

# OECD-Hungary Regional Centre for Competition in Budapest

## *I. Foundation and purpose*

The OECD-Hungary Regional Centre for Competition in Budapest (RCC) was established on the 16 February 2005 in Paris, at the Permanent Delegation of the Republic Hungary to the OECD, when Zoltán Nagy President of the Gazdasági Versenyhivatal (GVH, Hungarian Competition Authority) and Richard Hecklinger Deputy Secretary-General of the Organisation for Economic Co-operation and Development (OECD) signed the charter of foundation. According to this Memorandum of Understanding, the jointly founded RCC provides assistance to Central, Eastern and South-East European countries based on the professional background given by the GVH and the OECD.

The promotion of competition law and policy in the Central, Eastern and South-East European region was the main purpose of setting up the RCC. Thus the main objective of RCC's foundation is to foster the development of competition policy, competition law and competition culture as well as to give guidance for the competition authorities, contributing this way to the enhancement of competition and promoting economic growth in the region. An established institutionalised background entrusted with the organisation of events concerning a given geographic area provides a number of advantages. Target countries benefit from the stability, continuity and reliability of the projects as they can count on long term co-operation. By the institutionalised relations it is possible to give relaxed feedback on quality and actual needs.

## *II. Countries involved and functioning*

Countries from Central, Eastern and South-East Europe involved as beneficiaries in the work of the RCC are Albania, Armenia, Azerbaijan, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Georgia, Macedonia, Moldova, Montenegro, Romania, the Russian Federation, Serbia and Ukraine. The Central European Competition Initiative (CECI) being a special target group of the RCC is a forum for co-operation in competition matters established by Central European competition authorities in 2003. Participating countries of this project are Poland, Czech Republic, Slovak Republic, Slovenia and Hungary. Austria acts as a permanent participant.

The RCC provides assistance with capacity building 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 the knowledge of competition law and policy in Hungary and the GVH itself.

The RCC is a “virtual” centre, thus it does not have a central office but is accommodated in the headquarters of the GVH. The RCC is run, on the one hand, by one single full-time person who is at the same time employee of the GVH and, on the other hand, by another full-time person at the OECD headquarters in Paris. Three further staff members of the GVH and one more staff member from the OECD is also involved, on a part-time basis, in the actual work of the RCC. This virtual existence of the RCC allows 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.

Concerning the functioning of the RCC, the Memorandum of Understanding of the RCC regulates that major decisions on the activities and work are made jointly by the OECD and the GVH. 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.

The work of the RCC is based on the expertise of both the OECD and the





GVH. The GVH is responsible for organising all practical arrangements for the RCC's programmes. The employee at the OECD invites speakers to the seminars and sets up the content of the programmes. There is no event without the GVH delegating speakers or panellists. Other speakers are invited from different OECD member states.

Regarding the financing of the RCC, the GVH is responsible for providing 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 addition to this, both the OECD and the GVH co-operate in efforts to raise additional financial support for the RCC from third parties.

### *III. Activity of the year 2005*

Although 2005 was the start-up year for the RCC, it succeeded in organising a very rich programme of events on various competition topics for a wide range of audiences involved in competition policy matters. During the first year, the RCC conducted nine events, of which two were GVH staff training seminars, and seven were seminars or conferences for an international audience from Central, Eastern and South-East Europe. In all, 312 people attended events in Budapest in

2005 either in the capacity of an expert or as a participant. Experts from eleven and participants from seventeen countries attended the RCC's programmes.

#### **Workshop on merger analysis and procedure, 28 February – 2 March 2005**

The workshop was organised for Western Balkans competition authorities in Budapest 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 an interactive atmosphere. The workshop was partially funded by the RCC.

#### **Seminar on supermarket related issues: buyer power and sale below cost, 21 April 2005**

The Central European Competition Initiative (CECI) workshop was organised in co-operation with the GVH, the RCC and TAIEX. 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 versatile experience of the UK Office of Fair Trading on the topic.

#### **Seminar on supermarket related issues: buyer power and sale below cost, 22 April 2005**

The seminar of 22 April was the continuation of that held on 21 April, with the only difference that the audience consisted of members of Hungarian public administrative bodies – Ministry of Economy and Transport, Ministry of Agriculture and Regional Development, Ministry of Justice, Ministry of Finance – as well as experts from the political groups of the parliamentary parties rather than of staff members of other competition agencies.

