

HUNGARY

Annual Report on Consumer Policy Developments 2001

I. Institutional developments

1. General Inspectorate for Consumer Protection (GICP) and the County Inspectorates

The implementation of the New Approach Directives requires free movement of goods on the one hand and product safety on the other, i.e. the protection of users' health, life, and safety at high levels. It is essential in this context to operate an effective market surveillance system that also functions as a key vehicle for enforcing consumers' interests.

Hungary's market surveillance duties are fulfilled by the agencies directed by the Ministry of Economic Affairs and a number of other Ministries (including the Ministry of Agriculture and Regional Development, Ministry of Finances, Ministry of the Environment, Ministry of Health, Ministry of Transport and Water Management).

Act CLV of 1997 on Consumer Protection delegates the management of market surveillance activities to the General Inspectorate for Consumer Protection (GICP), in conjunction with other market surveillance authorities.

The system of public institutions in charge of consumer protection – along with the responsibilities of the GICP – is defined by the Act on Consumer Protection and other related statutes. By virtue of the authorization granted under this Act, Government Decree 79/1998 (IV.29.) on the safety of products and services and the related market surveillance procedures, and Government Decree 89/1998 (V.8.) on the organization, responsibilities and powers of the General Inspectorate for Consumer Protection regulate the market surveillance activity of the GICP.

Government Resolution 1036/1999 (IV.21.) on medium-term consumer protection policy attaches priority to the operation of a strong public institutional system for market surveillance and the modernisation of surveillance.

In order to strengthen its market surveillance activity the GICP has applied repeatedly for PHARE funding. Using PHARE and Hungarian central budget funds, the GICP completed in 2001 the purchase and installation of the equipment originally planned under the projects COP'96, COP'97 and COP'98. The modern high quality equipment installed in the Food and Chemical Laboratories contributed to their accreditation by the National Accreditation Board in 2000. After equipping the technical laboratory and calibrating the instruments, preparations for accreditation began.

The twinning project under the COP 98 programme – implemented with the participation of U.K. experts – ended July 2001. The GICP Market Surveillance Strategy was developed and discussed as a result of the project. The related proposals were also used by the Ministry of Economic Affairs when elaborating its Market Surveillance Strategy. The foreign experts invited in the framework of the twinning programme held presentations and training courses for the market surveillance partner agencies, GICP officials, regional inspectors, and the representatives of regional/local enterprises in order to facilitate the implementation of community directives in our country.

The Central Market Surveillance Information System (CMSIS) prescribed by Govt Decree 79/1998 (IV.29.) – which serves as the legal foundation for the market surveillance procedure – is coordinated and managed by the GICP. The human and technical resources required for the operation of the system were implemented as a result of the PHARE programmes. The GICP and the county inspectorates completed the installation of computers, implemented the systems, and trained the inspectors.

The CMSIS software was developed after an amendment to the contract with the supplier, then system acceptance took place, and the system went live September 7, 2001. The CMSIS began to operate in a systematic fashion. The CMSIS needs a two-way connection with the market surveillance inspection agencies in order to collect information about dangerous (non-compliant) products and services. Therefore, the GICP signed co-operation agreements with 14 agencies that provide information about such products. An outstanding agreement in this context is the one between the General Inspectorate for Consumer Protection and the National Headquarters of the Customs and Finance Guard, since that was the basis on which the two agencies began preparations in line with Council Regulation 339/39/EEC to control through an exchange of information between the GICP and the customs agencies the conformity with the rules of product safety in the case of products imported from third countries.

The CMSIS also represents the link to the EU RAPEX system. Through the exchange of information, the CMSIS is closely linked to the **TRAPEX (Transitional Rapid Information Exchange System on Dangerous Products)**, whose Co-ordination Secretariat operates out of the GICP facilities in Budapest. The system set up by 12 – mostly Central European – candidate countries is now in accordance with the EU requirements considering both its operating principles and database content, which ensures the identification of dangerous products and services. The representatives of the countries participating in the system attend regular annual meetings to exchange information personally and receive continued training in a workshop supported by TAIEX and organised by the Co-ordination Secretariat in Budapest. During the meeting of March 2001, the online system developed by the GICP was presented. In addition, the participants agreed to extend the system to foodstuffs, beyond the earlier scope of mostly industrial products. The TRAPEX on-line system has been up and running since September, and the TRAPEX web site (www.trapex.net) was also completed.

The growing number of participating countries from year to year and the intensifying activities of the participants demonstrate the success of the TRAPEX system. Over 90 notifications were circulated in 2000 and the partner authorities in other countries responded in 29 cases that they had found the dangerous product in question in their own market. The number of notifications grew to 152 in 2001. 142 of these related to industrial products, and 10 concerned foodstuffs. The number of reports in Hungary was 94. These reports reached the TRAPEX system via the CMSIS. 25 positive responses were received in 2001, i.e. the other countries identified the dangerous products based on the warnings and withdrew them from circulation. It should be noted that the GICP received 4 indirect alerts during the year from the RAPEX system concerning dangerous foodstuffs, and forwarded them to TRAPEX members.

The priority attached to food safety tasks led the GICP last year to establish the Food Safety Council with the participation of experts from the GICP and the county inspectorates.

2. Civil organisations(NGO's)

In 2001, the national and EU policy for consumer protection, the situation of the Hungarian economy and in this context the present state of consumers and consumer protection required from the National

Association for Consumer Protection in Hungary (NACPH) a conscious, powerful, well organised activity co-ordinated with the other consumer protection organisations.

The NACPH's tasks were determined with knowledge of the situation of home consumer protection and social requirements as well as in light of the aims that had been indicated by the Government's conception on consumer protection, stipulated by the Act on consumer protection and those set out by the EU consumer protection policies.

From the point of view of the development of consumer protection it is essential to consider, how and by what efficiency the institutional system of consumer protection would be able to further settling of consumer concerns.

For the past few years the National Association for Consumer Protection in Hungary (NACPH) has shown a remarkable progress. Owing to this fact it has now been able to play a significant role in the civil sphere of consumer protection and by its results it has also contributed to the entirety of the national consumer protection's development.

