Hungarian competition authority

ANNUAL REPORT (2003)

Executive summary

The Gazdasági Versenyhivatal (Hungarian competition authority – "GVH") had a busy year in 2003 for many reasons. Major changes characterised many sectors in the economy where competition was introduced or where the first effects of previous liberalisation appeared. Other sectors started to be prepared for liberalisation in the near future. The GVH actively participated in the preparation for these changes and, in many instances, promoted competition through advocacy. It was also active in the enforcement of competition rules. A significant number of hardcore cartels were discovered and for that reason the overall amount of fines was three and a half times greater than in the previous year. Investigative techniques introduced in 2000 were used ever more efficiently, thereby producing direct evidence of infringements. The GVH adopted three essential notices. One notice provided guidance on how to distinguish between/ to identify first- and second-phase mergers. Another established rules on the imposition of fines resulting in a more consistent and severe fining policy and also provided legal certainty for the undertakings. The third notice, which would hopefully have the greatest importance in the future, introduced a leniency policy. In addition to performing its general duties, a major challenge was the preparation for EU membership. As the accession was to coincide with the introduction of the new procedural regime of EC competition law and with the establishment of the European Competition Network ("ECN"), it generated much more work than in the case of previous enlargements of the EU. The Competition Act was amended to implement certain rules of the new procedural regulation. The GVH actively participated in the establishment of the details of the rules on the functioning of the ECN and started the adoption of its own renewed procedural rules for cases in which EC law would be applied.

Summary of the major developments

Introduction of competition into certain sectors of the economy was partly successful in 2003. Positive changes were accomplished, for instance, with the opening-up of the electricity market. Consumers over 6.5 GWh could enter the free market for electricity and were no longer bound to purchase at prices established by the Ministry of Economy and Transport. Although 2003 was only the first year of the new system, 50 of the 320 eligible consumers – representing 20% of the overall consumption and including all of those with consumption over 100 GWh – entered the free market. Based on our assumptions, these undertakings enjoyed a 6-12% reduction of electricity costs amounting to 6-10 billion HUF (30-50 million USD). Change to supply from the free market, however, slowed down in the second part of the year and even some return to the regulated market occurred.

Significant efforts were made during the preparations for the 2004 opening-up of the gas market. A necessary condition for the introduction of competition was completed, namely the structural separation of the incumbent MOL. Eligible consumers, representing 42% of the overall gas consumption, will be able to purchase from the free market for gas.

In the agriculture sector, farmers could still not effectively withstand the purchasing power of the concentrated processors. The market was characterized by oversupply in pork and in milk. It is estimated that the accession to the EU will cause a significant reduction overall in the number of farmers and suppliers.

The overall turnover of the retail sector increased by approximately 8-9%. Competition among the retailers remained fierce, with grocery chains being unable to increase their share on the market despite the opening of new outlets. Competition problems arose concerning sales activities of hypermarkets. The feared disappearance of small-scale retailers however did not occur.

The effects of the 2001 liberalization of the fixed telecommunications market also remained weak in 2003. On the market for business users, alternative suppliers were striving to stay on the market but possibilities for expansion were restricted. The main reason for this was the lack of number portability (to be solved in 2004) and the restriction of carrier pre-selection applied by the incumbent in its preferential tariff packages.

Competition in mobile telecommunications remained lively despite the actual reduction in the number of competitors. The analogue service provider finally quit the market. The rate of mobile penetration reached 80% and, for this reason, it was mainly the pre-paid segment of the market which saw growth. For certain levels of society, the mobile phone has become a substitute product for the fixed phone.

Concentration of credit institutions continued in 2003. It is expected that concentrations will beneficially affect competition as the merged undertakings will be able to compete more effectively with incumbent retail banks.

I. Enforcement of competition laws and policies

1. Actions against restrictive agreements

Article 11 of the Competition Act prohibits agreements or concerted practices between undertakings and decisions by social organisations of undertakings, public corporations, associations or other similar organisations, which have as their object or potential or actual effect the prevention, restriction or distortion of competition.

In 2003, 20 decisions were taken on restrictions of competition. Fourteen proceedings were initiated *ex officio* and six were based on notifications for exemption. The majority of the cases investigated were of a horizontal nature. The GVH intervened in 12 cases and it imposed fines in 9 cases. The total amount of the fines was 638.5 million HUF amounting to 2.5 million Euro an amount almost 3.5 times greater than that imposed in the preceding year. The increase in the fines is attributable basically to the new, more severe approach of the Competition Council according to which a systematic and conscious fining policy was elaborated and put into practice during the year (the notice on the GVH's fining policy was built on this policy and was officially published in December 2003). The higher overall amount of fines can partly be attributed to the fact that more hardcore cartels were discovered than in previous years.

The case of agreed mobile termination prices

The GVH launched a sector inquiry into the mobile sector in May 2001 because it perceived market failures that might have been the result of the anticompetitive practices of the market participants. The sector inquiry covered the period of 1998-2001. The report about the sector inquiry was published in November 2002.

The GVH also commenced competition supervision proceedings in February 2002, while the sector inquiry had been in the pipeline. The aim of the competition supervision proceedings was to detect whether mobile operators determined their mobile-to-mobile termination fees by concerted actions and at an unfairly low level and whether they determined their fixed-to-mobile termination fees and calling tariffs and mobile-to-fixed calling tariffs by concerted actions and at an unfairly high level. The GVH examined the same time period as in the mobile sector inquiry.

Westel Mobil Rt. ("Westel 900"), Pannon GSM Távközlési Rt. ("Pannon GSM") and Vodafone Rt. ("Vodafone") are mobile operators. They provide, *inter alia*, mobile telecommunications services by using GSM (digital) technology. Westel Rádiótelefon Kft. ("Westel 450"), another mobile operator provided, *inter alia*, mobile telecommunications services by using NMT (analogue) technology. Magyar Távközlési Rt. ("Matáv") provides telephony services, within which it primarily offers local, domestic long-distance and international fixed-line telephony services.

The investigation showed that the demand side substitution between fixed-line and mobile services was limited. It was also found that no supply side substitution existed between them, since the entry onto the market was possible only by means of

concession agreements and the Government had undertaken not to give new concession rights until January 2003. Consequently, the Competition Council considered that mobile and fixed-line services formed separate markets.

It was also found that the mobile telecommunications services could be divided into two distinct markets: to the retail services consumed by end-users and to the wholesale services consumed by telecommunications operators.

