International Competition Network

ADVOCACY WORKING GROUP

MARKET STUDIES PROJECT

MARKET STUDIES INFORMATION STORE

JURISDICTION:

Bulgaria – Commission On Protection Of Competition

UPDATED: DECEMBER 2015

Bulgaria - Commission on Protection of Competition

Sector:	**Energy**											
Market:	**Natural gas**	**Range of Possible Outcomes**										
End Date:	May 2014	**Competition Enforcement**	**Consumer Enforcement**	**Consumer Education**	**Business Education**	**Voluntary Business Compliance**	**Voluntary Business Action**	**Recommendations to Government for Changes in the Law**	**Recommendations to Government to Change Market Structure**	**Recommendations for Changes to Government Policy**	**Referral to Third Parties**	**No Problems Found**
Duration:	3 years 10 months											
Source of idea for study:	To analyze and evaluate the relevant legal framework and its application in practice; analyze and evaluate the structure and organization of each level of the vertically-integrated market structure for supply of natural gas – production, transmission, distribution and supply.											
Outcome (tick relevant columns):		☐	☐	☐	☐	☐	☐	☐	√	☐	☐	☐

Reason for study (what were the problems)?	The purpose of the SI is to analyze and evaluate the relevant legal framework and its application in practice; analyze and evaluate the structure and organization of each level of the vertically-integrated market structure for supply of natural gas – production, transmission, distribution and supply. Result: The conclusion of the SI outlines that on the upstream market there is a problem from a competition policy perspective with the complete dependency of Bulgaria on wholesale supply of natural gas from the Russian Federation. At present the local yield (data for 2012 - 15%, six months ended 30 June 2013- 9%) may not exert competitive pressure on the major supplier, and accordingly may not affect wholesale prices. The Commission outlines a solution to the problem – the completion of the construction of interconnectors (with Romania, Serbia and Macedonia) and completion of the project for reverse flow of gas, both physical and contracted, at the interconnector with Turkey. The applicable Rules for access to the gas storage facility "Chiren" grant priority access to all available capacity of the facility to the licensed Wholesale supplier of natural gas on the territory of Bulgaria – Bulgargaz, thus excluding any potential competition. The most significant obstacle for the development of competition on the downstream market is the market position of Bulgargaz, and the possibility for both large industrial and domestic clients to buy natural gas at regulated tariffs.
Link to report:	Decision (in Bulgarian): http://reg.cpc.bg/Decision.aspx?DecID=300040320

Information Store

Sector:	**Media**											
Market:	**Publishing of newspapers and printed editions, wholesale and retail distribution of newspapers and printed editions**	**Range of Possible Outcomes**										
End Date:	October 2013	**Competition Enforcement**	**Consumer Enforcement**	**Consumer Education**	**Business Education**	**Voluntary Business Compliance**	**Voluntary Business Action**	**Recommendation to Government for Changes in the Law**	**Recommendations to Government to Change Market Structure**	**Recommendations for Changes to Government Policy**	**Referral to Third Parties**	**No Problems Found**
Duration:	2 years											
Source of idea for study:	Signals received by the Commission on Protection of Competition and publications in mass media.											
Outcome (tick relevant columns):		☐	☐	☐	☐	☐	☐	☐	☐	√	√	☐
Reason for study (what were the problems)?		The sector inquiry was initiated ex-officio within the context of media publications, related to actions of wholesale distributors and retailers, restricting sales of major media publications. Results; The Commission has recommended the start of discussions among all interested parties towards the identification of the steps necessary (via government acts and self-regulation) to overcome the indicated problems in the sector. The CPC pointed out the need for publishing common commercial terms on distribution, and introduction of stricter sales accountability.										
Link to report:		Decision (in Bulgarian): http://reg.cpc.bg/Decision.aspx?DecID=300038293										

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Sector:	**Energy**
Market:	**Electricity**
End Date:	July 2013
Duration:	3 years
Source of idea for study:	Analyze and evaluate the relevant legal framework and its application in practice; analyze and evaluate the structure and organization of each level of the vertically-integrated market structure for supply of electricity- production, transmission, distribution and supply.

