ANNUAL REPORT ON COMPETITION POLICY DEVELOPMENTS IN THE CZECH REPUBLIC

2002

Introduction

1. In 2002, the Czech Republic, as a candidate country, successfully concluded the process of negotiations with the European Union. The Office for the Protection of Competition (hereinafter "the Office") significantly contributed to achieving successful results in the entire negotiation process by performing a broad scope of activities, in particular in the area of the negotiation chapter "Competition Policy", which was closed on 24 October 2002.

2. Last year, the Office also realised several organisational measures which should contribute to a qualitatively higher level of decision-making activity. A major organisational change has been brought about by the creation of the special Cartel Department within the Antitrust Division. The department should specialise in decision-making related to agreements distorting competition, in particular in those agreements containing hard-core provisions which are deemed to be the most detrimental breaches of competition law.

1. Proposed and adopted changes in competition laws and policies

3. Following the year 2001, which was very rich in legislation and token in the adopting of the new Act on the Protection of Competition, eight decrees of the Office on the approval of general (block) exemptions from the prohibition of agreements distorting competition, and the Decree of the Office stipulating details on the prerequisites of an application for approving a concentration of undertakings (i.e. a whole new legal regulation system for the protection of competition in the area of antitrust and mergers), the legislative activity of the Office concentrated especially on the area of public procurement. Current problems in the area of securing travel agencies against bankruptcy led the Office to the preparation of an amendment to Act on certain conditions for business in the area of tourism and the Act on business in trade (Trade Act). In relation to the growing importance of competition advocacy, the importance of passive legislation provided by the Office also increased in the last year.

1.1 Block exemption for certain categories of vertical agreements on the distribution and servicing of motor vehicles

4. In relation to the adoption of new Commission Regulation No. 1400/2002 on the use of Article 81, par. 3 of the EC Treaty on certain categories of vertical agreements and on concerted practices in the sector of motor vehicles, which came into force on 1 October 2002, the Office elaborated over 2002 on a new Decree on approval of general (block) exemption for certain categories of agreements on the distribution and servicing of motor vehicles. The decree establishes stricter rules against the restriction of competition and creates more suitable conditions for effective competition in the sale of new motor vehicles, spare parts for motor vehicles, and the provision of repair and maintenance services for motor vehicles. New rules for these categories of agreements are aimed at the creation of more suitable conditions for competition among individual producers, sellers, and providers of services. According to the new legal regulation, sellers will be allowed to sell motor vehicles of more than one brand and at the same time will not be obliged to perform repairs and maintenance services for the vehicles. The decree therefore creates space for further competition on the market of repairs and maintenance services for motor vehicles by independent repair companies.

5. The new decree is fully harmonised with the obligation of the Czech Republic to adopt the whole system of block exemptions applied in the framework of Community law. The Decree will come into effect during 2004.

1.2 Other relevant measures, including new guidelines

1.2.1 Leniency programme of the Office

6. In relation to the adoption of a new EC leniency programme, the leniency programme of the Office was amended in March 2002. The new programme embeds more detailed conditions for the application of a leniency regime in imposing fines and should therefore contribute to the more effective combating of the most serious distortions of competition, i.e. cartel agreements.

1.3 Enforcement of competition laws and policies

1.3.1 Statistics

7. Overall in 2002, 321 decisions were adopted by the Office, including 49 cases of agreements distorting competition, 9 cases of abuse of dominant position, and 205 concentrations of undertakings (other decisions have a procedural nature). The total amount of fines imposed reached CZK 455,600,000 (approx. USD 14,938,000). Overall in 2002, 49 first stage decisions of the Office were appealed and 7 actions were filed with the High Court.

1.4 Agreements distorting competition

- Overall statistics on agreements distorting competition: In 2002, the Office adopted 49 decisions concerning agreements distorting competition, 9 of which concerned agreements on the unification of prices (3), setting of prices (5), and the division of the market (1); and 40 of which were related to other agreements – franchise agreements (11), exclusive sale (1) and exclusive purchase (1) agreements, negative clearance proceeding (19), and individual exemption proceeding (8).

