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COMPETITION COMMITTEE

Annual Report on Competition Policy Developments in Latvia

-- 2023 --

This report is submitted by Latvia to the Competition Committee FOR INFORMATION.

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Latvia

Foreword by the Chairman

1. The year 2023 marks a new era in the Authority's progress towards its goals, as the new 2023–2029 strategy of the Authority was developed during the year with the diligent support of the staff. Our vision is to be an effective and open institution, trusted by the public and committed to active, effective involvement in the development of markets and the protection of the market participants' right to fair competition, achieving a significant improvement of the competitive environment.

2. An integral part of achieving this is a professional, legal, independent, development-oriented, and open-minded team that lives these defined institutional values in its daily work. Although the first full and complete year of implementation of the strategy will not be until 2024, we can already see that the most important keys to success are already at our disposal – the staff of the Authority. In 2023, new quality indicators were achieved, which demonstrate the team's passion to do their job professionally and their loyalty to the values and objectives of the Authority. For example, the staff turnover rate reached an all-time low mark of 6.7%. Only a few years ago, the figure was 28%. Similarly, staff loyalty to the Authority, measured annually in staff surveys, reached 91%. It can be speculated that the revision of the remuneration system, remote working, investment in staff development and IT capacity have all contributed to the increase in these quality indicators. But it is safe to say that much of the credit goes to the staff themselves, who know how, can and do, and do it with passion.

3. Result-oriented day-to-day operations and cooperation, ensuring the detection of significant infringements and the promotion of competition is the second priority of the mid-term strategy. The Authority will therefore devote resources to identifying and addressing the most important competition restrictions through prioritisation of cases. To correctly balance the importance of infringements and cases, the Case Prioritisation Strategy was renewed in 2023. During the reporting period, particular consideration was given to whether the "Consult First" principle could be used to address potential infringements in an efficient way, saving limited resources. This means that in 2023, the number of preventions implemented has almost doubled compared to the previous year and the number of companies warned has quadrupled. In addition to the warnings, four of the most serious competition law infringements or cartels were tackled, penalising a total of 10 companies, and fining them almost €7 million. However, it is pleasing that also in these cases, to streamline resources, a settlement agreement has been reached with the four fined companies, which undertook to pay the fine and not to challenge the Competition Council's decision in court. The Competition Council is aware that punishing companies for non-compliance with the law is a fight with consequences, so effective prevention of infringements goes hand in hand with educating entrepreneurs and procurement organizers, working in close contact with cooperation institutions at the national and international level. In 2023 alone, 50 educational events were provided to companies and public entities: the state, local governments, and their capital companies. There have also been productive exchange meetings with cooperation institutions to share the latest practices in investigative capacity building, IT technology development and other issues. Considering the work done, it was estimated that the average benefit to society of the Competition Council's efforts to prevent distortions of competition and promote fair competition in markets in 2023 is

€51.2 million. Compared to the Authority's budget, each euro allocated to the Authority has generated a public benefit of around €20. This overall benefit to society is also the most important indicator of the Authority's effectiveness and efficiency.

4. Finally, the third priority of the Authority for the next seven years is to ensure an innovative and sustainable working environment. The development of digitization not only allows to reach greater audiences, but also stipulate the improvement of the internal processes of the Authority, allowing the use of different databases and the processing of large amounts of data and the development of different digital investigative tools. For this reason, in 2023, an IT laboratory for processing the e-evidence has been developed and staff training for work in the IT laboratory has been implemented. The procurement of an expert to support the preparation of tenders for the development of the e-file concept and the technical specification for the processing of big data were also implemented during the reporting period. In 2023, together with cooperation partners from the Ministry of Environmental Protection and Regional Development, the State Regional Development Agency, the Ministry of Economics and other cooperation institutions, special attention was paid to the development of an automated cartel screening tool. In 2023, a new staff role of data analyst was created to strengthen the Authority's economic analysis in competition matters.

5. In line with the goals we have set in our medium-term strategy, we are determined to continue to fill the annual calendar with big things in the coming year.



Sincerely,

Juris Gaiķis

Chairman of the Competition Council

1. Basic Information

6. The Competition Council of the Republic of Latvia (hereinafter - the CC) is a direct public administration authority operating under supervision of the Cabinet of Ministers. The tasks and rights of the CC are laid down in the Competition Law, the Advertising Law, Prohibition of Unfair Trading Practices Law, European Council Regulation No 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty establishing the European Community and other laws and regulations.

7. **The aim** of the Competition Council is to provide possibility to each market participant to conduct business activities under free and fair competition conditions, promoting development of competition in all areas of the national economy for the public benefit.

1.1. Tasks of the Competition Council are:

- Detection of prohibited agreements: undertakings do not engage in cartels or implement any other prohibited agreements.
 - Prevention of abuse of dominant position: large and dominating companies do not abuse their market power.
 - Merger control: remedy mergers that create concentration on the market and may negatively impact the interests of consumers and businesses.
 - Surveillance of public administrative bodies: the conduct of the state and local governments, and their capital companies do not discriminate the private market players.
 - Monitoring unfair trading practices: market players along the agricultural and food supply chain do not engage in unfair trading practices, and non-food retailers do not abuse their buying power against suppliers.
 - Assessment of legislation: legislation, regulations and any other state or local government decisions or actions do not restrict the development of free and fair competition.
 - Promotion of competition: competition is promoted on markets, including the regulated ones, where it is limited or non-existent.
 - Raising public awareness: society receives comprehensive information about the positive effects of fair competition on the market functionality and social welfare.
8. 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 in actions of both undertakings and public administrative bodies. 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.

