

Competition - Estonia

Investigations into Water Companies Initiated

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The Competition Board has initiated investigations into the local water supply and wastewater discharge services market in order to verify its compliance with competition laws. The main reason behind the investigations is the dramatic increase in the prices charged for water supply and wastewater discharge services in Estonia over the last three years. Three years ago the prices increased by 10%; two years ago they increased by 11% and a year ago they increased by 12%.

Although the Competition Board is still gathering information and the market investigation is ongoing, on April 9 2009 the board reached a decision regarding AS Pärnu Vesi and its abuse of its dominant position. Pärnu Vesi is the sole provider of water supply and wastewater discharge services in the city of Pärnu. It was accused of abusing its dominant position in this market by applying dissimilar conditions to equivalent transactions with clients. For example, Pärnu Vesi paid a premium of 5% to one of its major clients for paying its water bills on time. Alongside the 5% premium, different delayed payment interest rates were also charged, which were considered to be discriminatory towards other customers. Thus, the charging of such rates was deemed to constitute abuse of a dominant position under the Competition Act. Pärnu Vesi was issued with an injunction and ordered to cease such abusive practices.

Although at present no information is publicly available about any other decisions regarding abusive practices, all the major water companies are known to be under investigation, including AS Tallinna Vesi, which supplies the city of Tallinn and its surrounding areas with water and wastewater discharge services. The Competition Board is expected to announce more decisions declaring further abusive practices in this market.

The number and frequency of the accusations of abusive practices among the water companies have resulted in a growing public interest in reducing the prices being charged for these services. Although the Competition Board cannot directly require that the prices charged by the water companies be revised, it can issue an injunction for abuse of a dominant position and impose a penalty accordingly. As the prices must comply with competition law requirements, it is anticipated that the water companies will be forced to reduce their prices as a result of the Competition Board's decisions.

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