- Overall fines in the amount of **CZK 382.8 million** (approx. USD 12.5 million) were imposed in the area of agreements distorting competition in 2002. The number was especially affected by the high fines imposed by the first stage authority in the case of concerted practices aimed at fixing prices of fuel (however, this decision has not come into force yet).

- The Office recorded an increasing number of cases consisting of **binding resellers to maintaining the recommended prices in the framework of sales networks.** Legal regulation allows suppliers to recommend prices to their customers; however, they must not do so in the form of an obligation or other forms of pressure. Any action of a supplier that would breach the prohibition would constitute resale price maintenance, which is strictly prohibited by law.

- In 2002, the undertakings used in 19 cases involved the **institute of negative clearance procedure.** The new institute, established by the date of effect of new act No. 143/2001 Coll., on the Protection of Competition, significantly contributes to a higher legal safeguard of undertakings.

1.5 Description of significant cases

1.5.1 Agreement of six fuel distributors

8. Six fuel distributors breached the prohibition stipulated in a former act on the protection of competition in the period between 28/5/2001 and 30/6/2001, and breached the prohibition stipulated in the current act on the protection of competition in the period between 1/7/2001 and at least the end of November. The anti-competitive behaviour consisted of concerted practices during the setting of sale prices of fuel in the above-mentioned period. These concerted activities distorted competition on the fuel market, in particular to the detriment of the final customer who purchased fuel from petrol stations. The Office prohibited the anti-competitive behaviour for the future and imposed a fine in the total amount of CZK 313 mil (approx. USD 10.6 mil), which is the highest amount in the history of the Office. The first-instance decision was appealed.

1.5.2 Co-ordination of purchase conditions

9. Two commercial chain operators agreed on the co-ordination of their purchase prices and conditions (bonuses, discounts related to the purchase of goods) related to their suppliers. The Office found this behaviour to be a prohibited and void agreement, which led to the restriction of competition on the market of goods of daily consumption determined for retail sale to consumers – particularly on the demand side of this market with an impact on suppliers. The Office imposed a fine of a total amount of CZK 51 mil (approx. USD 1.67 mil), and at the same time ordered the undertakings concerned to inform their suppliers about the decision. The first-instance decision was appealed.

1.5.3 Binding the operators of restaurants to minimum annual purchases of beer from breweries

10. Investigations undertaken by the Office in the framework of an administrative proceeding showed that two of the biggest domestic breweries – the companies Plzeňský Prazdroj and Radegast, belonging to one economic group SAB, had been binding the operators of restaurants in contracts on ensuring the advertisement and propagation of products and commercial name of the brewery to annually purchase a certain minimum amount of hectolitres of beer – to the prevailing or total extent of these restaurants' consumption.

11. The obligations enforced in the contracts concluded that the above-mentioned companies were qualified by the Office as prohibited, void, and in its cumulative effect distorting competition on the market with beer supplied for consumption in restaurants.

12. A fine of a total amount of CZK 3,500,000 (approx. USD 115,000) was imposed on the undertakings for concluding anti-competitive agreements. At the same time, the Office ordered undertakings to inform the operators of restaurants on the prohibition and invalidity of the obligations stipulating a minimum purchase of beer. An appeal was submitted against the decision of the Office.

1.5.4 Český mobil, a.s. – prohibited agreement in contracts for the distribution of prepaid phone cards

13. The administrative proceeding conducted with the company Český mobil, a.s., Praha (hereinafter "Český Mobil") was aimed at finding whether Český Mobil had not concluded prohibited agreements within the contracts that it had entered into with the distributors of what are called "recharging coupons" for mobile phones.

