



GAZDASÁGI
VERSENYHIVATAL

Price fixing on the market of navigation tools

The Competition Council of the Hungarian Competition Authority (Gazdasági Versenyhivatal, GVH) established that Navi-Gate Kft. and other undertakings have entered into a reseller agreement restricting competition. They fixed the retail prices of PNA Garmin navigation tools, and that of the I-Go software running on PDAs. Navi-Gate Kft. has been obliged to pay a fine of HUF 43 million (approx. EUR 169 thousand).

The vast majority of car navigation tools are navigation computers (PNAs such as the product named Garmin) or PDAs with integrated GPS (PDAs require the installation of a navigation software such as the software I-Go).

The GVH initiated a competition supervision proceeding as it suspected that Navi-Gate, which was both a wholesaler and a retailer of the market-leader product, Garmin and other retailers had entered into an agreement fixing the retail prices of Garmin products. Later on, the GVH had extended the proceeding also to cover the marketing agreements concerning the I-Go navigation software.

The reseller agreements concluded by Navi-Gate for the products of I-Go and Garmin were obviously worded with the aim of applying the recommended resale price as a fixed price. This is evidenced by the fact that any deviation from the recommended price was subjected to a written approval of Navi-Gate. The great majority of the Garmin agreements authorised the importer Navi-Gate to withdraw the reseller's distribution right for the case of an arbitrary price modification by the latter.

The proceeding was soon terminated in relation to the resellers who bought no products or bought only for their personal use, and to those who did not actively participate in the effectuation of the price fixing stipulations of the agreement. Consequently, the proceeding continued against the undertakings, which actively participated in the effectuation of the price fixing – Bonver Zrt., CHS Hungary Kft., GPS Trade Kft., EC-CO Kft., LCP Systems Kft., Parts Center Kft., WorldGate Kft. and the RRC Hungary Kft. – further against Navi-Gate, the designer of the price fixing stipulation. Concerning the I-Go software, the software designer Nav N Go Kft., the leader of the marketing chain, was subject to the proceeding.

Based on the available reseller agreements, correspondence with the resellers and other evidence, the GVH arrived at the conclusion that the stipulations of the agreements fixing the retailers' price (i.e. the price which was charged to the end-users) were capable of restricting competition. The aim of the price fixing was to restrict or eliminate intrabrand competition, that is the price competition between retailers selling the same products. In the present case,

the restriction might have had horizontal effects as well, since Navi-Gate served both retailers and consumers, which means that Navi-Gate competed with its own retailers.

Neither Navi-Gate, the distributor of Garmin products, nor the designer of the I-Go software could not convincingly prove that they were insignificant players on the relevant market, and would as such not be covered by the competition provisions.

The GVH imposed a fine (HUF 43 million, approximately EUR 169 thousand only on Navi-Gate, as in the course of the proceeding Navi-Gate was proved to be the initiator and the operator with regard to the formulation of the price fixing stipulation, further the effectuation and supervision of it.