

The GVH would boost price competition and protect accommodation providers and users in the online booking market

Budapest, 20 October 2023 – The Hungarian Competition Authority (GVH) has closed an accelerated sector inquiry into the domestic online accommodation booking and service market. In its draft report, the Hungarian Competition Authority has made several proposals. These suggestions include getting rid of contract practices that impede price competition and enhancing the ability of accommodation providers to effectively manage mass market issues like those that occurred during the summer. Market players have 30 days to comment on the draft report.

[At the end of August](#) the Hungarian Competition Authority (GVH) has launched an accelerated sector inquiry into the online accommodation booking and service market in Hungary. The launch of the sector inquiry was preceded by a large number of market complaints from the domestic accommodation partners of the most prominent international accommodation intermediary - Booking.com. The GVH's investigation, in addition to a thorough mapping of the problem reported by the accommodation providers, including through dawn raids, also included a detailed analysis of the competitive developments in the relevant markets following the outbreak of the coronavirus and of the contractual terms and practices of accommodation intermediaries that may have an impact on competition between accommodation providers.

The tourism sector is one of the main drivers of the Hungarian economy, accounting for more than a tenth of the country's GDP and providing jobs for around 400,000 people. In order to maintain and stimulate competition in this sector of high economic importance and the competitiveness of domestic operators, the GVH has put forward several legislative proposals in its draft report.

In this context, and following international examples, the GVH proposes to the legislator to prohibit the use of so-called price parity clauses by online accommodation intermediaries. The purpose of the price parity clauses is that accommodation providers - if they want to appear on an accommodation platform - have to commit to the operator of the site that they will not sell their rooms cheaper than the prices they quote online on their own website or on other accommodation platforms. However, according to the GVH's analysis, this hinders effective competition between different sales channels and the commission competition between accommodation intermediaries, which could ultimately result in higher accommodation prices for consumers. The GVH is therefore proposes - like several EU countries such as France, Austria, Italy and Belgium – a complete legal ban on these agreements (which are partly allowed under existing case law).

The GVH also recommends that accommodation intermediaries make the criteria for ranking search results transparent on their platforms. Intermediaries often prioritise accommodation providers who pay them a higher commission - but this is not always made clear to consumers in an understandable and noticeable way. This may put at a disadvantage (at the bottom of the ranking list) those accommodations that would offer lower prices to consumers because of the lower commission rate. Providing clear, understandable, and transparent information on ranking can lead to more informed consumer choices, which stimulates competition between accommodations.

Finally, the Hungarian Competition Authority has also made a proposal on the payment problem affecting a large number of domestic accommodation establishments in the summer, to ensure that accommodation providers can find effective complaint handling and redress solutions in similar situations in the future. The investigation shows that the negotiation and contractual relations between the parties are unequal, so the agreements between them usually contain detailed rules on compensation and legal consequences for the breach of contract by the accommodation providers - but lack these rules on possible failures on the part of the platform. The Authority therefore proposes to consider regulating the framework for the general terms and conditions (and related business practices) of major accommodation intermediaries, with regard to the complaints mechanism open to accommodation providers and the mutual legal consequences of defective performance.

The draft report on the results of the accelerated sector inquiry has been made available for public consultation on the GVH's website. Market participants have 30 days to comment on the content and proposals of the draft report. After the deadline, the Hungarian Competition Authority will publish the report on the outcome of the sector inquiry, a summary of the comments received and, if requested, the full comments on its website. The draft report of the accelerated sector inquiry is available on the GVH website:

https://www.gvh.hu/dontesek/agazati_vizsgalatok_piacelemzesek/agazati_vizsgalatok/jelentes_tervezet-az-online-szallashelyfoglalas-es-a-szallashely-szolgaltatas-hazai-piacan-lefolytatott-gyorsitott-agazati-vizsgalatrol

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