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## ANNUAL REPORT ON COMPETITION POLICY DEVELOPMENTS IN LATVIA

-- 2015 --

29-30 November 2016

*This report is submitted by Latvia to the Competition Committee FOR DISCUSSION at its forthcoming meeting to be held on 29-30 November 2016.*

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## **FOREWORD BY THE CHAIRWOMAN OF THE COMPETITION COUNCIL**

In our public annual report, we summarise actions taken by the Competition Council to ensure that the residents of Latvia are not only able to purchase products and services of good quality and are offered a sufficient choice of prices corresponding to the market situation, but are also able to organise their businesses in an environment of fair competition.

In addition to qualitative assessment of our work, this year we went a step further by estimating a quantitative result. The work of the Competition Council within a period of three years has created a welfare gain of approximately EUR 51 million. This means that each euro provided for financing of the authority from state budget has yielded approximately EUR 52.

Internationally recognised methodology developed by the OECD and used by many other competition authorities was adjusted for Latvia to be used in the calculation. It is based on the assumption that any potential loss to consumers prevented by competition authority punishing violations serves as a public benefit. This result provides strong motivation for further work.

In 2016, we will handle severe violations more harshly while applying expedited solutions to smaller ones. We are planning to develop guidelines for companies to better understand their rights. We will train organisers of procurements to be able to identify the most widespread competition law violation in Latvia - procurement cartels. We will monitor the actions of state and local governments to assess whether they distort competition. We will cooperate with other institutions in Latvia and abroad to provide more comprehensive solutions to competition problems in the markets. We will master our newly acquired responsibilities to control the economic activity of retailers, as well as state and local government businesses. And we will look ways to develop new methods to improve the efficiency of our work.

But we need your support. Report violations if you detect any. It can be done anonymously. Inform us about any laws or regulations distorting fair competition. Our combined effort will allow for discrepancies to be eliminated faster and more efficiently.

Yours,

Skaidrīte Ābrama,

Chairwoman of the Competition Council

## 1. Basic Information

1. The Competition Council is a direct administrative institution under the supervision of the Ministry of Economics that implements state policy on the matters of development and protection of competition. Independence of the Competition Council during investigations and decision-making is established in the Competition Law.

2. The main aim of the Competition Council is to give every market participant a possibility to perform economic activities in a free and fair competition environment, as well as to ensure a favourable environment for maintenance, protection and development of competition for the benefit of society.

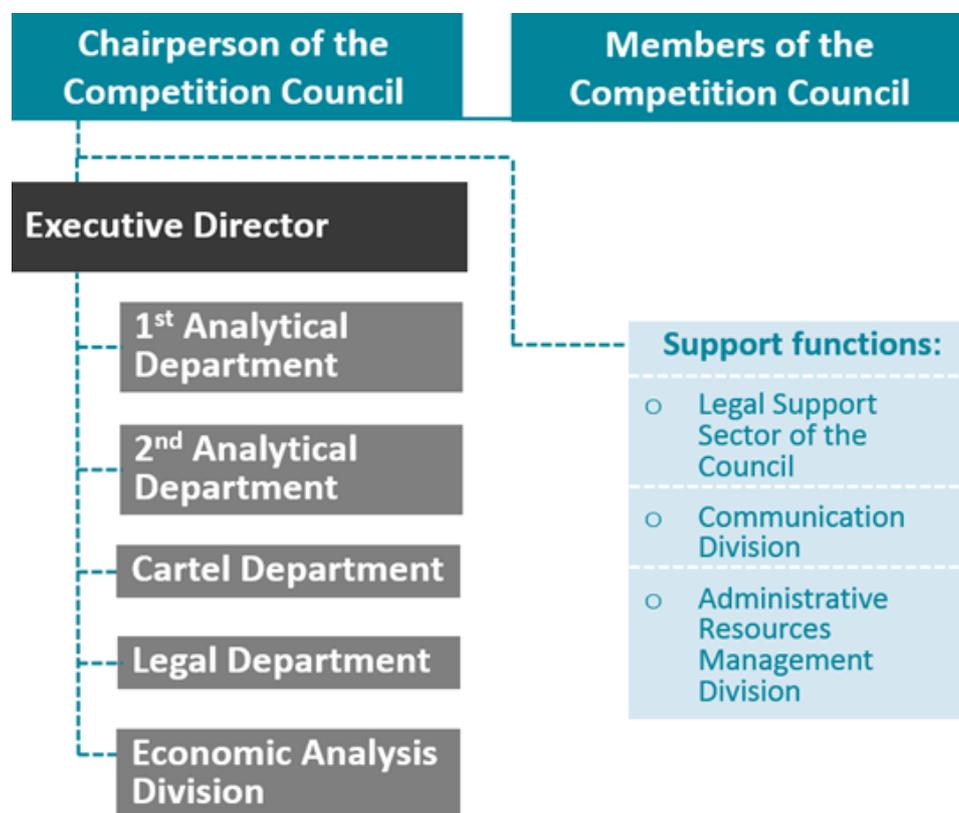
3. Tasks of the Competition Council are:

