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## **Annual Report on Competition Policy Developments in Latvia**

**-- 2017 --**

**27-28 November 2018**

This report is submitted by Latvia to the Competition Committee FOR INFORMATION at its forthcoming meeting to be held on 27-28 November 2018.

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## 1. Foreword by the Chairwoman of the Competition Council

1. In competition supervision area, every year seems special, as it always surprises with something new. However, year 2017 was special not only for the Competition Council team, but for everyone, who compete and create competitive environment on the market. 25 years ago, in 1992 grounds for competition supervision were founded in Latvia. Our country then made decision to move towards free market economy and undertakings not only received an opportunity for unlimited development, but also got obligations to compete fairly and not hinder development of other market participants.

2. All these 25 years the Competition Council has been working with strong confidence, that values of free market, including fair competition shall be protected. It means that not only unfairly chosen “special ones”, but rather consumers, undertakings that operate fairly and the state in general should benefit from the possibilities provided by free competition, its protection and strengthening. Moreover, throughout these 25 years a whole new generation has appeared in Latvia, which could not imagine their lives without competition.

3. Through the years, a lot has been achieved in arrangement of competition environment – a modern regulatory framework of competition has been implemented, as well as rich authority and court practice has been developed, deep understanding of functioning of wide variety of fields has been obtained. In context of market liberalization, a productive collaboration has been achieved with market players and other institutions.

4. However, if asked whether we have become strong competition culture-bearers and protectors throughout these 25 years – I do not think the answer is so unambiguous. Belief that competition is good, except for my “sector” is still existing and unfortunately quite wide spread among sector players. But we must bear in mind that exactly public sector players should be the ones that take care of protection of fair competition for our national economy to develop faster.

5. In 2017 a proposal of new Competition law provision – extremely important to entrepreneurs and a reminder of competition neutrality for public persons – got “stuck” in endless discussions with municipal organizations. And not for the first time! It proves that we have still a lot to accomplish to create an effective competition culture.

6. Last year was special also because the Competition Council organized and participated in a record number of educative and informative events, but strong confidence of society groups regarding benefits of fair competition culture is still a challenge. Latvia also was not built and created within a single day, so I could purposely state, that we must go on with our work and we will!

7. In 2017 the Competition Council could especially highlight another meaningful achievement, which is educative for undertakings and hopefully will decrease incentives repeat similar violations in the future. Namely, we have taken two decisions regarding prohibited vertical agreements – for minimum price fixation and resale price level maintenance, that resulted in prohibition for undertakings to freely set resale prices to their customers. Both cases are a great confirmation of abilities of the Competition Council team to effectively deal with analysis of large amount of complicated data.

8. Previous year was special also in market inquiry field. In 2017 natural gas delivery market was liberalized and the Competition Council carried out an assessment to proactively eliminate potential monopolistic practices and remove barriers that would

prevent entry of new market participants after market opening. During another inquiry, recommendations were published to schools and parents of school age children regarding the choice of suppliers of school uniforms, but employees of pharmacy field received recommendations regarding development of pharmacies network concentration. Variety of these areas confirms, that competition has no insignificant markets and each of them is important. Moreover, in most markets it is evident that there are still ways to improve competition.

9. Another area in which I would like to stress our achievements is international arena both regarding cooperation and appreciations received. Last year we have provided significant support and contribution to application of competition law at international forums and states, increasing ties of cooperation with Ukraine, Moldova, Georgia, Armenia etc. Furthermore, every summer we are awaiting publication of best competition institutions rating at the Global Competition Review Rating Enforcement. Last year for the third time in a row we were ranked within 38 leading competition institutions among 140 countries and received the high tree star evaluation, for what we are especially grateful. Our work in context of competition culture development was appreciated also by the International Competition Network and the World Bank, which awarded the Competition Council with Honorary Award at the competition advocacy contest.

10. Competition culture is evident in an everyday life for everyone. If it is peculiar to undertakings, supervisory bodies and policy developers, who would apply competition culture in their everyday work, then our common welfare will increase. This is what I wish to all of us – more fair competition and to remember that progress begins with competition!

Yours sincerely,  
Skaidrīte Ābrama



Chairwoman of the Competition Council

## 2. Basic information

11. The Competition Council of the Republic of Latvia is a direct public administration authority operating under supervision of the Ministry of Economics. The principal area of operation of the Competition Council is the implementation of the competition policy, and it is divided into two sub-areas – development and protection of the competition culture. The independence of the Competition Council is stipulated in the Competition Law.

