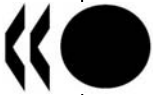


Unclassified

DAF/COMP(2006)11



Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

09-May-2006

English text only

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE**

DAF/COMP(2006)11
Unclassified

ANNUAL REPORT ON COMPETITION POLICY DEVELOPMENTS IN LITHUANIA

-- 2005 --

This report is submitted by the Lithuanian Delegation to the Competition Committee FOR DISCUSSION at its forthcoming meeting to be held on 8 and 9 June 2006.

JT03208579

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1. Executive Summary

1. In 2005, the Competition Council of the Republic of Lithuania (hereinafter – CC) effectively enforced not only the Lithuanian Law on Competition (further – LC), but for the first time in its practice while passing a decision in a case of abuse of a dominant position applied Article 82 of the EC Treaty.

2. While performing the obligations assigned to it – to protect the freedom of fair competition, - the CC gave a great attention not only to the establishment of severe infringements of the LC and the strengthening of competition, but also to the prevention of competition infringements by way of enhancing the public awareness on issues related to the practical enforcement of the Lithuanian and the EU competition rules.

3. An important event in 2005 was the renewal of the observer’s status of Lithuania in OECD Competition Committee for another two years period (until the end of 2007).

2. Enforcement of Competition laws and policies

2.1 Action against anticompetitive practices, including agreements and abuses of dominant positions

a) Summary of activities of:

- Competition authority

4. Acting in accordance with the LC the CC initiated 79 investigations including those started *ex officio* and others on the basis of complaints filed by undertakings. Total 81 resolutions were passed on the basis of the LC, including those in respect of investigations started in 2004. The Table below presents the summary data on the scope of the tasks performed by the CC while enforcing competition laws in 2005.

| | Decisions reached | New cases opened |
|---|-----------------------|---------------------|
| Total number of cases | 81 | 79 |
| Prohibited agreements | 7 | 3 |
| Abuse of a dominant position | 6 | 2 |
| Concentration | 59 | 64 |
| Restrictive actions of public and local authorities | 7 | 10 |
| Unfair competition | 2 | |
| PROHIBITED AGREEMENTS | | |
| | Horizontal agreements | Vertical agreements |
| New cases opened | 2 | 1 |
| New investigations <i>ex officio</i> | 1 | |
| New complaints | 1 | 1 |
| Decisions reached | 3 | 4 |
| Complaints rejected | 2 | 4 |
| Prohibitions with fines | 1 | |

| | Decisions reached | New cases opened |
|--------------------------------------|-------------------|------------------|
| ABUSE OF DOMINANT POSITION | | |
| New cases opened | | 2 |
| New investigations <i>ex officio</i> | | |
| New complaints | | 2 |
| Decisions reached | 6 | |
| Complaints rejected | 5 | |
| Prohibitions with fines | 1 | |
| CONCENTRATION | | |
| Decisions reached | 59 | |
| Approvals | 57 | |
| Conditional approvals | 2 | |

5. In 2005 the CC imposed fines totaling EUR 9.30 million upon undertakings – the LC offenders, of which – EUR 28.96 for prohibited agreements, and EUR 9.27 million for the abuse of a dominant position.

- Courts

6. The national courts received first claims in respect of which the claimants requested the EU competition rules to be applied. *UAB Tew Baltija* appealed to the Vilnius Regional Court concerning the vitiation of the terms of the public tender on granting of concession launched by Kaunas municipality. The claimant referred to the provisions of the EC Treaty consolidating the fundamentals of free and undistorted competition, and stated that the concession grants exclusive rights to operate in the market for the waste management services by enabling the concessionaire to abuse its position in the breach of the said Article 82 of the EC Treaty. The case is still pending in the Court.

b) *Description of significant cases, including those with international implications:*

Prohibited agreements

Cartel agreement in the taxi service market

7. In 2005, the CC completed the investigation concerning the compliance of actions of the entities providing taxi services in Vilnius and the Taxi Services Provider Association (hereinafter – the Association) with the requirements of Article 5 of the LC.

