

## **Annual Report of Hungary 2002.**

### **I. Institutional developments**

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

The General Inspectorate for Consumer Protection implemented the development projects and did the groundwork for development in the course of last year to make sure that the state consumer protection system was well prepared for accession to the European Union.

The Central Market Surveillance and Information System (CMSIS) – which promotes effective market surveillance work – went live 1<sup>st</sup> January 2002. The IT development project enabled electronic communication between the county inspectorates and GICP staff via the CMSIS. The General Inspectorate also operates the TRAPEX System (a registration and alert system for dangerous products in candidate countries) so it has access to the cross-border system as well.

Similarly to the previous year, the number of local inspections initiated by the county inspectorates increased in the fields of market surveillance and consumer protection, while the National Inspection Programme consisted of fewer inspections – with longer time spans, however.

The county inspectorates under the professional control of the General Inspectorate for Consumer Protection carried out 21 inspections in the framework of the National Inspection Programme, and conducted 192 inspections on their own initiative. They inspected 32,931 outlets in 2002.

Last year, the professional departments of the General Inspectorate carried out 24 inspections on their own initiative – which were included in their respective activity plans. They also involved the staff of the county inspectorates in the majority of the cases.

A priority task was continued training and education for staff in consumer protection, a task the European Union, too, expects consumer protection authorities to perform.

This report presents a summary evaluation of the activities of GICP in 2002, with the information grouped around the major subject areas.

#### **Market surveillance activities**

The fundamental aims of consumer protection in 2002 were to assert consumer's economic interests and to ensure the protection of consumers' life and health – in line with the requirements of the European Union. These aims are pursued through the market surveillance activities of the authority acting on its state responsibility and are promoted effectively by provision of information.

The General Inspectorate's professional control over the market surveillance activity became more efficient, and the protection of consumers' economic interests was also assigned a major role, a move justified by the market players' ethical attitudes and deficient professional qualifications.

The GICP's top goal was to deliver market surveillance knowledge to distributors. In that context, we delivered an unprecedented number of presentations about market surveillance requirements and the inspection findings to professional forums and conferences. Information was also disseminated via the printed press and electronic media.

A major achievement last year was the drafting and signing of a „Cooperation Agreement” with the National Headquarters of the Customs and Finance Guard. This was preceded by participation in legislative work that resulted ultimately in Government Decree 168/2002 (VII. 3.) implementing Council Regulation 339/93/EEC. The decree gave a legal opportunity for the market surveillance of goods in customs clearance through the coordinated efforts of customs authorities and the market surveillance authority. In order to ensure efficiency, the affected organisations defined the working procedure and the linkages between the various stages of work. This control system can ensure that the products that would jeopardise the consumers' life and health cannot even enter the country, and that no such goods can reach the single European market via Hungary after accession.

In order to ensure efficient cooperation, the General Inspectorate for Consumer Protection organised training to staff in both authorities to help implement the Cooperation Agreement.

The EU experts also examined the working methods and efficiency of market surveillance in 2002. The Ministry of Economy and Transport was the contact point. In addition to an investigation covering general product safety, the experts also reviewed the market surveillance activity carried out by the county inspectorates and the General Inspectorate for Consumer Protection regarding technical and other products. The expert report contains positive findings not only concerning control and inspection activities, but also concerning the information disseminated to consumers.

## **2. Civil organisations(NGO's)**

The National Association for Consumer Protection in Hungary has taken a prominent part in the present institutional system of consumer protection in Hungary. Over and above of protection and representation of consumer interests it has actively contributed

to the collaboration of civil social organisations and promoted their activity in common in the field of consumer protection, it is a foundation member of the National Federation of Associations for Consumer Protection in Hungary.

The year 2002 was of outstanding importance for NACPH, inasmuch as it celebrated the 20<sup>th</sup> anniversary of its existence in 2002, having represented the anniversary of the emergence of civil consumer protection movement in Hungary as well.

In 2002 the organisation and performance of the tasks were scheduled in a professional program, having taken into consideration the actual problems of economy and consumer protection as well as the aims as determined in the Government's conception on consumer protection, in the Act on consumer protection and in the consumer protection policy of the European Union.

NACPH has launched preparations to meet the possible changes in division of activities within the institutional system of consumer protection as well as the new tasks deriving from EU accession. In this connection the retransformation of organisational structure and strengthening of personal conditions have begun.

## **II. Product safety**

### **1. Legal harmonisation**

Act XXXVI of 2002 amending Act IV of 1959 on the Civil Code of the Republic of Hungary and other Acts in connection with consumer protection has modified the Act X of 1993 on Product Liability. This amendment has reached full harmonisation with the Council Directive 85/374/EEC on the approximation on the laws, regulations and administrative provisions of the Member States concerning liability for defective products, amended by Council Directive 1999/34/EC. Hungarian Product Liability Act was among the first Hungarian Acts which had been prepared taking into consideration the *acquis communautaire* of the EU, but there was the next important difference between the Hungarian and European law: according to the Hungarian law damage shall mean any damage caused by the defective product in other objects and amounting to more than ten thousand forints, if that other object serves the purpose of private use or private consumption according to its normal purpose, and if the person incurring the damage has usually used it for such a purpose. The definition of damage in the European Directive contains a limit of 500 euro. The relating Hungarian derogation on maintaining the limit of 10,000 Hungarian forints had been revoked by the Government, consequently amendment of the Product Liability Act and a new limit in conformity with the Directive was needed.

### **2. General Inspectorate for Consumer Protection and the County Inspectorates**

## Inspection and control of technical products

### Inspection of gas cookers and flexible connection pipes

A nationwide inspection was undertaken concerning this product group in the first half of the year, during which product safety inspection played an important role. The first nationwide inspections concerning this product group were carried out in 1999, so it was possible to perform comparative analysis as well.

