anti-cartel Enforcement and Restrictive Agreements (intermediate level)	21-25 May	18	Albania, Azerbaijan, Belarus, Bulgaria, Croatia, Georgia, Russian Federation, Serbia, Ukraine Panel members: Ireland, Israel, GVH, OECD
CECI seminar Regional Electricity Market – Opportunities and Challenges	27-28 September	22	Austria, Czech Republic, GVH, Hungary, Poland, Slovakia, Slovenia Panel members: Austria, EU Commission, Hungary, Norway, Sweden

Event Topic	Date	Total Number of Panel Members and Participants	Attending Countries/Institutions
Competition policy and enforcement in regulated sectors (upper level)	5-8 November	39	Albania, Belarus, Bosnia and Herzegovina, FYR of Macedonia, Georgia, Moldova, Russian Federation, Serbia, Ukraine Panel members: Austria, GVH, Hungary, OECD, Portugal, Spain
European judges seminar	30 November – 01 December	37	Albania, Bosnia and Herzegovina, Bulgaria, Czech Republic, Croatia, Estonia, FYR of Macedonia, Hungary, Latvia, Montenegro, Poland, Romania, Serbia, Slovenia Panel members: Germany, GVH, OECD, US
Exploitative practices, pricing abuses (upper level)	4-7 December	29	Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Croatia, Moldova, Romania, Russian Federation, Serbia, Ukraine Panel members: Austria, EU Commission, France, GVH, OECD, UK

## 1. Events and Capacity Building Seminars for Eastern- and South-Eastern European Countries

### a) 12-16 February: Seminar on Merger Control with a Focus on Vertical and Conglomerate Scenarios

This intermediate level seminar was organised for all the countries' competition authorities involved in the RCC's work. Altogether fifteen representatives from national competition agencies participated on the event from ten different countries – Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Macedonia, Montenegro, Romania, the Russian Federation and Ukraine.

The programme covered all relevant issues related to merger control enforcement, and dealt particularly with non-horizontal merger scenarios. The topics were discussed during lectures by competition experts from OECD countries and through case studies presented by the participants. The RCC invited each authority to present a case that gave an impression of typical enforcement issues related to merger control enforcement in their national jurisdictions. The participants presented eight case studies and a deep discussion about the national legislation of merger control.



The seminar was chaired by Mr. Michael König from the European Commission (formerly with the OECD). Other panel members were Mr. Mark W. Frankena, Deputy Director for Antitrust at the U.S. Federal Trade Commission, Mrs. Uli Wienrich, Case Handler at DG Competition, Mrs. Dorothy Fountain, Assistant Chief of Litigation II at the U.S. Department of Justice and from the GVH Ms. Zsuzsanna Lenk, Lawyer and Mr. Surd Kováts, Economist. All these guest speakers were present throughout the seminar, making comments, initiating discussions and sharing their own experiences.

The topics covered by the presentations of the panel members could be divided into three main groups:

- General introductions:

The panellists analysed the theories of harm and efficiency considerations in merger cases and delivered in-depth lectures about the theoretical background and analytical methodology of competition enforcement used in merger cases in the EU and the US. Interesting cases were presented from these legislations to make the participants more comfortable with the discussed topics.

- Merger remedies:

Both behavioural remedies and divestitures were introduced and the pros and cons were discussed in detail during the sessions, and a considerable number of cases – including the recent case law from the European courts – were presented.

- Investigation techniques:

According to the feedback from participants, the presentations dealing directly with the investigation techniques were the most appreciated parts of a seminar. Three lectures dealt with this matter particularly, examining the interviews, quantitative tools and written information used during merger cases.

Furthermore, there was a hypothetical merger case worked through during the seminar simulating several stages of a merger investigation. This hypothetical case consisted of many practical exercises and group work in a very active and lively working atmosphere. Two groups were selected from which one represented the competition authority while the other the merger parties. The case was prepared with full particulars concerning the data, however the participants were completely independent to make their own decisions during the investigation and reasoning. The hypothetical case served as a good opportunity to think through the theories of potential harm, efficiency claims, remedies and to practice the meetings between parties and the agency.

## **b) 21-25 May: Competition Workshop on Anti-cartel Enforcement and Restrictive Agreements**

Investigating cartel cases is an important part of every competition authority's practice with many sharp questions. The programme of this seminar covered all relevant issues related to anti-cartel enforcement, and provided an overview of the analysis of non-cartel horizontal and vertical restrictive agreements.

The first three days of the workshop were devoted to anti-cartel enforcement. The fourth day was dedicated to non-cartel agreements. On the last day participants and speakers were given an overview of the work of the GVH, followed by a sightseeing tour of Budapest.

Altogether thirteen participants from Albania, Azerbaijan, Belarus, Bulgaria, Croatia, Georgia, the Russian Federation, Serbia and Ukraine took part in this competition workshop. Five experts were invited to deliver lectures on all possible issues relevant to the general topic of this seminar and to discuss emerging questions and concepts with the participants. The





Department of the Israel Antitrust Authority, Mr. David McFadden, Legal Advisor at the Irish Competition Authority and Mr. Balázs Csépai, Lawyer at the GVH were the three other panel members.

The first presentation given by Mr. Clark introduced the topic, timeliness and importance of the event in an unambiguous way, explaining the definition of cartels and the harm from cartels. He pointed out that the aim of this seminar is no less than to help the participants create and implement an effective anti-cartel programme. Mr. Golan discussed the issue of the development of such a programme, he also spoke about the relevant questions regarding cartels in public procurement and bidding markets.

Mr. McFadden introduced the Irish legislation and used very informative examples while presenting the cartel investigative tools and the powers of the competition authorities. He also gave a presentation about the leniency programmes underlining the differences between leniency and immunity.

Mr. Clark discussed the non-cartel horizontal agreements and the relevant evidence in cartel cases, cartels in public procurement and bidding markets, while Mr. Csépai introduced the different sanction types and also vertical agreements. On the last day the group visited the GVH, where Ms. Andrea Belényi, Secretary-General of the GVH presented the work of the authority and the RCC in detail.

### **c) 5-8 November: Competition Policy and Enforcement in Regulated Sectors**

The RCC organised a workshop on competition policy in regulated markets for thirty-two competition law enforcers and regulators from nine countries of the Eastern European and South-East European region.

The seminar consisted of a series of presentations on key issues related to the liberalisation of electricity markets, the importance of mergers, the creation of regional markets and the interface between competition policy agencies and sector regulators, as well as case studies presented by each participant country. A roundtable discussion followed each presentation.

