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COMPETITION COMMITTEE

Annual Report on Competition Policy Developments in Hungary

-- 2021 --

This report is submitted by Hungary to the Competition Committee FOR INFORMATION.

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Hungary

1. Changes to competition law and policy proposed or adopted

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

1.1.1. Legislative changes affecting the organisation of the Hungarian Competition Authority (Gazdasági Versenyhivatal – GVH)

1. In December 2018, EU legislators adopted *Directive 2019/1 to empower the competition authorities of the Member States to be more effective enforcers and to ensure the proper functioning of the internal market*. The Directive is referred to as ECN+ based on the abbreviation of the European Competition Network, which consists of the competition authorities of the EU and the Member States. The GVH actively cooperated with the Ministry of Justice in elaborating the details, after which Hungary was the first EU Member State to transpose the ECN+ Directive. The Act XIX of 2020 (the Amendment Act) transposes the provisions of the ECN+ Directive which have affected both the organisation and the procedures of the GVH, resulting in a significant change in the strengthening of the enforcement tools of the national competition authority and in facilitating cooperation between the undertakings subject to proceedings and the GVH.

2. As regards the organisation of the GVH, the amendments also tighten the conflict-of-interest rules for case handlers and members of the Competition Council, the decision-making body of the GVH, and also provides for the additional information that the annual report must include. They also set out the possibility for the GVH to set priorities taking into account the public interest in maintaining competition in the market for economic efficiency and social advancement.

1.1.2. Legislative changes affecting the proceedings of the GVH

3. As a consequence of the transposition of the ECN+ Directive, the rules of the Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices (the Hungarian Competition Act, A tisztességtelen piaci magatartás és a versenykorlátozás tilalmáról - Hungarian Competition Act) on access to file, imposition of procedural fines and competition fines, admissibility of evidence, unannounced inspection (dawn raid), commitment, decision, follow-up investigation, leniency and the procedural rules relating to cooperation with the European Commission and EU Member States have been amended. A more significant change compared to previous practice has been the extension of the scope of property, vehicles and data carrier that can be searched on the spot, as well as the extension of the scope of leniency rules and cooperation between National Competition Authorities within the ECN.

4. The aim of the Directive is to ensure that national competition authorities have sufficient independence, adequate resources, and effective enforcement tools, and apply an effective and consistent fining policy based on uniform principles, and effective leniency programmes.

5. In July 2021, the Government extended the powers of the GVH by the possibility to conduct accelerated sector inquiry in the framework of emergency legislation. The GVH can order an accelerated sector inquiry if urgent intervention is needed to identify and address market problems. In principle, the rules of the sector inquiry apply to the conduct of an accelerated sector inquiry, except that in the case of an accelerated sector inquiry,

there is a time limit for the preparation of the draft report and allows for an on-site investigation, which is also used in the competition supervision procedure, if the GVH is likely to find evidence related to the accelerated sector inquiry at the relevant premises. Moreover, on 14 December 2021 the Hungarian Parliament adopted the Act CXXX of 2021 on certain regulatory issues related to emergency situation, Chapter 34 of which ensures that the powers of the GVH to conduct an accelerated sector inquiry will be maintained after the end of the emergency situation.

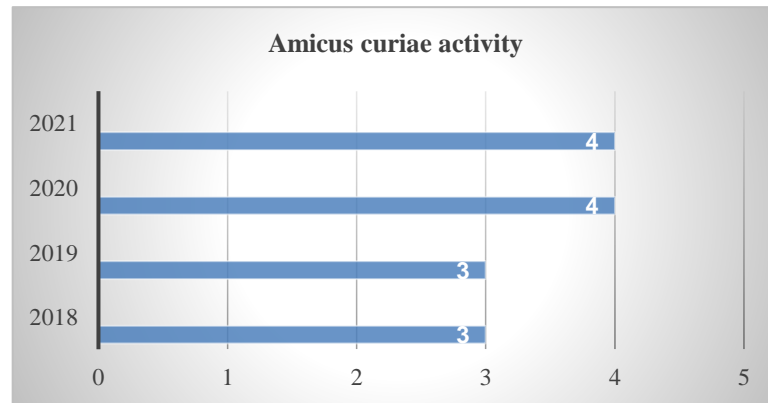
6. Article 7/B of the Act CLXIV of 2005 on Trade provides the GVH with a new power: in connection with the beverage procurement in HoReCa sector special rules curtail the prevalence of exclusive beverage procurement contracts and catering units are obliged to offer the products of at least two different manufacturers for sale in each beverage category.