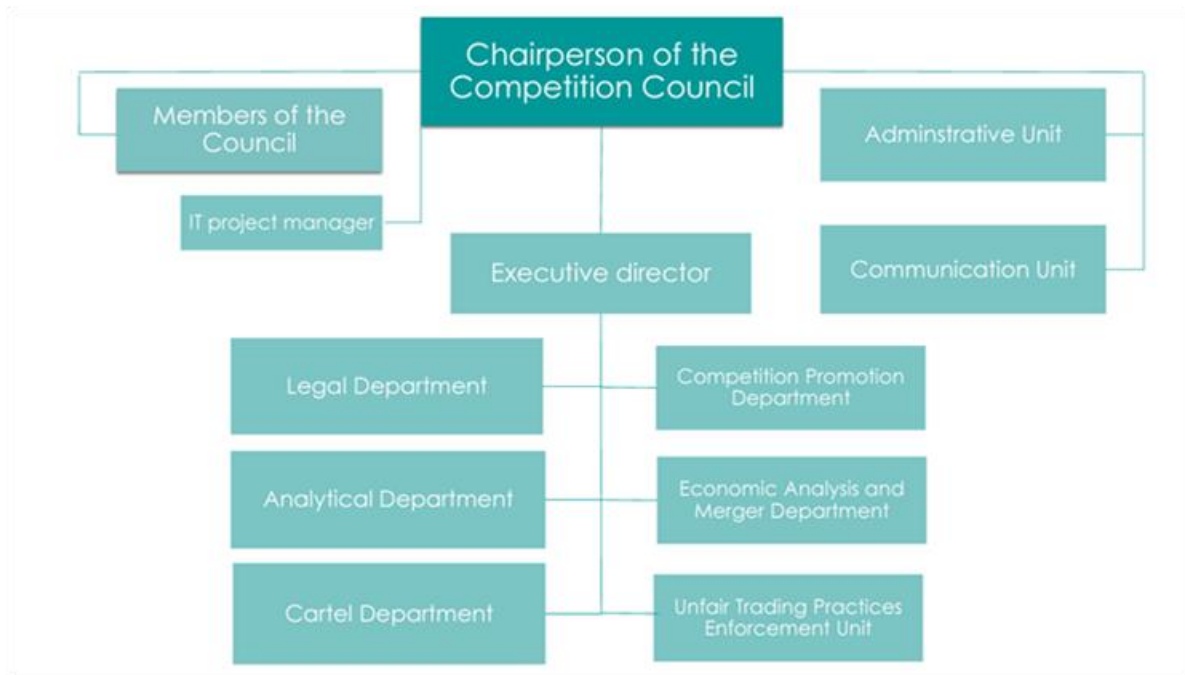
1.2. Structure of the Competition Council of Latvia

9. The Decision-Making Body – the Competition Council – consists of a Chairperson, who is also head of the institution, and three 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 limit and may be re-appointed only once. The Chairperson manages activities of structural units subordinated to the Council – Administrative Unit and Communication Unit.

10. The Executive Body is run by the Executive Director who is directly subordinated to the Chairperson. Structural units of the Executive Body include Cartel Department, Analytical Department, Legal Department, Competition Promotion Department, Economic Analysis and Mergers Department, and since 2023 Unfair Trading Practises Enforcement Unit. Departments evaluate various applications and investigate violations of the Competition Law, the Prohibition of Unfair Trading Practices Law, and the Advertising 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 and Mergers Department provides an in-depth economic and econometric analysis during case investigations.

Figure 1. Organizational chart of the Competition Council



2. Improvements in the Legal Framework

11. In 2023, the CC has devoted significant resources to the improvement of the regulatory framework to include new functions and powers for the CC in national laws and regulations.

12. At the European Union level, new rules for a fair and competitive digital sector were adopted, i.e., the Digital Markets Act. The new rules regulate and restrict the activities of large digital platforms, ensuring fair competition in relations with users and consumers. Amendments to the Competition Law are expected to enter into force in the first quarter of 2024, giving the CC powers to monitor the Digital Markets Act and to support the European Commission.

13. At the European Union level, a regulation on foreign subsidies was also adopted in 2022, which aims to ensure fair competition for all undertakings operating in the EU internal market by preventing foreign (third country) subsidies that distort competition in the single market. The Foreign Subsidies Regulation gives the European Commission the power to investigate and prevent distortions of the internal market caused by foreign subsidies and imposes on undertakings notification obligations on foreign subsidies granted to them in certain cases, in particular concentrations of market players and participation in public procurement. In 2023, amendments to the Competition Law have been prepared and are currently being considered by Parliament, so that the CC becomes the responsible authority in Latvia to assist the European Commission in monitoring the Foreign Subsidies Regulation.

14. In cooperation with the Ministry of Economics, an Information Report was drafted which seeks solutions to facilitate the damages process that public procuring entities can use as a support tool in recovering damages from competition law infringers. The planned amendments to the Competition Law will provide to the CC new powers to support public procurers in identifying, assessing, and calculating damages. To be able to provide the new function and quality support, it is planned to create a separate unit with an additional six posts. In order not to undermine the willingness of undertakings involved in competition infringements to continue to cooperate actively with the Authority during the investigation, by providing additional information about the infringement in the Leniency Programme and by settling the legal dispute with the Authority, the new unit will be fully separate from the other units of the Authority that carry out the investigative activities and decision-making of the CC on competition law infringements in providing autonomous advisory support, thus eliminating concerns that information provided in such cooperation may be used against undertakings in damages proceedings.

15. Also in 2023, discussions with the Ministry of Economics and the Ministry of Justice have led to a conceptual agreement on the promotion of regulatory changes related to the introduction of personal liability of officials for competition law infringements. Until now, only legal persons have been held liable for competition law infringements.

2.1. Pro-competitive laws and regulations

16. In 2023, the CC issued 42 opinions to legislators in more than 15 economic sectors to address potential restrictions to competition that could be facilitated by regulatory frameworks.

17. Opinions on the compliance of draft laws with the principles of free competition and distortions of competition were provided in the following areas: energy, management of public property, public administration, media, healthcare, mobility measures, security, road safety, natural gas supply, provision of third party liability insurance services, provision of broadband internet services, electronic communications, water management, wastewater, financial services, taxation, public transport, pharmaceuticals, timber, trade.

