

Instead of Drastic Price Hikes, the GVH Recommends Competition-friendly Regulations for the Capital City, which is Preparing to Make Taxi Services More Expensive

13 April 2022, Budapest – The Hungarian Competition Authority (GVH) is proposing to the Capital City to stimulate competition instead of the planned significant increase in the official prices of taxis in Budapest. The GVH has outlined a number of alternatives to the Municipality of Budapest that could serve consumer interests in a better way.

The GVH has approached the municipality with proposals to boost competition, ahead of this week's discussion of the Mayor's proposal to amend the Budapest taxi regulation. The amendment would increase the prices of Budapest taxis - which are fixed at the official price - by around 30% , while competition-friendly solutions would be much more favourable for consumers.

Budapest taxi fares are fixed, meaning that the market cannot currently benefit from price competition. The taxi market regularly calls for an increase in fixed official prices, but consumer interests are often not represented. Increasingly high official prices are reducing the occupancy rate of taxis, which is pushing taxi drivers to demand further fare increases. The best way out of this regulatory trap would be for the municipality to minimise its intervention in price regulation, leaving as much room as possible for competition and the development of equilibrium market prices.

The GVH has therefore proposed competition-enhancing alternatives for the Municipality of Budapest to consider before the new price increase proposal is discussed. According to the GVH, the regulation of price-fixing could be limited to cases where consumers are not sufficiently informed about fares in advance (e.g. street "flagging down", cars queuing at a taxi rank, etc.), competition could also be fostered if, instead of fixed tariffs, the Capital City were to impose only a maximum price, below which competition between service providers could develop. Given that the Capital City is the largest taxi market in the country, inappropriate regulation could lead to reduced efficiency and great social damage in this area.

Press Office of the GVH