The institutional development was also furthered by the fact that the NACPH could reckon on a financial support granted by the State and in addition it also obtained certain amounts for various projects of other sources, thus, by a strict budget it could cover its basic activities.

The advisory network of the NACPH has been successfully operating for several years. The main target in the past few years has been to develop the network quantitatively, and the NACPH has increased the number of its advisory offices, accordingly. In 2001 – in view of the changes in content elements of consumer protection activity as well as of the changing consumer demands – the qualitative advisory activity was stressed.

In Budapest, in the central advisory office of the NACPH there has been introduced a specialised advisory activity for settling of consumer complaints deriving from financial, insurance and public utility services. There has remarkably increased the number of consumers that have applied to the NACPH's offices for advice, in order to avert developing of any complaints later on. The NACPH has been in a position to meet these consumer demands in addition to verbal advising by its information systems and publications, by means of e-communication as well.

II. Product safety

1. General Inspectorate for Consumer Protection and the County Inspectorates

The economic and social challenges in the last decade and the impetus of the European Union accession process imposed new tasks on consumer protection activities. The new legislation that resulted from the legal approximation process reinforced and extended the GICP's market surveillance and inspection powers. Hungary has hundreds of statutes today that prescribe inspection obligations in the area of consumer protection.

The General Inspectorate for Consumer Protection performs professional control over the 20 county inspectorates. The county inspectorates perform their market surveillance tasks partly within the National Inspection Program framework, and partly in the form of inspections based on local initiatives that match the region's features, facilities, and requirements. The number of nationwide inspections declined last year, while the number of inspections geared to the local requirements grew.

The top priorities in market surveillance were product safety inspections, and inspections focusing on wholesalers and major distributors. All the inspection themes included retail outlets in major shopping malls. Market surveillance became more product-specific. The theme inspections were invariably combined with sampling and laboratory tests, a review of the content and the professional aspects of conformity declarations and technical documentation, and action was taken to end the circulation of unsafe products.

There was a major increase in the number of product prohibitions over the previous year: 127 products were banned in 2001 for reasons of safety, versus 73 in 2000. As a result of the GICP's market surveillance work, the distributors in a number of cases voluntarily recalled the products regarding which the General Inspectorate issued a safety warning.

a.) Safety inspections of technical products

The market surveillance inspections of technical products began partly on the basis of non-compliance reports, and partly in the framework of individual spot inspections. There is still no improvement with regard to the proportion of suspicious products, since a great part of the inspected products still lack a declaration of conformity and supporting documentation as specified by the Ministry of Industry and Trade Decree 79/1997 (XII. 31.) on the safety requirements of certain electrical products and conformity assessment.

In addition to the above, the inspectors found several problems with the existing documentation. The typical problems include

- incomplete declarations of conformity (where the name and address of the responsible person cannot be identified, none or only some of the standards are listed against which the product was tested),
- incomplete technical documentation containing only some short tests,
- documentation inapplicable to the inspected product.

All in all, 166 technical appliances were sampled and tested in 2001. Sampling activities targeted places where dubious products were suspected. The laboratory tests found that 69 products posed a threat of electric shock or fire or both, so a nationwide prohibition was imposed on these products in 2001. The required administrative proceedings are still underway in the case of 11 appliances.

b.) Safety inspections of toys

The highlights in this field last year were the inspections concerning the conditions of selling toys, compliance with the requirements of the joint Ministry of Industry and Trade – Ministry of Welfare Decree 24/1998 (IV. 29.) on the safety requirements, testing, and certification of children's toys, and inspections to establish the degree to which domestic manufacturers and distributors complied with the certification requirements.

The inspection of construction toys, plastic dolls, toys packaged and sold with chocolate Santa Clause figures, and toys marketed in 100-Forint Shops (i.e. Pound Shops) found a major improvement in conformity markings, while information and warnings in Hungarian were more often absent or incorrect. The inspections revealed that the wood construction toys found to be dangerous most frequently posed a threat because of insufficient saliva resistance and above-limit heavy metal ion levels in the paints. Manufacturers also used slightly toxic softeners in the PVC raw material of the dolls, and some dolls contained more of the authorised softener than permissible.

Relatively many plastic airguns and rifles of Chinese origin, and swings of especially Hungarian origin were inspected during the year. The inspections often ended in a prohibition. The reason for prohibiting shooting toys was that the pellets had a higher-than-permitted impetus. This makes the toys dangerous, since they can cause eye injuries and other damage. Action against swings was taken on grounds that their weak suspension ropes made them unsafe and the paint resolved on contact with saliva rendered them hazardous to health.

42 (22 Chinese and 20 Hungarian) of the 87 toys (62 of Chinese and 25 of Hungarian origin) tested in 2001 failed the laboratory safety test. As a result of action by the GICP the manufacturers and importers voluntarily recalled 17 dangerous toys that threatened safety or health. The manufacturers of 8 Hungarian toys changed the production technology and now only make safe toys. The county inspectorates banned the sale of 18 dangerous toys, and 7 products are still involved in the administrative proceedings.

c.) Safety inspections of foodstuffs and food industrial products

A priority in laboratory food tests in 2001 was to check the microbiological characteristics, in addition to composition. The GICP was the only inspection agency to check the irradiation levels of herbs, spices, and tea, and whether the ionisation treatment of foodstuffs was properly indicated.

Laboratory tests of milk – a staple food product – also looked at protein content, which need not even be indicated or labelled, in addition to the generally prescribed quality aspects.

The General Inspectorate established the Food Safety Council for consistency in inspections and the co-ordination of action against irregularity. The experts of the General Inspectorate and county inspectorates actively participated in this effort, as a result of which the food safety checklist of the network was prepared, and will become compulsory for regional inspectors as of 2002.

Below, there are some of the major themes inspected last year:

Pre-packaged meat inspections

Due to the unfavourable findings in the previous year, the inspectors repeated the microbiological conformity inspections of pre-packaged meat and processed meat in retail outlets. A total of 40 samples were tested, 62.5% (25 samples) of which failed. 17.5% of the samples were found to contain salmonella bacteria. The findings were invariably reported to the competent regional veterinary and food control stations, with requests for immediate action.

