



HUNGARIAN
COMPETITION
AUTHORITY



REPORT TO THE PARLIAMENT
**ON THE ACTIVITIES OF THE HUNGARIAN
COMPETITION AUTHORITY**
2022

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THE PRESIDENT'S FOREWORD



Dear Reader,

2022 was a remarkable year. In that year, the Golden Bull of Hungary, one of the pillars of the Hungarian constitutional order was 800 years old. The royal document issued in 1222 by Andrew II of the Árpád dynasty was the first to establish the rights of the Hungarian nobility and laid the foundations for Hungarian parliamentarism. Some of its provisions are considered as the first steps on the road leading to national assemblies.

On the occasion of this historical anniversary, I brought this up because the Parliament is the most important body representing the people of Hungary. The Hungarian Competition Authority (Gazdasági Versenyhivatal - GVH) has been an autonomous public administrative body operating under the supervision of the Parliament for more than 32 years, independent of the government.

Pursuant to the provisions of the Hungarian Competition Act, the President of the GVH submits annual report to the Parliament on the activities of the GVH and on the fairness and freedom of economic competition based on his experience in applying the Competition Act. By preparing our report for the year 2022 and submitting it to the Parliament, I am fulfilling this legal obligation.

The professionals of the Hungarian Competition Authority, as many as 130 staff members worked in 2022 to make sure that the national competition authority could protect consumers and assist undertakings striving for law-abiding conduct. The most important results of our activities in the service of the public are the feedbacks we receive from our clients. In 2022, almost 100% of the citizens who contacted us were satisfied with the proceedings of the GVH and said that they had received proper feedback on the problem in which our help was required.

The satisfaction of our clients is indicated by the surveys conducted by the European Commission in 2022, too, examining the experiences of the population and small enterprises regarding the competition on the market. The research - which covered all EU countries - provides credible feedback on the work of national competition authorities and the enforcement of fair competition. Based on the results of the survey, we can say that basically all the indicators of the market competition that can be seen by the population in Hungary exceed the EU average. In Hungary, the ratio of people who find that market competition encourages innovation and economic growth, supports environment-friendly goods and services, facilitates the digital transformation of the economy and the society, and ensures a wider selection for consumers was higher than in the Union. The survey conducted among small and medium-size enterprises for the first time in 2022 pointed out, among other things, that the ratio of Hungarian undertakings identifying themselves with the objectives of the competition policy is higher than the average in the Union - it means identifying with the fact that competition encourages innovation, creates a wider selection of products and services, and helps in becoming more competitive on global markets.

The international comparison of the evaluation of the market competition is important because 2022 was the year when the Hungarian Competition Authority became more active in terms of international activities. We make a lot of efforts to make sure that international organisations get an authentic picture about the competitive situation in Hungary. In 2022, in the International Competition Network (ICN) which brings together more than 130 competition



authorities from around the world, we took over the post of co-chair in the Agency Effectiveness Working Group. The GVH has wide network of professional contacts in the European Union, too: we are active in the European Competition Network (ECN) that harmonizes the cooperation of European competition authorities and the Directorate-General for Competition of the European Commission. In addition, jointly with the Organisation for Economic Cooperation and Development (OECD), we operate a regional educational centre in Budapest. This year, we organised an outstanding number of eight seminars, two of them for judges from EU Member States and candidate countries working in competition cases. I believe that the role of the GVH in international organisations alone shows that the Hungarian Competition Authority's work is well recognised in Europe and in the world. Moreover, the legislative novelties of Hungary have brought global interest. To illustrate this, my colleagues and I have endeavoured to place a strong emphasis on presenting the international aspects of our work and achievements in our report to Parliament.

However, we also wanted to summarise our achievements in our 2022 report in a clear, reader-friendly way, with charts and graphs. Let me mention a few key figures from that: in 2022, the Hungarian Competition Authority achieved consumer compensations of more than HUF 2 billion (cca EUR 5 million), and imposed fines of HUF 3.7 billion (cca EUR 9.25 million). During the year, the national competition authority started proceedings against 101 undertakings, from which 57 received fines, and only 5 of them resorted to legal remedy, which is the result of our new strategy that focuses on cooperation. The key points are to protect the fairness of the competition and lead pos-

sibly uncertain undertakings to the road to legality. With the possibility of consumer compensation, we bring direct gains to consumers, and allow the undertakings to preserve jobs.

