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This report is submitted by Israel to the Competition Committee FOR INFORMATION at its forthcoming meeting to be held on 6-8 June 2018.

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1. Executive Summary

1. This report summarises recent developments in Israel's competition law and policy for the period of January 2017 through December 2017. It also provides an overview of some of the main enforcement activities of the Israeli Antitrust Authority (hereinafter – "the IAA") regarding the Restrictive Trade Practices Act, 5748-1988 (hereinafter – "the Antitrust Act") for that time period.

Box 1.

The IAA is an independent government agency, which was established in 1994. Its mandate includes enforcement against anticompetitive restrictive arrangements and monopolies abusing their dominant position, merger control, regulation of collectively dominant firms, as well as market research and competition advocacy roles. The IAA has the power to prosecute criminal cases and its Director General can impose administrative fines upon certain violations of the Antitrust Act. 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. In addition, The IAA's mandate includes enforcement of The Law for Promotion of Competition and Reduction of Concentration 5774-2013 (the "Concentration Law") and the Law for the Promotion of Competition in the Food Sector, 5775-2014 (the "Food Law").

2. The IAA is striving to assume a pivotal role in making Israel's markets more competitive. In recent years, there has been a shift in IAA's mission and purpose. From focusing almost solely on the enforcement of the Antitrust Act, to prevent and eliminate anticompetitive practices by businesses, the IAA has increasingly focused on taking pro-active measures to improve competition in the markets and on promoting pro-competitive policies and regulation.

3. Thus, in 2017, the IAA continued to invest considerable efforts in advocacy work. The IAA takes an active role in the work of government committees aimed at removing competitive barriers. Regulators and policy makers turn to the IAA for an advice due to its expertise and professional reputation. The IAA's opinions and recommendations are a considerable consideration in the regulators opinion. Some examples of advocacy work from 2017 include conducting a market study on fuel stations and promoting its recommendations, participating in a governmental committee for steering recommendations regarding the removal of barriers for personal import, publishing an independent market study on the issue and consulting governmental bodies regarding a proposed reform in the electricity sector.

4. In addition, the IAA published on October 30, 2017, a draft amendment to the Antitrust Act for public comments. The suggested amendment relates to fundamental chapters of the Antitrust Act, and its declared goal is to decrease the regulatory burden that currently applies to legitimate and efficient practices, while strengthening the enforcement against anticompetitive conduct. The draft amendment was published after a long internal debate and initiated an external public debate. The IAA received almost 40 comments to the draft amendment, and the government will soon publish a final

memorandum of law. One of the main goals of the IAA in 2018 is to approve the suggested amendments in the Israeli Parliament.

5. At the same time, the IAA continues to vigorously perform its primary role as a law enforcement agency. Substantial efforts were invested in 2017 in enforcement against monopolies - efforts which resulted in (i) a statement of objections against The Central Distribution Company Ltd. Israel's Coca-Cola franchisee, suggesting to impose an administrative fine of approx. 62 million NIS (pending hearing), (ii) administrative fines of approx. 13 million NIS which were imposed on Israel Electric Corporation, and (iii) a statement of objections against Bezeq Telecommunication Company suggesting to impose an administrative fine of approx. 30 million NIS (pending hearing) which was published in March 11, 2018, and few additional cases which will be published during 2018.

6. The IAA also continued to carry out its important task of merger control, reviewing in 2017 a total number of 159 mergers out of which 155 were approved and 4 were approved with remedies. In 2017, The IAA shortened the average examination period of mergers from 28.4 days in average between 2012-2016, to 20.6 in 2017, a reduction of 27%. In addition, the IAA shortened the average examination period of a restrictive arrangement from 102 days in 2016 to 66 days in 2017, a reduction of 35%.

7. The Concentration Law enacted in December 2014, determines that regulators allocating economic rights (e.g. licences, permits, government franchises and privatisations) must take into account competition considerations. During 2017, the Director General published the second list of rights which oblige regulators to consult with the Director General regarding these considerations prior to allocation of these rights. In 2017, the Director General consulted regarding the allocation of 3 rights.

8. In addition, the Concentration Law formed the Committee for Reduction of Economy-Wide Concentration (headed by the Director General) (the "Concentration Committee"), which advises the government on the economy-wide ramifications of the allocation of essential facilities to concentrated entities. The Concentration Committee developed and published a draft policy paper for public hearing, regarding the methodology for examining economy-wide concentration. The document specifies that the committee's examination will focus on concerns arising from the potential of a concentrated entity with significant bargaining power to exert this power towards policy makers, in order to gain advantages that are not derived from its economic efficiency, while undermining public interests. In 2017, the Concentration Committee provided its advice regarding the allocation of 9 rights.

2. Changes to competition laws and policies

2.1. Summary of new legal provisions of competition law and related legislation

- During 2017 and the beginning of 2018 three block exemptions were extended with slight amendments. In November 22, 2017, the Antitrust Rules (Block Exemptions for Arrangements between Aircraft Carriers Concerning Flight Capacity) and the Antitrust Rules (Block Exemption for Arrangements Regarding International Sea Transportation) were extended and slightly amended, and in January 11, 2018, the Promotion of Competition in the Food Industry Rules

(Block Exemption for Arrangements Regarding Consumer Price) was extended and slightly amended.