8. The investigation established that entities providing taxi services in Vilnius, having concerted their actions, concluded the prohibited agreement under the provisions of LC.

9. The contents and the chronology of the minutes of the meetings of the Association allowed a conclusion of the persistent preparatory arrangements with a view to increase the tariffs. Furthermore, several members of the Association while giving explanations acknowledged that during the meetings of the Association the issues of tariff increase had been discussed. Some members of taxi companies not members of the Association indicated in their explanations that they had been urged by some members of the Association to join the initiative of the Association and also to introduce the minimum tariff proposed by the Association.

10. Also the course of the investigation produced the conclusion that some of the participants of the cartel agreement (8 companies members of the Association) nearly at the same time (end of September, 2004) applied to a company, which adjusts and installs the taxi meters with a request to set new taxi tariffs in the taxi meters (prior to introducing the new tariffs taxi companies have to adjust their taxi meters).

11. The taxi companies also notified the Vilnius Municipality of the adjusted and equalised taxi tariffs. This meant the obligation of the companies to apply the tariffs, as they could be considered committing a violation if a competitor files a complaint to the Vilnius Municipality.

12. The CC fined the taxi companies a total of LTL 100 000 for the infringement of Article 5 of the LC. Upon assessment of the economic position of the taxi companies the actual fines imposed were rather moderate (LTL 5 000), with an exception of the initiator of the infringement *UAB Martonas* that was fined LTL 50 000. The Association appealed the Resolution of the CC to court.

Investigation in the paper market

13. During 2005, the CC continued the earlier started investigation in the paper market. The investigation was initiated by the CC on *ex officio* basis having suspected, in the view of the rising prices in the paper market, that major players in the market are forming and dictating the prices of different kinds of papers. The investigation was initially commenced in accordance with Article 5 of the LC. However, in the course of the investigation certain indications were obtained proving a possible effect by actions of entities operating in the relevant market on trade between the EU Member States, – Lithuania, Latvia and Estonia, therefore a decision was passed to supplement the investigation by provisions of Article 81 of the EC Treaty. During the course of investigation certain investigative actions were conducted not only in Lithuania but also in the territory of Latvia, where the Association of paper trading companies is established. Being extensive in scope and complex in its nature the investigation is being continued.

Investigation in the music albums' distribution market

14. The CC refused to initiate an investigation concerning the compliance of actions of *UAB Intervid plus* and *UAB VP Market* with the provisions of the LC having concluded that distribution of the first edition of the album *Padovanosiu Tau* recorded by a popular Lithuanian singer Rytis Cicinas could not infringe the LC. Efforts were made to clarify the grounds for the initiation of the investigation on possible agreement between *UAB Intervid plus* and *UAB VP Market* whereby until 15 September 2005 the latter is given an exclusive right to distribute the new album of Rytis Cicinas (CD and audiotapes).

15. Having established that the terms for the sale of the first edition of the album were announced publicly, and the sale process could not be qualified as exclusive as included only the sale of the first edition, furthermore, it was a onetime and short-term action, the CC concluded that such onetime sale in the view of its insignificant impact cannot be considered as substantially restricting competition.

16. Based on the evidence collected during the investigation the vertical distribution agreements of the type (exclusive distribution and exclusive supply) are considered compliant with the provisions of Article 6(1) of the LC provided they meet the requirements of the Commission Regulation (EC) No. 2790/1999 of 22 December 1999 on the application of Article 81(3) of the Treaty to categories of vertical agreements and concerted practices.

Abuse of a dominant position

Investigation of abuse of a dominant position by AB Mažeikių nafta

17. The investigation concerning the compliance of actions in the period from 2002 to 2004 of *AB Mažeikių nafta* – the single oil refinery of high capacity in the Baltic States, – with the requirements of the LC was initiated *ex officio* by the CC. The purpose of the investigation was to establish whether the activity of the company could have possibly had an impact upon the constant rise in gasoline and diesel fuel price levels in Lithuania as compared to those in other Baltic States, also whether the lasting price differences could have resulted from the actions of *AB Mažeikių nafta* in the gasoline and diesel markets through the abuse of its dominant position in Lithuania. When initiating the investigation the CC also was basing itself upon the information furnished by other companies and complains concerning actions of *AB Mažeikių nafta* in the gasoline and diesel fuel markets.