Laboratory testing of bottled beer

A total of 50 samples from 7 brewers were tested in the laboratory. 68% (34 samples) failed the test, typically because of inadequate labelling. The shortcomings related to the use of the term “quality” in the product designation, and the ambiguous indication of shelf life.

Inspection of herbs, spices, and tea

The purpose of the laboratory test was basically to check the irradiation level of these products. A total of 40 samples (14 herbs, 16 spices, and 10 tea samples) from 12 manufacturers or distributors were tested. 75% of the samples (30 products) were found not to comply with the requirements. Undisclosed ionisation treatment was identified in 1 sample. Most of the shortcomings (62.5%) were related to labelling. The proportion of microbiological deficiencies was also high (27.5%).

Consumer protection inspections of meat and processed meat in wholesale and retail outlets

The purpose of the inspection was to check whether the circumstances of meat and processed meat marketing had changed for the better as a result of the actions and proceedings of the authorities following the unfavourable findings in the past. The inspection also included laboratory tests of liver paste products, which belong in the spreadable processed meat category. During the investigation, action had to be taken in 68.8% of 766 outlets on account of certain irregularities. Again, the conclusion was that the traders only enforced quality requirements in major outlets and only on an ad hoc basis. Traders do not pay enough attention to compliance with shelf life and/or best before dates, and unauthorised sale of pre-minced meat was detected in several cases.

60 samples produced in 13 food processing facilities were tested, while only the distributor could be identified in two cases. 28.3% of the samples failed the test, overwhelmingly because of labelling problems.

d.) Laboratory product safety tests

The GICP implemented two European class laboratories using PHARE funds and its own investment, both of which laboratories are among Hungary’s top-of-the-range facilities in terms of infrastructure and expert staff. The purpose of upgrading the laboratories was to ensure the technical test environment for market surveillance. The laboratories performed 19,275 tests in total in 2001, 58% of which concerned product safety.

Food chemical laboratory

The Food and Chemical Laboratory accredited by the National Accreditation Board was inaugurated in a ceremony in March 2001, along with the Mechanical and Electric Laboratory. The laboratory is engaged in the testing of foodstuffs, catering and tobacco products, cosmetics, household chemicals, paint and varnishes, plastic foils, children’s toys, and household utensils. The Food and Chemical Laboratory performed a total of 15,819 tests in 2001.

Mechanical and Electric Laboratory

As a result of the development project, the modern instruments and tools installed in the laboratory and the qualified professionals guarantee that electric safety, safety technology, quality, and CE marking adequacy tests are performed in accordance with the European Union requirements as specified by the

EN and harmonised national standards. The instruments and tools commissioned are suitable for the performance of safety tests according to the New Approach Directives (LVD, machines, toys).

The laboratory is engaged in the testing of household appliances, motor-driven and heating devices, machines, plugs and sockets, electric hand tools, direct tools, children's toys, outdoor and indoor floor tiles, roof tiles, eating crockery and chinaware, and household utensils. The laboratory is in the process of preparing for accreditation to test electrical products and children's toys for safety. The Mechanical and Electric Laboratory performed a total of 3,456 tests in 2001.

2. Designation and conformity assessment

The Protocol to the Europe Agreement on Conformity Assessment and Acceptance of Industrial Products (PECA) entered into force on 1 June 2001 between Hungary and the EU. The agreement covers industrial sectors regulated by the EC directives on machinery, electrical safety, electromagnetic compatibility, hot-water boilers, gas appliances, medical devices, GLP and GMP for medicinal products which were harmonised by three interested ministries in Hungary. The Ministry of Economic Affairs, as the horizontal co-ordinator, has managed to start market surveillance in the field of PECA sectors by the respective market surveillance authorities. A co-operation between the interested parties has been established, it involves the notified bodies designated for testing, certification and inspection in the PECA fields. Since the entering into force the PECA has not produced any problem, works well.

Designation

Fulfilling its duties according to the PECA agreement which entered into force on 1st June 2001, in 2001 the Ministry of Economic Affairs amended Decree no. 4/1999 (II. 24.) GM on the detailed rules of designation the organisations of testing, inspection and certification the conformity of technical products by Decree no. 26/2001 (X.4.) GM.

In 2001 the Designation Committee of the Ministry of Economic Affairs:

- issued 6 designation certificates for 5 applying bodies,
- notified 3 already designated bodies to the Committee in Brussels for those areas figuring in the annex of the PECA agreement which are in the competence of the Ministry of Economic Affairs,
- on the website of the Ministry of Economic Affairs it publishes up-to-date information on designation and designated bodies.

By the end of 2001 the Designation Committee issued 46 certificates for 20 bodies by 13 decrees.

Legal activity

Regulations introduced in 2001 are the following:

- Amendment of act no. XLV. of 1991 on metrology and that of Government Decree no. 127/1991. (X.9.) implementing this act by harmonisation of Directive 1999/103/EC amending Council Directive 80/181/EEC on units of measurement.
- Decree no. 6/2001. (III. 19.) GM on measuring instruments and methods of metrological control by harmonisation of Directive 71/316/EEC.
- Decree no. 9/2001. (IV.5.) GM on the safety requirements related to and the conformity assessment of pressure equipment and assemblies by harmonisation of Directives 97/23/EC and 87/404/EEC.

- Amendment of act XXVIII. of 1995 on national standardisation – in order to terminate obligatory application of standards.

Institution building

In the middle of 2001 the Swedish-Hungarian twinning programme in the field of New Approach Directives/conformity assessment (COP'98 project) ended. The Hungarian conformity assessment system was mapped, seminars, workshops, consultations and study-tours were organised during the programme.

III. Protection of the economic interests of consumers

1. General Inspectorate for Consumer Protection and the County Inspectorates

The GICP's market surveillance identified the following changes in trends in the area of services.

