

Organisation de Coopération et de Développement Économiques Organisation for Economic Co-operation and Development

11-Jun-2013

English - Or. English

Directorate for Financial and Enterprise Affairs COMPETITION COMMITTEE

ANNUAL REPORT ON COMPETITION POLICY DEVELOPMENTS IN ISRAEL

-- 2012 --

This report is submitted by Israel to the Competition Committee FOR INFORMATION at its forthcoming meeting to be held on 19-20 June 2013.

JT03341550

Complete document available on OLIS in its original format

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

TABLE OF CONTENTS

Executive Summary		3
1. Changes to competition laws and J	policies	4
 1.1.2 Maritime Transport Block E 1.1.3 Block Exemption concerning skies" treaties. 1.1.4 Draft of Law Amendment - 1.1.5 Law Amendment for Finance 1.2. Summary of New Guidelines 1.2.1 Financial Sanctions Guidelines 1.2.2 Guidelines for the calculation 	r non-Horizontal Agreements Exemption ng codesharing agreements to destinations that are under "op Agricultural Exemption cial Sanctions nes	4 4 5 5 6 6 6 6 6 7
2. Enforcement of competition laws	•	7
 2.1 Actions against anticompetitive 2.1.1 Summary of main activities 2.1.2 Criminal Cases 2.1.3 Monopolies 2.2 Mergers and acquisitions 2.2.1 Statistics on number, s competition laws 2.2.2 Summary of significant case 	size and type of mergers notified and/or controlled und	7 8 8 9 10 der 10
3. Key Advocacy Activities		14
("Kedmy Committee")	of the level of competition and prices in the food industing Competition in the Banking System ("Zaken Commission	15
4. International cooperation		16
5 Resources of the IAA		17

Executive Summary¹

1. This report summarises recent developments and changes in Israel's competition law and policy and overviews some of the main enforcement activities of the Israeli Antitrust Authority (hereinafter – IAA) according to the Restrictive Trade Practices Act, 5748-1988 (hereinafter – "Antitrust Law") for the period of January 2012 through December 2012.

The IAA is an independent government enforcement agency established in 1994 under an amendment to the Antitrust Law. Its mandate includes preventing market power through merger control and prohibition of restrictive agreements, preventing the abuse of a dominant position, and enhancing competition in the various markets in Israel. An Antitrust Tribunal, residing within the District Court of Jerusalem, has exclusive jurisdiction over non-criminal regulatory antitrust proceedings. The District Court of Jerusalem has exclusive jurisdiction over criminal antitrust matters. Both criminal and civil antitrust rulings are subject to appeal before the Supreme Court of Israel.

- 2. In the period covered by this report, the IAA acted to protect and promote competition in various sectors of the economy through proactive enforcement of the Antitrust Law, merger control, promotion of legislative amendments, and advocacy efforts. The notable developments include:
 - Throughout 2012 The IAA is continuing to put considerable weight on stopping anticompetitive mergers and restraints of trade before the anticompetitive harm materializes. The IAA stopped 8 such transactions during this year in various concentrated markets, including credit cards, ATMs, construction, hotels, shopping malls, social media analysis, exchange traded notes, ports, and natural gas.
 - January 2012 establishment of a division within the economic department that will conduct market studies and track market failures.
 - May 2012- the Israeli Parliament, "the Knesset", approved an amendment of the Antitrust Act including a mechanism of imposing financial sanctions on violators of the law. The maximum sanction is up to 8% of annual sales turnover, and not to exceed Twenty Four Million Israeli Shekels. In July 2012, the Director General published a statement indicating the Authority's policy regarding financial sanctions. The purpose of this statement is to clarify which violations of the law are likely to be pursued via a financial sanction rather than criminal liability..
 - August 2012 the IAA pressed charges against the leading bakeries in Israel and their managers for alleged cartels. The trial began in November.
 - Throughout 2012 one of the Authority's goals was to ensure that the agreements between the monopoly natural gas provider, the "Tamar" partnership, and its customers, including the Israeli Electric Company, independent electric power producers, and large industrial plants, would not harm the competition. Accordingly, the Director General intervened in these agreements and shortened the commitment period in the agreements considerably, for allowing rivals of "Tamar", if and when they enter the market, the ability to compete for these customers. "Tamar" was prevented from harming the commercial terms of customers in these contacts.

Disclaimer: The information included in the Annual Report on Competition Policy Developments in Israel is published for informational purposes only. It does not constitute legal advice and does not derogate in any way from any official documents.