12. The main aim of the Competition Council is to ensure every market participant has 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.

13. 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 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 competition;
- To promote competition in markets with limited competition and administrative barriers;
- To ensure that legislation developed by other state institutions ensures protection, maintenance and development of competition;
- To ensure that society is informed about the positive effects of fair competition on market and social welfare;
- To ensure that authority is duly represented in the relevant institutions of the European Union (hereinafter – the EU) and international organizations benefiting international practice.

14. Implementation of the competition policy as a key objective of the Competition Council is divided into two categories. The first concerns the 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 and *ex-ante* prevention of competition violations including reduction of legislative administrative barriers, education of consumers, market participants, public and local government authorities about the nature and application of the Competition Law.

## 2.1. Structure of the Competition Council of Latvia

Figure 1. Organizational chart of the Competition Council



15. The Decision-Making Body – 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 Unit, Communication Unit and Head of Strategic Planning and Development.

16. The Executive Body is run by the Executive Director who is directly subordinated to the Chairperson. Structural units of the Executive Directorate include Cartel department, Analytical department, Legal Department, and Economic Analysis Unit. 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.

### 3. Performance results of the Competition Council in 2017

17. In 2017, the Competition Council has achieved all 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	Targets 2017	Results 2017
1.	Ensured protection and control of competition by preventing or terminating anti-competitive activities in specific markets		
1.1.	Investigation of alleged violations/sector inquiries (number of cases)	31	32
1.2.	Planned mergers impact assessment on competition in markets (number of cases)	15	13
1.3.	Endured representation in proceedings (number of proceedings)	15	24
2.	Ensured development of competition policy and culture		
2.1.	Provided explanations, opinions and proposals, ensured drafting of regulations and guidelines (number of conclusions)	90	88
2.1.1.	Provision of explanations related to legislation regulating competition; opinions and proposals for law improvements (number of conclusions)	84	82
2.1.2.	Ensured drafting of regulations and guidelines (number of conclusions)	6	6
2.2.	Organized press-conferences, lectures and seminars on competition issues (number of measures)	30	45
2.2.1.	Organized informative/educational measures to inform market participants on competition law (number of measures)	14	31
2.2.2.	Organized informative/educational measures to inform representatives of state and local municipalities (including organizers of procurements) and students on competition law (number of measures)	16	14
2.3.	Ensured participation in the OECD (number of documents)	6	7
2.4.	Consulted market participants about implementation of the Unfair Retail Practices Prohibition Law	80	122

18. Thus, the Competition Council has provided both, inter-institutional 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.

### 3.1. Decisions of the Competition Council of Latvia

**Table 2. Statistical summary of decisions**

<b>Prohibited agreements</b>	<b>8</b>
Detected violations	4
Investigation terminated upon written commitment	1
Terminated investigations	3
Notified mergers	13
<b>Cleared mergers</b>	<b>11</b>
Cleared mergers under binding conditions	1
Blocked mergers	1
<b>Total amount of decisions</b>	<b>21</b>

19. In 2017, the Competition Council adopted a total of 21 decisions. 4 decisions detected violations of the Competition Law all concerning prohibited agreements, thus, imposing fines in the amount of EUR 10 116 138 on 20 enterprises. 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.

20. In 11 merger cases harm to the competition was not detected, therefore, mergers were cleared. In one case the merger was cleared under binding conditions, while in another one – blocked as the competition would have been severely affected.

### 3.2. Legal proceedings

21. In 2017 eight legal proceedings were completed and in all cases the court upheld decisions of the Competition Council. In one of cases, legal proceedings were terminated after the Authority concluded an administrative agreement with the undertaking involved in the legal dispute.

22. Following the coming into effect of the Competition Council decisions, including after the court review, EUR 3 917 165 were paid into the state budget in 2017.

23. Among the most significant court decisions, the Authority should point out a judgement of the Administrative Regional Court. In 2016 the Authority adopted a decision to fine the SIA Rēzeknes autoosta for abuse of its dominant position. The court upheld the Competition Council's decision, in which the Authority decided, that SIA Rēzeknes autoosta, when it became a lessee of the Bus Terminal in summer of 2013 without clear and objective justification included several costs into the calculation of entrance fee for the carriers and the entrance fee in 2014 and 2015 was substantially increased.