7. In the meantime, further amendments to the Hungarian Competition Act were being worked on, and as a result, the Parliament adopted the new changes on 9 November 2021. Thus, as of 1 January 2022, the Hungarian Competition Act was amended, the most significant of which are the following:

- the Hungarian Competition Act stipulates that the competition authority, when assessing mergers in the digital market, will pay particular attention to assessing whether the market power and value of digital platforms is largely determined by the penetration of the platform among users;
- concerning mergers, the authority will publish annually the markets in relation to which it has issued an official certificate each year (an official certificate is issued if it is found that considering the circumstances of the case the ordering of an investigation of the concentration is not necessary). This may help market participants to know in which markets and which concentrations the GVH has not raised concerns;
- allows the use of warnings in follow-up investigations (The GVH may, in the case of a first infringement not violating Article 101 or 102 of the TFEU, issue a warning instead of imposing a fine, to a micro, small or medium-sized enterprise if based on the conduct of the undertaking during the proceeding it can be reasonably assumed that the legality of the future conduct of the undertaking and its refraining from additional infringements can be assured in this manner);
- broadens the types of orders that may be made by the member of the Competition Council acting as rapporteur on their own; and
- refers the enforcement of decisions to the investigation phase.

1.2. The Amicus Curiae activity of the GVH

Figure 1. Amicus curiae activity



1.3. Other relevant measures, the activities of the GVH to ensure uniform application of the law

8. In 2021, the GVH published on its website a collection of findings with principal importance (position statements) in relation to cases closed in the previous year, which is a valuable source of legal interpretation for legal practitioners and professional users. The position statements have been published for both antitrust and consumer protection cases respectively.

9. In addition, considering the amendments of the Hungarian Competition Act that entered into force on 1 January 2021, it became necessary to review and update the Notices in line with the changed legal provisions (Notices describe the basic principles of the law enforcement practice of the GVH; they have no binding force; their sole function is to increase the predictability of law enforcement). Through the amendments, the GVH has sought to provide guidance to businesses, based on domestic and international examples and case law experience, on the cases and conditions under which it can accept cooperation offered in the course of proceedings and on the method of fining in case of an infringement. The purpose of the Contact Notice is to make it clear that it is for the GVH to decide on the communication to the public, both in terms of timing and content.

2. Enforcement of competition law and policy

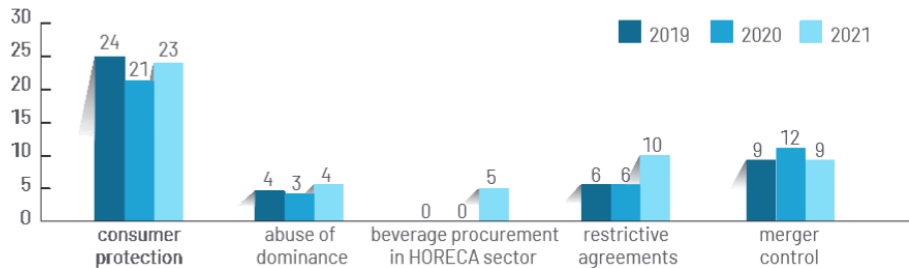
2.1. Overview

10. In 2021, the **GVH initiated a total of 51 proceedings**. Out of all proceedings initiated:

- **9** competition supervision proceedings in merger control of the 68 merger notifications in total,
- **23** cases concerned unfair commercial practices,
- **10** concerned restrictive agreements,
- **4** concerned abuses of dominant position

- 5 beverage procurement in HoReCa sector.

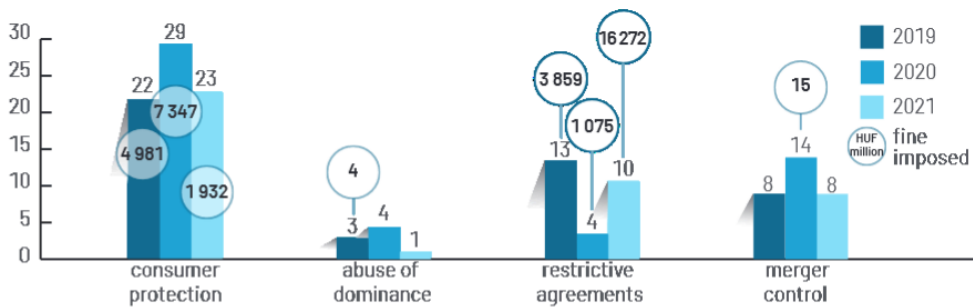
Figure 2. Proceedings initiated



11. With regard to the proceedings concluded, the **GVH concluded a total on 42 proceedings** in 2021. Out of all proceedings concluded:

- 8 competition supervision proceedings in merger control of 67 merger control investigations in total. (In 59 cases the GVH issued an official certificate),
- 23 cases concerned unfair commercial practices,
- 10 concerned restrictive agreements,
- 1 were decisions concerning abuses of dominant position.

Figure 3. Proceedings concluded



2.2. Action against anticompetitive practices; agreements and abuse of dominance

2.2.1. Anticompetitive practices

12. In 2021, the GVH adopted decisions as part of proceedings initiated due to the alleged infringement of the provisions of the Hungarian Competition Act concerning **restrictive agreements** in a total of **10** cases:

- 7 case resulted in an infringement being established and in a fine being imposed;
- 3 case was closed without establishing an infringement.