14. This resulted from oral negotiations ordered by the Office, in this case that Český Mobil distributed recharging coupons for the prepaid Oskarta service by means of a total of 11 distributors on the basis of concluded contracts. The contracts contained an agreement that the price of an ordered assortment

would be set on the basis of a price list submitted by Český Mobil, while the price list would also contain prices for which the distributor would be obliged to supply the assortment for its customers, and while this obligation was in some cases underlined by the possibility of Český Mobil to withdraw from the contract in the case that the distributor did not follow the price stipulated by Český Mobil. The Office also found that the difference between the price for which the distributor got the recharging coupons from Český Mobil and the price for which it supplied the coupons to its customers was the distributor's bonus.

15. So it was proved that as a result of the anti-competitive provisions which had been included by Český Mobil in contracts with distributors of recharging coupons, freedom of the distributors' choice to set the price for the sale of recharging coupons for prepaid Oskarta service according to their consideration was restricted practically everywhere that the recharging coupons were sold to the final customers.

16. The Office therefore declared in its decision that Český Mobil had breached the competition law. It banned the execution of the prohibited agreements, imposed a fine in the amount of CZK 6.5 million (approx. USD 213,000) on Český mobil, and accordingly imposed a duty to redress, which consisted of the elimination of the prohibited agreement in the contracts for the distribution of prepaid phone cards.

17. Český mobil submitted an appeal against the decision.

1.5.5 Recommended prices of medical services

18. Česká lékařská komora (Czech Chamber of Physicians, the professional association of all physicians in the Czech Republic; hereinafter "the Chamber") elaborated a catalogue of services of ambulance health care (not reimbursed from public health insurance), and subsequently amended it by the minimum recommended prices of these services. The Chamber published the amended catalogue and sent it to its members communicating that the recommended minimum prices should be followed by its individual members – physicians.

19. The Office assessed this behaviour in the framework of administrative proceeding as a prohibited and void decision of the association of undertakings, which may lead to the distortion of competition on the market of ambulance health care services. The Office imposed a fine in the amount of CZK 450,000 (approx. USD 15,000) on the Chamber and at the same time an obligation for its relevant body to cancel the price recommendation and inform its members about this action. An appeal was submitted against the decision of the Office.

1.5.6 Insurance of a guarantee for the bankruptcy of travel agencies – application for the prolongation of individual exemption

20. Another important case assessed by the Office was the request of eight insurance companies associated in the so-called pool for extending the duration period of an exemption from the prohibition of agreements distorting competition.

21. The competition problem results from regulatory barriers for entry to the market. The act on the insurance of a guarantee for the bankruptcy of travel agencies states the obligation for travel agencies to be insured against the above-mentioned risk. On the other hand, the insurance companies are not obliged to conclude an insurance agreement with particular travel agencies. Therefore, the Office decided to also use its effort in the area of competition advocacy. It proposed an amendment to the act consisting in the establishment of a new institute of obligatory guarantees for the case of travel agency bankruptcy (see the section "The role of the Office in the formulation and implementation of other policies" below).

22. The current obligation has a negative impact on the tourism market. It could not be excluded that a number of smaller travel agencies especially might have failed in negotiations on the conclusion of a

contract for the insurance of a guarantee. Such a case would endanger the further existence of numerous travel agencies that would have to terminate their activity due to the non-conclusion of a contract on the insurance of a guarantee, which would consequently mean a smaller selection for individual clients of these travel agencies.

23. The Office also considered the fact that from the view of the Act on the protection of competition, the pool's existence will continue to be regarded as a restriction of competition on the market of the insurance of a guarantee. On the other hand, the further existence of the pool will enable most travel agencies to meet their duty consisting in the conclusion of a contract on the insurance of a guarantee, which will preserve the possibility for customers to select the most favourable offer among the high number of travel agencies. However, this situation necessarily establishes the requirement of keeping the restriction of competition on the market of insurance for guarantees as short as possible. For this reason, the Office extended the period of the exemption's duration only to the end of 2003. This means that the overall period of the pool's existence will be three years, which in the Office's opinion is a period that is long enough for the assessment of the pool's contribution.