DAF/COMP/AR(2013)15

- In October 2012 the Director General ordered the termination of the joint activities of the large banks in ATM machines, performed through "SHVA". The IAA's inquiry showed that joint operations could substantially harm competition in ATMs. The selling Process of ATMs will take place during 2013.
- In February 2012 the Director General and "Tnuva" reached a consent decree according to which the company will pay Three Million Shekels, following the Director General's allegation that Tnuva failed to transfer documents to the IAA.
- In November 2012 the IAA summoned monopoly bottle recycling company, Ela, alleging it abused its monopoly position in raising barriers to entry to a rival recycling company.
- In February 2012 the Director General notified Nesher Israel Cement Enterprises Ltd., the declared cement monopoly, that he is considering giving instructions designed to discontinue Nesher's discriminatory pricing practices. The General Director is also considering instructing Nesher to publish cement prices and supply conditions. According to the IAA's preliminary findings, Nesher's said policy harms competition, inter alia, in the ready-mixed concrete sector as it may facilitate the stabilization of a non-competitive equilibrium in that sector between large suppliers.
- Three new block exemptions introducing a "self-assessment" regime to replace an ex ante approval regime were drafted, concerning non-horizontal agreements, codesharing agreements, and liner-shipping consortia agreements.

1. Changes to competition laws and policies

1.1 Summary of new legal provisions of competition law

- 1.1.1 Draft Block Exemption for non-Horizontal Agreements
- 3. In August 2012, the IAA published a draft of a Block Exemption regarding non-horizontal agreements that do not include price restrictions.
- 4. The Block Exemption will apply only to restraints that fulfill three conditions: First, it will not apply to a horizontal agreement, defined as an agreement between competitors dealing with the goods for which they compete. "Competitors" are defined in a way that does not admit economic opinions as to the market definitions.
- 5. Second, the exemption will not apply to agreements that include minimum resale price maintenance and analogous restraints. An agreement that includes a maximum resale price maintenance will be able to benefit from the exemption.
- 6. Third, the exemption will not apply to naked restraints or to restraints that may substantially harm competition.
- 7. The parties to the restraints will assess independently if their arrangement meets the conditions of the Block Exemption, including the examination whether the restraint may significantly harm competition instead of seeking an approval from the IAA in advance. This kind of regime reduces regulatory burden imposed on parties to restraints and allows the IAA to focus its resources on the most important cases. If it turns out ex post that the arrangement does not meet one of the conditions required by the exemption,, the

IAA will be able to enforce against it *post factum*, e.g., with the use of the new provision allowing for administrative fines.

1.1.2 Maritime Transport Block Exemption

- 8. In January 2013, the Maritime Transport Block Exemption came into force after being published on October 2012. The new block exemption will apply to operational agreements and practices between liner shipping companies (consortia). For the most part, the block exemption follows the EC Regulation (EC) No 906/2009 on the Application of Article 81(3) of the Treaty to Certain Categories of Agreements, Decisions and Concerted Practices Between Liner Shipping Companies (Consortia), with adaptations necessary for the Israeli economic and legal environment. In essence, the Block Exemption applies to consortia agreements in international liner shipping, and excludes agreements relating to prices and hard-core violations. It provides a safe harbour for consortia agreements where the parties have a market share below 40%. Above this threshold, and subject to the other conditions mentioned in the exemption, the exemption does not apply where the restraint may substantially harm competition. A restraint fulfilling the exemption's conditions is exempt from the requirement to seek prior approval from the IAA. The IAA can enforce agreements that turn out not to enjoy the exemption *post factum*, e.g., using administrative fines.
- 1.1.3 Block Exemption concerning codesharing agreements to destinations that are under "open skies" treaties.
- 9. On 17 December 2012, this block exemption came into force, following advanced steps to reach an "open skies" treaty between Israel and the EU. The "open skies" treaty as drafted will significantly remove regulatory restrictions to competition between airlines, including existing restrictions on flight frequencies and the number of carriers. This removal of obstacles to competition, along with the corresponding entry of new competitors, is expected to reduce the dangers to competition from codesharing agreements.
- 10. In light of the expected change in the competitive environment, the IAA seeks to reduce the bureaucratic burden that exists today on airlines by enacting a block exemption for codesharing agreements in which one airline markets the seats of another airline on a given route, which is under an "open skies" treaty (currently the EC, once the treaty comes into force, and the United States, with whom Israel already has an "open skies" agreements). According to the exemption, codesharing arrangements that meet the block exemption's requirements are prohibited only if they may substantially harm competition. The parties to the arrangement will assess independently if their arrangement meets the exemption's requirements instead of needing a regulatory approval in advance. If it turns out that the arrangement does not meet the exemption's requirements, , the IAA will be able to enforce against it *post factum*, e.g., using administrative fines.