Significant cases

13. Cartels can be grouped according to their infringing nature in several ways. The most common cartels are price-fixing and market-sharing agreements. The most significant and record-breaking case of this year against **Nitrogénművek Chemipari Zrt and its group of undertakings**¹ affected the entire Hungarian artificial fertiliser market and resulted in a record-breaking fine amounting to HUF 14.1 billion. In respect of setting the fine, the GVH took the long-standing nature and wide scope of the infringement into consideration. A total of 11 Hungarian undertakings were involved in the proceeding, of which two were found to not have been parties to the infringement and two others admitted the infringement and cooperated with the GVH. The GVH revealed that Nitrogénművek Vegyipari Zrt. and its artificial fertiliser manufacturing and distribution affiliates infringed the law by determining the resale prices of their products and even to which customers the resellers were permitted to sell them. Furthermore, in order to restrict imports from abroad, the group of undertakings required significant annual minimum quantities and exclusivity from its resellers.

14. In 2021, the GVH uncovered an anti-competitive agreement covering several EU Member States whereby the **Jacobs Global Szolgáltató és Kereskedelmi Kft.**², a vendor of products used in artificial nail application and decoration, had applied unlawful clauses in its contracts with distributors supplying nail salons which resulted in a restriction of competition on the Hungarian market. According to these clauses, since 2010, members of the group engaged in retail activities that required suppliers to resell certain products to artificial nail salons operating on the Hungarian market at a uniform price that they had determined while at the same time to apply vis-à-vis their foreign partners higher prices than the Hungarian price level. This meant that artificial nail salons were only able to procure products supplied by the group at higher prices, which in turn also influenced consumer prices. Furthermore, the group of undertakings had also set territorial restrictions in both its domestic and foreign distribution agreements since 2009; it had prohibited its partners from selling the products outside the territories specified in their contracts beyond the scope of the exceptions permitted by the applicable legislation, which resulted in the market having been shared among these distributors. When setting the fine the GVH took into consideration that the group of undertakings showed an exceptional willingness to cooperate during the proceeding.

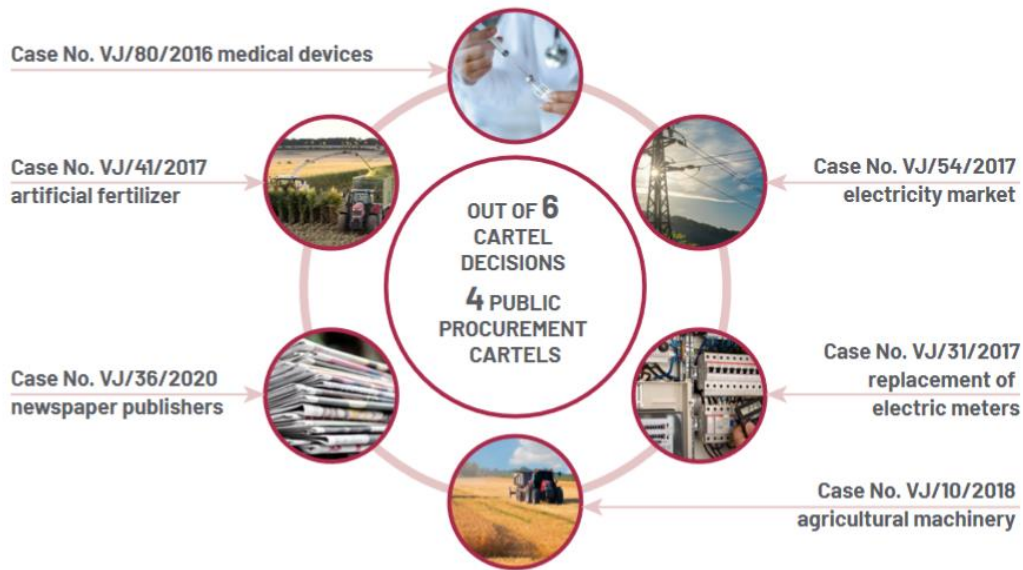
Bid rigging cases

15. Among cartels aimed at price fixing or market sharing, public procurement cartels involving public funds are considered as the most serious infringements of competition law as they result in significant harm to the society. This type of restriction of competition therefore entails, in addition to a high antitrust fine, another legal consequence, exclusion from public procurement. In 2021, in more than half of the six cartel cases closed, four of the infringements involved collusion in public procurement procedures.

¹ Official registration number of the case: VJ/41/2017

² Official registration number of the case: VJ/57/2017

Figure 4. Cartel cases closed



16. The investigation of the GVH established that **Medtronic Kft., Unicorp Kft., and Medibis Kft.**³ illegally shared the centralised public procurement tenders announced by the National Health Insurance Fund in 2014 and 2016 (and for others that were going to be announced) for the procurement of so-called neuromodulation devices among each other. The GVH imposed fines of approximately HUF 660 million fine in total on the three undertakings.

17. The GVH imposed a HUF 337 million fine on **Bila 2000 Bt. and Others**⁴ for collusion in public procurement procedures, because the ten undertakings involved divided among themselves certain public tenders of an electricity supplier for the replacement of electric meters. The undertakings coordinated their bids and shared detailed information on the market allocation and the preliminary identification of the winning bidders.

