Annual Report on Competition Policy Developments in Finland

-- 2018 --

This report is submitted by Finland to the Competition Committee FOR INFORMATION at its forthcoming meeting to be held on 5-7 June 2019.

JT03447081
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Executive Summary

1. 2018 was a busy year for the Finnish Competition and Consumer Authority (FCCA), especially in merger control. In total, 39 mergers were notified. The FCCA opened eight in-depth investigations, five of which were cleared subject to conditions and another one was eventually cleared unconditionally after a closer economic analysis cleared the FCCA’s preliminary concerns. One case was cleared after the parties carved out the business identified as problematic and renotted the merger.

2. In addition, the FCCA had initiated an in-depth investigation regarding a merger in the agrimachinery sector, which was ultimately notified to the European Commission and cleared subject to commitments.

3. The FCCA continued to prioritize the fight against a cartel in its enforcement work in 2018. The FCCA proposed a total of over four million euros in penalty payments on ThermiSol Oy and UK-Muovi Oy for prohibited cooperation between competitors in the EPS insulation market in Finland. In addition, the FCCA adopted commitment decisions concerning the long-distance coach travelling sector and Teosto, the only copyright society in Finland that manages copyrights of music authors and publishers.

4. The cooperation agreement between the Nordic competition authorities was approved by the Finnish parliament and entered into force in November 2018. The Competition Act was partly under review and the Government Bill will be given in 2019.

1. Changes to competition laws and policies, proposed or adopted

1.1. Summary of new legal provisions of competition law and related legislation

5. The cooperation agreement between the Nordic competition authorities, with the aim of improving the handling of cross-border competition cases and the enforcement of competition rules, entered into force in November 2018 after Sweden and Finland completed the treaty process. Finland has not previously been a party to the cooperation agreement between Denmark, Iceland, Norway and Sweden. Now, the 15-year-old agreement has been renewed, and Finland is joining it to enhance cooperation with other Nordic authorities. The revised cooperation agreement follows the OECD recommendation of 2014.

1.2. Other relevant measures, including new guidelines

1.2.1. Government proposals for new legislation

6. The Competition Act (948/2011) was partly under review. The Government Bill will be given in 2019. The main amendments of the Competition Act concern the inspections and neutrality rules. The FCCA will be empowered to continue inspections at its premises and to examine the business correspondence, bookkeeping, computer files, other documents, and data of an undertaking irrespective of the storage media or the data format. The purpose of the latter amendment was to clarify the device neutrality. The FCCA
will also be empowered to accept summary applications from applicants that have applied to the Commission for leniency by submitting a full application in relation to the same alleged secret cartel. Additionally, the exchange of information—including confidential information between the FCCA and other authorities in Finland—will be empowered, and one additional ground to set priorities will be added.

7. The amendments concerning the neutrality includes an obligation to the public sector operators to maintain separate accounts of their economic activities and other activities and to construct a separate profit and loss statement (based on accounting information) which must also be included in the financial statement.

2. Enforcement of competition laws and policies

2.1. Action against anticompetitive practices, including agreements and abuses of a dominant position

2.1.1. Summary of activities / FCCA

_Commitment / Matkahuolto_

8. The effects of pricing and rate-setting by Matkahuolto on long-distance coach travel were investigated. Matkahuolto is a coach service and marketing company whose business includes travel services for coach and bus companies and the sale of Matkahuolto’s own ticket products. The preliminary evaluation by the FCCA suggested that it has been problematic to efficient and functional competition that, in general, individual coach companies have been pricing their ticket products in line with Matkahuolto’s kilometre-based rate table that provides the basis for the pricing of single tickets.