Concerning the **market definition** the Competition Council found that NMT (analogue) and GSM (digital) services were not in the same market within ***retail services*** and therefore Westel 450 could not be considered as a competitor of the three other mobile operators. It was also pointed out that mobile operators provided their services in packages to end-users and primarily these service packages competed with each other and not the single services themselves. Regarding the market definition on the ***wholesale market***, it was found that it was made up of those services which were offered by operators to each other and to other telecommunications companies. There were various distinct services within the wholesale market, one of which was the market of termination of calls. It was essential that users of different networks were able to communicate with each other. This required the interconnection of the networks. One of the forms of interconnection services were termination services which established the connection between the telecommunications company of the calling party and the telecommunications company of the called party. The market of termination of calls comprised mobile-to-mobile and fixed-to-mobile termination services. As far as mobile-to-mobile termination service was concerned, mobile operators paid fees to each other in exchange for using the network of the other mobile operator. As regards fixed-to-mobile termination services, it should be mentioned that the subscribers of fixed-line services paid fees to their fixed-line operators who passed on the sum directly to mobile operators after having subtracted the regulated fees of fixed-line initiation and transit services. It was found that fixed-to-mobile termination services were not part of the mobile market, although the prices of termination of calls originating from a fixed-line network and directed towards a mobile network were determined by mobile operators. It was also established that every operator concerned held a monopoly position in the market of the termination of calls in its own network.

In respect of the **definition of dominant position,** the assessment was made separately on both the retail market and the wholesale market. The mobile-to-mobile, fixed-to-mobile and mobile-to-fixed calling services in the ***retail market*** were examined. It was found that mobile operators had the following market shares on the retail market: Westel 900 – 50%; Pannon GSM – 40%; and Vodafone – 10%. However, the market shares in themselves were not enough to fulfil the definition of a dominant position of the undertakings: the characteristics of the market also had to be taken into account. From this point of view, the size of the network of the mobile operators played an important role, because the more subscribers the network had the less important role the possibility played of being reached by the customers of other mobile operators for its own subscribers. This network effect could be greatly reduced by the interconnection of the networks, since the consumers of the smaller operators could be connected to the customers of the larger operators through interconnection of the networks. The larger network externality laid the foundations for a dominant position only where the mobile operator had the possibility of determining the termination fees to its own network at an unfairly high level. This was not the case on

the Hungarian market as operators had determined the same termination fees against each other, having referred to the fact that mobile traffic from one operator to another was more or less the same as traffic in the opposite direction. Therefore the Competition Council pointed out that none of the mobile operators held a single dominant position on the retail market of mobile telecommunications services. As far as the definition of dominant position on the ***wholesale market*** was concerned, the Council considered the termination of calls as the relevant wholesale product. The wholesale market could be divided into several parallel distinct markets, within which only the respective operators were able to terminate calls originating in other networks and terminating in its own network. Therefore every operator concerned held a monopoly position in the market of the termination of calls in its own network. Nevertheless, this fact in itself was not enough to establish the dominant position of any mobile operator on the wholesale market, and the regulatory framework of the market also had to be observed. The legal background of mobile telecommunications services significantly changed during the period examined. The mobile operators had the obligation to interconnect their networks from the beginning, however the question of price determination was regulated differently during different periods of time. Before the beginning of 1998, a broad price regulation was imposed on the sector and the prices of the retail mobile services were regulated according to a price cap formula while interconnection charges were announced in a ministerial decree. After July 2001 – according to the new Telecommunications Act – two of the four mobile operators were designated as SMP-operators thus obliged to set the prices of termination based on the underlying costs, calculated according to the so-called "LRIC" (long-run incremental costs) method. Within the abovementioned timeframes, the operators were free to set their prices concerning all the services, including termination fees and calling tariffs and, consequently, the termination fees were set as a result of the deal of the mobile operators. Therefore, the Competition Council found that the dominant positions held by Westel 900 and Pannon GSM could be established against the smaller mobile operators (Vodafone, Westel 450). It was also stated that all of the four mobile operators enjoyed a dominant position *vis-à-vis* fixed-line operators.

The GVH investigated whether the termination fees of fixed-to-mobile calls were in line with the underlying costs. It was found that, from a technological point of view, the mobile-to-mobile calling tariffs should have been higher than the calling tariffs of both mobile-to-fixed and fixed-to-mobile calls. In reality, the average price levels of mobile-to-mobile calls were lower and the average price levels of mobile-to-fixed and fixed-to-mobile calls were higher than could have been expected. These distorted price levels could disadvantageously affect both the customers of the mobile operator and the customers of the fixed-line operator.

As a result of the competition supervision proceedings, the Competition Council stated in its decision that the four mobile operators concluded and implemented agreements that were apt to distort competition. The Council imposed a fine of 360 million HUF (1.44 million Euro) in total on two of the operators (Westel 900, Pannon GSM). The abuse of dominant position of the parties could not be proved.

Cinema Cartel in Budapest

The cinema market of the Hungarian capital went through considerable changes, which can be described by three major characteristics: the radical reduction in the number of cinemas; the appearance of multiplexes at the expense of traditional “one-hall” cinemas; and the rise of chains instead of the stand-alone facilities. Multiplexes are cinema complexes with at least 6 halls and, in Hungary, they are generally built inside large shopping centres. These cinemas offer a technologically high-level experience (Dolby Digital Surround Sound System, wide screens, etc.) for visitors combined with the best services in terms of comfort (air-conditioning, comfortable chairs, huge space for legs, etc.). Additionally customers are provided with free parking, cafeterias and all the other services a shopping centre can provide. These features made multiplexes a separate market from traditional cinemas.

The capacity of multiplexes is designed for peak hours, which practically means Friday, Saturday and Sunday evenings as well as holidays. In these periods, capacity utilisation is near 100%. However weekdays this drops to 15-20% and in the mornings to 5-10%. There are also peak periods on an annual basis, namely in May-June and October-November. Consequently the market is characterised by huge overcapacity, with operators losing revenue.

Low utilisation and high fixed costs induce cinemas to provide a loss minimisation strategy in the form of constant price rises. Further, ticket prices include high levels of rates and taxes. During previous years, exhibitors applied almost identical prices. Distributors are interested in running movies with the highest possible audience resulting in high revenues, while exhibitors have the additional interest to obtain the newest films at the earliest possible time. Distributors make screenings two months before the actual *première* for exhibitors, just to enable them to make decisions about the possible hiring of the particular film. If the cinema operator would like to have the film, after negotiating the details (hiring fee, number of screenings per day, weeks of screening etc.), it enters into a film-hiring contract with the distributor. *Premières* are on Thursdays every week. On Mondays, distributors and exhibitors hold consultations on the programmes, and on the time schedule for screenings.