18. To promote the adoption of pro-competitive regulatory framework, representatives of the CC promoted the principles of fair competition at 70 events, including in the Cabinet of Ministers, the Parliament, etc.

19. 28% of all measures taken to prevent restrictions on competition by public entities took account of the CC's views.

3. Performance Results in 2023

20. In general, the Competition Council has fulfilled the planned quantitative and qualitative performance results in 2023. The target value has been exceeded for several performance indicators, including infringement investigations, investigative measures to ensure competitive neutrality, the assessed merger notifications, the proportion of Authority decisions upheld, delivery of opinions and proposals, public education, and international cooperation. (see Table 1).

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

Name of the indicator / Name of the event	Planned value	Execution
Preventive measures and investigations of possible infringement cases, market research <i>Total number of measures</i>	28	47
including high priority areas for market research <i>Number of high priority actions</i>	12	12
including investigative measures (cases and monitoring) to ensure competitive neutrality <i>Total number of measures</i>	9	12
including monitoring measures to ensure fair trade practices in the agri-food supply chain <i>Total number of measures</i>	4	6
Assessment of the impact on the competitive environment of the mergers and agreements proposed by market participants <i>Number of cases / high priority cases</i>	16	24
including in-depth merger investigations <i>Total number of measures</i>	6	3
Actions according to submissions received by providing protection against possible infringements of competition law <i>Submissions on which a Council decision has been adopted</i>	40	40
Restrictions removed from the activities of public entities (percentage of positive result achieved in relation to total number of actions taken) <i>Percentage (to be calculated annually)</i>	28%	28%
In-depth analysis of data (e-evidence) from inspections <i>Number (to be calculated annually)</i>	8	13
Completion of administrative court proceedings and percentage of the Authority's decisions upheld <i>Percentage (to be calculated annually)</i>	82%	100%
Submissions to the Advisory Committee for decision-making at the European Commission <i>Total number of measures</i>	1	4
Public procurements evaluated and opinions given at the request of the contracting authority <i>Number of opinions</i>	24	22
Measures to promote competition ideas (explanations, opinions, proposals, drafting of legislation and guidelines, awareness-raising measures) <i>Number of documents</i>	220	279
Positive and rather positive assessments of the impact of the CC's actions on the market by entrepreneurs <i>Percentage (to be once in two years)</i>	60%	<i>Not measured</i>
Strengthened role and international visibility of the CC (number of publications and speaking events) <i>Total number of measures</i>	47	67
Staff turnover (number of employees who have left the Authority to total number of employees) <i>Percentage (to be calculated annually)</i>	15%	6.7%
Staff loyalty (% of staff who responded to the survey that they will continue their relationship with the Authority for the next two years) <i>Percentage (to be calculated annually)</i>	85%	91%
Public benefits from the operations of the Competition Council <i>Millions of euro (average over three years)</i>	26	51

3.1. Public benefit

21. The CC has summarised the 2023 performance and calculated that the average public benefit from competition policy implementation in Latvia over the period 2021-2023 exceeds EUR 51.2 million per year. Considering the budget of the Authority during this

period, each euro allocated to the Authority generates on average a public benefit of EUR 19.69.

22. To calculate the public benefit, the CC relies on the methodology recommended by the Organisation for Economic Co-operation and Development (OECD), adapted to the specific features of the Latvian economy and supplemented by the recommendations of the European Commission and the practical findings of other highly-regarded competition authorities around the world.

23. According to this methodology, the public benefit calculation considered the decisions taken by the authority in the period 2021-2023, assessing the immediate benefits accruing to businesses and consumers from the CC's actions in the public interest in preventing collusion and abuse of dominance. At the same time, the calculation includes merger control, which prevents the concentration of market power to the detriment of undertakings, and the authority's preventive actions, or warnings and negotiation procedures with undertakings that have committed minor infringements of competition law. Fines imposed by the CC and paid by undertakings are not included in the calculation, as their primary purpose is to deter undertakings from committing similar infringements in the future.

3.2. Decisions of the Competition Council

24. In 2023, the Competition Council adopted a total of 28 decisions. The Authority detected 4 prohibited agreements and allowed 24 mergers. See Table 2 for all the decisions taken by the Competition Council of Latvia in 2023.

Table 2. Statistical Summary of Decisions

Prohibited agreements	4
Infringement detected	4
Mergers	24
Merger cleared	24
Total number of decisions	28

25. In total, the Authority fined 10 companies and imposed fines in the amount of 6 926 289.78 euros. The amount of fines 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.

3.3. Legal proceedings

26. In 2023, significant resources were devoted to the representation of the Authority before the courts. During the reporting period, the CC was represented in 26 active legal proceedings related to the actions or decisions of the CC.

27. In 2023, seven proceedings relating to decisions made by the CC were concluded. In all cases, the CC's decision was upheld, or the conduct was found to be lawful at the end of the proceedings.

28. In 2023, companies fined for infringements of competition law, including after proceedings had been concluded and the CC's decision had entered into force or after the companies had reached settlements with the Authority, paid more than €1.5 million to the State budget.

29. Finally, after 10 years of litigation, the proceedings in a case of abuse of a dominant position, which is important in Latvian and EU competition law enforcement practice, have been concluded with a positive result for the Authority. The Senate of the Republic of Latvia, in its judgment, dismissed the cassation appeal and upheld the 2013 decision of the CC whereby the CC found that the Consulting Agency on Copyright and Communications / Latvian Authors' Association, Latvia) (AKKA/LAA) had abused its monopoly position by charging small and medium shops and service providers significantly higher rates for playing music in premises than in Lithuania and Estonia and in most other EU member States.

30. In late 2023, the Senate also ruled that the CC is also entitled to remove data of natural persons from electronic media during proceedings and that the fundamental right of a person to privacy is subject to limitations considering the legitimate aim of the proceedings. This strengthens the investigative powers of the CC for more effective detection of competition law infringements.