- In May 28, 2017, the IAA published the Antitrust Rules (Block Exemption for Syndication Loans) for public hearing. The Block Exemption sets rules under which few financial bodies would be able to provide joint syndication loans without granting a specific approval from the IAA in advance.
- In July 10, 2017, the Antitrust Rules (Block Exemption for Exportation of Security Equipment) was regulated. The Rules exempt restrictive arrangements for exportation of security equipment if they qualify a few conditions regarding the influence of the arrangement on the competition in Israel.

9. Notably, in 2017 the Israel Antitrust Authority was substantially involved and provided input in 12 legislation proceedings in Parliament. Inter alia, the IAA participated in legislation proceedings of the Communication Law – Obligation to Sell Sports Content, the Law for Promotion of Competition and Reduction of Concentration in the Banking Sector (Law Amendments); The Supervision of Financial Services (Regulated Financial Services) Law.

2.2. Other relevant measures including new guidelines

- In February 28, 2017, the IAA published its revised Guidelines 1/17: The Antitrust Director General's Considerations while Enforcing the Prohibition Against Unfairly High Prices. The new guidelines is written under the assumption that the charge of excessive, unfair prices, may be regarded as an abuse of monopoly position; however, according to the enforcement principles in the 2017 guidelines, IAA's enforcement against excessive prices will take place only in exceptional circumstances, and as a last resort when competition cannot be restored.
- In June 28, 2017, the IAA published Guidelines 2/17 Regarding Vertical Price Maintenance Arrangements. According to the Guidelines, an RPM agreement would be forbidden unless (a) the competition level in the market which the arrangements relates to is sufficient and (b) the arrangement is required in order to promote inter-brand competition. The lower the competition level in the market is, the higher the justification required.
- In July 23, 2017, the IAA published Guidelines 3/17 concerning Cyber-Security Information Sharing, setting the framework for analyzing information sharing between private entities on cyber threats.

2.3. Government proposals for new legislation

- In October 30, 2017, the IAA published a draft amendment to the Antitrust Act, entitled "Amendment for Strengthening Enforcement and Reducing Regulatory Burden", for public comments. The suggested amendment relates to fundamental chapters of the Antitrust Act. The goal of the suggested amendment is to decrease the regulatory burden that currently applies to legitimate and efficient practices, while strengthening the enforcement against anticompetitive conduct. Among the key changes suggested: (1) raising the turnover threshold for merger notification, from 150 million NIS to 360 million NIS; (2) authorizing the Director General to

extend the merger review period in appropriate cases from 30 days to 150 days, by a reasoned administrative decision. Currently, the Director General must issue a decision within 30 days, which can be extended only by a judicial decree or the consent of the parties; (3) shortening the statutory review period of applications for an exemption for a restrictive arrangement from 90 days to 30 days; (4) supplementing the definition of a "monopoly" that is subject to unilateral conduct duties and prohibitions, to include entities with substantial market power, in addition to the current definition of a monopoly, which is based on a market share of over 50%; (5) abolishing the 24 million NIS cap on administrative monetary penalties' on corporations, such that all corporations that violate the Antitrust Act will be subject to a maximum administrative fine of 8% of their annual sales turnover; (6) changes to the maximum criminal sanctions on violations of the Antitrust Act.

- In October 31, 2017, the IAA published for public comments draft amendments to three Block Exemptions that focus on horizontal arrangements: the Block Exemption for Joint Ventures; the Block Exemption for R&D Agreements; and the Block Exemption for Ancillary Restraints to Mergers. The suggested amendments seek to significantly expand the self-assessment regime of restrictive arrangements, and enable parties to apply the amended block exemptions even if they exceed relevant market share boundaries. Thus, restrictive arrangements of the types covered by the amended Block Exemptions will not require specific exemptions, if they meet the following conditions: (i) the arrangement is not aimed at harming competition, and the restraints included in the arrangement are necessary for fulfilling the purposes of the arrangement, and (ii) the arrangement will not result in a significant adverse effect on competition.

3. Enforcement of competition laws and policies

3.1. Actions against anticompetitive practices, including restrictive arrangements and abuses of dominant positions

10. Severe antitrust violations of the Antitrust Act may be subject to criminal prosecution that may result in fines and prison sentences. Liability may be imposed on the corporation and its executives.

11. The civil-administrative remedies for infringements of the Antitrust Act include administrative fines, consent decrees, injunctions and court orders granted by the Antitrust Tribunal. The Director General has the power to declare a certain conduct as prima facie illegal, to issue rules of conduct to monopolies and to collectively dominant groups, and to impose administrative fines. In criminal cases, the antitrust authority can prosecute violators.

12. Engagement in a restrictive arrangement without prior authorisation of the Antitrust Tribunal is prohibited, unless the arrangement was specifically exempted by the Director General or is covered by a block exemption. In addition, certain arrangements enjoy statutory exemptions, e.g., as restraints imposed by law, arrangements concerning agricultural produce (subject to certain conditions), and restraints that stem from intellectual property licensing (under certain conditions).

Box 2.

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 Antitrust Act defines firms as "Concentration Group" when a small group of firms collectively possesses 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 firms, 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, or may substantially enhance competition or create conditions for considerable enhancement of competition. Conditions for little competition can 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, similarity of products or services, a large number of customers or suppliers and transparency of the main terms of trade among the group's members.

