Annual Report on Competition Policy Developments in Hungary

-- 2018 --

5-7 June 2019

This report is submitted by Hungary to the Competition Committee FOR INFORMATION at its forthcoming meeting to be held on 5-7 June 2019.
Table of contents

1. Changes to competition laws and policies, proposed or adopted .......................................................... 3
   1.1. Summary of new legal provisions of competition law and related legislation ............................. 3
   1.2. New substantive provisions relating to the activity of the GVH .................................................. 5
   1.3. Other relevant measures, including new guidelines ................................................................. 5

2. Enforcement of competition laws and policies ...................................................................................... 7
   2.1. Anti-competitive practices; agreements and abuse of dominance ............................................... 7
      2.1.1. Anti-competitive agreements ............................................................................................. 7
      2.1.2. Significant cases .............................................................................................................. 7
      2.1.3. Abuse of dominance ........................................................................................................ 9
      2.1.4. Significant case .............................................................................................................. 9
   2.2. Merger control ............................................................................................................................... 10
      2.2.1. Significant cases .............................................................................................................. 10
      2.2.2. Question of acquiring control over joint ventures ........................................................... 10
      2.2.3. Implementation of a concentration prior to authorisation .............................................. 11
      2.2.4. Request under Article 29/A of the Competition Act ........................................................ 12
   2.3. Consumer protection ................................................................................................................... 13
      2.3.1. Significant cases ............................................................................................................. 13
   2.4. Lessons of the judicial review of the GVH’s decisions .............................................................. 16

3. Role of the GVH in the formulation and implementation of other policies ......................................... 17
   3.1. Competition advocacy ............................................................................................................... 17
   3.2. Competition culture ................................................................................................................... 17
   3.3. Activity of the OECD-GVH Regional Centre for Competition ................................................ 18

4. International relations ......................................................................................................................... 19

5. Resources ............................................................................................................................................ 21

6. Summaries of new reports and studies on competition policy issues ............................................... 22

Tables

Table 1. Annual Budget ........................................................................................................................... 21
Table 2. Number of Employees ............................................................................................................ 21
Hungary

1. Changes to competition laws and policies, proposed or adopted

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

1. In recent years significant legislative changes have taken place, in particular, concerning the elaboration of a specific procedural law for competition supervision proceedings. The rules on administrative proceedings, as set out in Act CL of 2016 on the Code of General Administrative Procedure and Act I of 2017 on the Code of Administrative Court Procedure, have been systematically reformed in order to ensure the legitimate operation of public administration and the right of clients to a fair trial. This reform had an impact on the Hungarian Competition Act – Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices – as well as on other legal acts falling under the competence of the Hungarian Competition Authority (hereinafter: GVH), such as Act XLVII of 2008 on the Prohibition of Unfair Business-to-Consumer Commercial Practices and Act CLXIV of 2005 on Trade. Consequently, comprehensive amendments had to be made to the procedural rules contained in the Hungarian Competition Act. The amendments entered into force in January 2018. The most important changes concerning the procedural rules are summarised below.

- **Definition.** The concept of competition supervision procedure is defined. The amendments make it clear who qualifies as a party to the proceedings. Accordingly, a party to the proceedings encompasses not only those entities against whom the case handler has initiated the proceedings, but also those who have been called into the proceedings as a party by the case handler or by the competition council proceeding in the case.

- **Initiation of a proceeding.** All competition supervision proceedings are now commenced ex officio as opposed to on the basis of applications.

- **Means of communication with the parties.** The law defines the means of communication that may be adopted by the GVH when engaging with the parties and participants involved in competition supervision proceedings, including electronic means. However, the exact means of communication adopted in a particular case shall be determined by the GVH.

- **Use of languages.** Despite the fact that the official language of competition supervision proceedings is Hungarian, documents issued in English may be submitted in their original language. In such cases the case handler or the competition council proceeding in the case may, acting ex officio or upon the other parties’ request, require the submission of a Hungarian summary or a Hungarian translation of the documents.

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1 Pursuant to Article 44 of the Competition Act, competition supervision proceedings shall mean the official proceedings aimed at establishing an infringement of the provisions of this Act, excluding Chapter II (“Prohibition of Unfair Competition” – the rules of which are enforced by civil courts and not by the GVH), or at the investigation of concentrations of undertakings pursuant to this Act, as well as those proceedings specified as such in separate acts of law.
• **Payment facility.** If the nature of the concerned obligation allows – upon the request of the party, simultaneously with the provision of proof identifying the underlying reasons – an extension of the payment obligation or payment by instalments may be authorised. In this context, the competition council proceeding in the case may grant payment facility not only in its final decision, but also at a later stage up until an order for enforcement is issued.

• **Administrative time limits and the calculation thereof.** Time limits expressed in days shall not include the duration of the administrative vacation of the GVH.

• **Calculation of net turnover.** To reflect the institutional changes that have taken place in the financial sector, in the case of certain types of financial undertakings the incomes to be taken into account instead of net turnover have been updated. The aim of this provision is to determine the indicator that appropriately reflects the concerned undertaking’s importance on the market in the case of undertakings for which, according to the accounting regulations, net turnover is not the relevant performance indicator.

• **Temporary acquisitions of control.** Temporary acquisitions of control or ownership by insurance undertakings, credit institutions, financial holding companies, mixed-activity holding companies, investment undertakings or asset management organisations shall not be subject to a notification requirement where the purpose of such acquisitions is the preparation of a resale and the undertaking acquiring control does not exercise its controlling rights, or exercises them exclusively to an extent which is strictly necessary for the attainment of such objectives, and the period of the acquisition of control or ownership does not exceed one year. If the resale fails to take place within one year, the concentration shall be notified to the GVH within fifteen days of the end of the one-year transitional period at the latest.

• **Decisions based on misleading information.** In cases where the decision of the GVH on the authorisation of a concentration (including the imposition of conditions or obligations) was based on the concealment or incorrect disclosure of a fact that was material to the adoption of the decision (hereinafter collectively: misleading information), the GVH may now initiate a separate competition supervision proceeding to investigate the misleading behaviour. The withdrawal of the original decision – which, as a sanction, was also previously present in the Act – may take place when the Competition Council of the GVH concludes the proceeding. Investigating such misleading behaviours and the potential withdrawal of the decision in a separate competition supervision proceeding enables the GVH to impose stronger sanctions. Moreover, in the future the sanction imposed on an undertaking for misleading the GVH in a merger notification will no longer be classified as a procedural fine, but will instead be classified as a substantive fine resulting from the separate competition supervision proceeding that will have been initiated to deal with such an infringement.