18. In another cartel, also affecting the electricity market (**SMHV Energetikai Kft. and Others**⁵), thirteen undertakings engaged in illegal collusion in public procurement and other tendering procedures. In several cases, it was one undertaking that prepared the - higher - bids for the others, which they in turn submitted without modification, pretending to compete. In other cases, the undertakings sent their bids to their competitors for information, with a view to getting them to submit more expensive counter-bids. In some cases, cartel members agreed among themselves in advance who would win the tenders and prepared their bids accordingly. The GVH fined the undertakings HUF 126 million for their illegal practices.

³ Official registration number of the case: VJ/80/2016

⁴ Official registration number of the case: VJ/31/2017

⁵ Official registration number of the case: VJ/54/2017

19. A total fine of nearly HUF 135 million was imposed on **Tempel Kereskedelmi és Szolgáltató Kft. and Others**⁶ for having engaged in unlawful collusion, in more than a dozen Hungarian public procurement procedures concerning the retail trade for agricultural machinery, municipal machinery and urban maintenance machinery. Indeed, the undertakings coordinated their bidding behaviour regarding at least 16 different public procurement tenders, during which they – in a single and continuous manner – shared the market among each other.

2.2.2. Abuse of dominance

20. Eight of the pending proceedings are dominant position cases, which belong to the most complex and resource-intensive competition cases. Among the dominance cases pending, it is worth mentioning that the GVH is investigating the alleged abusive behaviour of the technology giant Google in the market for the publication of lyrics cards. In view of the importance of construction materials for the national economy and of the recent market disturbances, it is worth noting that GVH is pursuing a dominant position procedure in both the cement and gravel markets. In addition to these, the GVH is investigating the behaviour of major players in the online car advertising, beverage procurements, collective management of copyrights and artificial nail markets. In 2021, the GVH adopted **1** decision⁷ regarding the infringement of the provisions of the Hungarian Competition Act on **abuse of dominant market position**.

⁶ Official registration number of the case: VJ/10/2018

⁷ Official registration number of the case: VJ/33/2020

Figure 5. Undertakings in 2021

Net turnover of undertakings



2.3. Mergers & acquisitions

21. In 2021, 67 merger proceedings were closed, out of which 59 cases were closed by the issuance of an official certificate, 8 cases were closed in competition supervision proceedings. 5 competition proceedings were approved by the GVH without imposing any conditions or obligations, while in one case the GVH terminated the proceeding, because the transaction did not constitute a concentration of the companies; in another case the GVH terminated the proceeding because there were no grounds for continuing it. In addition, a decision was taken in one competition procedure for breach of an enforcement ban. In 2021, the GVH did not impose any fines for breaches of the merger provisions of the Hungarian Competition Act.

Figure 6. Mergers



22. The received 68 merger notifications not only show an increase of almost 11,5% compared to 2020, but also represent a record number of notifications. The exceptionally high number of cases was achieved despite the bureaucracy reduction reform that is certain transactions of state-owned venture capital funds do not have to be notified to the GVH as a result of an amendment of the Hungarian Competition Act entered into force on 30 September 2021. The revenue of the undertakings affected by the transactions increased significantly compared to the previous year, i.e. not only more transactions but transactions of larger undertakings were notified to the authority.

23. The 92% of the decisions were adopted within an exceptionally short period of time by the issuance of an official certificate (average duration of the administrative proceedings: 4 days) 3 transactions were assessed within 1-2 business days within the framework of accelerated proceedings. Within the framework of the simplified competition supervision proceedings initiated based on merger notifications, the decisions of the GVH were adopted within 22 days on average, in 2021 no full-scale proceedings were concluded. The effective preparatory work resulted in faster proceedings. In 93% of the cases where an official certificate was issued, the undertakings took advantage of the option to consult with the employees of the GVH in advance about their planned transactions. In 2021, pre-notification contacts took place in the case of 80 transactions.

2.3.1. Significant cases

24. The mergers investigated by the GVH in 2021 involved a wide range of industries. With 15 notifications, the manufacturing sector was the most affected by mergers, making it the dominant sector in GVH proceedings in 2021. Within this, many different sectors were involved, such as chemicals, tools and machinery, aluminium- and plastics manufacturing. The GVH investigated 12 transactions in which the undertakings concerned were active in the field of trade, including wholesale and retail. Various sectors of the industry were affected, including food, daily consumer goods, electronic products, motor vehicles and fuel trading.

25. The GHV has launched an investigation into the acquisition of joint control over the INICIÁL Kereskedelmi és Szolgáltató Kft. by AutoWallis Nyrt. and DZL Kereskedelmi és Szolgáltató Kft.⁸ The GVH found that there had been an infringement of the prohibition of implementation because the parties implemented the concentration still

⁸ Official registration number of the case: VJ/3/2021

before the notification, but, since that the parties did not contest the infringement at the time of notification, the GVH did not impose a fine on them.

26. The GVH launched an investigation with respect to the merger of **Újfa-Vill Kereskedelmi Kft.**, engaged in the wholesale of electronic products, and the Hungarian subsidiary of the **French Sonepar Group**⁹. This is due to the fact that based on the data in the notification of concentration, the GVH had not been able to estimate the future effects of the transaction on the construction sector, which uses these products and is currently struggling with large price hikes. The results of the investigation showed that the price increases observed on the market are not unique to the Hungarian market; the increased prices are perceived in an international context as well and their primary cause can be attributed to the higher prices of raw materials (copper, aluminium, steel, plastic) on the global market. Following a thorough analysis of the relevant market, the GVH established that the merger would not significantly reduce competition thereon and no negative effects could be expected. Therefore, the GVH approved the transaction in question.