- To ensure a coherent application of the competition legislation so that:
  - The market participants would not enter into prohibited agreements;
  - There would be no changes in markets that may have a negative impact on consumers and other market participants in case of mergers or acquisitions;
  - Market participants would not abuse their dominant position that may have a negative impact on other market participants and consumers;
  - Market participants would not engage in misleading advertising that has a significant impact on the overall competition;
- To promote competition in markets with limited competition within the scope of the Competition Council;
- To ensure that legislation developed by other state institutions ensures protection, maintenance and development of competition;
- To ensure that society has access to comprehensive information about the positive effects of fair competition on market functionality and social welfare;
- To ensure that Latvia's interests are fully represented in the relevant institutions of the European Union (hereinafter – the EU) and international organizations.

4. *Implementation of the competition policy* as a key objective of the Competition Council is divided into two categories. The first concerns the overall protection of fair competition, which involves protection of market participants and the society against negative effects of market concentration and violations of the Competition law. The second concerns development of the competition culture. This measure includes provision of proposals aimed at reducing administrative barriers, as well as information provision for consumers, market participants, public and local government authorities about the nature and application of the Competition Law. These measures aim to pre-emptively prevent risks of competition violations.

## 1.1 Structure of the Competition Council

Figure 1. Organisational chart of the Competition Council



5. The Decision-Making Authority – the Competition Council – consists of a Chairperson, who is also head of the institution, and two Council Members. The Chairperson and Council Members are appointed by the Cabinet of Ministers based on the recommendation by the Minister of Economics. The Chairperson and Council Members have five year term limits, and these officials may be re-appointed. The Chairperson manages activities of structural units subordinated to the Council – Administrative Resources Management Division, Communication Division and Legal Support Sector.

6. The Executive Institution – the Executive Directorate – is run by the Executive Director who is directly subordinated to the Chairperson. Structural units of the Executive Directorate include three analytical departments, the Legal Department, and the Economic Analysis Division. These departments evaluate various applications and investigate violations of the Competition Law, as well as prepare conclusions and draft decisions, perform supervision of competition environment, control execution of legal obligations and represent the Competition Council in courts. The Economic Analysis Division provides an in-depth economic and econometric analysis during case investigations.

## 1.2 Performance Results of the Competition Council in 2015

7. In 2015, the Competition Council has achieved all of the expected performance results set out by the institution in the budget sub-programme “Implementation of Competition Policy” (see Table 1).

**Table 1. Result-based Performance Indicators of the Competition Council**

| Measure/activity result  | Expected performance result | Achieved performance result |
|--|-----------------------------|-----------------------------|
| 1 Investigation of alleged violations/sector inquiries (number of cases)   | 34                          | 35                          |
| 2 Planned mergers impact assessment on competition in the market (number of cases)   | 15                          | 20                          |
| 3 Provision of explanations related to legislation regulating competition; proposals for improvement in laws, regulations and draft laws (number of conclusions) | 70                          | 76                          |
| 4 Informative and educational activities, such as press conferences, meetings, seminars, trainings (number of activities)  | 30                          | 32                          |
| 5 Ensuring successful participation in OECD (number of documents and events)   | 6                           | 6                           |

8. As a result, the Competition Council has provided both, interinstitutional and public services. The institution has investigated violations of the Competition Law, provided consultations on the competition legislation, considered and adopted decisions on mergers of market participants, as well as informed the public about protection and supervision of competition.

## **2 Enforcement of Competition Laws and policies**

### **2.1 Decisions of the Competition Council**

**Table 2. Statistical summary of decisions**

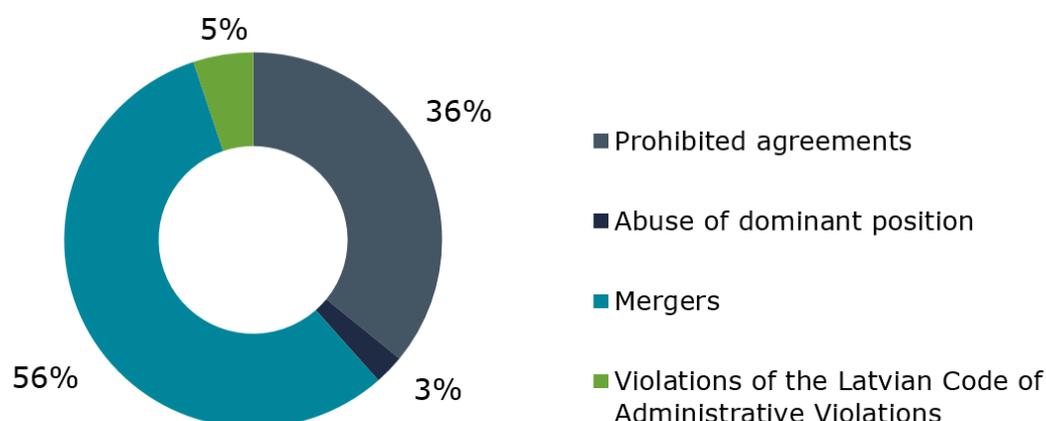
|   |    |
|---|----|
| Prohibited and notified agreements  | 14 |
| Detection of violation  | 5  |
| Termination of investigation  | 5  |
| Non-initiation of a case  | 1  |
| Reviews of notified agreements  | 3  |
| Abuse of dominant position  | 1  |
| Detected violations   | 1  |
| Enterprise mergers  | 22 |
| Permitted mergers   | 19 |
| Permitted mergers with binding conditions   | 1  |
| Detection of violation (failure to timely notify the merger)                                | 2  |
| Violations of the Latvian Code of Administrative Violations                                 | 2  |
| Failure to fulfil the decisions of the Competition Council and lawful requests of officials | 2  |
| Total   | 39 |