• **Judicial review.** Act I of 2017 on the Code of Administrative Court Procedure, which entered into force on 1 January 2018, introduced changes to the legal framework under which the GVH’s decisions may be subject to judicial review.

2. Furthermore, in order to ensure greater legal convergence with European regulations, vertical and horizontal *de minimis* thresholds are now separate. The vertical
threshold is now set at 15 per cent, which is more favourable than before, and is also in line with the European Commission’s regulations.

1.2. New substantive provisions relating to the activity of the GVH

3. Act LIV of 2018 on the Protection of Trade Secrets, which transposed Directive (EU) 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure into national law, came into force in August 2018. Prior to the transposition of the Directive, the Hungarian provisions on trade secrets were contained in several Acts, such as the Civil Code, the Competition Act and the Labour Code.

4. The new legal framework, including the new definition of trade secrets (or business secrets), impacts the proceedings of the GVH. The GVH is obliged to keep confidential any business secrets that it has become aware of during a proceeding, and may not unlawfully publish or disclose such business secrets to third parties. As a result of the new provisions, when classifying data the GVH must examine any new circumstances that fundamentally affect the disclosure obligation imposed on the person providing the data in question.

5. The GVH treats data qualified as a business secret as restricted-access data, and restricts access to the document containing it, and its copying or recording. In order for data to be qualified as a business secret, the trade secret holder must, simultaneously with the provision of the data, submit a duly reasoned application accurately identifying the data to be treated as a business secret and specifying the underlying reasons justifying its treatment as a business secret, separately for each piece of data; this should include, in particular, the specific circumstances underpinning the value of the data and the legitimate interest to be protected in case of unlawful acquisition by another party. Exceptionally – e.g. in the course of an unannounced inspection – the GVH may request the business secret holder, within the time limit set in the summons of the case handler to that effect, to indicate the data that should be treated as a business secret.

6. Furthermore, as of December 2018, the EU Geo-Blocking Regulation – Regulation 2018/302 on addressing unjustified geo-blocking and other forms of discrimination based on customers' nationality, place of residence or place of establishment within the internal market – is applicable. The respective Hungarian provisions provide for a designated consumer protection authority for ensuring the adequate and effective enforcement of the Regulation. However, the provisions shall not affect the application of the rules on competition, in particular Articles 101 and 102 TFEU.

1.3. Other relevant measures, including new guidelines

7. At the end of 2017, the GVH opened a Virtual Data Room (VDR) in order to provide electronic access to files.² In the course of its competition supervision proceedings the GVH handles and stores a significant amount of documents. The representatives of the undertakings concerned – according to the rules of the Competition Act – are entitled to access the files that have been generated in the course of their official cases; they may make copies, or for a fee may have copies or certified copies made, all of

² The website is available at: http://gvh.hu/en/access_to_file/vdr/vdr.html
which may then be used in the cases in question. The number of documents accumulated in relation to one case can reach several thousand pages, thereby making access to the file in person and the making of copies a lengthy and costly process for both the GVH and clients. As a result of the VDR, the processes related to access to the file and the claiming and providing of copies are simpler and faster. In addition to electronic access to files, the GVH also provides the possibility of traditional access to the file by attendance in person.

8. The VDR provides an online access opportunity and interface for those clients that have been approved as access-entitled users in relation to individual cases of the GVH and to the persons authorised by the clients (for example legal representatives or counsel). The login users are identified through the system of the Client Site. The approved and authorised individuals identified above are entitled

- to view and download a copy with a watermark and to print the documents generated in their cases and the connecting files;
- to search in the individual documents and in the files;
- to subscribe to the e-mail alerts related to the process of access to the file;
- to view the various system messages;
- to order a simple copy or a certified copy of particular documents and files;
- to schedule an appointment for access to the file, in the event that due a technical reason (for example a file size that is too big or an improper file format) a document is inaccessible and
- to mark the documents with markers only visible by the client group.

9. The GVH is confident that the introduction of the VDR system will further strengthen the client friendly nature of the GVH’s activities.

10. Based on its law enforcement experience and the feedback from stakeholders over the last few years, in 2018 the GVH revised some of its notices that detail the basic principles of the law enforcement practice of the GVH. Consequently, in December 2018 a new commitment notice was issued by the President of the Hungarian Competition Authority and the Chair of the Competition Council of the Hungarian Competition Authority (Notice No 1/2018) and the settlement notice (Notice No 10/2017) was amended.

- The new commitment notice contains guidance aimed at assisting parties to determine whether their commitment statements will be considered acceptable in the light of the GVH’s practice. In particular, the notice will help parties determine whether the GVH – considering its goals aimed at ensuring general and special prevention and the efficient protection of the public interest – is likely, on the basis of what is set out in the notice, to find the case in question suitable for a commitment decision taking into account the nature of the infringement and the specific features of the case. The notice also sets up the prerequisites for the acceptance of a commitment decision, which are considered by the GVH as essential requirements of an acceptable commitment statement.

- The amendment of the settlement notice clarifies the prerequisites for the engagement of a settlement procedure. In this respect it should be noted that the GVH is willing to engage in the settlement procedure not only with undertakings, but also with associations of undertakings. The notice also details the
requirements of a settlement statement, the consequences of a settlement statement arriving after the stipulated deadline and the conditions for the withdrawal of a settlement statement.

2. Enforcement of competition laws and policies

2.1. Anti-competitive practices; agreements and abuse of dominance

2.1.1. Anti-competitive agreements

11. In 2018, the GVH adopted 12 decisions in proceedings involving anti-competitive agreements. In 4 cases the GVH established infringements – out of which in 3 cases it also imposed fines – in 2 cases the proceedings were closed with commitments, in 4 cases the proceedings were terminated, while the remaining 2 cases were terminated in the course of their investigation.

