



## **The proceedings against Fővárosi Vízművek Zrt. and Fővárosi Csatornázási Művek Zrt. have ended with the acceptance of commitments**

**The Hungarian Competition Authority (Gazdasági Versenyhivatal – GVH) accepted the commitments of Fővárosi Vízművek Zrt. (FVM) and Fővárosi Csatornázási Művek Zrt. (FCSM), according to which the two service providers will use the data gathered in 2011 by the Hungarian Central Statistical Office (KSH) when determining the water needs during the calculation of the water utility development contribution.**

The GVH, in the course of its proceedings against FVM and FCSM, investigated the calculation of the water utility development contribution and its pricing. Both undertakings determine the water utility development contribution as the product of the water needs and the contribution per one consumer unit. The proceedings were aimed at establishing whether the amount of the water utility development contribution was excessive.

The investigation established that, considering the data of the KSH gathered during the 2011 census (which shows that household water consumption in Budapest has been showing a continuous declining tendency over the last 20 years), both undertakings had determined the water needs – based on the consumption data of the previous years – to be higher than could be justified. In order to eliminate the above mentioned anomaly and also to harmonise their behaviour with the provisions of the Competition Act, FVM and FCSM submitted commitment applications.

The essence of the commitments is that in the future FVM and FCSM will calculate the water needs per household with regard to inhabitants based on the data of the KSH (average number of households), taking into account the average water consumption per capita.

During the assessment of a commitment application the main goal of the GVH is to ensure the efficient protection of the public interest. Commitments make it possible to more efficiently eliminate a behaviour that is contrary to the provisions of the Competition Act, and the decision made in a commitment application also serves as a guideline for other market operators. When making its decision the GVH assesses the circumstances for and against accepting the commitment, taking into consideration the characteristics of the relevant market.

In both proceedings the GVH regarded the following as circumstances in favour of accepting the commitments:

- that the GVH had not established that the undertakings had infringed the provisions of the Competition Act in the last five years,
- that the practice resulting from the acceptance of the commitments may incentivise other water utility providers more than the usual to accommodate the amount of their water utility development contribution to the actual water consumption and to the arising costs,

- compliance with the commitments probably excludes the risk of recurrence of the detected problem, and it also provides a solid base for the price determination by authorities in the future (which is also accepted by the parties under investigation),
- there is no relevant legal provision for the determination of the amount of the water utility development contribution, and the determination of the amount of the contribution is exceptionally complex and concerns different areas (along regional and social factors), therefore there is no coherent market practice in this regard.

Overall, the Competition Council of the GVH established that the public interest may be best served by the acceptance of the commitments, and terminated the proceedings.

Case numbers:

- Fővárosi Vízművek Zrt. – Vj/98/2011.
- Fővárosi Csatornázási Művek Zrt. – Vj/99/2011.

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Hungarian Competition Authority

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