9. In 2015, the Competition Council adopted a total of 39 decisions. 8 decisions detected violations of the Competition Law, imposing fines in the amount of EUR 1 035 439.78 on 29 enterprises.

10. In two cases, the Competition Council imposed fines of EUR 7000 for the infringement of the Code of Administrative Violations. The fined enterprises failed to comply with the decisions of the Competition Council and requests from officials.

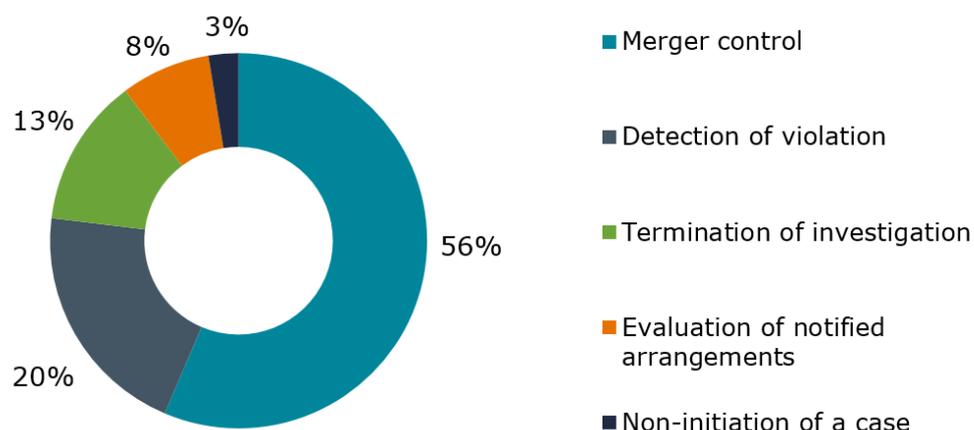
11. The breakdown of decisions by types of violations is shown in Figure 2.

**Figure 2. Breakdown of decisions of the Competition Council in 2015 by types of violations**

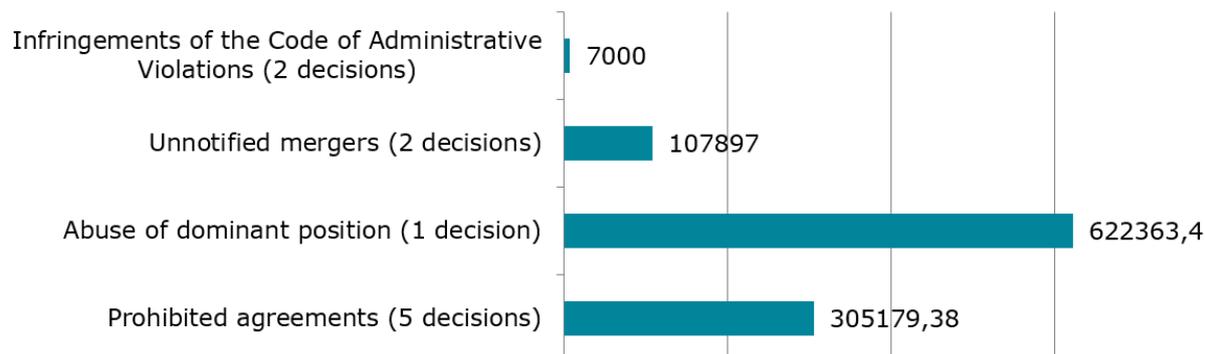


12. Overall in 2015, decisions establishing a violation of the Competition Law were adopted in 8 cases. In 1 case, the Competition Council decided not to open an investigation because the concerns about a possible violation expressed in the notification were not confirmed. A total of 5 decisions to terminate investigations were made in cases where despite initial information indicating otherwise, no violations in the Competition Law were found. Lastly, 22 of the decisions were related to merger control, and 3 of the decisions concerned assessment of notified arrangements (see Figure 3).

**Figure 3. Types of decisions on the Competition Law adopted in 2015**



13. The amount of fine imposed on market participants for violations of the Competition Law within the reported period ranged from EUR 700 to EUR 622 363.40. The amount was based on turnover of the previous financial year for the market participant involved, as well as other factors, such as the severity, length and consequences of the violation. The amount of imposed fines by types of violations is shown in Figure 4.