2.1.2. Significant cases

12. Due to the outcome of a judicial review proceeding initiated against one of its decisions, the GVH launched a new competition supervision proceeding in relation to the calculation of the fines in the cartel related to the prepayment of foreign currency loans. In its decision in the new proceeding, the GVH reduced the fines imposed on leading commercial banks due to their restriction of the prepayment of foreign currency loans on a fixed exchange rate at the end of 2011 and at the beginning of 2012. The new total amount of the fines imposed was approximately 5 billion HUF (cca 15.5 million EUR), as opposed to the 9.5 billion HUF (cca 29.4 million EUR) imposed in the original case.

13. In the new proceeding the GVH – taking into account the guidelines of the Supreme Court of Hungary – calculated the fines in accordance with Notice No. 11/2017 of the President of the GVH and the Chairman of the Competition Council and therefore reduced the amount of the fines that were imposed on the concerned banks. One of the main reasons for the reductions of the fines was that – having regard also to the judgment


of the Supreme Court of Hungary – the GVH considered the proportional share of the
incomes gained via the pre-payable foreign currency loans during the infringement period
as the basis of the fines in the new proceeding, whereas in the original proceeding the
proportional share of the incomes realised via the whole volume of the mortgage loans
had served as the basis. This latter included all HUF and currency-based mortgage loans.
The fines were further reduced as a result of the fact that in the original proceeding the
GVH had taken into account, as an aggravating circumstance, that the majority of the
concerned banks had already committed a competition infringement. Furthermore in the
new proceeding the GVH did not take this into account recidivism as an aggravating
circumstance, since in the VI/18/2008. (interchange fees) that served as the base for
recidivism the Supreme Court of Hungary had initiated a preliminary ruling before the
Court of Justice of the European Union.

14. In terms of bid rigging, in 2018, the GVH adopted two decisions. In the first case,
the GVH established that GE Hungary Kft. and Silver Wood–IT Kft. had committed a
competition law infringement in the course of purchasing the radiology IT products of
Szent János Hospital and Észak-budai Egyesített Hospitals, as the concerned undertakings
had entered into an agreement which determined the winning bidder of the tender process
in May 2015, with the undertakings coordinating their prices accordingly. However,
during the proceeding both undertakings cooperated with the GVH, and therefore a total
fine reduction of more than ten million HUF (cca. 31 thousand EUR) was granted. GE
Hungary Kft. cooperated by submitting a leniency application in which it acknowledged
that it had committed a competition law infringement, also attaching evidence supporting
the establishment of an infringement. While Silver Wood–IT Kft. cooperated by
acknowledging the statement of facts established by the GVH and forfeiting its right of
appeal in the framework of a settlement procedure; consequently, the GVH reduced the
fine imposed on Silver Wood–IT Kft. by 30%. A further reduction of 5% was granted
because the undertaking elaborated a post-compliance programme and undertook to
verify the implementation of it in a detailed manner. Taking into account the cooperative
behaviour of the undertakings and the relevant provisions of the applicable leniency
policy, the GVH did not impose a fine on GE Hungary Kft., while in the case of Silver
Wood–IT Kft., in accordance with the above, the GVH reduced the fine imposed on it by
more than a third to 2.6 million HUF (cca. 8 thousand EUR).

15. In the second bid rigging case, the GVH imposed fines amounting to a total of
105 million forints (0.33 million EUR) on four water welling companies – Vikuv
Vízkutató és Fúró Zrt., Aquazit Szolgláltató Kft., Drillingwater Kft. és a Geo-Sivo
Építőipari, and Környezetvédelmi Tervező és Kivitelező Kft – for entering into an
agreement aimed at restricting competition in public procurement procedures. The GVH
established that the four companies had divided among themselves public procurement
tenders relating to well drilling, restoration and utilisation in certain cities. In order to
achieve this goal, the undertakings entered into an anti-competitive agreement with one
another; furthermore, they coordinated their bids in advance and agreed on the winner of
each tender. Three of the concerned undertaking, namely Vikuv, Aquazit and

5 Case No. VJ/19/2017., press release available at:

6 Case No. Vj/111/2015., press release available at:
00_million_foirnts_impose.html?query=Vikuv
Drillingwater, did not deny that the agreement had been concluded; however, they claimed that in practice Aquazit and Drillingwater belonged to the Vikuv group and that therefore their cooperation could not have infringed the prohibition against the restriction of competition. The GVH, after considering all of the arguments and evidence put forward by the companies, did not accept their standpoint, as the undertakings could not prove that Vikuv legally exercised full and permanent control over the two other undertaking. In its decision, the GVH therefore qualified the parties to the agreement as independent, colluding undertakings. Furthermore, it was established that in relation to the procurement tender of Kengyel village, Vikuv, in addition to submitting its own bid, also prepared the bid of Geo-Sivo Kft, which it set at a higher level in order to ensure that the former would win the tender. Additionally, the third bidder, Aquazit, also submitted a higher, so-called supporting bid, in order to guarantee that Vikuv would win the bid. The GVH imposed the maximum fine possible under the provisions of the Hungarian Competition Act on all four undertakings.

16. The ‘Honorarium Rules’ (or tariff rules) developed by the National Association of Interior Decorators (hereinafter: Association) were found to have restricted price competition among interior decorators. The Association adopted the Honorarium Rules, which set out the standard price rates, the method for calculating the prices and the methodology and structure of the prices in the interior decoration industry, and then from time to time reviewed the set prices. In addition to establishing an infringement, the GVH obliged the Association to implement detailed education, information and compliance programmes. The GVH obliged the Association to integrate the free determination of remuneration into its code of ethics and to inform its members immediately that its prior price regulation was unlawful. In accordance with its obligation to establish detailed education, information and compliance programmes the Association was required (i) to disclose the GVH’s decision at professional conferences and on its website; (ii) to provide information on competition law and to provide education to its members in the framework of a training programme and (iii) to elaborate a compliance programme to ensure that its future operation complies with the applicable competition laws and standards.

2.1.3. Abuse of dominance

17. In 2018, the GVH adopted 4 decisions in proceedings related to abuse of dominance. In 1 case the proceeding was closed with a commitment decision, in 2 cases the proceedings were terminated by the competition council proceeding on the case, while the remaining case was terminated in the course of its investigation.