In 2023, my colleagues and I will continue to work to protect consumers and help undertakings to comply with the law. Recognising the risks, we will take the strongest possible action against infringements affecting vulnerable consumer groups - families, children, and the sick, disadvantaged citizens. In 2022, tackling food price inflation has become an urgent task, and the Competition Authority is actively engaged: the colleagues of the national competition authority started a market consultation in 2022, and from January 2023, they have been performing accelerated sector inquiries to find out whether the infringement of the competition law or the distortion of competition may be contributing to the surge in food prices. Hungarian people may count on the Hungarian Competition Authority in 2023 as well.



Csaba Balázs RIGÓ
President

EXECUTIVE SUMMARY

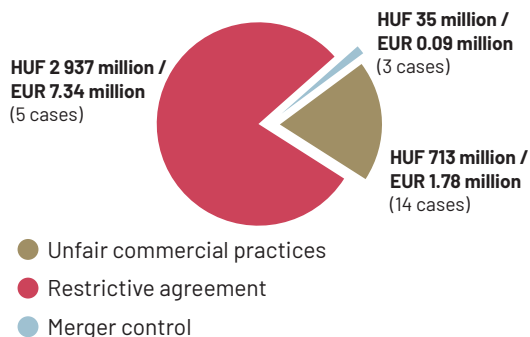
Fair competition - direct gain for consumers

The Hungarian Competition Authority's pro-competitive activities have direct financial benefits for domestic consumers. According to the Authority's impact assessment, the prevention of the harmful effects of restrictive agreements, dominant position abuses and anti-competitive mergers detected in the past five years has brought a total of HUF 55 billion 412 million (cca EUR138.5 million) in demonstrated social benefits to the citizens of Hungary.

Strong action against cartels and to protect consumers

In 2022, the GVH's Competition Council ruled on a total of 36 cases against 101 undertakings. The national competition authority found infringements in around three quarters of the cases. In 22 final decisions, the Competition Authority imposed fines on 57 undertakings, totalling around HUF 3.7 billion (EUR 9.25 million).

Fines imposed in competition supervision procedures¹



In the work of the Hungarian Competition Authority, the detection of restrictive agreements - in particular infringements causing the largest damages, i.e. cartels - played an important role. The GVH's Competition Council imposed 80% of the competition supervision fines (HUF 2.9 billion – EUR 7.25 million) as a result of restrictive agreements, and the majority of that (HUF 2.5 billion – EUR 6.25 million) were cartel-type infringements. Thus, strict actions against cartels continued in 2022, too.

Within the competition supervision fines, the share of restrictive agreements was 80% in 2022.

To protect consumers, the GVH has also placed a strong emphasis on the detection of unfair commercial practices. Around 60% of infringement cases were consumer protection type cases in 2022. In the course of the year, the national competition authority imposed fines of HUF 713 million (EUR 1.78 million) in total, as a result of the various unfair commercial practices of undertakings.