In April 2002, one of the parties prepared a price plan for Budapest and the countryside with detailed breakdowns according to days, parts of the day, and discount days. The document ended with the sentence: “It needs consultation with the competitors.” The data for April and May was circled and it was superscribed “with Port from April 25” (Mr. Port was the CEO of one of the parties). Mr. Kálmán, the distribution manager of a competitor, spoke with Mr. Port twice about the price rise and its details. On 22 April, Mr. Kálmán informed several of his employees by e-mail about the anticipated price rise in a detailed breakdown with the notice “as a result of multilateral consultations.”

As of 25 April 2002, 35 price categories were identical for different days, parts of days and discount days in the cinemas of Budapest. There were only three price categories which remained unchanged in two cinemas, Campona and Westend: however this resulted in merely the same price as demanded by the others (previously these cinemas had always charged higher prices). Following 30 May, the identity of prices changed.

The relevant market was the selling of cinema services at the multiplex cinemas of Budapest. Price fixing was clearly an infringement of the Competition Act. However the parties argued that their practices were not concerted and that similarities in the level of the changes and in the timing of them was the result of the transparency deriving from the strict oligopolistic structure of the market. They claimed that, due to the great losses they had suffered, the price rise had been foreseeable and expected so that all market actors had been prepared to act. The opportunity for the rise were the *premières* of the "Scorpion King" and "Star Wars II," which had both been expected to be successful. However the Competition Council rejected these arguments due to the fact that there had been contacts among the parties with the aim or effect of influencing the conduct of an actual competitor or of disclosing to such a competitor their own contemplated course of conduct.

The Competition Council further used as indirect evidence: the notes and e-mails found at the premises of the undertakings; the fact that the price increase involved more than 30 price data creating fairly similar prices; and, where no increase was observable, prices were already at the highest levels. Without collusion, this similarity was in no way economically reasonable given the different costs of the particular operators.

The procedure in the cinema case was based on a complaint, which invoked an article issued in a national daily on this conscious price rise. Likewise, in the following case, proceedings were also based on information that had appeared in the media. The phenomenon of "naïve cartels" exists due to the fact that competition rules had not, in the past, been enforced against hardcore cartels since investigative techniques had not been suitable for discovering enough, especially direct, evidence. Since the amendment of the Competition Act and the establishment of the Cartel Unit within the GVH, enforcement of Article 11 of the Act has become more strict. The level of fines has also increased. As a consequence, the GVH expects that awareness of undertakings would increase in the future and the number of these "naïve cartels" would correspondingly decrease.

The Competition Council found that the four cinema operators infringed the Competition Act when they illegally co-ordinated their price rise of 25 April 2002 in Budapest. Therefore it imposed on them a total fine of 203 million HUF (approximately 781,000 Euro).

The Taxi Cartel

The GVH initiated proceedings in August 2002 against the eight largest taxi operators in Budapest for alleged fixing of prices. Except for Est Taxi which is a taxi operator in the classical meaning of this word, all the other operators are actually taxi service agents, who organise transport services for independent car owners (taxi drivers) according to their contractual relationship. Est Taxi has its own fleet of taxis – all the drivers are thus employees of the company. The other companies pursue only organisational activities, the drivers having individual contracts with them, while some of them have franchise agreements. Although the revenue generated by the transport services appears with the drivers, it is the taxi companies that determine the fares to be applied, naturally taking into account the opinion of the drivers as well.

The affected geographical area was Budapest, notwithstanding the fact that certain undertakings also pursued their services to and from the suburban regions of the capital. The taxi market of Budapest is characterised by a massive oversupply; there are approximately 6000 drivers. Market demand has stagnated for years, with the only appreciable trend being the permanently decreasing average distance of the transport services. Customers decide upon the price and the quality of the service.

The municipality of Budapest has the right to determine the individual elements of the taxi fares, their ratio to each other and the maximum price for them. According to the regulation the taxi fare consists of three different price elements. A constant minimum charge is to be paid for using the taxi. The other two types of charge are proportionate to the distance (km charge) and the duration (waiting charge). The latter is applicable whenever the speed of the car drops below 15 km/h.

In 2001 and 2002, the undertakings concerned raised their minimum charges to the allowed maximum in almost the same period. Further, the gap between the most expensive and the cheapest company's km charge reduced significantly in 2001. At drivers' meetings, the unification of the tariff and discount system also came up.

At the premises of City Taxi, the GVH found documents which stated that in 2002 those companies should begin with raising prices which, "despite the agreement, had failed to do so in 2001." According to Budapest Taxi, at the "Tariff Cup" – a five-a-side football tournament organised by taxi drivers – an agreement was reached concerning the price increase. However 6x6 Taxi, Rádió Taxi, Taxi 2000 and Buda Taxi did not participate in this tournament. Some of the companies stated that they had been put under pressure to carry out the "appropriate" price increase.

In early 2002, there had been several bi- and multilateral negotiations where parties had expressed the need for an increase of the basic tariff, preferably to the highest possible level, which would have reached 300 HUF. In March 2002 the "Tariff Cup" was again organised, with negotiations on prices. City Taxi subsequently consulted those companies which had not entered the tournament.

It is an infringement of the Competition Act if competitors negotiate on the necessity of a price increase; they disclose to each other this intention; and they treat it as a common objective, especially if they subsequently raise their prices in a uniform manner. Had this conduct not qualified as an agreement, it would have definitely been handled as a concerted practice. In the latter situation, two or more undertakings consciously co-operate, without having concluded an agreement, for the sake of or with the effect of reducing competitive pressure. Even a contact, with the aim or effect of influencing the proposed behaviour of competitors in the future, is enough for an infringement. In this way, they exclude or substantially reduce the uncertainty inherent in effective competition. The determination of the maximum prices by the municipality could not be an excuse for the undertakings, because it only fixed the maximum prices; however efficient companies could derive an advantage by using lower prices than the others. The regulation left enough space for price competition.

The Competition Council found that the taxi operators infringed the Competition Act when they had fixed the minimum charge of the taxi services in Budapest and imposed a total fine of 29.8 million HUF (120,000 Euro).

2. Actions against abuses of dominant position

Abuse of dominant position is prohibited by Article 21 of the Competition Act. A dominant position shall be deemed to be held on the relevant market by persons who are able to pursue their business activities to a large extent independently of other market participants substantially without the need to take into account the market reactions of their suppliers, competitors, customers and other trading parties when deciding their market conduct. The GVH proceeded in 31 cases relating to the abuse of dominance. Dominance was established in 21 cases but abusive behaviour was proved in only 8 of these cases. All but one, considered insignificant, of the cases ended with prohibition. In four cases, fines were imposed with an overall amount of 55.5 million HUF, approximately 0.22 million Euro. Half of the proceedings were initiated against cable TV operators. The pricing practices of these undertakings were investigated in previous years as well and in a few cases the infringement of the Competition Act in the form of imposition of unfairly high prices was established. The GVH took the initiative for the supervision of the pricing method by the regulator but the problem has not yet been properly dealt with/properly addressed.