24. With regard to these facts, the Office complied with the application and extended the period of the exemption's duration until 31 December 2003 and accordingly stipulated conditions in favour of preserving effective competition on the market of the insurance of guarantees.

25. The parties to the proceeding had submitted an appeal against the decision. The final decision extended the duration of the exemption from the prohibition of agreements until 31st December 2003, and stipulated conditions for the parties to the proceeding in favour of preserving effective competition. (The pool must not restrict its members as regards the possibility of providing guarantees for a case of a travel agency's bankruptcy individually. This condition also relates to the amount of the insurance fee, which must not be affected by the pool.)

1.5.7 Rejection of the application for approval of individual exemption for Škoda klub insurance

26. Česká pojišťovna, a.s., Kooperativa pojišťovna, a.s., and Allianz pojišťovna, a.s. addressed the Office with an application for the approval of an individual exemption in relation to their intention to create a joint insurance product for certain clients of the company Škoda Auto, a.s., namely for the members of Škoda Club, covering the insurance risks of "car crash, theft, disaster" under the commercial name "Škoda klub pojištění". The activities connected to the provision of the "Škoda klub pojištění" product would have been performed with the consent of Škoda Auto, a.s. by the company ČP DIRECT pojišťovna, a.s. (which during the year was renamed to ČP DIRECT, a.s.) in the name and to the accounts of all three insurance companies which create and provide the new product.

27. It emerged from the proposal of the parties to the proceeding and also from the investigation itself that the agreement on the provision of the joint product concluded by the undertakings on a horizontal level also expected an agreement on the price of crash insurance provided to the members of Škoda Club. This is therefore a case of what is called a hard-core cartel consisting in the conclusion of a price setting agreement. Such an agreement is directly on the basis of law considered an agreement distorting competition.

28. The Office decided on the rejection of the application for approval of individual exemption.

1.6 Abuse of dominant position

29. Overall in 2002, the Office issued 9 decisions related to the abuse of dominant position. Most cases consisted of breaching the general clause pursuant to Art. 11 of the Act on the protection of

competition. The fines imposed by the Office in its decisions amounted to **CZK 72.7 million** (approx. USD 2.384 million).

1.7 Description of significant cases

1.7.1 Abuse of dominant position of two mobile telecommunications operators

30. The Office confirmed the fines imposed on the company Eurotel Praha, spol. s.r.o., amounting to CZK 48 million (approx. USD 1.575 million) and the company RadioMobil, a.s. amounting to CZK 15 million (approx. USD 492,000) in the final decisions of 9 May 2002. The above-mentioned companies operate on the market of mobile telecommunications provision.

31. The Office decided in two individual administrative proceedings that the above-mentioned companies had abused their dominant position in 2000 and 2001 by invoicing their customers for a minute-long call to the network of the company Český Mobil, a.s. an amount that was higher than the amount mutually invoiced for a minute-long call between their respective networks.

32. By the above-mentioned action, the parties to the proceeding had breached the Act on the Protection of Competition to the prejudice of the company Český Mobil, which, due to higher prices invoiced by the companies Eurotel Praha and Radiomobil to their customers for calls to the network of the company Český Mobil, did not acquire such a number of new customers as it would under the conditions of fair competition. These higher prices caused a decrease in the volume of out-going operation from the networks operated by the parties to the proceeding to the network of the company Český Mobil, in comparison with the operation in the opposite direction, thereby disadvantaging the company Český Mobil in competition. The establishment of higher prices for calls to the network of the company Český Mobil accordingly discouraged potential customers from using the services of this company. In the case where a potential customer of mobile phone services of the company Český Mobil had found (while considering the choices) that the calls coming to him from the majority of mobile phone owners would be more expensive, it was absolutely logical from the view of consumer behaviour to choose an operator that was already established on the market.