The number of unlicensed **tour operators** declined slightly from the previous year. Typically, a number of service providers are either not sufficiently familiar with the applicable laws and regulations or just ignore them. Most of the deficiencies were related to registered tour operators not reporting their branch offices and inadequately using registration numbers.

Most of the irregularities identified in **accommodation facilities** are still related to breaches of information disclosure obligations, and discrepancies between licensed and actual operations. Almost half of the accommodation facilities inspected during the year still failed to comply with accommodation classification statutes.

The inspection of **passenger taxi** services found a lower number of offenders than in previous years, but the number of complaints remained high, with a decisive portion coming from foreign citizens. A major part of these, however, could not be reconstructed and/or investigated in the absence of identification data.

Most of the irregularities in the catering trade were still related to prices and their application, certificates of product origin, and foodstuffs. The most frequently breached regulations related to the acceptance, storage, and processing of foodstuffs, with special regard to the irregular freezing of semi-finished meals, and the unmarked non-airtight packaging of authorised frozen foodstuffs.

Another comprehensive inspection was carried out again last year with regard to the services of the catering outlets highlighted by the United States Embassy in the 5th District of Budapest. No breach of operating regulations was detected in these closely scrutinised establishments. In fact, there were signs in five languages advising guests to check the prices in the menu before they ordered food or drinks.

A special segment of market surveillance includes regular inspections **in fairs and marketplaces** throughout the year, as a result of which the number of offences declined further in 2001. While 79 inspections out of 100 detected some irregularities in 1999, the number came down to 59 last year. The sale of import confectionery products and cosmetics declined to a bare minimum as opposed to previous years. The reason is that the merchants can't compete with the price promotions of shopping malls, which are increasingly accessible to all customers. A major part of the merchandise sold in fairs and marketplaces is light industry products imported from the Far East. The merchants selling these goods are generally unable to certify their origin in a credible manner.

The inspections in the area of **financial services**, and the feed-back from consumers indicate that complaints about this type of service typically relate to the institutions unilaterally altering contracts, leaving clients to find out about the changes on the spot from notices posted in customer service outlets. Other complaints concerned the steady rise in service charges (e.g. account maintenance fees, transaction fees, closing fees, etc.). Financial institutions still often charge a contract modification fee if the client pays off a loan before maturity.

The inspection of **insurance services** focused on the insurers' customer care, complaint management, and information delivery. A survey was conducted on the insurers' customer care activities. The findings of the survey were used in a set of guidelines prepared jointly by the State Supervision of Financial Institutions and the GICP, and issued by the Supervision authority to the service providers. The guidelines sought to promote the effectiveness of information delivery to the clients using the services.

The typical deficiencies in the area of **time sharing** arrangements were related to the service providers charging unjustified fees, declining refunds, or playing for time with promises. We can conclude on the basis of consumer complaints that the service providers' business practices, and especially the incomplete information supplied to the consumers, make it impossible for consumers of average skills to make safe and rational decisions concerning the purchase of the right to use a valuable property. The service providers selling these arrangements do not fully comply with the applicable consumer protection guarantees specified by the relevant government decree.

A large number of complaints have been received for years concerning the organisation and operation of **consumer groups (consumer clubs)**, caused by aggressive acquisition techniques and incomplete, often misleading information. The Government Decree 186/2001 (X. 11.) on the organisation and operation of, and the terms and conditions applicable to, such arrangements has been published and will become effective as of January 1, 2003.

Consumer complaints regarding **mail order services (distance selling)** typically relate to the delivery of unsolicited goods, the service providers' inaccurate data registration, invoices sent as a result of advertising materials that are difficult to understand, no refunds for products returned within the deadline specified by law, and damage claims concerning mail delivery. The inspections established that, although these deficiencies persist, their numbers had been declining year after year.

There are major ongoing changes in all **public utility services** in terms of regulation and contracts between the consumers and the utilities. The consumer complaints relate to the annual and quarterly meter reading regimes implemented by certain **power companies**. The cause of the problem was that consumers had been inadequately informed about the change in the utility billing system. The consumers complained about weaknesses in the implemented billing system. The difficulties in **distance heating services** were related to the implementation of meter-based settlement. The process will continue for another two years, and a positive change may result from informing consumers about the way financial liabilities will be shared. The complaints regarding **public water and sewage utilities** concern branch water meter contracts, billing, meter accuracy, and the flat rates that have been introduced in a growing number of places. The problems with sewage services were related to the new rate-sharing contracts and the administrative billing fee charged on that basis.

In order to resolve these complaints, the GICP proceeded in the matter in conjunction with the Economic Competition Office, and co-ordinated its position with the Lord Mayor's Office of Budapest

regarding an amendment to the terms and conditions of the utility contracts. This may help make the special terms and conditions of the contracts both clear and acceptable for consumers.

The findings of inspections concerning compliance with the **customer service** provisions of Act CLV of 1997 on Consumer Protection proved that both call centres and traditional customer care offices were required in combination to satisfy consumers' needs fully.

The Hungarian **telecommunications market** had an infrastructure-based service monopoly in the past, which was replaced by a concession-based public service system that created competition. The General Inspectorate took an active part in the legislative process, as a result of which it received stronger consumer protection powers – especially regarding the submission of codes of conduct for comments, and interference with complaint management in customer care. The General Inspectorate for Communications (GIC) and the GICP regularly commented on the telecommunications service providers' codes of conduct and their amendments.

Regarding premium rate **land-line telecommunications services**, complaints generally ended in the customer's favour whenever the GICP took up the matter with the service provider. On the other hand, if the complainant contacts the service provider directly the complaint is often rejected without a thorough investigation. A large number of complaints are submitted concerning the use of ISDN/Internet services, due to the service providers' failure to live up their information delivery obligations in an effective way.

The phenomenon of carving up the marketplace is most apparent in the market for **cable TV services**, as the market gets divided between the big two and smaller service providers. Consumer complaints relate primarily to the rates and increases, as well as the definition of programme packages, but some complaints also concern the terms and conditions of the customer contracts and the quality of service.

