



Competition Council
Republic of Latvia

ANNUAL REPORT 2023





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FOREWORD BY THE CHAIRMAN

A NEW ERA TOWARDS THE SET GOALS



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.

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, which measures the number of departures relative to the total number of employees, reached an all-time low 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.

Result-oriented day-to-day operations and cooperation, ensuring the detection of significant impediments to competition 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 in 2023 and over the next seven years through sound prioritisation of cases. In order to correctly balance the importance of infringements and cases to be brought in the market, 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 scarce 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, in order 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 managers, working in close contact with cooperation institutions at the national and international level.

In 2023 alone, 50 competition incentives 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. Taking into account the work done, it was estimated that the average benefit to society of the Competition Council’s efforts to prevent distortions

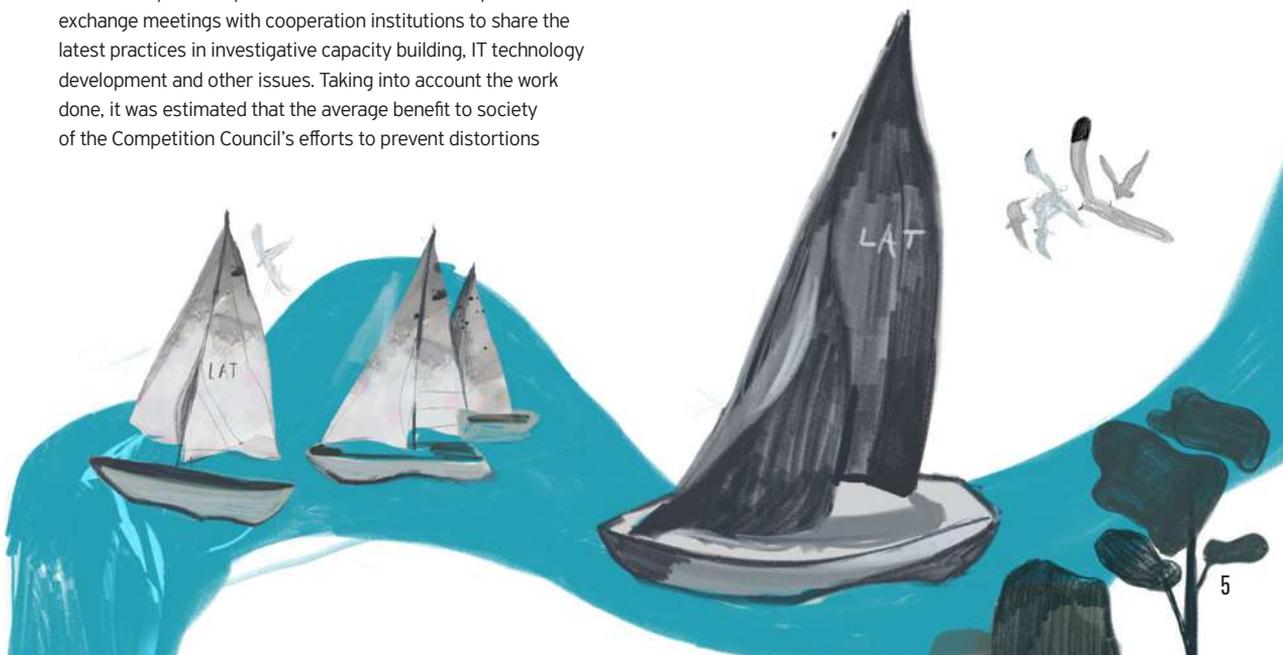
of competition and promote fair competition in markets in 2023 is €51.2 million. Compared to the Authority’s budget, each euro allocated to the Authority has generated a public benefit of around €20. This overall benefit to society is also the most important indicator of the Authority’s effectiveness and efficiency.

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 for greater public awareness, but also for 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 generated 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 post of data analyst was created to strengthen the Authority’s economic analysis in competition matters.

In line with the course 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.



JURIS GAIĶIS
Chairman of the Competition Council



THE COMPETITION COUNCIL. PASSPORT OF THE AUTHORITY

Fair competition produces efficient businesses that are motivated to offer high choice and quality of services and goods, innovation, competitive prices, and other benefits to win the battle for consumer choice.

The Competition Council (CC) is a direct administrative body under the supervision of the Cabinet of Ministers, which operates in accordance with the Competition Law and other regulatory enactments. The CC is established by the Cabinet of Ministers, and its institutional oversight is exercised through the Minister for Economics.

The tasks and rights of the CC are set out in the Competition Law, the Advertising Law, the Prohibition of Unfair Trading Practices Law, as well as European Union and other laws and regulations.

Key values: **rule of law, professionalism, independence, development, and openness.**

Mission

To ensure that every market participant is able to carry out its economic activity in conditions of free and fair competition, promoting the development of competition in all areas of the national economy in the public interest.

Objective

The Competition Council as an effective and open institution, trusted by the public and committed to active, effective involvement in the development of markets and the protection of market participants' right to fair competition, achieving a significant improvement of the competitive environment.

Operational tasks

- ▶ **Detection and prevention of prohibited agreements:** companies do not engage in cartels or other prohibited agreements.
- ▶ **Preventing abuse of dominance:** large, dominant companies do not abuse their market power.

