

Competition Council
Republic of Latvia

**ANNUAL
REPORT
2016**



CONTENT

- 4** The Competition Council:
Passport of the Authority
- 5** Personnel
- 6** Year 2016 in figures
- 7** Foreword by the Chairwoman
- 8** Prohibited agreements
- 9** Abuse of dominant position
- 10** Mergers and notified agreements
- 11** Sector inquiries
- 12** Litigation
- 14** Changes in the legal framework
- 15** Impacts on competition of
decisions taken by the state and
municipalities
- 16** International operation
- 17** Communication and cooperation
- 18** Management of the Competition
Council
- 21** Priorities and tasks in 2017

THE COMPETITION COUNCIL: PASSPORT OF THE AUTHORITY

Efficiently operating companies which are motivated to offer high level of quality, wide range of choices, innovations, competitive prices and other benefits to win the battle for customers emerge in conditions of fair competition.

The Competition Council of the Republic of Latvia is a direct public administration authority operating under the 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 in the conduct of investigations and in decision-making is stipulated in the Competition Law.

AREAS OF ACTIVITY AND OUTCOMES

- ▶ Prohibited agreements: undertakings do not engage in cartels or enter any other prohibited agreements
- ▶ Abuse of dominant position: large and dominating companies in their market sectors do not abuse their market power
- ▶ Merger control: mergers that create monopolies or excessively large companies with potentially negative impacts on the interests of consumers or cooperation partners do not occur
- ▶ Control over legislation: legislation, regulations other any other state or local government decisions or action do not restrict the development of free and fair competition
- ▶ Promotion of competition: competition is promoted in the markets, included 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 market functionality and social welfare

Key values:

Justice, professionalism and independence.

Our Resources

1 080 844 € + the expertise accumulated during the 24 years of operation of the Authority + 42 knowledgeable and motivated employees.

The Competition Council had set certain priorities for 2016: to detect and eliminate the most serious violations of the Competition Law, such as cartel agreements and abuse of dominant position, as well as to launch sector inquiries into various markets and continue strengthening the liaison with state and local government authorities, law offices, associations of companies and educational institutions. The Competition Council also planned to provide explanations on how the state and the municipalities/local governments can maintain a regulatory framework that promotes competition or at least does not limit it for no valid reason. At the same time, the Authority expected to continue working on the perfection of its internal regulatory framework, improvement of the organisation of the work and personnel management, and strengthening of its international operations.

The **aim** of the Competition Council is to assure that each and every market player has opportunities to do their business in conditions of free and fair competition as well as to provide a favourable environment for the maintenance, protection and development of competition for the benefit of society.

PERSONNEL

The Competition Council consists of a decision-making body and an executive body with the total of 42 employees (36 officials and 6 employees) at the end of 2016.

3 COUNCIL MEMBERS

Adopt decisions by voting. Appears as the first instance court when taking a decision based on information gathered and the investigation carried out by case handlers. The work of the Council is managed by the Chairperson.

9 LAWYERS

Prepare the legal justification for decisions of the Competition Council. Represent the Authority in courts, prepare draft legislation as well as evaluate if the documents prepared by other institutions and authorities do not distort competition, and give suggestions for possible solutions.

21 CASE HANDLER

Identify and investigate violations. Follow the market processes and changes in the regulatory framework. Provide consultations to undertakings and other stakeholders as well as hold lectures and seminars.

1 LEAD ECONOMIST

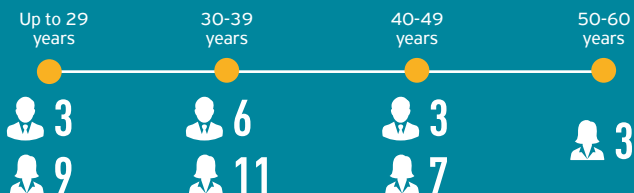
Prepares the economic justification for the decisions and market inquiries of the Competition Council. Explore and develop new methods of econometric analysis.

8 SUPPORT STAFF MEMBERS

Maintain communication with the public and organise the international cooperation. Take care of personnel management, quality management, accountancy and organisation of facilities.

In 2016, the job listing of the Authority included **49 positions** (40 civil servants and nine employees).

AGE:



71% or 30 employees are women, and 29% or 12 employees are men.