24. As the company, did not appeal against the court judgement and Authority's decision entered into full force, SIA Rēzeknes autoosta has paid a fine into the state budget in amount of EUR 4 026.53.

25. At the end of the year the Constitutional Court has passed a significant ruling, which confirmed that powers of the administrative courts to decide on legality and proportionality of fines applied by Competition Council in the decision. The fact that

court is not entitled to calculate fines itself does not violate the rights of plaintiff to a fair trial.

26. The case was initiated by the Constitutional Court based on two applications by the Administrative Regional Court. Therefore, the contested provision of the Administrative procedure law stating that only in cases provided by law a court may amend an administrative act and determine specific content thereof, in Administrative Regional Court's opinion, restricted the jurisdiction of the administrative court.

### 3.3. Investigation of Violations of the Competition Law

#### 3.3.1. Prohibited agreements

27. In 2017, the Competition Council adopted four decisions regarding prohibited and coordinated activities, imposing fines on 20 companies for the total amount of EUR 10 116 138.

28. One investigation that revealed vertical restrictions was terminated upon obtaining a written commitment from companies to change provisions of mutual agreements that created exclusivity and excessively restricted potential new competitors in the future. Within one case the Authority concluded a settlement with two companies during the cartel investigation as both companies agreed with facts, established during the investigation and existence of violation. In another case, the Authority concluded two administrative agreements, companies paid imposed fines and the legal dispute was terminated.

29. In 2017, the Competition Council adopted two decisions, revealing long-lasting and significant harm to the consumers. At the beginning of the year the Authority established prohibited agreement between SIA Rīgas satiksme (RS, provider of public transport services) and PS Rīgas mikroautobusu satiksme (RMS, provider of minibus transport), that RMS passenger fare amount shall not be lesser than RS tariff. The Competition Council stated that competition that price competition in Riga public transportation market was restricted. The Authority imposed fines to both undertakings in amount of almost EUR 2.3 million.

30. On 31 August, the Authority established, that producer and supplier of construction materials SIA Knauf and SIA Norgips, and five biggest construction material retailers SIA DEPO DIY, AS Kesko Senukai Latvia, SIA Tirdzniecības nams "Kurši" and SIA Krūza ensured coordinated and artificial creation of price level in retail sales for gypsum containing materials (incl. plasterboard), lime cement mixtures and other products, distributed by SIA Knauf and gypsum plasterboard, distributed by SIA Norgips. The Authority imposed fines to all companies in the amount of EUR 7 413 516. SIA Knauf, SIA Norgips and SIA Krūza agreed not to appeal decision, concluded administrative agreement and received reduction of fines.

31. In 2017 the Competition Council had been actively investigating the most severe and common infringements of competition law – bid-rigging. For coordinated activities during participation in procurements, the Authority adopted two decisions and issued five warnings to 15 persons without initiating a formal case investigation.

32. To motivate companies previously penalized not to involve in new cartels, since 2016 according to Public procurement law the undertakings debarred from public tenders for 12 months after Competition Council decision finding cartel may receive exemption from this sanction if company admits guilt as well as complies with several specific

requirements, including provision of training to its employees regarding the compliance with the competition law, obligation to assess risks and take preventive internal measures to avoid similar violations in the future.

33. In 2017, the Competition Council issued five positive opinions finding the activities implemented by the companies to be sufficient to restore reliability.

### *3.3.2. Abuse of a dominant position*

34. In 2017 the Competition Council successfully completed six negotiation procedures, which is a record within one single year. By five negotiations the Authority averted abuse of dominance companies committing themselves to change behavior. Negotiation procedure without initiation of formal investigation and imposition of fines is used in cases, when infringements had no significant effect on the market and company voluntarily undertook to prevent violation. If undertaking does not comply with commitments Competition Council, the Authority may initiate an official case investigation.

35. During the negotiation procedure AS Rīgas siltums (heat energy supplier in Riga) changed its behavior regarding unfair procedures to the customers. The Competition Council also achieved that unequal competition conditions for companies, providing stevedore services at the Liepāja Port, were terminated by port authority.

## **3.4. Merger Control**

36. In 2017 the Competition Council adopted 13 merger decisions. Companies that notify mergers are obliged to pay fees from 2 000 to 8 000 € depending on complexity of the merger. In 2017 total amount of fees paid in state budget by merging parties were 56 200 €.