**Figure 4. Amount of imposed fines (EUR) by types of violations**

14. During the reported year, the Competition Council imposed fines on two enterprises for violations of the Latvian Code of Administrative Violations. These resulted because enterprises failed to comply with the decisions adopted by the Competition Council and requests from officials.

15. In 2015, fines in the amount of EUR 1 052 030 for violations of the Competition Law and the Latvian Code of Administrative Violations, imposed by the Competition Council in 2015 and previously, were been paid into the state budget.

16. By the end of 2015, fines in the amount of EUR 19 943 046.24 imposed by the Competition Council have not yet been paid because of several reasons. Either the payment period has not yet expired, a compulsory enforcement of the decision has been initiated and is being implemented by sworn bailiff, or the decision has been appealed and there are pending legal proceedings. In cases when a decision made by the Competition Council is appealed, the enterprise shall be obliged to pay the fine only after legal proceedings have been finalised, except for cases when the court revokes the decision made by the Competition Council.

## **2.2 Legal proceedings**

17. Final decisions made by the Competition Council on violations of the Competition Law may be appealed in the Administrative District Court within a month from the day the decision comes into force. Decisions on initiation of cases, additional investigation into merger control cases and extensions of the deadline for the Competition Council decisions cannot be appealed.

18. From all decisions adopted in 2015 in which the Competition Council found violations in the Competition Law, three were appealed.

19. In 2015, legal proceedings were finalised in 16 cases, and in 15 of the cases the decisions made by the Competition Council were upheld by the court. In one case, legal proceedings were concluded because a settlement agreement (in the form of administrative contract) was reached between the enterprise and the Competition Council.

20. The settlement was reached with Freeport of Riga Authority, requiring the Freeport Authority to cease to provide commercial tugboat services and stop the discrimination of private tugboat service companies. According to the settlement, the Freeport Authority has paid a fine of EUR 622 363.40 into the state budget for the abuse of a dominant position and distortion of competition.

21. In 2015, the Competition Council, for the first time, entered into settlements with companies breaching the law during the investigation stage of a case, or even prior to the initiation of proceedings. Up

until this, the Competition Council entered into settlements in the form of administrative contracts only to conclude legal disputes rather than investigations. This makes it possible for the Competition Council to avoid extended proceedings that are usually caused by appealing of Council's decisions, thus reducing the time required for fine collection process and allowing state to save additional resources. Enterprises that enter into these contracts are usually subject to a reduced fine. A requirement for a guilty plea for the particular violation is one of the pre-conditions for the administrative contract set by the Competition Council. The decision of the Competition Council comes into force the moment the contract is signed.

22. One of the most important decisions adopted by courts last year is the decision by the Supreme Court on June 8, 2015. This followed a decision made by the Competition Council in 2013 to fine 26 electrical constructors which had colluded on participation in more than 300 procurements. The court upheld the decision of the Competition Council, thus concluding legal proceedings with one of the punished electrical constructors *SIA Austrumu Energoceļnieks*.

### 2.3 *Investigation of Violations of the Competition Law*

- Prohibited agreements

23. In 2015, the Competition Council adopted 11 decisions on possible prohibited agreements. A total of 5 decisions to terminate investigations were made in cases where despite the initial information indicating otherwise, no violations of the Competition Law were found. In one case, the Competition Council decided not to open an investigation because the concerns about possible violations expressed in the notification were not confirmed.

24. In 2015, the Competition Council found five prohibited agreements, all of which were collusion schemes among procurement participants. 26 companies were involved in violations, and the Competition Council imposed fines totalling EUR 305 179.38. Prohibited agreements caused damage to state and municipal institutions, as well as companies organising procurements in 15 different industries. Penalised companies are the entities supplying hospitals and health centres with medical devices, providing computer equipments to the Corruption Prevention and Combating Bureau, forestry services to the State Joint Stock Company *Latvijas valsts meži* and demounting works to the State Joint Stock Company *Latvenergo*.

25. During 2015, in four cases companies used the leniency programme – admitted their responsibility for the violation after the initiation of the case and informed the Competition Council about the way the prohibited agreement was carried out or other violation episodes. For companies contributing important information to the investigation, fine were reduced and they were not excluded from participating in public procurements.

26. Within the reported year, the Competition Council issued warnings to 29 companies on possible involvement in a total of 11 episodes of prohibited agreements of a smaller scale and severity.

27. The Competition Council gives warnings without initiating a formal investigation if the alleged violation is small, has not been on-going and the company promises not to repeat it, as well as if resources required for the investigation of the violation may exceed the possible public benefit. The discussion procedure allows smaller cases regarding abuse of a dominant market position to be resolved.

28. In addition, in 2015 the Competition Council conducted an assessment of three notified agreements. The notifications are requests by companies to assess whether their planned cooperation is in accordance with the Competition Law. In all of these cases the cooperation was allowed, as the Competition Council determined that the potential benefit for consumers resulting from the agreements outweighed the possible risks to fair competition.

