Lithuanian Competition Council: On a mission to challenge both public and private powers

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Introduction

Thirty years ago, the Lithuanian competition authority was born into the world of regulation that had promised a free market. The authority was meant to ensure that the free market remained free and people – who were yet to turn into consumers – benefited. Free market ideals aside, the transition from a centrally planned, and totally regulated, economy that Lithuania had been subjected to under Soviet occupation proved to be complicated. For the best part of the 1990s, even the competition authority played the role of a price regulator. This was hardly surprising, given its roots in the Soviet-era State Committee on Prices.

The free market never turned into what had been imagined in the early 1990s. It is instead increasingly curtailed by regulation. Freedom has found itself surrounded by other values, such as fairness, privacy, sustainability and security. Regulation is being introduced to embrace these values as an alternative to competition.

Some argue that competition has finally been removed from a throne erected by neoliberals. Others lament the demise of competition. Or, perhaps the pendulum has swung again: from private power towards government power as we search for
the right balance between the two, as once observed by Giuliano Amato.\textsuperscript{1} If so, what effect has this balancing act had on the authority as competition advocate and enforcer? This paper answers the question in three stages: it starts with an introduction of Konkurencijos taryba and the institutional arrangements of competition enforcement. It then discusses enforcement itself. It finishes, not unexpectedly, with an overview of the present-day challenges the authority faces that are likely to remain for the foreseeable future.

**The authority: what it is and what it does**

*Institutional arrangements*

The present-day competition authority – Konkurencijos taryba (Competition Council) – is as close to a pure competition enforcer as it has ever been in its 30-year history. The authority enforces traditional antitrust and merger control. In addition, it enforces rules aimed at protecting suppliers from the unfair trading practices of large food retailers. It also prosecutes competition restrictions created by public administrative bodies. The authority is independent; it has no affiliation with any governmental body. It is accountable to Parliament, while its decision-making Competition Council members are nominated by the Prime Minister and appointed by the President of the Republic.

The authority has travelled a long way from where it started in 1992 to reach its current degree of independence and narrow enforcement focus. In the early 1990s, the authority oversaw price-control and unfair competition. Consumer protection, state aid and anti-dumping was added to the authority’s portfolio later in the decade. Antitrust and merger enforcement were part of that portfolio too. Maybe the authority felt that the formidable number of tasks entrusted with it was justified, as ‘if good people don’t have power, the wrong people get it’.\textsuperscript{2}

The situation changed with the adoption of the 1999 Law on Competition and Lithuania’s European Union accession in 2004. The Competition Council acquired formal independence. Gradually, most of the non-antitrust/merger control functions were removed from the ambit of the authority: general consumer protection, supervision of misleading and comparative advertising, price control, antidumping, railway regulation (which Konkurencijos taryba was briefly entrusted with as a matter of convenience for lack of other independent authorities) and, most recently, unfair competition.

The authority’s area of responsibility has been reduced. However, it can now set its own priorities, and its powers have grown in its remaining domains. Specifically,

\begin{itemize}
  \item See the British political satire sitcom ‘Yes, Prime Minister’, Series 2, Episode 5, 1981, British Broadcasting Corporation.
\end{itemize}
the authority has gained more investigative powers in antitrust sanctions (eg, director disqualification) and merger control (eg, ex post reviews). On account of those reforms, the subsequent transposition of the ECN+ Directive in Lithuania required few additional changes to the authority’s structure and powers.

Priority setting and priority sectors

The ability to choose one course of action over another – and to take responsibility for that choice – is at the heart of independence. It is also a key tool for the allocation of limited resources. Priority setting is important for competition authorities as they protect their autonomy and strive for more effective enforcement.

Konkurencijos taryba acquired full prioritisation powers in 2012. It employs them in two ways: operational and strategic.