LABOUR TURNOVER:

<input checked="" type="checkbox"/>	Civil service contracts	6
<input checked="" type="checkbox"/>	Employment contracts	2
<input checked="" type="checkbox"/>	Civil service contracts	9
<input checked="" type="checkbox"/>	Employment contracts	4

EDUCATION:



*and Level 5 qualification

YEAR 2016 IN FIGURES

Prohibited agreements	5
Detected violations	3
Terminated investigations	2
Abuse of dominant position	2
Detected violations	2
Notified mergers and agreements	14
Approved mergers	12
Approved agreements	2
Procedural violations	1
Failure to execute lawful requests of the officials of the Competition Council	1
Total	22

OTHER RELEVANT FIGURES

► Prevention

6 warnings to 21 undertaking regarding potential involvement in the prohibited agreements
Positive outcome in 4 negotiation procedures regarding potential abuse of dominant position and 1 violation of the Law on Advertising

► Infringement statistics

Fines imposed on undertakings: 1 657 196.70 €
Total amount of previously imposed fines paid into the state budget: 4 867 133.87 €
15 undertakings penalised
5 dawn raids in 16 undertakings
12 terminated legal proceedings in court, including 10 proceedings in which the decision issued by the Authority has been upheld

► Opinions

279 applications regarding matters associated with the competition law
28 opinions issued regarding risks to competition which may be posed by the regulatory framework
8 positive opinions regarding possibility to restore credibility

► Inquiries and research

400+ undertakings consulted regarding the Law on Prohibition of Unfair Retail Trade Practices
Completed sector inquiries into 15 markets
34 pre-merger consultations



The high three-star rating in the prestigious
Global Competition Review Rating Enforcement





FOREWORD BY THE CHAIRWOMAN

When asked about what year 2016 has been significant for to the Competition Council, several substantial events and achievements come into my mind. I must admit that they are natural outcomes of hard work done by a team of professionals and the common vision of a fair competition environment in Latvia.

Primarily, year 2016 will be remembered for the adoption of the amendments to the Competition Law that came into effect. This is a truly historical moment because, first of all, it is the largest set of amendments since 2004 when the harmonisation of the Latvian competition law with the regulatory framework of the European Union took place. Secondly, the Competition Council had never before seen such a bumpy and uncertain four-year long road towards advanced competition law. The modernised Competition Law of Latvia was implemented successfully already in the second half of 2016, increasing protection of undertakings and their interests to a larger extent as well as supporting the Authority in the exercising of its powers.

Nevertheless, we do not intend to stop and shall continue to perfect the competition law in close liaison with the Ministry of Economics. Hence, new amendments have been initiated and pushed through the corridors of various institutions and the government in order to supplement the Competition Law with new provisions regarding the duty of public entities to observe the principle of competitive neutrality with respect to all market players. The amendments are intended to prevent the state and local governments from giving unfair advantages to any "chosen" entities by using the public resources, and to empower the Competition Council to bring proceedings against those who ignore this provision.

The necessity for such amendments has been evident on daily basis for several years now. Ever more frequently, we receive applications from undertakings regarding discriminating activities of various types and extent by public entities. The problem is also evidenced by the opinion survey conducted by us in the autumn of 2016. 61% of the addressed undertakings and 50% of the addressed associations particularly mentioned the unjustified involvement of public entities in economic activities as one of the most frequent problems with regard to competition. This confirms that the problem is undeniable, and the society no longer wishes to put up with it. But can the lawmakers ignore this?

Another significant opinion is to be highlighted when speaking about this survey. I.e., 79% of the surveyed entrepreneurs acknowledged that, overall, the operation of the Competition Council has positive impacts on the competitive situation in the markets. And this is for a very good reason because year 2016 was no exception, as we took important decisions and realized several competition advocacy

activities. We also implemented our new powers - consultancy of state owned entities with regards to their responsibilities and involvement in commercial activities, monitoring of fair retail trade, and taking decisions regarding the sufficiency of the activities carried out by the undertakings fined for cartel offences for them to participate in tenders.

From the large amounts of work we have done, I would like to highlight two important issues. In the autumn, we issued our decision in a cumbersome and complex matter regarding abuse of dominant position by the undertakings of the Knauf Group. With generous loyalty rebates, the undertakings locked in the largest Latvian retailers of building materials for several years to make sure they primarily opt for the gypsum plasterboard manufactured by the Knauf Group instead of seeking for other alternatives.

Work of equal significance has been carried out during the inquiry into the household waste management market. This was the first research of such extent for us, with preliminary formation of the project management team consisting of representatives from all structural units. This was particularly important because gradual elimination of competition in the market has been clearly evident in the last few years, where municipalities opt to establish their own commercial service providers and avoid organisation of public procurement tenders. The conclusions drawn during the market inquiry will also help in the further dialogue with the supervisory bodies of this market and the municipalities to facilitate development of competition instead of eliminating it.

In 2016, we gained valuable experience in the development of new working methods and performance of more complex tasks. This was exactly why we were proud to receive the high three-star rating in the prestigious yearbook of ratings published by the Global Competition Review where the efficiency of our work and the professionalism of our employees were highlighted. We are equally proud of the certificate of appreciation awarded by the Latvian government for our efforts in the facilitation of free competition.

Recognition and appreciation live a short life if one rests on their laurels after receiving them. This is why we shall continue following the chosen path selflessly and setting new and ambitious targets in order to facilitate competition to the best of our ability for a better future welfare of the entire society.

