

Every tenth entrepreneur and municipality are ready to engage in a competition law violation

Published: 21.11.2022.

[Press information](#)

[News](#)

A public opinion survey conducted by the Competition Council (the CC) reveals that, despite the growing public awareness of fair competition and the applicable penalty amounts for violation of competition law, one in ten entrepreneurs and local governments would support involvement in the violation of competition if this would result in gaining additional profits or market advantages by increasing prices for consumers simultaneously.

Major problems of competitive environment

Entrepreneurs, associations, law firms, and municipalities participated in the survey. For several years, the respondents have already named prohibited agreements or cartels in public procurements as the main obstacle to the development of the Latvian competitive environment. This is indicated by 83 % of entrepreneurs and local governments and 65 % of representatives of associations. The second most pressing problem of fair competition environment is the unjustified involvement of public administrative bodies in business activities, which is highlighted by more than half (55 %) of surveyed entrepreneurs and associations and a third of representatives of local governments. When asked about the sectors to which the CC should pay increased attention, the respondents most often mentioned construction and energy.

Improved awareness of competition violations

The results of the survey show that compared to the research carried out before, in 2018, the public opinion of competition law regulation has improved. More than 80 % of respondents know that public administrative bodies should not discriminate against entrepreneurs, creating unjustified competitive advantages, as well as that prohibited agreements on price and abuse of dominant position in the market are prohibited.

In turn, only 19 % of entrepreneurs and 60 % of law firms have heard about the Leniency Program and the ability to report to the CC about the violation committed and receive exemption from punishment. Respondents name mistrust of the public administration, fear of being identified as a whistle-blower, and fear of other market participants involved in the cartel as the main reasons for failure to report.

Despite the increasing awareness among respondents about the types of competition law violations and prohibitions on unfair commercial practices, compared to the research carried out in 2018, there is a rise in the number of entrepreneurs and representatives of the municipality who would support involvement in a competition infringement if it would give the company additional profits or market advantages by increasing prices for consumers at the same time. This year, 11 % of entrepreneurs instead of the previous 10 % and 10 % of municipal representatives instead of the previous 8 % are ready to deliberately distort competition to make illegal profit.

Positive assessment of the impact of decisions on the market

☞ Juris Gaiķis, the Chairman of the Competition Council: “The CC has been taking care of ensuring a fair competition environment in Latvia for 30 years. The results of the survey mark a positive trend: in recent years, both public awareness of what constitutes a violation of competition law and what activities are prohibited has increased, and the work of the CC as a whole is more positively assessed. Municipalities and law firms gave the most positive assessment to the work of the CC – more than 60 %. A slightly more withheld assessment of the work of the CC was given by the surveyed entrepreneurs and associations – in almost 40 % and 50 % of cases a positive assessment was given. This only confirms that there is a room for growth in the coming period and the CC needs to improve educational activities in these priority groups.”

Two-thirds of respondents believe that the decisions taken are of high quality and three-quarters believe that the institution's decisions have a positive effect on the market, highlighting the clarity of the legal basis for decisions and the positive impact on the market.

More than three quarters or 75 % of surveyed entrepreneurs, municipalities, and associations positively assess the channels provided for communication with the Competition Council, the responsiveness and competence of its employees. The group of law firms give an overall positive but more reserved evaluation of cooperation with the CC than in 2018. Among the rest, entrepreneurs and associations highlight the simplicity of the information request process, noting that the process of preparing answers to requests is easy and fast.

In turn, the amount of penalties applied is assessed by respondents as sufficiently proportionate to dissuade market participants from committing violations of competition law in a preventive manner. This is the opinion of 91 % of municipalities, 74 % of law firms, 50 % of representatives of associations, and 58 % of entrepreneurs surveyed.

Educational activities should continue

There is a significant increase in the proportion of representatives of local governments, legal offices, and associations that consider the activities implemented by the CC to be sufficient for informing the public. Such opinion was given by 77 % of municipalities, 52 % of law firms, and 48 % of associations. Compared to the data of the previous survey, the positive assessment in the group of municipalities has increased by 39%, in the group of law firms – by 16 %, and among associations – by 12 %.

In turn, every fourth entrepreneur confirms that educational activities are sufficient. In-depth interest was shown in topics such as prohibited agreements (on prices, on market sharing), on the involvement of public administrative bodies in business, and on the abusive behaviour of large companies in a dominant position.

The majority (72 % of law firms, 63 % of municipalities, and 55 % of associations) of all study participants believe that it would be useful for the CC to organize seminars and conferences on competition law issues, such as competition law in Latvia and the EU, procurement specifics, and involvement of public administrative bodies in business. In addition, the respondents are interested in the topic of prohibited agreements, more specifically, in prices and market distribution.

The CC conducts a public opinion survey every two years in order to establish the level of awareness of entrepreneurs, associations, and local governments about competition law, the work of the CC, as well as to gain more insight into the wishes of the respondents regarding the future activities of the institution. Survey data are taken into account when developing the institution's strategy and evaluating the improvement of the institution's performance and communication with the public.

The survey on behalf of the CC was carried out by research agency Latvian Facts.

<https://www.kp.gov.lv/en/article/every-tenth-entrepreneur-and-municipality-are-ready-engage-competition-law-violation>