Operational prioritisation allows the authority to decide how to deal with cases. It can either launch (continue) or refuse (terminate) an investigation. The authority can set positive as well as negative priorities. Positive priorities entail the ability to start investigations on the authority’s own initiative without having received a formal complaint. Negative priorities entail the rejection of complaints. Until the 2012 amendments to the Law on Competition, Konkurencijos taryba lacked the ability to reject complaints on priority grounds. Once these powers had been introduced, the authority published its Enforcement Priorities Notice. The notice sets out that Konkurencijos taryba is to perform investigations, or otherwise intervene with the functioning of the market, where such intervention could contribute significantly to the effective protection of competition, and thus maximise consumer benefits. In making a prioritisation decision, the authority seeks to answer three questions: (1) what impact will its intervention have on effective competition and consumer welfare; (2) does intervention have strategic significance; and (3) does the authority have resources for intervention?

Since being introduced in 2012, the negative prioritisation powers have been used regularly. Notably, the Competition Council’s prioritisation decisions must be reasoned, and can be appealed to the courts. This has happened on several occasions.

The authority uses strategic prioritisation to identify certain industries, or types of infringements, it considers important for a defined period of time. For 2022, Konkurencijos taryba declared that its strategic priorities were to focus on labour markets, the health sector, retail trade and e-commerce.

The next section of this article illustrates the extent to which the Competition Council’s strategic and operational priorities are reflected in its enforcement.

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3 Directive (EU) 2019/1 of the European Parliament and of the Council of 11 December 2018 to empower the competition authorities of the Member States to be more effective enforcers and to ensure the proper functioning of the internal market.

Inevitably, some of the enforcement examples cannot be disclosed due to the confidential nature of ongoing investigations.

**Enforcement**

**Antitrust**

Labour markets were chosen as a sectoral priority, not only in reaction to the growing attention given to the sector and its competitiveness but also because anti-competitive practices started to emerge in Lithuania. In 2021, the Competition Council found that the Lithuanian Basketball League and its ten basketball clubs entered into an agreement not to pay players their salaries and other financial remunerations after the termination of the basketball championship 2019–2020 due to the pandemic. In our assessment, the parties had concluded a price-fixing cartel in the market for the ‘purchase of basketball players’ services’. In the absence of such an agreement, players could have received competitive remuneration, and would have had the opportunity to negotiate with their clubs. The agreement was capable of affecting players’ choice of clubs and team compositions, and thus the competitiveness of the clubs in the new championship. The Competition Council decision was appealed before the courts, and the final decision is still pending.\(^5\)

This case is not the only example of intervention in labour markets. The Competition Council is currently investigating suspected non-poaching agreements. It will not hesitate to launch new investigations in the future if certain behaviour raises suspicions.

With regards to the health sector, the Competition Council has recently issued a statement of objections in an investigation concerning an alleged anti-competitive agreement in the pharmaceuticals market. The case raises questions related to the application of competition law in interactions between companies and public authorities in highly regulated markets.

In the last decade, competition authorities worldwide have launched a number of cases and market studies in digital markets. Some digital businesses focusing on the Baltic region specifically have also emerged. Given the rapid development of the sector, Konkurencijos taryba has needed to gain a better understanding of the national online marketplace environment. Therefore, earlier this year and in line with its priorities for 2022, it took action in the e-commerce sector on its own initiative. For the first time, parallel business surveys in both Lithuania and Latvia were launched to find out whether businesses encounter any competition restrictions in online marketplaces. The monitoring exercise will also give the authority a better

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\(^5\) In June 2021, the court of the first instance did not uphold the Competition Council’s decision, but the Competition Council appealed the decision to the Supreme Administrative Court.
understanding of this industry, its accessibility and the use of algorithms, as well as to help identify factors that potentially restrict effective competition.

Merger control trends

During the last five years, the number of mergers reviewed has almost halved, and now remains stable.\(^6\) However, the mergers under review are now significantly more complex, and require detailed legal and economic analysis to assess their impact on competition. The merging parties are also increasingly relying on economic consultancy services. The involvement of economic consultants is not only more frequent, it also often happens at an earlier stage of the procedure (including at the pre-notification stage). Against this backdrop, having a strong team of economists at the Competition Council is more important than ever. The council has established an Economic Analysis Group (EAG), which comprises four economists who deal exclusively with economic issues, and mostly in merger cases. If the trend of economic assessment and complexity of mergers remains the same, the Competition Council would need to strengthen the capacity of the EAG.

