

LATVIA

QUESTIONNAIRE - Predatory Pricing

Analysis (elements and evidence)

1. Please provide the main relevant texts (in English if available) of your jurisdiction's laws and guidelines on predatory pricing.

Competition law. Practice of EC. EC Guidelines

2. Please list your jurisdiction's criteria for an abuse of dominance/monopolization based on predatory pricing.

Competition Council estimation of predatory pricing based on practice of EC (AKZO Case, EC Guidelines)

3. Please explain the circumstances under which a firm's pricing is, or may be, considered "predatory" in your jurisdiction, by responding to the following questions:
 - a. As part of your analysis, does the price have to be below one or more measures of cost? Yes/No

Yes

- i. If yes, please identify which of the following measures is/are used, as applicable:

Cost benchmark/measure	Used?		Comment
	Yes	No	
<u>Below marginal cost</u> (the cost of producing one more unit of output)		X	No cases
<u>Below average variable cost</u> (cost that varies with output)	X		As stated in AKZO
<u>Below average avoidable cost</u> (all costs that can be avoided by not producing some or all output)		X	No cases
<u>Below average long run incremental cost</u> (average variable costs and product-specific fixed costs)		X	No cases
<u>Below average total cost</u> (cost including variable, fixed and sunk – non-recoverable – costs)	X		As stated in AKZO
<u>Other measure of cost</u> (Please identify)		X	No cases

- b. For each cost measure employed, please provide the definition of the measure used in your jurisdiction.
- c. Is the same cost measure applied in all cases? Yes/No

No

- i. If different cost measures can be applied, for example on the basis of industry, please explain and provide examples, as available.

We haven't examples yet, because there are no cases of different predatory pricing situations in different industries. But we presume that cost measures applied in cases depends on industry and circumstances of individual case.

- ii. If more than one cost measure can be applied in any individual case, please explain why and whether, in practice, this has raised issues.

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- d. If price must be shown to be below cost, for which of the dominant firm's sales must this be shown?
 - i. Is the only relevant comparison between the cost measure and the dominant firm's average price for all of its sales in the relevant market? Yes/No

Yes

- 1. If no, over which of the dominant firm's sales can cost be compared?

- e. Could a firm's price above average total cost ever be found to be predatory? Yes/No

- i. If so, please explain the instances in which this might occur, and identify whether this has been the basis for actual enforcement.

- f. If prices do not have to be below a cost benchmark to be considered predatory, please explain the circumstances under which the firm's prices are considered predatory.

- 4. To be unlawful, must the alleged predatory pricing occur in the market in which the firm holds a dominant position/substantial market power? Yes/No

Yes

- a. If no, please explain.

- 5. Apart from the cost criteria referenced in question 3 above, must other objective criteria, such as the duration or continuity of the pricing behavior, be demonstrated for a finding of liability under a predatory pricing theory? Yes/No

Yes

- a. If so, please explain. For example, if the behavior must be sustained over a certain time period, why, and for what period?

We suppose that it depends of circumstances of case.

6. On what type of evidence do you rely to prove predatory pricing? Please explain, including examples as appropriate.

- a. Are cost data used? Yes/No

- i. If so, are cost data from the firm used? Yes/No

Yes

- b. Are there circumstances when cost data of other firms can be used? Yes/No.

Yes.

- i. If so, please specify the circumstances.

To analyze impact to other competitors and difference of costs.

- c. What other data or information is used, if any? Please provide examples as relevant.

7. Does pricing below a particular cost benchmark create a presumption of predatory pricing? Yes/No

No

- a. If yes, is this presumption rebuttable or irrebuttable? Please explain.

- b. If the presumption is rebuttable, what must be shown to rebut the presumption?

8. Is there a “safe harbor” from a finding of predatory pricing for pricing above a particular cost benchmark? Yes/No

No

- a. If yes, please explain, including the terms of the safe harbor.

9. Is recoupment (obtaining additional profits that more than offset profit sacrifices stemming from predatory pricing) required for a finding of liability under predatory pricing rules in your jurisdiction? Yes/No

No

If so:

- a. Is this assessment conducted separately from the analysis of the firm’s market power and the predation? Yes/No

- b. What factors are employed in assessing recoupment in your jurisdiction?

- c. Is there a specific recoupment calculation or amount to be shown? Yes/No

No.

i. If so, what is this?

d. Is there a relevant time period for recoupment? Yes/No

No

i. If so, what is it?

e. Is it possible for recoupment to occur in a market different than the one in which the predatory pricing took place? Yes/No

No

i. If so, please explain and provide relevant examples.

f. What degree of likelihood of recoupment is required (*e.g.*, possibility or probability)?

i. Please provide examples of the recoupment standard of likelihood employed as part of your recoupment assessment.

11. Is the firm's intent relevant in predatory pricing cases? Yes/No

As stated in AKZO. The firm's intent is relevant in situations where price is above average variable costs, but below average total costs.

a. If so, please describe the relevant type(s) of intent, and the evidence used to show the required intent, providing available examples.