The key problem regarding **Internet services** is due to the incomplete information delivered via the service providers' web sites to the consumers. This deficiency also leads to many complaints about overcharging.

The consumer protection inspections during the **high tourist season** were conducted in a nationwide framework. The inspectors checked 5,165 outlets during the high season, and found irregular operating and sales conditions in half of them (2,755). The inspectors found most of the breaches in food outlets and in the operating conditions of amusement parks, while they saw improvement in catering outlets, taxis, and tour operators. Breach of sales regulations was the typical problem in the above areas, with especially high incidence rates for incomplete pricing information, breach of accounting rules, and violation of food safety and hygiene requirements.

A nationwide inspection was conducted into the circumstances of the provision and use of **IT services**, and the service providers' compliance with applicable requirements. Concerning **telecommunications service providers**, the inspection found that they all had proper operating conditions, service licenses, and approved codes of conduct, and the terms and conditions of their contracts were in accordance with the law. Violations were detected, however, in the practical implementation of the law, primarily due to deficiencies in contracting and complaint management.

In relation to the activities of **cable programme distributors and Internet Service Providers**, the General Inspectorate detected several profound shortcomings and grave breaches among the service providers inspected. These included unlicensed operation, the absence of a code of conduct, and the use

of unfair contractual terms and conditions with large numbers of consumers, thereby harming the interests of the general public. Binding administrative decisions were issued and consumer protection fines were imposed in these cases. In the gravest case, even the possibility of public prosecution was raised. The customer service offices of the service providers operated lawfully, with a few exceptions. The breaches in this context were due to the lack of adequate information, which the service providers remedied after the General Inspectorate took action. The typical complaints about these two services concerned technical matters and billing. The service providers resolve the former quickly within the deadline, and in the case of disputes, our inspectorates involve the communications authority and adopt effective decisions to enforce the consumers' rights. A major part of the billing complaints are due to the lack of information on the consumers' part, one of the reasons for which is, however, the service providers' inadequate supply of information.

2. Civil organisations (NGO's)

Within the institutional system of consumer protection, it is the right of the civil organisations and – on the basis of their commitment – also their obligation to represent consumer communities in protection of consumers' rights and economic interests and to fulfil the tasks relating to enforcement of collective rights.

Nowadays in Hungary, the most sensitive and critical area from the point of view of consumer protection is the field of public utilities, where consumers have to grapple with more and more problems. The specific home circumstances, the relationship between service providers and consumers, the poor preparedness of consumers and the unfavourable attitude of service providers – all these facts make the situation of consumer protection more and more difficult. The NACPH has made considerable efforts to improve the situation, for several years and there has also been some improvement ad interim, however, no permanent success in the long run would be perceivable.

Performance of the scheduled tasks had meant for the NACPH a serious challenge, namely, it tried to achieve results on such territories, where it would be impossible to proceed without the positive attitude of the partners – the public utility companies. In general the NACPH has to admit with regret that the positive attitude of the partners has been missing. What is more, the NACPH met a stiff resistance on behalf of the public utility providers in cases where it intended to enforce basic consumer rights or economic interests. It seems that strengthening of the public utility providers' resistance would be parallel to that of the civil consumer protection.

That kind of public utility providers' attitude is hardly to understand, from several points of view. Under the market economic circumstances it is unimaginable that the one market partner involved – in the present case the public utility provider – has a significant and unjustified superior strength in comparison with the other market partner, the consumer. It is also an unacceptable fact that consumers and civil organisations representing them are not treated by the public utility providers as equal, their objections, proposals for solution are considered as attacks, and the consumers rights and interests are peculiarly interpreted by them.

Despite of all endeavours of the NACPH there has not been any considerable proceeding either in the activity for enforcing interests or for reporting on setting the official prices for local public utility services. The Association has had the sad experience that the EU-principle of giving preference to the weaker party hasn't even got across in judicial proceedings.

There is a much more favourable situation in the area of financial and insurance services, where the NACPH's activity for representing and enforcing interests has been successful despite of the fact that it

has only started a few years ago. However, as regards representation of interests in the field of agriculture and food industry, it seems to be more and more difficult, due to problems relating to – on the one hand – home concerns and – on the other hand – food safety.

Supporting to the existing civil organisations and to the creation of new efficiently ones for consumer protection, the Government supports these organisations with 73.4 million HUF in 2001. They got 43.4 million HUF from the central budget, 30 million HUF from the Consumer Protection Fine.

IV. Consumer education and information

1. General Inspectorate for Consumer Protection and the County Inspectorates

a.) Consumer information

Keeping consumers informed is a prioritised activity of the General Inspectorate for Consumer Protection. A press office unit within the GICP organisation is in charge of organising both the external and internal flow of information. The media/PR work in 2001 made the daily working relationship and two-way information exchange with printed and electronic media even more organised and regular. This applies to the relationship with the staff of some 150 nationwide and county dailies, weeklies, monthlies, and periodicals, as well as public service and commercial radio and TV stations, Internet networks, and news agencies. Co-operation is also effective with the county inspectorates, the institutions with nationwide powers, partner agencies, the chambers, and the press departments of nationwide interest representation organisations. A focal point in dissemination efforts during the year was the 10th jubilee of the birth of consumer protection in the form of an enforcement agency.

The GICP published several documents last year again, in order to keep consumers informed, including a “Consumer Protection Quiz”; “Useful Advice for Textile Merchants and Consumers”; “Useful Advice for Footwear Retailers and Consumers”; “Information for Tourists” in English and German; flyers titled “Important Information about Floor Tiles”, “Important Information about Foodstuffs”, insurance postcards with consumer protection information – with a combined circulation of 140,000.

The General Inspectorate’s journal “**Consumer Protection**” also serves to inform the public and the customers. This monthly publication (consisting of black and white and colour sections) has a circulation of 10-11 thousand, and is distributed to the county inspectorates, the countryside offices of the National Association for Consumer Protection, the agencies with nationwide powers, parliamentary political parties, all municipal governments in Hungary, the chambers, interest representation organisations, partner agencies, as well as quality certification and higher education institutes. The journal consists of bulletins, with nearly a thousand pieces of information contributing to the effectiveness of the consumer protection officials’ work. County visits by the editorial staff and discussions with local experts and consumers helped renew the journal as of 2002 in terms of both form and content.