In addition, Konkurencijos taryba also proactively monitors consummated mergers. In Lithuania, the ex post review of mergers is available as a tool to assess competition with respect to mergers that did not exceed notification thresholds.\(^7\) The Competition Council may review mergers on its own initiative, and impose an obligation on undertakings to submit a merger notification where it is likely that the transaction will result in the creation or strengthening of a dominant position or a substantial restriction of competition, and where no more than 12 months have passed from the merger’s implementation.

The Competition Council stands ready to use this tool if there are reasonable grounds to suspect that a merger may cause serious competition concerns, regardless of the parties’ low turnover. For example, in 2021, the Competition Council decided on its own initiative to review a merger in the market for the distribution of event tickets in Lithuania. The Competition Council suspected that the merger may have restricted competition. The Competition Council’s review led to a prohibition decision, and the parties were obliged to restore the situation prevailing prior to the merger.\(^8\) In 2022, Konkurencijos taryba obliged two other companies – Kauno liftai

\(^6\) In 2018, 38 mergers were reviewed, while in both 2020 and 2021, 21 mergers were reviewed by the Competition Council.

\(^7\) The merger has to be notified if the combined aggregate income of the undertakings concerned in the business year preceding the concentration exceeds €20m and the aggregate income of each of at least two undertakings concerned in the business year preceding the concentration exceeds €2m.

and Baltijos liftai – active in the market for lift maintenance services in Lithuania, to submit a merger notification. The review is currently ongoing.

Ex post merger control can be useful in capturing problematic ‘killer acquisitions’ that do not reach turnover notification thresholds. Furthermore, as our practice shows, the need to use this power has been especially important in digital markets, where acquisitions of nascent rivals can have long-lasting effects on competition; three out of five Lithuanian cases of consummated mergers concern primarily digital or exclusively digital services markets.

On the other hand, although merging parties can be obliged to restore the situation prevailing prior to the merger, or to eliminate the consequences of the merger, such a remedy can be challenging to implement if integration has already taken place. Therefore, it is essential for competition authorities to identify potentially problematic mergers as soon as possible, and to have the power to order interim measures for businesses to be held separate.

**Fighting against state restrictions and ensuring competitive neutrality**

It is not only private entities that are subject to competition law requirements in Lithuania; pursuant to Lithuanian competition law, the public administration must also ensure competition is effective. It must not treat companies differently or selectively, thereby distorting competition, and it must ensure freedom of fair competition. The role of Konkurencijos taryba in enforcing this duty of the public administration was significantly strengthened in 2017. The authority now has the power to impose financial penalties up to €60,000 on public administration entities for competition law infringements. One of the main reasons for the law to also target the public administration is that the anti-competitive effect of its actions can often be very significant, and sometimes much more significant than that of private conduct. This power has already been used in a number of cases.

In 2019, the Competition Council examined a decree adopted by the Lithuanian Minister of Justice, which established fixed and minimum prices for certain

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9 Art 4(2) of the Lithuanian Law on Competition provides that ‘Public administration entities shall be prohibited from adopting legal acts or other decisions which grant privileges to or discriminate against any individual undertakings or their groups and which give or may give rise to differences in the conditions of competition for undertakings competing in a relevant market, except where the difference in the conditions of competition may not be avoided when meeting the requirements of the laws of the Republic of Lithuania’.

10 Art 4(1) of the Lithuanian Law on Competition provides that ‘In carrying out the assigned tasks related to the regulation of economic activities within the Republic of Lithuania, public administration entities must ensure freedom of fair competition’.

11 If the Competition Council establishes an infringement on the part of the public administration, it is entitled to impose a fine of up to 0.5 per cent of its annual and other income but no more than €60,000.
notarial services. The Competition Council held that these rules restricted price competition between notaries because they could not offer prices lower than those established by the decree. Such price regulation harmed consumers because they could not reap the full benefits of price competition between notaries.\textsuperscript{12} A fine of €45,000 was imposed on the Ministry of Justice, and the ministry was required to amend the decree so that it would be competition law compliant. The Konkurencijos taryba decision was appealed before the Vilnius Regional Administrative Court. The case\textsuperscript{13} is currently suspended while awaiting a preliminary ruling from the Court of Justice of the EU (CJEU) in a separate case regarding certain alleged anti-competitive agreements of the Lithuanian Chamber of Notaries and its notaries.\textsuperscript{14}