18. Although initially the investigation was started in accordance with Article 9 of the LC, suspicions having arisen in the course of the investigation that actions of *AB Mažeikių nafta* also could affect the trade between the EU Member States – Lithuania, Latvia and Estonia, the CC decided to supplement the investigation with the provisions of Article 82 of the EC Treaty.

19. For the purpose of the drawing up of findings of the investigation the CC conducted an in-depth analysis of the documents of *AB Mažeikių nafta* and other entities engaged in trade in oil products, and collected all possible explanations from parties concerned. Also the CC analysed the information received from Latvian and Estonian competition authorities and other institutions which turned very instrumental for the assessment of actions of *AB Mažeikių nafta* and *UAB Mažeikių naftos prekybos namai* when concluding agreements with entities trading in oil products in those States.

20. The investigation allowed a conclusion that higher prices of fuels in Lithuania as compared to those in Latvia and Estonia have resulted from a number of reasons stemming both from the different conditions in individual areas of the Baltic markets, as well as actions restricting competition exercised by *AB Mažeikių nafta*. To a degree the price differences might have resulted due to differences in the excise duty conversion, also due to the requirements operational in Lithuania to accumulate the reserves of fuel, which in turn results in freezing part of the funds thus increasing the fuel prices, etc. The CC has been for several years insistently seeking reduction of the previous 15 % customs duties on fuels (currently – 4.7 % for gasoline imported from third countries), and opening imports of less expensive fuels from neighbouring countries vital for the enhancement of competition in this sector. In 2002 – 2004, in Latvia and Estonia oil product import was exempted from customs duties, and after the accession to the EU in May 2004, all the three Baltic States set uniform customs duties for oil products.

21. The investigation established a number of facts and circumstances constituting a proof of the abuse of dominant position by *AB Mažeikių nafta* and *UAB Mažeikių naftos prekybos namai* by applying different strategies and economically groundless and discriminative pricing policy for Lithuanian, Latvian and Estonian buyers, as well as the annul loyalty and non-competing obligations, as well as other restrictive practices which resulted in dissimilar conditions for the entities operating in the market and allowed discrimination of individual companies. Therefore the companies were forced to sell fuels to Lithuanian consumers at higher prices than in Latvia and Estonia. Certain actions imposing discriminative prices and purchase conditions incurred damage to consumers.

22. Facts of the abuse of the dominant position by *AB Mažeikių nafta* provided sufficient grounds for the conclusion of the infringement of Article 9 of LC in the fuel market of Lithuania, and, in accordance with the provisions of Article 82 of the EC Treaty, – in the fuel markets of Lithuania, Latvia and Estonia. The CC resolved to impose upon *AB Mažeikių nafta* a fine in the amount of LTL 32m for the committed

infringements of the LC. The company was also obligated to discontinue the actions restricting competition.

AB Lietuvos telekomas – Internet access services market

23. On 26 May 2005, the CC initiated an investigation on the basis of a request filed by *UAB Microlink Lietuva, UAB Baltnetos komunikacijos, UAB Tele2, UAB Penki kontinentai, UAB Elneta, SE Infostruktūra* to examine whether actions of *AB Lietuvos telekomas* comply with the requirements of the LC. The request was prompted by a suspicion of possible abuse of dominance by *AB Lietuvos telekomas* in the internet access provision market. The applicants noted that *AB Lietuvos telekomas* is the only operator of the fixed telephone communications network with the widest retail coverage in the entire Lithuania. The network is also used to provide the broadband access services (in addition to DSL – *digital subscriber line*). *AB Lietuvos telekomas* holds dominance in the retail and wholesale broadband access services market and the retail broadband access services market for household and business customers. The applicants claimed that *AB Lietuvos telekomas* had on more than a single occasion improved its retail DSL offers without modifying the terms of the wholesale DSL services provision. This deprived the applicant of the possibility to compete with *AB Lietuvos telekomas* in a number of retail market segments, since the difference between the retail and wholesale prices was insufficient to enable the provision of the service at competitive prices. In the competition law practice such behaviour is known as “price squeezing“. The investigation is still in progress.

