

Mission of the 20-year-old Hungarian Competition Authority and its objectives for 2010

Celebrating its 20th anniversary, in 2010 the Hungarian Competition Authority (GVH) devotes a special role to the resolute fight against cartels and intends to reveal the unfair commercial practices against vulnerable consumers.

1) After the change of regime, among the first economic statutes, in November 1990 the Parliament adopted the Competition Act, which is indeed the first single legislation based on the principles of market economy. The Competition Act is based on Article 9 of the Constitution of the Republic of Hungary, which recognizes and supports the right to enterprise and the freedom of competition in the economy. According to the interpretation of the Constitutional Court, the Constitution protects economic competition even against state restrictions if these restrictions do not serve the establishment of market economy.

The GVH, which was **established in 1990**, is the main guard of competition in Hungary. The most essential features and organisation of the GVH have basically remained the same since its establishment. Being sound in its activities and law enforcement practice for 20 years, following pre-determined and transparent principles, therefore regarded as an authentic competition authority promoting the constitutional state, the GVH serves fair competition for the benefit of consumers.

The role of the GVH in the functioning of market economy is, by increasing long term consumer welfare and hereby competitiveness for the benefit of the public, to ensure that competition law provisions within its competence prevail on the market, to support competition with all the legal instruments available, or where competition is not possible or does not bring the best results, to foster state regulations which would create competition or substitute it. In the course of its activity, the GVH often has to face market failures; in such cases it provides the Parliament, the Government and certain local municipalities with recommendations to solutions concerning regulatory questions.

The activities of the GVH and the prevailing of the competition law and consumer protection principles pursued rest on the following three pillars. 1) Within the framework of its competition supervision activity the GVH enforces the Hungarian competition rules and those of the EU – this latter is an obligation for Hungary since its accession to the EU 2) within the framework of its competition advocacy activity, by means of all the legal instruments available, tries to influence state decisions in order that they only restrict the functioning of fair market to an extent which is essential for attaining other public goals 3) by propagating competition law principles and by supporting a professional public life dealing with the economic and legal questions related to competition, it contributes to the development of competition culture. Above all these mentioned the GVH plays an active role on the international level as well. 6 years ago the GVH was granted the right to run together with the OECD the OECD-Hungary Regional Centre for Competition in Budapest, as the intellectual centre of the Central, Eastern- and South-Eastern European competition authorities.

II.) Each and every year the GVH sets the **objectives** that enjoy priority in a given year and hereby determine the activity of the authority.

Resolute fight against cartels constitutes one of the most accentuated objectives of the GVH in 2010. Secret restrictive agreements cause serious harm to all citizens of a given country. For instance, if the competitors manage to divide the consumers among themselves or fix selling prices, then this practice creates such a situation as if only one undertaking functioned on a given market (monopoly). Therefore selling prices might be higher than reasonable, quality poorer than possible and selling conditions less favourable than they would normally be. Cartelists realise extra profit at the consumers' expenses. Cartel activity similarly to corruption leads market processes astray. Consumers, of necessity, cannot buy the best, cheapest product or service. The costs of corruption and cartel activity get built in the prices, which is to be financed by the consumers.

Detecting secret cartels is extremely difficult. In the experience of the GVH, due to the rigour of the authorities, cartelists have become more watchful in the recent years. They have not given up their activities, but they function now in closer order. Taking into account these circumstances, for a more effective cartel detection, the GVH, besides making use of the legal instruments (dawn-raids, leniency program and informant reward) in the most intensive possible way, makes efforts to pay attention to the signs alluding to collusions by leaning on its economic analyses, a more intensive market monitoring activity and the experience of the other authorities and the international network of the competition authorities and the European Commission. Above all these mentioned, the GVH strives for informing, besides the widest range of public opinion, the different groups of undertakings (professional chambers, interest groups, company management fora) or else those who invite to tender in a public procurement procedure about the cartels, their harmful effects and the importance of their detection by means of publications, lectures and trainings.

The other main objective of the GVH for 2010 is a **more enhanced protection of the vulnerable consumers** from the unfair commercial practices. The GVH considers vulnerable those consumers who are for instance due to their life situation, lack of knowledge and state of health – defenceless against the information, advertisements and other commercial practices of the undertakings. Starting from those complicated and complex financial services targeting people in a bad financial situation, through other solutions providing financial help that bind them for years, to the products said to have certain curative effects enmeshing those who would like to recover from an illness, there is a wide range of possible harms.

Experiences gained throughout the previous years show that a significant number of informal complaints, complaints submitted to the GVH and of the competition supervision proceedings conducted concern the unfair commercial practices advertising products and services meant for this group of consumers. Neither the amount of fine imposed in the recent past, nor the increased attention paid by the GVH to these markets – by means of frequent initiation of proceedings – brought about significant change in the commercial and information-providing practices mentioned. Noting this fact, in 2010 the GVH is to prepare and apply new techniques and methods that go beyond the competition supervision proceedings; these steps are hoped to bring about a certain process clearing the market.

Besides the deterrent amount of fines imposed – in compliance with the present practice of the GVH – sanctions are to be expected thanks to which even the consumers themselves can obtain direct information about the infringements (for instance publication of website announcements with a content determined by the GVH).

The GVH is striving to keep an eye on regulatory steps concerning these markets, within its competition advocacy activity to make regulatory and/or amendment recommendations, not leaving hereby space for such kinds of infringements resulting from possible discrepancies and deficiencies in regulatory laws.

The GVH also pays special attention to provide the consumers with continuous information and trainings, i.e. to increase consumer awareness in this field as the GVH is aware of the fact that it is the well-prepared and well-informed consumers themselves who are principally able to keep in check the perpetrators of the infringements.

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