The GICP web site at www.fvf.hu - which is under constant development – goes a long way toward keeping consumers up-to-date. As a result of improvements, the web pages download faster, and the range of available content services has been enhanced. A growing number of consumers benefit from the opportunity to submit electronic complaints via the web site. Since the GICP was awarded a contract in an application scheme by the IT Commissioner’s Office at the Prime Minister’s Office, the GICP launched a consumer protection forum on the Internet titled “Customer Chat” in the 4th quarter of 2001.

b.) Education of consumer protection knowledge

General Inspectorate staff train students in high schools and colleges, they hold training courses, and participate in the development of course books. For three years, GICP staff have taught undergraduate consumer protection disciplines at the Ergonomics Department of the Budapest University of Technical and Economic Sciences, the Budapest College of Economics, and have held postgraduate courses at the Budapest University of Economic Sciences and Public Administration. In addition, the GICP signed cooperation agreements to teach consumer protection at Saint Stephen University of Gödöllő, School of Specialised Catering and Tourism Ltd., Janus Pannonius University of Sciences in Pécs, and College of Szolnok, where GICP staff lecture part-time.

A team consisting of senior experts at the General Inspectorate and the county inspectorates developed and published two course books in 2001 titled “Product Marketing in Hungary and in the European Union” and “Consumer Protection”, the latter comprising three volumes. The discipline of „Consumer Protection” had been taught on a pilot basis in Qualitas Grammar School and Comprehensive the year before, and the curriculum was updated last year to better suit the students’ age – through the addition of practical training and laboratory visits. In keeping with years-long traditions, GICP experts held informative presentations at the General College of Enterprise on topical consumer protection matters. The GICP accommodated a total of 16 student interns from universities, colleges and high schools last year, and also provided coaching for the preparation of undergraduate theses.

2. Civil organisations (NGO's)

For several years the NACPH has been displaying a rather manifold activity in the field of information and training of consumers and the results are now also getting perceivable. The lively interest relating to public utility services, the consumers’ attitude demanding solution as well as the local initiatives – all these facts are already displaying the marks of strengthening of consumers’ consciousness.

Despite of the provisions of the Law on Consumer Protection and the governmental conceptions relating to consumer protection, it could not be succeeded to introduce consumer protection knowledge – as a subject – at primary schools.

The self-information system of the NACPH, the so called OFE-TÉKA, involving important particulars on various products, product groups and services, has now been expanded by two newer elements – folders on financial services and information on blocks of freehold flats –. This information database is available for consumers in the NACPH’s advisory offices.

In the sphere of consumers’ information the NACPH has issued several publications in various topics – e.g. using of bankcards, consumer credits, life insurance and e-commerce. Under the title ‘I want to be a conscious consumer’ the NACPH has launched a new series for children.

The NACPH organised much more local arrangements, informative forums than ever before. There is a clear consumer demand on these forms of information. The two-week-series of arrangements organised with great success on the occasion of the World Consumer Rights Day are worth mentioning.

Last year there was perceivable a significant change of attitude on behalf of the Hungarian press by having shown a wider interest for consumer protection concerns. Pressmen have been also treating these issues with much more skill than before. The NACPH considers that it has contributed to the above result by its skill and press activity.

V. Complaints and redress handling

1. General Inspectorate for Consumer Protection and the County Inspectorates

A total of 67,484 clients visited the GICP and county inspectorates in person. The clients came to the consumer protection agencies to submit complaints, make inquiries, and seek advice. They submitted 20,927 general complaints in total to the above-mentioned agencies. They also submitted 30,812 quality complaints to the relevant officials at the General Inspectorate and the county inspectorates.

26,455 clients contacted the Bureau of Consumer Affairs of the General Inspectorate in 2001, which also performed some of the Budapest Inspectorate's customer care duties. The number of clients grew by 6.4% relative to 2000. Like in previous years, some 80% of the clients sought information and advice. Many come to the Bureau before lodging a complaint to clarify the rights they can seek to enforce. Feed-back indicated in many cases that the legal information and advice had contributed to the seamless resolution of the complaints, often through Alternative Dispute Resolution. Economic operators also contact the Bureau often to seek advice on marketing and complaint management.

Complaints about **food retail** represented 7% of the total, almost the same proportion as in 2000. The complaints related to the sale of products beyond shelf life, the absence of pricing information or duplicate price tags on the products, false weight measurement and false calculation. Most of the complaints concerned product labels and instructions of use. The number of bottle exchange complaints is relatively low today, but there is no decline in the number of complaints about wrong cash returns.

The number of **catering and tourism (travel agency)** complaints continues to be low (scarcely over 1%). Only occasional complaints have been received lately about the use of unreasonable prices, so the state of the industry is reassuring from a consumer protection point of view. Complaints are scarce concerning quality or the services. The number of complaints about travel agencies has not grown and their proportion remains low relative to the turnover. The notifications typically complain about the quality of service (accommodation, mode of transportation, etc.).

Light industry merchandise (clothing, footwear, furniture, toys, etc.) has been the top subject of complaints for years (with 35% of all complaints). Despite extensive education and dissemination, the causes underlying this high proportion have remained unchanged for a long time. A great part of the entrepreneurs still typically do not understand the rules pertaining to the management of complaints. Customers are often misled (merchants claim, for example, that the customer must bear the cost of the quality test if the complaint is unfounded; that the procedure is faster if the customer commissions a professional opinion himself/herself, etc.). It is still general today that customers are unlawfully given in-store credit as opposed to a proper refund. Quality complaints often cannot be resolved because the vast majority of customers have no proof of purchase regarding the goods they bought in a marketplace.