The GVH gives guidance to market players

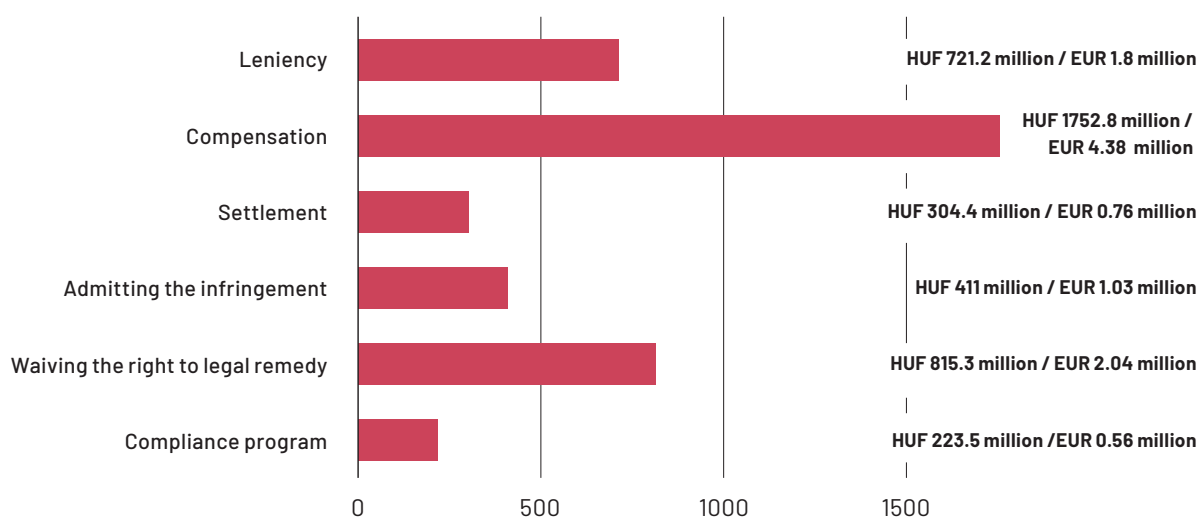
A new type of decision of the Hungarian Competition Authority is the enforcement of antitrust trade rules on the choice of beverages in restaurants. In 2022, the Competition Authority conducted proceedings against the operators of KFC and Burger King, two fast food restaurant chains. Both undertakings violated the rules, as they offered the products of one large drink producer only in certain drink categories, without any alternatives. The decisions, while not imposing fines for the time being, have shown the way forward for market players.

¹ EUR values as of the EUR-HUF exchange rate on 30 December 2022.



Opportunities for cooperation: benefits for consumers, benefits for businesses

The fine-reducing value of cooperations



The Hungarian Competition Act² offers a number of a possibilities to undertakings to cooperate and mitigate the legal consequences of their anticompetitive conduct. Various forms of cooperation can reduce (or even avoid) fines for businesses, save time and money for public authorities, and help to promote consumer interests.

HUF 4.228 billion (EUR 10.57 million) in total amount of fine reductions was granted by the GVH to businesses in cases closed in 2022.

Commitments and obligations (agreed in exchange for reducing the fines) also facilitate cooperation and act as incentives for undertakings. The GVH's decisions may thus also cover commitments that benefit consumers that the authority would not otherwise be able to enforce directly. The advantages achieved this way contribute to the improvement of social welfare.

The value of consumers' compensation commitments stipulated in GVH proceedings in 2022 was HUF 2.013 billion (cca EUR 5 million).

Investigation and data analysis - the basics of efficient competition enforcement

As cartels are the most serious competition law infringements and therefore the behaviour most likely to incur the highest fines, companies try to keep them secret. The investigative work of the national competition authorities is therefore crucial in uncovering cartels.

In 2022, the GVH carried out 6 unannounced on-site inspections in a total of 15 market players, 7 of which were in the context of a competition supervision investigations

² Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices

and 8 in the context of an accelerated sector inquiries. The GVH also carried out one inspection.

The GVH collected and recorded 2 TB data in the course of the investigations in 2022.

Confirmation by the court – new strategy to strengthen cooperation

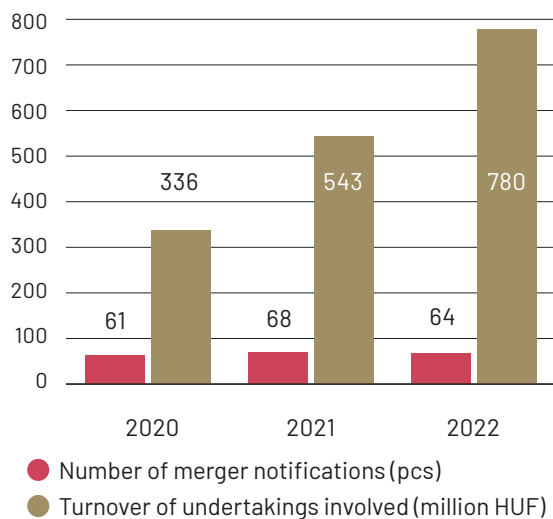
As a result of the wide range of cooperation possibilities offered in the GVH proceedings, the willingness of companies to initiate lawsuits dropped to half compared to the previous year. Only 13% of the competition fines imposed in 2022 was appealed to the courts. This is the result of the new strategy based on cooperation, gradually applied by the GVH since 2020.

