



Sector inquiry on the market of electronic media

Based on Article 43/C of the Competition Act, the Hungarian Competition Authority (GVH) initiated a sector inquiry into the electronic media market. The inquiry concerns in particular the retail and wholesale markets of television broadcasting (content provision and content aggregating service), the television advertising market, the access to sport and film rights, and the conditions for television broadcast transmission. Throughout the procedure/investigations, the GVH will closely cooperate with the market players.

On the markets mentioned above, the GVH has identified circumstances that indicate the possible lack of unrestricted conditions for market entry. It might be the case that neither competition in the media sector nor digitalisation can increase consumer welfare by bringing forth a multiplayer market and a broad range of media contents.

To begin with, based on the available information, the market share on the advertising market of the two commercial television channels with country-wide coverage do not bear proportion to the number of their viewers. Secondly, the entry of the content providers to the Hungarian market depends, to a great extent, on whether they can use cable platforms. Lastly, on this platform, the packages are provided exclusively by the platform operator.

It is emphasized by the GVH that the above-mentioned circumstances do not necessarily mean that competition would be restricted or distorted. The sector inquiry will assess whether this happens and whether consumers are harmed.

At the same time, based on the above, the GVH is of the preliminary opinion that the concentration on the Hungarian electronic media market is relatively high, while the choice of programs is rather low, and it is assumed that advertising prices could become higher. The not entirely reasonable conditions for access to sport and prime time movie rights and to certain channels may further increase the disproportionality and the entry barriers on the television market.

The sector inquiry will scrutinise not only the past and present market situation, but also the possible future developments by paying due regard to digitalisation and consumer interests. The forthcoming digitalisation, from a technological aspect, can assure the conditions for the increasing of consumer welfare. However, the realisation of the advantages of digitalisation is highly dependent on the market entry of broadcasters and the utilization of the free capacities. To put it in another way, the success of digitalisation – from consumers' point of view – depends on the realisation of a multiplayer market with divers contents. Digitalisation is only able to bring about consumer welfare through increased assortment if conditions for unrestricted market entry are present. The circumstances identified by the GVH, however, make probable that these conditions are missing.

As a first step of the sector inquiry, based on the provisions of the Competition Act, the GVH will request information from undertakings in the relevant sector. The first inquiries will be

sent out in the middle of September. The sector inquiry is expected to be complete in August 2008, and the results will be published in a report.

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