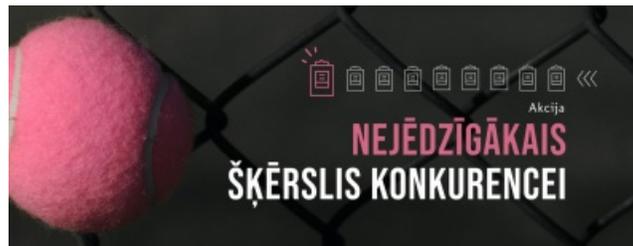


Campaign "The most absurd obstacle to competition"

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Every year, the Competition Council holds an event called “The most absurd obstacle to competition”, which asks the public to apply for unjustified restrictions on competition.

Previous year the overhaul was public procurement, prompting shareholders to look for hurdles included in public procurement. The theme of year 2019 was a regulatory framework, revealing obstacles that limits competition to a regulatory adjustable aspect.

Award “Defender of competition 2021” [↗](#)

The creation of advantages for one's capital company, the wording of rules or laws that give competitive advantages to one specific company and thus prevent the entry of existing companies from the market, as well as the actions of other public persons that make it difficult for companies to operate in the market, can be considered as unreasonable restrictions on competition.

The Competition Council received information about 29 obstacles to competition during the campaign. The campaign received applications for possible barriers to competition in sectors such as manufacturing, energy, tourism, security, event management, finance and insurance, IT, etc. sectors. Taking into account the size and importance of the affected market and the significant regulatory constraint on competition, the three most absurd obstacles were selected.

Award “Defender of competition 2021” was granted to:

Defender of Competition 2021 - Association "eMāja"

Pointed to possible obstacles in the future in the regulatory framework, which does not motivate private market participants to create innovative solutions in the field of apartment property management. The applicant referred in the application to the draft law “Amendments to the Apartment Property Law”, which envisages supplementing the functionality of the Construction Information System (CIS). The innovations impose an obligation to keep all decisions of apartment owners' general meetings in the CIS, as well as amendments to the law contain references to the right of apartment owners to organize apartment owners' surveys, general meetings and decision-making electronically in the system using the CIS and the electronic signing tool. However, the draft law does not clearly indicate the rights and conditions based on which apartment owners could use other solutions offered by private market participants.

Defender of Competition 2021 - Training center "BUTS"

Paid attention to the provisions of the regulatory framework of the education sector, which stipulates that private

entrepreneurs can't obtain the status of the Vocational Education Competence Center. Accordingly, these companies have limited opportunities to receive financing from the European Union Structural Funds, as the Vocational Education Competence Center's status is mandatory to receive this funding. The Vocational Education Competence Center receives funding from the European Union's Structural Funds to establish and improve the technical base of infrastructure and training, using the infrastructure and technical base established accordingly and for the implementation of adult education and further education programs. Thus, by obtaining such financial advantages, the Vocational Education Competence Center can implement adult education programs at a much lower cost compared to educational institutions that implement adult education and further education programs without the funding of the European Union Structural Funds.

Defender of Competition 2021 - publishing company "MicRec"

Pointed out the problems in the cultural sector in the organization of events. Namely, private market participants are able to provide entertainment events, and there is no market failure in the market, but public administrative bodies and their capital companies, which have access to public funding, are often involved in the organization of events. The applicant also referred to the consideration that capital companies of public administrative bodies compete with private market participants for access to funding for the events from the State Culture Capital Foundation (SCCF). In addition, public funds are often attracted to ensure the operation of capital companies of public administrative bodies, therefore it is difficult for private market participants to compete with the price offers of capital companies of public administrative bodies. This obstacle was also raised by other cultural and event industry representatives.

Public procurement requirements which prevent free competition, market entry by market participants, as well as situations where market players do not have equal opportunities to participate in public procurement, contrary to the principle of neutrality of competition, can be regarded as a barrier to competition.

The Competition Council received information on a number of obstacles to competition. Taking into account the size and importance of the affected market and the significant regulatory constraint on competition, the three most absurd obstacles were selected.