3.4. Investigation of Violations of the Competition Law

3.4.1. Prohibited agreements

31. In 2023, ten companies were fined €6 926 289.78. Two new infringement investigations have also been opened.

32. In 2023, 44 legal entities were warned and simultaneously educated on competition law issues, based on the Authority's prioritisation strategy and the "Consult First" principle embedded in public administration.

33. The CC delivered 22 opinions to procuring entities on the possible elements of prohibited agreements in procurement based on which the procuring entity is entitled to exclude tenderers from the procurement.

34. 25 seminars educated businesses, procurers, and other stakeholders on competition law issues.

- Road construction cartel

35. The CC found three road building companies' prohibited agreement in the context of participation in public tenders organised by state company "Latvijas Valsts ceļi" for the construction of national and other roads in Latvia. The companies were fined €4 451 649.77.

36. The CC identified seven colluded tenders with a total contract value of €24 762 272.11. These tenders covered road works that took place in various locations in Latvia. The smallest project had a contract price of just over €1 million, and the largest – more than €8 million. 43% of all the tenders included co-financing by EU funds.

37. A settlement was arranged with two companies on the termination of the legal dispute in the case, with the companies accepting the facts and circumstances found and undertaking not to appeal the final decision by CC. The settlement prescribed a 10% reduction in the fine. The third company was fined more than €1 million.

Public transportation providers' cartel

38. The CC found a cartel between three public transportation providers with buses in tenders organised by state company "Autotransporta direkcija" for provision of public transport services by buses on routes of regional significance for ten years. The companies were fined €1 974 923.81.

39. To ensure that each cartel member was able to win the right to provide services on routes as close as possible to the set threshold of 15 million kilometres per year, nearly 20 meetings were planned, involving all three parties in various combinations. Moreover, the agreement between the parties was systematically updated and developed through various communication channels, including calls, text messages, mobile phone apps.

40. Several months after the infringement was detected, one cartel participant – AS “Liepājas autobusu parks” – entered into an administrative agreement with the CC to terminate the legal dispute. The company withdrew its application to court, paid the fine and educated its employees on competition law issues.

Cartel in tenders of AS “Latvijas valsts meži”

41. The CC found a prohibited agreement in the activities of three companies in exchanging commercially sensitive information on the conditions of participation in five tenders of state company “Latvijas valsts meži” for the provision of energy wood supply, chipping, storage, and transportation services by concluding a general agreement. A fine of €163 630 was imposed for the prohibited agreement between the companies.

Unjustified membership fee

42. The CC also found a prohibited agreement in the activities of the Association “Motor Insurers Bureau of Latvia” (hereinafter - LTAB), which consisted of charging unjustified membership fees to its members. A settlement agreement was concluded between the CC and LTAB, because of which LTAB confirmed its guilt of the infringement and undertook not to appeal the CC’s decision. LTAB was fined €336 086.

3.4.2. Abuse of a dominant position

43. In 2023, the “Consult First” principle was actively applied to prevent possible abuses of dominant positions while at the same time streamlining the Authority’s limited resources.

44. Almost half (47%) of all submissions received by the Authority and decided by the CC Council in 2023 were related to alleged abuse of dominant position.

Examples of prevention

45. The CC carried out an in-depth investigation into the criteria applied by the Latvian Performers’ and Producers’ Association (hereinafter -LaIPA) for calculating the remuneration tariffs for the performance of music in hotel rooms.

46. In its in-depth investigation, the CC concluded that several criteria included in the methodology for calculating tariffs could not be considered as reasonable for the purpose of calculating the remuneration fee tariff. The methodology was based on criteria such as the GDP of the hotel and restaurant sector, the category or stars assigned to the hotel, and the average spending per traveller. In the view of the CC, the use of these criteria in the calculation was not objectively justified, as the hotel’s revenues are in no way linked to the cost of “creating” music or the “consumption” of music in hotel rooms.

47. In view of the above, the CC asked LaIPA in the prevention procedure to review the criteria for determining the remuneration in the category “Hotel rooms”, including the discounts applicable to this category. As a result of the prevention procedure, LaIPA considered the CC’s instructions and excluded criteria from the methodology that were not justified and, in cooperation with the Latvian Hotel and Restaurant Association, agreed on a transition to new and justified criteria for the calculation of remuneration fee rates.

3.5. Monitoring of Unfair Trading Practices

48. In 2021, the Prohibition of Unfair Trading Practices Law entered into force, aiming to prohibit unfair trade practices throughout the agri-food supply chain and the use of buying power by non-food retailers against suppliers. Enforcement of the Law is monitored and controlled by the CC.

49. In 2023, 16 submissions were assessed for possible breaches of the law. To address the alleged non-compliance with fair trading practices, the CC implemented two preventive procedures, warning a total of 29 legal entities. In one case, the CC invited traders to review the terms of their cooperation with suppliers regarding the imposition of sanctions. In the second case, the CC invited traders and suppliers to improve their cooperation during and after sales promotions.

50. In 2023, the CC carried out 14 information and education activities, including press conferences, seminars, expert articles, and other activities, to raise awareness among traders and suppliers about the principles of fair trade and how to implement them in practice.

51. In 2023, the CC provided 36 consultations to market participants on the application of the Prohibition of Unfair Trading Practices Law. In 2023, the CC also prepared a self-assessment tool for purchasers to assess fair trading practices and justify the imposition of penalties.

52. In 2023, non-compliance with the Prohibition of Unfair Trading Practices Law was investigated through the monitoring of four markets:

- The CC surveyed market participants and collected data on cooperation between agri-food producers and suppliers and retailers.
- The CC examined the cooperation between traders and suppliers during and after marketing promotions.
- The CC analysed dairy prices – from raw milk to shelves.
- The CC investigated the prices of cereals and bakery products.

3.6. Mergers

53. In 2023, there was a 50% increase in the willingness of businesses to merge compared to 2022. Altogether, the CC received 21 merger notifications and assessed 24 mergers, including three that were announced in 2022. In all cases, a decision to authorise the merger was made. The number of decisions adopted has increased by 70% compared to 2022.