Ms Skaidrīte Ābrama
The Chairwoman of the Competition Council

PROHIBITED AGREEMENTS

“The Latvian procurement tenders are overshadowed by cartels, and, unfortunately, this can be observed for several years already. New trends and types of committing violations can be observed. Therefore, we learn and seek new ways of prevention and liaison to facilitate the positive development of our procurement environment.”

Ms Ieva Šmite-Antoņenko
The Head of the Cartel Department

Bid-rigging: still one of the most widespread violation

The Competition Council discovered **three prohibited agreements** in 2016, and all of them were **cartel schemes in public procurement tenders**. For illegal and coordinated activities, the Authority imposed pecuniary penalties on 12 undertakings for the total of 294 833.45 €. To avoid potential cases of prohibited agreements of a smaller scale or volume, the Competition Council **issued six warnings to 21 person** after the preliminary investigation, without initiating formal proceedings.

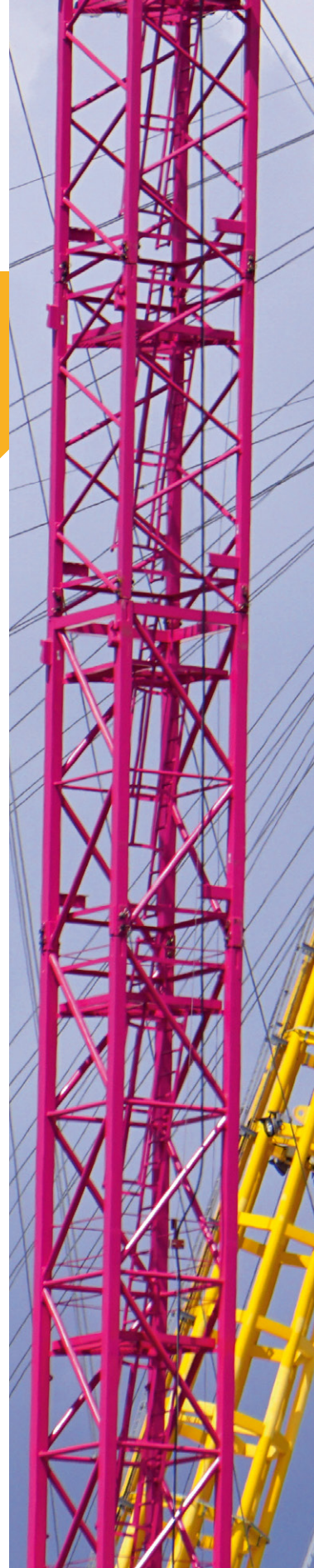
As a result of detected prohibited agreements, distortion of competition occurred in 34 construction tender procedures and four different medical equipment procurements. Among the penalised undertakings are those who appeared as bidders for the implementation of the water management development projects in the municipal territories of Talsi and Kuldīga, the construction and repair services ordered by the State Joint-stock Company Latvijas dzelzceļš (Latvian Railway) in various regions of Latvia as well as supply of medical equipment to Ogrē District Hospital and Salaspils Health Centre.

To obtain the necessary evidence regarding the potentially prohibited agreements implemented by the undertakings, the Competition Council conducted the total of five dawn raids or unnoticed visits in 16 undertakings in 2016.

Restoration of credibility: an opportunity for bid-rigging participants to make amends and take part in procurements

Since 2016, the undertakings penalised by the Competition Council for involvement in a cartel may implement certain procedures to receive a positive opinion from the Authority and appear as bidders in procurements even during the 12-month prohibition period. If it pleads guilty as well as complies with several specific requirements, including provision of training to its employees regarding the compliance with the competition law and taking action to avoid similar violations in the future, the fined undertaking may receive a positive opinion from the Authority to be able to appear as a bidder in procurement tenders.

Having **evaluated the credibility restoration measures carried out by eight undertakings**, the Competition Council **issued positive opinions** regarding them in 2016.





ABUSE OF DOMINANT POSITION

Competitive loyalty rebate schemes as a special responsibility of the undertaking in a dominant position

In 2016, the Competition Council adopted two decisions on abuse of dominant position imposing fines in the total amount of **1 349 187.90 €**. The Authority completed an investigation during which it investigated the loyalty rebate scheme application practices as an alleged abuse of the dominant position for the first time. For anticompetitive activities, the Authority decided to **impose a fine of 1 345 161.42 € on SIA Knauf and SIA Norgips parent company Knauf Group.**

The Competition Council concluded that the Knauf Group companies had set up a loyalty rebate scheme for their customers (the largest retailers of construction materials in Latvia) and implemented it at least between 2009 and 2014. The system was based on the establishment of individualised rebate terms and conditions applied to all units purchased that motivated the retailers to purchase primarily the gypsum plasterboard manufactured by the Knauf Group companies (along with other building materials manufactured and distributed by the companies of the Knauf Group).