- ▶ **Merger monitoring:** no mergers that lead to market concentration and may adversely affect the interests of consumers and business partners.
- ▶ **Supervision of public entities:** state and local governments and their capital companies do not discriminate against private market players.
- ▶ **Monitoring unfair trading practices:** market players along the agri-food supply chain do not engage in unfair trading practices, nor do non-food retailers abuse their buying power against suppliers.
- ▶ **Control of laws:** laws, regulations and other decisions and actions of the state or local authorities do not restrict the development of free and fair competition.
- ▶ **Promoting competition:** competition is promoted in markets, including regulated markets, where it is limited or non-existent.
- ▶ **Public information:** the public receives extensive information on the impact of competition on the functioning of markets and the well-being of citizens.

Our resources



State financing

3 343 891 euros



31

years of operation of the Authority



62 knowledgeable and motivated employees

CC's Operational Strategy 2023–2029

The CC has defined three priorities to achieve its overarching objective:

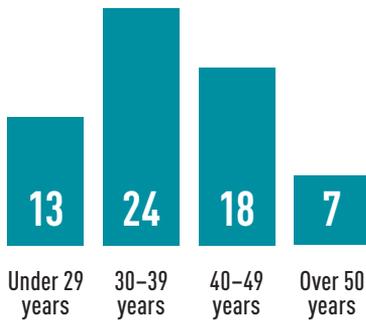
- 1) The CC's team is professional, committed and development-oriented;
- 2) Result-oriented day-to-day operations and cooperation, ensuring the detection of significant impediments to competition and the promotion of competition;
- 3) An innovative and sustainable working environment.

TEAM OF THE COMPETITION COUNCIL

The CC consists of a decision-making body – the Council – and an Executive Body. At the end of 2023, the Authority had 62 staff members, 56 of whom were civil servants and six of whom were employees.

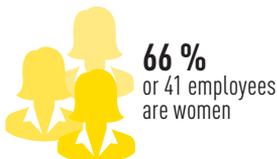
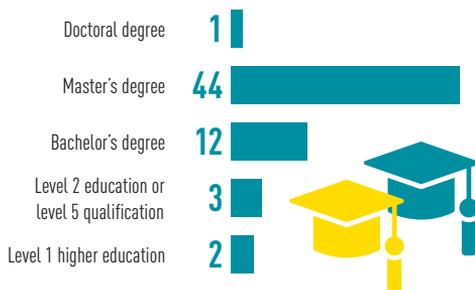
Staff turnover reached 6.7% in 2023. 4 individuals left the civil service and employment, while 10 entered it.

Age:



The average age of the CC staff is 37.5 years.

Education:



4 Council members

Assess the documents prepared by the Executive Body in its case studies and market surveillance and makes the Authority's final decisions. The Council acts like a court of first instance. The Council has five seats, but in 2023 it had three members and a chairperson who manages the work of the Authority.

1 Executive Director

Ensures the coherent organisation, planning and management of the activities of the Executive Body and provides legal and conceptual support to the staff of the Executive Body in investigations and proceedings.

31 investigators

Carry out infringement investigations, investigate market developments, assess competition distortions in legislation and in the activities of public entities, and provide preventive education and advice to various target groups, including through lectures and seminars.

10 lawyers

Prepare the legal basis for the Executive Board's decisions, represent the Authority before the courts, prepare draft laws and regulations, assess whether documents prepared by other authorities distort competition, and recommend solutions.

7 economists

Prepare the economic rationale for the Council's decisions and studies, research and develop new methods of econometric analysis, examine reports on mergers between market players, investigate illegal mergers between market players, and analyse and assess the economic environment at the micro level.

7 support functions

Establish communication with the public and coordinate international cooperation, ensure budget management, personnel management and document management, and implementation of internal audit recommendations. They participate in the Authority's planning processes, organise the economic support and other activities of the Authority.

2 IT support providers

Ensure the digitisation of the Authority's data processing and analysis processes through the implementation of information technology development projects and the strengthening of investigative capacities through the processing of electronic evidence in cases.

YEAR 2023 IN FIGURES

Decisions	
Prohibited agreements	4
Infringements detected	4
Mergers of companies	24
Mergers allowed	24
Total number of decisions	28

Infringement statistics	
Fines imposed on companies (EUR)	6 926 289.78
Fines paid to the state budget (EUR)	1 512 555.75
Companies fined	10
Settlements reached with companies committing not to appeal	4
Legal proceedings concluded	7
Decisions of the Authority upheld	7

Prevention and “Consult First”	
Warning procedures	21
Number of legal entities warned	71
Negotiation procedures on competitive neutrality	5
Public bodies committing to remedy non-compliance with the law	5

Submissions and opinions	
Submissions received	367
Submissions on matters relating to public figures	138
Opinions delivered	299
Examined submissions on which a Council decision has been adopted providing protection against possible infringements of competition law	40
Opinions to contracting authorities on possible competition infringements in procurement	22
Opinions on public participation in a capital company (Section 88 of the State Administration Structure Law (hereinafter – SASL))	64
Explanations of other acts by public persons	95
Opinions on sectoral regulatory proposals	42
The views of the CC taken into account for the elimination of restrictions to competition in the regulatory framework	28%

Advice, guidance and market inquiries	
Advice on competition law for businesses and the non-governmental sector	61
Pre-merger advice for companies	57
Market surveillance concluded	5
Guidelines and self-assessment tools	2



For the ninth year in a row, the CC has been ranked among the world’s best competition authorities in the *Global Competition Review Rating Enforcement*.

There are now competition authorities in more than 140 countries of the world, but only 33 of them are included in the GCR ranking.