- Abuse of a dominant position

29. In 2015, the Competition Council concluded an investigation of long-term competition distortion in the market of tugboat services in the Freeport of Riga. A settlement was reached with Freeport of Riga Authority requiring the authority to cease to provide commercial tugboat services and stop discrimination of private tugboat service companies. According to the settlement, the Freeport Authority had to pay a fine of EUR 622 363.40 into the state budget for abusing a dominant market position and distorting competition. The Freeport of Riga had already been fined by Competition Council in 2009 and 2011 for similar violations. The Freeport Authority used its administrative power to ensure competition advantages for the tugboats of its subsidiary *SIA Rīgas brīvostas flote* and to deny an opportunity for private tugboat companies to operate in the port.

30. In order for the Competition Council to be able to deal with less severe violations more quickly and effectively, the institution can also function as a mediator for communication between enterprises.

31. In three cases, the Competition Council helped to resolve disputes between companies by facilitating negotiations, thus efficiently preventing damage without opening a formal and potentially lengthy investigation. As a result, *SIA Dobeles namsaimnieks* changed its rules on installation of water meters, ensuring an opportunity for private companies to also offer their services. After concluding discussions with Competition Council, *SIA ŪDEKA* developed new draft agreements for services in the water provision sector, thus eliminating unequal competition conditions in the market of water meter installation in the city of Ventspils. Similarly, waste management company *SIA Eco Baltia Vide* has now changed the terms of its services due to an unclear wording. Before this, in addition to agreeing to provision of basic services clients would also enter into an agreement for additional services resulting in unintended expenses.

#### **2.4 Merger Control**

32. In 2015, 20 mergers requiring approval from the Competition Council according to the criteria set forward in the Competition Law were conducted.

33. In 19 cases, the Competition Council permitted mergers as there were no competition distortion concerns. In one case, the merger was permitted only with binding conditions, which allowed to prevent possible harms to fair competition.

34. In two cases, the Competition Council imposed a fine on undertakings for failing to notify their mergers in a timely manner.

35. In 2015, by allowing a merger of *SIA Vides investīcijas*, *SIA ZMK investīcijas* and *SIA Vides pakalpojumu grupa*, the Competition Council for the first time required merging entities to pursue structural changes by ordering part of household waste collection business to be separated. As a result, a new, independent waste management company *SIA Pilsētvides serviss* was formed.

36. When reviewing mergers, a key priority for the Competition Council is protection of public interests by preventing excessive market concentration and maintaining diversity of choice for customers. At the same time, the institution aims to ensure fast and qualitative consideration of merger notifications submitted by market participants.

37. In 2014, the majority of mergers and permitted agreements took place among small fuel retailers. As a result, stronger competition against market leaders in a broader territory continued to develop in 2015. More frequent mergers also took place between food producers.

## 2.5 *Sector inquiries*

38. In 2015, the Competition Council completed sector inquiries in 18 different industries. Some inquiries allowed the Competition Council to obtain valuable information to take further actions, such as adopt a decision or open an investigation into a potential violation. If information obtained in a sector inquiry can potentially benefit public interests, the institution prepares a public report. In this way, last year the Competition Council publically reported on the following inquiries:

- Opening of the electricity market to households. After careful assessment, the Competition Council concluded that opening the electricity market had created a positive impact on competition in the market. At the same time, the authority concluded that market development would require consumers to actively use their ability to look for and select the best offer. Even though restrictions for new companies to enter the market currently do not exist, a desire to start selling electricity to households is reduced by *JSC Sadales tīkls* being dominant market player with close connections to *JSC Latvenergo*, a monopoly electricity producer.
- Sector inquiry into the market of burial services. Burial services are used by consumers during emotionally difficult period when ability to evaluate several options is severely limited. During the sector inquiry, the Competition Council established that competition was distorted because consumers were not adequately informed about the costs of a service, connections between burial services and hospitals, companies owned and ran by state municipalities, failure to accordingly pay taxes, etc.. The Competition Council, in cooperation with the State Revenue Service and Consumer Rights Protection Centre, initiated a development of more effective industry regulations.
- Assessment of the risks of *LMT* and *Lattelecom* possible merger. Due to topical discussions regarding the merger of these companies, the Competition Council conducted a feasibility study on the possible transaction. It was concluded that currently existing competition between these companies in the household Internet provision sector could be eliminated. Furthermore, market structure for mobile communication services could also be deformed by a creation of a service package that would grant significant advantages to one operator and form an almost impenetrable barrier for the development of other operators. A risk exists that *Lattelecom* could provide less favourable terms of cooperation to other operators compared to *LMT*.

## 2.6 *Improvements in the Legal Framework*

39. One of the goals of the Competition Council is to make application of the Competition Law more efficient and understandable for entrepreneurs, as well as to ensure its conformity with the decisions made by the EU Court and the best practice of other EU member states. Thus, the work of more than three years on modernising the Competition Law was completed in 2015, and draft amendments to the Law were submitted to the Saeima.