The Act defines a "restrictive arrangement" broadly 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 the competition. The Act also provides a list of arrangements which are deemed as restrictive arrangements, in particular, an arrangement involving a restraint relating to one of the following issues: the price to be demanded offered or paid; the profit to be obtained; division of all or part of the market; the quantity, quality or type of assets or services provided. According to the Supreme Court's decision in the Shufersal case (handed during 2015) the irrefutable presumption that arrangements in this list are indeed restrictive arrangements applies only to horizontal arrangements, and not to vertical ones.

3.1.1. Restrictive Arrangements – statistics and significant cases:

13. During 2017, the Director General decisions in requests for specific exemptions for restrictive arrangements were as follows:[1]

Table 1.

Total	Granted (without conditions)	Granted subjectto conditions	Average examination period (days)
57	49	8	66

[1] In addition to the data in the table and graph, which concerns decisions pursuant to the Antitrust Act, the Director General granted 4 exemptions pursuant to the Law for the Promotion of Competition in the Food Sector, 5775-2014.

The following is a summary of few significant merger cases that were reviewed by the IAA:

Approval of consent decree with Super Pharm:

14. On December 11, 2017, the Antitrust Tribunal approved a consent decree between the IAA and Super-Pharm (Israel) Ltd. according to which Super-Pharm would terminate its exclusivity agreements with land owners (mainly owners of malls and commercial centers), in over 120 branches within six months, in 40 additional branches within the next 3 years and in 18 additional branches within the next 4 years. In addition, with regards to new branches, Super-Pharm agreed to limit its exclusivity agreements to a maximum of 3 years.

Automated Bank Services Ltd. (Shva) –

15. In September 2017, the IAA granted an exemption subject to conditions to Shva, a joint clearing services company owned by four of the largest banks in Israel. Shva operates systems which enable collection of transactions in credit cards from terminals in merchants; transfer of approvals to credit card transactions; clearing between acquirers and issuers of credit cards; and the transfer of approvals for cash withdrawal operations.

16. In Israel, there are only three companies which are credit card issuers and they all act also as acquirers. As mentioned above, the three credit card companies are all held by banks. The main concern arising from the activity of Shva is that it will prevent entrance or raise the entry barriers that new competitors in the credit card industry are facing, in each of the segments in which Shva and Shva shareholders operates.

17. In the past, Shva developed a communication protocol (through which the parties communicate in the same "language") that was complex, unique and tailored to the standards of the existing credit card companies. This situation led to a technological difficulty in connecting a new issuer or acquirer to the systems. As part of the last exemption conditions, Shva was required to develop a new protocol, which will be adapted to international standards, and enable the entry of additional companies. In the current exemption granted on September 2017, the IAA in collaboration with the Bank of Israel, demanded to extract the communication protocol from Shva to a non-profit association, comprised by all the entities operating in the payment card market, including new incumbents.

An agreement between Haaretz Publishing Ltd. And Bar B2D Ltd.

18. In April 2017, the IAA approved a distribution agreement between Haaretz Publishing Ltd. ("Haaretz"), a publisher of newspapers and magazines, and Bar B2D Ltd. ("Bar Distribution"), a major distributor of newspapers and magazines. According to the agreement, Haaretz will distribute its publications through Bar Distribution and discontinue its own distribution.

19. Apart from Bar Distribution, which served the vast majority of newspapers in Israel, the daily distribution market in Israel consist only of Haaretz and one other small distributor. In addition, Yediot Ahronot, a large publisher of newspapers by itself, who competes with Haaretz, is one of Bar Distributions's owners.

20. The agreement raised concerns that Bar Distribution will gain market power and that competition between Haaretz and Yediot Ahrnot will be reduced. However, the IAA found that Haaretz fail to constitute an effective competitive restraint on Bar Distribution

due to economies of scale in the distribution of newspapers, which imply large cost differences between small and large distributers. Consequently, the agreement did not raise a substantial concern that Bar Distributions's ability to utilize market power toward publishers would rise. In addition, the fact that Yediot Ahronot's ability to control Bar Distribution's actions was restricted under the conditions of a previous merger decision, among other factors, diminished the concern that the agreement would reduce competition between Haaretz and Yediot Ahronot.

3.1.2. Description of Significant cases, including those with international implications:

21. The IAA devotes extensive efforts and resources to enforcement against anticompetitive practices in a wide range of industries. The following illustrates some of the main enforcement activities which took place in 2017:

Administrative fines on IEC:

22. In March 6, 2017, the Director General imposed administrative fines of 13 million NIS on Israel Electric Corporation ("IEC") and fines of 110 thousand NIS and 165 thousand NIS on two of its senior officeholders for violating the Antitrust Act by abusing its monopoly position.

23. The Director General found that IEC denied certain services to large business customers who switched to purchasing electricity from private electricity producers. The service in question was assigning to large clients a Customer File Manager ("CFM") that provided them solutions regarding the transmission and distribution of electricity, in which the IEC is a monopoly and has exclusive control. Terminating this service may have a significant negative impact on competition, by discouraging the large customers from switching to private power producers.

24. In December 2015, following a warning by the IAA, the IEC reinstated this service to customers who purchased electricity from private power producers.