Award "Defender of competition 2020" was granted to:

The artistic guesthouse in "Out of Time"

Highlighted the behaviour of municipalities which may lead to limited competition. The provided information was about the behaviour of municipalities in bringing together employees in city which is more than 200 km far. It is essential that only if there is an objective justification, such a geographical limitation should be assessed as justified. It is also important that information on procurement is available to competing guesthouses in a particular area, for example by surveying them, and not just by publishing information on the homepage of the customer. It is also essential for potential tenderers to know the procurement budget planned by the commissioning party in order to prepare a tender in line with the wishes of the contracting party. Thus, a wider range of applicants may participate in the competition, not, for example, only one preselected guesthouse with information on the advertising website.

Association "Latvian Construction Information Modelling Society"

Has highlighted the commissioning party's requirement for applicants to use Construction Information Modelling (BIM), which is an integrated set of design, construction and management processes, technologies and regulations that allow all parties involved to jointly design, build and manage buildings in a digital environment. However, in the procurement documentation, the contracting party does not sufficiently clearly define the requirements for building information modelling, which resulted in price tenders of tenderers differing by up to six times. Thus, unclear requirements do not promote equal competition in a given procurement, since offers are difficult to compare with each other.

ZEMGUS LB

Drawing attention to the imprecise requirements contained in the technical specifications, which makes it difficult for tenderers to prepare suitable tenders. A complaint has been received in the area of print services, where there is relatively high competition and a large number of service providers. Without knowing the total printing capacity requested, it is impossible for a new applicant to assess the costs of manufacturing the 1 gb print material and to accurately schedule the price to be procured. Thus, an advantage is likely to be conferred on an existing partner who knows the extent of the marketing so far.

The authors of laws and regulations must create a balanced regulation: it should not be more restrictive than necessary. However, the reality shows that restrictions on competition hindering the activities of entrepreneurs are often included in the regulatory framework, for example, laws, regulations of the Cabinet of Ministers, binding regulations of local governments, etc.

The Competition Council invites you to participate in the campaign "The most absurd obstacle to competition" to highlight unreasonable restrictions on competition or entrepreneurship included in laws, regulations of the Cabinet of Ministers, binding regulations of local governments, and other regulatory enactments. The aim of the campaign is to identify unjustified obstacles and encourage their elimination.

In the campaign conducted in the year 2019, the Competition Council received information about 34 obstacles to competition. Taking into account the size and importance of the affected market and the significant regulatory constraint on competition, the three most absurd obstacles to business were selected.

Award "Defender of competition 2019" was granted to:

Representative of company "Lursoft IT" Daiga Kiopa

The identified obstacle to competition: amendments to regulatory enactments that complicate the further provision of services to such re-users of the data of the Enterprise Register (ER) as "Lursoft", "Firmas.lv", "Kreditinformācijas birojs", and "Crefo rating" since some of the previously available information in the ER is classified as restricted and its further use is not allowed.

Association of End-of-Life Vehicle Management Companies

The identified obstacle to competition: changes in the Waste Management Law. After the amendments to the law, the end-of-life vehicle management companies are placed in the same category as the waste managers. From the year 2020, whether the company manages 20 cars or more, EUR 100,000 are needed for its financial insurance coverage while a landfill needs EUR 50,000. As a result, two-thirds of market participants have to cease their economic activities.

Manufacturer "Latvijas Tekstils"

The identified obstacle to competition: unjustified requirements for the fabric of the Latvian flag. The regulations of the Cabinet of Ministers governing the application of the Law on the National Flag of Latvia, without reasoned explanations, state that only flags manufactured in one particular technology, namely only printed in sublimation technique, may be used in Latvia, thus prohibiting the use of industrially dyed fabric.

"It restricts the use of a globally applied printing/dyeing technology and requires to use only an outdated technology. It is also not clear why the regulations of the Cabinet of Ministers stipulate that the fabric from which the flags are made must be flame retardant, why the ignition time is set at exactly 10 seconds instead of 8 or 11 seconds. It is not understandable why the coefficient of light tightness of the fabric should be in the range of 60-70 %, and not, for example, from 60-100%," the representative of "Latvijas Tekstils" pointed to the unjustified obstacles included in the regulations of the Cabinet of Ministers.