2.2 Mergers and acquisitions

a) Statistics on number, size and type of mergers notified and/or controlled under competition laws

24. During 2005, the CC received 64 notifications applying for authorisations to implement the concentration of market structures. In 59 cases the CC, by its Resolutions, authorised the intended concentrations.

25. In four cases the Resolutions of the CC authorised the implementation of the concentration subject to certain conditions and obligations, including 2 cases authorised under Article 14(2) of the LC, whereby the obligations and conditions are imposed with a view to preventing the creation of a dominant position or a significant lessening of competition in the relevant market. On six occasions seeking to expediently handle the applications of the entities to authorise the implementation of concentration, also having concluded that the intended concentration deals will not result in the creation of dominance or lessening of competition, acting in accordance with Article 12(3) of the LC, the Resolutions of the CC authorised the implementation of individual actions of the concentration transactions pending the final decision.

26. In 2005, more authorisations were granted to foreign entities as compared to the previous year (22 and 15 in 2004), which included 6 cases of concentration among entities registered in foreign States that were also operating in the Lithuanian commodity markets, therefore the intended deals were increasing the degree of concentration therein; and in 16 cases foreign entities acquired the undertakings registered in Lithuania. Out of the 22 cases whereby authorisations were issued to foreign entities, in 9 cases these were granted to investment funds.

27. The concentration between the Lithuania-based undertakings was effected in the 37 cases considered by the competition authority, which included 10 authorisations issued to undertakings controlled by foreign capital, and on a single occasion – to the undertaking jointly controlled by foreign and Lithuanian capital. In 23 cases the concentration was assessed as horizontal. The latter category included 3 in the industry sector, 9 – in trade sector, including the retail pharmaceuticals market; 6 cases

were authorised in the services sector, 2 – in the information technologies sector, and 3 in the construction and energy sector. In 8 cases concentration transactions were bearing the features of horizontal concentration, and in 7 cases the transactions were assessed as vertical concentration, in addition to the 19 cases of conglomerate concentration. On one occasion, the CC authorised the incorporation of a new undertakings.

28. The analysis of the trends of the concentration processes showed that the number of concentrations directly affecting the concentration of market structures, as compared to the previous years, have remained nearly unchanged, however, the market has witnessed a sharp increase in the number of conglomerate concentrations to the largest extent due to the activity of foreign investment funds.

29. Intensive concentration processes were observable in the industry, services, and information technologies sectors, also trade (including the retail market in pharmaceuticals). Not a single major trade network operating in the retail market for food products and consumer goods has filed a notification on concentration in 2005, despite tangible expansion of the networks both in Lithuania, and in foreign markets (Latvia, Estonia, Bulgaria and Rumania). The networks were mostly expanding their operations by building new modern trade centres and attracting foreign investment.

30. Out of 9 cases of concentration in the trade sector, such transactions were effected in the construction materials, metal items, domestic electric appliances, wholesale and retail trade in agricultural machinery, also the retail trade in pharmaceuticals.

31. The year 2005 also was distinguished for the concentration of small commercial enterprises that in many cases are exempted from the notification obligation, by virtue of Article 10(1) of the LC. For instance, the Aibė trade network, on the contractual basis consolidating small traders mostly operating in regions, small towns and settlements, did not file a single concentration notification in the reporting period. During 2005, another trade network, UAB AVS prekyba comparable to the Aibė trade network was largely expanding its operations. This trade network represents a combination of independent entities operating on a contractual basis and benefiting from centralised purchases.