Similarly, to previous years, in the vast majority of the cases (in 71%) in 2022, the courts also confirmed the position of the Competition Authority about the assessment of infringements.

HUF 1.2 billion (cca EUR 3 million) was definitively decided in favour of the Hungarian budget in 2022 in administrative lawsuits against the decisions of the GVH.

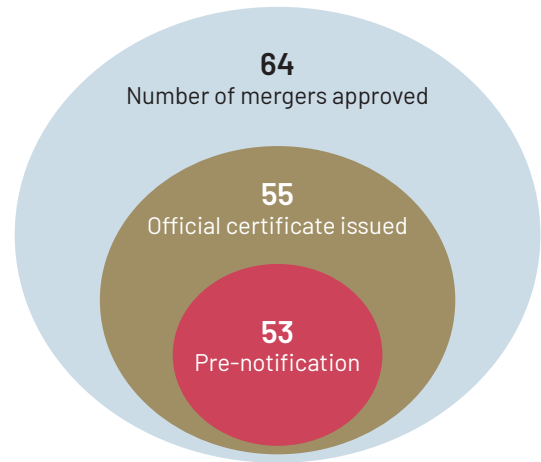
Developing undertakings – merger notifications to the GVH

Evolution of the number of merger notifications received by the GVH and the turnover of the target companies involved in the transaction between 2020 and 2022



The GVH monitors all mergers or acquisitions that are relevant to the economy in accordance with the relevant legal requirements. In 2022, 64 concentrations were reported to the national competition authority, and it was close to the record number of 68 in 2021. Compared to previous years, the sales revenues of target companies in Hungary increased significantly, i.e. mainly acquisitions of larger companies were reported to the Competition Authority.

Efficient and fast administration in merger proceedings



In 2022, the GVH approved 64 merger notifications in total. In nearly 86% of the mergers, the authority accepted the merger within a very short time (with an average administration time of 4 days) and issued the official certificate. This is one of the fastest merger control regimes in Europe.

Efficient preparations result in faster proceedings: in more than 88% of the cases closed with official certificate, the undertakings used the opportunity for preliminary consultation to the experts of the GVH.

Fast and comprehensive investigations for fair markets

The Hungarian Competition Authority not only protects competition by investigating the infringing behaviour of individual undertakings and by applying preliminary merger control, but also, where necessary, by obtaining information on the competitive process of entire sectors or markets in advance to identify market distortions.

• Role of data assets

The GVH concluded its market analysis in February 2022 into the creation and the role of the data assets of on-line retailers. The survey found that the majority of Hungarian online shops do not currently make use of the advantage of the data assets, and consumers know little about the data collection practices of online shops and a significant proportion of them are explicitly afraid that the information they provide when shopping online will be misused. Based on the analysis, the Hungarian Competition Authority made several proposals to the legislator and to the undertakings to strengthen consumers trust and to develop Hungarian SMEs.

- **Green advertisement messages**

In November 2022, the GVH started a market analysis to reveal the differences between the real contents of various environmental (so-called green) advertisement messages and the way they are interpreted by consumers. The Authority's aim is to outline, at the end of the process, the factors that should be taken into account by the legislator when designing a verifiable, controllable and credible claims and labelling scheme for consumers (or fine-tuning existing schemes).

- **COVID antigen rapid tests**

In Hungary, the price of antigen rapid tests detecting the COVID-19 infection significantly exceeded the price level experienced in the neighbouring countries and in other EU Member States. The accelerated sector inquiry by the GVH found that price competition among these products in retail trade was less intensive, while the value chain was long, i.e. these products reached consumers through multiple players. On the GVH's proposal, the Government authorised the sale of the range in retail chains, drugstores, and petrol stations, which, according to rapid analyses, resulted in a price reduction of 20-50%.

- **COVID antibody rapid tests**

As opposed to antigen rapid tests, antibody tests do not detect the virus in the body, they present only the presence of antibodies produced by the human body after vaccination (or previous infections). The accelerated sector inquiry has concluded that there may have been misconceptions among consumers about this product range. The GVH therefore made some proposals to the traders, among others to avoid references to relations between of antibody production and the existence of immunity, and do not use health professionals, well-known people and influencers.