It is often the case that Konkurencijos taryba gets to scrutinise the actions of municipalities that award contracts to state-owned companies without a competitive procedure. For example, in 2020, the Competition Council found that the Lithuanian transport safety administration (LTSA), which is responsible for organising and ensuring long-distance passenger transport services, infringed the Law on Competition when it extended contracts with 42 incumbent regular road passenger transport service providers without a competitive procedure. That anti-competitive behaviour of the LTSA resulted in privileges to incumbent market participants, impeding the entry of new market participants and distorted competition.\textsuperscript{15} The LTSA was obliged to pay a €43,120 fine to terminate existing contracts with the relevant carriers, as well as to organise a competitive procedure. Konkurencijos taryba is also currently investigating whether the Akmene district municipality in Lithuania ensured competitive neutrality when implementing a doctors’ incentive programme aiming to attract doctors exclusively to public healthcare services. Despite similar incentive schemes being common in other jurisdictions, in this case, public healthcare facilities may have benefited from more favourable conditions compared with private healthcare facilities.

Moreover, national legislation grants the Competition Council powers to safeguard competitive neutrality, specifically between municipal enterprises and their private competitors.\textsuperscript{16} The Competition Council’s consent is needed if municipalities intend to engage in a new economic activity (eg, by establishing a new legal person or by entrusting the provision of economic activity to the already existing legal person managed by the municipality). The Competition Council can provide its consent

\textsuperscript{12} Decision of the Competition Council on Prices for Notarial Services Established by the Minister of Justice, 7 December 2020, No 1S-128 (2020), para 219.
\textsuperscript{13} Case No e14-1471-816/2021, proceedings No S-61-3-04065-2020-2.
\textsuperscript{14} Case in progress, \textit{Lietuvos notarų rūmai and Others}, C-128/21.
\textsuperscript{15} Decision of the Competition Council of July 2020, No 1S-77 (2020).
\textsuperscript{16} Art 9(2) of the Lithuanian Law on Local Self-Government.
only if a competitive procedure, conducted by the municipality, establishes that:
(1) no other market players are able to engage, or are interested in engaging,
in the relevant activities; (2) economic activity is necessary to serve the common
interest of the local community; and (3) no company is given specific privileges
or discriminated against. The Competition Council has analysed several requests
of such a nature in relation to, for example, utilities, sporting, waste management
and transport washing services. In some cases, the Competition Council’s consent
to engage in a new economic activity was not granted as no competitive procedure
had been organised.

However, enforcement aimed at public entities has some limitations. The
Competition Council has the right to examine the conformity of the legal acts or
other decisions adopted by the public administration, but only if these are issued at
a level ‘below’ that of the Government of the Republic of Lithuania. Furthermore,
even where the Competition Council could intervene, investigations are time-
consuming and could delay legislative changes. Finally, as regards municipalities
engaging in economic activity, the law does not provide for any sanction for a
failure to seek the Competition Council’s consent. This, in turn, may not provide
sufficient incentives to comply.

In this context, competition advocacy comes into play as an efficient tool to
influence the country’s economic public policy by proposing to reduce barriers to
competition or levelling the playing field. In 2021 alone, the authority examined
410 draft legal acts and submitted comments to decision-makers regarding 152 of
them (74 per cent of the Competition Council’s comments were taken into account
by legislators). Without having opened in-depth investigations, Konkurencijos
taryba successfully advocated for eliminating existing barriers to competition in
the markets for notary services, opticians, architects and electricity supply, just to
name a few.17

Future challenges: reviewing the Competition Council’s portfolio

An increasing desire for state intervention in some areas (as opposed to
competition) poses challenges to the Competition Council’s enforcement powers
towards both private and public bodies.