For example, when there is no objective status of dominant firm's action, intent could be presumed.

b. If objective conditions for predatory pricing -- for example, pricing exceeding a certain cost benchmark or recoupment -- are not demonstrated, does intent matter? Yes/No

i. If so, please explain.

11. In addition to proving below-cost pricing, must effects, such as market foreclosure or consumer harm, be demonstrated to establish liability? Yes/No

Yes.

a. If yes, please explain the elements assessed (*e.g.*, exit or delayed entry of competitors, price increases, prevention or delay of price decreases) and the types of evidence required to do so.

- exit or delayed entry of competitors,

- price increases,

- prevention delay of price decreases,

- consumers and competitors ability to impact dominant firm's action.

Justifications and Defenses

12. What type of justifications or defenses, if any, are permitted for predatory pricing, *e.g.*, an efficiency, meeting competition or objective necessity defense? Please explain and provide examples, as relevant.
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- a. What is the standard of proof applicable to these defenses? Who bears the burden of proof? What evidence is required to demonstrate that these defenses or justifications are met?

Enforcement

13. Please provide the following information for the past ten years (as information is available):
- a. The number of predatory pricing cases your agency reviewed (investigated beyond a preliminary phase).
- b. The number of these cases that resulted in (i) an agency decision that the conduct violates antitrust rules; (ii) a settlement with relief.
- c. The number of agency decisions issued, if any, that held that the practice did not violate your jurisdiction's predatory pricing rules (*i.e.*, "clearance decisions").
- d. Each of the number of agency decisions or settlements that were (i) challenged in court and, of those, either (ii) overturned by court decision or (iii) confirmed by court decision.
14. Does your jurisdiction allow private cases challenging predatory pricing? Yes/No.
- No**
- a. Please provide a short description of representative examples, as available.
15. Is predatory pricing a civil and/or a criminal violation of your jurisdiction's antitrust laws?
- No**
- a. If both, what are the differences in the criteria applied to these categories?
- b. On what basis does the agency choose to bring a criminal or civil case?
16. As relevant, please provide a short English summary of the leading predatory pricing decisions/cases in your jurisdiction, including information on the method used to calculate costs, to the extent applicable, and, if possible, a link to the English translation, an executive summary or press release of the case.

Case: Abuse of dominant position (predatory pricing) in fuel market

1. Competition Council received complaint from small automotive fuel retailers. A complaint was about low fuel prices of dominant company what are lowest than wholesale prices and price of dominant company don't cover their costs and their aim is to eliminate smaller competitors.

2. Action was three month periodically.

3. Methods used to calculate costs

Competition Council investigations were based on circumstances stated in case of AKZO. Competition Council used data of dominant firm referable on relevant market. Considering prices in fuel market are variable, Competition Council compared average retail prices against average variable and average total costs in every day and month and established that prices were under average variable and total costs several days periodically in three month but not in comparison of whole month.

4. Conclusions

Competition Council came to conclusion that action of dominant firm doesn't proclaim intent to eliminate competitors (plus in case investigation Competition Council didn't obtain evidences of dominant firm's intent to eliminate competitors). Price decrease was some days what is short time and it shouldn't leave impact to competition and elimination of competitors. Competition Council stated in decision that price decrease from side of dominant firm can leave impact on competition against smaller retailers and longer price decrease would be estimated as an offence of Competition Act.

17. Please provide any additional comments that you would like to make on your experience with predatory pricing rules and their enforcement in your jurisdiction, including, as appropriate but not limited to:

- a. Whether there have there been or you expect there to be major developments or significant changes in the criteria by which you assess predatory pricing, explaining these developments as relevant.
- b. Whether there are significant policy and/or practical considerations that may lead to greater or lesser agency enforcement against predatory pricing pursuant to unilateral conduct rules in your jurisdiction, *e.g.*, concern with the risks of false positives/false negatives, the existence of related laws such as a general ban on below-cost pricing, limited evidence of consumer harm, and/or difficulties in obtaining reliable cost data (please provide explanation as relevant).

Exclusive Dealing/Single Branding

This questionnaire seeks information on the analysis and treatment of exclusive dealing (referred to as single branding in some jurisdictions) by ICN member competition authorities. For purposes of this questionnaire, we refer to “exclusive dealing” and “single branding” as conduct that requires or induces customers or suppliers to deal solely or predominantly with that firm. Nevertheless, this questionnaire does not cover tying, bundling, loyalty discounts, rebates or related practices, which your responses should therefore not address. Unless otherwise stated, the questions concern conduct by a dominant firm or firm with significant market power.

Respondents should feel free not to answer questions concerning aspects of your law or policy that are not well developed. Answers should be based on agency practice, legal guidelines, relevant case law, etc., rather than speculation.

Legal Basis and Specific Elements

1. Please provide the main relevant texts (in English if available) of your jurisdiction’s laws and guidelines on exclusive dealing/single branding.