9. The FCCA accepted the commitments offered by Matkahuolto. On 14 September 2017, Matkahuolto informed the FCCA that it would discontinue confirming and publishing its own single-ticket rate and the related rate table on its website, and in its agreements with other transport providers. In addition, Matkahuolto will stop selling its own single tickets, based on its single-ticket rate, to customers. Matkahuolto can sell single tickets at retail prices set by the transport companies themselves. Upon request, it can provide individual consumers with information on former single-ticket prices. The FCCA has set a EUR 75,000 conditional fine to enforce this commitment.1

_Commitment / Teosto_

10. The FCCA approved commitments offered by the Finnish Composers’ Copyright Society Teosto regarding the organisation’s membership agreement. According to the agreement, the assignment of musical authors’ and publishers’ economic rights to Teosto is exclusive, and it covers all their existing and future works. Teosto committed to provide their clients the opportunity to also grant case-specific direct licenses to their works, provided that they report each direct license to the organisation, and to allow rightsholders to withdraw rights of single works from the management of Teosto.

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11. The FCCA opened a formal investigation into Teosto’s membership agreement on its own initiative in October 2014. According to the FCCA’s preliminary assessment, the exclusivity clause applied by Teosto cannot be considered to be absolutely necessary to safeguard the rights and interests of individual authors and publishers. On one hand, it prevents rightsholders from granting direct licenses to individual users; and on the other hand, it limits their opportunity to assign their rights to third parties, such as employers and clients. Even though termination of the membership agreement by rights category is possible, the categories of rights have been defined so that they include licensing areas that apply not only to collective management but also to direct licensing. Partial termination also applies to the entire repertoire of the rightsholder in question. The commitments approved ensure that in the future, music authors and music publishers will also be able to negotiate the licensing of their works directly with music users. This should enhance the rightsholders’ freedom to exercise their rights and enable the development of the licensing market on a competitive basis².

An investigation into the OP Financial Group bonus system

12. In its investigation, the FCCA did not find evidence that the bonus scheme would significantly restrict competition in the non-life insurance market to the detriment of consumers. However, the tax treatment of bonuses should be amended to make it more neutral with regard to competition.

13. According to the request for action submitted to the FCCA by the insurance company If in August 2015, OP Cooperative was abusing its dominant position by tying the non-life insurance services provided by the OP Group and the retail bank services provided by individual cooperative banks together through the OP bonus scheme. The OP bonus scheme in its present form was largely created in response to changes in the taxation policy in 2011. The request for action submitted by If claims that, because of the bonus scheme, the actual price of the non-life insurance services provided by OP is lower than the costs incurred by the provision of such services. The FCCA was tasked with investigating whether the OP bonus scheme significantly restricts competition in the non-life insurance market to the detriment of consumers.

14. The FCCA’s investigations show that the share of customers foreclosed from competitors represents about 1 to 5 per cent of the whole non-life insurance market, calculated on the basis of both the number of customers and total premium income. In its overall assessment, the FCCA concluded that the investigation did not provide evidence of an OP bonus scheme having a significant restricting impact on competition in the non-life insurance market. The intervention threshold on abuse of dominant position based on the Competition Act was therefore not exceeded³.

The Finnish asphalt cartel case

15. The European Court of Justice (ECJ) confirmed that acquirer companies may be liable to pay damages for the anticompetitive conduct of acquired companies. The questions were posed by the Finnish Supreme Court in the follow-on damages proceedings

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brought in the Finnish asphalt cartel case by the City of Vantaa against Skanska Industrial Solutions Oy, NCC Industry Oy and Asfaltmix Oy (Case C-724/17). Additionally, the Finnish Supreme Administrative Court confirmed in a national case concerning the same asphalt case the principle of economic continuity to fines imposed by competition authorities in an extraordinary appeal procedure.

16. The European Court of Human Rights held that there had been no violation of Article 6 § 1 (right to a fair hearing) of the European Convention on Human Rights and rejected as inadmissible complaints under Article 6 §§ 1 and 2 (right to a fair hearing/presumption of innocence) in the case of SA-Capital Oy v. Finland (application no. 5556/10). The Court found that the Finnish Supreme Administrative Court, which had been dealing with the case on appeal from a first-instance judgment, had had plentiful evidence of the company’s involvement in the cartel and that the indirect, hearsay evidence had not been conclusive. Given the complex nature of competition cases, the way in which the domestic court had gathered evidence from witnesses had been appropriate and the applicant company had been able to test those submissions.