As with previous years, in 2003 there were also numerous (12) proceedings commenced against cable TV operators. Although the dominant position of these undertakings was established in each case, the GVH considered interventions necessary only in 5 cases.

Abuse by the CableTV operator, Zelka

The Competition Council found that Zelka abused its dominant position by setting excessively high prices for the cable television service in Zalaegerszeg and Tapolca, and by putting the two main Hungarian commercial TV channels (TV2 and RTL Klub) into the most expensive programme package in Tapolca. The Competition Council required Zelka to transfer TV2 and RTL Klub into a less expensive programme package in Tapolca and also imposed a fine of 5 million HUF (20,000 Euro) on the undertaking for charging excessive prices. In addition, Zelka was obliged to inform its subscribers in Zalaegerszeg and Tapolca about this decision within 30 days from date of delivery.

The Competition Council first examined the reception possibilities of TV programmes. It found that there were several services similar to those that were provided by Zelka, namely services offered by other cable television network providers, TV aerial, satellite receiver, the combination of the former and UPC Direct service. However these reception possibilities were either more expensive or provided a smaller number of channels than Zelka.

The relevant product market of cable television providers was programme packages provided by Zelka and their reasonable substitutes. The services provided by Zelka's programme packages could technically be substituted by numerous different services. The services that were technically able to substitute Zelka's service had to be compared by their content and by the programmes they

offered. The price (especially the switching costs) and quality (the number of channels, the quality of reception, the connecting services etc.) of substitutes also had to be taken into account. In the constant practice of the Competition Council, cable TV could not be reasonably substituted by other broadcasting techniques, regarding prices, quality and choice. From this point of view, it was also important that a TV network was able to provide broadband internet access. The relevant geographical market was Zelka's operating territory.

According to the Competition Council, the following two types of behaviour were abusive:

- the application of unjustified high prices in Tapolca and Zalaegerszeg since 1 January 2002,
- the placement of channels RTL Klub and TV2 in more expensive packages in the system of Tapolca.

Concerning the setting of unjustified high prices, the Competition Council pointed out that the price increase was not justified on the basis of the costs.
In connection with the programme packages, the Council found that a cable television network provider's conduct was unlawful and arbitrary when the undertaking changed the content of the programme packages. An undertaking in a dominant position should give the possibility to consumers to express their opinion on the proposed changes, if it increased prices. The alteration or extension of packages was unlawful, if the majority of consumers opposed it. If this possibility was not ensured, the provider could force consumers to buy a more expensive product, which they did not need. Concerning the two commercial channels, the Competition Council established that the placement of the two most popular channels into Package No. II forced the majority of consumers to buy the most expensive package. This tie-in sale had a disadvantageous effect on consumers because they had to subscribe to such expensive channels which they did not necessarily wish to watch. The placement of RTL Klub and TV2 into the most expensive package would only have been legal, if subscribers had had the possibility of expressing their opinion on this step.

As it was already indicated in the Report, the opening-up of the telecommunications sector did not result in the introduction of fierce competition in the case of fixed telecommunications. This was partly due to the abusive, exclusionary conduct of Matáv.

Price squeezing of the incumbent telecom operator, Matáv

The Competition Council established that Matáv abused its dominant position when, in the period of February-July 2002, it charged higher prices for interconnection services than for retail services offered to end consumers, and in that way the margin between the two left no room for competitors to enter the market (price squeezing). A fine of 70 million HUF (280,000 Euro) was imposed.

The starting point of the investigation was the date of the opening-up of the telecommunications market. The incumbent Matáv provided fixed telecommunications services through its own network. This network covers 70% of the area of Hungary.

Through its affiliated companies, it is also present on the market of mobile and Internet services.

The Act on Telecommunications that liberalised the market, entered into force at the end of 2001. Its declared aim was to ensure effective competition on the market. To ensure entry, market actors of significant market power were obliged to allow access to the local loop. In the case of national and international calls, the pre-selection of service providers was an additional tool to ensure competition. Price regulation ceased to exist both in the case of retail and interconnection services. However, in the case of operators enjoying a significant market power, a price-cap mechanism was applied to retail services and the Act prescribed the basis for calculating the cost for their interconnection services. The regulator was entrusted with supervising compliance with these rules.

Service providers are obliged to co-operate and to accept all reasonable offers to provide interconnection services. Under the Act operators, enjoying a significant market power, are obliged to submit a reference interconnection offer ("RIO") to the regulator for approval. It should contain all information on technical and financial conditions. The basis for the calculation of the costs of these offers could have been fulfilled through the fully distributed costs ("FDC") method until 1 January 2003. Afterwards the long-run incremental costs ("LRIC") method had to be applied. These prices were also to be submitted to the regulator.

After the expiry of price regulation but before the entry into force of the provisions relating to RIOs, Matáv concluded agreements with new entrants on a commercial basis. Although the services were defined in an identical manner to those adopted later in the RIO of MATÁV, prices were different from that of the FDC-based ones and transit services were not offered. Matáv introduced tariff packages for end consumers including preferential prices for local, national and international calls. Certain packages were designed for smaller, while others for larger undertakings, and there were packages for residential consumers as well. In preferential packages designed for undertakings, Matáv excluded the possibility of carrier pre-selection in the case of national and international calls.

The investigators considered that Matáv had abused its dominant position as the margin between wholesale prices charged for competitors and retail prices provided by Matáv for consumers was negative and therefore ineligible for effective competition. It also found illegal the exclusion of the possibility of pre-selection.

Matáv contested the applicability of the Competition Act claiming that all aspects were covered by the Act on Telecommunications, including the establishment of the price-setting scheme. It also contested the definition of the relevant market. It stated that the argumentation of the investigators contested its right to create packages and to compete with new entrants.

The Competition Council established that the applicability of the Competition Act could be excluded only if another legal provision restricted the undertaking's ability to make independent decisions to an extent that its behaviour could no longer be considered autonomous. If its decisions could be considered independent then the effect of the regulation could only be taken into account as an attenuating factor. The

supervision of the telecoms regulator could not be considered as a review of legality from the point of view of the Competition Act.

The Council found that margins were negative in the case of the packages for business entities as not even the wholesale costs were covered by the retail prices. The cause of the negative margin was mainly the high wholesale price established by Matáv. At the time of the application of these high wholesale prices, competitors had been generating losses and this had been capable of destabilising their market positions.

The Council established that the exclusion of the possibility of pre-selection in certain packages might be abusive; however as the evidence collected was not persuasive, it did not establish the infringement.