Public benefit – €51.2 million per year

The average public benefit over a three-year period (2021–2023) of the CC’s activities in preventing distortions of competition, monitoring markets and instigating changes to promote competition, and monitoring the implementation of large mergers. Taking into account the Authority’s budget in the period considered, each euro allocated to the Authority has generated a public benefit of around €19.69.



NEW MANDATES

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

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. Already in 2023, the CC's experts were actively involved in working groups and advisory committees at the EU level, discussing with their counterparts from other member States' competition authorities the implementation and application of the new regulation, as well as the latest developments in the supervision of digital markets. Also in 2023, the CC, in cooperation with the Polish and Lithuanian competition authorities, as well as the OECD and the European Commission, provided input for joint research in digital markets, including the development of the regulatory framework in preparation for a project to attract EU funding.

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 *the Saeima*, so that the CC becomes the responsible authority in Latvia to assist the European Commission in monitoring the Foreign Subsidies Regulation.

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. In order 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 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.

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. ■



Māris Spička,
the Head of the
Executive Body:

"With changes in the business environment, consumer communications, consumption and shopping habits, and the significantly increasing impact of cross-border trade, competition regulation must

also continuously evolve and adapt to ensure that the competition watchdog is able to protect effective competition and consumer interests from unfair practices by market players in a changing market environment. Given the novelty and impact of the envisaged changes, the implementation and practical application of the new support functions will be carried out in close cooperation with public procuring authorities, competition authorities of other member States and the European Commission, thus strengthening the role of the Competition Council at the local and international level in combating competition infringements, preventing them and remedying the adverse consequences for victims."



PROHIBITED AGREEMENTS

In 2023, **ten companies were fined €6 926 289.78**. **Two new infringement** investigations into possible prohibited agreements between companies have also been opened.

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.

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

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

Prohibited agreement cases

Road construction cartel

The CC found three road building companies' (AS "A.C.B.", AS "Ceļu pārvalde" and SIA "STRABAG") prohibited agreement in the context of participation in public tenders organised by VSIA "Latvijas Valsts ceļi" for the construction of national and other roads in Latvia. The companies were fined €4 451 649.77.

The CC identified seven tenders for which there was a prohibited agreement, with a total contract value of €24 762 272.11. These tenders encompassed road works that took place in various locations in Latvia, for example, near Rīga, Cēsis, Ogre, Tukums, Jaunjelgava and other populated areas. 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.

A settlement was arranged with AS "A.C.B." and "SIA STRABAG" 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. AS "Ceļu pārvalde" was fined more than €1 million.

Public transportation providers' cartel

The CC found a cartel between AS "Liepājas autobusu parks", SIA "Latvijas Sabiedriskais Autobuss" and AS "Nordeka" in tenders organised by VSIA "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.

The tender was divided into 16 route network lots, with a total of 65 million kilometres to be served per year. At the same time, the tender rules limited the number of kilometres a tenderer could acquire to 15 million per year.

In order to ensure that each cartel member was able to win the right to provide services on routes as close as possible to the 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.

Several months after the infringement was detected, AS "Liepājas autobusu parks" entered into an administrative agreement with the CC to terminate the legal dispute. The company undertook to withdraw its application to court, pay the fine and educate its employees on competition law issues.

Cartel in tenders of AS "Latvijas valsts meži"

The CC found a prohibited agreement in the activities of SIA "AKE LOĢISTIKA", SIA "LATGALES MULČA" and SIA "MG Auto LTD" in exchanging commercially sensitive information on the conditions of participation in five tenders of AS "Latvijas valsts meži" for the provision of energy wood supply, chipping, storage and transportation services by concluding a general agreement. A fine of €1 633 630 was imposed for the prohibited agreement between the companies.

Unjustified membership fee

The CC also found a prohibited agreement in the activities of the Association "Latvijas Transportlīdzekļu apdrošinātāju birojs" (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, as a result of which LTAB confirmed its guilt of the infringement and undertook not to appeal the CC's decision. LTAB was fined €336 086.

"Consult First"

In 2023, the CC issued **warnings to 44 persons** in 18 cases of alleged prohibited agreements.

In 2023, the warned companies represented activities such as construction and maintenance of lifts, manufacture and wholesale of medical equipment and supplies, passenger transport, security systems services, surveying and geodesy, building construction, IT services, retail in specialised stores, cleaning services and other sectors. In all these cases, the CC found suspicions of concerted bids by bidders in public tenders.

Vertical agreements

The CC also paid particular attention to prohibited vertical agreements, for example between a manufacturer and a wholesaler or a wholesaler and a retailer. In order to facilitate market participants' awareness and possibly reporting of possible infringements of vertical agreements, the CC developed in 2023 a guide on vertical agreements and self-monitoring questions for operators to assess agreements, which were published on the Authority's website. The CC also organised a series of seminars for businesses: pharmacies, manufacturers and distributors of medical equipment, instruments, products and supplies, and other interested parties. ■



Ieva Šmite, the Head of the Cartel Department:

"We continue to see that cartels in procurement are the No.1 concern for a fair competition environment, so in this investigation period we have both applied new investigative techniques and thought about measures to build and strengthen capacity so that we can be as effective as ever."



ABUSE OF A DOMINANT POSITION

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.

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

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.