Public procurement / the Finnish Environment Institute (SYKE)

17. According to a decision by the FCCA, the Finnish Environment Institute (SYKE) had not complied with the Act on Public Contracts when tendering out the renovation of the marine research vessel, the Aranda. During the finalisation of the contract, changes deviating from the tender documentation were made to the scope and terms and conditions of the procurement. The FCCA drew SYKE’s attention to the legal guidelines for amending procurement contracts and compliance with the principles of the Act on Public Contracts during the procurement procedure⁴.

Public procurement / the City of Vaasa

18. The City of Vaasa negotiated in spring 2017 a service agreement for about 150 customers’ rehabilitative work experience directly with Vaasan Setlementityhdystys ry without publishing a contract notice. This was considered to be a service of general economic interest (SGEI). For this reason, the city thought there was no need for public tendering. The FCCA’s view was that the contract fulfilled the definition for procurement contracts, was governed by the Act on Public Contracts and exceeded the threshold value for social welfare and health care services, with no direct procurement grounds applicable to it. The Act on Public Contracts contains no provision for exception to SGEI, so the service provider should have been chosen according to procedures specified in the Act⁵.

Public Procurement / the Town of Riihimäki

19. The Town of Riihimäki decided in June 2017 to transfer the services of 60 customers to home care services provided by Mehiläinen Oy. No contract notice was published because the contract was thought to be worth less than the national threshold value of 400,000 euros for social welfare and health care services. The contract was made


for 12 months, after which the contract was due to continue indefinitely. The Town estimates that the service will cost about 31,000 euros a month. The maximum value of the contract was specified at exactly 400,000 euros. According to the FCCA’s estimate, the value of the contract exceeded the threshold value. The FCCA estimates that the poor situation with substitutes early in 2017 in the Town of Riihimäki’s home care was not so urgent as to warrant the contracting authority to choose direct award, at least for an indefinite period.\(^6\)

**Public procurement / the Town of Naantali**

20. The Town of Naantali decided to purchase Pro Economica Premium financial data management software from CGI Finland Ltd without publishing a contract notice. The software previously in use was installed to the town’s own data centres, meaning that the town was using it under the on-premises model. The new Premium version, however, is produced for the Town of Naantali according to the SaaS model, in the form a cloud services, at the data centres of CGI Finland Ltd. In its proposal to the Market Court, the FCCA notes that the transition to the new operating environment nonetheless fundamentally changed the type and nature of the service acquisition, and that the software purchase could not be deemed a version update or modification that would be permitted under the Act on Public Contracts. The FCCA finds this to be a question of a normal introduction of new software, which should have been put out to tender in accordance with the Act on Public Contracts. The FCCA also concluded that none of the grounds for direct procurement presented in the Act on Public Contracts apply to this software purchase.

21. The FCCA proposes that the Market Court find the contracts concluded to be inefficient with respect to the contractual obligations yet unfulfilled and quash the procurement decision. In addition, the FCCA proposes that the Market Court impose a penalty fine of EUR 15,000 on the Town of Naantali.

**Public procurement / the Kainuu municipal federation for social welfare and health care services**

22. The FCCA called on the Market Court to impose sanctions of EUR 25,000 against the Kainuu municipal federation for social welfare and health care services ('Kainuu sote'), for direct purchases, contrary to the Act on Public Contracts. Kainuu sote acquired 3D imaging equipment for the Kainuu Central Hospital. The total value of the purchase is over EUR 340,000, which exceeds the EU threshold. No contract notice was published on the acquisition because Kainuu's social welfare and health care services viewed the acquisition as part of a purchase by several health care districts in 2013. However, the FCCA did not consider the acquisition by Kainuu sote to be a procurement based on a framework agreement or a joint procurement. Several companies were originally selected as equipment vendors, but no terms and conditions were set on how purchases from different vendors would be implemented. It was therefore left to the contracting authority to freely decide on the choice of supplier during the procurement period. In addition, the contracts tendered out by the joint procurement group had expired by the time the Kainuu social welfare and health care services made their procurement decision.

