

Green light authorisation for the concentration of DIGI and Invitel approved by the GVH with an intervention concerning 41 municipalities and with a trustee assigned

The Hungarian Competition Authority (Gazdasági Versenyhivatal, hereinafter GVH) approved, with the imposition of conditions and obligations, the acquisition of Invitel by DIGI. This was the first time in a merger procedure that an on-the-spot inspection without preliminary notification had been carried out.

At the end of August 2017, DIGI, a telecommunication services provider, (DIGI Távközlési és Szolgáltató Kft., hereinafter DIGI) announced its intention to the GVH to acquire Invitel, a telecommunications company (Invitel Távközlési Zrt., hereinafter Invitel). The GVH initiated a competition supervision proceeding based on the merger notification of DIGI/Invitel in order to investigate if the transaction would cause adverse competition effects on a number of concerned markets. Both undertakings concerned are important and active players on the Hungarian market of wired telecommunications, i.e. they provide wired, telephone, internet and wired broadcasting (TV) and other services for hundreds of thousands of subscribers.

Within the framework of a detailed investigation, the GVH assessed the possible competition effects of the transaction. In addition to the usual steps taken in such a procedure (request for information from the parties concerned, from the market players and from the counterparts, analysis of this information), for the first time within the framework of a merger procedure it took advantage of the opportunity that has been provided for in the Competition Act since 15 January 2017 to conduct an on-the-spot inspection without preliminary notification.

There was an overlap between the telecommunication networks of the parties concerned regarding 34 municipalities, from among which in the case of 16 the investigation of the GVH established that the transaction would result in a significant reduction of competition. After becoming acquainted with the preliminary concerns of the GVH, DIGI undertook to sell the networks acquired from Invitel as a result of the acquisition in the case of these 16 municipalities (this also included their infrastructures and existing subscriber contracts at the time of the sale) within 6 months after the closure of the notified merger. Within the framework of the divestiture process, DIGI is obliged to maintain the economic functioning and competitiveness of the networks and at the same time to refrain from bringing over subscribers. In order to ensure that DIGI fulfils the obligations mentioned above, a trustee was assigned by the GVH (as happened in the [DDC/Readymix transaction](#)).

Furthermore, the GVH considered it a possible horizontal effect that Invitel is present with its wired telecommunication services provided via its own network in 25 municipalities, while i-TV Digitális Távközlési Zrt., which belongs to the same group of undertakings as DIGI, provides television services via a network leased from another

market participant, i.e. as a result of the concentration the number of providers carrying out such services as independent undertakings would decrease. DIGI undertook to terminate its lease contracts relating to wired telecommunication networks (and to refrain from their extension) in the municipalities concerned, and related to this, the prohibition of re-contracting and active marketing for a period of 1 year.

In conclusion, under the supervision of a trustee, DIGI is obliged to sell the networks acquired from Invitel in 16 municipalities within 6 months, and it is obliged to exit from the contracts relating to wired telecommunication networks which are independent from DIGI. The GVH, in its decision terminating the proceeding, prescribed the above-mentioned ex post conditions and obligations, and determined that if these conditions are satisfied any possible significant restriction of competition resulting from the concentration could be eliminated.

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Hungarian Competition Authority

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