32. The trade networks were producing a tangible leverage effect in respect of entities operating in other highly concentrated sectors, such as milk processing, beer, and others, preventing the latter from benefiting from their advantageous position and increasing thus prices; eventually the actual beneficiary was the consumer.

33. In certain commodity markets the number of entities was decreasing due to the requirements arising from the EU membership. For instance, originally some 300 entities were operating in the meat sector, however only a share of them proved compliance with the EU requirements, while others were forced to terminate their operations.

b) *Summary of significant cases*

Telecommunications and information technologies market

34. One of the cases where the authorisation for concentration was awarded subject to conditions and obligations was according to the application by *Elion Ettevõtted AS* for the authorisation to implement concentration by acquiring *MicroLink AS*. *Elion Ettevõtted AS* belongs to the group of enterprises controlled by *Telia Sonera AB*, and in Lithuania *MicroLink AS* is controlled by *UAB MicroLink*. Should this transaction be effected in Lithuania *AB Lietuvos telekomas* would have acquired the subsidiaries of *MicroLink AS* in Lithuania.

35. Concentration processes was producing an effect upon the wholesale and the retail broadband communications access markets in Lithuania. In terms of the nature of services rendered these markets are vertically inter-related. The concentration under consideration was qualified as vertical and horizontal concentration in the retail broadband communications access market. While considering the situation due account was also taken of the fact that *AB Lietuvos telekomas* is the sole wholesale broadband access provider in Lithuania operating a well-developed fixed telephone communications network and infrastructure covering the entire territory of Lithuania. The company, furthermore, dominates in the dedicated lines services market, and in cooperation with related entities is developing the alternative Internet access and data transmission technologies. Following the acquisition, through the concentration deal, of its competitor which, although operates just a small share of the market, is one of the most significant, *AB Lietuvos telekomas* in conjunction with the related companies would have strengthened its position in the market with a possible outcome of significantly lessened competition in the retail market of the broadband communications access market in Lithuania. The competitors operating networks of much lower penetration, have notably poorer possibilities to increase their share in the relevant market.

36. Having thoroughly assessed all circumstances the CC passed the decision to allow *Elion Ettevõtte AS* to implement concentration by acquiring a 100% holding of *MicroLink AS* in accordance with the submitted notification having imposed appropriate conditions and obligations upon the applicant. The principal obligation was for *AB Lietuvos telekomas* to sell *UAB MicroLink Lietuva* within an established time limit to an entity not related, within the meaning of the LC, with *Elion Ettevõtte AS*, *AB Lietuvos telekomas*, *MicroLink AS*.

Publications distribution market

37. In 2005, the CC examined the application filed by *Rautakirja Oy* for the authorisation to implement concentration by acquiring shares of the Vilnius agency of *UAB Lietuvos spauda*.

38. Having conducted the investigation the competition authority established that intended concentration should be assessed as horizontal and vertical concentration in the relevant retail and wholesale market for distribution of publications. Both the acquiring entity *Rautakirja Oy* and the entity being acquired operate in the retail and in the wholesale markets for distribution of publications. The degree of concentration in the retail market for distribution of publications in the commodity market is affected just to a very slight extent. In the wholesale publications distribution market the degree of concentration increases up to 45–50%, while in selected regions the wholesale publication distribution market is operated exclusively by entities participating in the concentration. About 600 publications are distributed in Lithuania, some dailies generate the major share of their income from subscription.

39. Seeking to ensure a transparent and non-discriminative publications distribution system in the market and prevent the emergence of a dominant position the CC imposed appropriate obligations upon *Rautakirja Oy*.

40. Since the entry into the wholesale publications distribution market is restricted, the vertical integration would enable *Rautakirja Oy* to acquire significant advantage in respect of its competitors as well a possibility to cross-subsidise its activities. The cross-subsidising instrument would have added to the advantage of *Rautakirja Oy* even against the most efficient competitors, and would significantly encumber the entry into the market for distribution of publications.