The experts gave eight presentations during the seminar and they dealt with three major topics:

- Integration and regionalization of electricity markets in the context of the liberalisation process.
- The impact of mergers in the process of liberalisation of electricity markets.
- The interface between competition policy agencies and sector regulators.

The first part of the workshop analysed the importance of regional markets in the liberalisation process, the difficulties they encounter and some of the solutions they provide. During the first day, Mr. João Pearce Azevedo from the OECD, presented specific issues surrounding the electricity markets liberalisation and the relationship between competition

participants themselves presented ten interesting cases from their practice. This type of exchange of experience is particularly useful to foster co-operation and communication between the attendants during the seminar and hopefully beyond the limits of these events. The RCC also organised social programmes in this spirit to create a friendly atmosphere.

The seminar was chaired by Mr. John Clark an OECD consultant. Mr. Boaz Golan, Head of the Legal

authorities and sector regulators during that process. Mr. Péter Kaderják from the Regional Centre for Energy Policy (Regionális Energiagazdasági Kutatóközpont, REKK) of Corvinus University Budapest spoke about the barriers facing regional electricity markets and the key areas for action. Mr. João Lopes, from the Portuguese competition authority described and analysed the construction of the Iberian electricity market and presented the lessons to be learnt from that process.

During the second part of the workshop some expert speakers described and analysed recent mergers in electricity markets, the importance of economic tools in their analysis and their relationship with the overall process of liberalisation of the sector. Mr. Eric Emch from the OECD presented the case of the Exelon/PSEG electricity merger in the wider context of the US electricity market. He was followed by Mr. Giulio Federico of Charles River Associates who gave a talk about a series of European energy merger cases he worked on (EDP/GDP, Gas Natural/Endesa, GDF/Suez and Essent/Nuon). He also commented on the implications of the Sector Inquiry and the draft European guidelines for the assessment of horizontal and non-horizontal mergers.

Finally, in the last series of sessions the state of liberalisation in some European electricity markets was presented and different types of co-operation between competition authorities and energy regulators were discussed. First, Mr. Lajos Kerekes from the Hungarian Energy Office explained the participants the regulator's perspective on the evolution of the model of co-operation with the competition authority. Later in the day, Mr. István Nagyházi from the GVH, presented the competition authority's perspective on the same topic. Mr. Johannes Mayer from the Energie-Control GmbH, spoke about the type of retail competition in the Austrian electricity market.

#### **d) 4-7 December: Exploitative Practices, Pricing Abuses**

The workshop on abuse of dominance was organised for twenty-two competition law enforcers from eleven countries involved in the RCC's activity. The seminar consisted of a series of presentations on key issues concerning the application of competition law in cases of abuse of dominance, with a general focus on the correct methodology to assess exploitative practices and pricing abuses, as well as case studies presented by each participant country. A roundtable discussion followed each presentation. The seminar focused on two major topics: the contrast between exploitative and exclusionary abuses, and the method of assessing pricing abuses, specifically, predation and excessive pricing abuses.

During the first day, Mr. João Pearce Azevedo from the OECD gave a presentation on the concept of abuse of dominance and how to assess it, with a specific emphasis on the contrasts that exist between different types of abuses, namely exploitative and exclusionary, and the specific difficulties raised by each of them. Mrs. Anne Perrôt from the Conseil de la Concurrence in Paris presented the Glaxo case, where predation by reputation was established by the French competition authority. Mr. László Szakadát, from the GVH gave a talk on the lessons learned about assessing predation, based on his experience with Hungarian cases.

During the second part of the workshop expert speakers presented excessive pricing cases and discussed the correct methodology in analysing these. Mr. João Pearce Azevedo gave a presentation on economic principles in assessing pricing abuses, with a particular emphasis on predatory pricing and excessive pricing abuses. Mr. László Szakadát, based on his experience with Hungarian excessive pricing cases, talked about the lessons learned about assessing excessive pricing abuses. Mr. Rainer Kaltenbrunner from the Bundeswettbewerbsbehörde described the jet-





fuel at Vienna International Airport case, where the Austrian competition authority concluded that OMV refinery was guilty of excessive pricing abuse.

Finally, there was a last series of sessions where the discussion about exploitative abuses was contrasted with the presentation of the Microsoft case that dealt solely with exclusionary abuses. Mr. Peter Lukacs from the OFT illustrated the difficulties in bringing about an excessive pricing case by presenting the UK Appeal Tribunal case of The Horseracing Board Ltd vs. Atheraces Limited. Mr. Thomas Kramler from the

Directorate General for Competition closed the workshop with a special session on one of the most topical EC abuse of dominance cases, recently upheld by the Court of First Instance in Luxembourg: The Microsoft case. This case was particularly interesting for the participants as it helped illustrate how competition authorities can deal with several anticompetitive practices of an exclusionary nature in the course of the same case.

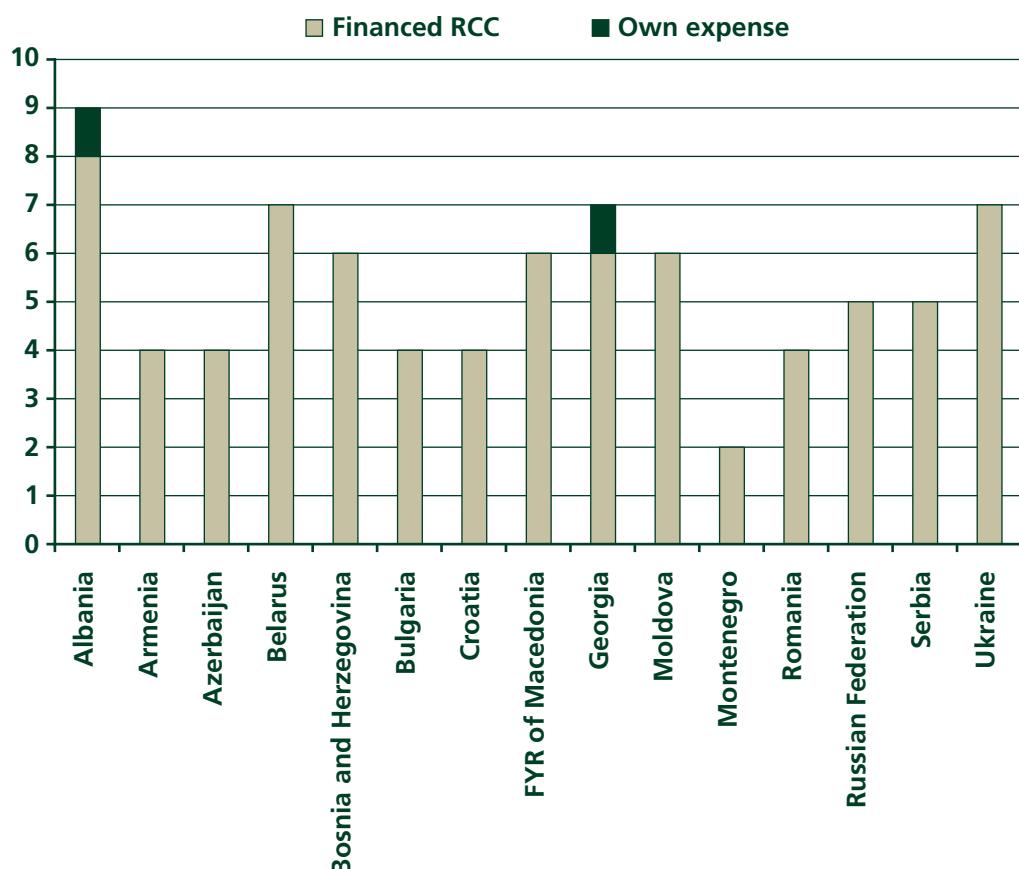
**Table N°2: Number of participants and attended events**