54. The highest desire to merge was identified at the end of 2023, when the CC authorised ten mergers. 38% of all decisions adopted in 2023 were related to mergers between competing market participants or companies in horizontal relationships. A third of all decisions concerned companies with no horizontal or vertical links. Similarly, one in five mergers was between companies in vertical relationships.

55. In 2023, mergers took place in various sectors, affecting a total of 47 markets, such as wholesale and retail, financial, office equipment, plastics and electronics, freight transport, healthcare, electricity and heat, automotive and spare parts, electrical appliance repair and other markets. The number of affected markets has increased by 75% compared to 2022.

56. During the year, the market players involved paid for merger review €66 000 in fees to the State budget. To facilitate the submission of merger reports by companies, the CC provided 57 pre-merger advice sessions.

57. Most mergers were assessed by the CC within one month, with additional focus on mergers requiring in-depth assessment. In 2023, three such in-depth investigations were carried out and in all cases the merger was allowed without objection.

3.7. Sector inquiries

58. In 2023, the CC concluded its monitoring of five markets: market surveillance on digital markets; market study on dairy prices – from raw milk to shelves; market study of the prices of cereals and bakery products; market surveillance on cooperation between agri-food producers and suppliers and retailers; market study on the cooperation between traders and suppliers during and after marketing promotions.

3.7.1. Food price monitoring

59. In 2023, the CC carried out an in-depth study on the retail markets for eggs, fish, dairy, meat, cereals, and bakery products, assessing the aggravated situation in the food sector and the rising prices affecting every consumer.

60. The CC assessed cooperation between suppliers and retailers, price changes or price pass-through from one link in the supply chain to the next, for example if a manufacturer reduces its price, is it reduced proportionally in the shops so that consumers feel the benefits. The CC also looked at price volatility, how prices of equivalent products change in shops, how often and at what rate.

61. The study of dairy, bakery products and cereals did not reveal prohibited agreements on prices by traders and did not reveal unfair trading practises in retailer-supplier cooperation. However, it provided comprehensive data on the sector so that policy makers, the ministries responsible, can make data-driven decisions.

62. Retailers and producers have most often changed prices in line with the previous sales stage, both in terms of price increases and reductions, for milk, rye bread, spaghetti pasta and buckwheat. However, for cheese, sour cream, white bread and wheat flour, price transmission weaknesses have been observed, such as changes occurring late or disproportionately to the previous stage.

63. Over the 17-month period studied, the CC found that local milk, white bread, and spaghetti pasta were priced cheaper than products produced outside Latvia. But local cream, cheese, wheat flour, buckwheat and rye bread are significantly more expensive. For example, cheese produced in Latvia is 59% more expensive and sour cream 32% more expensive.

64. Often the supplier, based on individual order, produces both the retailer's private label goods and the manufacturer's own brand goods at the same time, which are identical in composition. The production costs of such goods are the same, but their purchase prices differ significantly.

65. All the products studied (milk, sour cream, cheese, wheat flour, buckwheat, bread, spaghetti pasta) sold under the retailer's private label were cheaper. For example, the average in-store mark-up on independently branded milk is 3.5 times higher than the retailer's mark-up on the same producer's milk on the retailer's shelves.

66. The CC suggested that the industry / responsible industry bodies develop a price comparison tool that would allow consumers to make informed decisions in favour of buying given products for the best price at retail stores over a given period.

3.7.2. Digital markets surveillance

67. To gain a deeper understanding of the principles of operation of online platforms, the Latvian and Lithuanian competition authorities carried out parallel market studies to identify potential problem situations that could have a negative impact on competition in digital markets.

68. As part of its market surveillance, the CC obtained information from online platforms operating in various sectors, mostly in Latvia, offering intermediation services such as meal delivery, ticket, gift, and voucher sales. The CC also surveyed 84 companies that use online platforms services.

69. In its market surveillance, the CC found that online platforms facilitate competition between companies by giving them the opportunity to see competitors' offers and prices for their products in one place. Among other things, they also offer other benefits to businesses, such as saving resources on setting up their own online trading solution or online shop and offering logistics or marketing services.

70. The CC found that hybrid platforms that both sell their own products and offer other undertakings the possibility to use the platform's intermediation services because of the information they have about their commercial users can apply various advantages to their products, such as better ranking among other products or better price.

71. The CC's investigation concluded that the risk of restricting competition may also arise from contracts concluded between online platforms and undertakings, which contain clauses that restrict the ability of undertakings to offer their goods or services on more favourable terms in other channels.

72. The CC called on online platforms to ensure that the principles of fair competition are not infringed on in their dealings with their commercial customers. Upon the conclusion of the market study, the CC encouraged discussion on increasing the transparency of commission fees for end consumers, thus encouraging consumers to make clear and informed decisions on where their money goes.

3.8. Impact on competition of public administrative bodies

73. In total, the CC received 138 applications in 2023 relating to the activities of public entities – state, local and municipal capital companies – including possible distortion of competition and revaluation of shareholdings in capital companies.

3.8.1. State and local government involvement in business

74. A total of 64 assessments of public entity holdings in capital companies have been examined in 2023. The CC issues opinions to public entities to address the risks that a public entity unduly engages in commercial activities and thereby distorts competition by making it more difficult or even impossible for private traders to operate on the market.

75. For advisory purposes, the CC has started and will continue to produce summaries by sector or industry, highlighting the main findings and issues arising from the Authority's opinions on revaluations of holdings in capital companies by the state and local governments. In 2023, findings were summarised on the involvement of public entities in building management which are planned to be published in 2024.

3.8.2. *Respect of competitive neutrality*

76. The Competition Law requires public entities to respect competitive neutrality. In 2023, the CC issued 95 opinions on the actions of public administrative bodies – the State, local governments, and their capital companies – such as possible discrimination against private market players or the creation of advantages for their capital companies.