37. The Competition Council in 2017 adopted a decision to allow mobile telecommunication provider UAB Bite Lietuva to purchase MTG Broadcasting AB group companies that own national TV and radio channels, satellite TV provider in Latvia (SIA TV3 LATVIA, AS Latvijas Neatkarīgā Televīzija, VIASAT AS Latvian branch, SIA Star FM and SIA Smart AD).

38. Merger created possible foreclosure effects for other competitors in advertising and market for wholesale of TV content. To avoid possible negative effects to the competition at TV program wholesale market and advertising market on TV, the Authority applied binding behavioral conditions on acquisition of MTG Broadcasting AB.

39. At the beginning of the year the Competition Council adopted a decision to prohibit SIA RIMI LATVIA (one of the largest retailers in Latvia) to acquire the rights for long-term lease of retail premises for super or hypermarket in one of the largest trade centers in Riga. The Authority concluded, that this merger would cause negative effects on competition by strengthening market power of retailer in the relevant market. Due to limited availability of premises in trading centers that are important for attracting a wider range of consumers and SIA RIMI LATVIA is already operating in 80% of the trade centers in Riga, the Competition Council decided, that this merger could create more barriers for other retailers to expand in the relevant market. The Competition Council implemented isochronal method and analyzed the loyalty card data from retailer to identify and define the relevant geographical market in the Riga city. Use of this method

allowed more precisely to analyze behavior and choices made by the customers and demand side substitution.

### 3.5. Sector (market) inquiries

40. In 2017 the Competition Council conducted supervision over 13 markets, where problematic issues of competition were established, to identify market restrictions and recommendations for future reductions of barriers and prevention of possible violations. Among the most important markets, where the Authority concluded supervision, are a natural gas supply market, retail pharmacy market in cities, school uniforms sewing and supply market, etc.

#### 3.5.1. Natural gas market opened for competition

41. On April 3, 2017, natural gas market in Latvia was liberalized. To evaluate possible foreclosure risks after liberalization of the natural gas market and conformity of actual contract of incumbent gas supplier with its biggest commercial clients (also *take or pay* obligation) to the Competition Law, the Competition Council implemented sector inquiry and elaborated recommendations.

42. While assessing the obtained data about natural gas supply agreements concluded by AS “Latvijas Gāze” with its biggest customers, also the new drafts of supply agreements and their conditions, the CC has concluded, that the condition “take-or-pay” is widely used in these agreements. This caused concerns on the effect of blocking market access, thereby hindering development of competition in the liberalized market of natural gas in future.

43. To prevent future violations of Competition Law Authority stated that AS Latvijas Gāze as the former monopolist have special responsibility for its activities not to foreclose the market for competition, also not to enforce unreasonable obligations to pay for historically unpurchased volumes if the client decides to switch to another competitor and not to restrict client’s ability to choose their gas supplier in future.

#### 3.5.2. Pharmacy retail – stronger but lesser options for consumers

44. Retail pharmacy market inquiry was conducted to evaluate mergers in pharmacy retail that are not covered by the actual merger thresholds. During the inquiry, the Competition Council established, that within the last five years, the biggest pharmaceutical chains had increased its market shares and number of belonging retail drugstores. Market concentration for five-year period increased lessening consumer choice and competition in the market.

45. In number of cities the market power of the biggest pharmaceutical chains had substantially increased, moreover, there are cities in which just one pharmaceutical chain owns 70 – 80% of the market share, even all 100% in some smaller cities, and therefore the Authority considers as the risk zones purchases of individual pharmacy licenses that is not covered by merger thresholds due to low turnover. The Competition Council recommended amendments to pharmacy licensing regulatory framework, which would allow the respective state authority to evaluate changes of license-holders and avoid the concentration of pharmaceutical networks.

### ***3.5.3. Possibilities to choose pupil's uniform supplier for parents is limited***

46. According to legislation, in Latvia school uniforms are not mandatory. However, schools are entitled to introduce unified school uniforms. The procurement procedures are not being conducted, because ordering and purchase obligation rests on the parents as the state or municipality does not provide financing.

47. The Competition Council after monitoring of school uniforms established, that suppliers of school uniforms are often being chosen by schools without transparent criteria comparing several suppliers. Usually there is historically one supplier although there are several competing offers in the market. In some cases, schools consider different options in the market but parents lack of precise and complete information. As neither schools, nor parents are not flexible regarding changing the supplier, lack of competition may also affect the price and quality.

