



Direct consumer gains from GVH's activities: a lucrative investment for tax-payers

The Hungarian Competition Authority (Gazdasági Versenyhivatal – GVH) has quantified – at least in part – the benefits of its activities for the economy and society, in other words the financial advantage for consumers.

The ex-ante impact assessment shown below is based on the assumption that without the intervention of the GVH – and therefore the continuance of the infringements and the realisation of mergers leading to a significant lessening of competition – the goods and services concerned would have been more expensive. The benefits gained from the activities of the GVH thus equal the amount of prevented harmful effects that would have occurred without the GVH's activities.

The impact assessment method is relatively easy to adapt and it provides a comprehensive overview. For the quantification methodology the GVH applied the framework developed and used by the leading foreign competition authorities. The starting point is that stronger competition usually leads to lower equilibrium prices. Consequently, conducts which unduly restrict competition and mergers which lead to a significant lessening of competition have the effect of increasing the prices that consumers face. However, if the intervention of the GVH thwarts these conducts and mergers, the above mentioned negative effects do not exist (any more). The benefits achieved from the activities of the GVH thus equal the amount of prevented harmful effects that would have occurred without the GVH's activities.

The result shows that consumers saved at least 58 billion HUF (in 2013 value, approx. 200 million EUR according to the 2013 exchange rate) due to the GVH's competition supervision proceedings terminated between 2008 and 2012 in the field of agreements restricting competition, abuse of dominance and mergers.

The calculated gain is more than 4 times higher than the total budget of the GVH (in the same period). In other words, in the time period concerned the operating expenses of the GVH have paid off multiple times through these proceedings alone.

The assessment is limited to static and direct gains, and does not include – among other things – the gains achieved from consumer protection proceedings, the deterrence effect of proceedings, or the more widely interpreted gains, such as the competitiveness enhancing effect of competition. Consequently, the actual amount saved probably exceeds the figure shown here, and may even be several times higher.

If the calculation relied on default values included by the recently published OECD guide, (“Guide for assessing the impact of competition authorities' activities” (April 2014) <http://www.oecd.org/daf/competition/guide-impact-assessment-competition->

activities.htm) the quantified benefit of the GVH's activities would be about 80 billion HUF (in 2013 value, approx. 270 million EUR according to the 2013 exchange rate).

Fair competition results in clean profit both for undertakings and for society. Consequently, the GVH is continuously working to improve competition culture and the social acceptance of competition among consumers and companies (especially SMEs) in Hungary. For this purpose the GVH has created a website (<http://www.megfeleles.hu/en/>) to inform economic operators of competition regulations so they can perform better in competition and also comply better with competition law.

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