

## Sector inquiry on the market of online room reservations

**Pursuant to Article 43/C of the Competition Act, the Hungarian Competition Authority (GVH) has initiated a sector inquiry on the online room reservation market of the tourism sector in order to familiarise itself with and evaluate the processes involved in the direct and intermediate sale of hotel rooms and other forms of accommodation online, particularly the so called ‘rate parity’ phenomenon used by online intermediaries. During the sector inquiry the GVH will closely cooperate with the market actors concerned.**

On the above mentioned markets the GVH identified circumstances which suggest that the practice of rate parity may restrict price competition between travel agencies/reservation portals offering the same hotel rooms. In addition, the identified circumstances may make it more difficult for competitors or even prevent them from gaining ground on the market if they do not offer rate parity, prevent new competitors from entering the market, and also have an effect on the possibility for competition between different sales channels of accommodations.

Rate parity refers to an agreement made with an intermediary in which a hotel promises not to offer lower prices than those agreed with the given intermediary on its own website or to other intermediaries. In certain cases this means that if a consumer provides information that another intermediary is offering the same room (with other services included) at a lower price, the hotel or the intermediary will compensate them for the difference. As regards the Hungarian online reservation market, the GVH has acquired information which suggests that rate parity plays an important part of the agreements made between hotels and reservation systems in Hungary.

One of the most alarming consequences of rate parity, especially from the perspective of competition, is that it can lead to the standardization of room prices. The GVH conducted a survey covering 24 reservation webpages, focusing on potentially equal prices of the hotel rooms. The subject of the test was the reservation of a standard room in Budapest at one of the city’s renowned hotels, for one night for two persons, with completely same conditions. The results of the test revealed that the prices listed on the different sites were almost completely identical.

Based on the circumstances mentioned above, the GVH believes that there are currently no grounds for initiating a competition supervision proceeding pursuant to Article 70(1) of the Hungarian Competition Act (HCA). However, the same circumstances are sufficient for the initiation of a sector inquiry pursuant to Article 43/C(1) of the HCA, since the price movements or other market circumstances suggest that competition is being distorted or restricted in a market of the sector. The aim of the sector inquiry is to get to know and evaluate the market processes. On the basis of the results of the sector

inquiry it will be decided if a competition supervision proceeding should be initiated against certain undertakings.

The GVH emphasises that the above mentioned factors do not necessarily result in the restriction or distortion of competition in the market, and any incidental disadvantages placed on consumers will be evaluated during the sector inquiry.

The sector inquiry will encompass not only the past and present market situation, but also the anticipated future state of competition.

As the first step of the sector inquiry the GVH will consult with certain undertakings from the sector. The first requests for information will be sent to the market players in the middle of September. It is intended that the sector inquiry will be finished in August 2014 with the publishing of a report on the results of the investigation.

Further information on the sector inquiry can be found on the homepage of the GVH.

Budapest, 29 July 2013.

Hungarian Competition Authority

**Further information:**

Katalin GONDOLOVICS

Spokes-woman

Mail: 1054 Budapest, V. ker. Alkotmány u. 5.

Postal address: 1245 Budapest, 5. POB 1036

Tel: (+36-1) 472-8902

Email: [press@gvh.hu](mailto:press@gvh.hu)

[www.gvh.hu](http://www.gvh.hu)

**Leader of the investigation:**

Dr. Zoltán BARA

Office Manager

Competition Policy Section

Tel: (+36-1) 472-8874

Email: [bara.zoltan@gvh.hu](mailto:bara.zoltan@gvh.hu)