On the basis of inspecting household cookers, we established that there seemed to be improvement in meeting the legislation governing distribution.

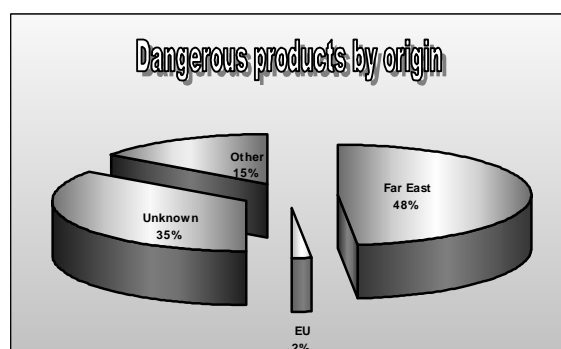
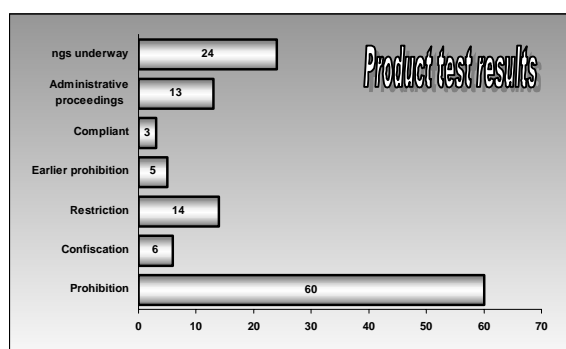
### Market surveillance of electrical products

The inspection was carried out under Ministry of Trade and Industry Decree 79/1997 (XII. 31.) on the safety requirements for certain electrical products and their compliance assessment, based on Directive 73/23/EEC.

Similarly to previous years, the inspection of trading circumstances and the safety of electrical products was a priority under the National Inspection Programme in 2002, with groups of 5 county inspectorates taking part in related efforts in each quarter.

The experiences of earlier inspections indicate that it is justified to check this product group in retail outlets, open-air marketplaces, and with occasional vendors alike, despite the fact that the latter two groups are not allowed to sell electrical products.

125 samples were taken during the inspections and tested subsequently in the laboratories, yielding the results shown in the diagrams below.



There are still many traders selling electrical products without knowing even the most basic legislative requirements. Breach of legislative requirements was also identified concerning a number of products imported from the Far East.

Many traders interpret compliance with the free movement of goods to mean that use of the CE marking is sufficient on its own for circulation, and they disregard other legislative

requirements concerning product safety and EMC tests, including documentary evidence of those tests.

The key shortcomings identified by the inspections include:

- Declaration of conformity incomplete content,
- Incomplete technical documentation including only some shortened tests,
- Documentation unrelated to the appliance checked.

Electrical products were inspected in 565 retail outlets and 14 wholesale facilities, and fines worth €49,515 were imposed as a result of the irregularities identified.

### **Mobile phones**

Acting on consumer complaints, the gicp technical department inspected the availability of hungarian documentation with the mobile communicator sets in circulation, along with the appropriateness of that documentation. The Hungarian User Guides included in the mobile communicator packages in the 8 retail outlets checked complied with the effective legislative requirements.

### **Inspection and control of food products**

Food safety is of outstanding importance both in our country and the Union, the GICP therefore provided training for the inspectors to enhance their professional knowledge in this field.

Similarly to the previous year, the relevant organisations of the European Union checked food safety inspections in practice on two occasions in 2002. The Hungarian rapid alert system was reviewed during a visit in June, while the food safety inspection of products of plant origin and sampling by the authorities were reviewed in December.

The Food Safety Council at the General Inspectorate has been in operation since 2001. In 2002, the Council developed uniform practices to implement the legislative changes concerning food control. To that end, the Council developed uniform control guidelines and implemented a mobile phone-based nationwide alert system accessible to all county inspectorates as well as the General Inspectorate.

International alerts concerning food industry products were received in 14 cases, one of which should be highlighted in this context. It concerned the immediate recall of import feta cheese after pieces of broken glass were found in the import shipment.

The manufacturers recalled their products on 3 occasions upon the GICP's initiative. (Including chewing gums – for irregular size, use of unauthorised colorants; turkey breast filet – quality complaints; Christmas candies – quality and safety complaints.)

## Inspection of poultry and meat shops in open-air marketplaces and market halls

The inspections took place in February 2002 and involved the GICP checking the trading circumstances of pre-chilled and frozen products, as well as the availability of certificates of origin with import foodstuffs. 44 trade outlets were controlled in total, which resulted in trade restrictions and seizures of about 6 tons of meat and processed meat. Some of the most frequent irregularities were the unauthorised pre-mincing of meat in the shops (50% of the shops inspected), the absence of veterinary certificates (45% of the shops), irregular freezing and thawing (22% and 16% of the shops, respectively).

## Control of milk and dairy products following up on inspections in 2001

100 milk samples processed in 18 production facilities and 50 sour cream samples produced in 12 facilities were taken and tested during the inspections. The follow-up inspection of dairy quality found a decrease of deficient product ratios from 40% to 16%. Shortcomings concerning useful solid substance dropped from 30% to 5%. The deficiency ratio of milk protein content fell from an earlier 25% to 8% in 2002. Similarly to milk products, sour cream product demonstrated improved useful solid substance characteristics. The deficiency rate decreased to 6%. The labelling deficiency rate was high (46%) in sour cream products, since the producers had failed to take sufficient care to accommodate this change.

## Inspection and control of light industry products

### Children's toys

In 2002, the General Inspectorate for Consumer Protection checked suspended indoor and outdoor toys, plasticine products and stuffed textile toys, with special regard to their safety under joint Ministry of Industry and Trade – Ministry of Welfare Decree 24/1998 (IV. 29.).