LaIPA is the only organisation authorised by the Ministry of Culture to administer the economic rights of performers and producers of phonograms. It is therefore the only organisation in Latvia to which representatives of shops, hotels, various service providers and others can apply for the right to play phonograms in shops, hotels and other places. In view of the above, the CC concluded that LaIPA is in a dominant position on the market for management of related rights in Latvia and is therefore obliged to charge fair and reasonable fees to its clients.

In its in-depth investigation, the CC concluded that a number of 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 traveler. 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.

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 took into account 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.



The CC received a complaint about the actions of an association that issues surveying certificates to its members and provides refresher courses, refusing to include in the register of courses the courses prepared by a private surveying company. The CC’s investigation concluded that the association is dominant on the market for the assessment of surveying qualification courses. At the same time, the CC concluded that the methodology for the evaluation of the association’s courses was unclear and asked the association to make the necessary improvements.



The CC received a complaint about the conduct of a dog breeding organisation in Latvia, which placed obstacles in the way of a natural person’s participation in breeding (mating) activities, creating artificial barriers to the activity of dog owners on the market. As a preventive measure, the CC pointed out in a meeting with the dog breeding organisation that the organisation’s dominant position in other markets creates additional liability. On the basis of the information gathered during the investigation and the meeting, a reply to the complainant was prepared. ■



Ieva Dāboliņa, the Head of the Analytical Department:



“One of the Analytical Department’s competences is to monitor compliance with the prohibition on abuse of dominant position. 2023 has been a challenging and active year, with a large number of complaints against dominant undertakings and associations of operators in sectors such as electricity retailing, press distribution, rail freight, the provision of online comparison tool services and the management of related rights of performers and producers of phonograms. In these sectors, the “Consult First” principle prevented a potential infringement without formally initiating a case, thus streamlining investigation time and resources.

Given that the Analytical Department, in addition to the abuse of dominance investigations, conducts market and sector investigations on a daily basis, in particular currently focusing on digital markets, an extensive investigation of digital markets was concluded in 2023 in cooperation with the Lithuanian competition watchdog. The monitoring exercise not only provided a deeper understanding of the e-commerce sector in Latvia, but also a broader understanding of the competitive situation in the Baltics. In addition, to further improving knowledge of digital markets and fostering international cooperation, the Analytical Department launched in 2023 an international project with other EU member States, OECD and the European Commission. The Department has also been actively working on competence development and capacity building in the light of the upcoming amendments to the Competition Law related to the entry into force of the Digital Markets Act, where the CC will have additional functions to assist the European Commission on possible infringements of the Regulation.”

MERGERS AND NOTIFIED AGREEMENTS

One of the tasks of the CC is to assess mergers between major companies to prevent possible negative effects on competition and consumers.

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.

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, i.e. companies operating at different levels of the supply chain.

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.

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**.

The majority of 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.

The CC allowed:



SIA "Latvijas Mobilais Telefons" to acquire sole decisive influence over a number of undertakings providing repair services for household appliances and electrical equipment. The CC did not find that the merger of SIA "Latvijas Mobilais Telefons" with SIA "ELEKTRONIKA-SERVISS", SIA "ServiceNet LV", AS "Speleta" and OÜ "ServiceNet EE" would cause significant harm to competition and therefore decided to allow the transaction.

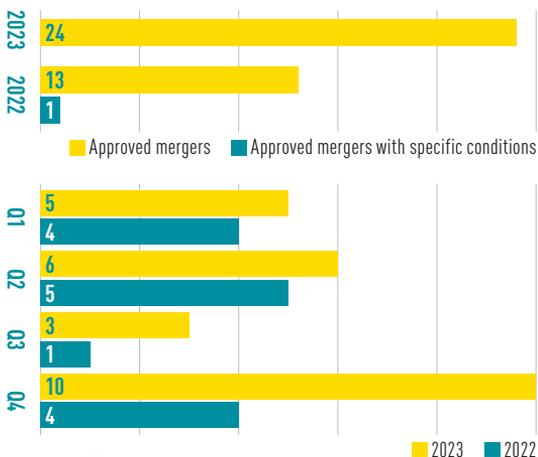


SIA "KOOL LATVIJA"s parent company AS "AQUA MARINA" to expand by acquiring more than 50 assets of SIA "EAST-WEST TRANSIT" and SIA "Naples" – mainly petrol stations operating under the "Latvijas Nafta" brand. The CC found that the merger would reduce competition only on the retail fuel market in Rūjiena, therefore AS "AQUA MARINA" refused to acquire a petrol station in Rūjiena, and the merger was allowed.



SIA "Centrālā laboratorija" to take over the laboratory services company SIA "NMS Laboratorija", thereby expanding its activities in the laboratory testing market. The CC did not find any significant harm to competition and therefore decided to allow the transaction. ■

Type and quarterly breakdown of decisions



Artūrs Kuka, the Head of the Economic Analysis and Mergers Department:

"2023 has been a year rich in both merger reports and consultations, with significantly more market impact overall than in 2022.

Despite the significant increase in reports, the Competition Council has been able to deal with non-problematic mergers on average one week faster than the statutory deadline of one month. This not only enables market participants to conclude mergers more quickly and continue to develop their business without delay, but also allows the Competition Council to focus its limited resources on more complex cases that require further analysis."

PREVENTING UNFAIR TRADING PRACTICES

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.

Warning of traders

In 2023, **16 submissions were assessed** for possible breaches of the law. The submissions sought clarification on the conduct of the purchaser and its compliance with the Prohibition of Unfair Trading Practices Law, e.g., on the imposition of sanctions, on unilateral changes to the contract, and a significant number of submissions were on the increased prices of food.