48. The Authority in cooperation with Consumer Protection Bureau provided recommendations for schools and parents to promote schools to introduce procedure that will increase the level of competition and ease the choice of different offers in the market.

## **3.6. Improvements in the Legal Framework**

49. On 5 October 2017, during the final reading the Parliament adopted the amendments to the Competition Law and Civil Procedure Law regarding compensation of damages in competition cases. Amendments provide simplified and more efficient procedure to claim damages from infringers of competition law. That enabled fully implement the Directive of the European Parliament and the Council about compensation of damages.

50. Amendments simplify estimation of the amount of damage claim. The Law maintains also further the presumption that a cartel agreement causes a harm, as a result of which the price is increased by 10%, unless it has been proved otherwise. According to the law one of the district courts in Riga is appointed as specialized court with jurisdiction to review damage claims at the first instance.

51. In 2017, the Competition Council was actively participating in discussions with municipalities and other stakeholders regarding the amendments to the Competition Law that were still discussed in the Cabinet of Ministers from 2016. These amendments will empower Authority with the rights to investigate market distortions by public persons. Only in 2018, these amendments were passed to national parliament *Saeima*. Each year increasingly the Authority receives complaints on actions of public administrative bodies, especially local municipalities, which grant unjustified privileges to their owned capital companies and ignore principle of the competitive neutrality.

## **4. Management of the competition council**

### **4.1. State Budget Financing**

52. In 2017, the Competition Council has used financing in the total amount of 1 214 866,99€, which is 95,92% of the total financing allocated to the Authority. In 2017, the Competition Council had achieved resulting numbers, which were defined for the Authority by budget subprogram "Implementation of Competition Policy".

**Table 3.**

No.	Financial indicators	Previous year (actual performance)	Reporting year	
			Approved by law	Actual financial performance
1	Financial resources to cover expenditures (total)	1 079 584	1 276 779	1 266 592
1.1.	Grants	1 061 989	1 276 779	1 266 592
1.2.	Chargeable services and other own income			
1.3.	Foreign financial assistance			
1.4.	Donations and gifts			
2	Expenditures (total)	1 069 483	1 276 779	1 214 867
2.1.	Maintenance costs (total)	1 068 763	1 260 464	1 197 857
2.1.1.	Current expenditure	1 068 763	1 260 464	1 197 857
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			
2.1.5.	Maintenance cost transfers	17 595		
2.2.	Expenditure on capital investments	720	16 315	17 009

## 4.2. Personnel

53. The Competition Council had 51 employment positions with the totally 44 filled at the end of 2017 which consist of 39 civil servants and 5 employees (support administrative staff).

54. In 2017, Competition Council had 16% of staff turnover. In 2017, 12 competitions were organized for different vacant positions. Work experience of 38% of employees of the Competition Council is between one to three years.

55. Number of employees at each position:

- 3 Council members;
- 1 Executive director;
- 19 Case handlers;
- 10 Support staff members;
- 9 Lawyers;
- 1 Lead economist;
- 1 Head of strategical planning and development.

56. Human resources applied to:

- Enforcement against anticompetitive practices – 33 (all employees in Legal department, Analytical department and Cartel department). Investigation typically

is conducted by a team of one case handler and one lawyer from the Legal Department. In most complex cases a project team of several employees is formed.

- Merger review and enforcement – 22 (all employees in Legal Department and Analytical department). Same employees do both, antitrust and merger review cases.
- Advocacy efforts – 8 (4 in a Legal Department, 2 in Communication Unit, 1 in Cartel Department, 1 Head of strategical planning and development), however many other employees, among them also Council Members and case handlers, are involved in advocacy activities.

57. In 2017, Authority hired nine civil servants. In 2017, six civil servants and one employee were dismissed.

58. At the end of 2017, average employment time at the institution was approximately 6.5 years.

59. In 2017, all 44 employees of the Competition Council had higher education and 75% of them had a master's degree. Several servants have two higher educations.

60. 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 Business Management, Communication Science and other fields.

61. In 2017, after assessing performance results of the personnel, employees of the Competition Council participated in trainings aimed at improving project management, quality management, procurement procedures, obtaining and processing electronic evidences, etc.