Administrative fines on Coca-Cola:

25. In March 22, 2017 the IAA published a statement of objections in which it considered imposing an administrative fine of approx. 62 million NIS (a precedent amount) on The Central Distribution Company Ltd. ("CDC") Israel's Coca-Cola franchisee, for abusing its monopoly power. According to the statement of objections published by the IAA, CDC used its monopoly power in the black coke, through several practices, in order to gain market shares and block its competitors in other beverages such as mineral water and juices. In addition, the IAA considered imposing monetary sanctions in the amount of 340,000 NIS on a senior official of the company for his role in the alleged abuse. This decision is pending hearing.

Administrative fines on Bezeq Telecommunication Company

26. In March 7, 2018 the IAA published a statement of objections in which it considered imposing 30 million shekels on Bezeq Israeli Communications Company Ltd., and sanctions amounting to 700,000 shekel on a senior official in Bezeq for allegedly abusing its monopoly in passive communications infrastructure in a manner liable to harm competition. The suspected abuse involved blocking and obstructing competitors

that wished to deploy a line-based communications network over the Bezeq infrastructure.

27. In many places in Israel, the only complete passive infrastructure available for communications cables belongs to Bezeq. Setting up an additional independent passive infrastructure in populated areas would be extremely difficult, due to the high costs, the extensive excavation work involved, the disruption it would cause to the general public and the numerous permits required to lay the infrastructure.

28. Therefore, Bezeq's conducts could impede the development of competition in the supply of communications services that are supplied over a line-based network such as internet, television and line-based telephony.

Overall statistics regarding administrative fines:

29. During 2017, the Antitrust Tribunal approved 9 consent decrees. The overall fines in these decrees amount to the sum of 3.8 million NIS.

30. In addition, 3 consent decrees were already submitted to the Antitrust Tribunal, and yet to be approved. The overall fines in these decrees amount to the sum of 25.7 million NIS.

31. Moreover, the IAA imposed final administrative fines in the IEC case described above, which totalled at 13.275 million NIS, and published statement of objections in 3 other cases (Coca-Cola and Bezeq Telecommunication Company which were described above and another case against the Israel Association of Travel Agencies and Consultants) which amount to administrative fines of approx. 95.5 million NIS.

3.2. Mergers and acquisitions

3.2.1. Statistics on number, size and type of mergers notified and\or controlled under competition laws

32. Merger review constitutes an important part of the IAA's mission to prevent the formation of market power that is detrimental to competition.

Box 3.

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 at least one of the following conditions are met:

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.

One of the companies is a monopoly (in any market).

33. 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 with the consent of the merging parties. If the IAA does not decide within the prescribed time period, the merger is deemed to be compatible with the Act.

34. In 2017, the IAA had reached a decision in 159 mergers. Of the mergers reviewed, 155 were approved without conditions and 4 were subject to conditions. The IAA did not approve the merger between El Al Israel Airlines Ltd. and Israir Airlines Ltd. But the decision was reached in the beginning of 2018.

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

Table 2.

	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%	10.5%	1.5%
2007	237	90.3%	9.3%	0.4%
2008	181	93%	7%	0%
2009	157	91%	8.3%	0.6%
2010	160	93%	6%	1%
2011	191	97%	2.6%	0.5%
2012	136	92.4%	4.6%	3%
2013	161	94.4%	4.4%	1.2%
2014	146	96.6%	2.7%	0.7%
2015	159	99.4%	0.6%	0%
2016	191	95.3%	1.6%	2.1%
2017	159	97.5%	2.5%	0%

3.2.2. Summary of significant merger cases

36. 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:

A merger between Shufersal Ltd. And New-Pharm Ltd.

37. The IAA examined the merger between Shufersal, the biggest food chain in Israel, and New-Pharm, a medium sized drugstore chain in Israel. After an in-depth examination, the IAA imposed a divestiture remedy according to which the parties would be obliged to sell 10 branch stores (9 branches of New-Pharm, and one branch of Shufersal), to a single buyer before they are allowed to execute the merger ("fix it first"). By doing so, the IAA approved a merger that may promote competition in the pharm sector and at the same time, paved the way for the establishment of a third drugstore chain. This case is also the first time for the IAA to impose structural remedies in a "fix it first" process.

A merger between El Al Israel Airlines Ltd. and Israir Airlines Ltd.

38. In the proposed merger, Sun D'Or International Airlines Ltd, a wholly owned subsidiary of El Al, would have acquired 100% of the shares in Israir from IDB Tourism Ltd. in exchange for 24 million USD and 25% of the shares in Sun D'Or. After an extensive examination of the merger, the IAA decided to oppose the merger for two main reasons.

39. Firstly, the merger would have prevented any possibility of El Al independently operating domestic flights to Eilat, thus perpetuating the duopoly that Israir and Arkia Israeli Airlines Ltd ("Arkia") hold in these routes. El Al operated a regular flight route from Ben Gurion Airport to Eilat from 2010 until 2013. El Al's exit from this route was based on safety and operational considerations, rather than economic ones. The IAA found evidence that El Al had concrete plans to reopen the route in the future, with the planned opening of the Ilan and Assaf Ramon Airport in Timna (near Eilat).

40. Secondly, the merger raised concerns regarding competition in international flights, particularly in light of Israeli airlines' – and specifically Arkia's – dependence on security services provided on such flights exclusively by El Al. As a result of the merger, El Al would have stood to gain more from using the flight security services to foreclose Arkia, thus increasing its incentive to do so.