2.4. Consumer protection

27. In 2021, the GVH concluded a total of **23** competition supervision proceedings related to **unfair commercial practices**:

- **20** cases resulted in the fact of an infringement being established;
- **of which 18** cases resulted in imposing a fine;
- **of which 3** cases involved the GVH accepting commitments.

28. The GVH has continued to protect consumers' interests. In 2021, it imposed fines of HUF 1.84 billion in 11 proceedings against businesses that engaged in unfair commercial practices.

2.4.1. Significant cases

29. **The GVH imposed a fine of HUF 117,8 million HUF on Max Immun Kft.**¹⁰ **and prohibited the advertising of the products in question and established that the advertisements of the so-called proinsulin C-peptide cosmetics belonging to the Vargapeptide product range contained false claims about the medical properties of the products, including their effectiveness against COVID-19.** The commercial communications also falsely suggested that these products are suitable for the treatment of several dysfunctions and disorders, including a variety of cancers, autism, diabetes. During the investigation, the GVH found that immediate action was necessary, imposing a temporary [prohibition](#) of the advertisement of these products by the undertaking in order to prevent consumer harm. The proceeding, in which the GVH did not investigate the product itself or its ingredients, but the claims made in relation to them, revealed that the advertisements contained unsubstantiated health claims, misleading consumers, and simultaneously infringing the regulation applicable to cosmetics within the territory of the European Union.

30. **The GVH has imposed a fine of HUF 147 million on the distributor of the Dettol product range for advertising its disinfectants using unfounded claims amidst the pandemic.** The investigation of the GVH established that Reckitt

⁹ Official registration number of the case: VJ/30/2021

¹⁰ Official registration number of the case: **VJ/22/2020**

Benckiser Kft.¹¹ misled consumers when promoting the biocide products (antibacterial surface cleaning sprays and wipes, hand sanitisers, and soaps) belonging to the Dettol product range distributed by the undertaking. The advertisements claimed a high level of effectiveness (e.g. *'Destroys 99.9% of bacteria and deactivates viruses'*, *'Kills 99.9% of pathogens without water'*); however, during the proceeding, the undertaking was only able to support these claims to a satisfactory degree in connection with bacteria. The way the undertaking had advertised the products using the logo and recommendation of the Pál Heim Children's Hospital was also found to have infringed the law. Although the undertaking was entitled to use the logo and the slogan *'Recommended by the Pál Heim Children's Hospital'* pursuant to a marketing agreement between the parties, the investigation showed that the recommendation concerning the products was not made after any professional examination or research, or based on any well-founded criteria, contrary to what the average consumer would have assumed. Therefore, the logo and the slogan were communicating a misleading message to customers.

2.5. Judicial review of the GVH's decisions

31. In 2021, compared to 2020, the willingness of undertakings to sue against the decision of the GVH decreased by about 47%. Approx. 73% (HUF 13.050 million) out of the fines imposed in 2021, worth HUF 17.846 million in total, was challenged in court. The above data also support that it is worth cooperating with the GVH. The effective cooperation of the undertakings subject to the proceedings with the GVH has increased significantly in the recent period. In 2021, the courts adopted judgements upholding the decisions of the GVH in 75% of all proceedings initiated against the decisions of the Authority.

32. In the so-called Paper Cartel¹² case, the Curia has put an end to a legal issue that has been ongoing for more than 10 years, taking a position on the burden of proof, the obligation to clarify the facts, the scope of judicial review, other explanations given by undertakings and the criminal nature of cartel cases, among other issues.

3. Competition advocacy & competition culture

3.1. Competition advocacy

33. The GVH made minor observations and proposals in 10 cases. As in recent years, these are typically related to the operating environment of the GVH and to improving the quality of the codification. During the year, there were two attempts to intervene in anomalies that were brought to the attention of the GVH by inquiries or through press reports.

34. In 2021, the GVH continued to aim to contribute to the relaunch of the Hungarian economy, to the tasks of the state related to strengthening competition, and to increase the effectiveness of protection against the economic effects of the coronavirus pandemic. In 2021, the President of the national competition authority continued to participate in the work of several bodies (e.g. *Economic Protection Operational Group, Operative Group*

¹¹ Official registration number of the case: **VJ/12/2020**

¹² Official registration number of the case: **VJ/43/2011.**

for Economic Recovery, Public Procurement Council) for which it received valuable assistance from the experts of the GVH.

3.2. Competition culture

35. The Hungarian Competition Act also specifies the role and responsibility of the GVH related to the development and promotion of a culture of competition and conscious consumer decision-making, which constitutes the third pillar of the activities performed by the GVH in order to protect economic competition. In terms of the development of Hungarian competition and consumer culture, the primary tasks of the GVH are to promote the social acceptance of competition and compliance with the law, the development of a regulatory environment that favours competition and ensures conscious consumer decision-making, and the improvement of consumer awareness. As part of these activities, the GVH takes measures to (i) increase awareness related to competition policy, consumer decision-making and its protection, and (ii) contribute to the work of the professional community responsible for the economic and legal issues related to competition and consumer decision-making.