#### **Seminar on abuse of dominance, 7-10 June 2005**

The seminar was dedicated to competition authorities of seven countries of the western CIS (Armenia, Azerbaijan, Belarus, Georgia, Moldova, the Russian Federation and Ukraine). The seminar focused on the "Abuse of dominance" by discussing case studies and giving lectures. Abuse of a dominant position can arise either in markets where enterprises are subject to regulation or in markets which are not regulated. Even where enterprises are regulated, they retain certain economic freedom which can be misused through the abuse of dominance. This seminar aimed to improve the legal and economic analysis in cases involving either regulated or unregulated markets.

#### **Opening Conference of the RCC in Budapest, 26 September 2005**

The Opening Conference celebrated the launch of the RCC, which had started its operations already earlier that year. It was attended by high level speakers, including the Hungarian Prime Minister, the Deputy Secretary General of the OECD as well as the Chief Competition Economist of the European Commission, and an audience comprising the heads of the competition authorities of the countries involved in the RCC, ambassadors of these countries, as well as repre-

representatives of politics, business, academia and the media in Hungary. Presentations on "Competition policy and economic growth – competition as the main driving force of competitiveness and growth in a dynamic economy" underlined the role of competition policy for economic growth from various perspectives. The event gained considerable and very positive media coverage and was reported in prime time TV news. In sum, it was a great success in promoting the RCC and its visibility in the region.

### **GVH staff training, 24 October 2005**

The training provided both theoretical and practical knowledge for the participants by covering the topic of quantitative methods and their role in competition policy analysis; the topic of possible methods of data gathering, the most frequently occurring difficulties and the method through which those difficulties are dealt with; and also the topic of the correlation analyses related to several issues of market definition.

### **Judges Seminar, 18-19 November 2005**

The seminar was the first event organised for national judges in co-operation by the OECD, the Association of European Competition Judges and the RCC. It was funded by the European Union and the RCC. The seminar was attended by more than 70 judges – with ten of them being Hungarian – from 24 European countries (from all EU Member States – with the exception of Cyprus, Malta and Poland – and from Bulgaria and Switzerland). The aim of the seminar was to provide judges the opportunity to improve their understanding of competition law, and especially the implications for national judges of the modernisation of the application and enforcement of EC competition law under Regulation (EC) No 1/2003. This first seminar focused entirely on the topic of abuse of dominance pursuant to Article 82 EC. 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.

### **2nd SEECAN seminar, 5-7 December 2005**

SEECAN is a network of competition authorities in South-East Europe, which was initiated with the support of the OECD Investment Compact and the Competition Division 2 years before the event. The second annual meeting was attended by representatives from Albania, Bulgaria, Croatia, FYR of Macedonia, Romania and Montenegro, together with experts from Turkey, Slovenia, Hungary, the OECD Investment Compact and the Competition Division.

Lectures at the event focused on how to improve the efficiency and effectiveness of a competition authority and on setting enforcement priorities. The topics were deepened in working groups where participants formulated three core reform objectives for 2006 for their authorities.

### **GVH staff training, 7 December 2005**

The seminar was the continuation of the previous one, held on 25 October 2005. It dealt with the concept of critical loss analysis and its possible use in the definition of the relevant market. Then the concept of diversion ratio, its applicability and its connection with critical loss analysis were outlined, such as the topic of merger simulation and damage calculation principles in cartel cases.

## *IV. Activity of the year 2006*

In 2006, similarly to the previous year, the RCC offered a great number of topics and programmes. The RCC organised a total of eight 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. An additional ninth event was organised for the colleagues of the GVH as staff training. In 2006, the RCC invited – taking into account all its events – altogether 184 participants and 50 speakers.

### **Programme planning meeting, 26 January 2006**

The meeting was designed for planning the seminars of the year 2006 by discussions between and proposals made by the heads of the competition authorities, the Competition Division of the OECD and the GVH. The discussion was followed by a professional programme focusing on the topic of the liberal professions. The EU concept and the Dutch experiences were presented in the subject, as well as the Hungarian experiences in the field of advocacy and proceedings.





## **CECI workshop on merger remedies, 21-22 March 2006**

The aim of the Central European Competition Initiative (CECI) workshop was to provide expert contributions in the field of merger remedies for the CECI countries, which they can utilise on when deciding on individual cases and on shaping of their respective regulation. This seminar managed to explore from various angles a variety of issues related to the design, negotiation and enforcement of merger remedies, which constitute a unique tool in competition authorities' toolkit. The workshop's topic was a very timely issue for the GVH itself as well, as a complex project on merger remedies was under preparation.