### **4.3. Improving Performance of the Institution**

62. To optimize performance of the Competition Council, restructuring of the Authority was concluded in early 2017. Two separate legal structural units were merged, as well as two analytics units. New positions were created for strategical planning and development and the special responsible for procurements and administration.

63. In June 2017, the Cabinet of Ministers of the Republic of Latvia appointed Skaidrīte Ābrama for a second five-year term as Chairwoman of the Competition Council of Latvia.

64. Working strategy of the Competition Council for 2017 – 2019 was approved. Along general tasks in implementation of competition policy and application of the Competition Law, the Competition Council focused its strategy also on actual challenges such as of high staff turnover and new development directions of competition, elaboration of legislation amendments, strengthening deterrence of the Competition law. Strategy also develops corresponding financial indicators for strengthening the institutional capacity, improving the role and recognition of the Authority internationally.

65. At the end of the year, the Parliament adopted amendments providing the Competition Council to decide on its remuneration system. Amendments provided no increase of the budget, but granted rights for the Authority independently decide on the levels of remuneration for different job positions and maximum limit of remuneration.

Amendments entered into force on January 1, 2018. In 2018, work on the creation of new wage system was concluded, including indication of job content evaluation criteria.

66. The Competition Council has mentors for each new employee to stimulate successful integration of newest colleagues, cooperation and transfer of knowledge. The Authority also performed mentoring process analysis for the last two years and respective recommendations for improvement were made for the future.

67. Authority organizes internal trainings where experts exchange knowledge and experience, educating their colleagues on different topics, like definition of relevant geographic market, obtaining electronic evidences and attaching them to the case, terminology in legal documents, etc.

## 5. Communication with the public

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

69. 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.

70. In 2017, Latvia celebrated 25<sup>th</sup> anniversary on promotion of fair competition. Therefore, on 16 November, during the anniversary conference “Towards fair competition: past, present, tomorrow” former and the current chairpersons of the competition authority, representatives of the state and local governments as well as entrepreneurs discussed the achievements of application of the competition law over passed during 25 years and future challenges of the entrepreneurship.

71. In 2017 the Competition Council in cooperation with the Corruption Prevention and Combating Bureau and the Procurement Monitoring Bureau initiated two years long cycle of seminars in the largest cities of Latvia. Within the frames of the cycle of seminars “On fair entrepreneurship” in 2017 in four Latvian cities (Bauska, Liepaja, Daugavpils and Jelgava) all three authorities educated two target groups – entrepreneurs and organizers of procurements.

72. The Competition Council in cooperation with other institutions organized seminars for public and municipal procurements to raise their knowledge on the procurement area and promote their operational efficiency. At the same time, entrepreneurs had a chance to expand their knowledge about their rights in order to be able to successfully use the mutual cooperation forms exempted from prohibitions, to defend their interests, if the law is violated by another company, and to avoid the Competition law infringements due to lack of knowledge.

73. At the end of the year, representatives of the Competition Council participated in cycle of seminars, held by the Central Finance and Contracting Agency for beneficiaries of the European Union funds and other interested persons regarding best practices in use of EU funds. Events were held in five different cities and experts of the Authority were speaking about risks of competition violations within public procurements.

74. Also in 2017 Chairwoman of the Authority signed a cooperation memorandum on the implementation of the “Consult first” principle, aimed to encourage public

administration authorities widen the use of the customer-oriented approach. The Competition Council implements this approach already since 2013, when prioritization strategy was introduced. According to this strategy, in case of small violations of prohibited agreements the Authority issues warnings and in case of dominance cases carries out negotiation procedure. To ease the preparation of merger notifications, the Authority offers to companies pre-merger consultations.

75. The Competition Council in 2017 had approx. 40 meetings with industry associations and private sector entrepreneurs, during which Authority has obtained information about the trends and issues in sectors and had explained specific issues of application of the competition law. Communication and cooperation with non-governmental sector is one of the priorities in advocacy.

76. In 2017 the Authority, supported by the Latvian Chamber of Commerce and Industry held a conference “Cooperation Between Traders and Suppliers: Does the Law Ensure Balance?” about the first year of the Unfair Retail Practices Prohibition Law and its implementation, while in the fall representatives of the Authority were speakers at Entrepreneurs’ days in Daugavpils and Jekabpils and participated in discussion about the application of legal provisions, held by the association.