41. Having considered that the undertakings proposed by *Rautakirja Oy* are meant to establish a transparent and non-discriminative publication distribution system, alleviate the market entry barriers, cross-subsidising possibilities, and would eliminate the exclusive distribution terms in contracts with retailers and publishers, which in its entirety would contribute to the prevention of the emergence of a

dominant position and a significant restriction of competition, the CC resolved to authorise *Rautakirja Oy* to implement concentration by acquiring a 100% share of the Vilnius agency of *UAB Lietuvos spauda* in accordance with the submitted notification subject to appropriate conditions and obligations, the most important of which was the arrangement under which the concentrating entities are obligated to organise the publications distribution activity and the retail trade in news stands by channels of two separate and independent companies. The progress of the fulfilment of the obligations provided for in the relevant resolution will be monitored by an independent observer whose candidature, complying with the established criteria, will be submitted for approval to the CC within the established time limit.

3. The role of competition authority in the formulation and implementation of other policies, e.g. regulatory reform, trade and industrial policies

42. Article 4 of the LC empowers the CC to examine the conformity of legal acts or other decisions adopted by public and local authorities with the requirements of the LC and to require public and local authorities to amend or revoke legal acts or other decisions restricting competition.

43. During the year 2005 the CC passed 7 decisions in cases concerning restrictive actions of public and local authorities. As an example thereof could be the case regarding the decision of the Panevėžys Municipality. The CC examined the claim lodged by *AB Lietuvos dujos* regarding the decision of the Panevėžys Municipality "On the approval of the special municipal heating plan". In the process of the development of the special municipal heating sector plan, the plan approved by the above decision of the Municipality provided for the centralised supply of heat in nearly all areas of Panevėžys thus ensuring an advantageous position for the heat supplier *AB Panevėžio energija* and discriminating other energy suppliers, including the applicant *AB Lietuvos dujos*. The decision of the Council of the Municipality resulted in the differences of competition conditions for individual entities competing in the heat energy source market. Upon the approval of the plan by the municipality *AB Lietuvos dujos* was deprived of its right to supply gas to the company's consumers despite the presence of physical facilities to supply gas in this area of the town. This also was contrary to the preferences of the consumers to opt for gas supply rather than the centrally generated heat energy.

44. The buildings and residential premises in the town are supplied with heat either from centralised heat generation sources or with heat generated in individual gas boiler-houses using electric energy. For heating purposes consumers may use either heat supplied from centralised sources, or gas, – from the consumer's point of view these are the two intersubstitutable sources of heat energy. This finding has also been confirmed by the practice of the Supreme Administrative Court of Lithuania.

45. Having considered that by virtue of the decision of the Panevėžys Municipality nearly the entire municipal territory was assigned to the supplier of centrally generated heat, the CC concluded that the said decision of the local authority privileged *AB Panevėžio energija* in respect of other alternative heat energy suppliers.

46. The information collected in the course of the investigation also showed that none of the Lithuanian laws and regulations pertaining to the Lithuanian energy sector and territorial planning, contain any provisions granting privileges to an individual heat energy source, nor the provisions granting a right to restrict competition in individual energy sectors. One of the objectives of the Law on Heat of the RL is to establish and ensure competition in the heat sector.

47. The CC resolved that decision to establish the centrally generated heat as source heat energy in the special municipal plan is ungrounded and illegitimate. The established differences in the conditions for competition have not been caused though the compliance of the requirements of laws. The decision of the

Panevėžys Municipality was passed in contradiction to the provisions of the LC, therefore the Council of the Panevėžys Municipality was obligated to amend the decision as ungrounded and illegal.

48. The CC, seeking that the newly drafted legislation should in no way restrict or weaken competition, but by all possible means liberalise the market entry possibilities, promote competition among economic entities, intensify competition thus ensuring the maximum possible benefit to consumers, within its competence examines draft laws and other regulations drafted by ministries and other authorities, submits comments and conclusions to the Seimas and the Government of the Republic of Lithuania on competition implications of such legal acts and regulations. During 2005 the CC actively participated in the legislation process, having analysed and assessed from the competition point of view 13 draft laws and 29 drafts of other regulations.