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ANNUAL REPORT ON COMPETITION POLICY DEVELOPMENTS IN FINLAND

Unclassified
Public procurement / the City of Akaa

23. According to a decision made by the Finnish Competition and Consumer Authority (FCCA) on 10 October 2018, the City of Akaa did not follow the Act on Public Contracts in the procurement of schools’ indoor air and condition surveys. The contracting authority justified direct procurement with lack of competition owing to a technical reason. However, the contracting partner chosen by the contracting authority was not the only service provider as per the Act on Public Contracts that was technically capable of implementing the required service. The FCCA admonished the City of Akaa because the contracting authority applied the direct procurement grounds listed in the Act on Public Contracts in a way that was clearly incorrect.7

Public Procurement / the City of Oulu

24. According to the decision of the Finnish Competition and Consumer Authority (FCCA) issued on 8.1.2019, the City of Oulu did not follow the Act on Public Contracts in the acquisition of environmental laboratory services. The city had used an interim arrangement of procurement for more than 1.5 years.

25. FCCA stated that the contract should have been opened for competition sooner than 1.5 years after the proceeding at the Market Court had ended. The long-lasting arrangement could not be an interim arrangement as referred to in the Act on Public Contracts. According to FCCA’s assessment, the contracting authority also did not have grounds to award a direct procurement. In its decision, the FCCA concluded that the City of Oulu did not comply with the Act on Public Contracts and issued an admonition to the contracting authority.

Public procurement / the Market Court

26. As proposed by the FCCA, the Market Court imposed a penalty payment of EUR 20,000 on the towns of Lovisa and Jämsä for awarding contracts the value of which exceeded the EU threshold without competitive tendering contrary to the Act on Public Contracts. This was the first time that the Market Court resolved a case in which the FCCA had called the Market Court to impose a penalty payment for direct award in violation of the law. The FCCA was granted the authority to monitor compliance with the Act on Public Contracts on 1 January 2017.8

27. On 29 March 2019, the Market Court imposed a penalty payment of EUR 200,000 on the Town of Pargas as proposed by the FCCA for directly awarding a contract whose value exceeded the EU threshold, contrary to the Act on Public Contracts. In addition to the penalty payment, the Market Court ordered that the contract period must end seven months after the date that the decision became legally valid.

28. The Town of Pargas decided to transfer its food service operations in the form of a business transfer to Arkea Oy, which is jointly owned by Finnish municipalities and federations of municipalities. In connection with this decision, the Town of Pargas also


purchased 1,000 shares in Arkea Oy, which corresponds to a 0.12 per cent ownership stake in the company. In connection with the transfer of the business activities, the Town of Pargas signed a seven-year food service agreement with Arkea Oy and a possible two-year optional extension period. The total value of the agreement without the optional extension period is at least EUR 16.8 million. The Market Court confirmed that Arkea Oy has never been an in-house unit of the Town of Pargas. The situation constituted a service procurement that falls under the scope of the obligation to tender specified in the Act on Public Contracts. The Market Court ruled that the case constituted a directly awarded contract that violated the Act on Public Contracts⁹.

2.1.2. Description of significant cases, including those with international implications

Cartels / the EPS insulation market

29. The FCCA proposed that the Market Court impose a total of over four million euros in penalty payments on ThermiSol Oy and UK-Muovi Oy for prohibited cooperation between competitors in the EPS insulation market in Finland. Styroplast Oy, which participated in the cartel, was granted immunity from the penalty payments because it was the first to contact the Authority and provide information on the cartel.

