



GAZDASÁGI  
VERSENYHIVATAL

## **GVH conference on bank and energy sectors**

**The Hungarian Competition Authority (Gazdasági Versenyhivatal – GVH) organised an international conference on the „Recent European competition policy developments with regard to the bank and energy sectors” on 9 May 2008. The aim of the conference was to review, with the involvement of European policy makers, of representatives of the regulatory authorities and of experts of sectors the changes in European competition policy.**

Prime Minister Ferenc Gyurcsány opened the conference organised by the Competition Culture Centre of the GVH with the following words: „I do not see any instrument that would be more efficient in consumer protection than the GVH”. The Prime Minister considers the work, which has been done for years in favour of consumers by the Hungarian Competition Authority as an activity of crucial importance. Mr. Gyurcsány observed that this activity is not without conflicts; however, should it be without conflicts, the GVH would not do well its duty.

The Prime Minister separately spoke about the two main themes of the conference, the regulation of the bank and energy sectors. In his speech, the Prime Minister said that the committee set up in 2006 by the Government arrived at the conclusion that, though there was some competition between banks, it was still not comprehensive and efficient enough, and it did not serve consumers. Both State and banks must act in order to change this situation. Financial institutions can facilitate the conditions of the switch-over to other banks, they can improve the comparability of their products and they can increase the financial literacy of consumers. Of course, also the state will not balk at intervention, if need be.

Likewise it is in the interest of consumers – stated the Prime Minister – if competition prevails in the energy sector. At the moment, there is only a single undertaking having no competitors on the market, which passes on, both justifiably and unjustifiably, its costs to consumers. Thus, it gets revenues that it could never get in a competitive environment. That is not right, since the monopolist makes its extra profit by harming consumers and competitors. „Therefore, I am determined to divide this company into two firms, which are strong and marketable and which can be introduced to the stock exchange”, Mr. Gyurcsány emphasized. The Prime Minister acknowledged that he has not faced yet such economic pressure than he does in this case. However, the government has to decide on which side to stand in this conflict: on that of the monopoly or of the consumers. The Prime Minister has made his position clear by saying that, although it takes courage to confront a number of economic interests, he nonetheless has the same opinion as the GVH, the Hungarian National Bank and the Hungarian Energy Authority, according to which competition serving consumers needs must be introduced to the energy sector.

Mr Philip Lowe, Director General of the Competition DG of the European Commission emphasized in its opening statements that competition and the protection of consumers’ interests are of high importance. The governments of the EU expect their respective national

competition authorities to fight for consumers against sectoral interests. We work to reveal those anticompetitive conducts and restrictions that increase consumers' expenses, Mr Lowe added. In the list of these tasks, energy sector is one of the first items, as the Director General pointed out. The aim is to open up the market for new market players, and to ensure services to be provided to consumers at the lowest possible prices. To this end, the network and the production need to be separated. With regard banks, Mr Lowe said that it was essential that they provided competitive payment methods to their clients. That is the reason why the Commission has initiated proceedings against credit card companies to see if there is competition on this market. Mr. Lowe announced that the proceedings would not be ended until the undertakings concerned have not determined fair fees.

Mr Zoltán Nagy, President of the GVH, elaborated on the need of amending the Competition Act. In his speech, Mr Nagy emphasized that the changes would mean progress in the activities of the GVH in two ways: in the prosecuting of cartels and in the economic approach concerning competition issues. The President underlined in his speech, that the increased risks of being caught and the fines amounting to billions did not prove to be enough to prevent such practices. Therefore, the widening of the range of tools applicable in the fight against cartels is necessary. At present, only undertakings found guilty can be sanctioned, while the new Competition Act will introduce the personal liability of COs who took part in the anticompetitive conduct by banning them for two years from taking a leading position. This may prove to entail more deterrence, as COs will risk their own careers. However, deterrence in itself may not be enough. Therefore, as Mr Nagy underlined, there is a need to include provisions relating to the leniency policy in the Competition Act and to facilitate private enforcement. Based on the leniency policy, those undertakings, which inform the GVH about the anticompetitive practice of a cartel get immunity; thus fines and personal liability can be avoided. In addition to this, private enforcement would make it possible to consumers to recoup their losses caused by cartels.

The other important step would be the strengthening of the economic approach in the everyday work of the GVH. Should the amendments come into effect, the GVH will also examine whether mergers between undertakings would result in a decreasing competition on the market. Competition can be decreased not only if a group of undertakings acquires a dominant position, but also if their market power increases significantly – pointed out Mr Nagy. The President urged modification of the Competition Act, and he drew the attention to the fact that all the amendments would be based on professional deliberations.

There were two sections held in parallel on the conference. In her introductory speech in the section on switchover between banks, Ms Júlia Király, the Vice President of the Hungarian National Bank said that the careful sectoral regulation by the National Bank should go hand in hand, reinforcing each other, with the regulation of competition. In the course of the discussion, two subjects were touched upon: first, the question of switchover, second, the competitive investigations of multi-bank interchange fees.

Mr Eduardo Martinez-Rivero, Deputy Head of the Financial Services Unit of the Competition Directorate-General of the European Commission, set forth the results of the sector inquiry ended in 2007. It turned out that mobility in current accounts is a problem in various countries. This was affirmed by Alberto Heimler, the President of the Italian competition authority, and by Pieter Kalbfleisch, the President of the Dutch competition authority, although Mr Kalbfleisch added that a significant self-regulation simplifying considerably switchovers took place in the Netherlands. In Italy, switchover raises problems not only with regard to accounts, but with regards to mortgages; therefore regulatory measures have been

taken. In its sector inquiry, the GVH has come to the conclusion that the main obstacles to switchover in Hungary are the lack of transparency and the high costs associated with it.

In connection with credit cards, the representative of the Polish competition authority said that at the end of 2006, the authority established that the multilateral interchange fees charged according to the agreements between banks had competition restrictive effects, and therefore, the authority imposed a considerable fine. In its proceeding against Mastercard, in the end of 2007, the European Commission also established that the multilateral inter-bank fees charged in international payments were anticompetitive. For the time being, it is examined how this system could be replaced. The size of multi-bank interchange fees in Hungary is examined by the GVH.

The section on electricity discussed the questions of energy policy in the region. Topics have been dealt with, which represent the first steps towards a full market integration. The panel moderator was Mr Gábor Szörényi, the Vice President of the Hungarian Energy Authority. It was agreed upon that this topic was very important and relevant to Hungary as well. The President of the Norwegian competition authority, Mr Knut Eggum Johansen said that in the end of the eighties, when the economic performance of Norway was going down considerably, the decision makers in charge perceived that significant economic advantages could be achieved by making the electricity market more efficient. The Scandinavian countries identified a way to improve the economic situation of their respective countries. Their common interest was to create an integrated electricity market. The experiences showed that this common market contributed to the lowering of prices and to the improvement of services.

Experts of the Iberian market, Abel Mateus, the Ex-President of the Portuguese competition authority, and José-Manuel Revuelta, the President of the Spanish regulatory authority emphasized in their comments that the precondition of success is the fact that politicians stand behind this issues, and that they recognise that regional electricity markets provide higher competitive advantages for the participants than a national market could possibly provide. For the calling into being of a regional market, careful planning, a strong regulatory authority, and last but not least, strong governmental commitment are needed.

The number of participant in the event organised by the Competition Culture Centre of the GVH was close to 200. The event was broadcasted live on the Internet.

Budapest, 9 May 2008

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