A great part of the products carried the conformity marking, but the product information labels and warnings in the Hungarian language were missing in many cases.

86 toys were tested for safety under laboratory circumstances, and 42 of them were classified as dangerous. The documentation of only 50% of the 22 outdoor toys complied with the requirements.

### Laboratory testing and market surveillance of children's toys designed to support their body mass

The inspections undertaken in March 2002 in 438 retail outlets focused on the safety and trading circumstances of toys designed to support the children's weight.

The circumstances of trade were inappropriate in 54% of the retail outlets and 34% of the wholesale facilities.

The deficiencies resulted in restrictions on the sale of toys worth nearly €25,532.

Fifteen toys were tested in the laboratory. The tests found 13 of those toys dangerous.

The General Inspectorate took the necessary actions to withdraw these toys from circulation. The inspections also found that 23 swings classified earlier as dangerous were still being sold, so the competent county inspectorate prohibited their sale.

Fines totalling €23,662 were imposed as a result of the irregularities found in the outlets.

### **Control of the customer information labels on clothing (footwear and textiles) with special regard to conformity of content**

Garments were inspected in 635 trade outlets in november 2002.

67% of the outlets were selling garments in violation of the applicable legislation.

although the proportion of compliant trade has increased, restrictions had to be imposed on the further sale of about €2,980 thousand worth of garments because of labels carrying inappropriate content.

In the footwear category, winter shoes, boots, and sports shoes were inspected in the first place. The actions in response to deficiencies affected stocks worth €851 thousand.

Fines totalling €182.716 were imposed as a result of the irregularities found in the 635 shops inspected.

### **Inspection and control of chemical and construction products**

#### **Market surveillance of school supplies (glue, plasticine) and laboratory testing of product safety**

The purpose of the inspection was to check conformity of the product labelling and product safety.

Mostly insufficient information was detected in 80% of the 224 retail outlets inspected.

20 different makes of glue and 14 makes of plasticine were tested in the laboratories. 2 of the plasticine products were found to contain toxic heavy metals, so the relevant county inspectorate prohibited their further sale. The follow-up inspection involved 15 plasticine makes and identified no dangerous products.

The sale of €453 worth of products was prohibited during the inspections – primarily due to expired shelf life. Restrictions were imposed on the further sale of products worth €70,460. Fines amounting to €15,362 were imposed as a result of the irregularities.

### **Control of price labelling in retail**

The inspections included 1,402 retail outlets across the country. The General Inspectorate found improvements relative to earlier years in the area of price labelling.

The inspectorates obliged the traders in 222 cases to comply with trade legislation and rectify the identified shortcomings.

Fines amounting to €92,304 were imposed as a result of the irregularities.

### **Market surveillance of cosmetics with natural active ingredients from a health and safety point of view**

General Inspectorate staff inspected quality and trading circumstances of hair dyes, eye and skin care products, as well as face and body care products based on natural active ingredients in 17 trade outlets.

16 samples were taken for laboratory tests.

The inspections concluded that a major part of the products did not have market authorisation that certifies conformity with health requirements and is a prerequisite for circulation in the market. The product labels were deficient or incomplete.

### **Dangerous, prohibited and recalled products**

The split of dangerous products detected by the controls and inspections in 2002 is indicated in the following:

- chemical 2
- food 3
- technical 60
- toys 42

### **Quality complaints**

In addition to market surveillance and inspections, the General Inspectorate for Consumer Protection is also responsible for **investigating consumer complaints**.

If the consumers cannot enforce their rights regarding products that failed within the warranty or guarantee period, the trader is obliged by law to send the product to the GICP for technical tests, and the professional departments state whether the complaint is well-founded or not. The experiences gathered during product tests help plan for market surveillance inspections and analyse the risks.

The number and distribution of inspections following up on quality complaints in 2002 are indicated in the following:

- chemical and construction 150
- light industry 22.472
- food 102
- technical 5.588

### **III. Protection of the economic interests of consumers**

#### **1. Legal harmonisation**

Approval of Act XXXVI of 2002 amending Act IV of 1959 on the Civil Code of the Republic of Hungary and other Acts in connection with consumer protection has been an important step in the process of harmonisation. In the framework of this process regulations in line with the Council Directive 1999/44/EC on certain aspects of the sale of consumer goods and associated guarantees has been approved. The aim of the Directive mentioned is establishing minimum-standard rules relating to consumer sales crossing frontiers.

#### **2. General Inspectorate for Consumer Protection and the County Inspectorates**

**Time-share arrangements:** complaints typically related to service providers claiming unjustified payments, refusal to buy back the contract when asked to do so by the consumer, and incomplete information provided to the consumers. This field is regulated by Government Decree 20/1999 (II. 5.), which includes a set of consumer protection guarantees that the service providers often fail to comply with. The GICP took action in those cases, which resulted in the service providers giving redress.

A smaller number of complaints were lodged regarding the operation of **consumer groups (customer clubs)** than in previous years. The complaints primarily concerned incomplete information provided to the consumers and misleading advertisements. By virtue of Government Decree 186/2001 (X. 11.) on the detailed rules governing the organisation and operation of consumer groups, the GICP will be authorised to initiate action and detect violations in this field.

Consumer complaints regarding **mail order services** related mostly to non-delivery of the goods ordered, inaccurate registration by the mail order companies, and price refunds on goods returned within the statutory deadline. Complaints have been declining in this field.

**In utility services – including power, water supply, sewage, and gas distribution** – some service companies are still trying to abuse the consumers' lack of understanding and impose unreasonably disadvantage on them in many cases.

The General Inspectorate for Consumer Protection took action jointly with the competent partner authorities and managed to resolve the problems that arose effectively.

Most of the complaints regarding **wire line telecommunications services** related to premium services, satellite phone calls and call barring features. As a result of GICP proceedings, the service operators admit their liability and resolve the legal dispute with the consumers.