30. The investigation of the FCCA showed that ThermiSol, UK-Muovi and Styroplast agreed on price increases for EPS insulation for 2013 and 2014, their amounts, timing, and manner of execution in meetings and telephone conversations. The three biggest EPS insulation manufacturers in Finland, based on their market shares, participated in the price cartel covering all of Finland. EPS insulation products are indispensable in construction, used primarily as thermal insulation in buildings, as technical insulation, and as sound insulation in new building and renovations.

31. The harmfulness of the cartel was highlighted by the timing of agreed price increases to the beginning of the seasonal demand for EPS insulation. Price increases were agreed to be carried out in the spring before the start of the greatest demand, so that the parties to the cartel could maximize the profit made from the price increase. The practice targeted the most used types of EPS insulations in particular¹⁰.

2.2. Mergers and acquisitions

2.2.1. Statistics on number, size and type of mergers notified and/or controlled under competition laws

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2.2.2. Summary of significant cases

*The acquisition of Med Group Hammaslääkärit Oy by Colosseum Dental Group AS*

32. In July, the FCCA approved the acquisition of Med Group Hammaslääkärit Oy by Colosseum Dental Group AS, subject to conditions. The agency investigated the effects of the transaction on all localities in which the parties overlapped and found that the acquisition would negatively affect competition in the private dental care market in four distinct local areas. These local markets for private dental care services were already highly concentrated and were to further consolidate as a result of the acquisition. To address the identified competition concerns, Colosseum Dental Group offered to divest a dental clinic in each of the four localities. It also committed itself not to recruit dentists over the next two years from the divested dental clinics.11

*The acquisition of Prevent 360 Holding Oy by Avarn Security Holding AS.*

33. In October, the FCCA approved the acquisition of Prevent 360 Holding Oy by Avarn Security Holding AS, subject to conditions. The investigation lasted exceptionally long, over eight months. It was first notified to the FCCA in January after which, in May, the agency declared the notification to be incomplete. The parties resubmitted the notification in June, restarting the clock. During its investigation, the FCCA gathered extensive information through various surveys and used several different methods to assess the relevant product market, to reconstruct the market shares and to analyse the closeness of competition between the parties. These included bidding analysis and customer surveys. Following an in-depth investigation, the FCCA found that the merger would significantly reduce competition in the provision of manned guarding and security services for large customers. As a result of the merger, the already concentrated market, dominated by three players—Avarn Security, Prevent 360 and Securitas—would consolidate even further, as only two of the main players would remain. The approval was therefore conditional upon Avarn Security selling a viable part of the merged entity’s manned guarding and security service business. In addition, Avarn Security offered to subcontract manned guarding and security services to competitors for the duration of three years.

*The acquisition of Attendo Terveyspalvelut Oy by Terveystalo Healthcare Oy*

34. In December 2018, the FCCA approved Terveystalo Healthcare Oy’s acquisition of Attendo Terveyspalvelut Oy. Both parties provide healthcare services to individuals, businesses, insurance companies and the public sector. The FCCA initiated an in-depth

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investigation to assess the acquisition. Based on the FCCA's preliminary investigation, the acquisition may have had adverse effects on competition in the Finnish healthcare service market. In October, the Market Court extended the time limit for the FCCA’s Phase II investigation until December 2018. The extension was required due to the health and social services reform in Finland and the uncertainties related to the reform. As the health and social services reform would have, upon its implementation, greatly changed the Finnish health and social services market, the FCCA had to assess the effects of the acquisition both in the market situation preceding the reform and the freedom of choice market following the reform. (The reform was later abandoned in 2019.) According to the FCCA’s investigation, Attendo and Terveystalo provide different services for different customer groups in the market situation preceding the health and social services reform. The companies have overlapping operations mainly in the market for the outsourcing of public sector health services. Terveystalo’s operations have, however, been minor, and it has only put limited competitive pressure on Attendo. In its assessment of the competition effects in the market after the health and social services reform, the FCCA could not base its investigation on the methods normally used for acquisitions and mergers between competitors, such as the examination of market shares and the proximity of the closeness of competition between the parties, as the market does not yet exist. Instead, the FCCA’s assessment was based on a view of how competition would function in the freedom of choice market as well as the available information on where the different operators’ clinics may in the future be located across Finland. The FCCA’s investigations did not indicate that the acquisition would significantly impede effective competition even in the freedom of choice market.\footnote{See more: https://www.kkv.fi/en/current-issues/press-releases/2018/the-fcca-investigates-how-terveystalos-acquisition-of-attendo-affects-competition/}