What is essential, use of rebate schemes is not a violation itself, but they need to be economically justifiable. However, the Authority concluded that the rebate schemes applied by SIA Knauf and SIA Norgips created loyalty boosting effects as in fact, were used to reward the retailers for not purchasing gypsum plasterboard and other construction materials via alternative channels, thus actually creating exclusive dealings between SIA Knauf and SIA Norgips and the largest construction material retailers in Latvia.

The negotiation procedure as an alternative prevention method

In 2016, the Competition Council precluded four instances of potential abuse of market position without initiating formal investigation.

In the report year, it was for the fourth time already that the Authority saw **limitation of competition in the market of water meter installation and sealing services** provided by a municipal enterprise. Namely, the Competition Council found out that the municipality of Aizkraukle County had issued an instruction to establish that, in case a water meter has been installed by another entity, its sealing must be carried out in the presence of SIA Aizkraukles ūdens. The information about this requirement was also published on the website of Aizkraukle County Municipality.

In order to eliminate the competition distortion as soon as possible, the Competition Council initiated a negotiation procedure. Following the negotiations, SIA Aizkraukles ūdens changed the restrictive condition of the contract and adjusted the information posted on the website of the county, whereas the municipality amended the instruction to eliminate the unfair competitive advantages of SIA Aizkraukles ūdens.

“Being in a dominant position on the market is not prohibited. However, significant power in the market goes hand in hand with a specific responsibility to operate so that the clients, smaller businesses and consumers suffer no harm.”



“The frequent mergers in food retail trade sector suggest the establishment of two market segments. One with stores of smaller retail chains and another with the large companies. The former have higher barriers for entry in the capital city Riga and other large cities, so they focus on strengthening their positions outside large cities in rural regions. The large undertakings basically compete with each other, while the small ones face fierce competition with all undertakings.”

Ms Jūlija Linkeviča

The Head of the 1st Analytical Department

MERGERS AND NOTIFIED AGREEMENTS

Mergers and notified agreements: description and tendencies

The Competition Council reviewed 12 notified mergers and two notified agreements in 2016. The largest notified **mergers and agreements affected competition in 12 market sectors** and a **segment of the Latvian national economy worth more than one billion Euro in total**.

The largest transactions per number of businesses involved, total number of cases, and in terms of the financial consequences affected the market of unspecialised retail trade shops, wholesale of commodities of other categories, including wholesale of agricultural products, tobacco and other products, as well as milk processing. The Competition Council also held **34 pre-merger consultations** so that it is easier for the undertakings to draft merger notifications and the Authority can review these notifications within the shortest period possible.

Merger control after the amendments to the Competition Law

Amendments to the Competition Law which improved the control over mergers in Latvia came into effect on 15 June 2016. The amendments were made along with changes in the merger notification criteria to abandon the 40% market share criterion and proceed with the turnover thresholds only.

Latvia also introduced the fee to be paid by the merger notifying parties into the state budget prior to the submission of the notification to the Competition Council. **The amount of the fee paid into the state budget in 2016 was 44 000 €**. Thus, the merging parties, who were the direct beneficiaries from the merger, partially covered the expenses incurred by the state in association with the merger notification review procedures.



SECTOR INQUIRIES

Scrutiny of raw milk market by the Competition Council

The Competition Council launched inquiry into the raw milk market following the receipt of several applications asking for an evaluation of the raw milk procurement price reduction in 2014 and 2015. The Authority concluded that **the intelligent adaptation was typical in the sector**. I.e., when purchasing raw milk, the dairy processors evaluate the information available in the market regarding the activities of their competitors and adapt to the market trends accordingly to earn maximum profit.

During the inquiry, the Competition Council found out that a typical Latvian dairy farm (78%) has between one and five cows, but it produces only 7% of the total volume of milk sold. Meanwhile, the 2.4% of the farms with 50 and more cows account for the largest part (57%) of milk sold. The purchase price for the small farms is lower than for the large ones, so the Authority prompted the farmers to cooperate in order to increase their competitiveness and achieve more favourable purchase conditions. The Competition Council also pointed out that dairy producers should increase **specialization in the production of niche products and products with a high value** as well as acquire new export markets more intensely.

The problematic waste management market

Towards the end of 2016, the Competition Council completed its inquiry into the household waste management market. The Authority identified several structural and regulatory barriers which prevent waste management service providers from fair and equal competition and limit the possibilities of new undertakings to enter the market.

A substantial **obstacle** in the development of competition in this market **is the dual role of municipalities**, as they are responsible for the development of the regional waste management plans, establishment of the waste management procedures, setting the prices in the territory of the municipality, and at the same time often municipality itself also provides waste management services. Furthermore, at least a half of the Latvian municipalities either partially or fully own the capital shares in the undertakings which provide the waste management services in their territories and thus competing with the private sector.

