



GAZDASÁGI
VERSENYHIVATAL

Low cost airlines fined by the GVH

The Hungarian Competition Authority (GVH) imposed a fine of HUF 10 million each (approx. EUR 33 thousand) on two low cost airlines. Sky Europe and Ryanair deceived consumers by concealing that besides the ticket price several additional costs had to be paid in order to be able to travel.

The GVH initiated a proceeding against Sky Europe Airlines in September 2007. In its ads published in 2007 the low cost airline offered tickets for exclusively favourable prices (HUF 1-3490). In the course of the investigation the GVH considered many different aspects of the ads. On the one hand, it examined whether the ads contained false statements, on the other hand, whether they concealed essential information. According to the GVH, when choosing between different airline tickets, consumers consider the price of the tickets as the most important factor. Customers mean by the price of a ticket the total amount of the costs they have to pay in order to buy the ticket. The information provided by Sky Europe on the fees the airline charges for its own services does not have any relevance to them, since they can only get these services if they also pay the additional costs (airport fee, payment handling fees etc.).

In its proceeding the GVH established that Sky Europe separated the different cost elements in its ads. The net basic tariffs were highlighted in the ads, however, in the small printed section it was indicated that the highlighted tariff did not contain the airport fee. It was also revealed that the tariff did not cover the service fee and the debit card charge, although consumers have to bear these costs indispensably. The GVH also established that Sky Europe did not indicate in any of its ads that a service fee was linked to ticket purchasing. Consumers were not informed about the debit card charge either; consumers who were used to arranging their payments by card could not be expected to calculate upon a debit card charge relating to the purchasing of airline tickets.

In its online ads Sky Europe promised to the consumers 30-50% rebates from its tickets several times. However, the air carrier failed to prove during the investigation that it has ever applied the prices concerned by the huge rebates promised in the ads.

In the view of the GVH, concealing that customers have to pay additional costs besides the price advertised in order to be able to travel, is to be deemed as a deception of consumers. Sky Europe also promised fictional rebates in some of its ads, which was also capable of deceiving consumers. On the grounds of all the above mentioned, the competition authority imposed a fine of HUF 10 million (approx. EUR 33 000) on the airline. When determining the amount of the fine the GVH considered as an aggravating circumstance, that the deceptive ads reached a targeted group of consumers, most of the ads investigated contained infringements and the misleading information was available for a whole year. However,

consumers had the possibility to request for proper information, which proved to be a mitigating circumstance.

In March 2008, a competition supervision proceeding was initiated against Ryanair Ltd for the same reasons. The air carrier also offered airline tickets for discount prices (HUF 3 + airport fee) in 2007.

Ryanair did not mention in its ads the so-called extra services and the costs relating to them, like the baggage surcharge and airport check-in fee. According to the business policy of the undertaking, the costs of these services are considered to be extra fees to be paid by consumers, since consumers are granted the choice whether to buy these services or not. Whereas, passengers who have baggage to check in have to pay both for the airport check-in fee and the baggage fee.

Journeys via airplane usually cover longer distances, thus the consumer demand for carrying the necessary luggage is typically connected to this service. This demand may vary according to the different consumer groups. Business consumers travelling usually for a shorter period of time may only have a demand for a minimum-size luggage, while tourists in most cases carry a larger luggage. Check-in is obviously a necessary part of the flight for all of the passengers, since if one has baggage to check in, the baggage must be put on a scale at the check-in desk and will also be labelled there.

In the investigated period and prior to it, as a customary business practice of airlines, the possibility of carrying a pre-determined size baggage and the check-in at the airport - as a kind of "normal" demand - constituted a part of the basic service. Market players applied extra fees only in the case of extra luggage exceeding the normal size. Based on that, in the investigated period - in 2007 - the possibility of checking-in a normal size baggage and the check-in service before the takeoff were considered basic services closely related to air transport services. Therefore, the undertaking should have indicated with due emphasis in the ads and in the communication campaign that its business policy differs from customary commercial practices. Pursuant to all the above mentioned, the GVH did not accept Ryanair claiming that most passengers are travelling only with cabin baggage, thus the lack of warning with respect to the luggage surcharge cannot be misleading.

The fact that the ticket prices did not include the airport fee was only indicated by Ryanair in the small printed section of the ads. None of the ads mentioned that customers paying with credit card were debited a surcharge. Ryanair promised its customers buying airline tickets rebates amounting to 50-75% in several ads. By determining the price concerned by the rebates, Ryanair only took into account the lowest net price applied directly prior to the publication of the advertisement, thus the promised discount was actually applied only with respect to one part of the ticket price, it did not concern further cost elements.

Consumers identify the price of an airline ticket with the amount they actually have to pay in order to reach their destination, thus the ads of Ryanair were eligible for the deception of consumers. The GVH imposed a fine of HUF 10 million (approx. EUR 33 000) on the airline for the infringement. By calculating the amount of the fine it was considered as an aggravating circumstance, that all ads published by Ryanair during its extensive, long lasting marketing practice contained unlawful statements. At the same time, consumers had the possibility to learn the exact conditions before purchasing, which was considered to be a mitigating circumstance.

Case-number: **Vj-144/2007, Vj-35/2008.**

Budapest, 17 September 2009

Further information:

András Mihálovits

Hungarian Competition Authority

Address: 1054 Budapest, V., Alkotmány u.5.

Postal address: 1245 Budapest, 5. POB. 1036

email: Mihalovits.Andras@gvh.hu

<http://www.gvh.hu>