Translation C-295/20-1

Case C-295/20

Summary of the request for a preliminary ruling pursuant to Article 98(1) of the Rules of Procedure of the Court of Justice

Date of receipt:

2 July 2020

Referring court:

Lietuvos Aukščiausiasis Teismas (Lithuania)

Date of the decision to refer:

2 July 2020

Applicant:

'Sanresa' UAB

Defendant:

Aplinkos apsaugos departamentas prie Aplinkos ministerijos

Subject matter of the main proceedings

The main proceedings concern the interpretation and application of substantive rules governing the classification of, and assessment of compliance with, requirements for the right of suppliers to pursue an activity.

Subject matter and legal basis of the request for a preliminary ruling

Interpretation and application of Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC ('Directive 2014/24') and Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste ('Regulation No 1013/2006'); subparagraph (b) of the first paragraph and the third paragraph of Article 267 of the Treaty on the Functioning of the European Union ('TFEU').

Questions referred for a preliminary ruling

- 1. Are Article 18(2), point (b) of the first subparagraph and the second subparagraph of Article 56(1), point (a) of the first subparagraph of Article 58(1) and the second subparagraph of Article 58(2) of Directive 2014/24 and Articles 3 to 6 and other provisions of Regulation No 1013/2006 (together or separately but without limitation thereto) to be interpreted as meaning that consent issued to an economic operator, which is necessary to ship waste from one Member State of the European Union to another, is to be classified as a requirement for performance of a service contract and not a requirement concerning the right to pursue an activity?
- 2. If the aforementioned consent to ship waste is to be regarded as a supplier selection criterion (suitability to pursue the professional activity), are the principles of transparency and fair competition laid down in the first and second subparagraphs of Article 18(1) of Directive 2014/24, point (a) of the first subparagraph of Article 58(1) and the second subparagraph of Article 58(2) of that directive, the free movement of persons, goods and services enshrined in Article 26(2) of the Treaty on the Functioning of the European Union and Articles 7 to 9 of Regulation No 1013/2006 (together or separately but without limitation thereto) to be interpreted and applied in such a way that conditions for the public procurement of waste management services, especially concerning closing dates for the submission of tenders, must create for domestic or foreign suppliers seeking to transport waste across the borders of the Member States of the European Union conditions enabling unrestricted participation in such procurement procedures, and they must inter alia be allowed to produce the aforementioned consent if it has been granted on a later date than the closing date for the submission of tenders?
- 3. If the aforementioned consent to ship waste, in accordance with Article 49 of and point 17 of Part C of Annex V to Directive 2014/24 and Article 70 thereof, is to be regarded as a requirement for performance of a public procurement contract, should the principles of public procurement laid down in Article 18 of that directive and the general contract award procedure laid down in Article 56 thereof be interpreted as meaning that in public procurement procedures the tender of a participant who has not produced that consent may not be rejected?
- 4. Are Article 18, point (b) of the first subparagraph of Article 56(1), point (a) of the first subparagraph of Article 58(1) and Article 58(2) of Directive 2014/24 to be interpreted as precluding national legislation under which contracting authorities are entitled to define in advance in public procurement documents a tender evaluation procedure under which the suppliers' right to pursue an activity (suitability to pursue the professional activity) will be verified partially or not verified at all even though the possession of that right is a prerequisite for lawful performance of the public

procurement contract and contracting authorities may be aware in advance of the need for that right?

5. Are Article 18 and the first subparagraph of Article 42(1) of Directive 2014/24 and Articles 2(35), 5 and 17 of Regulation No 1013/2006 as well as other provisions of that regulation to be interpreted as meaning that, in the case of procurement of waste management services, contracting authorities may lawfully procure such services only if they clearly and precisely define in the public procurement documents the quantity and composition of the waste and other important conditions for performing the contract (for example, packaging)?

Provisions of EU law cited

Article 18(1) and (2), the first subparagraph of Article 42(1), Article 49, point (b) of the first subparagraph and the second subparagraph of Article 56(1), point (a) of the first subparagraph of Article 58(1), the second subparagraph of Article 58(2) and Article 70 of Directive 2014/24, and point 17 of Part C of Annex V and Annex XI to that directive.

Article 2(35), Articles 3 to 9 and Article 17 of Regulation No 1013/2006.

Article 26(2) TFEU.

Provisions of national law cited

Article 35 ('Content of procurement documents') of the viešųjų pirkimų įstatymas (Law on public procurement) provides:

- 1. The contracting authority shall provide in the procurement documents all information on the terms and procedures of the procurement.
- 2. Procurement documents must:

...