77. During the reporting period, the negotiation procedure was used in five cases to address alleged non-compliance with competitive neutrality. The implementation of the negotiation procedure is set out in Section 14¹ of the Competition law, and it aims to eliminate deficiencies in the conduct of municipal capital companies, municipal institutions, and other public entities in a timely manner.

4. Management of the Competition Council

4.1. State Budget Financing

Table 3. Budget allocation of the Authority

	Financial indicators	Previous year (actual implementation)	Reporting year		
			approved by law	approved by law (with amendments)	actual implementation
1	Financial resources to cover expenditure (total)	2 075 051	3 343 891	3 333 069	2 075 051
1.1	Grants	2 075 051	3 343 891	3 333 069	2 075 051
2	Expenditure (total)	2 075 051	3 343 891	3 333 069	2 075 051
2.1	maintenance expenditure (total)	2 027 885	3 189 391	3 203 227	2 027 885
2.1.1	current expenditure	2 027 720	3 189 391	3 203 227	2 027 720
2.1.2	interest expenses				
2.1.3	subsidies, grants, and social benefits	165	0	0	0
2.2	capital expenditure	47 166	154 500	129 842	50 203

4.2. Personnel

78. The CC consists of a decision-making body - the Council - and an Executive Body. At the end of 2023, the Institution had 62 staff members, 56 of whom were civil servants and six of whom were employees. Staff turnover reached 6.7% in 2023. 4 individuals left the civil service and employment, while 10 entered it.

4.2.1. *Number of employees at each position:*

- 4 Council Members
- 1 Executive Director
- 31 Case Handlers
- 10 Lawyers
- 7 Economists
- 7 Support staff members

- 2 IT support providers

4.2.2. *Human resources applied to:*

- Enforcement against anticompetitive practices – 35 (all employees in Legal department, Analytical department, Cartel department, and Competition Promotion Department, who carry out competition neutrality investigations). Investigation typically is conducted by a team of one case handler and one lawyer from the Legal Department. In complex cases a project team of several employees is formed.
- Merger review and enforcement – the average number of employees that work with mergers is seven (7 economists).
- Advocacy efforts – the Authority does not have exact calculation. At least seven members of Competition Promotion Department, 4 Board members, two persons from the Communication Division, and some other case handler who were also actively involved in promoting competition culture and advocacy.

79. The average age of personnel of the Competition Council is 37.5 years. 66 % or 41 employees are women, and 34 % or 21 employees – men.

80. In 2023, 2% of employees had a Doctor's degree, 71% of employees had a Master's degree. Considering the specific nature of the institution, most employees have acquired higher education in either Legal or Economic fields. The rest have acquired education in Business Management, Communication Science, and other fields.

81. During the year, employees of the Competition Council attended 79 training courses held by external lecturers, thus enhancing their professional competences through conferences, international forums, courses organised by the School of Public Administration and training and skills coaching by other professionals. To ensure exchange of good practice in the organization and institutional memory, six internal events took place at the Competition Council in 2023, incl. training activities that were implemented through assistance by the Authority employees.

4.3. Improving Performance of the Authority

82. To ensure the success and consistency of the Authority's operations, the CC improved several internal processes and developed relevant internal laws and regulations in 2023.

- Authority developed new Operational Strategy (2023-2029) and Case Prioritisation Strategy.
- To strengthen the technical and technological IT capacity of the authority to ensure more effective investigations of competition infringements, few activities were implemented to develop an IT laboratory for processing the e-evidence, and further training of staff on the use of the IT laboratory is planned.
- Also in 2023, particular attention was paid to the development of an automated cartel screening tool and an automated merger report submission tool.
- At the same time, work has continued the development and implementation of a digital e-case.
- In 2023, the CC's Advisory Board was set up to organise closer and more effective cooperation with stakeholders on competition policy development and enforcement. The Advisory Board is represented by the Ministry of Economics,

Ministry of Finance, Ministry of Environmental Protection and Regional Development, Ministry of Transport, Ministry of Agriculture, Latvian Association of Local and Regional Governments, Employers' Confederation of Latvia, Latvian Chamber of Commerce and Foreign Investors' Council in Latvia (FICIL). Six Advisory Board meetings were held in 2023, addressing issues such as the Authority's annual report and performance, the Case Prioritisation Strategy, the Authority's Operational Strategy, the CC's tasks for the Government Action Plan, and others.

5. Communication with the Public

83. In 2023, compared to the previous year, the CC organised three times as many press conferences, prepared 20% more press releases, developed twice as many audiovisual materials (videos and podcasts), organised 40% more educational events and published 25% more expert articles.

84. In 2023, representatives of the CC participated in 50 educational events organised by the Authority or other organisations.

85. To promote the development of a fair competition environment, the CC held 96 inter-agency cooperation meetings on various topics. This included the establishment in 2023 of the CC's Advisory Board to organise closer and more effective cooperation with stakeholders on competition policy development and enforcement.

86. The CC held 61 meetings with businesses and NGOs to discuss competition developments and challenges in different sectors and to promote fair competition principles. In addition, the Authority provided information seminars to these target groups on various aspects of competition law enforcement, including the prevention of prohibited agreements between competitors or within associations.

5.1. Educating priority target groups

5.1.1. *Entrepreneurs*

87. To prevent major competition law infringements, entrepreneurs were given educational seminars and webinars. In 2023, the CC set up its own "Seminar School", where open seminars were organised on the premises of the Authority for anyone interested. The CC held seminars to educate market participants on cartels, vertical agreements, unfair trading, abuse of dominance, mergers, and other topics. The "Seminar School" educated 152 market players and public figures.

88. At the same time, the CC has carried out educational activities on the most significant infringements of competition law in large Latvian companies, such as AS "Liepājas autobusu parks", AS "RĪGAS SILTUMS", AS "Latvenergo", Riga Municipality Limited Liability Company "Rīgas satiksme", etc.