36. In 2021, the GVH placed significant emphasis on the importance of communication, 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 activities and events took place in 2021.

- **Communication.** The GVH kept the public informed of its decisions, the events involving the Authority, and issues of particular interest primarily via press releases and its social media channels. In 2021, the GVH published 105 press releases, and 322 social media posts, and received 146 inquiries from the press. In 2021, the GVH's press spokesperson and its experts gave a total of 47 interviews to various media channels, in addition, 23 press interviews with the President took place during the year. Throughout the year, the GVH has promoted public awareness through social media campaigns, targeting in particular the general public and vulnerable groups (elderly, sick or otherwise particularly sensitive to misleading advertising messages).
- **Publications.** The GVH's 2021 publications include the bi-annual competition law journal, the Competition Review (Versenytükör), which provides information on domestic and international news on competition law and policy, and the Flash Report (Gyorsjelentés)¹³, which provides easy-to-read information on the activities of the GVH.
- *In 2021, the GVH has further extended its "Think it over Calmly" series for consumers concerning fraudulent websites advertising health products.*
- *In 2021, the GVH announced its academic competition titled 'Competition law in Hungary and in the EU' to attract the interest of the younger generations to the topics of competition law, competition policy, industrial organisation and conscious consumer decision-making. The year 2021 marks the 22nd occasion that the GVH organises its academic*

¹³ <https://www.gvh.hu/en/gvh/flash-reports/flash-reports>

competition, in which any Hungarian or foreign university student may participate with an entry submitted in Hungarian.

- Two thematic publications summarising the results and market experience of the GVH in a clear and accessible way were published during the year, entitled "**Mergers as a potential tool for economic growth**" and "**Trends and results of the decisions of the GVH 2010-2020**".

4. International relations

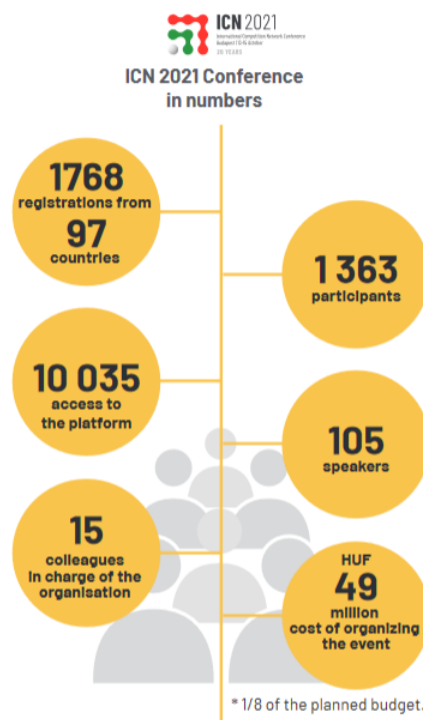
37. The international relations of the GVH focused mainly on cooperation with the European Commission and the national competition authorities of the EU Member States, cooperation within the framework of the Competition Committee of the Organisation for Economic Cooperation and Development (OECD) and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

38. Hungary has had the outstanding professional honour of hosting the **International Competition Network 2021 (ICN)** annual conference which also marked the 20th anniversary of it. In view of the epidemiological situation, the 2021 conference was finally held in a virtual format, which allowed a much wider audience to attend. Thanks to its online format, the event was also very well attended, with nearly 1100 competition law professionals from 130 countries following the professional programmes. The three-day event brought together colleagues from national competition authorities, legal experts, economists, representatives of international organisations and non-governmental advisors (NGAs), with more than 100 speakers to discuss current competition law issues. It is an ICN tradition that the host country prepares a special project for the event. The GVH, as this year's host, selected the correlations of sustainable development and competition law as the topic of its special project. The project was the first to survey the environmental sustainability aspects of competition law enforcement among competition authorities and non-governmental advisors ('NGAs') across the globe, with special regard to restrictive agreements. Within the framework of the survey, 52 competition authorities and 41 NGAs from around the world filled out the questionnaires associated with the project. Following the analysis of the data, the experts of the GVH reported on the results in the form of a study.¹⁴

¹⁴

https://www.gvh.hu/pfile/file?path=/en/gvh/Conference/icn-2021-annual-conference/sustainability_survey_REPORT_3rdEd_2021_09_30_final_PUBLIC.pdf1&inline=true

Figure 7. ICN 2021 Conference in numbers



39. One of the most important findings of the GVH's survey is that although there is only a few and primarily European experience available for now, market practices that give rise to competition law questions related to sustainability will likely become more widespread in the future, which will pose a global challenge for national competition authorities. Among others, the project explored the legal background of the topic, the variety of research conducted by competition authorities, and how competition authorities around the world are preparing for challenges concerning sustainability.