In order 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 with regard to the imposition of sanctions. In the second case, the CC invited traders and suppliers to improve their cooperation during and after sales promotions.

Advising and educating

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.

In 2023, the CC provided **36 consultations** to market participants **on the application of the Prohibition of Unfair Trading Practices Law**. The most frequently asked questions concerned the application and interpretation of the law, including the time limits for settlement, the settlement of promotional goods and the application of sanctions.

It also prepared **3 international requests for information** to other unfair commercial practice supervisory authorities on the practice of applying the Prohibition of Unfair Trading Practices Law in other countries and provided **6 explanations** to other EU member States on the application of the law.

In 2023, **the CC also prepared a self-assessment tool for purchasers to assess fair trading practices and justify the imposition of penalties**.

Market inquiry

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 (for the main findings of the price monitoring of milk, cereals and bread, see the section “Market surveillance”).



Sanita Uljane, the Head of the Unfair Trading Practices Prevention Unit:

“The year 2023 was both challenging and interesting, as soaring food prices due to inflation and other factors led to a major reordering of priorities, resulting in an emphasis on the application of economic methods to understand the response of agricultural and food supply chain links to price changes and their transmission to final consumers. At the same time, there were still gaps in the interpretation of the Prohibition of Unfair Trading Practices Law in the interaction with market participants, which were addressed with professional advice and meaningful explanations, including on the modalities for organising promotions and forecasting orders.”



Examining the most common non-compliances with the law

More than half of the players in the retail chain have experienced unfair trading practices, including unfair and unjustified sanctions imposed by retailers for breach of contract.

The power of retailers in their dealings with suppliers is demonstrated by retailers' actions to remove from their ranges products for which the supplier has increased the price of the product or refused to offer the lowest price. At the same time, there is incorrect behaviour in the forecasting of promotional volumes, with retailers making inaccurate order forecasts, resulting in liquidated damages against the supplier. Some suppliers also pointed to the practice of retailers to make unilateral changes to the terms of cooperation, both on the price of goods and on the place of delivery.

The data show that suppliers are still faced with requests from retailers to make payments that are not linked to the sale of goods or the presence of goods at the point of sale.



Cooperation during and after sales promotions

Various price reduction campaigns are organised on a daily basis. Given the risks of retailers abusing their power in their relations with agricultural and food suppliers in organising sales promotions, the CC carried out market surveillance for the period from 2021 to July 2023.

The CC found that traders buy goods at promotional prices and build up stocks so that they can be traded at the regular price after the promotional period, thus generating additional income. At the same time, the CC found cases where suppliers and commercial purchasers did not agree in their cooperation documents on the handling of goods when the products are not sold during the promotion period. Instead, the default assumption is that goods can be traded at the regular price after the end of the promotion. Such a practice is considered incompatible with the Prohibition of Unfair Trading Practices Law.

The CC also observed information asymmetries between market participants and inaccurate forecasts by traders on the volume of products to be ordered. Although forecasts are considered non-binding and a transaction may be concluded for a volume of goods significantly below or above the forecasted volume, it is most often the supplier who suffers the negative consequences of such cooperation, such as penalties for non-delivery of goods in a certain volume.

The CC concluded that in almost all cases, the marketing and advertising services for a sales event are paid for directly by the supplier. In the view of the CC, the costs of marketing services in organising a promotion should not automatically be borne by the supplier alone.

At the end of the market surveillance, the CC sent invitations to 22 market participants to follow the CC's suggestions for improving future trading practices. ■

IMPACT ON COMPETITION OF PUBLIC ADMINISTRATIVE BODIES

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.

State and local government involvement in business

Of all the applications, **36 were assessments of public entity holdings in capital companies**, which are required by Section 88 of the State Administration Structure Law to assess their holdings in capital companies at least every five years. 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. A total of **64 reports** have been examined, submitted not only in 2023 but also at the end of 2022.

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.

Respect of competitive neutrality

The Competition Law requires public entities to **respect competitive neutrality**.

In 2023, the CC issued **95 explanations on the conduct 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.

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.



In the negotiation procedure, the CC addressed the lack of competitive neutrality in the activities of the National Heritage Board, which applied excessive qualification requirements for the selection of bidders in tenders for surveying and inspection of protected cultural monuments.



In the 2023 SIA "Vidzemes slimnīca" (Vidzeme Hospital) tender for laundry and dry-cleaning services, only one tenderer – the contractor of the previous contract – applied. The CC held discussions to promote competition in the hospital's future procurement of laundry and dry-cleaning services.



The CC concluded an investigation into the non-compliance of Jelgava City Municipality and its institution "Pilsēt-saimniecība" with the requirements of the Competition Law in the procurement of routine maintenance services for

public territories. The CC concluded that the requirements regarding the professional qualifications and experience of the tenderer and its staff ensured that one particular undertaking was able to tender for the contract. In order to promote competition between market players in the field of street and road maintenance as well as cleaning and maintenance of territories (parks, greenery), the CC invited the municipality and the institution to review the current practice and assess the possibility of splitting such procurement into lots. The CC also pointed out to the municipality and its institution the need for a thorough market study to identify the potential bidders before the procurement and to reduce the risk of unjustified restrictions in the procurement documentation.