3.3. Criminal Investigations and Cases:

3.3.1. Cartel of Organizers of Youth Delegations to Poland

41. The Israeli Ministry of Education (MOE) organizes youth delegations to memorial sites and concentrations camps in Poland as a very important part of the Holocaust memorial studies. During 2015 the IAA gathered evidence which indicated the existence of a cartel between the travel agencies handling these delegations. The covert intelligence gathering stage was followed by dawn raids, arrests and interrogations, which were conducted at the very beginning of 2016. The investigation continued all through 2016 and is still ongoing. The police also took part in this investigation, thus enable enhanced enforcement, as it seized monies, which were part of money laundering crimes, and investigated corruption crimes that were exposed during the investigation, such as fraud and breach of trust by public officials. During 2017 the IAA's legal department decided to file charges against 15 suspects subject to a hearing process. During the year hearings were made and final decisions are to be made during 2018.

3.3.2. Bid Rigging Cartel of Infrastructure Tenders

42. The IAA conducted this investigation together with the Israeli National Fraud Investigation Unit (INFI) of the Israeli Police: The INFI held a covert investigation relating to corruption suspicions regarding illegal relations between a large-scale contractor and several heads of local municipalities. During the covert stage of the investigation, the INFI found evidence that the contractor was part of a bid-rigging cartel upon which they asked the IAA to join the investigation. Dawn raids, arrests and seizing monies that were part of money laundering crimes, were all held on December 2015, marking the beginning of IAA and INFI's overt investigation that continued through 2016 and is still ongoing. The investigation included interrogations of suspects and witnesses and additional dawn raids. During 2017 the IAA's legal department decided to file charges against 15 suspects subject to a hearing process. During the year hearings were made and final decisions are to be made during 2018.

3.3.3. The Cooking Gas cartel

43. During September 2016 the IAA carried out dawn raids, investigations and arrests of officials in Israel's largest cooking gas companies. The companies are suspected of colluding in order to eliminate smaller and new competitors from the market. The investigation stage concluded at the beginning of 2018, and the case is now under review of the IAA's legal department.

3.3.4. The Gaming Shops Cartel

44. During September 2016 the IAA launched an investigation regarding a price fixing cartel between several gaming shops which sell games and game-consoles. The investigation stage concluded at the beginning of 2017. During 2017 the IAA's legal department decided to file charges against 6 suspects subject to a hearing process. During the year hearings were made and final decisions are to be made during 2018.

3.3.5. Computer Servers Cartel

45. The IAA revealed a suspected extensive cartel among suppliers of computer servers, data storage servers and network servers. The suspicions included 5 of the major computer suppliers in Israel, and dozens of other smaller companies. The investigation began on May 2012 and covered suspicions of price fixing of over 150 bids offered to potential clients ranging from smaller businesses to governmental large scale bids. The case was transferred to the IAA's legal department on 2014, and during 2016 investigative actions was carried out. Indictments were issued during 2017 and the case is still pending in the district court. However, during 2017 a few plea bargains that included community services of up to 6 months and fines of hundreds of thousands NIS were reached.

3.3.6. Bid rigging in bids for the maintenance of meteorological stations – verdict

46. In 2012 the IAA Indicted suppliers of services for meteorological stations and two executives for bid rigging in bids for the maintenance of meteorological stations in the southern and northern parts of Israel. In 2016 the Jerusalem District Court found all three companies and their executives guilty of the offences they were charged with, sentencing one CEO to 3 months of community service and a fine of 150,000 NIS (approx. 40,000 USD). Another CEO was sentenced to two months of community service and a fine of 100,000 NIS (approx. 27,000 USD); the companies were each fined 250,000 NIS (approx. 70,000 USD). In 2017, the Supreme Court rejected an appeal made by the defendants.

3.3.7. Book Distributors Cartel – verdict

47. In 2015 the IAA Indicted three book distribution companies and their executives for bid rigging in bids for the Ministry of Education.

48. In 2016, the Jerusalem District Court approved a plea bargain, convicted and sentenced the three book distribution companies and their executives. One CEO was sentenced to 9 months in prison, a fine of 100,000 NIS (approx. 27,000 USD) and a ban from being a company director for one year. His company was fined in an amount of 500,000 NIS (approx. 138,000 USD). Another CEO was sentenced to 8 months in prison, a fine of 75,000 NIS (approx. 20,000 USD) and a ban from being a company director for three years. His company was fined in an amount of 375,000 NIS (approx. 104,000

USD). The third CEO was sentenced to 6 months in prison, a fine of 65,000 NIS (approx. 18,000 USD) and a ban from being a company director for one year. During 2017, the case against the rest of the defendants is still pending in the district court.

3.3.8. Bid-rigging over the purchase of real estate owned by the Jewish Agency-verdict

49. In 2015, The IAA indicted four companies engaged in bid rigging regarding an asset belonging to the Jewish Agency. In 2016, the Tel Aviv District Court convicted a lawyer on charges of assisting a cartel, and acquitted a defendant from being part of a cartel.

50. The District Court sentenced the lawyer to three months in prison and a fine of 50,000 NIS (approx. 14,000 USD). Another defendant was found guilty in a plea bargain and was sentenced to four months of community service and a fine of 50,000 NIS (approx. 14,000 USD). The case is still pending against two more defendants. In 2017, the Supreme Court rejected an appeal made by the lawyer but decided to replace his imprisonment sentence to community services.