40. 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 2021, and in this year the GVH sent submissions to OECD roundtables held on the following topics: 'Competition Enforcement and Regulatory Alternatives', 'Competition Compliance Programmes' and 'Annual Report on Competition Policy Developments in Hungary - 2021'.

41. Considering the decentralised nature of EU competition law, the GVH is obliged to apply EU competition rules in all cases where the conduct under investigation may affect trade between Member States. In 2021, 9 cases were initiated under EU law in the categories of anticompetitive agreements and abuse of dominant positions. In addition, 5 procedures have been closed where the GVH initiated competition proceedings under EU competition law in addition to Hungarian Competition Act. In 3 of these cases, the GVH also established an infringement on the EU legal basis in addition the Hungarian Competition Act.

4.1. Activity of the OECD-GVH Regional Centre for Competition

42. 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.

43. The programmes of the RCC, besides others, deal with the following topics: building blocks of competition policy, analysis of competition cases, investigative techniques, training of judges, law enforcement priorities, framework for the cooperation of the competition authorities of the region, competition advocacy, cooperation between competition authorities and regulatory bodies, and other general issues falling under competition law and policy.

44. The RCC organised six events in 2021. Seminars focused on core competences of competition authorities and on best practices in the area of competition policy. In addition to its core seminars, the RCC organised a virtual outside seminar in cooperation with Moldova, a training for the staff of the GVH and a special seminar organised jointly with the FAS Russia. Altogether, over the course of the year, the RCC invited 394 participants and 45 speakers to its events. All in all, participants from 25 economies and institutions attended the RCC's programmes, and experts from 22 countries and institutions attended as panel members. In 2021, the RCC organised the following seminars:

Table 1. Events organized by the RCC

Event Topic	Date	Total Number of Participants and Speakers	Attending Economies/Institutions
Virtual Seminar on Tackling Bid Rigging in Public Procurement	2-4 March	89+10	Participants: Albania, Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Eurasian Economic Commission, Georgia, Hungarian Public Procurement Authority, Kazakhstan, Kosovo, Kyrgyzstan, Moldova, Montenegro, North Macedonia, OECD, Romania, Russian Federation, Serbia and Ukraine Speakers: Greece, Hungary, Israel, OECD, Romania, Sweden and Ukraine
Virtual Seminar on Market Studies: A Key Driver for Competition Advocacy and Enforcement	18-19 May	63+9	Participants: Albania, Armenia, Belarus, Bosnia and Herzegovina, Croatia, Eurasian Economic Commission, Georgia, Hong Kong, Kazakhstan, Kosovo, Kyrgyzstan, Moldova, Montenegro, North Macedonia, OECD, Romania, Russian Federation, Serbia, Spain and Ukraine Speakers: Hong Kong, Hungary, OECD, Spain, the Netherlands, United Kingdom
Virtual Seminar on the Assessment of Abusive Conduct by Dominant Players – Focus on Digital Markets	21-22 September	69+7	Participants: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Eurasian Economic Commission, Hungary, Kazakhstan, Kosovo, Kyrgyzstan, Moldova, Montenegro, North Macedonia, OECD, Romania, Russian Federation and Uzbekistan Speakers: European Commission, France, Germany, Hungary and OECD
Virtual GVH Staff Training on Competition Policy and Consumer Protection in the Digital Era: Adjustment or Reform?	3-4 November	73+6	Participants: Hungary Speakers: United States, European Commission, Hungary, Mexico, United Kingdom and WilmerHale
Virtual RCC-FAS Russia Seminar on Competition Policy and Intellectual Property Rights	15-16 November	53+6	Participants: Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Croatia, Eurasian Economic Commission, Kazakhstan, Kosovo, Kyrgyzstan, Moldova, Montenegro, North Macedonia, Romania, Russian Federation and Serbia Speakers: Canada, Italy, OECD, Russian Federation and WIPO
Virtual Seminar on Carrying Out Effective Antitrust Investigations	9-10 December	47+7	Participants: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Eurasian Economic Commission, Georgia, Hungary, Kazakhstan, Kosovo, Kyrgyzstan, Moldova, Montenegro, North Macedonia, OECD, Romania, Russian Federation, Serbia and Ukraine Speakers: Hungary, OECD, Portugal, United States

5. Resources of the Competition Authority

45. The Hungarian Parliament approved the planned amount of the budget of the GVH for 2021, which was initially calculated as 3.297,4 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 168,6 million HUF for 2021. Following the modification of the planned amount, the available budget for the GVH and the RCC was 4,800,8 million HUF, including the outstanding amounts of 2020.

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

Table 2. Annual budget

	2021
million HUF	4.800,8
million EUR	12,8

47. The total number of staff in the GVH was 128 as of 31 December 2021.

Table 3. Number of employees

	2021
Economists	20
Lawyers	64
Lawyer-economists	7
Other professionals	37
All staff combined (actual)	128

48. The total number of staff in the main categories of activity (antitrust, mergers, consumer protection, and advocacy) in 2021 was 73.

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

49. The drastic price increases observed in the **domestic construction industry** during 2021 caused significant difficulties for the national economy and for the Hungarian people. Therefore, in addition to the detection of and the fight against infringements, with the powers provided in the Hungarian Competition Act and with expanded powers provided as of Summer 2021 by the Government of Hungary (accelerated sector inquiry), the GVH, aimed to explore the competitive conditions of certain raw materials of the construction industry and formulate proposals to enhance competition.