2.1.4. Significant case

18. The GVH investigated the pricing practice of Balaton Shipping Company (hereinafter: Bahart), in particular the fees and conditions it applied in relation to the use of public harbours at Lake Balaton, which were suitable for foreclosing its competitors from the market, thereby restricting competition on the market. Aside from the operation and maintenance of harbours, Bahart provides boating services on Lake Balaton and is therefore a key player on the market. After receiving the preliminary position of the GVH, Bahart offered commitments to remedy the competition concerns. The

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7 Case No. VJ/73/2014., press release:

commitments of Bahart primarily related to the fees, conditions and advertising restrictions it applied when providing services to competitors. Consequently, Bahart undertook to improve the conditions on the boating market by reducing fees by 10%, and increasing both the number of harbour sections that competitors can use and the advertising space that is provided to them. The GVH concluded that the potential violation could be efficiently remedied by the commitments submitted by Bahart. The commitments also included, among other things, a modification in the accounting system, a reform of the fee structure and the modification of the terms and conditions for the use of harbours. The reform of the accounting and fee structure were to be supervised by a trustee. Furthermore, Bahart undertook to inform the GVH on the fulfilment of the commitments, including the submission of supporting documents.

2.2. Merger control

19. In 2018, the number of mergers continued to rise: 69 merger proceedings were initiated – including notification proceedings – as compared to 61 in 2017, and 58 in 2016. 68 out of these 69 cases were closed, with 53 closed in notification proceedings, and 15 closed in competition supervision proceedings.

20. As regards to the notification proceedings, in 1 case the GVH established that the submission of the notification was prior to the date specified in the Competition Act and it therefore rejected the notification. In the remaining 52 cases the GVH issued official certificates.

21. Out of the 15 closed competition supervision proceedings, 8 were initiated on the basis of notifications, 4 were initiated ex officio, while the remaining 3 were follow-up investigations.

- Out of the 8 cases initiated on the basis of notifications, in 6 cases authorisation was granted in a Phase I procedure, and in 2 cases in a Phase II procedure – out of which 1 authorisation was granted with commitments.

- In terms of the ex officio investigations, 1 case was initiated because the merging parties had implemented the transaction before it had been notified (violation of the standstill obligation), (VJ/23/2018), 1 cases was initiated due to the concealment or incorrect disclosure of facts, and in 1 case the GVH initiated the proceeding because of the withdrawal of a previous decision (VJ/43/2017).

2.2.1. Significant cases

22. In 2018, the GVH further developed its extensive practice on mergers. Specifically, the acquisition of control over joint ventures and the implementation of a concentration prior to authorisation (violation of the standstill obligation) remained key topics in the focus of the Competition Council of the GVH.

2.2.2. Question of acquiring control over joint ventures

23. In 2018, the GVH adjusted its interpretation of the law on the basis of the EU Court decision in the case C-248/16 (Austria Asphalt GmbH & Co OG v. Bundeskartellanwalt, 7 September 2017, EU:C:2017:322) with regard to the term ‘creation of a joint venture’. Pursuant to the Court decision, this term must be interpreted broadly, with the court clarifying that a change from sole to joint control over an existing undertaking constitutes a notifiable concentration under the Merger Regulation only if the
resulting joint venture performs on a lasting basis all the functions of an autonomous entity. A concentration is deemed to arise, inter alia, where a change of control on a lasting basis results from the acquisition, by one or more undertakings, of direct or indirect control of the whole or parts of one or more other undertakings. Such a transaction, on the one hand, implies a change of control on a lasting basis of the undertaking forming the object of that transaction and, on the other hand, may be regarded as creating a joint venture, so that a concentration would be deemed to be created only if the undertaking acquiring control performed, on a lasting basis, all the functions of an autonomous economic entity. Therefore, the concept of concentration must be defined in such a manner as to cover operations bringing about a lasting change in the control of the undertakings concerned and therefore in the structure of the market. Consequently, the creation of a joint venture that does not perform on a lasting basis all the functions of an autonomous economic entity cannot constitute a concentration. In 2018, the GVH investigated the relationship between joint ventures and their owners in several investigations, as a result of which it clarified its law enforcement practice.\(^8\) The GVH concluded that the ability to transfer (e.g. sell) assets for third parties is not sufficient to establish full functionality, and that any actual transfer and the proportion of this transfer must also be investigated. In cases where the jointly controlled undertaking’s business activities are limited to its parent companies, the proportion of other business activities is also relevant when determining whether it can be qualified as a full-function joint venture.

24. An exception to the general rule applies when assessing full-functionality in relation to investment funds.\(^9\) The relationship between an investment fund and its owners and investors is more complex than the relationship between a joint venture and its owners. The fund manager is not only in a business relationship with the owners of the fund, but also with the investors, since it carries out its activities for the benefit of the investors.

2.2.3. Implementation of a concentration prior to authorisation

25. In 2018, the GVH imposed fines in 2 cases due to the implementation of a concentration prior to authorisation.

26. In the first case, the **BLT Group** notified a transaction to acquire sole control over Balatontourist, Balatontourist Camping and Balatontourist Füred.\(^10\) The BLT Group operated on the real estate market, while the target companies provided camping and holiday accommodation services. The GVH cleared the concentration because it was established that no competition concern would arise as a result of the merger. Based on information obtained from the notification form and from the merger review process, the GVH suspected that the BLT Group might have violated the standstill obligation. After providing clearance the authority opened a new investigation to assess whether the BLT Group had implemented the transaction before obtaining clearance. The GVH found that the sale purchase agreement (SPA) granted the BLT Group with general veto rights from its date of signature until the date of closure. It was also established that the general veto rights extended to all business decisions regarding the operation of the target companies. It should also be emphasised that the veto rights were not restricted to safeguarding the

\(^8\) Case No. VJ/14/2018.
\(^9\) Case No. VJ/18/2018.
\(^10\) Case No. VJ/44/2017.
asset value of the target businesses or to ensuring the regular operation of the companies. The BLT Group argued that between the signing of the SPA and the clearance, it neither influenced the operation of the companies nor did it participate in the decision making process, moreover the BLT Group did not even communicate with the sellers. In its decision the GVH rejected the arguments of the BLT Group underlining the fact that it had the possibility to exercise decisive influence on the target companies based on its veto rights. The pre-merger decision making process had been changed after the signing of the SPA. The GVH emphasised that due to the BLT Group possessing general veto rights, the consent of the BLT Group was required in the decision making process. After the signing of the SPA the sellers were not able to make decisions without the consent of the BLT Group, which enabled the BLT Group to exercise its control over the target companies.