Abuse by the gas supplier Tiszántúli Gázszolgáltató Rt.

The Competition Council found that Tiszántúli Gázszolgáltató Rt. ("TIGÁZ") abused its dominant position when it stipulated, in its internal regulations, aspects other than those of a technical or safety character for the qualification of entrepreneurs which were licensed to lay down gas pipelines.

Having the exclusive right to operate the gas pipeline network in the Eastern part of Hungary, TIGÁZ is the largest gas supplier in the country. Its business activity is based on the Act on Gas Supply. In order to construct a gas pipeline, TIGÁZ concludes contracts with the municipalities, plans the project, controls the construction and – within this framework – selects the entrepreneur which performs the construction work. In connection with the activities of the gas suppliers, the sub-contractors and the constructing entrepreneurs, standards apply which require the qualification of the entrepreneurs. The entrepreneurs laying down the pipelines have to fulfil professional criteria. After a qualification procedure, entrepreneurs may become qualified as "accepted constructors" on the list of TIGÁZ. This makes it possible for them to undertake construction work for laying down pipelines since the municipalities may conclude contracts only with entrepreneurs who are on the qualification list of TIGÁZ.

Since TIGÁZ had the responsibility for supplying gas through the pipeline, it had the right to control the construction work carried out by the entrepreneurs. In a particular case, TIGÁZ disputed the performance of an entrepreneur based on additional aspects which did not have any technical or safety relevance.

Analysing the market situation, the Competition Council established that TIGÁZ had a monopoly position on the market of gas supply. The Council also stated that TIGÁZ had a dominant position regarding the selection of entrepreneurs as constructors, i.e. TIGÁZ had special rights to accept or exclude certain entrepreneurs from the list of licensed constructors.

As regards the abuse, it was found that TIGÁZ abused its market position by including aspects among the qualification criteria like "professional and informative relationship of the applicant with TIGÁZ"; "correct relationship of the applicant with TIGÁZ"; and "no quarrel with TIGÁZ has occurred and the goodwill of TIGÁZ has not been

endangered by the entrepreneur," etc. In the opinion of the Competition Council, with the application of all these aspects TIGÁZ abused its dominant position by influencing market circumstances in an unjustified manner. A fine however was not imposed in the case.

3. Mergers and acquisitions

Merger control in Hungary stands on the basis of the dominance test. The Office of Economic Competition may not refuse to grant authorization to a concentration where the concentration does not create or strengthen a dominant position, which would impede the formation, development or continuation of effective competition on the relevant market or on a substantial part of it.

Out of the 68 merger cases closed by formal decision, one was prohibited and another one was cleared with conditions. Fifty-one horizontal, two vertical and fifteen complex mergers were considered by the GVH. In five of these cases, the parties failed to notify their agreement and, in four of these cases, a low-level fine was imposed with the aim of warning the undertakings of their legal obligations.

Prohibition of the acquisition of control of the Ringier Group over the market leader national daily newspaper, *Népszabadság*

The Competition Council prohibited the acquisition of a 17.68% stake in the shares of *Népszabadság*, a market leading political daily, by Tabora a member of the Ringier group which already owned 49.97% of the shares of the daily.

Tabora, a property managing company with its seat in the Netherlands, is owned by the Swiss Ringier AG which is itself in turn owned by Ringier Holding AG. Undertakings owned by the group are directly and indirectly involved in the newspaper market in many countries of Europe and in the Far East. In Hungary, three undertakings belong to the group:

- Ringier Kiadó Kft. publishes a daily tabloid, *Blikk*; a weekly tabloid called *Vasárnapi Blikk* which is the Sunday version of *Blikk*; and a sports daily, *Nemzeti Sport*;
- Magyar Hírlap Könyv- és Lapkiadó Rt. publishes a political daily called *Magyar Hírlap*; and
- Ringier Print Budapest Rt. which would print Ringier papers from the second half of 2005.

Due to the privatisation process of the early nineties, in addition to several national, regional and local radios and television channels, more than 10 national, 22 regional dailies and around 300 monthly and more than 400 other types of newspapers and magazines are present on the market.

As regards the ***readers' segment*** of the printed media market, there are different kinds of products on the market of printed media:

- daily and periodical,

- regional and national,
- general and specialised papers.

National dailies and their market shares are as follows (Papers belonging to the Ringier Group are in **bold**):

- political newspapers (***Magyar Hírlap***, *Magyar Nemzet, Népszabadság, Népszava*)

	2000	**2001**	**2002**
Népszabadság	59%	59%	55%
Magyar Hírlap	10%	10%	10%
Népszava	12%	11%	9%
Magyar Nemzet	19%	20%	26%

- economic papers (*Világgazdaság, Napi Gazdaság*)
- free papers (*Metro, Esti Hírlap* (the latter ceased to exist in September 2003))
- tabloids (***Blikk*** - 69%**,** *Színes Mai Lap, Mai Nap*)
- sports papers (***Nemzeti Sport*** - 100%)

As regards the ***advertisers' segment*** of the printed media market, the turnover of the overall advertisement market is growing year by year. In 2002 it was around 1.2 million Euro. Around 85% of this amount was spent for advertisements on TV and printed media. Counted on actually paid prices which differs from list prices, the shares of the different media in the amount spent on advertisements is as follows:

Media	**2000**	**2001**
Television	39.5%	38.8%
Printed media	39.5%	41.6%
Radio	7.9%	5.9%
Posters est. in public domain	9.7%	9.8%
Cable TV	1.9%	2.2%
Internet	0.8%	1%
Cinemas	0.7%	0.7%

The share of the Ringier group and *Népszabadság* on the different levels of the market of advertisements in percentage terms is approximately as follows:

Market level	**Ringier group**	***Népszabad-ság***	**Together**
All media	1.5%	1.9%	3.4%
Printed media	6.1%	7.8%	13.9%
Dailies	12.5%	15.9%	28.4%
National dailies	26.6%	34.1%	60.7%
National political dailies	60.4%	12.8%	73.2%

Incomes deriving from advertisements are essential for newspapers. In the case of *Magyar Hírlap, Népszabadság* and *Magyar Nemzet* around 40%, 50% and 25% of their overall revenues are derived from advertisements, respectively.

In their notification, the parties submitted that the merger would not create or strengthen a dominant position even on the narrowest possible market, on the market of political dailies (national and regional papers).

They also submitted that the advantages of the merger were:
- more efficient printing and supply resulting in lower prices,
- more efficient administration, finances, logistical co-ordination,
- co-ordination of the marketing and market research activities of the four dailies of the Ringier group,
- efficient use of experts' knowledge and its share among editorial boards,
- possibility for faster development of connected media activity (Internet, magazines),
- enlargement of brand names of existing papers.