3.3.9. Industrial bakeries cartel – verdict and appeal

51. In 2012 the IAA filed charges against the leading bakeries in Israel and their executives in a price-fixing of bread case. In 2016 the Jerusalem District Court found two of the companies and their executives guilty of the cartel. The Jerusalem District Court sentenced the defendants as following: the two executives were each sentenced to 12 months in prison and a fine of 700,000 and 200,000 NIS (approx. 195,000 USD and 56,000 USD) and were barred from being a company director for five years. The companies were fined at a sum of 1,4000,000 NIS, 700,000 NIS and 400,000 NIS (approx. 390,000 USD, 195,000 USD and 112,000 USD). The defendants appealed the verdict, and during 2017 the Supreme Court reduced the prison sentence to 6 months, 3 behind bars and 3 months of community service. The fines were not changed. In 2017, the rest of the defendants signed plea bargains, in which the main suspect was sentenced to 5 months of imprisonment, a fine of 300,000 NIS and will be disqualified from being a director for 5 years. Other defendants were sentenced to 6 months of community services and fines.

3.3.10. The taxi drivers' association case

52. In December 2017 the IAA issued an indictment against the National Taxi Drivers Association and its CEO, in respect of the association's recommendation to taxi drivers not to give any discounts from the price list when picking up passengers from the airport.

53. This indictment was issued after an investigation that was opened by the IAA in June 2017. The investigation started after the Israel Airport Authority published a tender for taxi services from Israel's national airport. The winning bid offered a 30% discount from the pricelist to all passengers. After the winner was announced the CEO of the National Taxi Drivers Association published a recommendation to all the taxi drivers not to give any discounts from the pricelist. After this recommendation the winner of the tender process withdrew his bid, the tender was cancelled and the Airport Authority could not convince any other bidders to take the bid.

3.3.11. The Water Meter Manufacturers Cartel

54. In 2011 the IAA indicted 6 manufacturers of water meters and their executives for being part of a cartel between the years 2004-2009.

55. In 2017 the Jerusalem District Court found the companies and their executives guilty of the cartel.

56. In the beginning of 2018 the court sentenced the main participants of the cartel as follows: 5 executives were sentenced to imprisonment (periods between 4.5 months to one month), and disqualification from being a company director for five years. The fines for the companies and the executives were concluded at approx. 1 million dollars. Both The IAA and the water meter companies appealed on the verdict to the Supreme Court. The case is still pending.

3.3.12. Convictions in the Tree-Pruning Cartel

57. In January 23 2018, after a lengthy trial, the Jerusalem District Court convicted 17 tree-pruning contractors (corporations and individuals) in connection with the rigging of bids for large-scale contracts with the Israel Electric Company and with two municipalities.

58. In 2010 the Antitrust Authority, together with the Israel Police, began a wide-ranging investigation of bid-rigging among tree-pruning contractors. In July 2013 the Authority, together with the Economic Crimes Department of the State's Attorney's Office, filed indictments against more than 40 contractors, for the rigging of bids for 18 contracts during 2009 and 2010, with a total aggregate value of more than US$10 million. More than 20 of the contractors pled guilty under plea bargains.

59. Seventeen of the remaining defendants were convicted in the court's January 23, 2018 decision. In addition to antitrust offenses, almost all the defendants were also convicted of fraud offenses; several of the defendants were also convicted of money-laundering offenses, in the aggregate amount of approximately US$4 million. The court recently heard arguments before sentencing, and is expected to hand down its sentence shortly.

4. The role of competition authorities in the formulation and implementation of other policies, e.g. regulatory reforms, trade and industrial policies

60. In addition to its mandate to enforce the provisions of the Antitrust Act, the IAA serves as an expert advisory body to the Israeli government and parliament in competition issues. 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 reduce barriers to entry.

61. The IAA works together with government ministries and other government agencies to enhance competition and cope with competition problems in various sectors of the economy. The IAA 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 as an advocate to competition to the general public, through guest lectures at Israeli universities, holding forums including the IAA’s senior management within conferences, organizing specialized seminars etc.

4.1. Market Studies and Reports

62. The Antitrust Law provides the Director General with the authority to conduct market studies in sectors of the economy, including examination of the existence of competition failures and barriers to competition. The Director General may hand his reasoned conclusions and recommendations to the minister in charge of the examined sector and to the Minister of Treasury, and in a sector that is regulated by another agency – also to the head of that agency. The Director General executes his authority concerning market studies through a specialized division of the economics department.