27. The other case was related to a notification by ETS (Efficient Technical Solutions GmbH). On the basis of the notification the GVH determined that the acquisition of TGS Engineering Kft. by ETS Efficient Technical Solutions GmbH would not significantly reduce competition. The GVH acknowledged the transaction concerning the market of technical building services by issuing an official certificate. However, when notifying the concentration the GVH became aware of the fact that ETS had gained acquisition of control rights before the GVH had delivered its decision, thereby infringing the provisions relating to the prohibition on the implementation of notifiable concentrations laid down in the Hungarian Competition Act. In such cases the GVH is entitled to impose a fine even if it determines that the concentration does not significantly reduce competition. In the present case, the GVH established the infringement during the competition supervision procedure and obliged the undertaking concerned to pay a fine of HUF 4.4 million (approx. EUR 13000).

2.2.4. Request under Article 29/A of the Competition Act

28. In May 2018 the GVH conditionally cleared DIGI Távközlési és Szolgáltató Kft.’s (DIGI) takeover of Invitel Távközlési Zrt. (Invitel). One of the commitments undertaken by DIGI concerned the cable television provided by its i-TV subsidiary (i-TV Digitális Távközlési Zrt.). i-TV provides a cable television service by renting other network owners’ infrastructures. According to the decision, in those towns where i-TV provides a cable television service, and in relation to which it would acquire Invitel’s cable television service as a result of the takeover, i-TV undertook to not renew its rental

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12 Pursuant to Article 29/A (1) of the Competition Act ‘On a reasoned request of the undertaking referred to in Article 28(1), the GVH may, taking into account all the circumstances of the case, in particular by assessing the effect of the prohibition set out in Article 29 on the undertakings concerned and on other undertakings as well as the potential detrimental effects of the concentration on competition, grant its consent to the acquirer of control to exercise its right of control, by derogation from Article 29, before the resolution concluding the competition supervision proceeding for the investigation of the concentration is adopted, in particular if this is necessary to preserve the value of its investment.’

contracts with the local cable network owners. With this commitment the GVH wanted to ensure that consumers would not only be able to use the cable service provided by the DIGI Group, but would also have the opportunity to choose between independent competitors. However, the GVH subsequently became aware that the decision clearing the concentration was based on misleading information that was provided by the parties. Furthermore, the GVH received market indications that suggested that the commitments did not cover all of the towns where i-TV and Invitel were both present. Consequently, the GVH initiated competition supervision proceedings to investigate the matter on 29 August. The investigation found that DIGI had failed to indicate in the merger review procedure that the planned remedies did not cover all of the areas where both undertakings were present. The original decision only covered 23 overlapping areas, when in fact it was established that there were actually 89 places where overlaps occurred. Therefore, the GVH revoked its decision and imposed a HUF 90 m (EUR 0.27 m) fine.

29. With the revocation of the decision, the commitments, such as the termination (non-renewal) of the rental contracts, also ceased. The GVH reopened the case and adopted a new decision. However, given the fact that parts of the concentration that had already been implemented would be deemed illegal in light of the withdrawal of the approval, the GVH accepted DIGI’s request and allowed the tie-up with Invitel to continue – with the supervision of a trustee – until a new decision is adopted (for instance: the transfer and development of its networks and services, or Invitel’s integration into DIGI).

2.3. Consumer protection

30. In the field of consumer protection, the GVH closed 28 cases in 2018. In 10 cases the GVH established an infringement, in 8 cases the proceedings were terminated, in 5 cases the proceedings were closed with a commitment decision, in 3 cases the proceedings were terminated in the course of their investigation, and in 2 cases the GVH established that the investigated conduct did not constitute an infringement.

2.3.1. Significant cases

31. As regards to the cases closed in 2018, the GVH’s commitment decisions are worth mentioning. In these cases, the GVH was of the opinion that the emerging consumer-competition concerns could be properly remedied, and the effective protection of the public interest could therefore be ensured, without the finding of infringements. Through the acceptance of commitments it is possible to more effectively ensure that the undertaking in question brings its practice into line with the applicable legal provisions and to provide guidance to other market participants. Moreover, the compensation of consumers in some cases can fulfill a reparative function.

Online platforms

‘personalisation of advertisements’, and its data processing of ‘Allo’ chat clients and encryption among chat clients termination points. In this context, the focus of the investigation was whether consumers had received the information necessary to be able to make well-established decisions about the data processing activity of Google, which is an essential aspect of Google’s products. The GVH found that Google had not provided direct information about other Google products and about the processing of consumers’ data during the advertisement, installation and application of Allo chat clients (that may be used irrespective of other Google accounts), which may have been necessary to enable consumers to make well-established decisions. The GVH reached the conclusion that – concerning the communications in the context of the data processing of Allo – the potential violation could be efficiently remedied by the commitment package submitted by Google, thereby enabling the protection of the public interest to be guaranteed.

33. The commitments undertaken by Google require it to set up a page on the data processing of Allo under the ‘Allo Help’ website, which will be accessible both from the installation process description of Allo and from the description available in AlloGooglePlay and iOSAppStore. Google undertook to draft this page in plain language and in a balanced manner. In accordance with the commitments, Google is obliged to send the hyperlink of the data management’s sub-page within the application of Allo to the users of the product in Hungary. In addition, in the fourth quarter of 2018 it must publish a one-day graphical educational banner on its YouTube channel highlighting that Google collects and handles consumers’ personal data and recommending that consumers review the privacy policies and settings. Google has also undertaken to verify that it has implemented the above-stated measures, and also that the information will not be communicated in a less noticeable way and that it will not reduce the awareness level of consumers in the future.

34. The GVH established that the other investigated conduct – the statement concerning encryption between termination points – did not amount to an infringement of competition law and terminated the proceeding regarding the commercial practice related to the data management of new Google features.