5.1.2. *Legal representatives of companies*

89. The World Competition Day marked the eighth Lawyers' Forum organised by the CC, where CC representatives met face-to-face with competition law practitioners representing entrepreneurs to discuss theoretical and practical issues on the application and interpretation of competition law rules.

5.1.3. Procurement organizers and stakeholders

90. To promote the development of the procurement environment, the CC provided seminars for public procurers, thus strengthening the competence of this target group and their ability to identify the signs of cartel agreements between bidders.

91. In 2023, together with the Procurement Monitoring Bureau, a large series of awareness-raising seminars for contracting authorities on fair procurement and the exclusion of suppliers from procurement for possible competition infringements was organised. A total of around 1 200 procurement professionals from state and local authorities were trained in six seminars.

92. In 2023, training was provided not only to procurers, but also to cooperation authorities to help them identify cartels and assist the CC in preventing possible competition law infringements. Experience sharing and cooperation events were held with the Directorate for Combating Economic Crimes of the Chief Criminal Police Department of the State Police, the Anti-Fraud Coordination Service (AFCOS), the Corruption Prevention and Combating Bureau and other law enforcement agencies.

93. Also, as a preventive measure, the CC visited the Latvian National Centre for Culture before the Latvian Song and Dance Festival to educate the event organisers on how to identify prohibited agreements or cartels of companies in procurement, as well as to inform them about the responsibility of contracting authorities in procurement and about the possibilities to report suspicious applications.

- Public administrative bodies

94. In 2023, the CC actively promoted awareness of public entities about involvement of public entities in business and competitive neutrality by organising seminars at the premises of the Authority, participating in events organised by the Latvian Association of Local and Regional Governments, and educating employees of large state and local government companies.

5.2. Fostering a culture of competition among young audiences

5.2.1. The Authority is also involved in educating the younger generation – pupils and students:

- The CC organised a “Shadow Day” to introduce students to the daily work of the Authority, as well as an Open Doors Day and hosted the European Law Students’ Association in Latvia (ELSA Latvia) to share experiences of the work of CC lawyers.
- The CC together with its partners – the Ministry of Finance, the State Revenue Service and the Corruption Prevention and Combating Bureau – participated in the Junior Achievement Latvia entrepreneurship inspiration conference “Dare to Win”, introducing the principles of fair competition to students.
- The CC also participated in pupils’ “Business Tales” competition organised by Junior Achievement Latvia, evaluating the business tales submitted by students, which highlighted, among others, the importance of fair competition in market development.
- The CC educated future competition law professionals from the University of Latvia through lectures. The CC’s experts also presented their research at the Scientific Papers Conference organised by the University of Latvia.

- In June 2023, the second competition for students' research papers in competition law organised by the law firm "ZAB PricewaterhouseCoopers Legal", the CC and the Riga Graduate School of Law was concluded. The third research paper competition was launched in autumn 2023 and the winners will be awarded in 2024.

5.2.2. The CC develops digital communication

95. In 2023, the CC continued to actively use different communication channels to reach new audiences. A total of 122 press releases were issued. The CC was mentioned in the media 2 535 times, 60% more than in 2022. While social networks such as Facebook, Twitter and LinkedIn had a total of 120–180 publications each in 2023. In 2023, the CC thus gained 162 new followers on Facebook, 246 new followers on LinkedIn and 85 more followers on Twitter.

96. To reach new target groups and strengthen its image, the CC also developed its digital communication in the reporting period, producing a new "Neutral Talks" podcast and 14 videos on competition.

97. In addition, to promote fair competition, a self-assessment tool for suppliers and retailers on contractual penalties has been developed in 2023, as well as a section on vertical agreements on the website, complemented by a self-assessment questions tool.

5.2.3. International cooperation

98. In 2023, the representatives of the CC attended 86 international events and made presentations or speeches on 43 occasions, which is 20% more than in the previous year, for example at events organised by the Organisation for Economic Cooperation and Development, the International Competition Network, the European Competition Network, and other partners.

99. In addition to educational activities, in 2023 the CC drafted or contributed to 57 international documents sharing its experience in applying competition law.

Strengthening regional cooperation

100. To strengthen regional cooperation, a Memorandum of Cooperation was signed on 18 April in Warsaw with the competition authorities of 10 Eastern European and Baltic countries. Austria joined the memorandum at the end of 2023. In 2023, expert working groups and experience sharing workshops were held in Poland and Moldova on State aid programmes, the Leniency Programme, cartels in procurement, communication on competition topics, digital markets, and market surveillance.

101. In October, the CC also hosted the Economic Security Bureau of Ukraine (ESBU) to share the CC's competences and cooperation with other institutions and case studies, including those related to EU funds.

102. Key activities in strengthening international cooperation and exchanging experience include strengthening cooperation in the Baltic region. Baltic Competition Conference, where Baltic competition authorities' management exchange experience, took place in Tallinn. At the same time, a joint project on further cooperation in monitoring digital markets has been prepared in cooperation with the competition authorities of the Poland and Lithuania and Organisation for Economic Co-operation and Development (OECD).

5.2.4. Recognition by international organisations

103. For the ninth consecutive year, the CC has maintained its high three-star rating in the international Global Competition Review (GCR), ranking among the world's leading competition authorities. The competition authorities of Singapore, Switzerland, Belgium, Lithuania, Poland, and other countries were ranked in the same position as Latvia.

104. On 18 October, at the International Competition Network (ICN) forum in Barcelona, the CC received the highest award for its competition assessment in the wood chip market, which investigated the reasons for price increases in 2021 and 2022 and made recommendations to strengthen competition in the market.

105. At the end of 2023 the CC's Council member Kārlis Piļēns was elected to the OECD Competition Committee Bureau. Kārlis Piļēns will join the Bureau in 2024 to contribute to the OECD's competition policy agenda and work programme.