33. The behaviour of the parties to the proceeding may be qualified as very characteristic for undertakings in dominant position in a situation where a new competitor enters the market to compete with them. Moreover, especially in the initial phase of the entry of the new competitor on the market, the undertaking in the dominant position actually did not run any risk of its own disadvantage by setting higher prices for calls to the network of the new operator, forasmuch the number of calls from the network of the parties to the proceeding to the new network was low.

34. The action of the parties to the proceeding also caused prejudice to the consumer – customers of the parties to the proceeding had paid for comparable services in calls to the network of the company Český Mobil in some tariffs of an amount that was higher than for calls to the network of the second party to the proceeding.

35. When stipulating the amount of the fine, the Office in both cases took into account the fact that each of the parties to the proceeding had partially remedied its behaviour following the initiation of the administrative proceedings.

2. Concentration of undertakings

2.1 Statistics on number, size, and type of mergers notified and/or controlled under competition laws

36. In 2002, the Office initiated 217 administrative proceedings on the approval of the concentration of undertakings; in the same period 205 decisions were issued, 190 concentrations were approved, 9 of which were with conditions or commitments (including one reconsideration); two concentrations were disapproved. The Office also issued 13 decisions on the fact that an assessed transaction is not subject to the approval of the Office (either for the reason that it was not a concentration of undertakings or for not fulfilling the turnover criteria for notification). Two appeals were submitted.

2.2 Summary of significant cases

2.2.1 Concentration of undertakings ČEZ/regional distribution companies

37. The concentration was realised on the basis of government decision No. 477. The government issued a decision on the privatisation of the state share in regional electric energy distribution companies through direct sale to the acquirer – the company ČEZ. Five distribution companies were in question – Středočeská energetická (Central Bohemia), Východočeská energetika (Eastern Bohemia), Severočeská energetika (Northern Bohemia), Severomoravská energetika (Northern Moravia), and Jihomoravská energetika (Southern Moravia). Several relevant markets were affected by the concentration: the market of electric energy production, the market of electric energy distribution, and market of electric energy supplies for entitled and protected customers.

38. The concentration has a vertical nature in that it establishes an integrated entity with considerable economic and financial power which will have a dominant position on the market. Such a situation could lead to a significant distortion of competition on the market of electric energy supplies for eligible and protected customers, and on the market of electric energy production. In the course of the proceeding, the Office addressed a large number of subjects, in particular independent producers and eligible customers. The Office also co-operated with the Energy Regulation Authority on the solution of specific technical problems. The Office approved the concentration with three conditions in favour of preserving competition. The first condition consists of the transmission of a 34% share in the company ČEPS (the owner of the transmission network), which shall ensure the separation of the transmission network from the dominant producer. The second condition – the sale of minority shares in three distribution companies (Southern Moravia, Southern Bohemia, and Prague) – shall ensure the independence of the largest competitors of ČEZ. Lastly, the divestiture of one from the five distribution companies to a third subject shall lead to the strengthening of a competitive environment, and shall enhance the opportunity of producers and traders to exert the electricity.

2.2.2 Concentration of undertakings RWE GAS, Transgas,a.s., and eight distribution companies

39. The Office approved the concentration of RWE GAS AS (RWE) with the company Transgas and eight gas distribution companies in May 2002 and stipulated three conditions for the approval of the concentration. RWE must not directly or indirectly acquire control over the company Moravské naftové doly, a.s., or block its decisions on intentions that would have an explicit competition character against RWE. RWE must also not acquire control shares in electric power distribution or heat-producing companies, or build new electric power distribution and heat-producing companies in the Czech Republic until privatisation is finished; however, this would be over a period of five years at most. By stipulating the conditions, the Office established preconditions for effective competition, especially *pro futuro* in relation to the expected liberalisation of the market. The Office also stressed the establishment of a situation where

consumers were not under the pressure of monopoly prices, and where the gas prices resulted from competition.