Alleged advantages for the consumers:
- continuous development of quality,
- increase of the number of editorial pages,
- investments for better quality of photos,
- new products (*Népszabadság* books, sport and fitness events, special magazines, online services etc.)
- adaptation of developments of the European market.

Alleged advantages for the parties:
- more competitive prices for advertisements,
- creation of a viable alternative for TV advertisements,
- greater financial stability.

The buyer also submitted undertakings to –
- make investments to the new design and marketing of *Népszabadság*,
- exploit the possibilities for co-operation within the Ringier group,

– optimise the activity of the administration.

The common position of all the competing national and regional political dailies was that the merger would have negative effects, namely:

– the exclusion of competition on the market of national political dailies,
– further strengthening in the positions of Ringier in relation to distribution, access to paper and printing facilities,
– the merger could cause the liquidation of certain papers,
– the merger would result in a significant increase of the concentration on the market of national dailies,
– through its portfolio Ringier could acquire a much larger share on the market of advertisements.

The national political daily, *Magyar Nemzet* submitted that the free daily, *Metro*, competed with the other dailies for advertising but not for readers. It also indicated that regional papers, due to the emphasis they add to news of local nature, could not be considered as competitors of the national dailies. Another national political paper, *Népszava*, concurred with the opinion of *Magyar Nemzet* relating to the role of *Metro*. It further underlined that due to the political affiliation of the readers, the market of national political dailies was further segmented into two sub-markets, namely that of right wing-conservative and left wing-liberal papers. On this latter market after the merger, *Népszava*, with its share of 12%, would remain the only competitor of the Ringier papers.

Relating to the relevant product market of readers, the Council established that printed media was not substitutable with other forms of media. It also made a distinction between political and non-political papers and between dailies and periodicals. The Council considered further that national dailies could not be substituted with regional ones. It also identified some peculiarities on the market of national political dailies but its further subdivision was not necessary for the analysis. The relevant product market was therefore the three (or four) national political dailies. The geographical market was Hungary.

The Council established that the share of the parties on this market would have increased from 13% to 87% (or from 10% to 55%).

Relating to the market for advertisements, the Council established that although undertakings had a great discretion in selecting the appropriate media for their advertisements, the majority of advertisement campaigns were organised through the so-called “media mix” which encompassed the use of all kinds of media, including printed media as well. Through the merger, Ringier would have created a large portfolio of national dailies, on the market of advertisements in the printed media.

The Competition Council established that the Ringier group was in a dominant position on the markets of national sports dailies and tabloids and that it would have become a dominant undertaking on the market of national political dailies. Such a strong portfolio would have reinforced its position on the market of advertisements and this latter position would have reinforced the former.

The Council did not question the benefits deriving from the increasing competitiveness as it characterised all mergers. However these benefits remained available if competition were not unduly restricted. In this case a restriction of this kind was likely. The Council also established that the undertakings of the parties were not sufficient to remedy the negative effect of the increasing concentration. Even the divestment of *Magyar Hírlap* would have been less than desirable.

In order to reduce the detrimental effects of a concentration, the Office of Economic Competition may attach to its decision pre- or post-conditions and obligations. It may, in particular, demand by its decision the divestiture of certain parts of the undertakings or certain assets or the relinquishing of control over an indirect participant, and setting an appropriate time limit for the performance of these requirements.

Divestiture as a condition of the merger of undertakings operating pharmacies

UTA Pharma Beteiligungs GmbH acquired Pharma Concept. Both undertakings were operating pharmacies in different areas of Hungary. The parties stated that the merger would not have detrimental effects on competition and on the retail supply of pharmaceutical products in general. In the case of consumers the merger would, in their view, have neutral or even positive effects. Benefits could derive from the financial advantages of chain pharmacies (ability to enforce interest, buying power, economies of scope).

UTA Pharma was present in almost all major towns in Hungary, it had 32 pharmacies in Budapest. Pharma Concept controlled 14 pharmacies, 5 of which were situated in Budapest. It only had one pharmacy in a town in which UTA Pharma was also present. In that town (Szécsény) there were no other pharmacies.

A peculiarity of retail supply of pharmaceutical products is that a pharmacy can be established in localities where the population exceeds 5000 and another pharmacy may be established only if there are at least another 5000 inhabitants in the given town and so on. Only pharmacists may manage pharmacies and profit margins are established by regulations. There are approximately 2000 pharmacies in Hungary, 350 of which are situated in Budapest.

The relevant market was established as the retail supply of pharmaceutical products in Hungary. UTA Pharma’s share was less than 10%, while that of Pharma Concept did not reach 1%. On a national level, no negative effects were presumed by the Council, however it underlined that the market was segmented into local sub-markets. Due to overlapping, the merger had horizontal effects only in Budapest and in Szécsény so the Council restricted the scope of its investigation to these areas. The increase of the number of UTA Pharma pharmacies in Budapest from 32 to 37 did not seem to create dominance in any parts of the capital. However in Szécsény, due to the merger, both pharmacies would have been controlled by UTA Pharma, and therefore competition would have been excluded creating a dominant position in the town. The advantages deriving from a growth in efficiency claimed by the parties was not taken into account as these would be transferred to the consumer only if the force of competition remains intact.

The parties therefore in order to avoid prohibition offered to divest themselves of one of the pharmacies as a condition of the clearance.

4. Consumer fraud

Article 8 of the Competition Act prohibits the deception of consumers. Deception of consumers shall be presumed for example if false declarations are made with respect to prices or essential features of the goods, or if it is concealed that the goods fail to meet legal requirements or if a false impression of an especially advantageous purchase is created. It should be underlined that these provisions do not aim at consumer protection in general but are rather restricted to those deceptions which may influence the flow of competition. The interventions of the GVH insure the appropriate functioning of the market as well. In 2003, 52 decisions were brought, in 33 of which an infringement was also established. In the 23 cases where fines were also imposed, the overall amount of the fines was 90 million HUF, approximately 360,000 Euro. The number and weight of procedures initiated in the healthcare sector increased. This is particularly serious as consumers of drugs, complementary nutrition and other healthcare products are usually more exposed to such types of illegal behaviour.

Deceptive advertisements of Pharma Nord

The Competition Council imposed a fine of 18 million HUF (90,000 Euro) on Pharma Nord for consumer fraud. In its advertisements on certain bio and vitamin products, Pharma Nord gave the false impression that the products had a curative effect.