The Authority also found that **competition is distorted by the regulatory framework of the sector**. It creates a situation where the waste collection site operators are able to create additional administrative and financial barriers of entry to new waste management market participants.

The Competition Council presented its conclusions during the conference "Waste Management: Business. Competition. Responsibility" in November 2016. The industry stakeholders, i.e., the undertakings and the public sector, were looking for possible solutions to the problems identified in the sector.

In 2016, the Competition Council completed inquiry into

15 MARKETS

LITIGATION

Statistics of legal proceedings

12 legal proceedings regarding the decisions of the Competition Council **were completed** in 2016. In ten of these, the decision taken by the Authority was upheld, including after the signing of an administrative agreement with the undertaking involved in the legal dispute.

Following the coming into effect of the Competition Council decisions, including after the court review, 4 867 133.87 € were paid into the state budget in 2016.

The court acknowledges – the decision of the Competition Council regarding penalty on AS Latvijas Gāze has been correct

One of the most significant judgements in 2016 was **the decision of the Supreme Court to uphold the decision taken by the Competition Council in 2013 regarding the penalty on AS Latvijas Gāze** (state owned natural gas supplier) **for abuse of its dominant position.**

The Competition Council found that JSC Latvijas Gāze abused its dominant position by refusing to sign natural gas supply contracts with new clients until they have paid the debts of the previous client. During the investigation, the Authority received applications from consumers and businesses regarding more than 500 such cases when AS Latvijas Gāze had refused to sign new contracts.

The legal proceedings regarding the first leniency programme report completed

The Supreme Court upheld the decision of the

Competition Council regarding the fine imposed on the construction company SIA RCI Gulbene for involvement in a cartel. Therefore, this is the first **decision which has entered into force** regarding a cartel detected **following a leniency programme report.**

The leniency programme envisages that undertakings involved in a cartel may report the case to the Competition Council and thus qualify for exemption from the pecuniary penalty and one-year prohibition on participation in public procurement tenders.



The decisions of the Competition Council are available on www.kp.gov.lv

“Several substantial issues associated with the application of the competition law were reviewed in court in 2016. The highlights among these include the conclusions regarding the presumption of innocence, the principles of unity of state administration as well as the application of pecuniary penalties and the duty to comply with the procedure established by the European Commission for the application of fines. These and other rulings are significant for uniform, clear and transparent application of the Latvian competition law and improvement of the operation of the Authority.”



“The competition law is being improved in Latvia. And this should be evaluated positively because it is necessary to set up a regulatory framework that corresponds to the current business environment and is capable of preventing distortion of competition which prevents the society from enjoying all the benefits from competition.”

Mr Antis Apsītis

The Head of the Legal Department of the Council

CHANGES IN THE LEGAL FRAMEWORK

Amendments to the Competition Law for a contemporary application of the law

Amendments to the Competition Law entered into effect on 15 June 2016, after four yearlong efforts to substantially modernise the application of the competition law in Latvia.

The amendments **widened the opportunities to undertakings and the powers of the Competition Council**. Now, undertakings may receive exemption from the penalty, explain their position to the Authority as well as be reimbursed for the losses caused by distortion of competition. At the same time, the Competition Council now has more power to assure that businesses pay the penalties imposed upon them and comply with the measures taken by the Competition Council. Furthermore, possibilities to the Authority to prioritise its actions in order to primarily focus its resources on the elimination of the most serious violations are granted as well.

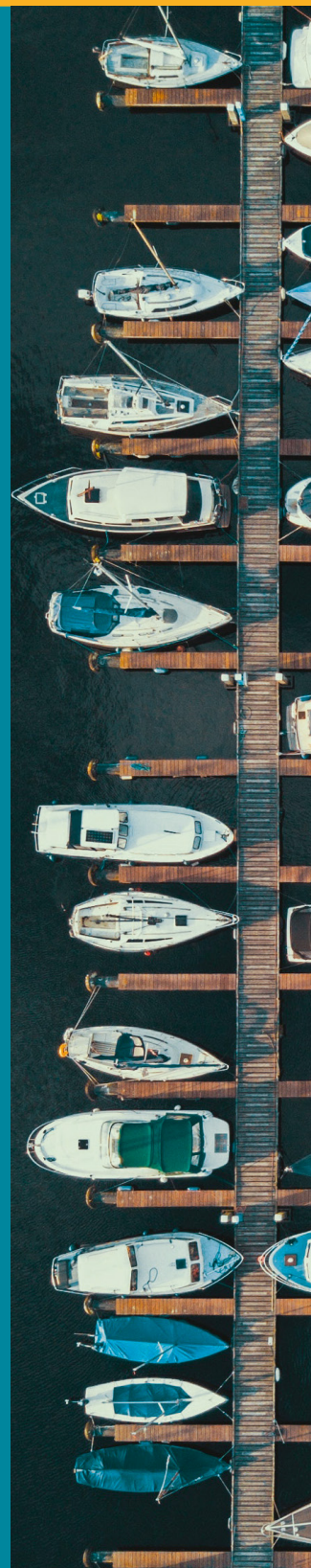
Considering the increasing number of instances when competition is distorted by public entities (state and local government ones), **new amendments to the Competition Law** have been drafted to enable the Competition Council to address such distortions more efficiently. This would improve the competition law and balance the application of the regulatory framework both in private and public sector.