40. Amendments were developed by taking into account recommendations by the OECD and the best existing practice for applying competition law. Draft amendments to the Law would expand use of the leniency programme, more accurately define investigative powers of the Competition Council, specify of criteria for merger notification and introduce of a merger fee.

41. In May 2015, the Saeima adopted the Law on the Prohibition of Unfair Retail Trade Practices starting from 1 January 2016 to replace the prohibition of the abuse of a dominating position in retail trade previously covered by the Competition Law.

42. The new law defines principles of fair cooperation with food suppliers for retailers by preventing them from transferring their expenses to suppliers. As such, retailers now have to more carefully evaluate the ability of suppliers to fulfil their orders, and they may not influence the cooperation of a supplier with other companies. Non-food retail trade is regulated separately.

43. In order to eliminate administrative barriers and promote competition for the benefit of consumers, the Competition Council provided more than 70 reviews (including opinions) on draft laws and policy planning documents at the various stages of the decision-making processes, as well as existing legislation in various industries, such as waste management, commercial services of administrative bodies, etc.

44. In 2015, the Competition Council identified harms to fair competition resulting from increasing dominance of municipal waste management companies, publishing of municipal newspapers and advertisements, permission of mandatory medical examinations to be received only in municipal healthcare establishments, granting tax advantages to public entertainment event organisers and other cases where competitive neutrality of state was ignored.

45. A new amendment to the State Administration Structure Law was introduced in 2015 following a recommendation by the Competition Council in order to prevent state or municipalities to form new companies in the markets where private companies are operating successfully. It mandates that prior to starting new or expanding an existing business the public entity must consult the Competition Council and private business associations.

46. By reviewing draft laws and regulations, the Competition Council aims to eliminate unjustified market entry barriers and requirements, as well as unreasonable differences between various regulatory frameworks since any unjustified restrictions in a particular market can have negative impacts on fair competition and consumers in the long-term.

47. Last year, the Competition Council pointed to possible competition distortions caused by the regulatory frameworks on 14 different occasions.

48. Based on the opinion of the authority, the Saeima did not adopt amendments to the Law on Value Added Tax that would discriminate private over public organisers of concerts and other entertainment events. Despite recommendations by the Competition Council, amendments to the Waste Management Law were adopted, thus reducing opportunities of private companies to operate in this industry even further and expanding monopoly power of municipal managers. Similarly, despite objections by the Competition Council, a regulation introducing a new duty on taxi companies for entering the Old Town was adopted in Riga, creating an administrative barrier that discriminates against smaller taxi service providers.

### **3. Management of the Competition Council**

#### **3.1 State Budget Financing**

49. In 2015, the Competition Council had a budget of EUR 1 081 000 as a part of the “Implementation of Competition Policy” sub-programme, including EUR 11 000 that was paid into international organisations and programmes (current membership fee of OECD). See Table 3.

50. In order to allow the Competition Council to participate in a project by the State Chancellery of Latvia, the authority was granted additional EUR 13 000 from state budget.

51. The approved expenditure of the Competition Council for 2015 was EUR 1 094 000. Thus, in 2015 the Competition Council used 99.73% of the EUR 1 094 000 allocated to the institution.

**Table 3. Financing for principal activities of the Competition Council (EUR)**

| No     | Financial indicators   | Previous year<br>(actual<br>performance) | Reporting year  |                                 |
|--------|--|--|-----------------|---------------------------------|
|        |  |  | Approved by law | Actual financial<br>performance |
| 1.     | Financial resources to cover expenditures (total)                                | 1 061 275                                | 1 094 258       | 1 094 258                       |
| 1.1.   | Grants   | 1 059 395                                | 1 080 976       | 1 080 976                       |
| 1.2.   | Chargeable services and other own income   | 1 880                                    |                 |                                 |
| 1.3.   | Foreign financial assistance   |  |                 |                                 |
| 1.4.   | Donations and gifts  |  |                 |                                 |
| 1.5.   | State budget transfers   |  | 13 282          | 13 282                          |
| 2.     | Expenditures (total)   | 1 047 896                                | 1 094 258       | 1 091 123                       |
| 2.1.   | Maintenance costs (total)  | 1 038 808                                | 1 077 478       | 1 074 403                       |
| 2.1.1. | Current expenditure  | 1 028 008                                | 1 066 465       | 1 063 603                       |
| 2.1.2. | Interest expenditure   |  |                 |                                 |
| 2.1.3. | Subsidies, grants and social benefits  |  |                 |                                 |
| 2.1.4. | Current contributions to the European Union budget and international cooperation | 10 800                                   | 11 013          | 10 800                          |
| 2.1.5. | Maintenance cost transfers   |  |                 |                                 |
| 2.2.   | Expenditure on capital investments   | 9 088                                    | 16 780          | 16 720                          |

### 3.2 *Personnel*

52. In 2015, the Competition Council had 49 employment positions, out of which 40 were civil servant and nine were state employee positions.