Range of Possible Outcomes

	Competition Enforcement	Consumer Enforcement	Consumer Education	Business Education	Voluntary Business Compliance	Voluntary Business Action	Recommendations to Government for Changes in the Law	Recommendations to Government to Change Market Structure	Recommendations for Changes to Government Policy	Referral to Third Parties	No Problems Found
Outcome (tick relevant columns):	☐	☐	☐	☐	☐	☐	☐	√	☐	☐	☐

Reason for study (what were the problems)?	The purpose of the SI is to analyze and evaluate the relevant legal framework and its application in practice; analyze and evaluate the structure and organization of each level of the vertically-integrated market structure for supply of electricity- production, transmission, distribution and supply. Result: The conclusion of the SI outlines that the quota principle for supply of electricity for retail supply of electricity at regulated prices creates preconditions for inequality between the market participants. The long-term contracts for purchase of guaranteed quantities of electricity at a predefined price from specific production units have negative effect over the other market participants. The lack of a functioning balancing market presents a great obstacle for the development of effective competition not only on the upstream, but also on the downstream market. The significant concentration of market power in the Bulgarian Energy Holding may have negative influence over the market. There are a number of incompliances with Directive 2009/72/EC, which impede the process of change of supplier: • Overall lack of available information to customers about the possibility to change the supplier of electricity to be granted by the end provider of electricity according to Directive. • There are a number of technical obstacles resulting from the requirement for hourly planning of electricity consumption; • the requirement to present information about the history of electricity consumption as part of the information required in the process of change of supplier presents another obstacle in the process.
Link to report:	Decision (in Bulgarian): http://reg.cpc.bg/Decision.aspx?DecID=300036871

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Sector:	**Car Retailing and Repairs**											
Market:	**- Distribution of new motor vehicles - After-sales (repair and maintenance) services - Distribution of genuine spare parts**	**Range of Possible Outcomes**										
End Date:	December 2012	**Competition Enforcement**	**Consumer Enforcement**	**Consumer Education**	**Business Education**	**Voluntary Business Compliance**	**Voluntary Business Action**	**Recommendations to Government for Changes in the Law**	**Recommendations to Government to Change Market Structure**	**Recommendations for Changes to Government Policy**	**Referral to Third Parties**	**No Problems Found**
Duration:	1 year 6 months											
Source of idea for study:	Media publications.											
Outcome (tick relevant columns):		√	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Reason for study (what were the problems)?		Availability of data on potential problems for competition in the distribution of motor vehicles, spare parts and repair services. The national markets for new motor vehicles, genuine spare parts and after-sales services were found to be sufficiently competitive with low levels of concentration within the supply chain and infrequent occasions of anticompetitive practices affecting a limited share of the market. In particular the inquiry identified a few occasions of exclusive supply obligations for new vehicles and spare parts, misuse of warranties and quantitative criteria for access to service networks. The inquiry also identified individual occasions of resale price maintenance and restrictions on active sales outside the authorized dealer territory. Results: Based on the findings of the inquiry the CPC initiated two separate proceedings against members of the distribution networks for new vehicles and after-sales services of the HYUNDAI and SEAT brands.										
Link to report:		Decision (in Bulgarian): http://reg.cpc.bg/Decision.aspx?DecID=300034960										

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Sector:	**Groceries (food and drink)**											
Market:	**Growing of wheat Manufacture of grain mill products Manufacture of bread**	**Range of Possible Outcomes**										
End Date:	October 2012	**Competition Enforcement**	**Consumer Enforcement**	**Consumer Education**	**Business Education**	**Voluntary Business Compliance**	**Voluntary Business Action**	**Recommendation to Government for Changes in the Law**	**Recommendations to Government to Change Market Structure**	**Recommendations for Changes to Government Policy**	**Referral to Third Parties**	**No Problems Found**
Duration:	1 year 6 months											
Source of idea for study:	media publications											
Outcome (tick relevant columns):		√	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

Reason for study (what were the problems)?	Some publications led to the doubts that there was a particular asymmetry of the price increase for the ingredient wheat flour and the wheat. The inquiry was initiated as a result of the sharp increase of prices of bread for end consumers and tried to establish whether the price trends were due to objective economic factors or to potential anticompetitive practices. With regard to the market for the production and trade of wheat in the country was found that it is highly fragmented, competitors in the relevant market are numerous, with relatively low market shares. This fragmentation of farmers implies the existence of many intermediate traders who mediate the purchase of wheat. On the market for the production and trade of wheat flour was found that the mills have the opportunity to negotiate their supply of raw material with a large number of potential suppliers (grain producers and/or grain traders), which gives them the advantage to negotiate favourable purchase prices. This inequality reflected in the negotiation and the dynamics of price changes in the chain. The analysis of the dynamics of wholesale prices of wheat flour (Type 500, Type 700 and Type 1150) and of wheat showed some inconsistencies and asymmetry in price fluctuations, related with a significant increase in wholesale prices of flour versus the increase the basic raw material - wheat - for the period from July to December 2010, which under normal market conditions should be reflected with some delay. As a result of the findings of the sector inquiry, the CPC initiated proceedings in for potential infringement by the Association "Union of Bulgarian millers".
Link to report:	Decision (in Bulgarian): http://reg.cpc.bg/Decision.aspx?DecID=300034087

Information Store

Sector:	**Groceries (food and drink)**
Market:	**Growing of sunflower seed and manufacture and wholesale trade of sunflower oil**
End Date:	June 2012
Duration:	1 year 3 months
Source of idea for study:	significant increase in sunflower oil prices