Table N°2 gives an overview of the number of participants at the seminars. This summary focuses on participants coming from the Eastern and South-Eastern European countries.

Country	Number of Participants	Person-Days	Events Attended
Albania	9	30	4
Armenia	4	14	2
Azerbaijan	4	14	3
Belarus	7	23	3
Bosnia and Herzegovina	6	19	2
Bulgaria	4	15	3
Croatia	4	14	2
FYR of Macedonia	6	20	2
Georgia	7	23	2
Moldova	6	18	2
Montenegro	2	8	1
Romania	4	14	2
Russian Federation	5	17	4
Serbia	5	16	3
Ukraine	7	23	4
<b>TOTAL</b>	<b>80</b>	<b>268</b>	

**Chart N°1: Total number of participants per country on the seminars  
for Eastern and South-Eastern European countries**

Chart N°1 gives an overview of the number of participants per country and to what extent participants were financed by the RCC or the sending countries.



## 2. Other Events

### a) 16-27 April: Topics in Competition Policy: Mergers and Acquisitions, Abuse of Dominance, Vertical Restraints, Cartels and Horizontal Agreements, and Other Issues

In 2006, the Competition Division of the OECD decided to hold its two-week-long seminar in Budapest, instead of its previous location: Vienna, Austria. The RCC became responsible for the organisation of this meeting. The first two-week seminar in the framework of the RCC was scheduled between 16-27 April 2007 on Topics in Competition Policy. Over the course of the seminar the panel members provided fourteen mini-lectures and thirty two cases were presented from participants of seventeen countries. A feature of the event was that participants from countries previously not involved in RCC seminars for competition authorities were also invited (Estonia, Kazakhstan,





Kyrgyzstan, Latvia, Lithuania and Tajikistan). The seminar was well attended by senior competition authority officials including two vice/deputy chairmen (Albania and Georgia), two deputy heads (Armenia and Latvia) and a large number of heads of territorial offices or directors/heads of department.

For both the first and second week, the expert panel was comprised of current and former competition officials from OECD member countries. In general the panellists were highly appreciated by the participants. Participants valued their long experience and objectivity in discussing cases. Chair of the entire

event was Mr. Kenneth Danger from the OECD, who previously managed the work of the OECD-Korea Regional Centre for Competition and is now responsible for the two-week-seminars in Budapest. The first week's panel was composed of Mrs. Sabine Zigelski from the Bundeskartellamt, Mr. David Elliot from Price Waterhouse Coopers, Mr. Theodore Gebhard from the US Fair Trade Commission and Mr. László Szakadát from the GVH. During the second week, the expert panel included Mrs. Glykeria Demataki from the European Commission, Mrs. Alessandra Tonazzi from the Italian Competition Authority, Mr. Jonathan Epstein from the US Department of Justice and Mr. Csaba Kovács from the GVH.

The seminar covered the three basic cornerstone topics that antitrust regulators face: cartels, mergers and abuse of dominance. The seminar was built around actual cases from transition countries. Abuse cases figured prominently during the seminar as half of the cases were devoted towards this topic. Of the remaining cases, twelve focused on cartels and four focused on merger related issues. The lectures by the experts covered from relatively elementary analysis to issues at the cutting edge of antitrust and upon which there was considerable debate.

There were seven presentations by experts during the abuse of dominance portion of the seminar. Mr. László Szakadát held an introductory and comprehensive presentation on this topic, Mr. Kenneth Danger gave a presentation on Assessing Market Power in Dominance Cases with many example cases. Mr. David Elliott in one of his mini-lectures identified characteristics of a good that enabled a strong case to be made that a vertical restriction improved consumer welfare, and gave another presentation in this topic as well, on Testing for Abuse of Dominance. Mr. Csaba Kovács held a presentation on Excessive Pricing and Other Pricing Practices by Dominant Firms and he spoke in his second presentation about the special issues of a specific part of the market, the postal sector. Due to the nature of the topic of this part of the seminar, both experts and participants engaged in a spirited debate during the abuse of dominance part of the event. Ultimately, participants felt that this kind of debate led toward a deeper understanding of the key issues within a given case.

During the cartel section of the seminar there were five presentations by experts. Mr. Kenneth Danger gave a mini-lecture on Proving a Cartel without Direct Evidence. Mr. Jonathan Epstein's first presentation focused on the goals of outreach efforts by the USDOJ, highlighting not just the usual list of targets by competition authorities for outreach efforts but also methods of outreach, best practices for press releases, and best practices for counselling procurement officials. In Mr. Epstein's second presentation, he dealt with obstruction of justice and other crimes that are often committed by cartel members. Mrs. Glykeria Demataki examined the most important issues related to cartels and trade association. Mrs. Alessandra Tonazzi gave a presentation on Cartels Disguised as Joint Ventures. The cartel cases broke down into those cases where there was explicit evidence and those where there was none. Indeed, a significant fraction of the cases did not have explicit evidence. For example case studies from Lithuania and Russia as well as Ukraine did not have explicit evidence about the existence of a cartel.

For the merger portion of the seminar there were two presentations. Mrs. Sabine Zigelski gave a mini-lecture entitled The Main Elements of Merger Analysis, while Mr. Danger's presentation dealt with assigning market shares in a large number of different situations ranging from homogeneous goods to heterogeneous goods to licensing issues. Not surprisingly, few merger cases were presented as there is often little enforcement activity in this area relative to other areas.