The majority of complaints concerning **cable TV services** was triggered by the major companies' repeated and significant increases in subscription rates, and the restructuring of programme packages (channel distribution patterns).

The complaints regarding **Internet services** typically related to the elimination of discounts, tariff changes, and inaccuracies in billing for premium satellite access. Most of the complaints were triggered by incomplete information provided to the consumers. During the proceedings, the service operators were reminded of their obligation to inform consumers.

The complaints concerning **community repair and maintenance services** typically related to the lack of spare parts, which harmed consumers' rights. This type of deficiency was found most frequently in passenger car repairs.

## **Control of services**

### **General inspections during the tourist high season**

A total of 4,749 outlets were inspected during the tourist high season in **2002**. 2,721 of the outlets inspected were operating or trading in breach of the applicable legislation.

Most of the irregularities in catering were still related to prices. The number of food-related violations increased in 2002. The irregularities were typically related to the acceptance, storage, and preparation of foodstuffs.

Despite the declining number of complaints, comprehensive inspections were undertaken in catering outlets in the centre of Budapest last year again. These closely scrutinised outlets complied with the substantial laws governing their operation. There were notices in five languages to remind the guests to check the prices in the menu before ordering food or drinks. As a preventive measure, the GICP had issued information leaflets in several languages for tourists visiting Hungary.

Fines amounting to €480,579 were imposed as a result of the irregularities. The notaries were contacted in 36 cases and asked to have the outlets closed down. The county inspectorates prohibited the sale of foodstuffs with expired best before dates in 142 cases, and they restricted sales in 168 cases until the required documents (quality certificates or other licenses) were procured.

### **Annual inspection of fairs and marketplaces**

The GICP conducted inspections throughout the year in fairgrounds and marketplaces, which were typically still selling light industry products. A major part of the products comes from the Far East and is sold by foreign citizens.

Despite a legislative ban, electrical mains-operated appliances and sharp-vision spectacles were still on offer.

Telephone sets and accessories were found again with no Hungarian user guides or guarantee certificates attached, and bearing no CE markings either.

Cosmetics and sweets were rarely on sale.

The inspectors controlled the activities of 997 vendors in 29 fairgrounds, 157 marketplaces and in 4 makeshift sites. Violations were detected in 616 cases.

These violations were sanctioned by fines totalling €72,469. The inspectors seized products worth €3,842 in 27 instances, of which €3,426 worth of products were confiscated on 23 occasions.

The circulation of products worth €5,733 was prohibited on 48 occasions. Restrictions were imposed on the sale of products worth €151,085 in 163 cases.

### **Control of buffets operating in health care and educational institutions**

Consumer protection staff inspected a total of 259 outlets (buffets and kiosks) operating in the educational and health care facilities in ten counties and the capital city. Violations were detected in 226 outlets (199 buffets and 27 kiosks). The inspections also included 86 food/drink vending machines, 28 of which were found to be operating irregularly.

Restrictions were imposed on the sale of products worth €589 in 20 cases. The inspectorates prohibited the sale of products worth €138 in 15 cases, and imposed fines worth €34,703.

## **2. Civil organisations(NGO's)**

The National Association for Consumer Protection in Hungary has more and more intensively and in a wider range dealt with the enforcement of so called public consumer rights and interests, affecting all the consumers or larger consumer communities. For strengthening the position of consumer protection it is essential to continue the interest enforcing activity. The Act on consumer protection provides the necessary authorization for the civil organisations to their activity.

Within its activity for elaborating and enforcing consumer protection policy, NACPH has evaluated the performance of the first governmental consumer protection conception of the Republic of Hungary, covering the period 1999-2002. Although all elements of the governmental conception have not been realised, it is still of great importance because it has been for the first time when a consumer protection policy has been determined to improve the situation of Hungarian consumers. NACPH has also made a proposal for the governmental consumer protection program for the period 2003-2006.

In the year's course – after having been evaluating the actual situation of consumer protection in general, the partial territories individually, and the position of civil consumer

protection – NACPH had been determining the most important things to be done. It informed the members of the Government and the leading politicians about its experience gained and drew their attention to the consumer protection affairs.

In 2002 there was carried on a relatively lively legislative activity and – by having represented the consumer side – NACPH took part in it. Several rules had been prepared that were necessary within the framework of the legal harmonisation to EU and affecting the area of consumer protection.

In 2002 the activity of giving expert opinion on formulation of general contract terms was more lively, first of all in the sphere of public utility services. For enabling experts to tackle their tasks – requiring thorough legal and professional skills – on the highest possible level, in 2002 it was initiated by NACPH to specialise each of its experts with legal qualification for a certain area.

Revealing and evaluation of the situation of each consumer protection area and those of enforcement of consumer rights and economic interests are very important from the point of view of estimation of consumers' and consumer protection's position. Besides consumer advising and public forums, the consumer protection surveys are the main source of information. Therefore, surveys on the actual and important areas are going on.

NACPH had been carrying out nation-wide surveys on the eligibility and quality of consumer articles on the market, on consumer knowledge and opinion on food quality and safety, on consumer protection concerns of cable-TV services, on consumer knowledge regarding liability and warranty rights and on their vindication in practice. NACPH had been also dealing with the consumer concerns of the situation developed due to liberalisation of the telecommunication market as well as with the peculiar consumer protection aspects regarding e-commerce.

#### **IV. Consumer education and information**

##### **1. Legal harmonisation**

Amendment of Decree FM-NM-IKM 1 of 1996 (I. 9.) executing of Act XC of 1995 on foodstuffs has brought Hungarian rules full in line with Council Directive on the approximation of the laws of the Member States relating to the labelling, presentation and advertising of foodstuffs.