1.1.4 Draft of Law Amendment - Agricultural Exemption

- 11. Paragraph 3 to the Antitrust Act lists a number of arrangements that are exempted from the scope of the Restrictive Arrangements Chapter. Article 3(4) states that restraints all of which relate to the growing and marketing of agricultural produce shall not be considered a restrictive agreement if all parties are wholesalers or growers of agricultural produce. This exemption allows naked restraints, such as price fixing, quantity setting and market allocation, even between wholesalers of agricultural produce that are not growers.
- 12. The IAA engaged in advocacy efforts to diminish the scope of the agricultural exemption so that it apply only to growers of agricultural produce and not to wholesalers that are not growers. The IAA's claim is that exemption of wholesalers who are not growers unnecessarily harm consumers and may also

DAF/COMP/AR(2013)15

substantially harm farmers. Accordingly, the IAA drafted a proposed amendment of the Act, that narrows down the exemption to apply to agreements among growers, or parties wholly owned by growers that deal with growing and wholaling of agricultural produce. Also, the amended exemption would apply to vertical restraints concerning the wholesale of agricultural produce in which one of the parties to the agreement is a grower, and the other is a wholesaler.

- 13. According to the proposed amendment, the exemption applies only to agricultural products produced by the grower who is a party to the arrangement, rather than agricultural products that are not self-produced.
- 14. Hence farmers would continue to be exempt with regard to restraints related to growing and marketing.

1.1.5 Law Amendment for Financial Sanctions

- 15. In May 2012, the Israeli parliament, the Knesset, passed an amendment to the Antitrust Act that adds enforcement options by allowing financial sanctions. The objective of the amendment is the creation of an administrative enforcement tool that enables a more effective, fast and efficient response to specific types of violations. The amendment provides the Director General with the authority to impose financial sanctions on a company of up to 8% of the total sales of the company, with a maximum fine of 24 million NIS.
- 16. In addition to setting the maximum sanctions and the violations for which they can be imposed, the amendment also establishes a procedure for imposing sanctions which includes a hearing process and a judicial review system, via appeal to the Antitrust Tribunal, both with respect to the imposition of the financial sanction itself, and with respect to the size of the fine.
- 17. Antitrust enforcement in Israel has two basic elements: the criminal track and the civil-administrative track, which are both provided for by the Antitrust Act. The adoption of a mechanism in the Act for the imposition of financial sanctions provides a solution to difficulties arising from the inappropriateness of criminal liability to various kinds of soft-core violations.
- 18. The need for adoption of a financial sanction mechanism within the Antitrust Act was acknowledged by the OECD in the course of Israel's accession review, and by other government bodies, including the State Comptroller, who expressed support for the amendment..

1.2. Summary of New Guidelines

1.2.1 Financial Sanctions Guidelines

19. In July 2012, the IAA released a publication regarding the new Amendment of the Act that adds financial sanctions as an enforcement tool. The guidelines classify the infringements of the Act that will typically be enforced by Financial Sanctions rather than by criminal liability. Later that year, in October 2012, the IAA published an announcement about infringements of the duties of Monopolies according to the Antitrust Act that could be enforced via financial sanctions..

1.2.2 Guidelines for the calculation of financial sanctions

20. In July 2012, the IAA published guidelines that elaborate about the factors taken into consideration when deciding the measure of the financial sanction imposed, according to paragraph 50e to the Antitrust Act. The guidelines describe the relevance of each criterion mentioned in the Act and how it can effect the decision concerning the amount imposed upon an violater.

1.2.3 Draft - Maritime Transport Block Exemption Guidelines

- 21. On November 2012, shortly after the final version of the Marmite Transport Block Exemption was published, the IAA released a draft including guidelines regarding the application of this block exemption. The guidelines discuss the relationship between the Israeli and European Block Exemptions and state that the European Block Exemption and its underlying principles will be used as a basis for interpretation of the Israeli Block Exemption. Official documents issued by the European Commission regarding the European Block Exemption can also be used as an interpretive tool.
- 22. The guidelines also point out that, for a period of the next three years, the preferred path for enforcing the Antitrust Act regarding agreements dealt with by the block exemption would be administrative enforcement, including financial fines, as opposed to criminal sanctions.