77. Traditionally, for the fifth year in a row, the Competition Council held a Lawyer’s Forum – an annual discussion between representatives of the Authority and law offices. During the forum, experts and lawyers who otherwise meet at more formal context, discussed topical issues in application of the competition law, as well as mutually in an open conversation searched for the solutions to solve existing challenges. Among the discussed topics there were practice of the Authority while processing the data acquired from market participants, aspects of price recommendations for resale, and certain procedural aspects for investigation of the competition cases. For the first time a topic concerning economic analysis was included in the agenda as the Authority’s Chief economist presented the experience in evaluation of unfair application of prices in the context of abuse of the dominant position.

78. To promote competition law and meaning thereof in everyday life, the Competition Council in 2017 held or participated in several events, for younger audience (pupils and students). In October 2017, the Authority held an essay contest “Progress begins with competition” for pupils and students. All together the Competition Council received 20 essays, in which contestants expressed their vision of the necessity and advantages of competition. Participants were awarded on the International Competition Day on December 5.

79. Experts of the Competition Council provided approx. 120 oral comments and 80 written replies to the media about issues of the Authority and field in general. The Authority was mentioned more than 2200 times in printed and electronic media, which is the highest number in comparison with the last years.

80. In 2017, the Competition Council prepared 116 press releases in Latvian and 33 in English. To provide more detailed explanation of decisions and results of market inquiries that are particularly important for markets and consumers, the Competition Council organized five press conferences.

81. In 2017, 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.

## 6. Plans for 2017

82. In accordance with the working strategy of the Competition Council for 2017 – 2019, the Competition Council in 2018 will continue to work in four directions defined by strategy.

83. 1st direction: Capacity strengthening, grounding on professional and responsible employees.

84. The Competition Council seeks to become more demanding and recognized employer, being able to employ and keep employed high-quality professionals. Taking into account significant labour turnover and non-competitive remuneration system, at the end of 2017 the Parliament supported amendments, providing to change remuneration system, aligning the rights of Authority with other similar institutions, like Public Utility Regulatory Commission. This will allow Competition Council move on towards financial independence.

85. 2nd direction: Disclosure and prevention of most severe competition infringements and market distortions, prevention of negative effects on the market.

86. In 2018, based on the market analysis and investigation methods, the Competition Council will ruthlessly stand against most significant competition infringements, including prohibited agreements and abuse of dominant position. For minor violations, the Competition Council will use the prioritization strategy and apply less resources consuming methods to prevent infringements.

87. The Competition Council will create suggestions regarding legal provisions to prevent market participants from prohibited agreements violations. The Authority believes it is necessary also to evaluate introduction of personal responsibility for officials of companies, as long as they are being responsible compliance of the company to the Competition law. Simultaneously, the Authority will continue to stand for the necessary amendments to the Competition Law to increase the Authority's powers to enforce unjustified competition distortions carried out by public persons.

88. In 2018 the Authority will continue market research about the demand switching barriers in retail banking sector, analysis in the Motor Vehicle Owners' Compulsory Third Party Liability Insurance market and in mobile telecommunication market and will draw attention to the financial, medicine and transport services markets. In accordance with available resources, the Authority will be active in fields, where new digital economy solutions are being implemented.

89. 3rd direction: Creation of understanding of market participants and public persons regarding free and fair competition, competition politics and culture.

90. In 2018 the Competition Council will be actively improving public understanding of competition to achieve greater support of the fair competition idea, by informing and educating consumers, entrepreneurs, associations thereof, public persons, also students and pupils. Society, which is aware of competition principles is able to discover infringements and unfavorable conditions for competition and protect its rights for the fair competition and to commit no violations in its own work.

91. The Competition Council will continue its cooperation with the Corruption Prevention and Combating Bureau and the Procurement Monitoring Bureau to educate entrepreneurs and organizers of procurements of biggest Latvian cities within the frames of seminars “On fair entrepreneurship”. Moreover, the Authority will continue the education and promotion of leniency program among entrepreneurs.

92. 4th direction: Strengthening of the Authority’s role and recognition within the international environment.

93. The Competition Council in 2018 will continue adapting best practices and experience of foreign competition authorities and international organizations to lead the combat against competition law violations and distortions in Latvia, will represent own experience and “success stories” at international forums, promoting recognition of Latvia and confidence that national competition authority in its own country is capable to effectively protect an environment open for the investments.