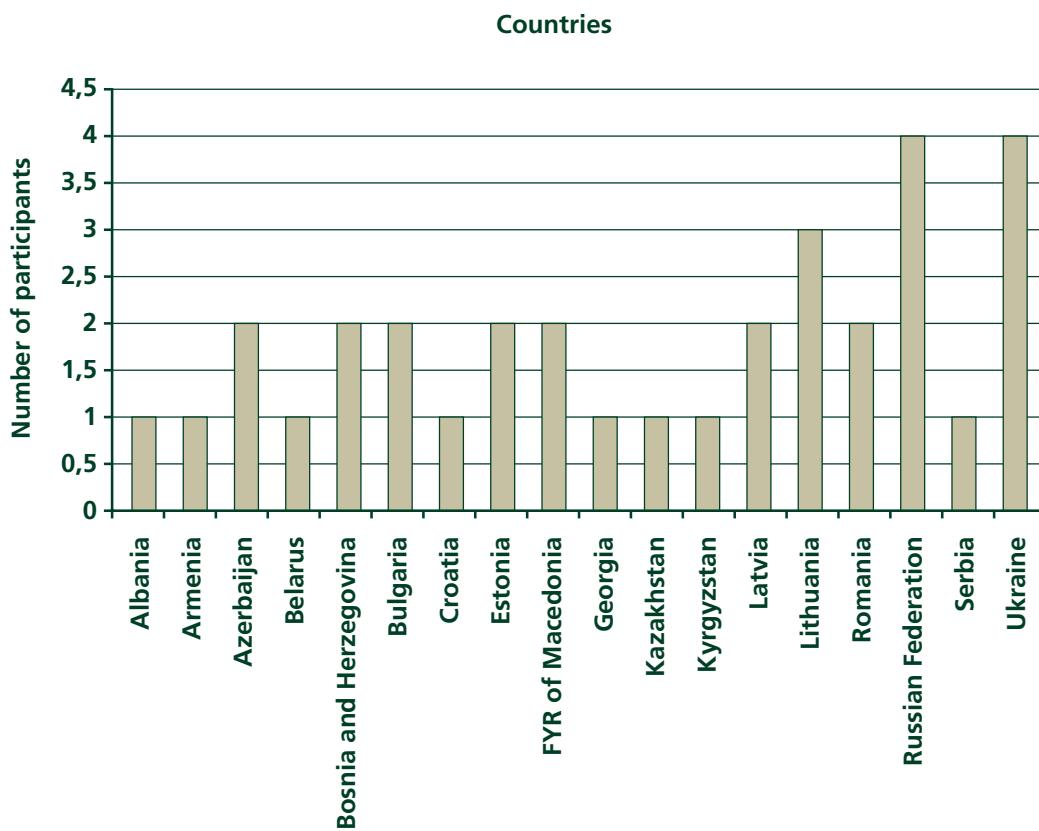
Evaluations from the seminar indicated that it was highly useful to the seminar participants. Attendance was excellent over the two weeks, and participants actively contributed to the discussion. Participants were particularly pleased to see a large number of high quality presentations on difficult issues from experts. Participants also found the case studies to be particularly useful to their own work as a large number of cases were closely and critically examined during the seminar.



**Table N°3: Number of participants on the Topics in Competition Policy seminar**

Table N°3 gives an overview of the number of participants at the Seminar on the Topics in Competition Policy.

Country	Number of Participants	Person-Days
Albania	1	10
Armenia	1	10
Azerbaijan	2	20
Belarus	1	10
Bosnia and Herzegovina	2	10
Bulgaria	2	20
Croatia	1	10
Estonia	2	20
FYR of Macedonia	2	20
Georgia	1	10
Kazakhstan	1	10
Kyrgyzstan	1	10
Latvia	2	20
Lithuania	3	30
Romania	2	20
Russian Federation	4	40
Serbia	1	10
Ukraine	4	40
<b>TOTAL</b>	<b>33</b>	<b>320</b>

**Chart N°2: Total number of participants per country on the Topics in Competition Policy seminar**

### b) 27-28 September: CECI seminar on Regional Electricity Market – Opportunities and Challenges

The RCC in co-operation with the GVH and the Technical Assistance and Information Exchange (TAIEX) arranged this year's Central European Competition Initiative Seminar about regional electricity markets. The RCC invited colleagues from both regulatory and competition authorities to this seminar, which focused mainly on the benefits of and the obstacles for establishing a regional electricity market in Central Europe.

The seminar was based on three substantive pillars:

- The experience of the Nordic electricity market (NordPool – so far the only existing and well working regional electricity market within the Community).
- Recent extended research carried out by the Regional Centre for Energy Policy Research (Regionális Energiagazdasági Kutatóközpont, REKK) of Corvinus University Budapest on the benefits of and the obstacles to establishing a regional electricity market in Central Europe.
- The Central European aspects of the Electricity Regional Initiative of the ERGEG (plans, and experiences from the first steps).

Apart from the above pillars, the programme included a fourth element: CECI participants shared their experiences and ideas in the form of a tour de table instead of longer presentations or detailed case studies. Well before the event a detailed question-list was sent out to all participants in connection with this programme point in order to facilitate reasoning and to promote a possible structure to the discussion.

Mr. Alexander Gee, case handler of the Directorate General for Competition, Unit B-1 (Energy) acted as chairman of the event. He expressed the Commission's view on some important elements of the regional markets and its relationship with competition issues.

The first presentation was given by Mr. Péter Kaderják, Director of REKK about barriers and key areas for further actions of a regional electricity market. The second speaker was Mrs. Marit Lundteigen Fossdal, director of the Norwegian Energy Regulatory Authority. In her presentation she highlighted the development of the Nordic market from an economic historical aspect. Above this, she drafted the most important rules of the market. The first day's closing presentation was given by Mr. András Kiss, member of the REKK. His presentation showed their economic model, in which they had estimated the benefits and efficiencies of a regional Central European market. The results of this market modelling gave a demonstrative picture about the possible benefits, and the audience acknowledged its most important advantage: it gave specific numbers, not only theoretical arguments for regionalisation.



The first presentation of the second day was given by Mr. Thomas Sundqvist, economist of the Swedish competition authority. In the presentation the audience received a picture about the tasks and roles of a member state's competition authority on a wider geographic market, about typical cases. The closing presentation of the event was given by Mr. Tahir Kapetanovic, vice president of the Austrian E-Control. His presentation covered all the regulatory aspects of ERGEG, the Electricity Regional Initiative and it gave an extensive and impressive exposition of the present and future projects in this field.