2. Enforcement of competition laws and policies

2.1 Actions against anticompetitive practices

- 23. Severe antitrust violations of the Antitrust Act may be subject to criminal prosecution that may result in fines and prison sentences. Liability is imposed upon the corporation and its executives.
- 24. The civil and administrative remedies for infringements of the Antitrust Act include financial sanctions, consent decrees, injunctions and court orders granted by the Antitrust Tribunal. The Director General has the power to declare an activity as prima facie illegal and the power to issue rules of conduct to monopolies and to collectively dominant firms.

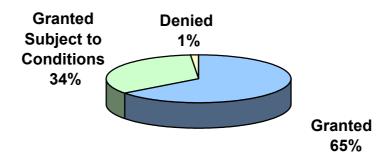
The Antitrust Act stipulates that the concentration of more than half of the total supply or acquisition of an asset, or more than half of the total provision or acquisition of a service, in the hands of one person, is considered a **Monopoly**.

The Act defines firms in a market as "collectively dominant" when a small group of people conducting business possessing collectively more than half of the total supply or acquisition of an asset, or more than half of the total provision or acquisition of a service, if the following two conditions are met: (1) there is little competition between these people or in their market, or there are conditions for little competition; and (2) provisions issued by the Director General may prevent harm or a probable substantial harm to the public or to competition between these people or in their market, or may substantially enhance competition in the market or create conditions for considerable enhancement of competition in the market. Conditions for little competition include, inter alia, barriers to entry, combined with two or more of the following conditions: Switching costs, cross ownership or joint ownership among competitors, symmetric market shares, great similarity of products or services, a large number of customers or suppliers, transparency of the main terms of trade among competitors. The Act defines a "restrictive arrangement" as an arrangement made between two or more persons conducting business that limits at least one party to the arrangement in a manner that may prevent or reduce competition. The law also provides a list of per se prohibitions. Accordingly, an arrangement involving a restraint relating to one of the following issues shall be deemed to be a restrictive arrangement: the price to be demanded, offered or paid; the profit to be obtained; division of all or part of the market according to the location of the business or according to the persons or type of persons with whom business is to be conducted; the quantity, quality or type of assets or services in the business.

25. Engagement in a restrictive arrangement without prior authorisation of the Antitrust Tribunal or any other temporary authorisation is prohibited, unless the arrangement was specifically exempted by the Director General or in case it was covered by a block exemption. During 2012, the Director General handled exemption requests as follows:

Total number of Exemptions	Granted	Granted Subject to Conditions	Denied
71	46	24	1

Decisions in Exemption Requests 2012



2.1.1 Summary of main activities

26. The IAA devotes extensive efforts and resources to enforcement against cartel arrangements, bid rigging, and other naked violations and has done so in a wide range of industries. The following illustrates some of the main enforcement activities in this respect:

2.1.2 Criminal Cases

The Bread Cartel

The IAA decided to prosecute the major bakeries in Israel: Angel Bakeries, Bremen, Davidovich, Merhavit, Oranim, Ahdut, Alumot, Dganit Eyn Bar, executives and other senior officers. According to the indictment, in late February 2010, the bakeries coordinated, inter alia, prices and allocated the market on geographical basis.

• The Pruning Cartel

There was a decision on the part of the IAA and the district attorney's office to prosecute some of the suspects in the pruning cartel. According to the indictment, the suspects engaged in bid rigging in bids for pruning services at the expense of the Israeli Electric Company and several Israeli municipalities.

• The Insurance Appraiser Association case

The IAA decided to prosecute the Association of Insurance Appraisers and a few of its members for coordinating fees and boycotting bids.

• The Meteorological Station Services Cartel

The IAA decided to prosecute suppliers of services for meteorological stations and their executives for bid rigging in bids for the maintenance of meteorological stations in the Southern and Northern parts of Israel.

• Tnuva investigation

In July 2012, IAA investigators conducted searches in the offices of the Tnuva Group, launching an investigation regarding, *inter alia*, suspected infringements of a consent-decree reached between the IAA and several food suppliers. Tnuva is the largest dairy in Israel, and owner of several subsidiaries which supply foods, including meat products and frozen goods.

• Computer servers investigation

In March 2012 the IAA launched an investigation regarding a suspected bid-rigging cartel between IT companies.