Products supplied in the public health sector could serve for the cure or for the prevention of illnesses. Products belonging to the former group are characterized by a certified effect in curing certain illnesses. The process of certification is regulated and the production is supervised regularly. Commodities belonging to the latter group contain materials which have positive biological effects and can be consumed without medical supervision as these can cause no detrimental effect on health. The Act on Foodstuffs makes a distinction between foods and non-food materials like drugs, vitamins and other materials used to prevent illnesses. Among foods, there are those with special additional nutrition, which are foods containing extra amounts of minerals, vitamins, natural antioxidants and their appearance differs from that of usual foods. A recommended maximum quantity for daily consumption is often defined in the case of these products. Different rules on procedure, supply, and advertising are provided for in the case of the above categories. Their availability also differs as drugs can be purchased only in pharmacies while non-drug products and other types of additional nutrition are available in other shops as well.

Pharma Nord was established in 1999 and is wholly owned by the Danish Pharma Nord ApS. Its main activity is foodstuffs wholesale including the supply of additional nutrition items produced by Pharma Nord. It is also entrusted with the promotion of these products through marketing activity. As from 2002, its advertising activity was concentrated in special magazines dealing with lifestyle

and healthcare. Advertisements of the different products in magazines stated the following:

- *Capable of helping pyorrhea, gives back lost energy, effect well documented, supported with scientific research.*
- *"Pain in the joints! Why should we bear the pain if it's not necessary?"*
- *Natural defence against cholesterol, capable of neutralizing the damaging effects of LDL cholesterol, supported by scientific research, increases the lifetime of the heart.*
- *Eases the symptoms of diabetes, reduces the necessity of insulin doses, reduces the desire for sweets.*
- *Provides defence against the damaging effects of sunrays.*
- *"The diet was easy. Nothing extra was to be done, the tablets did it instead of her."*

An information leaflet included phrases like:

- *Q10 energy provider of the body.*
- *"Full-scale scientific documentation." In a study on selenium prepared by a Danish university, this product proved to be the most effective.*
- *"Ocean of Health" In the product the utilization of free fatty acids doubles.*
- *Scientifically documented high bio-utilisation.*

The papers also presented consumers' opinion in the forms of reports. Pharma Nord seemed to be happy with this practice as it has never opposed it.

The procedure was commenced because it was contended that the advertisements suggested that the products were capable of restoring health and of preventing and curing certain illnesses. In another procedure – concluded in the meantime – the Competition Council had established that advertisements of similar products should not state more than the beneficial effects that had been proved scientifically.

In general it could be said about the advertisements of Pharma Nord that they attributed characteristics to the promoted products, which these did not possess or curative effects that did not exist even in the case of drugs. As the statements went further than authorised by the regulator, the advertisements were apt to mislead consumers.

Pharma Nord submitted firstly that the effects were justified and secondly that informed consumers could not be misled through such advertisements. It also submitted that even if the infringement of the Competition Act could be established, its lack of intent to mislead consumers should be taken into account as an attenuating factor. It also invoked the fact that it had turned to the regulator and asked for help in changing advertisements.

The aim of the relevant provisions of the Competition Act is to defend consumers' free choice. This freedom should be more strictly defended in the case of healthcare products the consumption of which directly affected their mental and physical well-being. It should be noted that advertising was not prohibited in this sector. It only became prohibited if it misled consumers. Relying on advertisements was not an illogical behaviour for consumers. The advertiser, if it did not fulfil its duty to inform its consumers about its product, might not blame the consumer for not being

informed enough. The Competition Council considered that in its advertisements Pharma Nord gave the false impression that its products had curative effects.

Fierce competition in the retail sector also resulted in a number of instances of deceptive behaviour. The aim of these advertisements is to acquire an advantage in the face of competitors. As the effect of increased purchases by misled consumers may distort competition, the GVH considers these actions serious.

Deception of consumers by the hypermarket chain, Tesco

The Competition Council imposed a fine of 15 million HUF (60,000 Euro) on Tesco for consumer fraud. In its decision the Competition Council established the advertisements of Tesco were likely to deceive consumers because

- certain advertised cheap products were not available at the shops,
- the consumers had to pay a higher price than indicated in the advertisement,
- the products indicated in the advertisement were only identical to but not the same as those available in the shops,
- the level of the price reduction was demonstrated on a price higher than that applied right before the beginning of the campaign.

Tesco is the market leader retail supplier in Hungary. It has 29 round-the-clock hypermarkets and 27 supermarkets. Seventy per cent of its income derives from the sale of foodstuffs while the remaining thirty per cent is devoted to non-food products. Several proceedings were initiated against Tesco by the GVH and in a number of cases fines were imposed for consumer fraud. In the majority of cases, the infringements were in connection with ongoing campaigns.

Tesco continuously holds campaigns with the content changing every fortnight. It admitted that results of these campaigns contributed to a great extent to its turnover. Consumers are informed about the campaigns in advertising supplements. These advertising supplements constituted offers indicating reduced-price products, as well as own brand and seasonal products. The supplements distributed in Hungary are not identical. This is due to the partly differing size of the shops and the application of different price zones. There are also town-specific messages included.

Other authorities dealing with consumer protection held inspections in many instances and established that the prices indicated in the papers were not applied, the products were temporarily not available or not available at all. There were also complaints that photographs in the papers were taken from products which were not identical to those available in the shops. In many cases Tesco submitted that the differences between the advertised and the actual prices were due to printing mistakes for which it had excluded its responsibility.

Relating to the issue of printing mistakes, the investigator submitted that according to the Act on Advertisements it was the advertiser that bore responsibility for such mistakes. It also found that the activities of Tesco were suitable to deceive consumers. It established that the fact that the level of price reduction had been demonstrated at a price higher than that applied right before the beginning of the

campaign, was deceptive in itself since it reduced the capability of the consumer for making a correct comparison.

Tesco submitted that the methods applied by it were identical to those applied in the UK and Ireland. It also stated that past mistakes were due to the lack of commercial data relating to newly-introduced products. It emphasised that it had done and would do everything to remove all these mistakes and that new systems had been introduced to increase compliance with the relevant legal provisions. A Section for Retail Regulation had been introduced to keep an eye on all amendments to the relevant legal provisions. It submitted that around 600 pages of advertising supplements were printed annually, including more than 8000 offers and the mistakes discovered by the GVH and other authorities constituted only 0.5% of these offers. It stated that it would be against its commercial interest intentionally to commit such infringements since misled consumers would turn to other retailers. Temporal lack of products characterised the whole of the market deriving from improper or delayed transportation or administrative problems. Tesco tried to reduce the possibility of such problems and in order to reduce their amount, a new logistical centre had been established in June 2002 to co-ordinate the supply of Tesco shops. Tesco underlined that it always strived to display the products advertised even if certain difficulties caused delay in the process of their acquisition. It also emphasised the fact that, in the case of tens of thousands of products, there were always some mistakes and this was inevitable for competitors as well. Tesco regulated the process of the fitting together the advertising supplements and the rules established aimed at excluding these mistakes. The prices of products affected by the campaign were checked at the beginning of the campaign by controllers. Overpayments could be reimbursed at the consumer service desk. Methodologies were applied to speed up the correction of incorrect prices indicated on the shelves or uploaded into the software.