53. In reality, the Competition Council had 46 employees by late 2015, 37 of whom were civil servants and nine of whom were employees.

54. Number of employees:

- Economists – 19 (economists by education – most of these people work as case handlers)
- Lawyers – 18 (lawyers by education, 7 of whom work in analytical departments and Cartel Unit, with everyone else working for Legal units)
- Support staff – 9 (some of the support staff also have legal or economic education)
- All staff combined – 46

55. Human resources applied to:

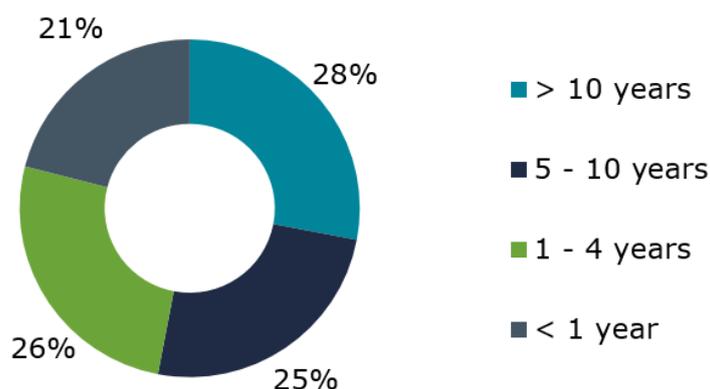
- Enforcement against anticompetitive practices – 31 (all employees in Legal department, two analytical departments and Cartel department. Investigation typically is conducted by a team of one case handler and one lawyer from the Legal Department)
- Merger review and enforcement – 21 (all employees in Legal Department and two analytical departments. Same employees do both, antitrust and merger review cases)

- Advocacy efforts – 5 (3 in a special advocacy unit, 2 in Communication Unit), however many other employees, among them also Council Members and case handlers, are involved in advocacy activities.

56. In 2015, civil service relations were established with five servants, while employment legal relations were established with another five employees. In 2015, six civil servants and four employees were dismissed.

57. At the end of 2015, approximately half of employees had worked at the institution for more than five years. Breakdown of personnel by length of employment at the institution is shown in Figure

**Figure 5. Breakdown of personnel by length of employment at the Competition Council**



### **3.3 Education of the Personnel**

58. In 2015, 44 of 46 employees of the Competition Council had higher education and 74% of employees had obtained a master’s degree. Several servants have two higher educations.

59. Considering the specific nature of the institution, the majority of employees have acquired higher education in either Legal or Economic fields. The rest have acquired education in Engineering Science, Business Management, Communication Science and other fields.

60. In 2015, after assessing performance results of the personnel, employees of the Competition Council participated in trainings aimed at improving project management, presentation skills, mediation and other alternative dispute resolution methods, prevention of conflicts of interest, professional ethics of public authority, etc.

### **3.4 Improving Performance of the Institution**

61. Activities of the Competition Council are based on principles of exceptional governance that according to the State Administration Structure Law include public transparency, protection of sensitive data, fair implementation of procedures within a reasonable time period and other regulations aimed at ensuring that state administration respects rights and lawful interests of private individuals.

62. The Competition Council aims to improve its performance, and is committed to effective and efficient use of internal and external resources.

63. The Competition Council primarily uses its resources to detect and prevent the most severe violations of the Competition Law and protect public interest. However tough, small competition violations also create an unfair competition environment and can be destructive towards businesses involved in specific markets. In these cases, the Competition Council uses alternative dispute resolution methods, such as warnings and facilitating negotiations.

64. In 2015, the Competition Council formed the Economic Analysis Division. The new structural unit will be a significant step towards strengthening and extending economic and econometric analysis used in investigations and implementing a cartel screening method for detecting violations.

65. One of the first tasks of the new division was to calculate the welfare benefit to society in Latvia created by the work of the Competition Council. Economists estimated savings generated to society resulting from violations eliminated by the Competition Council and calculated that each euro in the budget of the authority has created a benefit of EUR 52 to society.

66. In order to create a more ethical and legal working environment, the Competition Council has conducted procedures to improve protection of personal data. Furthermore, to better control access to restricted information, the authority developed and approved specific policy, as well as created an internal control and corruption prevention system.

#### **4. Communication with the Public**

67. One of the key tasks of the Competition Council is promotion of fair competition by improving public understanding of the Competition Law and impacts of violations on business environment and consumers.

68. Improving public understanding increases intolerance towards violations of competition law, thus improving the capacity of the regulatory institution to discover or pre-emptively tackle violations.

69. An essential communication channel between the Competition Council and its target audience is the website of the authority – [www.kp.gov.lv](http://www.kp.gov.lv). The site provides access to decisions adopted by the institution, as well as relevant court rulings. Furthermore, the site allows public to report on possible violations of the competition law anonymously.

70. The Competition Council informs media on adopted decisions and latest news in competition control on a regular basis. This is done because decisions made by the institution apply not only to a particular case and market participants, but also to the overall competition environment. Publicly available information on detected violations clearly discusses consequences of illegal activities, thus increasing public awareness and promoting legal practices on behalf of market participants.