The last element of the event consisted of the tour de table discussion. The most important message of this was that all of the participating competition and regulatory authorities must fulfil their tasks properly, because this enhances competition on the national level.

Though it is generally accepted that a regional electricity market would be advantageous to all consumers (both industry and small end-users) in the region, the political will to support the process needs to be strengthened. Under these circumstances boosting cross-border trade, encouraging the entry of new market players and developing competition would require more intense co-operation between national governments. Possibilities and tools of the national competition and regulatory authorities to change this overall picture would be much more effective if the market conditions in the individual countries and in the region were supported by the joint efforts of the national governments.

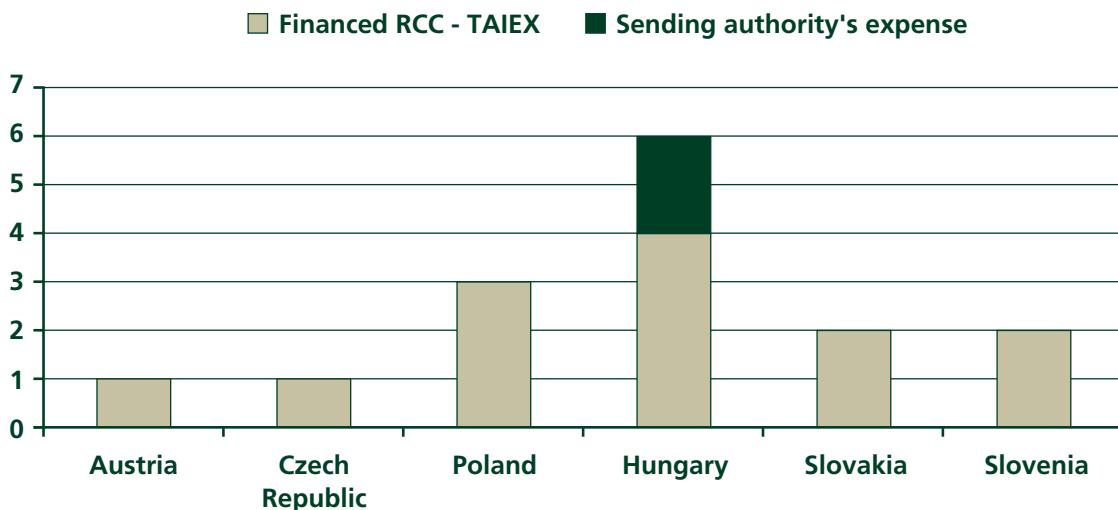
As on overall assessment the conclusion may be drawn that the workshop was successful and reached its aims, namely the exchange of experiences concerning regional electricity market issues and the in-depth discussion of questions relating to it. This event also gave an exceptional possibility to the colleagues of the participating authorities who are dealing with energy cases (on both competition and regulatory sides) to create personal contacts.

**Table N°4: Number of participants by countries – Seminar on Regional Electricity Market**

Country	Number of Participants	Person-Days
Austria	1	2
Czech Republic	1	2
GVH	4	8
Hungary	2	4
Poland	3	6
Slovakia	2	4
Slovenia	2	4
<b>TOTAL</b>	<b>15</b>	<b>30</b>

**Chart N°3: Total number of participants per country - Seminar on Regional Electricity Market**

According to general TAIEX standards, usually two delegates per invited countries can participate at an event co-funded by TAIEX. The GVH was represented by more than two participants on the expense of the RCC.



### c) 30 November –01 December: Seminar in European Competition Law for Competition Law Judges

The RCC and the Competition Division of the OECD jointly organised a two-day seminar for competition law judges from Eastern, South Eastern and Central European countries (new EU member countries, applicant countries and other countries in South East Europe). This kind of seminar training competition judges was the third occasion for the RCC. The seminar was designed to provide an overview of key legal and economic concepts in EC competition law and to give an opportunity to discuss judicial aspects of competition cases and also to exchange different views and learn from other participants' experiences.

Thirty one judges from fifteen countries participated in the event, in many cases representing countries that had not sent participants to the two previous judges events in Budapest. They were about evenly divided between judges from civil and commercial courts and administrative judges who hear appeals from competition authority decisions. A large number of participants had relatively little experience in competition matters, although a few judges came to the seminar with a good understanding of competition law and economics.

The presentations were given by four speakers: Mr. Horst Butz-Solingen, District Court, Duesseldorf, Germany; Mr. Andreas Reindl, Fordham University, New York; Mr. João Pearce Azevedo, OECD and Mr. László Szakadát, GVH. The four speakers also led the discussion in breakout sessions, and served in various functions during the practical exercises.

The agenda was designed to cover basic areas of competition law and economics. Thus, instead of covering few specific topics in greater depth, which had been the approach during the past two judges seminars, this year's programme attempted to provide an overview of all of the most relevant areas for judges. Presentations as well as the discussion of cases in breakout groups focused on horizontal agreements, vertical agreements, and abuse of a dominant position.