2.1.3 Monopolies

• Natural Gas Market

The IAA's Director General has declared Delek Drilling Ltd. Partn together with, Avner oil Ltd. Partn, Noble Energy Mediterranean Ltd, Isramco Negev 2 Ltd. Partn and Dor Gas Exploration Ltd.Partn ("the drilling partnerships"), together and separately, as a monopoly in supplying natural gas in Israel.

In addition, the director general is considering determining that Delek Drilling Ltd. Partn, Avner oil Ltd. Partn, Noble Energy Mediterranean Ltd, and Ratio Oil Exploration (1992) L.P, who are all partners in the 'Leviathan' oil permit, are parties to a restrictive arrangement which has not received any permit or exemption from the Antitrust Tribunal or the director general. The partnerships were invited to present their arguments before the director general's final decision is made.

• Cement Market Monopoly

On February 15th the Director General notified Nesher Israel Cement Enterprises Ltd. (Hereinafter – Nesher), the declared cement monopoly, that he is considering giving instructions designed to discontinue Nesher's discriminatory pricing practices. The General Director is also considering instructing Nesher to publish cement prices and supply conditions.

According to the IAA's preliminary findings, Nesher's said policy harms competition, inter alia, in the ready-mixed concrete sector as it may facilitate the stabilization of a non-competitive equilibrium in that sector between large suppliers.

Nesher was invited to present its arguments before a final decision is made, and the IAA is currently reviewing Nesher's opposition to the aforementioned instructions.

DAF/COMP/AR(2013)15

• Bottle Recycling Monopoly

In November 2012 the Director General notified Ela, the bottle recycling monopoly, that he is considering a proclamation stating that Ela abused its dominant position in bottle recycling in Israel by allegedly worsening the terms of one of the companies that collected bottles for Ela because this collector attempted to compete with Ela as a recycling company.

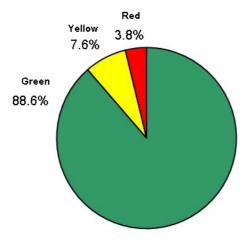
2.2 Mergers and acquisitions

- 2.2.1 Statistics on number, size and type of mergers notified and/or controlled under competition laws
- 27. Merger control constitutes an important part of the IAA's mission to prevent the formation of market power that is detrimental to competition.

Mergers that cross certain **thresholds** must obtain the approval of the Director General before the execution of the transaction. Merging parties must submit a merger notification in the event that one of the following conditions exists:

- 1. As a result of the merger, the share of the merging companies in the relevant market is in excess of fifty percent;
- 2. The joint sales volume of the merging companies according to their balance sheets for the year preceding the merger is in excess of 150 million NIS and the sales volume of at least two of the merging companies is in excess of 10 million NIS.
- 3. One of the companies is a monopoly (in any market).
- 28. The Director General has the power to block a merger or approve it under conditions if the merger raises a reasonable concern of substantial harm to competition or reasonable concern of harm to consumers. The Director General's decision is subject to an appeal to the Antitrust Tribunal. The Antitrust Act sets a review period of thirty days, during which the Director General is required to reach a decision. The period can be extended by the Antitrust Tribunal or when the consent of the merging parties is granted. If the IAA does not decide within the prescribed time period, the merger is deemed to be compatible with the Act. The moment the IAA receives a merger notification, it is classified by the chief economist corresponding to the degree of preliminary concern regarding the competitive issues that are raised ("green," "yellow" and "red," respectively).

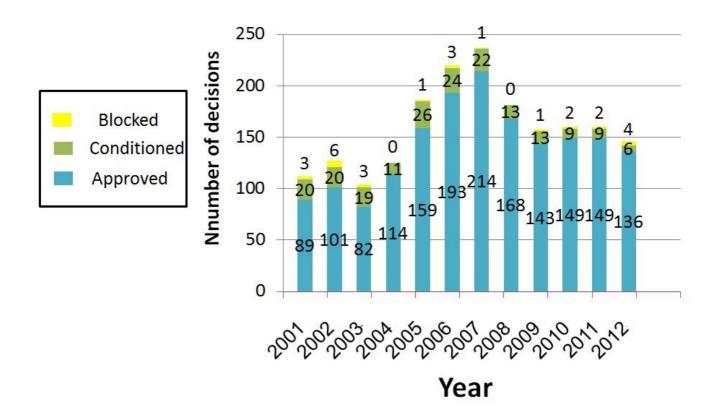
29. In 2012, the IAA received 136 merger notifications. 88.6% of them were considered "green".