49. The CC issued comments and opinions concerning the Amendments of the Law on Public Procurement, the draft Law on the Concept of Prohibition of Unfair Actions by Retail Trade Enterprises, the draft Law on Pharmaceutical Activity and others.

50. Certain findings and conclusions on the impact of legal acts and regulations upon competition were also submitted to Lithuanian courts. During 2005, the Constitutional Court of the Republic of Lithuania has on several occasions appealed to the CC with a request to submit an opinion and the supporting arguments and motivations regarding considerations submitted by the claimants. Upon a request of the members of the Seimas the CC presented its legally grounded arguments to the Constitutional Court concerning the provisions of the Law on the Lithuanian National Radio and Television. The comments were drawn up having thoroughly assessed the requirements laid down in the Communication from the Commission on the application of State aid rules to public service broadcasting (2001/C 320/04).

51. During 2005, the CC examined 17 cases related to the use of misleading or comparative advertising. In 9 cases the CC concluded infringements of the Law on Advertising (further – the LA), on 6 occasions refused to initiate an investigation there being no sufficient grounds to assume an infringement of the LA, 2 investigations were closed having failed to collect sufficient proof of an infringement of the LA. Having examined and assessed the advertising texts published in the mass media means in certain instances only preventive measures were applied in the view of the small significance of the possible infringements, – 12 advertising providers were issued written warnings, following which they ceased the use of the misleading advertising. In the view of possible use of misleading or comparative advertising 93 applicants were provided with explanations in writing on the applicable requirements and their application in practice, on the procedure for the provision of the data necessary for the initiation of an investigation and the liability for the failure to comply with the requirements of the Law.

52. In 2005 the CC imposed fines totaling EUR 9.32 million upon undertakings for the infringements of the LA.

53. After accession to the EU the monitoring of State aid has changed materially. According to Article 48 of the LC, the CC shall coordinate issues of State aid to which EU State aid rules apply, perform the expert examination of State aid projects, submit conclusions and recommendations to State aid providers, participate in submitting notifications on State aid to EC. Furthermore, the CC manages the Register of State aid and accumulates information on State aid provided to undertakings, as well as forwards this information to the EC and other interested institutions.

54. Within the framework of its functions as an institution coordinating the issues of State aid the CC closely cooperated with State aid providers in the process of drafting State aid notifications to the EC, and providing other information about the State aid. Within the accounting period, State aid providers

submitted total 21 notification on State aid, including 4 notifications on State aid under exemptions, 4 ad hoc, i.e. individual aid to undertakings, and 13 – on State aid granted under aid schemes.

55. According to the data available the total State aid provided in Lithuania during the year amounted to LTL 446.43 million (EUR 129.29 million).

56. In 2004, State aid to manufacturing and services sector accounted for a larger share of the national State aid, i.e., – 82.24 % (excluding aid to agricultural and fisheries sectors). In 2004, within the manufacturing and service sectors aid was granted to small and medium-sized enterprises, research, development and innovations, trade and aid for the rescue and restructuring of enterprises. Over 55% of the aid to the manufacturing and service sectors was granted as the rescue and restructuring aid.

4. Resources of competition authority

4.1 Resources overall (current numbers and change over previous year)

a) Annual budget (in your currency and USD):

LTL 3.45 million (USD 1.21 million) in 2004

LTL 3.6 million (USD 1.27 million) in 2005

b) Number of employees (person-years):

=> economists - 28

=> lawyers – 11

=> other professionals – 5

=> support staff – 16

=> all staff combined - 60

4.2 Human resources (person-years) applied to:

a) enforcement against anticompetitive practices - 22

b) merger review and enforcement – 4

c) advocacy efforts – 6

4.3 Period covered by the above information – 2005

5. Summaries of or references to new reports and studies on competition policy issues

Addresses of Annual Reports of the CC in the website –
http://www.konkuren.lt/english/annual/2004_eng.pdf and of press releases -
<http://www.konkuren.lt/english/information/press.htm>