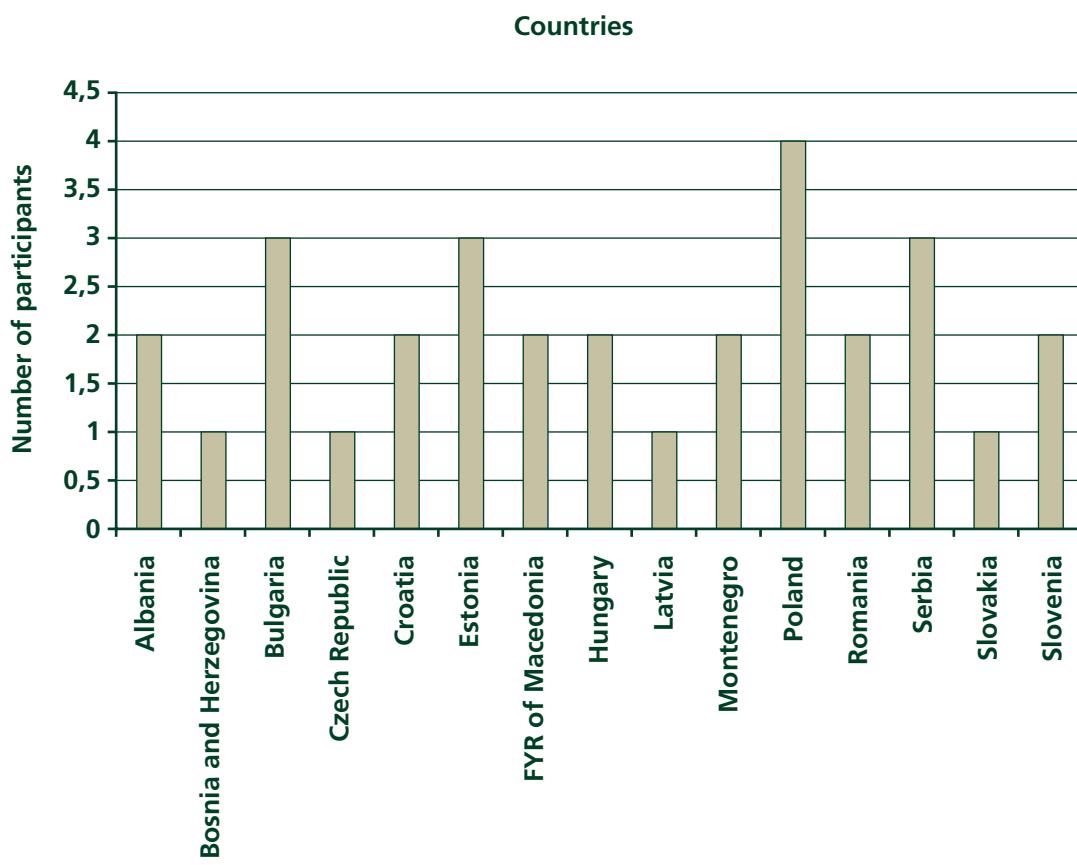


Short breakout sessions on Friday and Saturday were used to discuss the application of some of the concepts mentioned in earlier presentations to hypothetical cases. As usual, the breakout sessions proved to be very popular and all groups reported good participation in discussions. The Saturday afternoon session was used to discuss practical judicial aspects of competition cases, using the Hungarian Judicial Academy's courtroom to work through two hypothetical cases which were modelled after actual German court cases. As expected, the practical programme attracted great interest.

**Table N°5: Number of participants by countries on the European Judges Seminar**

Table N°5 gives an overview of the number of participants at the seminar in European Competition Law for Competition Law Judges.

Country	Number of Participants	Person-Days
Albania	2	4
Bosnia and Herzegovina	1	2
Bulgaria	3	6
Czech Republic	1	2
Croatia	2	4
Estonia	3	6
FYR of Macedonia	2	4
Hungary	2	4
Latvia	1	2
Montenegro	2	4
Poland	4	8
Romania	2	4
Serbia	3	6
Slovakia	1	2
Slovenia	2	4
<b>TOTAL</b>	<b>31</b>	<b>62</b>

**Chart N°4: Total number of participants per country on the European Judges Seminar**

#### d) Donating books

Via the activity of the RCC, Hungary plays an important role in the region as far as training and capacity building are concerned. The National Agency for the Protection of Competition of Moldova (NAPC) turned to the GVH and to the RCC to be supported professionally in the framework of the capacity building. Following this request the Competition Culture Centre of the GVH offered as a contribution to the library of the NAPC a wide range of books representing the most recent theoretical and practical information and knowledge on competition matters.



### 3. Other issues

#### a) Seminar structure

The RCC proposed to apply a modified programme structure for the year 2007. This modified structure took more account of the participants' feedback and was aimed at providing capacity building events as close as possible to the requirements of the countries involved in the work of the RCC. The main features of this new structure are the following:

- The RCC offers the participant countries a full catalogue of seminar topics, from which they can choose and sign in for four topics treated in a year.

- The seminar topics are split into intermediate and upper level courses, which are aimed at an audience of participants with the respective level of experience. The intermediate courses provide an overview of the core issues of competition policy and competition law, and are addressed in particular to young agencies as well as to staff members with less than two years of relevant experience in the competition field. The upper level courses look into certain aspects of a policy area in a more in-depth manner.
- The former division of the seminars for SEE countries and seminars for CIS countries was abandoned. Any participant country can choose to send officials to any seminar offered. All seminars have simultaneous interpretation between the English and Russian languages.

### **b) Training Centre**

The RCC is a virtual centre, thus it operates without separate office accommodation and utilises the staff and premises of the GVH. This virtual existence of the RCC allows it to concentrate funds on the real purpose of its setting-up, that is organising seminars, inviting and training more and more participants. The virtual structure also gives the possibility of an easy adaptation to changing situations.

Seminars and workshops of the RCC are held in conference halls. A novelty of the year 2007 is the move of the seminars into the building of the Hungarian Judicial Academy instead of organising the events in hotels. The new building of the Hungarian Judicial Academy was designed for training-purposes, that is why it provides excellent training facilities (well equipped conference rooms, breakout rooms, court rooms, rooms with computer and free Internet, tennis courts and swimming pools.)

### **c) Communication**

Regarding the communication strategy of the RCC, a comprehensive leaflet was issued in 2007 with the following purposes. The leaflet helps people be informed of the RCC and its activity, and also those who take part receive useful and first-hand information about the seminars, accommodation and other practical issues.

Another element of the communication strategy of the RCC is the presentation of its activity at the Competition Committee's meetings in Paris. At the meeting of 4-7 June 2007, the Committee's outreach programme was discussed. The two regional centres reported on their activity and function to the member-states of the OECD. Ms. Andrea Belényi, Secretary-General of the GVH presented the purposes of the setting up of the RCC, the advantages of its existence, the operation and also the programmes of the previous two years. Some figures and facts and the planned future events were also mentioned.

The new website of the RCC is also a highly useful tool for communication. The website of the RCC ([www.OECDHungaryCompetitionCentre.org](http://www.OECDHungaryCompetitionCentre.org)) was launched at the beginning of 2007. It is an information site from which colleagues of the involved authorities can more easily and effectively be informed about the events organised by the RCC, about its structure, goals and function. The new website provides the ability to communicate more effectively and to download different forms and documents.



## IV. EVALUATION OF RCC SEMINARS



Participants are always asked to provide feedback on RCC seminars in order to be able to maintain and possibly increase the accustomed level of the events. According to this information, participants found that the seminars are able to provide theoretical and practical information highly useful in their day-to-day work and offered a good opportunity to exchange opinions among participants and experts.

Participants welcomed the new location and conference facilities introduced this year, but nevertheless the RCC is committed to increase the number and quality of features provided by the Hungarian Judicial Academy, which hosts the events and guests.