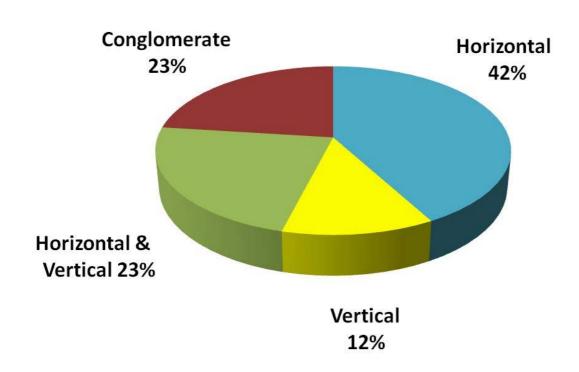
30. The following table describes the type of decisions in merger filings since 2001:

	Decisions	Approved	Conditioned	Blocked
2001	112	79%	18%	3%
2002	127	80%	16%	4%
2003	104	79%	18%	3%
2004	125	91%	9%	0%
2005	194	85%	14%	1%
2006	219	88%	10.50%	1.50%
2007	237	90.30%	9.30%	0.40%
2008	181	93%	7%	0%
2009	157	91%	8.30%	0.60%
2010	160	93%	6%	1%
2011	191	97%	2.6%	0.52%
2012	136	92.4%	4.6%	3%

31. In addition to the 136 merger applications that were reviewed by the IAA, there were 4 additional merger applications that have been withdrawn after the IAA had indicated that that it was likely to oppose these transactions.



Mergers by Type 2012



2.2.2 Summary of significant cases

32. The following is a summary of several significant merger cases that were reviewed by the IAA or brought before Courts during the period covered by this report:

• Lageen and Caniel Tin Can Merger

On December 12th, 2010, the IAA decided to object to a merger between Lageen and Caniel, the two leading producers of tin cans for the local food industry. The IAA denied the merger as it would result in a monopoly with a 90% market share.

In March 2011, the parties appealed the decision before the antitrust tribunal claiming imports restrained their prices, a claim the IAA dismissed due to the unstable nature of the imports. On June 10, 2012, the antitrust tribunal upheld the IAA's decision to prohibit the merger and rejected the appeal by a majority vote. The court emphasized that these two companies are the only companies in Israel engaged in the manufacturing of tin cans, and they compete against each other in the manufacturing and marketing of tin cans for the canned food and chemistry industries. The examination found that this merger would create an almost perfect monopoly in the relevant markets and especially in the production and marketing of tin cans for the canned food industry. Specifically, the merger would create a serious concern according to which the merged company would raise prices and harm competition and consumers. On September 24, 2012 the companies appealed the Antitrust Tribunal's decision to the Supreme Court. The case has not been heard yet.

• Azrieli Shopping Mall Mergers

On January 8, 2012 the Azrieli Group announced that it wished to withdraw the application for purchasing the Ir Yamim shopping mall in Netanya. The Azrieli Group had meant to acquire the full ownership rights and obligations of the shopping mall from Shicun and binuy and Shicun and Pituach. The Ir Yamim shopping mall was then in the final stages of construction to be opened a few months later. In light of the concerns raised by the Director General regarding harm to competition and the conditions required to overcome them, the Azrieli Group decided to withdraw its request.

On November 25, 2012, the Director General announced his opposition to the transaction between the Azrieli Group and Mashhar Centers Recreation and Leisure Ltd ("Mashhar"), according to which Azrieli sought to acquire from Mashhar the "One Plaza" shopping center in Beer Sheva. The IAA's examination showed, among other things, that the merger would significantly increase market concentration in the Beer Sheva area. Among other concerns, the examination found that the merger raises concerns about the exercise of market power against retailers that rent retail space in shopping centers in Beer Sheva.

• <u>Electra Dalkia Merger in the Electro – Mechanical Sector</u>

On May 2, 2012 the Director General announced his opposition to the merger between Electra Ltd. ("Elektra") and Dalkia Energy Services Ltd. ("Dalkia"). In this transaction, Electra sought to purchase Dalkia's contracting activity in the electro – mechanical sector from Dalkia. Electra and Dalkia are both involved, among other things, in the establishment of air conditioning systems, electrical systems and plumbing in public buildings and in providing services for these systems. Both companies were categorized by contractors and construction companies as ranked highest in all three areas.