63. In 2017, The Antitrust Authority conducted the following market studies and reports:

- In January 2017, the Israel Antitrust Authority published a final report on the cooking gas market. The report includes the steps to be taken to promote competition in the Cooking gas market, as part of the government's efforts.
- The report revealed that there are competition failures in the cooking gas supply market to the customers who consume through a central gas system; in particular it was found that there are high barriers to entry and expansion limited local production capacity and difficulties of small suppliers to import cooking gas. In the framework of the report, the IAA focused its conclusions on two main issues: first, building a storage infrastructure for domestic gas in a way that will allow small suppliers of domestic gas to store the imported gas, and the other is easing the restrictions on small suppliers. Part of these conclusions was implemented in the Arrangements Law[2] which was enacted at the end of 2016 (after the IAA's draft report had been published for public comments). Some recommendations are in the process of being legislated in the Israeli Parliament, while others are currently being adopted by the Ministry of Energy.
- In July 2017, the Israel Antitrust Authority published a market study on the Israeli retail gasoline market for public hearing. The study carefully reviewed the current market conditions and legal setting, detailed the IAA's stance regarding long term operation and land lease contracts of gas stations. Exploiting spatial variation in retail markets, the paper studied the relation between local market structure and gasoline prices. In December 2017, a complementary study of the diesel market was also made publicly available, forming together the retail fuel study. The overall analysis of both retail fuel markets points to substantial price differences between the four largest firms and the rest, implying that the presence of small competitors contributes to lower retail prices. The study thus calls for pro-competitive action by regulators such as lowering barriers to entry facing small firms, encouraging the opening of new stations, and setting uniform policies dealing with vertical contract. The IAA is currently holding public hearings with respect to the retail fuel study.
- In 2017, the IAA published a draft report for public hearing regarding competition in service and maintenance of modern "kit" elevators. According to the preliminary findings set out in the draft report, installation companies enjoy a de facto monopoly over provision of service for all "kit" elevators manufactured by

[2] A law that includes several laws and amendments, which the Israeli Government submits for the approval of the Parliament every year, alongside the Budget Law.

the foreign manufacturer with which that installation company is affiliated. This is due to the significant advantage that the installation company enjoys in terms of access to specialized spare parts and technical information specific to those elevators, creating high barriers to entry and transfer. The IAA's preliminary findings also indicated that the competition in the primary market of elevator installation is not sufficient to effectively constrain market power in the secondary market, due, inter alia, to the fact that the elevator is chosen by a contractor who will not bear the costs of service. Based on these findings, the draft report recommended the adoption of the following regulatory steps by various sectoral regulators: a duty to supply spare parts; a duty to provide technical instructions on providing service; and a duty for contractors to pass on information to perspective apartment purchasers regarding the anticipated cost of service.

- The IAA is currently reviewing the public comments received from a variety of sectors, including installation companies, independent service providers and house committees.
- In October 2017, the IAA published the final report regarding the methodology for defining geographical concentration in the aggregate quarrying sector. The report presents a methodology developed to evaluate the geographical concentration within this market from the perspective of the concrete plants, and offers several recommendations. The main recommendations stress the need to increase aggregate supply and to consider the implications of allocating a quarry in a tender (and more specifically the royalties offered by the participants) on the competition in that area. In addition, the report suggests that in areas where concrete plants face high concentration levels, splitting cross ownerships of quarries should be considered. Before publishing the final report, the IAA conducted public hearings, where various stakeholders presented their comments.
- During 2017, the IAA consulted the Israel Land Authority regarding the implementation of the methodology for defining geographical concentration in the aggregate quarrying sector with regards to quarrying tenders that were initiated this year.
- In 2016-2017 the Israeli Antitrust Authority conducted an extensive examination of the barriers to private import arising primarily from excessive regulation and from disparities between the treatment received by Israel Post Ltd. and by other international and local delivery firms. In November 2017 the Authority published a draft report for public comment. In the draft, the Authority noted the importance of private import as a competitive constraint on the prices of commercial import. The draft contains six recommendations, the first four of which were addressed to relevant regulators and the last two to the ministries responsibility for economic issues: a. Creating a clear definition for the term "private import"; b. easing the regulatory requirements limiting private import of goods; c. improving access to information on regulation imposed on private importation; d. making it easier to contact the regulators to receive clearances for private import goods; e. allocating governmental assistance to establish a logistical centre that will support small importers; and f. encouraging co-operations between local delivery companies.
- In December 2017, the IAA published a draft report on ridesharing for public hearing. The draft presents a brief description of the "sharing economy" phenomenon, a detailed review of the limited ridesharing services provided in

Israel, the benefits of allowing the expansion of such services and the regulatory barriers that limit the ability to do so. The draft report calls for an amendment of the Traffic Regulations, 5721-1961, so as to enable the provision of ridesharing services that are currently prohibited. Another suggestion is to reduce the barriers of entry into the taxi sector, including reducing the fee for operating a taxi.

- In March 19 2018, the IAA published its impact analysis research regarding the Israeli infant formula industry for public hearing. The infant formula industry was under review of the IAA in 2013, which found that the industry is highly concentrated as two firms account for over 90% of the sales. The review also indicated that one of the major barriers to entry and expansion in the industry is the common practice of exclusivity agreements between the two major suppliers and most of the hospitals. Consequently, the IAA signed on February 2014 a consent decree with all formula suppliers that allowed hospitals to receive payments from formula suppliers only if they allow free access to all suppliers. After signing the abovementioned consent decree the IAA conducted an impact analysis. In a nutshell, the impact analysis reached the following conclusions: First, the practice of exclusivity agreements between formula suppliers and hospitals were abolished. Thus, the vast majority of hospitals are now allowing every formula supplier who wishes to provide its formula at the hospital, to do so. Second, the entry of all formula suppliers to hospitals reduced entry and expansion barriers in both hospitals and the retail sector, mainly for small supplier. The research also shows that the mere presence of a formula supplier in hospitals has an essential contribution to product reputation – from consumer's perspective. However, the study showed that there was no distinct change in pricing, in the retail sector, that could be related to the implementation of the consent decree.