Advertisements are the main tools for informing consumers about the existence, availability and characteristics of suppliers, products and services. Gaining consumers through advertisements generally means that competitors lose them. This is the nature of competition: however if the advertisement infringes legal requirements or goes against the fairness of trade, it might drive consumers to make disadvantageous decisions. Deceptive advertisements lead to disturbances on the market.

Advertisements should provide accurate information on the advertised products and services. The aim is to defend consumers' freedom to make their choice without undue influence and therefore to defend competition. In this sense the advertiser's original purpose in the formulation of the advertisement was without significance and only its effect should be analysed. This was underlined by the decision of the court which has established that illegal influence on consumers' decision-making is evidenced through the publication of the deceptive advertisement or with the transmission of any information that is objectively suitable to mislead consumers.

Misleading advertisements were considered more dangerous on markets where the influence of advertisements on consumers was greater. The entry of hypermarkets into the retail market significantly changed consumer habits and the practices applied to influence their decisions. These changes were relevant in the process of competition in two ways. First when the consumer decided in what type of shop s/he wanted to buy a certain good, namely in a hypermarket or in a traditional, smaller

shop. Secondly, when s/he decided to which particular shop to go. Advertisements capable of influencing either of these two decisions should be considered in competition procedures.

Once a consumer decided to go to a certain shop, s/he would not restrict the scope of her/his purchases to the goods advertised. This is supported by the fact that campaigns have a general effect on turnover and not only on the turnover of the advertised products. This means that the campaigns and the way they are organised has a great impact on the management of the hypermarket and the level of this impact also represents its increased responsibility.

The Competition Council considered the following activities of Tesco illegal:

a) Tesco advertised products which were not available in the shops from the very beginning of the campaign. At this point it was irrelevant whether these products had not yet arrived to the particular shops or had just not yet been displayed. The cause of the delay was also irrelevant. The Council considered that the disappointment deriving from the absence of an advertised product did not eliminate the advertisement's effect on competition as the consumer, once being present in the premises would buy other goods.

b) Price was a most important characteristic of a product. Even if false prices were only published in the advertising supplement, and on the shelves the correct ones were displayed, consumer fraud had already been constituted because the advertisement influenced the consumers' decision when they made their choice to buy in that given shop and not in a competitor's one. Tesco's responsibility was not affected by the fact that incorrect prices were published because of printing mistakes. It could not even expressly exclude its responsibility for such mistakes.

c) Tesco infringed the Competition Act when it displayed the photo of a product which differed in significant characteristics from what it really displayed at the premises. Such behaviour was capable of confusing consumers.

d) Tesco had also committed an infringement when comparison of the reduced prices were not made with those which had been applied right before the beginning of the campaign but with other, higher prices. It should be underlined here that from the consumer's point of view, the amount of the available reduction was of great significance.

At the determination of the level of the fine, the Council took into account that Tesco had already infringed the Competition Act several times. The fact that the management of Tesco had been aware of the illegal behaviour was also considered as an aggravating factor by the Council.

II. The role of competition authorities in the formulation and implementation of other policies, e.g. regulatory reform, trade and industrial policies

The Office of Economic Competition was active although not always successfully in its competition advocacy role in 2003. Despite the opposition of the GVH, a legal prohibition on below-cost sale of agricultural products was introduced. A detailed analysis of the pharmaceutical sector was prepared and submitted by the GVH to the relevant authorities. The GVH actively participated in the preparation of the new Act on Telecommunications as well. Few of the recommendations of the GVH were incorporated into the provisions on cable TV. Despite the experience of the GVH, these provisions still do not regulate the supervision of price rises or the unilateral amendments of consumer contracts. After the slow down of the opening-up of the electricity market, the President of the GVH met the head of the regulator and the industrial consumers' organisation. Based on this discussion, and in order to facilitate the further opening-up of the market, in 2004 the GVH conducted a sectoral investigation (an inquiry into the whole of the sector). The GVH also gave its opinion on several pieces of draft legislation.

III. Competition culture

The GVH also put emphasis on the development of competition culture through education, participation at conferences and seminars. Following proceedings initiated against bakers for price-fixing agreements, the bakers' association asked for a seminar on competition law in order to avoid future breaches of law.

The GVH issued four booklets during the year on topical issues like the effects of the accession to the EU or the ways to file a complaint.

A survey on the awareness of different groups of the legislation on competition was conducted in 2003. It surveyed the knowledge of lawyers, journalists, CEOs of undertakings and the public in general. The results would contribute to the determination of the communication strategy of the GVH in the future.

Around 150 articles were published during the year about the activities of the GVH and the number of the professional articles published by the GVH's staff was 14 in 2003. Experts of the GVH held presentations to professional audiences on 52 occasions.

IV. International cooperation

In 2003, the GVH focused on the preparation for the accession to the European Union. The authority participated in the preparatory works made in the European Competition Network ("ECN") and – as an observer – also participated in the work which aimed at finalising the EC Merger Regulation in the Working Group of the Council of the EU.

In the framework of a "twinning-light" project, a co-operation was initiated with the *Bundeskartellamt* aiming at mapping out, on the one hand, its practice *vis-à-vis* oligopolies,

and, on the other hand, its international co-operation practice in EC cases. This cooperation began in 2002 and continued during the first half of 2003.

The GVH participated in the work of the GVHD Competition Committee as well as of the International Competition Network.

The GVH is a founding member authority of the Central European Competition Initiative ("CECI"), an informal regional co-operation of the competition authorities of the Czech Republic, Hungary, Poland, the Slovak Republic and Slovenia. The CECI was established and commenced its activity in 2003. The main objective of the CECI is to foster the member authorities' co-operation in particular cases by creating a regional network of case-handlers through thematic workshops on recent cases. Two CECI workshops were organised by the GVH in the summer and autumn of 2003 dealing respectively with the issues of liberal professions and self-regulation, and with the decentralisation of the EC competition law enforcement. The CECI proved to be fruitful as it was reported in the October 2003 meeting of WP3 [Working Party 3??] of the GVHD Competition Committee.

V. Resources of the competition authority

a) Annual budget:

2000	million HUF	576.4
	million Euro	2.3
2001	million HUF	950.2
	million Euro	3.8
2002	million HUF	1179
	million Euro	4.7
2003	million HUF	1196
	million Euro	4.8

b) Number of employees (persons-years):

2000	**2001**	**2002**	**2003**
104	120	121	120