##### **2. General Inspectorate for Consumer Protection and the County Inspectorates**

###### **Education and specialised training**

Education and specialised training help improve professional standards and working relations with the county inspectorates. Professional training for General Inspectorate and county inspectorate staff is the key to effective consumer protection. Staff members also conduct training themselves. They instruct courses and prepare course material.

## **Education**

For several years, GICP staff have taught undergraduate courses and prepared course material at the Departments of Ergonomics and Psychology of the Budapest University of Technical and Economic Sciences, St. Stephen University, the Budapest College of Economics, the Budapest University of Economic Science and Public Administration, and ELTE Postgraduate Law School.

The discipline of „Consumer Protection” is taught in Qualitas Grammar School and Comprehensive, using a curriculum that is better aligned to the students’ age and with supplementary practical knowledge.

Managers and staff of the county inspectorates are regularly invited to teach at universities, colleges and secondary schools. They lecture under arrangements with the local economic and social organisations and chambers on topical consumer protection issues and requirements.

## **Specialised training**

1. Organisation of CE manager course
2. Training for HACCP system managers
3. Food conference
4. Specialised training in market surveillance work under the PHARE programme
5. Two-day preparatory courses on 2 occasions
6. Specialised training in catering inspections for inspectors

## **Professional liaisons**

The GICP liaises with domestic partner authorities and NGOs under cooperation agreements. 47 cooperation agreements were in vigour last year.

Close professional ties promote effective consumer protection and market surveillance.

The GICP strives to work as fully as possible with NGOs and thereby to help reinforce civil consumer protection.

## **Information activity**

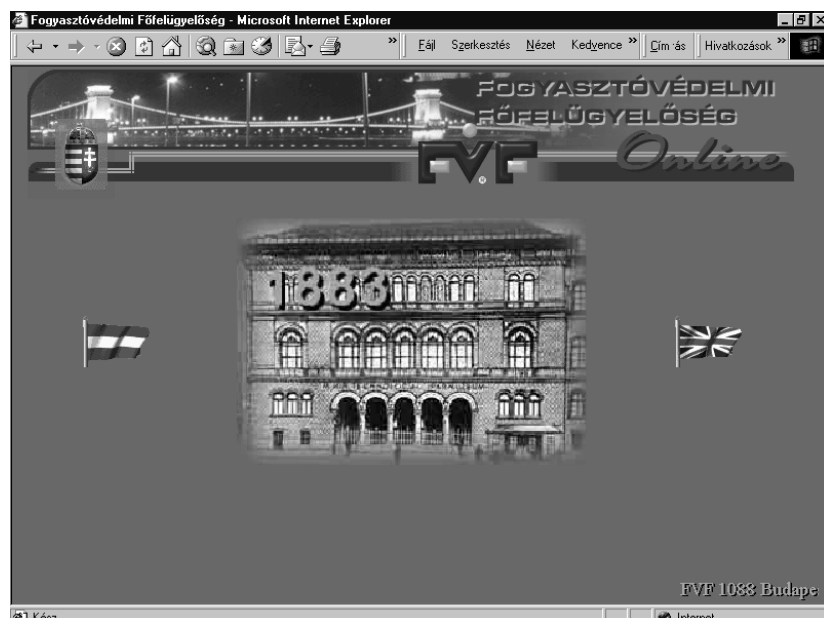
Keeping consumers informed is an important activity of the General Inspectorate for Consumer Protection. A press office unit within the GICP organisation is in charge of organising both the external and internal flow of information. In 2002, it had a daily working relationship with the staff of some 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. The mutual exchange of information was also working effectively with the county inspectorates, the institutions with nationwide powers, partner authorities, the chambers, and the press departments of nationwide interest representation organisations.

The journal Consumer Protection is published with support from the GICP and serves to inform the public and the customers. This journal 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 authorities, as well as quality certification and higher education institutes.

The GICP Open Day was held in 2002 for the first time on the World Consumer Day. Staff in the professional departments received visitors and complainants. The event was a success, so it is intended to become a regular opportunity for a new form of contact.

In addition to regular presence in the press, the General Inspectorate for Consumer Protection also finds it important to inform customers about frequently purchased products in the form of product descriptions and tests.

The gicp website – [www.fvf.hu](http://www.fvf.hu)



The GICP has been developing its website continuously. The content services have been extended further. A new feature available on the website is a menu item called „There was nearly an accident”, featuring information about dangerous products that may cause accidents.

In 2002, the GICP placed more emphasis on keeping manufacturers and traders informed. Professional advice and consultation sessions became regular. Experts attend forums and conferences organised by some professional organisations and trade associations to inform their representatives about consumer protection requirements and legislation on trade and manufacturing.

## **2. Civil organisations(NGO's)**

One of the important tasks of civil consumer protection – as stipulated also in the Act on consumer protection – is to strengthen consumer awareness, to promote forming of conscious, self-confident consumer behaviour by means of consumer education and information. NACPH has been displaying in this respect a rather manifold activity for several years, and some results seem to be felt by now. A lively interest was shown in relation of public utility services, the consumer attitude demanding solution and the local initiatives can be considered as the marks of a more powerful consumer consciousness.

In 2002 consumer information had been handled as a priority task and it had also been fulfilled more intensively than ever before, in accordance with the information program. There had been issued informative publications for consumers on various topics, and a video-announcement was made on the necessary particulars for consumers regarding the arbitration boards' activity. The OFE-TÉKA series had been extended by a volume of practical household advices.

To promote professional activity of NACPH there were also made several publications for internal use, e.g. methodological guidelines to co-operation with local governments, to giving opinion on official prices, a five-volume manual for advisers and a rule of procedure for the arbitration boards. The newsletter of NACPH had also been published regularly.

In the late autumn and early spring months there were held many consumer forums on actual issues affecting a wide range of consumers almost all over the country.