35. The competition supervision procedure against Airbnb Ireland (hereinafter: Airbnb) was also closed with the acceptance of the commitments submitted by Airbnb. According to the commitments undertaken in the proceeding, the company undertook to modify the information that it provides to consumers relating to its fares. As a result of the commitments undertaken by Airbnb, the GVH did not establish an infringement and therefore no fines were imposed in the final decision.

36. Airbnb undertook, among others, that on its Hungarian website

- consumers would be provided with (after stating their date of travel) the total price, including all the charges (e.g. cleaning charge, and the price to be paid for each additional guest), on all electronic devices (desktop computer, tablet or mobile phone);
- consumers would receive, when searching for accommodation without providing the exact date, a warning message highlighting the fact that the shown final price,
which may increase as a result of tourist taxes, will only be provided once the exact date and number of guests are stipulated.

37. Furthermore, the submitted commitments also require the undertaking to bring to an end the differences resulting from the application of a conversion fee and the use of rounding. As a result of the information that must now be provided to consumers on the basis of the accepted commitments, consumers searching for accommodation will now receive additional information and also more accurate information relating to prices, with the result that they will be able to make more conscious decisions.

Compensation of consumers

38. In the case of OTP Bank Nyrt., the GVH investigated whether the undertaking – from 1 January 2012 to 18 December 2013 – provided appropriate information about the possibilities of interest-free reimbursement related to the use of its credit cards, paying particular attention to interest calculation applicable until 20 June 2016, on the basis of which in the case of reimbursements made after the grace period interest must be paid even after purchases made in the next accounting period. Although the undertaking did not agree with the position of the GVH, it submitted a complex commitment consisting of several elements. The GVH imposed the following obligations on the undertaking on the basis of the submitted commitments:

- the undertaking shall reimburse approximately 11 thousand concerned consumers a total amount of more than 19 million HUF – charged due to the practice of the interest calculation – furthermore, the repayment shall not place any expense or any other obligation or engagement on consumers, and the undertaking must inform consumers of the reason and circumstances of the reimbursement;

- the undertaking shall launch a campaign for educational purposes lasting a minimum of four weeks and primarily consisting of television and online appearances, aimed at improving the financial culture, consumer awareness and responsible decision making, as well as drawing the attention of different consumer groups to the main information regarding credit cards (e.g. accounting period, grace period, as well as the repayment opportunities);

- on the above-mentioned information channels the undertaking shall promote an educational website that is available for a minimum of two years aimed at different consumer target groups (students, young people, elder persons) on the topic of credit card use, and enabling access to bank neutral information.

39. In another case, the GVH accepted the commitments undertaken by Vodafone Magyarország Zrt. (hereinafter: Vodafone) to reimburse the deleted balances of those subscribers that switched to RED VitaMAX tariffs from their previous tariff packages between 1 November 2012 and 1 May 2014. In its competition supervision proceeding the GVH investigated whether Vodafone had infringed the law through its advertisements promoting RED VitaMAX tariffs, as these advertisements did not make it clear that the


30-day balance usage period, which is much shorter than the average, applies not only to balances after a change of tariff but also to previously accumulated outstanding balances. The company undertook to refund the deleted outstanding balances to all of those customers that were disadvantaged by the above-mentioned rule, provided the balances of the customers exceeded the amount of HUF 100 and they were still subscribers of Vodafone.

Other major developments

40. In order to ensure more efficient actions, the GVH finds it appropriate to issue mid-term guidelines on a cyclical basis, which contain operative considerations of a strategic nature that fit to the GVH’s mid-term strategy plan. In this context, in 2018, the GVH published its Mid-term Digital Consumer Protection Strategy (DCPS)\(^{18}\), in order to react more effectively to current challenges on the markets. Whilst the consumer protection strategy document makes it clear that the GVH shall apply its practice relating to consumers’ freedom of choice and informed transactional decision-making to transactions, regardless of the nature of the goods concerned, it also states that the new challenges arising from certain markets and communication platforms will need to be addressed via new approaches and forms of action. To deal with these challenges, the consumer protection strategy has been formulated to enable the more efficient, faster and focused handling of the already existing or potential infringements of consumer interests. The dynamics of digital markets, the special features of the demand and supply side, and in particular the unique characteristics of the consumers’ decisions, which differ from other markets, necessitate the application of new tools and the establishment of priorities for the future. With this new approach, the GVH seeks to ensure that its steps, practices, interventions and messages are in line with the rapid development of business models and commercial practices created by the digital economy.

2.4. Lessons of the judicial review of the GVH’s decisions

41. By legally binding judgments of the Budapest-Capital Regional Court of Appeal – which acts as the first-instance review court of the GVH’s decisions – the decisions of the GVH were upheld in 3 cases (VJ/55/2013., VJ/11/2014., VJ/2/2015.), while in one case the GVH’s decision was repealed simultaneously with the GVH being ordered to conduct a new procedure (VJ/29/2011).

42. Before the Curia – which acts as the second instance court – the judgments of the first instance court were overruled in two cases simultaneously with the Court being ordered to conduct new review proceedings (VJ/60/2012., VJ/29/2011.).

\(^{18}\) Available in English:

3. Role of the GVH in the formulation and implementation of other policies

3.1. Competition advocacy

43. One of the most important forms of competition advocacy is commenting on legislation but other routes are also available, including the forwarding to legislative bodies of legislative anomalies identified based on market signals, accompanied by competition policy comments. In some cases the GVH takes the initiative.

44. In 2018, the number of draft pieces of legislation received by the GVH and the number of draft pieces of legislation uploaded on the government’s homepage continued to decrease. The GVH sent its comments in 7 cases. A significant proportion of these comments contained recommendations aimed at changing elements of the applicable competition and procedural law, general government and enforcement rules governing the operation of the GVH, and on improving the quality of codification, while a smaller proportion sought to facilitate the creation of a more competition-friendly regulatory environment, reduced administrative burdens and improved conditions of the consumer decision-making process.

45. In 2018, the GVH intervened in 3 cases. From a competition point of view, the most important – yet unsuccessful – intervention was aimed at preventing price increases on the taxi market in the capital city of Budapest, restoring price competition in the pre-order taxi market, and eliminating the official fixed prices. Unfortunately, the regulatory environment of the taxi market remains unfriendly both from a competition perspective and from a consumer-friendly perspective, with the taxi lobby’s requests for price increases almost always accepted.