The proportion of complaints about technical products is the same as it was in 2000 (30%). It is still often cumbersome to arrange **guaranty and warranty issues**, and to enforce rights. Unfortunately, neither customers nor merchants have a sufficient understanding of warranty rules, since it is not mandatory to supply information about them. Consumers often fail to lodge quality complaints because they do not know their rights, and we repeatedly found that customers had had the products repaired at their own cost even if the nature of the problem suggested that it might be covered by warranty. Often, the merchants only commissioned quality tests when they were obliged to do so as a result of the administrative proceedings. Products are frequently sold without operating instructions in Hungarian, many complaints were received about the adequacy of the instructions, and customers are often mailed

the guaranty certificate only after the purchase. A persistent problem is that the statutes are difficult to interpret and apply when it comes to Information Technology products.

The number and nature of public utility complaints remained unchanged. Some relate to the utility customer service, and many concern the quality of information, the rates, or the specific bill. There is a major leap in the number of complaints about cable TV companies at the beginning of each year. The complaints have been almost the same for years (the composition of packages, arbitrary changes in the packages, changes in channel numbers, rate increases above the inflation rate, etc.).

In the area of services (which represents 15%) contractors still typically fail to give an invoice, but several clients admitted that they had agreed with the contractor to forego the invoice to reduce the cost of workmanship. Some contractors refused to do the job or increased the fee when they were told that an invoice would be necessary. Many complaints relate to poor or negligent workmanship, leaving off the agreed job halfway through, failure to meet deadlines, and exceeding the agreed cost.

The growing number of clients and their feed-back indicate that the public increasingly needs the Bureau's advice, and that the new technologies (Web site, e-mail) improve the efficiency of case management. The Bureau strives to alter customer behaviour patterns too, by trying to convince clients not to contact the authorities or file an administrative or criminal report immediately when they have a grievance. Consumers need to be convinced to acquire the knowledge, control their own affairs, and seek to resolve their disputes, as this is the only way to ensure effective consumer protection for the general public.

2. Civil organisations (NGO's)

The effectiveness of the professional work of the NACPH has been proven by the fact that the number of consumers requiring its advisory services has been increasing year by year and in 2001 as well. The advisory offices and the NACPH's experts' positions are getting to be widely accepted.

Owing to the increasing reputation of the activity of the NACPH the experts' background of the advisory offices has been developing. This favourable fact has resulted in undertaking important roles in the enforcement of public rights on local level, in the co-operation with municipalities as well as in declaring opinion on official price setting.

The NACPH considered the improvement of the quality of the advisory activity as an important task in 2001, too. It tried to be at the assistance of its advisers by professional training, consultations and internal publications.

3. Arbitration Boards

The Government supports the operation of these bodies with 28 million HUF in 2001.

VI. Consumer issues related to other policy areas

1. General Inspectorate for Consumer Protection and the County Inspectorates

a.) Inspection of economic advertising activity

Legislative changes

Act I of 2001 amended Act LVIII of 1997 on Economic Advertising Activities (henceforth Advertising Act) and brought about several profound changes in advertising law. The ban on pornographic advertisements, and the advertising of sexual services, sexual stimulants, and premium rate telecommunication services became effective March 1, 2001. As of the same date, even unpublished advertisements have been forbidden to appear if their publication would violate the applicable law.

Another change in legislation was that the Ministry of Health Decree 22/2001 (VI. 1.) on the advertising of and information about human pharmaceutical products, medicinal products not classified as pharmaceutical drugs, and nutritional products entered into force June 15, 2001.

As of July 1, 2001, advertisers and publishing companies have had to comply with the ban on tobacco advertising introduced by Act I of 2001 for printed press products and other media, and the ban was extended to outdoor advertising facilities as of January 1, 2002.

Ongoing monitoring of outdoor advertising facilities, printed and electronic media

Economic advertising was monitored throughout 2001, like in previous years. Concerning outdoor advertising facilities, the number of unlawful outdoor advertisements continued to decline. This trend was also observed in the case of tobacco and alcohol advertisements, as well as sexual ads that jeopardise the health moral development of children and minors.

By contrast, the most frequent violation in printed media concerned the provisions in vigour as of March 1, 2001: the highest number of proceedings related to the advertising of sexual services and sexual stimulation via premium telecommunication services, and advertisements that jeopardised the healthy moral development of children and minors. As opposed to earlier years, there were more advertisements promoting products whose marketing would have been against the applicable regulations.

The GICP signed a co-operation agreement with the National Police Headquarters in October 2001, in the interest of effective surveillance with regard to the new statutes. Similarly to previous years, pharmaceutical advertisements were monitored in conjunction with the National Pharmaceutical Institute in 2001. The NPI contributed its expertise to the specific administrative proceedings, and also helped the General Inspectorate by sending monthly summaries of the advertising activity observed in pharmacies, and submitted all the pharmaceutical advertisements it had learnt of as violating the applicable law.

The surveillance of advertisements in the electronic media started as of September 2001 in the form of a monitoring system. This activity will be enhanced by the addition of a digital database in 2002, which will be used to record and archive all advertisements and forward them to the competent inspectorate for purposes of the proceedings.

Monitoring of advertising activities on the Internet

The GICP extended its monitoring in the course of the year to include economic advertisements published on the World Wide Web. Monitoring focused on the web sites maintained by the manufacturers and distributors of pharmaceutical drugs, medicinal products, and prescription-based pharmaceutical drugs. The inspections were followed by proceedings in several cases. Our inspection also detected web sites advertising and distributing products that could not be marketed without a marketing authorisation.

b.) Enforcement and legal activities

In the case of breach-related proceedings the GICP acts as an administrative agency supervising the inspectorates within the limits defined by law, it has management powers, and may grant exemptions on grounds of fairness; while in the case of administrative proceedings it evaluates the appeals against inspectorate decisions as an authority of second instance. A trend concerning administrative and legal proceedings was that the number of appeals and notifications grew in cases involving consumer protection fines or quality protection fines. One of the reasons may be that both appeals and notifications defer payment of the fines.

The number of inquiries and requests for the interpretation of laws increased by some 50%, an indication that economic operators recognised the need to abide by the laws voluntarily. On the other hand, the letters from consumers in the capital city and various counties across the country substantiate the need for extending the scope of education and information concerning rights and remedies. Both interest representation organisations and municipal governments must assume a greater role in this effort.