The consumer education on school-system level has not been introduced, yet. NACPH, striving to fill this gap, undertakes even more and more educational tasks by the assistance of its country organisations.

## **V. Complaints and redress handling**

## 1. Legal harmonisation

In order to have Hungarian laws on Arbitration boards fully in line with European Commission Recommendation of 30 March 1998 on the principles applicable to the bodies responsible for out-of-court settlement of consumer disputes Act CLV. of 1997 on Consumer Protection has been modified.

A further modification was needed in order to align Hungarian rules with the Council Directive 98/27/EC on injunctions for the protection of consumer interests. The purpose of this Directive is to approximate the laws, regulations and administrative provisions of the Member States relating to actions for an injunction aimed at the protection of the collective interests of consumers with a view to ensuring the smooth functioning of the internal market. Further rules are required to establish the process of notifications of qualified entities mentioned in the Directive.

## 2. General Inspectorate for Consumer Protection and the County Inspectorates

The county inspectorates had a caseload of 41,932 clients in 2002. nearly 27,500 clients contacted the information and complaints office of the general inspectorate for consumer protection in 2002, an increase over the previous year. the majority of clients came to the office with requests for information and advice (requests for advice increased by 7.2%).

Many people contact the office now to ask for information on the legislation applicable to their case before they start to sort out their complaint.

Consumer behaviour patterns and the nature of complaints vary across the sectors as follows:

In **food retail**, many complaints (6.6%) still relate to products with expired best before dates and shelf lives. Special care is taken in our information bulletins to point out to the customers that they should check the best before date and shelf life before they buy a product.

Most complaints (32.4%) are lodged in relation to the **distribution of clothing articles**. Often both the customers and the traders are mistaken about the rules governing the handling of quality complaints. In these cases we do not only inform the complainants about the possibilities but also refer them in specific cases to the organisations authorised to launch proceedings.

The number of complaints is also significant (32.4%) regarding the distribution of **technical products**. The complaints generally related to differences between the actual and certified quality. Most complaints concern the irregular handling of quality complaints and the information provided to the customers.

The proportion of **requests for advice on services and service complaints** is growing (15%). Invoicing discipline should be mentioned in first place. Complaints are impossible to manage in the absence of a receipt or invoice. **Major advances are paid often without any certificate of receipt.**

The number of complaints **in catering** have been low for a number of years – except for a few outstanding cases. The clients who call in to explain their cases indicate that the vast majority of those complaints are professionally managed on the spot.

Complaints regarding **utility and communal services** – such as power, gas, telecommunications, etc. – are transferred to the competent partner authorities. Since the GICP has no power to act on these complaints, it can only provide advice to the consumers to improve their understanding of the issues.

### **Enforcement and legal activities**

The power to take administrative consumer protection action at first instance rests with the county consumer protection inspectorates.

They launched 5504 proceedings for violations and adopted 14,366 administrative decisions last year.

The GICP issues professional guidelines for the inspectorates' administrative and enforcement work to ensure consistent practices.

### **Administrative cases**

1,185 administrative decisions were taken last year.

73% of the second instance proceedings (870) ended in upholding the decisions, but the first instance decisions were annulled in 11% of the cases (134) and the agencies of first instance were obliged to start new proceedings if necessary. Decisions were altered in nearly 11% of the cases (133), and the inspectorates adopted actions after appeals were rejected in 5% of the cases (48).

The number of first instance decisions pronouncing advertising violations grew especially after the ban on tobacco advertising became effective.

76 advertising surveillance decisions were judged at second-instance in 2002.

### **Scope of discretion in breach cases**

Petitions may be submitted to the GICP Director General for partial or full exemption from the fines imposed by the inspectorates' decisions after the decisions of first instance become effective. The Enforcement and Legal Department is responsible for drafting the decisions in response to the petitions.

47 petitions asking for discretionary exemption were evaluated.

### **Court proceedings, legal representation**

A major number of administrative decisions were challenged in court in 2002. Nearly half of the lawsuits filed last year (41.6%) were concluded by the end of the year with effective and binding court decisions.

The GICP eventually won 63 out of the 86 lawsuits (73%) that ended with an effective and binding court decision in 2002, including the lawsuits carried over from 2001.

The GICP filed for review by the Supreme Court 18 times in 2002, submitted 5 counter-review motions, and co-filed to appeal the decision on one occasion.

112 lawsuits are in progress at the moment.

## **2. Civil organisations(NGO's)**

Besides enforcement of public interests there is another, very important task for the civil consumer protection to render help to consumers in solving their individual worries, problems, to give them advice and information. A well organised and professionally based advisory activity eliminates consumers' defencelessness by raising the level of consumer knowledge and consciousness.

The advisory offices of NACPH are very popular among consumers.

Communication with the arbitration boards, the renewal of arbitration boards, appointing the members of the consumer side and in this context the co-operation with the chambers of economic affairs, launching of the activity of the new bodies, organisation of their participation in training courses – all these tasks had to be shouldered by the country organisations and advisory offices. Moreover, the advisory offices had been actively dealing with consumer information tasks as well. They had been giving regular information about issues and events affecting consumers, both in printed form and through the e-press.

The NACPH entered a public action against the legal entity to blame. Last year NACPH had to do that in connection with cable-TV services.

## **VI. Consumer issues related to other policy areas**

### **1. General Inspectorate for Consumer Protection and the County Inspectorates**

#### **A) advertising surveillance**

## **Legislative changes**

New legislation was issued in 2002 concerning economic advertising: Act XCVI of 2001 on economic advertisements and shop legends, and the publication of certain statements of public interest in the Hungarian language. Regarding the advertisements already published/displayed, the Act (effective as of 17<sup>th</sup> February 2002) prescribes that all press publications printed in the Hungarian language, radio and television programmes in the Hungarian language, as well as outdoor economic advertisements must contain the text of the advertisement – including the slogan but excepting the name and designation of the enterprise and the product descriptor – in Hungarian, irrespective of the mode of publication.