40. The case of RWE/Transgas concentration has so far been the biggest case that the Office has dealt with in its ten year history as regards the extent of transaction. This concentration finalised the privatisation of the Czech gas industry.

2.2.3 Concentration of undertakings Südzucker AG/Saint Luise Sucre SA

41. The concentration has influenced the sugar production market. The company Saint Luise Sucre controls the sugar factories of Eastern Sugar, and the company Südzucker controls the sugar factories of Agrana in the Czech Republic. The transaction represents a concentration of two or three important undertakings on the domestic market, and the newly created entity would hold a dominant position with a market share of over 50% (measured by the allotted sugar quota). On the basis of fact-findings, the Office stated that the concentration would have led to a significant increase of market share and to a large gap between other competitors. The newly created subject would have had great market power and a strong financial background. The concentration would also have led to the strengthening of market and portfolio power. Due to the maturity of the sugar market, the undertakings can better protect their dominant positions.

42. With respect to the above-mentioned reasons and to the fact that the concentration raised serious competition concerns, the Office decided to prohibit the concentration. The decision was appealed.

2.2.4 Concentration of undertakings of Generali pojišťovna, a.s., and Zurich, organisational department

43. In September 2002, the Office issued the decision by which it approved the concentration of undertakings, consisting in a take-over of a part of an undertaking along with the insurance portfolio of the insurance company Zurich by the company Generali pojišťovna. The concentration took place on several insurance markets on which the concentrating undertakings had less than 15% of the share. An exception was the market of the guarantee for bankruptcy of a travel agency. The so-called pool, of which Generali is the main insurer, operated on this specific market before the concentration. The pool is a free association of nine domestic insurance companies which participate in agreed insurance and also in securing the accepted risk. The insurance company Zurich was not a member of the pool. The company Zurich had announced the termination of its activities on the domestic market and with regard to this fact the Office came to the conclusion that the structure of the market for the insurance of the guarantee for the bankruptcy of a travel agency would remain the same in the case of both realisation and non-realisation of the concentration; forasmuch the insurance company Zurich did not intend to continue providing this type of insurance. In both cases, only the pool will operate on this relevant market.

44. The Office approved the concentration by its decision, **in which it imposed a condition** stipulating that the company Generali was obliged to ensure the provision of a guarantee for the bankruptcy of a travel agency pursuant Act No. 159/1999 Coll. This applies at least in the current extent as regards the volume of concluded insurance agreements and subscribed risk on the day of the decision's issue in the case where no objective facts would provably prevent it from doing so, especially the impossibility of acquiring appropriate reinsurance at least until the time when the law also enables other forms of reinsuring clients of travel agencies in bankruptcy. This condition eliminated the possible danger resulting from the restriction of the dominant undertaking's activities on the market, which would have very negatively affected the competition conditions on the related market of providing tourist tours.

2.2.5 The concentration of undertakings of LASSELSBERGER Holding-International GmbH and Rako, a.s.

45. The concentration was consumed on the markets of wall lining materials and raw materials for the production of wall linings (kaoline, feldspar, and clay). The concentrating subjects hold a significant position on the market of raw materials. The Office addressed a high number of third parties and placed an order to expert workplaces to elaborate on the assessments of the interchangeability of wall lining materials. The Office also considered the high share of import and export, the non-existence of significant barriers to entry for competitors to the market in the area of wall lining materials, and development on foreign markets. With regard to the opinions submitted by the third parties and for the purpose of making resources accessible on the basis of free and equal access for all potential competitors on the market, the Office stated conditions for the elimination of possible negative impacts of the concentration on relevant markets.

46. **The approval of the concentration** therefore resulted from the **conditions** stipulated in favour of preserving effective competition, which especially concerned ensuring access to the distribution network, the preservation of supplies, and conservation of the brands of all the companies affected by the concentration. The entity established by the concentration will more likely achieve better results on European markets; its capital base will also be strengthened and its product portfolio will be extended.