50. The first investigation concerned the **market for ceramic masonry elements**, as the GVH received several complaints alleging excessive price increases for bricks and related products and product shortages at the point of sale. The accelerated sector inquiry covered all levels of the value chain; therefore, the GVH investigated the market behaviour of brick manufacturers, procurement undertakings, construction material retailers, and contractors. During the proceeding, the GVH held hearings with various market players on their opinion regarding market processes and reconciled the different professional standpoints. In addition, the Authority conducted on site investigations across the country and contacted several undertakings to request the submission of data.

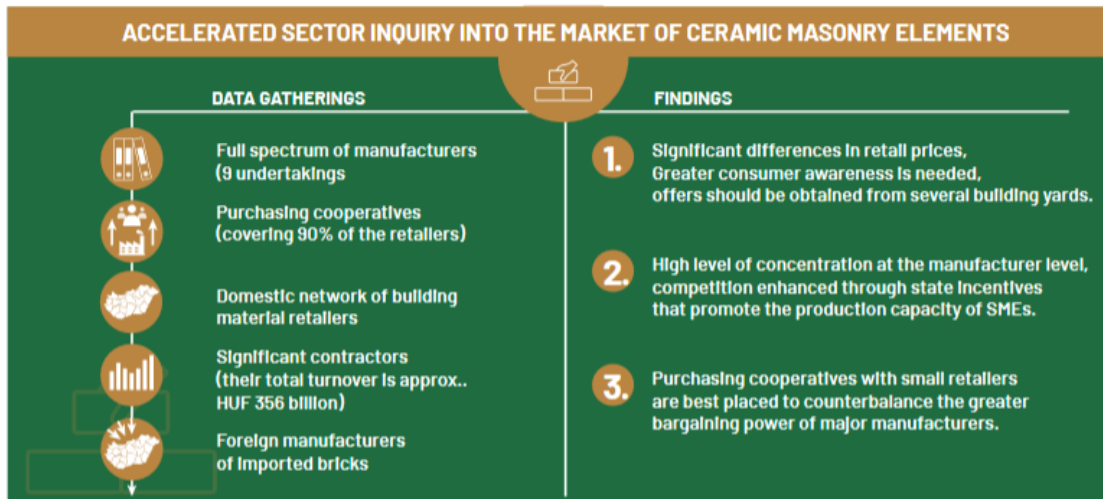
51. Based on the facts revealed during the accelerated sector inquiry, the GVH called the attention of **residential developers** and **construction industry contractors** that significant differences can be observed in end-user prices on the level of retailers across the country; therefore, they should obtain as many offers as possible before purchasing. Furthermore, developers are directly affected by the increasing freight, packaging, and logistics fees, meaning that they may face increased prices even if the pricing of the product itself would not justify such increases.

52. The **building yards** and **procurement undertakings** serving developers directly are able to order from the manufacturers at a discount in the case of larger order volumes; this leads to price advantages for consumers as well, allowing them to purchase brick products at lower prices as a result. Therefore, the GVH would like to call the attention of

market players that the best way to counterbalance the greater bargaining power of larger manufacturers is to establish procurement groups/companies.

53. Over the course of the inquiry, based on the facts revealed at the **manufacturer level**, the GVH arrived at the conclusion that the market concentration (few, significant market players) can be counteracted, and competition enhanced through state incentives that promote the expansion of domestic production.

Figure 8. Accelerated sector inquiry into the market of ceramic masonry elements



54. The GVH has received several market signals and consumer complaints about the blatant price increases and shortages of **wooden construction materials** in 2021.

55. The second accelerated sector inquiry of the GVH covered all levels of the value chain of wooden construction materials. The GVH investigated the market behaviour of forestry farms, wood processing plants, procurement undertakings, which play a significant role on the market of construction materials, construction material retailers, and contractors. During the inquiry, the GVH held hearings with the various market players on the market processes and reconciled the different professional standpoints. In addition, the Authority, in cooperation with the National Food Chain Safety Office (NÉBIH), conducted coordinated on-site unannounced inspections across the country, and contacted several undertakings to request the submission of data. The inquiry has not revealed any market practices that would necessitate the initiation of a competition supervision proceeding; however, several market problems were discovered, which may have an adverse effect on competition. In order to remedy these problems, the GVH formulated the following four recommendations in its report.

Figure 9. Accelerated sector inquiry into the market of wooden construction materials



56. The GVH proposes a regulation to ensure that it is mandatory for undertakings active in the retail of wooden construction materials to publish their prices both on their websites and at their physical points of sale. Therefore, the GVH recommends the further state incentives for the research and innovations currently underway concerning wooden products to replace pine. The GVH recommends that the Government developed tighter cooperation (primarily based on electronic data reporting) with the states that export significant quantities of wood industry products to Hungary to ensure the more complete monitoring of the cross-border movement of wooden products. The GVH proposes to set up an electronic case management system for wood building materials distributors.