\textit{The acquisition of AS TMB by Parma Oy}

35. In August, the FCCA was notified of an arrangement whereby Parma Oy acquires AS TMB. Both parties were active in the market for the manufacturing and sale of precast concrete elements. The Market Court extended the deadline for the phase II investigation until February 2019. The FCCA applied for the extension at Parma’s request. The FCCA’s investigation indicated that the market share of the merged entity, both in terms of sales volume and production capacity, would become remarkably high on several precast concrete product market segments. According to the FCCA’s analysis, given the capacity constraints, competition from the merged entity's competitors was insufficient to prevent price increases post-merger. Instead, competition in the market for hollow core slabs, prestressed beams and columns, and reinforced concrete beams and columns would be significantly impeded. The approval was therefore conditional upon Parma divesting its production plant in Nastola.\footnote{See more: https://www.kkv.fi/en/current-issues/press-releases/2018/7.9.2018-fcca-to-further-investigate-competition-effects-of-acquisition-between-parma-and-as-tmb/}

\textit{The acquisition of Suomen Transval Group Oy by Posti Group Oyj}

36. In November, the FCCA was notified of an arrangement whereby Posti Group Oyj would acquire Suomen Transval Group Oy, a supplier of internal logistics solutions for logistics and industrial sites. According to its initial assessment, the FCCA was concerned that the acquisition may have a negative effect on competition in the market for outsourced
internal logistics services, particularly for 3PL (third-party logistics) operators who are Posti’s competitors and use internal logistics outsourcing services provided by Transval. To address these concerns, Posti committed to offer internal logistics outsourcing services for one year to 3PL operators who are Posti’s competitors. In addition, it committed to protect confidential information acquired by Transval from its customers by keeping this data separate from Posti’s information systems for three years. As the commitments were offered at an early stage of the in-depth investigation, the FCCA was able to conclude its review relatively quickly and without a full-scale effects analysis\textsuperscript{14}.

3. Resources of competition authorities

3.1. Resources overall

37. The total number of staff at the FCCA is 140, of which 68 people currently work for the Competition Division (2015: 125).

3.2. Annual budget (in EUR and USD)

38. For the FCCA totally (covering both consumer and competition enforcement) — 2018: €11,294,000

3.3. Number of employees (person-years, covering competition enforcement)

- • economists; 17,473 person-years
- • lawyers; 29,195 persons-years
- • other professionals; 11,15 person-years
- • support staff; 4,389 person-years
- • all staff combined. 70,291 person-years

3.4. Human resources in competition enforcement (person-years) applied to:

- • Enforcement against anticompetitive practices: 39
- • Merger review and enforcement: 9
- • Advocacy efforts: 19

4. Summaries of or references to new reports and studies on competition policy issues

39. A report by the FCCA concerning questions related to competition and consumer protection in data economy, calls attention to the availability and portability of consumers’ personal data in particular. Collaboration between competition and consumer authorities

and data protection authorities is essential in ensuring the functionality of the digital market.

40. The FCCA has published on its website information for taxi service operators on what aspects will be paid special attention to in competition policy enforcement. Taxi services in Finland are about to face their biggest reformation in history as the Act on Transport Services enters into force on 1 July 2018. The field, which until now has been heavily regulated, will change to a market-based system in one fell swoop. This will also change the role and duties of the competition authority in the field of taxi services.