The first year with an advanced regulatory framework in retail trade

The **Law on Prohibition of Unfair Retail Trade Practices** came into effect in Latvia on 1 January 2016. It is expected to balance the interests of traders and suppliers in the food and non-food commodity retail.

During the first year, the Competition Council, which supervises the compliance with it, actively provided consultations to undertakings regarding the new regulatory provisions. The experts of the Authority provided consultation services to a total of more than 400 retailers and suppliers, 93 telephone consultations, 29 consultations in person, answered 67 applications received from undertakings, and organized five seminars.

Overall, the new **Law has positively facilitated several significant aspects of the cooperation between retailers and suppliers**. For example, suppliers can no longer be forced to accept goods back if the supplier itself objects to the return. The Law has also facilitated elimination of the unfair conditions regarding the reimbursement for the costs of opening new stores or the lowest price guarantees for particular traders. Nevertheless, even after the first year of operation of the Law, the Competition Council has been observing that some aspects of the cooperation between undertakings that might still be in conflict with fair trade practices. After the first six months of the operation of the Law, the Competition Council adjusted the application of the Law by establishing that, when initiated by the supplier, return of non-food commodities will not longer be considered a violation.



IMPACTS ON COMPETITION OF DECISIONS TAKEN BY THE STATE AND MUNICIPALITIES

An ever more topical problem – distortions of competition caused by state owned entities

In the autumn of 2016, the Competition Council conducted an opinion survey in which the respondents indicated that **distortion of competition caused by state owned entities is among the most topical aspects which restrict competition**. This is also evidenced in the daily work of the Authority. Within the year, the Competition Council has received almost **50 applications regarding restrictions of competition by the state and municipalities**, which is twice as much as in 2015.

There are various types of competition distortions caused by state owned entities. Most frequently it occurs as discrimination of private undertakings by securing more favourable conditions for the undertakings owned by themselves.

Opinion of the Competition Council prior to involvement in commercial activities

According to the good governance principles and the regulatory provisions, state owned entities are entitled to carry out commercial activities in exceptional cases only, i.e., if market deficiency cannot be eliminated otherwise or it is necessary to create products or services, or manage property which are strategically significant for the development of the administrative territory of the state or the municipality, or for national security.

To preclude unjustified competition restrictions by the state or local government owned undertakings, they are required to consult with the Competition Council since 1 January 2016 – (1) when planning to establish own capital company or (2) in case of a revaluation for

participation in a capital company.

Within the year, the Competition Council provided its opinion in seven such cases. In four of them, the Authority found that the involvement is justifiable, carried out additional research in two cases, and did not support the involvement in one case. The Competition Council indicated in its negative opinion that it was necessary to terminate the involvement of the state in the VSIA Meliorprojekts because there is no evidence that market deficiency actually exist. Furthermore, the competition in the market of waterworks design and survey services is increasing, and it is possible that the involvement of the state in the market restricts other private undertakings to enter the market.

Regulatory enactments which limit competition

To assure timely prevention of damage to competition due to adoption of various regulatory enactments, the Competition Council **indicated 28 cases of risk to competition potentially caused by the regulatory environment** in 2016. In a total of nine cases, the Authority achieved an outcome which is favourable for competition.

One of such risks to the development of competition was the plan of the Ministry of Agriculture to entrust to perform the chipping of dogs to the inspectors of Food and Veterinary Service, thus allowing the state to enter a market where the private undertakings are currently able to assure service provision. Based on the objections expressed by the Competition Council, the planned amendments were not adopted.

“The vision of a high level of welfare in Latvia may be compared to a puzzle, where a complete picture can be made by putting the right pieces of the puzzle next to each other. The situation is the same with development. If the state and the municipalities refuse to make the right decisions, we cannot assure a healthy, undistorted environment for competition, which is the key to welfare.”

Ms Skaidrīte Ābrama

The Chairwoman of the Competition Council

INTERNATIONAL OPERATION

Competition Council and its employees receive international appreciation

With the **three-star rating** in the prestigious Global Competition Review Rating Enforcement in 2016, the Competition Council **ranked among the top competition authorities in the world** for the second year in a row. It has been mentioned in the report that, considering its limited financial and personnel resources, the Competition Council has performed its tasks excellently with regard to the implementation of the competition policy. Among the additional highlights are the professionalism of the employees of the Competition Council, their flexibility in dealing with issues, responsiveness and swiftness in cooperation.

