

The CC concludes a settlement with Riga Municipality and SIA “GETLIŅI EKO” on the committed competition distortion in the waste management area in the so-called “Tīrīga case”

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On 16 July, the Competition Council of Latvia (the CC) signed a settlement with Riga City Municipality and SIA “Getliņi EKO” in the dispute on the committed competition distortion – the planned monopolisation of the waste management market for a period of 20 years. This settlement states that henceforward the involved parties will not abuse their dominant position, and the municipality, after receiving an analysis from economists of the competition law, will acquaint the CC on the future plans of waste management organisation in Riga. Also, Riga Municipality will pay a fine of 500,000 euros, whereas SIA “Getliņi EKO” – 385,000 euros, into the state budget.

Interim measures prevent a monopoly.

Riga generates a significant amount of waste – almost 50 % of the total amount of waste generated in Latvia. Until 14 June 2019, when Riga City Municipality, SIA “Getliņi EKO” and the private partner AS “Tīrīga” concluded a concession agreement on the introduction of a new waste management system in Riga, waste collection and transport was ensured by four companies: SIA “Clean R”, SIA “Pilsētvides serviss”, SIA “Eco Baltia vide” and SIA “Lautus”. Whereas the new waste management system provided that henceforward these four companies on the waste collection and transport market will be replaced by only one company – AS “Tīrīga”, thus entirely excluding competition on the market for a period of 20 years. In addition, with the conclusion of the concession agreement, the competition also on the related waste recycling market is significantly affected, as according to the concession agreement, only one household waste manager would obtain all household waste collected in the administrative territory of Riga city, which can be sold as secondary raw material to recyclers after sorting.

On 18 July 2019, the CC initiated an infringement case against Riga City Municipality and SIA “Getliņi EKO” on alleged abuse of dominant position specified in Article 102 of the Treaty on the Functioning of the European Union. Furthermore, to prevent negative consequences of the committed competition distortion on residents – generators of waste – the CC already on 9 September 2019 adopted a decision on interim measures, which imposed an obligation to immediately stop implementation of the concession agreement and retain competition on the market.

Customers wish the possibility to choose the waste manager freely

After the suspension of the concession agreement, since 2020, the waste management services in Riga are provided by three waste management companies, selected as a result of procurement tender. In each of the four waste management zones, customers have to agree with the waste manager determined in the municipality's binding regulations.

To find out the opinion of generators of waste in Riga – natural and legal persons, incl. managers of residential houses – on the quality of the waste management service, the CC organised a consumer survey. The survey results show that every fifth resident of Riga is dissatisfied or partially dissatisfied that the waste management is organised in zones with only one waste management company in each zone. The survey results conclude that the satisfaction of residents with the service provider is affected by the fact that the company provides waste management services in the particular zone because the quality of services differs. A different provider of waste management services instead of the existing one would be chosen by every fourth resident if there would be such a possibility.

Comparing both waste management models – free choice of the service provider, which was effective until 2020, and the new four-zone model –, the surveyed residents of Riga, more often (37 %) preferred the previous model with the possibility to freely choose the service provider. In respondents' opinion, competition under free-market conditions also ensures such possible advantages as lower price, higher quality, individual approach, etc.

Whereas among legal persons, in general, waste management services were evaluated more critically than by the audience of private persons – 38 % of customers are dissatisfied or somewhat dissatisfied. The survey results allow us to conclude that legal persons (66 % of respondents) would like to choose the previous model with the possibility to choose the service provider freely.

Settlement – a logical solution to the dispute

Taking into consideration the assessment carried out by the CC and the fact that Riga Municipality is interested in the elimination of consequences caused by the concession procedure, which manifested itself as a structural change of the specific market and establishment of monopoly collectively with the selected partner AS “Tīrīga”, the involved parties have agreed to end the dispute by concluding a settlement, which includes an obligation to ensure waste management under conditions of fair competition, without creating a monopoly on the market, and to carry out an in-depth assessment to ensure the introduction of competition-promoting service provision model in Riga, and payment of the fine in a total of 885,000 euros.

Juris Gaiķis, the Chairman of the Competition Council: “The aim of the concluded settlement is not only to prevent a competition distortion but mainly to reach a consensus with the involved parties that Riga and its residents have deserved a more successful and efficient waste management system in the future. The conclusion of the administrative agreement shows the attitude of the current Riga City Council and their readiness to take responsibility for the works of their predecessors in the Council. Exactly the Council's positive change of attitude not only in their words, but also their works served as a precondition for such a logical solution of the dispute, which provides for an agreement on a specific expected action by Riga Municipality and an optimal fine, aimed at preventive elimination of repeating similar infringements in the future.”

Any participant in a case against which the Competition Council has initiated an infringement case may use the opportunity to conclude a settlement, at own initiative admitting responsibility in the infringement, assuming an obligation to pay a fine and fulfil other specified legal obligations, and providing the Competition Council with all the necessary information for adoption of the decision. Such an action allows faster detection and elimination of infringement and saves resources required for investigation and possible court proceedings; therefore, the fine is reduced for the case participants. Settlements are frequently used also in the practice of the European Commission and competition supervisors of many EU Member States.

**The consumer survey involved 2,098 natural persons and 560 legal persons, including 300 legal persons that conclude waste management agreements and 260 managers and administrators of residential houses.*

<https://www.kp.gov.lv/en/article/cc-concludes-settlement-riga-municipality-and-sia-getlini-eko-committed-competition-distortion-waste-management-area-so-called-tiriga-case>