71. In order to explain competition situation in different product and service markets, the Competition Council informs mass media about results of sector inquiries. In 2015, the Competition Council prepared 77 press releases in Latvian and 23 in English. As a result, 109 news posts were made on the institution's Internet site. To provide more detailed explanation of decisions that are particularly important for markets and consumers, the Competition Council organises press conferences.

72. Throughout the year, the Competition Council either suggested publications, provided information for publications or was mentioned in publications in 90 different electronic and printed media outlets. Overall, in 2015 the Competition Council was mentioned in media 1614 times.

73. To provide public with a broader understanding of the competition law, experts of the Competition Council provide lectures and seminars for employees of certain companies or NGOs, students of Latvian higher educational institutions and employees of state and local governments.

74. In 2015, the Competition Council drafted a record number of six guidelines. Companies have received guidelines on how to properly prepare merger notifications, as well as on situations when renting of premises is considered a merger, defined oral hearing principles, and explained the application of the new retail trade regulation. In the Case Prioritisation Strategy, the Competition Council explained to companies and society how the authority establishes prioritises investigations and where its resources are used.

75. More often than before the Competition Council faces with competition distortions created by the state or local governments. The state and local governments lack ability to assess harms to fair competition created by starting state businesses.. To improve state and municipal decision-makers' understanding of competition and competitive neutrality, in the end of 2015, the Competition Council developed Competition Assessment Toolkit and organised a seminar for representatives and decision-makers of state and local governments.

76. On January 1, 2016, Law on the Prohibition of Unfair Retail Trade Practices came into force. The law balances market power between retailers and suppliers. To introduce entrepreneurs with provisions of the law and interpretation of its application, the Competition Council developed guidelines, an explanatory infographic and organised a seminar, gathering retailers, suppliers, as well as their NGOs and representatives of the state.

77. The Competition Council employees often provide consultations on competition issues to representatives of legal service offices, entrepreneurs and other interested parties. In 2015, over 200 consultations were provided in writing, by telephone or within consulting hours for visitors at the office.

78. In 2015, the Competition Council continued to explain competition law and inform citizens about competition news using various communication channels. In this way, the institution used the social networking site Twitter (@KPgovLV) as means of communication, thus allowing public to ask questions about competition law in a more informal setting.

79. In early 2015, the Competition Council published an educational video on cartel agreements in Latvia, explaining the harm done by prohibited agreements and introducing an opportunity to report a possible violation or to participate in the Leniency Programme. The video is used as an informative material for seminars, lectures and conferences that are organised by the authority. The video is publicly available on the website and Youtube channel of the authority. The video can be viewed in Latvian with English subtitles.

80. A prohibited agreement can most effectively be detected by organisers of public procurements. Because of that, the Competition Council frequently conducts seminars for individuals involved in organizing public procurements and informing them about ways to recognise possible violations and bring damage actions in cases when violations have occurred. As a result of such activities, in 2015 the Competition Council received more than 20 (twice as many as last year) possible violation notifications from public procurement organisers.

81. In May 2015, the Competition Council, in cooperation with the Ministry of Economics within the scope of the Latvian presidency of the Council of the European Union organised a conference of European Competition day gathering 170 participants. The participants included leading experts of competition law, representatives of EU competition authorities, Latvian companies, NGOs and national regulatory

authorities, as well as judges and lawyers specialising in competition law. The participants were addressed by various prominent Speakers, including Margrethe Vestager, the European Commissioner of Competition, Professor Alison Jones, Eleanor M. Fox, William E. Kovacic, W. Michael Kramer, JD, CFE, etc.

82. In 2015, the Competition Council, based on a rotation principle, organised the XII Annual Baltic Competition Conference, gathering specialists from competition authorities of Latvia, Lithuania, Estonia, as well as Finland, Sweden, Poland, Austria and Germany.

## **5. Plans for 2016**

83. According to its operation strategy, The Competition Council, will focus on three basic directions:

- detection of and imposing severe penalties in the most severe competition law violations - cartels and abuse of a dominant position.
- facilitation of fair competition in society, especially among public servants, thus ensuring equal conditions for all market participants;
- strengthening the institutional capacity and efficient management of competition protection processes.

84. In 2016, the authority will focus on the following issues:

- Warnings and discussions – solutions for the effective prevention of smaller competition law violations.
- Protection of budgetary resources of Latvia and the EU, combatting the most common violation in Latvia – bid rigging.
- Responsible merger control – pre-merger consultations, as well as fast and client-oriented reviews of merger notifications.
- In-depth sector inquiries – analysis of competition, market development trends and entry barriers for starting businesses in economy sectors that are the most important for Latvian consumers.
- Knowledge that protects – seminars for businesses, associations, students, and state and municipal authorities.
- Strengthening of regulations developing and implementing amendments to the Competition Law and creating guidelines on competition law issues important to companies.
- Improving the management of the authority, integrating project and quality management practice in day-to-day operations and effectively using modern technologies.