## **Anti-cartel enforcement in practice, 10-12 April 2006**

The workshop was organised for authorities from the South-Eastern-European countries. It explored the key issues relevant to effective anti-cartel enforcement with sessions focusing on practical topics such as the identification of potentially cartelised markets, investigative techniques including dawn raids and interviews as well as efficient sanctioning and leniency. As a contribution to the seminar, each authority presented case studies in the subject.

## **The assessment of market power – seminar for CIS countries, 15-18 May 2006**

Assessing the market power of companies is an essential element of anti-trust analysis, particularly in the field of abuse cases and merger control. The workshop covered the key features of this assessment including market definition, the calculation and analysis of market shares, barriers to entry, and market power analysis in bidding markets. Case studies from various jurisdictions provided illustration and opportunities for practical discussions. Work on a hypothetical case on market definition gave illustration and opportunities for practical discussions. This seminar was also designed as the first module of a series of events dedicated to the assessment of abuse cases.

## **Merger remedies – GVH staff training, 27 June 2006**

The GVH was in the course of developing a guidance paper on the authority's approach in merger remedies. Against this background, the objective of this training was twofold: first, to discuss the draft guidance paper prepared by GVH staff by using patterns of EC and international best practice. Second, to share case experience on the basis of case studies from the GVH and recent case law on merger remedies of the EC

and the European Courts in order to build up remedies expertise within an informal network of GVH staff.

## **Cartels and other restrictive agreements – seminar for CIS countries, 7-10 November 2006**

This seminar covered the field of multilateral restrictive practices. The first part focused on key issues relevant to effective anti-cartel enforcement, such as the identification of potentially cartelised markets, investigative tools including dawn raids and interviews as well as efficient sanctioning and leniency. The second part explored the most relevant non-cartel restrictions to competition in horizontal and vertical relationships, such as co-operation agreements and exclusive and selective distribution systems. Techniques and best practices were illustrated by case studies from various jurisdictions and by a hypothetical case on a horizontal agreement scenario.

## **Programme planning meeting for the year 2007, 16 November 2006**

The meeting aimed at introducing the new working structure of the RCC of the year 2007 with its newly set up matrix system and the programmes to be organised next year. The meeting also had a professional side with presentations on co-operation between regulators and competition authority.

## **European judges seminar, 23-24 November 2006**

As the first event in November 2005, the seminar provided judges with an opportunity to improve their understanding of European competition law and economics, and to exchange views and discuss their experiences in competition cases. The programme focused on the analysis of cases involving anti-competitive agreements (Article 81 EC and national law equivalents), except for hard core cartels, such as price fixing. A second focus was the use of economic evidence before national courts in competition cases. The seminar was attended by 60 judges, with seven of which being Hungarian.



**Competition law enforcement in regulated sectors – seminar for regulators of SEE countries, 5-7 December 2006**

The seminar focused on “The interface between Competition Policy and Telecom Regulation”. The seminar was designed to bring together participants from telecom regulators and competition authorities. The aim of the seminar was to discuss common issues concerning regulators and competition authorities alike, and to exchange best practices in terms of co-operation between the two agency groups.

For the year 2007, the RCC is planning ten events. One of the advanced level seminars will deal with merger issues focusing on vertical and conglomerate scenarios. The other advanced level seminar’s main issue will be cartels and agreements. An intermediate seminar will be held on the topic of abuse, and another one on competition policy and enforcement in regulated sectors. The RCC also aims at organising the continuation of the conference for European judges. Two workshops for the Central

European Competition Initiative are also planned, of which one is about energy. As every year, a programme planning meeting will be dedicated for the heads of the authorities involved, and two staff trainings for the staff members of the GVH.

From January 2007, more information can be found on events organised by the RCC and on its structure and function on the newly opened website: [www.OECDHungaryCompetitionCentre.org](http://www.OECDHungaryCompetitionCentre.org).

*V. Activity of the year 2007*

In 2007, as a novelty, most of the seminars of the RCC will be organised in the building of the Hungarian Judicial Academy. This new building was erected with particular training-purposes, that is why it provides advantages which cannot be found when hotels are used for the same purposes. Another new feature of the year 2007 will be the introduction of intermediate-level and advanced-level seminars. The split between levels will replace the former country-oriented division of the events.