- **Thermal insulation materials**

The prices of thermal insulation materials have increased significantly over the past period. Based on the results of an accelerated sector inquiry, the GVH made proposals to the manufacturers, the public, the waste management authorities, and the legislator to reduce product prices. Among other, the competition authority suggested a sustainable product path and the boosting of domestic thermal insulation material production to stabilise supply and reduce production costs.

In 2022 the GVH started and closed comprehensive inquiries in 5 different markets and sectors. This is a record in the Hungarian Competition Authority's more than 30 years history.

Inter-institutional cooperation for family-friendly consumer protection

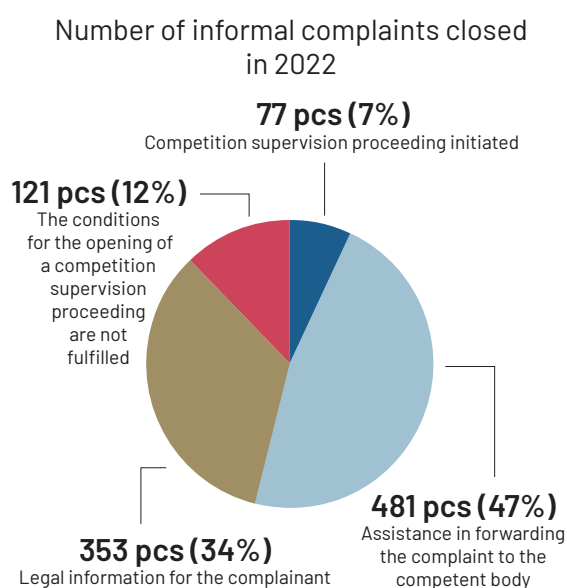
The family as a consumer is often the target of misleading advertisements and commercial practices. The institution of the family is protected by the Fundamental Law of Hungary and by the Act on the Protection of Families³. Undertakings must therefore act with particular responsibility if they can reasonably foresee that their commercial practices are likely to distort families' choices.

In 2022, the GVH set up a Family-Friendly Working Group to assist the work of the Roundtable for Consumer Protection set up by the Ministry of Justice. The aim of the competition authority is to work with relevant bodies to promote legislation and enforcement aimed at protecting families and family relationships.

Representatives of 12 different public and civil society organisations participated in the creation of the Family Friendly Working Group alongside the GVH, and then started working together.

Satisfied clients, important consumer signals

In 2022, 1255 informal complaints and 94 complaints were received by the Customer Service of the Hungarian Competition Authority, which proves that consumers continue to trust in the national competition authority. Incoming signals are an important source of information for the GVH, are therefore always subject to scrutiny. A significant proportion of them do not fall within the competence of the GVH, but many informal complaints and complaints contribute to the authority's investigation of anti-competitive behaviours. In 2022, 39 external signals were the subject of ex officio competition proceedings.



³ Act CCXI of 2011 on the Protection of Families

Although not every informal complaint or complaint reveals real competition law problem, the GVH is able to help in the overwhelming majority (in 88%) of cases where it receives an informal complaint or complaint outside its competence, either by providing information in legal issues, or by referring the problem to the competent administrative body.

Based on the quality assurance survey of the Competition Authority, 98% who contacted the authority were fully satisfied with the competence of GVH professionals examining the informal complaints and complaints.

2022: year of increasing international involvement

The Hungarian Competition Authority has traditionally strong international links, and in 2022 it was able to play an even more prominent role in the global competition arena than before. The experts from the national competition authority have shared their experience at numerous international events, and the GVH has earned important positions in the technical working groups of various inter-governmental organisations. Among other things, the Hungarian authority has been one of the most active in OECD Competition Committee meetings, has played an active role in coordinated European consumer protection actions and has shared its enforcement experience on a number of issues in response to requests from EU counterparts.

The OECD-GVH Regional Centre for Competition in Budapest is a key pillar of international knowledge sharing, which relies on the professional background of the two institutions and supports the competition authorities of Eastern, South-Eastern and Central European countries. Through this education centre, the GVH plays a leading role in the development of the young market economies of the region.

The joint regional education centre of the GVH and the OECD organised 8 seminars on competition law in 2022, which is a record high number so far. The seminars provided the participants with deeper understanding of competition policy and economic theories, international best practices, and the European Commission case law.