A complete ban on tobacco advertising was imposed in Hungary as of 1<sup>st</sup> January 2002, i.e. it is forbidden to advertise tobacco products even on outdoor advertising facilities as of this date. The key task in this field was to implement uniform practices.

## **Ongoing monitoring of outdoor advertising facilities, printed and electronic media**

Economic advertising was monitored throughout 2002, like in previous years. The General Inspectorate launched proceedings in 63 cases.

Most of the proceedings concerning outdoor advertising facilities related to the presentation of tobacco products at the point of sale.

The number of inspections varied significantly across the counties, since the inspectors detected the most illegal outdoor advertisements in Budapest city and two counties.

The trend observed in relation to advertisements in the printed press was that some of these products had started again to publish sexual service advertisements in very large numbers. This field must be closely monitored in conjunction with the competent police departments.

The GICP monitored the advertising spots in electronic media throughout 2002. A clear improvement was observed in TV spots, i.e. the inspectorates launched fewer proceedings than in previous years.

## **Control 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 websites maintained by the manufacturers and distributors of pharmaceutical drugs, medicinal products, and prescription-based pharmaceutical drugs. The inspections triggered proceedings in 11 cases.

## **B) International relations**

Relative to earlier years, the GICP increasingly took the initiative to extend and cultivate international relations.

### **Conferences and international events**

The GICP chaired one of the sessions during the international conference held in Berlin with the title „Market Surveillance for Safe Products“. The moderator of the working group actively contributed to the drafting of the „Berlin Declaration“ closing the conference. The operation of TRAPEX was presented to the working group.

The TRAPEX Emergency Committee held its annual meeting in June 2002 in Budapest, with the participation of 12 member states. The two-day event was organised by the GICP and sponsored by the EU's TAIEX office.

The European Reflection Group (ERG) – an informal international organisation aimed at asserting the aspects of consumer protection in quality improvement – held its annual meeting in Budapest. The event was co-organised by the GICP.

The US Federal Trade Commission (FTC) organised two workshops in 2002 – with the involvement of the GICP – for member states in Eastern and Central Europe. The meeting held in Budapest in April focussed on topical consumer protection issues in electronic commerce.

The International Marketing Supervision Network (IMSN) held its first meeting for 2002 in Montreaux in March, where the GICP was represented.

For the first time, a GICP expert took part in the IMSN Europe meeting in Brussels in September as a full member.

The GICP took part in the work of the Product Safety Enforcement Forum for Europe (PROSAFE) during the spring and autumn meetings.

The GICP attended a seminar organised by the Consumers International (CI) regional office (Europe) in Rome.

The GICP's representative was invited to speak in Ukraine in October during an event organised by TACIS, where he delivered a presentation about the situation of consumer protection in Hungary and the operation of TRAPEX.

### **Relations**

The predominant feature in this field is an evolving and ever-extending relationship with the institutions of the European Union.

The GICP's representative was invited for the first time in 2002 to a working group meeting addressing the updating of guidelines for the RAPEX system – where it presented the operation of the TRAPEX system.

The GICP increased the number of bilateral cooperation agreements with foreign partner organisations in 2002, as it signed such agreements with the Czech Trade Inspection and Consumer Protection Board of Estonia, in addition to the existing four cooperation agreements.

The Romanian National Consumer Protection Authority proposed an amendment to the cooperation agreement with the GICP.

Under the cooperation agreement with Belgium's Administration of Economic Inspections of the Ministry of Economic Affairs, Belgian experts conducted a training workshop in March on fraud detection in electronic commerce and practical methods in this field.

The GICP signed an agreement with the consulting company Service für Ungarn headquartered in Dresden to promote relations with Germany. As a result of that, the Saxonian-Hungarian Forum will make it possible for the first time for two GICP experts to work for a month in the market surveillance field in Saxonia's Ministry.

The Finnish consumer protection ombudsman was accompanied by the Department Head of the Finnish Consumer Protection Office on a visit to the GICP and held talks there.

The Vice President of Ukraine's State Committee for Standards, Measurements and Certification came to Budapest to study the market surveillance system and build a relationship.

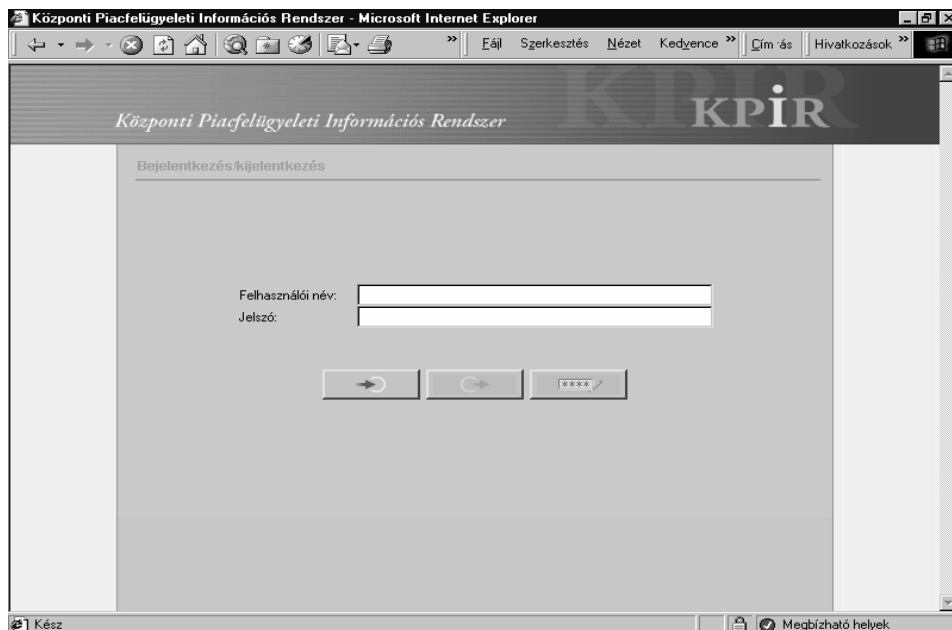
The GICP contacted the Slovenian Consumer Protection Office in 2002 and initiated bilateral cooperation.