The Chairwoman of the Competition Council **Skaidrīte Ābrama** has been **included** in the **Women in Antitrust 2016** listing created by the Global Competition Review for the first time. Thus, S. Ābrama has been **ranked among the world's most remarkable women** operating in the field of protection and application of the competition law.

The Competition Council shares experience with foreign colleagues

Two delegations (representatives of the **Ukrainian and Moldavian competition authorities**) paid an experience-sharing visit to the Competition Council in 2016. The foreign guests were introduced to the Latvian competition law, its implementation in practice and the cartel detection experience. The delegations also were introduced with such issues as interplay between human rights and collection of information digitally during dawn raids, the effort of the Authority in making its operation more efficient, its experience in the area of retail trade, and also the communication maintained by the Authority with the society.

The leading economists of the European competition authorities meet in Latvia

In 2016, the Competition Council participated in the International Competition Network and the European Competition Network actively. It should be highlighted that the Latvian Competition Council **hosted the meeting of the leading competition economists of the European Competition Network**. During the meeting, more than 35 experts from the competition authorities of the European Union discussed the possibilities of application of economic analysis and methods in the supervision of competition.



The Global Competition Review describes the Competition Council as one of the most efficient (*“head and shoulders above”*) state administration institutions

The Latvian written media have mentioned the Competition Council at least

1602 times in 2016.

To discuss the impacts of various regulatory frameworks on competition, representatives of the Authority participated in more than 80 inter-institutional and non-governmental sector meetings.

COMMUNICATION AND COOPERATION

A research study reveals the key problems in competition

In the autumn of 2016, the Competition Council conducted a biennial opinion survey. The respondents (undertakings, associations, law offices and municipalities) indicated that, currently, there are **two topical competition law problems in Latvia bid-rigging schemes in procurements and distortion of competition caused by state owned entities**.

In the evaluation of the work done by the Competition Council and the efficiency of its operation, there is a larger number of the respondents who consider that **the decisions taken by the Authority have positive impact on the markets**. The respondents have also appreciated the cooperation with the employees of the Authority by specifying that it is easy to contact the Competition Council and that its employees are responsive. In the survey, the undertakings have provided higher rankings for the item “the employees of the Authority listen to and take into account the opinions of undertakings”.

Advocacy designed to improve the competition culture

Educating various target groups enables the addressed audience to not only comply with the principles of fair competition, but also take an active role as whistleblowers who report to the Competition Council potential violations.

The Competition Council **organised and took part in nearly 20 different informative events** in 2016 to educate undertakings, students and judges on the competition law. Organisers of state and municipal procurement tenders were provided with practical information about indicative signs that there might be prohibited agreements between undertakings that place bids in tenders.

To educate pupils about the competition policy, the Competition Council liaised with the Ministry of Economics and the Consumer Rights Protection Centre during the **Open Doors Day** of the public administration to invite them to take part in a way-finding game “**Find 9 Pokemons in Economics!**” in an attractive and informative manner.

As an established tradition, the Competition Council also held yet another Lawyers’ Forum in 2016 to gather the competition lawyers for a discussion on the topical issues in the application of the competition law. This was already the fourth time the event was held.

To provide information to the society about the key findings identified during the household waste management market inquiry and find solution to eliminate them, the Competition Council organised the **conference “Waste Management: Business. Competition. Responsibility”**.

Not only international appreciation

At the end of the year, the Competition Council received a **Certificate of Appreciation from the Cabinet of Ministers** for considerable achievements in the implementation of the competition policy and successful application of the competition law. The Competition Council was the only state authority which received recognition from the government.

MANAGEMENT OF THE COMPETITION COUNCIL

KEY PERFORMANCE RESULTS

In 2016, the Competition Council has achieved expected performance results defined for the authority in the budget sub-programme “Implementation of Competition Policy”.

NO	Measure Activity	Targets 2016	Results 2016
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)	34	33
1.2.	Planned mergers and notified agreements impact assessment on competition in markets (number of cases)	15	14
1.3.	Endured representation in proceedings (number of proceedings)	20	27
2.	Ensured development of competition policy and culture		
2.1.	Provided explanations, opinions and proposals, ensured drafting of regulations and guidelines (number of conclusions)	70	115
2.1.1	Provision of explanations related to legislation regulating competition; opinions and proposals for law improvements (number of conclusions)	64	107
2.1.2.	Ensured drafting of regulations and guidelines (number of conclusions)	6	8
2.2.	Organised press conferences, lectures and seminars on competition issues, including international events (number of measures)	30	36
2.2.1.	Organised informative and educational measures to inform market participants on competition law (number of measures)	14	15
2.2.2.	Organised informative and educational measures to inform representatives of state and local municipalities (including organizers of procurements) and students on competition law; participation in international events (number of measures)	16	21
2.3.	Ensured successful participation in the OECD (number of documents and events)	6	8

STATE BUDGET HIGHLIGHTS

In 2016, the Competition Council has used financing in the total amount of 1 079 583.51 €, which is 98.95 % of the total financing allocated to the institution.