In the third year of its operation the RCC offered various topics to representatives of the participating countries on the highly appreciated level they are now used to. Beyond the regular workshops, the two-week-seminar, introduced this year in the programme of the RCC, was undoubtedly a great success and will be part of the seminar structure in the future.

Verbal comments also reflected the excellent opinion of participants, such as “very useful in my day-to-day work”, “at highest level, all things interesting” or “everything is perfect now and I wish you went on like this”.

Participants have a strong interest in hard-core cartels, abuse of dominance and restrictive agreements – as in the last two years these topics were the most requested. The most expected parts of the seminars are the practical examples and discussions on recent cases. Many participants suggest that the time devoted to these sections should be increased. Expert opinions on country cases and hypothetical cases are also extremely well received.

**Table N°6: Participants' evaluation of events organised by the RCC in the year 2007**

	Distribution of answers				
	Very high	High	Moderate	Low	Very low
Workshop preparations	58%	36%	6%	0%	0%
Quality of conference facilities	63%	34%	4%	0%	0%
Usefulness and quality of materials	52%	42%	6%	0%	0%
Usefulness of hypothetical cases/country contributions/case studies/tour de table	38%	44%	16%	2%	0%
Quality of presentations	50%	44%	6%	0%	0%
Overall usefulness of the topics	40%	52%	7%	1%	0%
Overall usefulness of the event	54%	43%	3%	0%	0%

**Table N°7: Detailed participants' evaluation by events and by categories**

	Total number of chosen ratings					
	Average rating	Very high	High	Mode-rate	Low	Very low
<b>Workshop preparations</b>						
12-16 February Seminar on Merger Control	4,5	8	5	1	0	0
16-27 April Seminar on Topics in Competition Policy	4,8	11	3			
21-25 May, Anti-Cartel Enforcement and Restrictive Agreements	4,8	8	2			
27-28 September, CECI Seminar on Regional Electricity Markets	4,3	2	1	1		
5-8 November, Workshop on Liberalization of Electricity markets	4,5	13	11			
30 November – 1 December, European Judges Seminar	-					
4-7 December, Workshop on Abuse of Dominance	4,2	6	8	3		
<b>Quality of conference facilities</b>						
12-16 February Seminar on Merger Control	4,5	7	7			
16-27 April Seminar on Topics in Competition Policy	4,5	8	5	1		
21-25 May, Anti-Cartel Enforcement and Restrictive Agreements	4,9	9	1			
27-28 September, CECI Seminar on Regional Electricity Markets	4,5	2	2			
5-8 November, Workshop on Liberalization of Electricity markets	4,7	17	6	1		
30 November – 1 December, European Judges Seminar	4,7	14	7			
4-7 December, Workshop on Abuse of Dominance	4,4	8	7	2		
<b>Usefulness and quality of materials</b>						
12-16 February Seminar on Merger Control	4,6	8	6			
16-27 April Seminar on Topics in Competition Policy	4,6	8	6			
21-25 May, Anti-Cartel Enforcement and Restrictive Agreements	4,8	8	2			
27-28 September, CECI Seminar on Regional Electricity Markets	4,5	2	2			
5-8 November, Workshop on Liberalization of Electricity markets	4,4	12	10	2		
30 November – 1 December, European Judges Seminar	4,4	9	12			
4-7 December, Workshop on Abuse of Dominance	4,2	7	6	4		
<b>Usefulness of hypothetical cases/country contributions/case studies/tour de table</b>						
12-16 February Seminar on Merger Control	4,1	5	6	3		
16-27 April Seminar on Topics in Competition Policy	4,2	4	8	1		
21-25 May, Anti-Cartel Enforcement and Restrictive Agreements	4,5	6	3	1		
27-28 September, CECI Seminar on Regional Electricity Markets	4,3	1	3			
5-8 November, Workshop on Liberalization of Electricity markets	4,0	8	10	5	1	
30 November – 1 December, European Judges Seminar	4,5	12	7	2		
4-7 December, Workshop on Abuse of Dominance	3,8	3	9	5	1	

	Total number of chosen ratings					
	Average rating	Very high	High	Mode-rate	Low	Very low
<b>Quality of presentations</b>	4,4	52	46	6	0	0
12-16 February Seminar on Merger Control	4,6	8	6			
16-27 April Seminar on Topics in Competition Policy	4,7	10	4			
21-25 May, Anti-Cartel Enforcement and Restrictive Agreements	4,6	6	4			
27-28 September, CECI Seminar on Regional Electricity Markets	4,8	3	1			
5-8 November, Workshop on Liberalization of Electricity markets	4,5	13	10	1		
30 November – 1 December, European Judges Seminar	4,3	9	10	2		
4-7 December, Workshop on Abuse of Dominance	4,0	3	11	3		

	Average rating	Very high	High	Mode-rate	Low	Very low
<b>Overall usefulness of the topics</b>	4,3	42	54	7	1	0
12-16 February Seminar on Merger Control	4,4	7	6	1		
16-27 April Seminar on Topics in Competition Policy	4,5	8	5	1		
21-25 May, Anti-Cartel Enforcement and Restrictive Agreements	4,6	6	4			
27-28 September, CECI Seminar on Regional Electricity Markets	4,5	2	2			
5-8 November, Workshop on Liberalization of Electricity markets	4,2	9	11	2	1	
30 November – 1 December, European Judges Seminar	4,2	5	16			
4-7 December, Workshop on Abuse of Dominance	4,1	5	10	3		

	Average rating	Very high	High	Mode-rate	Low	Very low
<b>Overall usefulness of the event</b>	4,5	57	45	3	0	0
12-16 February Seminar on Merger Control	4,6	8	6			
16-27 April Seminar on Topics in Competition Policy	4,5	7	7			
21-25 May, Anti-Cartel Enforcement and Restrictive Agreements	4,7	7	3			
27-28 September, CECI Seminar on Regional Electricity Markets	4,5	2	2			
5-8 November, Workshop on Liberalization of Electricity markets	4,5	13	10	1		
30 November – 1 December, European Judges Seminar	4,6	13	8			
4-7 December, Workshop on Abuse of Dominance	4,3	7	9	2		

## V. FINANCIAL AND INTELLECTUAL CONTRIBUTIONS



Ensuring that the RCC operates on the highest level is the task of the founding parties, the GVH and the OECD. This is laid down in the Memorandum of Understanding signed by the parties in 2005 when establishing the RCC. The split between the financial contributions and the intellectual contributions can be seen from the beginning of the RCC. The financial backing is ensured mainly by the GVH, whilst the intellectual basis is provided mainly by the Competition Division of the OECD. In addition, the

accumulated experience and expertise of the OECD members also contributes to these training programmes.

