



International conference on cartels in Budapest

The Hungarian Competition Authority organised an international conference on cartels, their harmful effect on society, and the possible means of fighting them. The conference speakers, the competition authorities, the political decision-makers and the representatives of companies agreed on the fact that cartels cause an increase in price, a reduction of choice, harm to consumers, consequently, the fight against them is a useful and important duty.

The economic actors are inclined to restrict competition and to set, by agreements, higher prices than usual on the market and they strive to gain extra profit under non-market circumstances, by which the total amount of damage caused may go up to billions – said Ferenc Gyurcsány who opened the conference. The Prime Minister underlined as well that he supports by every means the GVH in fighting cartels.

The courts play a safeguard role by reviewing the decisions of the GVH, since appropriate decisions are important, as the existence of the undertakings and thousands of working places depend on them – said Zoltán Lomnici. At the same time, in the course of the review, the court only alters 7-8 per cent of the decisions, - added the President of the Supreme Court of Budapest.

The European Commission fights cartels effectively as well: while between 1969 and 1999 an amount of EUR 1.4 million fine was imposed on undertakings participating in cartels, this figure reached 6.2 million between 2000 and 2006 – said Philip Lowe, Director General of the DG Competition of the European Commission. The fines of considerable amount of money serve as deterrence for undertakings, while members of a cartel who provide information – i. e. take part in the leniency policy – are rewarded by immunity from or get a reduction of the fine. Causing damage to consumers is always illegal; in addition, cartels do not deal gently with consumers “exposed” to them: the vitamin cartel caused a 30-60 per cent increase in prices.

In the Netherlands the intense fight against cartels began when a parliamentary investigating committee brought into light an estimation, according to which cartels in construction industry caused a damage to consumers going up to 8.6 per cent of the turnover - said Pieter Kalbfleisch, Director General of Netherlands Competition Authority. Politicians and the public also supported the fight against cartels. In a short time 350 undertakings made a leniency application as a result of which the illegal practices of 1300 companies were disclosed.

The cartels discovered by the GVH in the last 4 years caused a loss of some HUF 64 billion in real terms to consumers even according to the most conservative estimate, but taking into account the possible price increasing effects observed by the economic literature the loss may have amounted to HUF 142 billion – said Zoltán Nagy. The President of the GVH underlined that the GVH imposed fines of an amount of HUF 20,2 billion since 2002. The undertakings participating in cartels can be released from the punishment if they apply for leniency, i.e. they provide information to the GVH. Immunity is granted from the fine for the first participant in the cartel which is ready to supply information, moreover it will neither be excluded from public procurement procedures. The managers of the undertakings can avoid to be sentenced, as executives liable for public procurement cartels, to an imprisonment of

up to 5 years. Consumers and persons inviting tenders can also fight cartels by informing the GVH if they suspect cartelling, or they can sue the cartelists for damages in civil law action.

In the USA cartels are penalised by huge amount of fines and the executives responsible for them can expect a sentence of imprisonment – in the last budget year the undertakings found guilty and white collar perpetrators were fined USD 470 million (HUF 100 billion) and sentenced to 5300 days imprisonment – said Gerald F. Masoudi, Deputy Assistant Attorney General of the US Department of Justice. A sharpening of punishments seems to be the future trend, while in 1990 an 8-month imprisonment was the average, this increased until now to 16 months.

Competition is the pith and marrow of economic development – said Gusztáv Bienerth, President of the American Chamber of Commerce, who in his speech laid emphasis on the role of competition in economic development and the support of international competitiveness. Based on international experiences the most successful companies are in countries and sectors where the state encourages market liberalisation. The existence or the lack of fair competition directly affects economic efficiency.

Fighting cartels and setting appropriate conditions for public procurement procedures may result in a considerable 20-30 per cent reduction in price, - said Miklós Merényi, State Secretary responsible for international economic relations in the Ministry of Economy and Transport. Saving in this way works in reality, in the public procurement procedures of motorway constructing it was possible to reduce the price. In the last few years market liberalisation effected and will effect the fields of electricity, gas, railway transport, and parallel to market liberalisation the strengthening of institutions responsible for the market, fair competition and consumer protection is also important. In order to encourage competition it is important that those who make the offers do not set competition restricting conditions, however, on the other hand a well-established legal system, market liberalisation, fair competition and market circumstances, and the strengthening of institutions serving consumer protection are also relevant factors, - Mr. Merényi said.

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More information:

Hungarian Competition Authority

Communication Unit

András Mihálovits

Hungarian Competition Authority

Address: H-1054 Budapest, V. ker. Alkotmány u.5., HUNGARY

I H-1245 Budapest, 5. POB 1036

tel: +36-30 618-6618

email: Mihalovits.Andras@gvh.hu

<http://www.gvh.hu>