46. Trade associations – especially operating in the food sector – have been, and continue to be, fairly active in the collection and processing of sectoral data. If the collection and processing of such data is not based on legal authorisation, then competition concerns may arise under certain circumstances. Consequently, regular consultations are held between the relevant organisations and the experts of the GVH.

3.2. Competition culture

47. The GVH’s work in relation to the development of competition culture includes the GVH’s own tasks in this area relying on its professional resources, as well as its contributions, both professional and financial to those programmes that require the input of other bodies for their implementation.

48. In 2018, the GVH also placed significant emphasis on the importance of organising professional events and being a partner in the realisation of these events. In addition, it continued to pursue actions that foster competition and raise public awareness. Such actions are aimed, firstly, at inciting consumers to think through decisions before making transactions and, secondly, at encouraging undertakings to comply with competition law rules. In this framework, among others, the following events took place in 2018:

- **V4+ Competition Conference** – the GVH organised a high level competition law conference where the legislative developments, enforcement practices and advocacy issues of the Authorities of the Visegrad Group countries, and also of Austria and Slovenia, were discussed. The representatives of the V4+ countries’ Competition Authorities – on the initiative of the GVH – met for the second time
at the conference held in 2018 in Budapest during the Hungarian presidency of the Visegrad Group.

- The **Competition Policy Advisory Bureau Network** continues its operation in five big cities (Debrecen, Eger, Szeged, Pécs and Győr) in Hungary. The Network assists the GVH in the area of consumer protection and enhances the messages/principles of the GVH through its communication activity.

- As part of the Cultural Heritage Days the GVH opened its building for public visiting for the first time in 2015, and due to the positive feedback, the ‘Open GVH’ programme, for the third time, was organised also in 2018. Compared to the previous years, a larger number of visitors showed an interest in the history of the building and the daily work of the GVH, and were also able to ask questions informally from the colleagues of the GVH.

### 3.3. Activity of the OECD-GVH Regional Centre for Competition

49. The OECD-GVH Regional Centre for Competition in Budapest (RCC) was established by the OECD and the GVH on 16 February 2005. Relying on the professional background of the Competition Division of the OECD and the GVH, the Centre provides capacity building assistance and policy advice for the competition authorities of the Central, East and South-East European region, namely for Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, FYR of Macedonia, Georgia, Kazakhstan, Kosovo, Kyrgyzstan, Moldova, Montenegro, Romania, the Russian Federation, Serbia and Ukraine. The RCC is financially supported by the Hungarian Government.

50. The programmes of the RCC, besides others, deal with the following topics: analysis of competition cases, investigative techniques, competition policy principles in the process of regulatory reforms, training of judges, law enforcement priorities, guidelines, policies, practices and procedures, framework for the cooperation of the competition authorities of the region, competition advocacy, tools for communication, cooperation between competition authorities and regulatory bodies, and other general issues falling under competition law and policy. Regular meetings, training programmes, seminars and workshops are organised on these topics.

51. In 2018, the RCC hosted 262 participants arriving from 35 economies and 48 speakers from 16 countries.

52. With a view to the needs of competition authorities, having consulted previous participants of the RCC’s events and the senior officials of authorities, the RCC has established a constantly changing, evolving programme structure that responds to the training needs of participants.

53. In 2018 the RCC organised two seminars for judges from the European Union on the following topics:

- **‘National Judges and Antitrust Damages Litigation’** (23-24 February 2018). The seminar covered the main issues raised by the implementation of the EU Damages Actions Directive19 that national judges are confronted with when dealing with

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actions for damages, namely matters of competence, disclosure of evidence, quantification of harm, passing-on of overcharges, joint and several liability, consensual settlements, impact of national decisions and limitation periods.

- ‘Antitrust Challenges in the Digital Age’ (16-17 November 2018). The seminar dealt with a number of selected issues raised by new technologies’ impact in the field of competition law, such as the notion of two or multi-sided markets for online platform businesses, discriminatory behaviours of dominant companies in fast-evolving markets, patent protection in the technology industry, the role of innovation in the context of mergers occurring in digital sectors and vertical restraints in online distribution.

54. One seminar was organised for the core target group of the RCC – i.e. competition authorities of South-East Europe and Eastern Europe – on the topic of ‘Cartel Detection Tools’ (6-8 March 2018). The seminar discussed sources of cartel detection, including whistle-blower or anonymous informant systems, informant reward schemes, systematic screening and also market studies. Parallel pricing observations and systematic monitoring of public procurement data were also discussed, as well as the OECD Guidelines for Fighting Bid Rigging in Public Procurement and relevant cases.

55. Each year the RCC organises a professional event in one of the 18 countries that constitute its primary target group. This seminar is unique as its agenda focuses on the needs of the host competition authority. After already being held in Albania, Armenia, Bulgaria, Ukraine, Croatia, the Republic of Macedonia, Georgia, Serbia, and Bosnia-Herzegovina, in 2018, Albania again hosted the event. The seminar was held in Tirana on the topic of ‘Merger Control Investigations’ (19-21 June 2018) and focused on the theories of harm for merger cases, basic economic methods to be applied and effective merger remedies. In addition, effective procedures for merger investigations and investigation methods were also discussed. The event was attended by 35 competition law professionals from 17 countries.

56. Once a year the RCC organises a joint event with the Federal Antimonopoly Service (FAS) of the Russian Federation. In 2018, the seminar was held in Saint Petersburg and it dealt with the topic of ‘Effective Cartel Enforcement’ (2-4 October 2018). Topics included cartel detection tools, leniency and dawn raids. The new challenges of cartel enforcement resulting from e-commerce and digitalisation were also covered. Experts from OECD countries, together with FAS experts, presented their experience and approaches.

57. Furthermore, in 2018 the RCC organised an Introductory Level Seminar on the ‘Basic Concepts and Procedures in Competition Law’ for young authority staff in Budapest (15-18 May 2018) with the participation of young professionals from 18 countries. Additionally, training for the whole staff of the GVH was held on the ‘Review of EU Competition Law Developments and Selected Competition Topics’ (17-18 April 2018).