Range of Possible Outcomes

	Competition Enforcement	Consumer Enforcement	Consumer Education	Business Education	Voluntary Business Compliance	Voluntary Business Action	Recommendations to Government for Changes in the Law	Recommendations to Government to Change Market Structure	Recommendations for Changes to Government Policy	Referral to Third Parties	No Problems Found
Outcome (tick relevant columns):	√	☐	☐	☐	☐	☐	☐	☐	√	☐	☐

Reason for study (what were the problems)?	The reason for the sector inquiry was the significant increase in sunflower oil prices during the period August - October 2010. The CPC analysed price correlations between sunflower seed prices and wholesale and retail sunflower oil prices. It found that price variations of the raw material are not immediately reflected in wholesale prices and subsequently in retail prices. According to the report, the established asymmetry in price variations could be explained by the structural characteristics of the markets through the chain "production – processing – distribution". The sunflower seed production market has a fragmentary structure with the presence of many small and medium-sized undertakings. Based on the results of the sector inquiry, the CPC has initiated proceedings against the three main producers of sunflower oil for alleged RPM agreements and concerted practices. The CPC informed the Ministry of agriculture and other relevant Authorities in order for them, in their capacity to undertake the appropriate actions aimed at improving the competitive environment in the evaluated markets.
Link to report:	Decision (in Bulgarian): http://reg.cpc.bg/Decision.aspx?DecID=300033080

Information Store

Sector:	**Travel and Tourism**
Market:	**Hotels and accommodation services**
End Date:	July 2011
Duration:	1 year 1 month
Source of idea for study:	media publications

Range of Possible Outcomes

	Competition Enforcement	Consumer Enforcement	Consumer Education	Business Education	Voluntary Business Compliance	Voluntary Business Action	Recommendation to Government for Changes in the Law	Recommendation to Government to Change Market Structure	Recommendations for Changes to Government Policy	Referral to Third Parties	No Problems Found
Outcome (tick relevant columns):	☐	☐	☐	☐	☐	☐	☐	☐	√	☐	☐

Reason for study (what were the problems)?	Reasons for the Study: Media information for irrational price policy implying horizontal collusion or vertical restraints between hotels and tourist agents. The SI gives recommendations and legislative analyses of the investigative and assessment approach of the CPC to some practices: 1. Clauses with potential vertical restraints in the contracts between hotels and tourist agents: - exclusive geographical right for the tour operators; - exclusive supply right to the tour operators; 2. Associations (national and regional). There are in general a large number of hotels thus the branch organizations are instrumental for entering or promoting anticompetitive collusion. Such associations should protect themselves from becoming a focal point of such practices. 3. Vertical integration. There are cases of vertical integration between hotels and businesses that run essential facilities – in skiing, for example, that have a monopoly position for an entire tourist region. Such integrated suppliers should pay more attention to the prices of their bundle services and the access prices to their essential facilities offered to the consumers and to the competitors on the adjacent accommodation market (hotels, etc.).
Link to report:	Decision (in Bulgarian): http://reg.cpc.bg/Decision.aspx?DecID=300029953

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Sector:	**Groceries (food and drink)**
Market:	**Manufacture of dairy products, operation of dairies and cheese making**
End Date:	December 2010
Duration:	10 months
Source of idea for study:	Volatility of the milk price during the period 2007-2009.

Range of Possible Outcomes

	Competition Enforcement	Consumer Enforcement	Consumer Education	Business Education	Voluntary Business Compliance	Voluntary Business Action	Recommendations to Government for Changes in the Law	Recommendations to Government to Change Market Structure	Recommendations for Changes to Government Policy	Referral to Third Parties	No Problems Found
Outcome (tick relevant columns):	☐	☐	☐	☐	☐	☐	☐	☐	√	☐	☐

Reason for study (what were the problems)?	The main reason to initiate the sector inquiry was volatility of the milk price during the period 2007-2009. Result: The conclusion of the SI outlines asymmetry between the market position of the various participants in the chain production - processing of raw cow milk - wholesale and retail trade in milk and milk products. This asymmetry is likely to lead to unfair distribution of added value throughout the chain from the dairy to the end user, in which a significant portion of the income generated focuses on the level of processing of raw cow milk. Concentration of supply is low with a resulting imbalance in bargaining power in the supply chain between farmers and dairies. The sector of raw cow milk is highly fragmented. There is a significant asymmetry between the number of farms and dairies, reaching a ratio of 1:164 in favour of milk processors. This asymmetry gives the dairy processor a strong market position. They are able to impose on milk farms low purchase prices of their cow milk and other adverse trading conditions.
Link to report:	Decision (in Bulgarian): http://reg.cpc.bg/Decision.aspx?DecID=300027657