A key element in relations with the candidate countries is the TRAPEX rapid information system, which continued to operate successfully.

### **C) Information technology activities**

#### **Central market surveillance information system (cmsis)**

The GICP has an integrated IT system, including automatic data interchange and communication at the data level between the various components.



The system specified in Government Decree 79/1998 (IV.29.) on the safety of goods and services and the related market surveillance procedure started to operate in January 2002.

The county inspectorates and gicp market surveillance experts communicate with each other via cmsis. the system offers web connectivity, online access to an oracle database, and interoperability with a number of other integrated databases. it contains the data required for market surveillance inspections, any documents generated, and product photos.

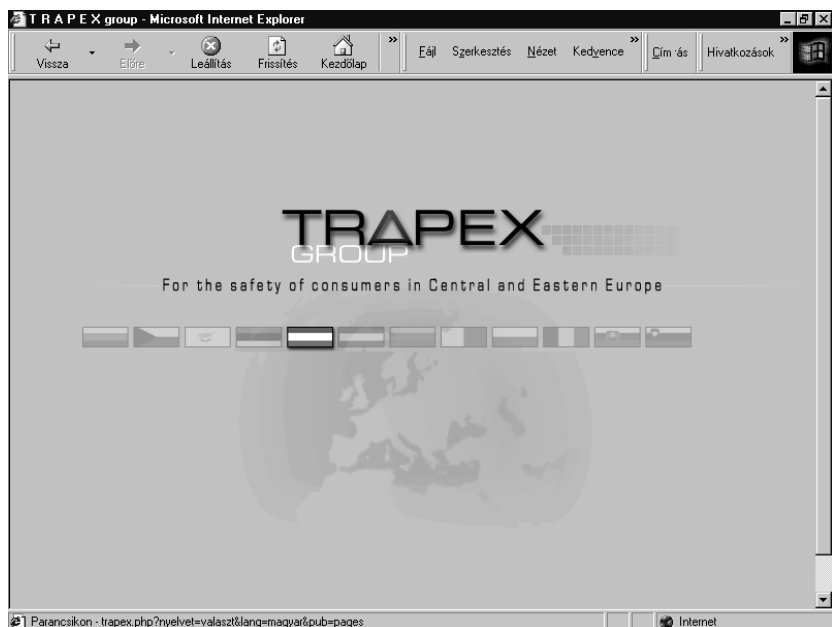
The software was upgraded twice in the course of the year, in response to emerging user requirements.

### **CMSIS – partner authority notification module**



A partner authority module was developed in response to a requirement raised while using the market surveillance information system. The partner authority module enables communication between the market surveillance authorities and certification institutions, using a web-based solution and online database access.

TRAPEX – [WWW.TRAPEX.NET](http://WWW.TRAPEX.NET)



Trapex is an international notification system that distributes data about dangerous products – and its coordination secretariat is operated by the gicp.

the system's website was extended with additional functionality in June 2002. the notifications submitted by the members are stored in an online database. the data is immediately accessible for processing and queries. the application is currently available in Hungarian and English, but it is planned to communicate in the languages of all the members.

## GOVERNMENT PORTAL – [www.ekormanyzat.hu](http://www.ekormanyzat.hu)



The GICP concluded its part of the project that was launched with support from the Prime Minister's Office Information Technology Commission. The Consumer Protection Portal is scheduled to go live in the 1<sup>st</sup> quarter of 2003 as part of the Hungarian Government Portal.

## 2. Civil organisations(NGO's)

In February 2002, on the occasion of the 20<sup>th</sup> anniversary of existence of the National Association for Consumer Protection in Hungary and the Hungarian civil consumer protection movement there was held a two-day international conference. That remarkable event provided a good opportunity to exchange views and thoughts among others on the Hungarian and international experience of consumer protection, on its situation in general as well as on the results and tasks of the civil consumer protection.

In the final communiqué of the conference there were summarised several urgent, priority tasks for the protection of consumers. In November 2002 there was organised another two-day conference – entitled ‘Situation of Hungarian consumers relative to services and rights, in view of forthcoming EU accession’ – to discuss all these important matters.

The conference participants agreed that an adequate consumer rights’ enforcement is subject to: a clear target, powerful civil organisations, joining forces alongside the interests with other civil organisations, authorities, service providers as well as international co-operation with partner-organisations.

The international conference in February 2002 was also the opening event of the series of events on the occasion of the World Consumer Rights Day celebrated year by year. The events of the Consumers Week proved that not only the consumers and consumer protection organisations but also the economic organisations were commemorating the declaration of consumer rights.

As stipulated in the Act on consumer protection, in the spring of 1999 there was launched a nationwide organisation of arbitration boards for handling consumer affairs. The arbitration boards have to be renewed after every three-year-period, when new members and functionaries have to be elected. The first three-year-period was expired in 2002. Taking in view that NACPH has an important role in the organisation of the civil side of the arbitration boards, the tasks concerning renewal of the arbitration boards meant an outstanding obligation for NACPH. The election of new members for the arbitration boards, their inauguration, the training of the new members, backing and harmonising of their work – all these tasks meant for NACPH a continuous activity throughout the year. As a closing program of this activity, in the autumn 2002 there was held a professional conference for the presidents of the arbitration boards, followed by several professional training courses for their membership.

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