4. International relations

58. The international relations of the GVH focused mainly on cooperation with the European Commission and the national competition authorities of the EU Member States, cooperation within the framework of the Competition Committee of the Organisation for
Economic Cooperation and Development (OECD) and the International Competition Network (ICN), as well as on bilateral cooperation.

59. Similarly to the practice of previous years, the case-related cooperation within the European Competition Network (ECN) in respect of the application of the competition rules of the EU continued to be one of the main fields of the international relations.

60. The GVH’s contribution to the work of the OECD Competition Committee and to its working groups continued to be of uppermost importance also in 2018, and in this year the GVH submitted reports about its practice to the OECD on a remarkably high number of topics. Contributions were prepared for the following topics: ‘Challenges and coordination of leniency programmes’, ‘Taxis, ride-sourcing and ride-sharing services’, ‘Suspensory Effects of Merger Notifications and Gun Jumping’, ‘Personalised Pricing in the Digital Era’, ‘Quality considerations in the zero-price economy’, ‘Designing and testing effective consumer-facing remedies’, ‘Treatment of legally privileged information in competition proceedings’, and ‘Unannounced Inspections in the Digital Age – investigative power in practice’.

61. In accordance with established practice, in 2018 the GVH also sent one of its experts to the OECD for a whole year as a secondee on a rotation basis.

62. In 2018 the GVH also remained an active participant in the International Competition Network (ICN), in particular, in the work of the Cartel Working Group. The GVH remained responsible for the coordination of the project on the ‘Anti-Cartel Enforcement Template’. In addition to this, since April 2016 the GVH has held the position of co-chair of the Regulatory Framework Subgroup of the Cartel Working Group of the ICN and in this capacity it has also been responsible for several other ICN CWG projects (e.g. the project on leniency incentives, the organisation of several webinars on various topics).

63. As regards bilateral cooperation, during 2018 the GVH received delegations from the Indonesian Trade Promotion Centre, from the State Consumer Rights Protection Authority of the Republic of Lithuania and also NGAs from Germany and Austria for consultations. In February 2018, on the margins of an international conference organised by the GVH for the competition authorities of the Visegrad Countries, the head and deputy head of the Austrian Bundeswettbewerbsbehörde visited the GVH for professional consultation.

64. In the field of consumer protection, in the European Economic Area, the Consumer Protection Cooperation Network (CPC Network) provides the framework for cooperation, especially related to the rapidly evolving digital sphere. In addition to providing information to each other and requesting assistance from each other to perform investigative measures, the members seek to take joint action to address problems that are occurring in several Member States. The GVH is actively involved in the CPC Network, and in 2018 it sent requests for information in 10 cases and participated in the development of a joint action against Facebook/Google/Twitter. Colleagues of the GVH participated in several workshops organised by the CPC Network, sometimes as lecturers.

65. The GVH is also a member of the International Consumer Protection Enforcement Network (ICPEN), an umbrella organisation consisting of 58 consumer protection law enforcement authorities, and is an active member of the United Nations Conference on Trade and Development (UNCTAD), and of the OECD Committee on Consumer Policy.
66. In 2018, the GVH screened the General Terms and Conditions (GTC) of seven popular online dating services in the framework of a global collaboration project. In the framework of the International Internet Sweep Day initiated and coordinated by the ICPEN, the participant members investigated a number of specific sectors according to harmonised criteria. In 2018, the GVH also participated in another sweep coordinated by the European Commission on price transparency and drip pricing. In this context, the CPC authorities performed an EU-wide screening of 560 e-commerce sites offering a variety of goods, services and digital content, such as clothing or footwear, computer software or entertainment tickets. On the basis of the sweeps, in both cases, the GVH published its recommendations for the Hungarian market.

5. Resources

67. The Hungarian Parliament approved the planned amount of the budget of the GVH for 2018, which was initially calculated as 2,367.8 million HUF, including the sum to be used for the activities of the OECD-GVH Regional Centre for Competition in Budapest, which was initially calculated as 148 million HUF for 2018. Following the modification of the planned amount, the available budget for the GVH and the RCC was 3,399.9 million HUF, including the outstanding amounts of 2017.

68. The annual finances of the budget chapter were balanced, with no liquidity issues arising; the GVH honoured its payment obligations in time.

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<th>Table 1. Annual Budget</th>
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<td>2018</td>
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<td>billion HUF</td>
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<td>million EUR</td>
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69. The total number of staff in the GVH was 125 as of 31 December 2018.

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<th>Table 2. Number of Employees</th>
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<tr>
<td>2018</td>
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<td>Economists</td>
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<td>Lawyers</td>
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<td>Lawyer-economists</td>
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<tr>
<td>Other professionals</td>
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<td>Support staff</td>
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<td>All staff combined (actual)</td>
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21 A “sweep” is a set of checks carried out on websites simultaneously to identify breaches of EU consumer law in a particular sector.
70. The total number of staff in the main categories of activity (antitrust, mergers, consumer protection, and advocacy) in 2018 was 92.

6. Summaries of new reports and studies on competition policy issues

71. On 20 January 2017 the GVH launched a sector inquiry into the payment card industry, targeting in particular the ‘downstream’ side of the market, i.e. bank card acceptance market. Since fair and effective competition on the bank card acceptance market is a prerequisite for the increased use of bank cards as a payment method, the GVH considered it particularly important to understand and explore market processes.

72. In the framework of the sector inquiry, the GVH examined the effect of a law setting a cap on the level of interchange fees (thereby resulting in a reduction of such fees) and whether a full price transmission was implemented from accepting banks to merchants. One of the key questions investigated during the sector inquiry was whether acquiring banks provide card payment acceptance services to smaller merchants at a higher price than larger merchants, and if so, whether there is an underlying competition problem behind this that could be addressed through competition law intervention. The sector inquiry covered the time period from the first quarter of 2013 to the first quarter of 2018. The GVH relied primarily on information provided by market participants (merchants, bank card companies) and on data requested from the Central Bank of Hungary in the framework of mutual assistance, as well as on publicly available data. The GVH also commissioned market research in order to explore the demand side of the market under investigation. The main findings of the sector inquiry will be published in 2019.