Social awareness-raising: a shield for consumers

Through active and well-targeted communication, the GVH helps consumers to identify and avoid unlawful prac-

tices, so that unfair practices are rendered ineffective and can simply “disappear” from markets where competition enforcement action would otherwise be ineffective. In 2022 the national competition authority issued 92 press releases, published a number of news items, and created 257 posts on its social media platforms on its decisions and events and issues of particular interest. In addition, a number of publications and information leaflets helped consumers to make informed choices and undertakings to comply voluntarily. Nearly every day of the year, consumers received useful information from the Competition Authority.

The development of competition culture also includes conferences that build a professional and academic environment for competition law. Among the 2022 events, the V4 Competition Law Conference, organised in cooperation with the Ministry of Foreign Affairs and Trade, and the Hungarian Competition Law Forum, held for the fifth time, was an outstanding event.

More than 200 lawyers, judges, corporate and regulatory professionals and press representatives have registered for the professional programme of the 5th Hungarian Competition Law Forum in the autumn of 2022.

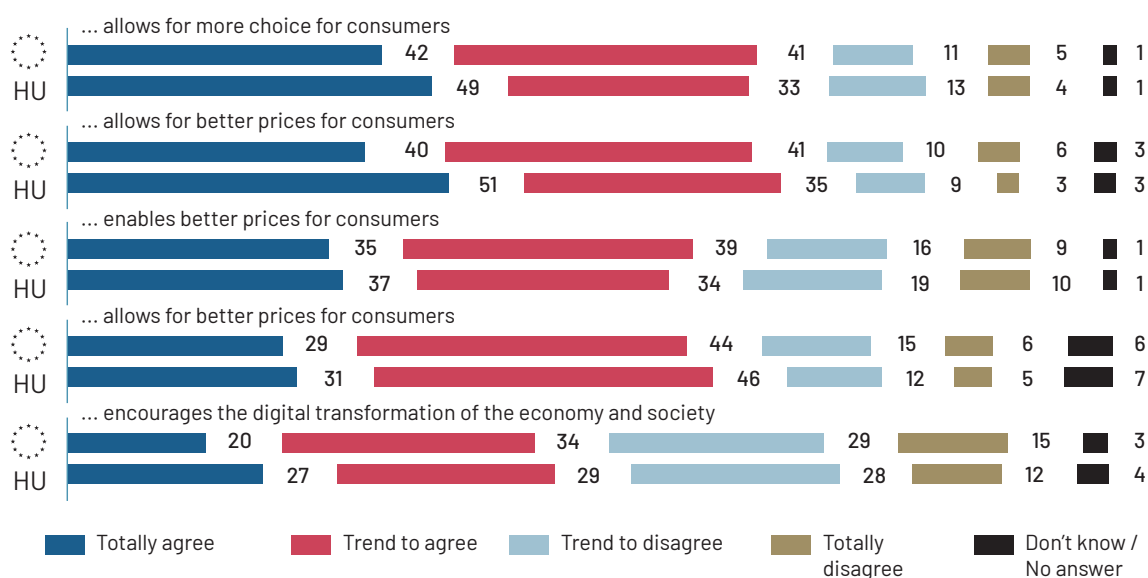
Consumer and business satisfaction above EU level

The European Commission published the results of its competition policy surveys in the second half of 2022. The surveys - which cover all EU countries – provide credible feedback on the work of the national competition authorities of the Member States and the enforcement of fair competition.

The survey results show that in Hungary competition is above the EU average in virtually all indicators. Hungarians’ awareness of competition issues and their confidence in the national competition authority is also well above the EU level.

In parallel to the regular EU-wide public opinion survey, a first survey of the expectations of small and medium-sized enterprises on competition policy was carried out in 2022. The survey also shows that Hungarian undertakings have a high level of trust in the Hungarian Competition Authority, there is only one country (Finland) ahead of Hungary in the EU.

Competition between companies ...



Confidence is also boosted by the fact that domestic undertakings identify more strongly than the EU average with the objectives of competition policy, including that competition stimulates innovation, creates a wider choice of products and services and helps them to become more competitive in global markets.

If they had a serious competition problem, 60% more Hungarian SMEs would go to the competition authority than the EU average.

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