The funding dedicated exclusively to the operation of the RCC appears completely separately in the annual budget of the GVH. This amount is determined on a yearly basis by the Hungarian Parliament when voting the annual budget of the GVH.



**Table N°8: Total number of speakers per country/institution**

Country	Speakers Number	Person-Days
Austria	3	8
European Commission DG Competition	4	14
France	1	3
Germany	2	6
Hungary	4	10
Ireland	1	4
Israel	1	4
Italy	1	5
Norway	1	2
Portugal	1	3
Spain	1	3
Sweden	1	2
United Kingdom	2	8
United States of America	5	19
GVH	8	29
OECD Competition Division	7	28
Aggregate	43	148

The RCC had an allocated budget for 2007 as of 530 000 EUR. This includes funds made available by the Hungarian Parliament and from the co-financing by the OECD. As in previous years, the TAIEX contributed to the CECI seminar by participating in the organisation and allocating funds from their budget for one seminar. It is our understanding that the TAIEX spent an estimated 8 000 EUR for this event.

The following tables provide details on the total costs of operation of the RCC in 2007 by sources of funds, by events and by major categories of costs.

**Table N°9: The sources of funds**

Sources of funds (EUR)	
Gazdasági Versenyhivatal	500 000
OECD	30 000
European Commission (direct, TAIEX)	~8 000
<b>Total funds</b>	<b>538 000</b>

**Table N°10: Breakdown Total Expenses by items**

Breakdown Total Expenses (EUR)	
<b>A) Non-staff costs</b>	
I. Seminar on Merger Control with a focus on vertical and conglomerate scenarios (intermediate level)	19 748
II. Workshop on competition topics for Transition Economies	66 109
III. Seminar on Cartels and Restrictive Agreements (intermediate level)	26 541
IV. CECI seminar - Regional Electricity Market – Opportunities and Challenges (Co-funded by the TAIEX)	~11 358 (see comment 1)
V. Competition policy and enforcement in regulated sectors (upper level)	51 996
VI. Seminar in European Competition Law for Competition Law Judges	18 039
VII. Exploitative practices, pricing abuses (upper level)	26 666
<b>Total non-staff costs</b>	<b>220 457</b>
<b>B) Overhead costs RCC</b>	<b>47 900</b>
<b>C) Dedicated staff costs</b>	
Staff costs transferred by the GVH to OECD Paris (see comment 2)	157 000
Staff costs at the GVH	36 414
<b>Total staff costs</b>	<b>193 414</b>
<b>TOTAL EXPENSES 2007</b>	<b>461 771</b>



Total costs of operation of the RCC in 2007 were 461 771 EUR. The positive difference between the allocated budget and the costs of operation was 76 229 EUR. This can be accounted for by the fact that the spending of the RCC had been planned in advance, the staff of the RCC were careful and paid attention to the economical use of expenditure (i.e.: the lower expenses were mainly due to favourable conditions in financing accommodation and conference facilities.) as well as a staff vacancy in Paris for seven months of the year. Remaining funds were carried over to 2008.

Comment 1: 3 358 EUR from this amount was spent and covered directly by RCC funds, while the additional approximately 8 000 EUR was the contribution of the TAIEX.

Comment 2: On the basis of the Memorandum of Understanding, the GVH made a contribution to the OECD of 157 000 EUR (40 000 000 HUF) for staff-related purposes.



## VI. RCC DEDICATED STAFF

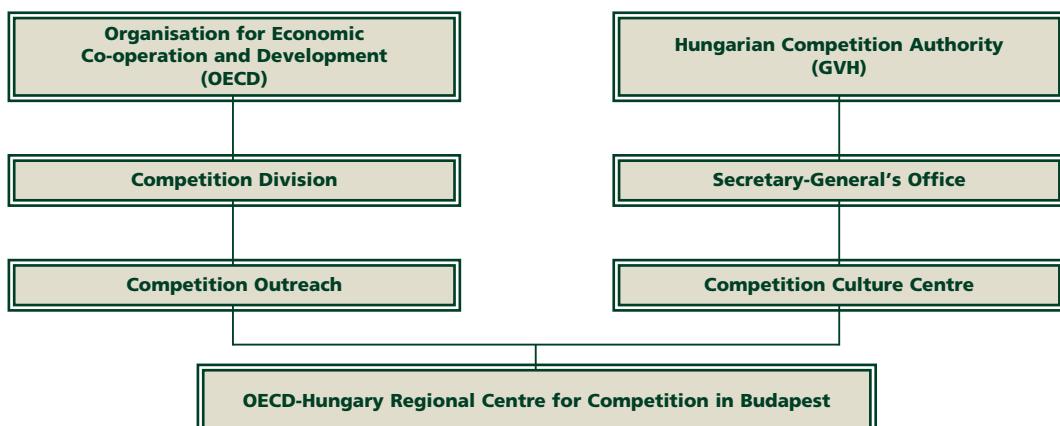
The RCC is a “virtual” centre, thus it does not have a central office but it is accommodated in the headquarters of the GVH. The RCC is run by two full-time people who are at the same time employees of the GVH in Budapest and by a full-time senior competition expert at the OECD headquarters in Paris. The virtual existence of the RCC allows it to concentrate funds on the real purpose of its setting-up, thus organising seminars, inviting and training more and more participants. The virtual structure also gives the possibility of an easy adaptation to changing situations.

The work of the RCC is based on the expertise of both the GVH and the OECD. The GVH is responsible for organising all practical arrangements for the RCC’s programmes. The expert at the OECD sets up the content of the programmes and invites speakers to the seminars. There is no event without the GVH providing speakers or panellists. Other speakers are invited from different OECD member states.

Structurally the RCC is located in the Competition Culture Centre within the GVH’s Secretary-General’s Secretariat. The head of the RCC is Ms. Andrea Belényi, Secretary-General of the GVH. In the GVH Ms. Emese Borza had the main responsibility for the organisational part of the events supported by one full time assistant, Mr. István Fekete. Other staff of the GVH also assisted with the work of the RCC on a part-time basis.

Mr. Michael König was responsible for the development and delivery of the RCC programme and chairing the events until 31 January 2007. Since September 2007 these duties were taken over by Mr. João Pearce Azevedo, former director of the Merger Department at the Portuguese competition authority. Mr. König and Mr. Azevedo were assisted by an administrative assistant, Ms. Lydia Anthenor on a part-time basis.

**Chart N°5: Organigram of the RCC**



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