The IAA's examination found that the merger would create significant probable harm to competition, especially with respect to large projects, and raised reasable concerns that the prices developers and contractors would pay for these services would rise.

• Dash Meitav Exchange Traded Notes Merger

In November 2012 the Director General conditioned the merger between Dash and Meitav, two of the four substantial players in market for exchange traded notes, on the condition that the traded notes operations of one of the companies must be divested to a third party. This prevented a situation in which two dominant firms would jointly hold 80% of the relevant market (the merged entity 43% and the second firm 34%). Both companies are investment banks that are engaged in the management of pension funds, mutual funds, brokerage and exchange traded notes. With respect to the former fields, no reasonable concern for substantial harm to competition was found, while such concern was present in the market for exchange traded notes.

3. Key Advocacy Activities

- 33. In addition to its mandate to enforce the provisions of the Antitrust Act, the IAA serves as an expert advisory body to the government and parliament in matters which concern competition. Subsequently, one of the key capacities of the IAA involves offering its professional know-how and expertise to various government bodies and disseminating competition principles among them. The IAA's advocacy efforts are also directed towards the business and legal communities as well as the public. In recent years, the IAA has been deeply involved, through advocacy work, in numerous initiatives to open markets to competition and to dissolve barriers to entry.
- 34. The IAA works together with government ministries and other agencies to enhance market competition and cope with competition problems in various sectors of the economy. It also engages in discussions at the Parliament's Finance Committee and Economic Affairs Committee where its representatives present the competitive aspects relevant to various regulatory, legal and economic issues. The IAA has also been expanding its role in the general public, through conducting guest lectures at universities throughout Israel, holding forums including the IAA's senior management within conferences, organizing specialized seminars, and teaching about competition in high schools. The following summarizes the IAA's main advocacy activities during the period covered by the report:

3.1 The Concentration Committee

- 35. On October 24th 2011 the Prime Minister appointed a committee headed by Mr. Eyal Gabay, at the time CEO of the Prime Minister's office and Mr. Haim Shani, at the time Director General of the Finance Ministry, in order to examine the issue of country-wide concentration and the evolution of large business groups in Israel. The IAA's Director General was appointed as a member of the Committee and headed the team that dealt with examining the conditions for the allocation of public assets to the private sector (privatization of government companies, provision of licenses and franchises, BOT projects, and so forth).
- 36. With respect to the allocation of public assets to the private sector, the Committee recommended that the bodies responsible for the processes of allocating these rights and assets be obliged to consider market concentration and country-wide concentration (e.g., concentration causing a threat of excess bargaining power vis a vis government bodies). The Committee also recommended the divestiture of cross ownership between large financial institutions and large non-financial institutions and limit the ability of public corporations to create pyramidal ownership structures.

37. The committee's recommendations were adopted by the Israeli government and included in new proposed legislation initiated in July 2012.

3.2 Committee for examination of the level of competition and prices in the food industry ("Kedmy Committee")

- 38. On 27 June, 2011 the Minister of Industry, Trade and Labor and the Minister of Finance appointed an inter ministerial team headed by who was at the time Director General of the Ministry of Trade and Industry, Mr. Sharon Kedmy, to examine the level of competition and prices in the food and consumer products markets. The IAA was represented in the committee by Dr. Shlomi Parizat, then chief economist of the IAA. The Committee examined the various sub markets in the food market, and in the retail and production segments and barriers to imports. The Committee found market failures that create barriers to competition that could explain the high costs of food products in Israel.
- 39. On October 2012, the Israeli government approved, based on the committee's recommendations, granting the IAA criminal and administrative enforcement authorities against a series of anticompetitive behaviors and practices between suppliers and retailers. Also, in order to reduce geographic concentration of supermarket chains, it was also decided to authorize the Director General to limit large supermarket chains which have a substantial market share in a geographic market to expand into new outlets where this may harm competition, particularly when it blocks the entry or expansion of supermarket chains with no or little presence in the relevant geographic market.

3.3 Examination Team for Increasing Competition in the Banking System ("Zaken Commission")

- 40. On July 15, 2012 a team was appointed tasked with the examination of ways for increasing competition in the banking system. The Team was appointed by the Minister of Finance and the Governor of the Bank of Israel, and headed by David Zaken, the Chief Bank Supervisor; The IAA was represented by Dr. Shlomi Parizat, then the chief economist of the IAA. In the interim report, the team identified market failures in the market for banking services vis a vis households and small businesses and stated that the banking industry in Israel is not competitive. The interim report included the principal recommendations.
- 41. Among the team's recommendations were allowing the consumer to share his credit history information with banks and institutions that wish to compete with the consumer's own bank in granting credit to the consumer (consumer ID), creation of credit bureaus, development of a model for ranking the credit histories of households and small businesses; providing the opportunity to open new accounts through the Internet, and ease the process of closing accounts and moving from one bank to another; and encouraging the establishment of an internet bank.
- 42. The committee did not examine possible structural changes in the banking industry, and recommended that the IAA further examine this issue.