4.2. Consultation to Government

64. In 2017, the Israel Antitrust Authority was substantially involved in 15 legislation proceedings in Parliament, including: The Communication Law (Duty to Sell Sport Contents); The Supervision of Financial Services (Regulated Financial Services) Law; Memorandum of amendment to the Bezeq Law, etc. Moreover, in 2017, the IAA formally consulted other regulators in 18 occasions. Below are some of the significant cases:

4.2.1. Advocating for reduction of barriers in personal import within the inter-ministerial governmental committee for steering recommendations regarding the removal of barriers in private import:

65. In the second half of 2017, an inter-ministerial committee was convened in accordance with a government decision, to discuss the regulatory barriers to private import. The committee included representatives from the Ministry of Transportation, the Ministry of Communication, the Healthcare Service, the Ministry of Health, the Ministry of Energy, the Tax Authority, the Antitrust Authority and others. Each office presented the barriers within its area of responsibility. The committee discussed each ministry's ability to significantly reduce these barriers. Since the IAA conducted a thorough examination of private import during 2016-2017, it played a significant role in identifying the relevant barriers and advocating for reducing them as much as possible. Finally, the committee published eight recommendations: a. adopting the definition proposed for the term "private import"; b. creating a clear hierarchy of the various levels of approval needed for private import in different cases; c. creating a separate legal instrument

regulating private import (separate from the regulation of commercial import); d. improving the public's access to information regarding the legality of private import; e. adopting a "Service Charter" which regulators would be required to follow; f. examining steps to encourage initiatives for development ancillary services supporting private import; g. specific recommendations regarding the Tax Authority and the Customs Administration; h. collecting information about private import by the Ministry of Economy and making this information available to the public.

4.2.2. Consultation to the Bank of Israel Regarding the Mortgage Advisor's Market –

66. The IAA found that the work of external mortgage advisors contributes greatly to competition between the banks in this field. However, the results of the IAA assessment demonstrate that, in the last two years, and especially since the second half of 2016, few banks have been taking steps to reduce their work with external mortgage consultants, while understanding that other banks operate in a similar manner.

67. The main findings of the IAA's assessment were presented to the Banking Supervision Department, and the recommendations were reflected in a draft directive issued by the Banking Supervision Department on June 12, 2017. According to the draft directive, banking corporations will be required to establish a policy regarding the interaction with customers' representatives and the work processes with them. In addition, the draft set a general principle which determines that banking corporations would not refuse to act with customers' representatives at any stage during the process of supplying mortgages, except when the representative is not complying with the aforementioned policy. The draft was fully implemented in October 31, 2017.

4.2.3. Consultations under the Concentration Law –

68. A team of employees assists the Director General in carrying out responsibilities under the Concentration Law, according to which regulators allocating economic rights must take into account competition considerations. In 2017, the Director General consulted regarding the allocation of 6 rights.

69. In addition, the Director General is the chairperson of the Concentration Committee, which advises the government on the economy-wide ramifications of the allocation of essential facilities to concentrated entities. In 2017, the Concentration Committee provided its advice regarding the allocation of 9 rights in various cases, inter alia; an opinion opposing the allocation of a conditional license for electricity generation to IC Power Israel Ltd. controlled by Israel Corp. group which is one of Israel's largest and most influential business groups and a dominant player in various areas of natural resources and energy industries.

5. Resources of the IAA

5.1. Resources overall (current numbers and change over previous year):

5.1.1. Annual budget

70. Annual budget (NIS and $) 64,000,000 NIS (approx. $18,100,000) in 2017 and 64,431,000 NIS (approx. $18,200,000) in 2016.

5.1.2. Number of employees

- Economists 29
- Lawyers 42
- Other professionals- investigators 27
- Support staff- administrative stuff and Director General's office (including IT) 28
- All staff combined - 126

5.1.3. Human resources applied to:

71. Comment: Other than criminal investigations and criminal prosecution, the work of the staff is not divided by type of anti-competitive practice, such as mergers, anti-cartel/restrictive arrangements, and abuse of dominance. The criminal division of the legal department has 14 lawyers, and the criminal investigations department has 30 investigators and intelligence staff.

- Enforcement against anticompetitive practices – N/A
- Merger review and enforcement – N/A
- Advocacy efforts N/A

6. Summaries of or references to new reports and studies on competition policy issues:

- Final report – Methodology for defining geographical concentration in the aggregate quarrying sector (in Hebrew) http://www.antitrust.gov.il/subject/166/item/34176.aspx
- Market study on cooking gas (in Hebrew) http://www.antitrust.gov.il/subject/195/item/34472.aspx
- Market study on the Israeli retail gasoline market form public hearing (in Hebrew) http://www.antitrust.gov.il/subject/166/item/34707.aspx
- Market study on the Israeli retail diesel market for public hearing (in Hebrew) http://www.antitrust.gov.il/subject/166/item/34909.aspx
- Report on ride sharing for public hearing (in Hebrew) http://www.antitrust.gov.il/subject/228/item/34893.aspx
- Final impact analysis research on the Israeli infant formula industry http://www.antitrust.gov.il/subject/195/item/34985.aspx
- Report on competition in service and maintenance of modern "kit" elevators for public hearing http://www.antitrust.gov.il/subject/228/item/34887.aspx