The CC carried out an investigation into the procurement of container seedling cassettes organised by SIA "Rīgas meži", where only one tenderer applied. To prevent potential risks of competitive neutrality in the activities of SIA "Rīgas meži", it was advised of the need to conduct a full market investigation prior to the procurement, providing all market participants with an equal amount of information about the planned procurement, and to record and store the progress of the market investigation, for example in the form of electronic correspondence. Also, a procurement involving the purchase of different types of container seedling cassettes should be divided into lots, with the possibility for tenderers to apply only for individual lots, so as to increase the pool of potential tenderers for future procurement.



The CC received a complaint regarding the negotiation procedure of AS "Latvenergo" for the "Purchase of Vehicle Control Systems Rental Service", where three bidders had submitted their bids and were later asked to revise the submitted financial offer and reduce the bid price without changing the other conditions of the offer. Thus, the lowest bidder, knowing the prices of the other bidders, increased its price, but was still awarded the contract because it submitted a lower price than the others. In order to prevent similar situations in the future, the CC held discussions with AS "Latvenergo" and asked to reassess the compliance of procurement practices with the principles of public procurement.

Pro-competitive laws and regulations

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.

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.

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 Saeima*, etc.

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



Antis Apsītis, The Head of the Competition Promotion Department:

"Although the CC continued to provide advice in individual cases on public entities' holdings in capital companies, by 2023 most public entities have implemented the statutory re-assessment procedure, which will have to be revisited in five years' time. The past year has also seen an increase in the detail and complexity of the situations described in submissions and requests for advice on competitive neutrality, which, together with the negotiations concluded, makes it possible to positively assess the increase in awareness of the importance of competitive neutrality for the overall development of the economy."

SECTOR INQUIRY

In 2023, the CC concluded its monitoring of five markets:

- ▶ analysed dairy prices – from raw milk to shelves;
- ▶ studied the prices of cereals and bakery products;
- ▶ concluded market surveillance on digital markets;
- ▶ surveyed market participants and collected data on cooperation between agri-food producers and suppliers and retailers;
- ▶ examined the cooperation between traders and suppliers during and after marketing promotions.



Food price monitoring

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.

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.

In 2023, market data for dairy, bakery products and cereals were collected and published. The study did not reveal prohibited agreements on prices by traders and PUTPL infringements in retailer-supplier cooperation. However, it provided comprehensive data on the sector so that policy makers, the ministries responsible, can make data-driven decisions.

▶ Price transmission

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.

▶ Pricing of domestic and imported products

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.

▶ Retailers' own-label pricing

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.

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.

▶ Price variability in shops

The price volatility index of SIA "RIMI LATVIA" and SIA "MAXIMA Latvija" is similar, which may indicate both regular promotions and traders actively tracking each other's prices, adjusting them and holding regular promotions accordingly. This is called "intelligent adaptation", which is not prohibited by competition law.

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 of time.



Digital markets surveillance

In order 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.

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 interact with these online platforms.

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.

The CC found that hybrid platforms that both market 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 are able to apply various advantages to their products, such as better ranking among other products or better price.

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.

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. ■



LITIGATION

In 2023, significant resources were devoted to the representation of the Authority before the courts, including the representation of the Authority in 13 hearings of the builders' cartel case and 8 hearings on the use of dominant position found by the CC in the SIA "LDZ CARGO" and VAS "Latvijas Dzelzceļš" case, as well as in other proceedings.

During the reporting period, the CC was represented in **26 active legal proceedings** related to the actions or decisions of the CC.

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.

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**.

Essential legal proceedings



The Supreme Court by its decision dismissed the ancillary claim by AS "LNK Industries" requesting to oblige the CC to issue the settlement agreement concluded between the CC and SIA "VELVE" in the builders' cartel case.



In 2022, the CC fined two companies – SIA "Alpha Baltic Media" and SIA "Smart Solutions Europe" – for submitting coordinated bids in three tenders organised by Daugavpils City Council and in eight other tenders organised by other municipalities related to festive decoration, including the supply, installation and dismantling of decorations. SIA "Alpha Baltic Media" appealed the decision, but in the course of the proceedings reached a settlement with the CC on the termination of the legal dispute and payment of a fine for the cartel agreement found. SIA "Alpha Baltic Media" was fined €27 381.



The Administrative Regional Court decided to terminate the legal dispute between the CC and SIA "Corvus Company", as the applicant withdrew the application filed with the court against the CC's action not to initiate an infringement case.



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 of 29 September, dismissed the cassation appeal and upheld the 2013 decision of the CC whereby the CC found that the Autortiesību un komunikēšanās konsultāciju aģentūra / Latvijas Autoru apvienība (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 intended for visitors than in Lithuania and Estonia and in most other EU member States.



The Senate of the Republic of Latvia rejected the cassation complaint of five companies – SIA "SGS Sistēmas", SIA "PRO 1 STAGE", SIA "Kompānija NA", SIA "3S" and SIA "AUDIO AE" – against the CC's 2017 decision whereby the CC established a cartel of distributors of video, sound, light equipment and stage equipment in the procurement of the State and local governments and cultural institutions owned by them from 2009 to 2014. The CC's decision has thus entered into force and the companies have to pay a fine of more than €322 000 to the State budget for their participation in a prohibited agreement.



The Senate of the Republic of Latvia, by its judgment of 28 December 2023, ruled that the CC's 2017 decision regarding the participation of SIA "Tirdzniecības nams "Kurši"" in a prohibited vertical agreement and a prohibited horizontal agreement or cartel of manufacturers and traders of construction materials is justified, so the company has to pay the imposed fine of €1 145 077 into the State budget.



