

Opening markets to competition: the Lithuanian experience

Dr Sarunas Pajarskas
Head of Unit



The presentation reflects a personal opinion of the author and does not necessarily concur with the official position of the Competition Council of Lithuania



Structure of presentation

- I. Competition Council of Lithuania
- II. Promoting competition in the 90-ties
- III. Recent enforcement focus
- IV. Conclusions



I. Competition Council of Lithuania



General

Law on Competition adopted in 1992

Independent enforcer of the law on competition

Similar size to the Armenian State Commission
for the Protection of Economic Competition

Decides on the violations of the law –
anticompetitive agreements, abuse of
dominant position, activities by the public
authorities

Controls mergers and acquisitions



II. Promoting competition in the 90-ties



Issues in the transitional period

The 90-ties in Lithuania:

- difficult transition from planned economy to market economy (big inflation, privatization and restructuring of economy, legislative reforms, etc.)
- many trade barriers, market protective measures (import duties, etc.)
- underdeveloped markets (little competition, high prices, few choices for consumers)



Early efforts of competition law enforcement

In this backdrop, competition law enforcement in Lithuania focused on:

- small and numerous “unfair competition” cases (misleading advertising, etc.)
- removal of restrictions by public authorities
- control of pricing by dominant companies



Exclusive rights by public authorities (1)

Lithuanian Government conferred (1993) exclusive rights to import alcoholic drinks into Lithuania only to certain companies

Privileges to them, inability to import – to the others

Competition Council's actions:

Letter to the Government with recommendation – the rights are to be conferred, if necessary, in a competitive process



Exclusive rights by public authorities (2)

A town municipality conferred (2001) exclusive rights to collect garbage in its territory to a municipality-owned company

Other (private) garbage collectors were pushed out of the local market

Competition Council's actions:

Obligation on the municipality to abolish exclusive rights to one company

Exclusivity abolished



Competition restrictions in pharmacies market (1)

Ministry of Health restricted (1994) the number of the pharmacies in ownership to just one pharmacy per person

Competition Council's actions:

Recommendation to the Ministry to abolish the restriction over the accumulation of ownership in one person's hands



Competition restrictions in pharmacies market (2)

Ministry of Health prohibited (2000) the establishment of a new pharmacy closer than 500 meters off the existing pharmacy

Existing pharmacies got a territorial protection from competitors in the area with a radius of 500 m

Competition Council's actions:

Obligation to abolish the restriction over the entry into the market, affirmed by courts



Competition restrictions by public authorities

21 decision by the Competition Council (in 1993-1997) against the restrictions by public authorities:

3 – by the Government

19 – by ministries, departments, agencies

2 – by local municipalities



List of dominant companies

Existed in Lithuania in 1992-1997 after price liberalization in the country

Prices of 69 companies were regulated, prices of 88 companies were monitored

This reflected a low level of development of markets and competition in the country

It was supposed to help in keeping prices low for consumers in the background of big inflation



Abuse of dominant position by unfair / excessive pricing

13 decisions by the Competition Council (in 1993-1996) condemning unfair / excessive pricing by dominant companies

Who knows what the right price and the excessive price is?



III. Recent enforcement focus



A shift of focus to cartels

As markets developed more, gradual shift from abuse of dominance to cartels (agreements among companies, decisions and actions by their associations) occurred

First cartel discovered in 1997

4 cartels discovered in 1998-1999



Recent enforcement (1)

7 more similar cases over garbage collection in local municipalities in 2002-2011

Competition Council's obligations to abolish exclusive rights in garbage collection, 1 decision – lost in courts

Ironically, competition restrictions by public authorities do not subside (in 1999-2013, 63 decisions by the Competition Council issued against public authorities)



Recent enforcement (2)

4 more cases on pricing in 2000-2010

Last case on unfair prices (in 2010) - lost in courts

Generally, abuse cases – on decline (no new cases in 2012-2013)



Recent enforcement (3)

The focus remains cartels (29 decisions were taken by the Competition Council against cartels (anticompetitive agreements) in 2000-2013)

Sometimes, cartels even involve public authorities (by promoting and participating in the cartelists' meetings and agreements, e.g., a case of 2011, orthopedic devices)



IV. Conclusions



Conclusions (1)

Competition is not the end in itself

It is the means / tool for achieving effectiveness,
efficiency of the economy for the benefit of
the public



Conclusions (2)

It is important to improve general environment for businesses to operate by:

liberalizing the rules of establishment of companies, reducing bureaucracy

the creation of favorable investment climate

tackling corruption, securing the rights of the people



Conclusions (3)

It is important to make markets work better, to increase competition by:

- ensuring level playing field for everyone in the market

- the removal of government barriers / obstacles to trade and competition



Thank you for your attention !