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17 For a more detailed description of the cases, see the Lithuanian contribution to the
Enforcement of agricultural policy and price regulation

In 2019, the European Parliament and the Council of the EU adopted the Directive on unfair trading practices in business-to-business relationships in the agricultural and food supply chain (the ‘UTP Directive’). It seeks to protect farmers, and other weaker suppliers of agricultural and food products, from stronger buyers and lists prohibited practices. The text required EU Member States to transpose the directive into national law and apply it by 1 November 2021, as well as to designate one or more authorities at national level to enforce the relevant rules.

When transposing the UTP Directive, a debate arose in Lithuania as to whether the Competition Council should be the enforcer of these laws. The Competition Council has certain experience in investigating unfair trade practices; however, this is limited to specific areas. Since 2009, Konkurencijos taryba has been the sole enforcer of the Law on the Prohibition of Unfair Practices of Retailers. This law is aimed at the largest supermarket chains, which possess significant market power.

With respect to the UTP Directive implementation, the Lithuanian Government was of the opinion – which was in line with that of the Competition Council – that the Competition Council’s mandate should not be broadened. The UTP Directive was adopted in the field of agricultural policy, with the aim of ensuring better functioning of the food supply chain in Europe. Conversely, the main role of the Competition Council in this area is to supervise effective competition. Hence, while some of the EU national competition authorities were entrusted with the enforcement of the UTP Directive rules, the Lithuanian competition authority was not given this additional role.

The question of who should be the competent authority for the purposes of the UTP Directive rules may return in Lithuania. Recently, the Lithuanian Ministry of Agriculture has proposed that Konkurencijos taryba be the sole enforcer of the national laws that transpose the UTP Directive. The ministry has also suggested granting the Competition Council the mandate to regulate minimum prices for raw milk purchased by processors from dairy farmers. Needless to say, combining the mandates of regulating milk prices on the one hand and ensuring fair competition on the other hand may prove to be challenging. This is because

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18 In Lithuania, the UTP Directive has been transposed into two laws: the Law on Unfair Trading Practices in the Agricultural and Food Product Supply Chain (newly adopted) and the Law on the Prohibition of Unfair Practices of Retailers (amended).

19 The enforcement of the Law on Unfair Trading Practices in the Agricultural and Food Product Supply Chain Law is supervised by the newly established Rural Business and Markets Development Agency.

20 The laws on the regulation of the purchase price of raw milk have been in force in Lithuania since 2015.
price regulation runs against the idea of fair competition which Konkurencijos taryba strongly advocates for.

The spikes in energy and commodity prices caused by the Covid-19 pandemic, and later by Russia’s invasion in Ukraine in 2022, has reignited the debate about price control, and whether it should be applied more widely to control rising prices. While some countries have imposed price control mechanisms,\(^\text{21}\) in Lithuania, where the inflation rate was one of the highest in the eurozone in the first half of 2022, similar initiatives have not been implemented (at least not yet). While it is the central banks’ mandate to combat inflation, and the competition authorities are limited in their response, Konkurencijos taryba nevertheless has advocated for less regulatory barriers to competition.

**Supervising sustainability initiatives**

There has been an extensive debate as to whether (and to what extent) competition authorities should focus on sustainability claims, and be involved in promoting the green and circular economy. Up to now, at least in Europe (including Lithuania), there has been a very limited record of antitrust enforcement related to sustainability objectives. Some argue that competition rules prevent companies from cooperating in order to contribute to environmental goals. In practice, we are not aware of companies taking such initiatives.

Moreover, the assessment of sustainability agreements requires specific knowledge related to, for example, environmental protection, ecology, engineering or air pollution. Significant new competencies – alongside traditional competition law and economics – will be needed to perform such sustainability assessments. Similarly, companies would need to develop the same type of competencies to comply with competition law.

Finally, not every sustainability initiative is genuine. Although not directly related to sustainability claims, a case from Lithuanian practice is a good example. In a cartel investigation,\(^\text{22}\) the Competition Council found that beer producers agreed not to sell very strong beer to consumers. Allegedly, the agreement protected consumer health. However, during the investigation, internal company communications demonstrated that the real aim of the beer producers was profit-seeking, as strong beer was less profitable than other types of beer. Consequently, it was a simple output restriction cartel, rather than a genuine sustainability initiative.

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\(^{21}\) Eg, in February 2022, Hungary announced price caps on some basic foodstuffs in order to fight inflation.