3.4 Public Procurement

43. In the area of public procurement, the IAA works with the Government's General Accountant, who oversees the government's procurement process, to promote competition in public procurement. Following this cooperation, the General Accountant agreed in 2011 to instruct government procurement officers to request from all suppliers who take part in public tenders to submit (together with the tender documents) an affidavit in which they declare that there was no collusion, coordination or illicit information exchange between the bidders.

44. In addition, the IAA has organized workshops with public officials that deal with public procurement. The workshops are designed to inform those who are involved in the public procurement process about the potential risks involved with bid rigging and its legal implications.

3.5 IAA's conferences

- 45. The IAA held its annual conference in January 2013 (summarizing the activities of 2012) with the participation of the Minister of Industry Trade and Labor, Mr. Shalom Simchon. The conference included multiple breakout sessions in which representatives from the IAA, the business sector and academia discussed various issues and developments in antitrust policy and enforcement. IAA annual conferences are attended by lawyers, economists, academics, CEOs, prominent members of the business community, government officials and the general public.
- 46. In addition to the Annual Conference, IAA Director General and senior management are invited regularly to lecture at different academic conferences as well as other forums, such as the Israel Bar Association, Manufacturers Association of Israel and The Israel Export Institute, and the academic associations of economics and law and economics. The IAA has also been involved in developing conferences and workshops for the private sector, in order to educate businesses about changing issues in antitrust law and the economy and listen to the private sector's comments and suggestions about the IAA's policies.

3.6 IAA's publications

- 47. The IAA issues a yearly public report in Hebrew summarizing its activity in the past year, in which the IAA's management elaborates on its activity in the previous year. Most of the IAA's decisions are published on the IAA's website alongside the Antitrust Tribunal and Court decisions. The Director General also administers several statutory public registries which include decisions regarding restrictive arrangements, mergers and monopolies.
- 48. During 2012 the IAA published 2 key policy guidelines: Financial Sanctions Guidelines and Guidelines for calculating financial sanctions.
- 49. In addition, the IAA offers a detailed online database in both Hebrew (http://archive.antitrust.gov.il/) and English (http://eng-archive.antitrust.gov.il/). The database includes archives ranging from decisions of the Director General, court decisions, legislation and press releases. This database serves as a comprehensive central reference point for people in Israel and abroad regarding information on IAA activities.

4. International cooperation

- 50. During the reviewed period, the IAA continued to contribute to the various OECD working groups on specific themes such as horizontal mergers, the sharing of information among competitors, excessive pricing, and fairness of criminal and administrative enforcement. As a participating member of ICN working groups, the IAA has contributed to discussions about mergers, cartels, and monopolies. The IAA adds professional experience gained from Israel's antitrust proceedings to these working groups and continues to benefit from receiving such insights from the antitrust authorities of other countries.
- 51. In addition, since 1999, the IAA has had an agreement of bilateral cooperation with the Department of Justice and Federal Trade Commission in the United States. As part of this agreement, the IAA sends representatives to the United States to participate in training sessions, and both parties are in contact regarding consultations. The IAA also works closely with the European Union and the competition authorities in its member states.

- 52. The IAA's professional staff has given lectures and held presentations at numerous international workshops and conferences throughout the year and invites experts in competition law from around the world to give presentations to the employees of the IAA.
- 53. On November a group of Criminal lawyers from the IAA participated in a special seminar on cartels at the DOJ in Washington D.C. During the seminar, the delegation learned, among other things, on the criminal law enforcement system in the United States and presented details about criminal law enforcement in Israel.

5. Resources of the IAA

54. The IAA's budget for 2012 was 41.1 million NIS (approximately US \$11.4 million). The total number of employees was 109 divided as follows:

Economic Department	29 economists
Legal Department	29 lawyers (including 7 legal interns)
Criminal Investigations Department	24 investigators
Administrative Staff	22 (including IT and HR)
The Director General's Office	5
All staff combined	109 employees