Cabinet Regulation "Regarding Vertical Agreement Exemption from the Agreement Prohibition Specified in Section 11, Paragraphone of the Competition Law" No. 434

2. Please list your jurisdiction’s criteria for an abuse of dominance/monopolization based on exclusive dealing.

Competition Council estimation of exclusive dealing based on practice of EC

Exclusive Purchasing and Supply Arrangements

3. How does your jurisdiction define single branding or exclusive dealing? For example: Must a firm require that all purchases come from it or that all sales go to it? Can something less than “all purchases” or “all sales” be considered single branding or exclusive dealing? Please specify (providing actual percentages, as relevant).

Exclusive dealing is defined according to Cabinet Regulation No. 434. This regulation is similar to Commission Regulation (EC) No 2790/1999 of 22 December 1999

4. Is the duration of the arrangement relevant to your assessment? Yes/No

No

- a. If so, please explain how and why, providing examples.

5. Must the firm’s use of such arrangements cover a substantial portion of the market?
Yes/No

No

- a. If so, how do you interpret this requirement, including any relevant percentage thresholds for the purchase or supply covered, and the evidence needed to determine whether this is met?
6. Does it matter whether the arrangement was requested by the non-dominant customer or supplier? Yes/No

No

- a. If so, how and why?
7. Might otherwise legal exclusive dealing/single branding arrangements be deemed abusive if they contain other provisions, *e.g.*, an “English Clause” (requiring *e.g.*, the customer to report any better offers to the supplier, and prohibiting the customer from accepting the offer unless the supplier does not match it), rights of first refusal (right of, *e.g.*, the supplier to enter into an agreement with the customer according to specified terms, before the customer is entitled to enter into an agreement with a third party)? Yes/No

No

- a. If so, please explain and provide examples.

Presumptions and Safe Harbors

8. Are there circumstances under which a firm’s use of single branding or exclusive dealing arrangements is presumed illegal? Yes/No

No

- a. If so, please identify the circumstances.
- b. Is the presumption rebuttable? Yes/No
 - i. If so, what must be shown to rebut the presumption?

9. Is there a “safe harbor” from a finding of liability under your single branding/exclusive dealing provisions? Yes/No

No

- a. If so, please explain, including its terms.

Effects

10. Must a market foreclosure effect be shown for an abuse? Yes/No

No

- a. How is market foreclosure defined in your jurisdiction?
- b. Which factors are taken into account to assess a market foreclosure effect (level of dominance, percentage of market demand/purchases or supply covered by the arrangement, existence of alternative sources of supply, entry barriers, scale economies, possibility and practicability of switching, others)? Please specify the

factors considered, including, as relevant, the percentage of demand/supply covered.

- c. What evidence is used to demonstrate these effects and must the effects be actual, likely or potential effects?

11. Must other effects, *e.g.*, on consumer welfare, be shown for an abuse? Yes/No

No

- a. If yes, please specify what must be demonstrated and the evidence required.

Justifications/Defenses

12. What justifications/defenses are available to the dominant firm, *e.g.*, an efficiency, meeting competition or objective necessity defense? Please specify.

- a. If there is an efficiencies defense, what efficiencies are considered (*e.g.*, relationship-specific investments, facilitating innovation, reduced transaction costs)? How are claims of improved service quality or reputation assessed?
- b. Are efficiencies balanced against competitive harm to determine whether liability attaches, or do they provide a complete defense without consideration of harm?
- c. Is there a meeting competition defense? Yes/ No.

No

- i. If yes, please explain.

- d. What is the standard of proof applicable to these defenses? What type of evidence is required to demonstrate that the defenses are met?

Enforcement

13. Please provide the following information for the past ten years (as information is available):

- a. The number of exclusive dealing/single branding cases your agency reviewed (investigated beyond a preliminary phase).
- b. The number of these cases that resulted in (i) an agency decision that the conduct violates antitrust rules; (ii) a settlement with relief.
- c. The number of agency decisions issued, if any, that held that the practice did not violate your jurisdiction's exclusive dealing/single branding rules (*i.e.*, "clearance decisions").
- d. Each of the number of agency decisions or settlements that were (i) challenged in court and, of those, either (ii) overturned by court decision or (iii) confirmed by court decision.

14. Does your jurisdiction allow private cases challenging exclusive dealing/single? Yes/No

No

a. Please provide a short description of representative examples, as available.

15. As relevant, please provide a short English summary of the leading exclusive dealing/single branding cases in your jurisdiction and, if possible, a link to the English translation of the decision, an executive summary or the press release of the case.

We hadn't such cases yet.

16. Please provide any additional comments that you would like to make on your experience with exclusive dealing/single branding rules and their enforcement in your jurisdiction, including, as appropriate but not limited to whether there have there been or you expect there to be major developments or significant changes in the criteria by which you assess exclusive dealing/single branding, explaining these developments as relevant.