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 taking into account the legitimate aim of the proceedings. This strengthens the investigative powers of the CC for more effective detection of competition law infringements. ■



Andris Eglons, the Deputy Head of the Legal Department:

"In 2023, litigation has significantly contributed to the body of case law in the area of substantive competition law. In abuse of dominance cases, the Senate has provided valuable insights on the objective comparison and use of indicators from different

EU member States to assess competition law infringements, while giving clear tools to both the market and the CC to determine whether prices are excessive. While in the cases on prohibited agreements, the Senate concluded that, in order to establish a prohibited agreement, the distribution of power between the market participants does not have to be equal and that pressure exerted on a company does not exempt it from liability for participating in an infringement. These judgments of the Senate thus serve as the highest level of proof of the quality of the CC's legal work, ensuring the legality and legitimacy of the actual exercise of the investigatory powers conferred on the Authority by law."

COMMUNICATION AND COOPERATION

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 broadcasts), organised 40% more educational events and published 25% more expert articles.

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

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 partners 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 have been 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.

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.

Educating priority target groups

Taking into account the results of the public opinion poll conducted by the CC, the two most important competition law problems in Latvia are cartels in public procurement and distortions of competition caused by public entities – the State, local governments and their capital companies, thus these two groups are the priority target groups of the CC where it is necessary to raise awareness about free and fair competition.

► Entrepreneurs

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 on the main lines of the CC's work were organised on the premises of the Authority for anyone interested. The CC held seminars to educate market participants on vertical agreements, prohibited agreements, unfair trading, abuse of dominance, mergers, and other topics. The "Seminar School" educated 152 market players and public figures.

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", Rīga Municipality Limited Liability Company "Rīgas satiksme", etc.

► Legal representatives of companies

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, lawyers and members of the judiciary to discuss theoretical and practical issues on the application and interpretation of competition law rules.



The "Seminar School" educated 152 market participants and public entities on prohibited agreements, unfair trading, abuse of dominance, mergers and other topics.



Six meetings of the Advisory Board were held in 2023.



The CC and the Procurement Monitoring Bureau jointly educated more than 1 000 procurers on the exclusion of companies from procurement in six seminars.



The eighth Lawyers' Forum organised by the CC took place on World Competition Day.

► **Contracting authorities and liaison bodies**

In order 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.

In 2023, together with the Procurement Monitoring Office, 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. The seminars were held at the CC, the Latvian Association of Local and Regional Governments, the Ministry of Transport, the Ministry of the Interior, the Ministry of Agriculture, while the closing event was held at "Koka Rīga", giving procurement professionals the opportunity to follow the seminar live.

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.

Also, as a preventive measure, the CC visited the Latvian National Centre for Culture before the XXVII Latvian Song and XVII 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 entities**

Since 2020, when the amendments to the Competition Law entered into force, the CC has been paying special attention to the education of **public entities – the State, municipalities, and their capital companies**.

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.

The CC promoted public entity awareness of competitive neutrality by organising seminars and participating in events organised by the Latvian Association of Local and Regional Governments.



Fostering a culture of competition among young audiences

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

In the spring, 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, managers of training companies, budding entrepreneurs and other business enthusiasts. The CC also participated as a jury in the students’ **“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.

Also in 2023, the CC educated **future competition law professionals and interested students** 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. Reinis Ivanovs was announced the winner of the competition in the presence of the five finalists and the jury representatives, receiving a cash prize of €1 000, an internship at the CC and a pass to the Summer School organised by the Riga Graduate School of Law. The third research paper competition was launched in autumn 2023 and the winners will be awarded in 2024.

The CC develops digital communication

In 2023, the CC continued to actively use different communication channels to reach new audiences.

A total of **122 press releases** were issued. In total, 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.

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.



In 2023, the CC launched a new podcast called “Neutral Talks”.



The winner of the second competition for students’ research papers in competition law, Reinis Ivanovs, received a cash prize of €1 000 and the opportunity to practice at the CC.



On the Open Doors Day, the CC hosted the European Law Students’ Association in Latvia (ELSA Latvia).



The CC’s inspiration conference “Dare to Win” introduced students, managers of training companies and budding entrepreneurs to the principles of fair competition.



In the “Business Fairytales” competition organised by Junior Achievement Latvia the CC evaluated and awarded the best business tales which highlighted the importance of fair competition in market development.

Self-assessment tools

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

International cooperation

In 2023, the representatives of the CC have promoted the visibility of Latvia and strengthened the position of the Authority in the international environment by **attending 86 international events** and by making 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.

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

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.

In October, the KC **also hosted the Economic Security Bureau of Ukraine** (ESBU) to present the CC's competences, mandate,

cooperation with other institutions and case studies, including those related to EU funds.

Key activities in strengthening international cooperation and exchanging experience include **strengthening cooperation in the Baltic region**, including a meeting and exchange of experience of the Baltic competition authorities' management in Tallinn and joint market studies, for example in digital markets. 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 Organisation for Economic Co-operation and Development (OECD), Poland and Lithuania and submitted to the European Commission.

► Evaluation by international organisations

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. There are now competition authorities in more than 140 countries in the world, but only 33 of them are ranked by the GCR.

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.