6. Priorities for 2024

106. 2024 is the first full year of implementation of the CC's operational strategy (2023–2029). The CC has defined three priorities to achieve its overarching objective:

- The team is professional, committed and development-oriented.
- Result-oriented day-to-day operations and cooperation, ensuring the detection of significant impediments to competition and the promotion of competition.
- An innovative and sustainable working environment.

107. In line with these three priorities, the CC has set several priority tasks for 2024.

6.1. Strengthening fair competition in public procurement

108. According to the 2022 public opinion survey and the practice of the CC, the most significant competition distortion in Latvia is bid rigging in public procurement. Therefore, in 2024, the CC will target the most serious infringements of competition law in public procurement in various sectors with a significant impact on the national economy.

109. In 2024, the CC will also devote significant resources to prevention, e.g., by monitoring public procurers, educating them on both the possible signs of an infringement and on competitive neutrality issues so as not to unduly restrict competition in procurement. The CC will support contracting authorities by providing opinions and advice on possible infringements in tenderers' offers. If a contracting authority suspects that tenderers have colluded, it has the right to consult the CC and obtain an opinion within 10 working days on possible indications of an infringement. If the suspicion of unfair conduct is confirmed, the contracting authority will be able to exclude the tenderer from participation in the procurement in question, thus avoiding the negative consequences of prohibited agreements at an early stage.

110. In cooperation with the Ministry of Economics, the most effective solutions will be sought so that public procuring entities that have been victims of competition law infringements can receive methodological support to claim damages. Thus, amendments to the Competition Law are planned for 2024 to enable the CC to support public procurers in identifying, assessing, and calculating damages.

6.2. Achieving more effective competition in markets of public interest

111. The CC will complete its ongoing investigations and plans to carry out in-depth market investigations and preventive measures, including in food retail, waste, healthcare, accommodation, and heating, to improve the competitive environment and increase public welfare. Proposals to policy makers to remove unjustified barriers, restrictions to competition and to promote a more competitive business environment and restrict unfair trade practices in the in-depth studied areas will be prepared, and preventive measures and amendments to laws and regulations to remove restrictions to competition and to enable consumers to buy goods and services offered under fair competition conditions will be implemented. To ensure the development and monitoring of a fair and equal competitive environment in cases of anti-competitive behaviour by non-dominant undertakings with significant market power, proposals for amendments to the Competition Law will be developed and proposed, which would extend the market surveillance powers of the CC over undertakings with significant market power, thereby preventing their negative impact on competition and consumers.

6.3. Improving the regulatory framework for the introduction of new functions

112. In 2024, the CC also plans to monitor markets that are undergoing rapid development or innovation, such as digital markets. At the European Union level, new rules for a fair and competitive digital sector were adopted, i.e., the Digital Markets Act. The new rules regulate and restrict the activities of large digital platforms, ensuring fair competition in relations with users and consumers. Given the planned amendments to the Competition Law in 2024 and the powers of the CC to monitor the Digital Markets Act, the CC plans to devote significant resources this year to examining the competitive conditions in this area in cooperation with other EU member States, the OECD and the European Commission, assessing how to further improve the existing regulation and address the restrictive conduct of digital platforms (gateways) and their negative impact on their customers and consumers.

113. At the European Union level, a regulation on foreign subsidies was also adopted in 2022, which aims to ensure fair competition for all undertakings operating in the EU internal market by preventing foreign (third country) subsidies that distort competition in the single market. The Foreign Subsidies Regulation gives the European Commission the power to investigate and prevent distortions of the internal market caused by foreign subsidies and imposes on undertakings notification obligations on foreign subsidies granted to them in certain cases, in particular concentrations of market players and participation in public procurement. The amendments to the Competition Law pending before the Parliament provide that the CC will be the responsible institution in Latvia to assist the European Commission in monitoring the foreign subsidies regulation.

114. In close cooperation with the Ministry of Economics, further progress is also foreseen on proposals for changes to the regulation on the introduction of personal liability of officials for competition law infringements and exemption of certain vertical agreements from the prohibition of agreements under the Competition Law.

6.4. Improving and modernising the institution's work

115. By strengthening the technical and technological IT capacity of the institution to ensure more effective investigation of competition infringements, the implementation of an IT laboratory for processing e-evidence obtained during procedural activities is planned to be completed in 2024, enhancing the knowledge and competence of the employees to

use the latest IT technical equipment for more efficient acquisition and processing of electronic evidence.

116. In 2024, in cooperation with the Ministry of Environmental Protection and Regional Development, the State Regional Development Agency, the Ministry of Economics and other partners, special attention will be paid to the development of an automated cartel screening tool, applying the advantages of artificial intelligence to the detection of infringements. The institution will also continue to devote resources to the implementation of a e-case to modernise and improve the progress of investigated cases. Thus, in 2024, the CC plans to prepare the procurement for the development of the e-case concept and the specification for the handling of big data.

117. To strengthen the institution's economic analysis in competition matters, the post of data scientist / analyst is planned to be added in 2024. To facilitate the submission of merger reports and to promote a customer-oriented service, the tasks planned for 2024 are the launch of a technical solution for the implementation of the merger e-notification, the update of the guidelines for the preparation of the merger report, the development of amendments to the rules on the submission and examination of merger reports.

6.5. Developing competition culture

118. In 2024, the CC plans to promote competition (through seminars, webinars, consultations) not only to market players, but also to procurers and other public entities, existing and future competition law practitioners, and future undertakings.

119. At the same time, for minor infringements, market participants will be warned and educated through the "Consult First" principle. Inviting undertakings and public administrative bodies to self-assess their own conduct and to contribute to the prevention of competition infringements, the CC will continue to develop new and improve existing self-assessment tools, including a self-assessment tool on abuse of dominant position.

120. To learn and exchange best practices of competition law experts in competition monitoring and competition culture building, effective market analysis and investigation tools, the CC will intensify its cooperation with other competition authorities and organisations worldwide, adopting the best practices in Latvia, as well as strengthen cooperation with national competition authorities in detecting and investigating competition restrictions.