NO	Financial indicators	Previous year (actual performance)	Reporting year	
			Approved by law	Actual financial performance
1.	Financial resources to cover expenditures (total)	1 094 258	1 080 844	1 079 584
1.1.	Grants	1 080 976	1 061 989	1 061 989
1.2.	Chargeable services and other own income			
1.3.	Foreign financial assistance			
1.4.	Donations and gifts			
2.	Expenditures (total)	1 091 123	1 080 844	1 069 483
2.1.	Maintenance costs (total)	1 074 403	1 080 122	1 068 763
2.1.1.	Current expenditure	1 063 603	1 080 122	1 068 763
2.1.2.	Interest expenditure			
2.1.3.	Subsidies, grants and social benefits			
2.1.4.	Current contributions to the European Union budget and international cooperation	10 800		
2.1.5.	Maintenance cost transfers	13 282	18 855	17 595
2.2.	Expenditure on capital investments	16 720	722	720



MANAGEMENT OF THE COMPETITION COUNCIL

Improvements in the management of the Authority

In 2016, the Competition Council took active measures to improve the internal organisation of the Authority. **The structural reorganisation plan of the internal units** was developed to optimise the operation of the Authority. The changes took effect in the beginning of 2017.

To facilitate compliance with the good governance principle and improve the processes, the Authority commenced the preparation of the **Quality Management System Manual**. It is planned to combine the collected information in a single material during 2017 to secure the performance of the internal processes of the Authority and assure further transfer of the knowledge to the new employees.

To improve the professional qualification of the employees, the staff **participated in trainings of various types**, incl. on use of information technologies for detection of violations and prevention of conflicts of interests, and also **educated the other colleagues in the Authority about their experience** in the detection of competition infringements.



PRIORITIES AND TASKS IN 2017

According to strategy of operation, the Competition Council focuses on three main areas in its operation:

- ▶ Detection of the most serious competition distortion cases, imposing severe penalties on the infringers
- ▶ Facilitation of the culture of fair competition and understanding in the society
- ▶ Increasing of the institutional capacity of the Authority for an efficient management of the competition protection processes in Latvia and internationally

The Competition Council will focus on the following topical issues in 2017:

- 1 Eradication of violations:**
Eradication of violations: Detection of prohibited agreements between bidders in procurements to assure an efficient use of the resources allocated from the Latvian and EU budget and prevent abuse of the dominant position. Meanwhile, issue warnings and use negotiation procedure regarding violations of a smaller scale.
- 2 Assurance of an environment for fair competition:**
Turning against the state owned entities who take competition-distorting decisions.
- 3 Responsible merger control:**
Provision of pre-merger consultations, swift and client-focused review of the merger notifications.
- 4 In-depth sector inquiries:**
In-depth supervision of the markets to obtain a comprehensive overview of the sectors which are the most significant for the consumers and the national economy (power industry, digital economy, pharmacy, bank services, public procurements, relationships between retailers and food suppliers).
- 5 Control over the compliance with the decisions:**
Exercising control over the compliance with the issued decisions in order to terminate distortion of the market, and monitoring of the payment of the fines into the state budget.
- 6 Facilitation of the culture of competition:**
Education of various target groups (undertakings, associations, students, state and municipal authorities) regarding the competition law and compliance with it. Year 2017 will be the 25th anniversary of the application of the competition law in Latvia. For this reason, the Competition Council plans to organise a public event at the end of the year to look back at the competition development processes in Latvia and the future challenges associated with the competition policy.
- 7 Strengthening of the regulatory framework:**
Making sure that Latvia adopts the EU regulations on claims for reimbursement of the losses caused by competition distortions as well as development of guidelines on topics which are essential for undertakings.
- 8 International operation:**
Participation in foreign events in order to improve the recognisability of the Authority and sharing of the good practices.
- 9 Faithfulness to the fundamental values:**
Working fairly, professionally and independently in the interests of the entire society. For this reason, the Competition Council will work cohesively and optimise the structure to strengthen the legal capacity and professional performance of the Authority.

Reference and communication

- ▶ **Swiftly** – @KPgovLV briefly of news
- ▶ **Professionally** - @LinkedIn opinions by professionals and job opportunities
- ▶ **In detail** – www.kp.gov.lv for decisions, guidelines, explanations and other materials of the Authority
- ▶ **Concisely** – subscribing to the newsletter “Konkurence Tuvplānā” published by the Authority
- ▶ **Personally** – applying for a free seminar in your association, undertaking or municipality
- ▶ **Anonymously** – reporting violations on www.kp.gov.lv
- ▶ **Conventionally** – asking questions by phone (+371 67282865) or electronically (konkurence@kp.gov.lv)
- ▶ **In person** – At Brīvības iela 55, Rīga, LV – 1010, Latvia