3. Appeal and court proceedings

3.1 Appeal proceedings

- Total number of appeals lodged in 2002: 49
- Total number of decisions on appeals in 2002: 24

3.2 Actions filed to the Court

- Total number of actions filed in 2002: 7
- Total number of judgements on the actions: 2

3.3 Judgements of the High Court – Adidas case

47. The High Court decided on the rejection of complaint in the legal case of the complainant **Adidas ČR**, s.r.o. against the decision issued by the Office's Chairman on 9 November 2001.

48. The breach of the Act identified by the Office consisted in the fact that the complainant had been concluding from the beginning of 2000 until 2 November 2000 the "Framework agreement on co-operation for the year 2000 – ČR" with their customers, containing in its Article No. 10 an arrangement stipulating that non-observance of the recommended level of retail prices by a customer, including the maximum discounts from these prices in after-season clearance sale and during short term advertising events, was one of the reasons that entitled the complainant to withdraw from the contract with immediate effect.

49. The High Court found no reasons for the complaint after assessing the decision of the Office, including the whole course of administrative proceeding and assessing all the relevant objections of the complainant. The grounds of the judgement established that the complainant could not be affirmed in saying that he had been refused the right for due grounds of the decision; forasmuch the administrative authority, using almost 20 pages of its decision, had sufficiently handled all the matters necessary to prove

cartel agreement as well as all the substantial objections of the complainant. That was also the reason why the Office was able to close the announcement on the breach of the Act and substantiate the sanction it had chosen. It was also impossible to raise any principal objection concerning the method of assessing the evidence. The decision of the Chairman of the Office was therefore judged as lawful and the High Court rejected the complaint in its entire extent.

4. The role of the Office in the formulation and implementation of other policies

4.1 Draft Act on certain conditions for business in the tourism area

50. In the framework of its decision-making activity, the Office dealt with the solution of questions related to the issue of obligatory contractual insurance of travel agencies. The findings of the Office showed the necessity of legislative action, forasmuch the current situation had not contributed to the development of effective competition and the protection of consumers. The actual legal regulation of conditions for business is the cause of barriers to the functioning of free competition in the area of tourism, which brings highly negative impact, especially on consumers. The problem consists especially in the fact that the only accessible form of reinsuring travel agencies against bankruptcy is the institute of what is called obligatory contractual insurance. This, with the fact that insurance companies mostly do not provide this type of insurance or do so only in the case of an association with other insurance companies within a so-called pool, results in the situation where there is practically no competition on this market. For this reason the Office, on the basis of its own initiative, elaborated a possible amendment to the Act. In preparation of this draft, the Office concentrated on ensuring the harmony of legal regulation with the principles of the protection of competition and the protection of consumers.

51. The proposed amendment to the Act puts forth one of the possible solutions to the problem of the non-existence of other alternatives for the reinsurance of travel agency guarantees for bankruptcy other than obligatory contractual insurance. The basic difference, in comparison with the present legal regulation, consists in establishing a new institute of obligatory guarantees for cases of travel agency bankruptcy. The institute of obligatory guarantees is further divided into two groups. The first group is constituted by contractual insurance, which, however, loses its exclusivity in comparison with the current legal situation. The legal regulation of contractual insurance remains in the Act without further changes. The second group of the obligatory guarantees is constituted by what are called other guarantees of travel agencies for bankruptcy. The other guarantees may be especially guarantees provided by a bank or other monetary institutions. The basic requirements for the other guarantees of a travel agency for bankruptcy were adopted from the regulation of contractual insurance which sufficiently ensures the unity of the extent and conditions of both groups of guarantees.

4.2 Resources of competition authority

52. Annual budget:

- CZK 61,549,000 (USD 2,123,000)

53. Number of employees:

- Number of the Office’s employees in 2002
- Total number: 118

54. Division of employees according to specialisation in the year 2002:

- Economists: 44
- Lawyers: 44
- Others: 15
- Support staff: 15