\(^{22}\) Decision of the Competition Council on the agreement by the Lithuanian Guild of Breweries and its members, 4 March 2014, No 2S-1/2014.
We support the idea of a green economy. We would argue that setting sustainability goals in the law would be an effective tool to address issues concerning the assessment of sustainability agreements. It would give more certainty to businesses. It would lift the burden off the competition authorities’ shoulders in their assessments of the benefits allegedly arising from competitors’ cooperation. Finally, it would enable a more efficient use of the scarce resources of the competition authorities.

Adapting to the digital world

The world has gone digital in the last few decades. Nevertheless, while most of the competition authorities around the globe have had a chance to deal with more traditional sectors, such as agricultural and retail, the path to the digital markets does not seem to be straightforward yet. The EU Digital Markets Act (DMA) aims to limit the market power of big online platforms. It will enter into force in the near future. It created high expectations regarding bringing the digital markets closer to the enforcers’ radars. Will that be enough to change the national enforcement landscape in the digital markets in the EU?

The EU Commission is to be the sole enforcer of the DMA. Although the national competition authorities can also play some role in the enforcement of the DMA, the DMA itself does not impose obligations upon Member States to allocate necessary resources for this role. Therefore, Lithuanian Government policy will determine how active the Competition Council can be in this field. If no additional resources are allocated for the enforcement of the DMA – which is likely – more visible enforcement activities, especially in smaller Member States, may not take place.

However, Konkurencijos taryba does see a role in the digital markets. It is ready to enforce competition rules in the online markets, and it has been doing so. The Lithuanian case *Eturas* concerning online travel booking, which eventually reached the CJEU for a preliminary ruling in 2016,23 is still much discussed as an example of how online platforms can facilitate collusion. Furthermore, as already mentioned, the e-commerce sector is the priority of the Competition Council for 2022. The Competition Council has already launched online monitoring to better understand the functioning of online marketplaces in our region, while another investigation concerning RPM in the online sales sector is ongoing.

If the goal is to see more competition authorities effectively enforcing competition laws in the digital sector, and taking on more complex investigations, it is important to maintain and develop necessary competencies. However, it is often too costly for smaller authorities to have dedicated computer scientist teams. The most rational solution is therefore to coordinate and work together with other authorities who

face similar challenges. The pooling of experts can increase efficiency and allow a breakthrough in digital matters, even in smaller jurisdictions. In Lithuania, no concrete steps have been taken in this direction so far, although some ideas have been raised. If such initiatives are not implemented in smaller EU Member States, we risk having a two-tier Europe in which larger Member States engage in digital market enforcement and smaller counterparts stick to more traditional sectors.

**Conclusions**

At the start of this article, we raised the question of how the continuous search for balance between private power and the power of the government affects the Competition Council’s enforcement and advocacy efforts. After a brief overview of the existing status of the authority and its recent track record, we are certain that it is well placed – indeed, much better than ever before – to challenge both sources of power and that it does so consistently. Its commitment to defend competition from both private and public restrictions should continue, provided the two powers do not conspire against competition. We hope such a conspiracy scenario never becomes a reality.

**Author biography**

Šarūnas Keserauskas was appointed Chairman of Konkurencijos taryba for a second six-year term starting from 5 April 2017. Prior to taking on his current role, Mr Keserauskas spent almost two years as a Senior Legal Adviser at the UK Office of Fair Trading (OFT). Before joining the OFT, he worked as an associate and then as a competition law adviser at the Lithuanian law firm Lideika, Petrauskas, Valiūnas ir partneriai LAWIN. Since 2005, Mr Keserauskas has been a competition law lecturer at Vilnius University (Lithuania). He was a visiting competition law lecturer at Riga Graduate School of Law (Latvia) from 2000 to 2005.

Irmia Urmonaitė is a Council Member and Deputy Chairwoman of the Lithuanian Competition Council. Previously, she was heading up the Anti-Competitive Agreements Investigation Division where she was in charge of leading teams conducting investigations of collusive practices. Before being appointed as the Council Member, Irmia also did a stint at the UK’s competition regulator Competition and Markets Authority as an Assistant Director in the Cartels Division.