Administrative cases

961 administrative decisions were adopted last year, an increase of 30% over the year before. A major part of the cases (over 50%) involved second-instance reviews of decisions imposing consumer protection fines, followed by appeals against decisions obliging the offender or imposing a quality protection fine – both of which represented roughly the same proportion. 70% of the second-instance proceedings ended by upholding the decisions, but the first-instance decisions were annulled in 125 cases, and the agencies of first instance were obliged to start new proceedings if necessary. Decisions were altered in approximately 10% of the cases, and only 3 cases required supervisory intervention.

Court proceedings, legal representation

The number of administrative decisions challenged in court increased by 8% in 2001. Nearly half of the lawsuits filed last year concluded by the end of the year with effective and binding court decisions. 98% of the resolutions challenged were decisions imposing quality or consumer protection fines or obligations for the offenders. The GICP eventually won 113 lawsuits (85%) out of 134 that ended with an effective and binding court decision in 2001, including the lawsuits carried over from the year before.

The GICP filed for review by the Supreme Court three times in 2001, and co-filed for review on one occasion. Seven counter-motions were filed for review. The review of thirteen cases ended during the year, eleven of which were decided in the General Inspectorate's favour. Of the latter, special mention should be made of the decisions adopted in advertising surveillance proceedings where we asserted that tobacco advertisements propagated excessive consumption, and imposed a fine on that basis.

c.) Co-operation with partner authorities and civil organizations

The General Inspectorate for Consumer Protection devotes special attention to developing fair and helpful relations with its partner agencies, non-governmental organisations (NGO-s), and the media. 55 co-operation agreements were in vigour last year. Co-operation is implemented in both theory and practice during tests and inspections. The agencies whose officials participate in various consumer protection inspections include the National Public Health and Medical Officer Service, the National Headquarters of the Customs and Finance Guard, the Tax Authority, the Veterinary and Food Inspection Station, the Gambling Supervision Authority, the General Inspectorate for Communications, the General Inspectorate for Traffic, and municipal governments.

The GICP has a co-operation agreement with the National Association for Consumer Protection (NACP), which is the largest consumer protection NGO in Hungary, and contributes in both financial and professional terms to its activities. The representatives of the NACP county organisations occasionally take part in consumer protection inspections. The General Inspectorate for Consumer Protection – along with INDUSTORG, MEHIB, KERMI, and EXIMBANK – invited applications for the Hungarian Product Grand Prix, which was granted to the country's top product for the fourth time last year.

d.) International relations

The General Inspectorate for Consumer Protection placed a strong emphasis on the cultivation and extension of international relations also in 2001. Last year's highlight event in this context was the international conference and workshop titled „Consumer Protection in Electronic Commerce”, held March 19-20 in Budapest with support from TAIEX. 40 experts from other countries took part in the event, thanks to our relationship with the OECD and IMSN. In addition to several EU member states and TRAPEX (Transitional Rapid Exchange of Information on Dangerous Products) countries, the US and Australia were also represented. A senior official of the competent EU Directorate General and the Chairman of the OECD Consumer Policy Committee both held presentations. Following the conference, the representatives of TRAPEX countries discussed and approved under the management of the Co-ordination Secretariat the amendment to the Rules and Regulations of the system, including its extension to foodstuffs.

The schedule of the conference was circulated for the first time as a Hungarian room document during the OECD Consumer Policy Committee meeting in March in Berlin. The Hungarian delegates also informed the participants of the meeting about the activities of TRAPEX.

During the IMSN meeting in April, New York, the GICP joined the new „eConsumer.gov” Web Site Project aimed at collecting information about trans-border consumer fraud and complaints regarding e-commerce, implementing standard complaint management processes, and sharing information with the authorities in other countries. The GICP took part in the EQRG (European Quality Reflection Group) conference in Berlin. The members of the organisation decided to hold the next exchange in Budapest in spring 2002, with discussions focusing on the consumer protection aspects of quality improvement. The GICP was also represented at the PROSAFE (Product Safety Enforcement Forum for Europe) meeting in Stockholm.

The GICP devotes increasing attention to the cultivation of bilateral relations. It consolidated its ties with Central European countries: the President of the Competition and Consumer Protection Office of Poland and the GICP Director General held talks in Budapest in February, and signed a co-operation

agreement in Warsaw in October. A similar agreement was signed late November in Brno with the Czech Agriculture and Food Inspection. A co-operation agreement was drafted with the Czech Trade Inspection during the GICP delegation's visit to Prague in October. The final version was signed late February 2002 in Budapest.

Talks were held with senior officials from the Administration of Economic Inspections of Belgium's Ministry of Economic Affairs in Brussels in October concerning the tasks related to the implementation of co-operation agreement. The parties agreed in that framework that Belgian experts would hold a training course in March 2002 in Budapest to transfer their experiences regarding the supervision of electronic commerce. GICP experts studied the work of public consumer protection agencies and consumer protection NGOs in Germany's Hessen Province and Berlin, and the suggestion to institutionalise co-operation was also raised.

2. Civil organisations (NGO's)

For the sake of successful consumer protection activity the NACPH has acquired a rather wide-ranging communication system. Co-operation among the civil organisations for consumer protection has developed. Notwithstanding, the NACPH cannot be satisfied with the co-operation among civil organisations and chambers of trade and industry in relation to the operation of reconciliation bodies. A conference arranged for discussing this matter has aimed to improve the situation.

In general it can be stated that on behalf of the municipalities there is also missing the willingness to co-operate and in this field there would only be a progress in case of enforcing it by the NACPH. There has been a favourable progress in the co-operation with the state authorities for consumer protection, first of all with the General Inspectorate for Consumer Protection and county inspectorates.

The NACPH considers that it has been standing the proof on the international level, too. It has still been maintaining professional and human contacts to Consumers International, the world consumer organisation, The European Consumer Organisation the BEUC and other partner organisations in Germany, Poland, Estonia, Slovakia, Romania and other countries.

Edited by József Boldizs