At the end of 2023, by a unanimous vote of the OECD Competition Committee, the CC's member **Kārlis Piņēns was elected to the OECD Competition Committee Bureau**. Kārlis Piņēns will join the Bureau in 2024 to contribute to the OECD's competition policy agenda and work programme. ■

A Memorandum of Cooperation was signed on 18 April in Warsaw with the competition authorities of 10 Eastern European and Baltic countries.



In 2023, exchange events in Poland and Moldova were organised within the framework of the memorandum.



The CC received the International Competition Network's (ICN) highest award for its competition assessment in the woodchip market.

The Economic Security Bureau of Ukraine (ESBU) visited the CC to learn about competition law enforcement practices in Latvia.

PERFORMANCE INDICATORS OF THE COMPETITION COUNCIL

In 2023, the CC has generally achieved the planned performance indicators set for the Authority under the budget sub-programme “Implementation of Competition Policy”.

The target value has been exceeded for a number of performance indicators, including infringement investigations, investigative measures to ensure competitive neutrality, the impact on the competitive environment of proposed mergers by market players assessed, the proportion of Authority decisions upheld, delivery of opinions and proposals, public education and international cooperation.

Name of the indicator / Name of the measure	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 agricultural and 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 %	Not measured
Strengthened role and international visibility of the CC (number of publications and number of publications and events taking the floor) <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

FUNDING ALLOCATED TO THE COMPETITION COUNCIL

Through its activities, the Authority implements the sub-programme "Implementation of Competition Policy" (26.02.00) of the budget programme "Ensuring Fair Competition, Internal Market and Consumer Protection" (26.00.00).

No.	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



IMPROVEMENTS IN THE MANAGEMENT OF THE AUTHORITY

In order to ensure the success and development-oriented functioning of the Authority, the CC improved a number of internal processes in 2023, including the payroll system, the development of individual staff competences and the strengthening of the IT capacity of the Authority.

A new **operational strategy for the period 2023–2029** was approved during the reporting period. The strategy sets out the Authority's values as rule of law, professionalism, independence, development and transparency. It also highlights three priority areas:

- 1) professional, committed and development-oriented staff in the CC team;
- 2) result-oriented day-to-day operations and cooperation, ensuring the detection of significant competitive constraints and the promotion of competition;
- 3) an innovative and sustainable working environment.

In 2023

- ▶ A new **Case Prioritisation Strategy** was also adopted in 2023, which aims to strengthen the way competition cases are prioritised within the Authority. As a result of prioritisation, the Authority makes full and efficient use of financial, personnel, technical and time resources and focuses its activities on detecting and preventing the most serious competition infringements that have significant negative consequences for consumers, other market participants and the Latvian economy. A new Prioritisation Strategy was necessary in the light of the amendments to the Competition Law and the experience gained so far. The views of the CC's Advisory Board were sought and taken into account in the revision of the Prioritisation Strategy.
- ▶ The **CC's Advisory Board** was set up to organise closer and more effective cooperation with partners 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.
- ▶ Activities were carried out to strengthen the Authority's **IT technical and technological capacity** to ensure more effective investigations of competition infringements, to set up an IT laboratory for processing e-evidence gathered and to train staff to work in the IT laboratory. 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, 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 was paid to the development of an automated cartel screening tool.

During the year, the staff of the CC **attended 79 training sessions led by external lecturers**, providing a total of 456 individual training sessions and thus enhancing the professional competence of staff through participation in conferences, international fora, courses organised by the School of Public Administration and training and skills coaching by other professionals.

In order to ensure the exchange of best practices within the organisation and to ensure institutional memory, **six internal training sessions** were held in the CC in 2023, including on the organisation of inspections, on the work of the NUIX programme and the IT laboratory, on the abuse of dominant position and on the conditions for the use of personal data.

The reporting period also saw the updating of the staff handbook, the development of methodological material on how to organise consumer surveys and effectively implement procedural actions (inspections), the improvement of the methodology for calculating public benefit, the preparation of a process description on the provision of CC opinions in the TAP system and methodological material for staff on the handling of the E-file. ■



PRIORITIES AND TASKS FOR 2024

In 2024, by further developing the knowledge and competences of the employees of the CC, raising the level of awareness of market participants and others, as well as improving the operational processes and technical and technological capacity of the Authority, the Authority's ability to detect and prevent distortions of competition – involvement of undertakings in cartels, misuse of dominant position and unfair trade practices, as well as distortions of competition caused by the State and local governments that hinder the healthy development of the market, from which every market participant and consumer could benefit – will be strengthened.

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.

In line with these three priorities, the CC has set a number of priority tasks for 2024.

1. Strengthening of fair competition in public procurement

According to the 2022 public opinion survey and the practice of the CC, the most important problem for the competitive environment in Latvia is prohibited agreements or cartels 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.

In 2024, the CC will also devote significant human resources **to preventing distortions of competition in public procurement**, e.g. by preventing prohibited agreements between undertakings and 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 by market participants in procurement 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.

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 in recovering 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.

2. Achieving more effective competition between market players in markets of public interest

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.

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

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.

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 Saeima* provide that the CC will be the responsible institution in Latvia to assist the European Commission in monitoring the foreign subsidies regulation.

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.

4. Improving and modernising internal and external processes to improve the efficiency and quality of the institution's work

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.

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 single 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.

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-report**, 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.

5. Developing an effective competition culture in the interest of the Latvian national economy

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.

At the same time, for minor infringements, market participants will be **warned and educated through the "Consult First" principle**. Inviting undertakings and public persons to self-assess the appropriateness of 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 misuse of dominant position.

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. ■

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