- (2) specify grounds for the exclusion of suppliers, qualification requirements and, where applicable, required quality management system standards and/or environmental management system standards, including requirements for individual members of a group of suppliers submitting a joint request for participation or joint tender;
- (3) provide the information that, if the supplier's qualification concerning the right to pursue the relevant activity has not been verified or has not been verified to the full extent, the supplier undertakes to the contracting authority that the procurement contract will be performed only by persons having such a right;

•••

(5) specify a list of documents which confirm the absence of grounds for the exclusion of suppliers, the fulfilment of qualification requirements and, where applicable, the fulfilment of required quality management system standards and/or environmental management system standards, provide the information that the supplier must submit a European Single Procurement Document in accordance with the requirements set out in Article 50 of this Law and, in the context of an open procedure, specify whether the option provided for in Article 59(4) of this Law to first evaluate the tender submitted by the supplier and subsequently to examine his qualifications will apply;

•••

(8) specify the name and the quantity (volume) of goods, services or works, the nature of the services to be provided with the goods, and the time limits for the supply of the goods or services or the performance of the works;

...

- 4. The contracting authority shall draw up procurement documents in compliance with the provisions of this Law. The procurement documents must be accurate, clear and unambiguous so that suppliers may submit tenders and the contracting authority may procure what it needs.
- Article 47 ('Verification of a supplier's qualifications') of the Law on public procurement provides, inter alia:
- 1. The contracting authority must ascertain whether a supplier is competent, reliable and capable of fulfilling the terms of the procurement, and therefore it shall have the right to specify in a contract notice or in other procurement documents the necessary qualification requirements for candidates or tenderers and the documents or information confirming compliance with those requirements. The qualification requirements for candidates or tenderers set by the contracting authority may not artificially restrict competition, and must be proportionate and related to the subject matter of the contract, precise and clear. In verifying suppliers' qualifications, the following shall be optionally taken into account:
- (1) suitability to pursue the relevant activities;

•••

2. The contracting authority shall have the right to require in procurement documents that a supplier be entitled to pursue the activities necessary for the performance of the contract. In procurement procedures for services, it may require suppliers to possess a special authorisation or to be members of a

particular organisation if that is required for those wishing to provide the services concerned in their country of origin.

Succinct presentation of the facts and procedure in the main proceedings

- On 7 October 2018 the Aplinkos apsaugos departamentas prie Aplinkos ministerijos (Environmental Protection Department under the Ministry of the Environment, Lithuania; 'the defendant' or 'the contracting authority') published notice of an open international procedure for the procurement of hazardous waste management services ('the tender procedure').
- 2 The tender conditions stipulate, inter alia:

Subject of the procurement: Hazardous waste management services in respect of hazardous waste stored outside on the site of 'Ūrus' ir Ko BUAB ... (being an environmental hazard, kept in decaying containers stacked on one another on the ground, which are affected by weight, precipitation, air temperature and other environmental factors and contain hazardous chemicals accessible to unauthorised persons). The matter causing increased risk must be eliminated quickly to prevent an environmental disaster ...

A supplier participating in the procurement procedure must meet the qualification requirements laid down in this paragraph. The supplier's qualification must be acquired before the closing date for the submission of tenders. The contracting authority shall request documents, listed in the table in this paragraph, that confirm compliance with qualification requirements only from the supplier whose tender may be recognised as successful in accordance with the results of the evaluation ...

The supplier has to meet all of the qualification requirements set:

to have the right to pursue the activity required for performance of the procurement contract, i.e. to have an extensive extract from the register of legal entities of the VI Registry centras (Centre of Registers, a State enterprise) or another official document issued by a competent authority certifying the right to pursue the activity required for performance of the procurement contract, i.e. hazardous waste management. ... (point 1 in the table in paragraph 23) ('the contested tender condition').

...

If the supplier's qualification concerning the right to pursue the relevant activity has not been verified or has not been verified to the full extent, the supplier undertakes to the contracting authority that the procurement contract will be performed only by persons having such a right (paragraph 23.1.2).

- In the tender procedure, four suppliers submitted tenders: 'Sanresa' UAB ('the applicant') acting jointly with 'Ekometrija' UAB and 'Palemono keramikos gamykla' AB and enlisting two subcontractors, Fortum Waste Solution A/S (Denmark) and ALS Czech republik s.r.o. (Czech Republic); 'Švykai' UAB; a group of suppliers comprising 'Žalvaris' UAB with 'Toksika' UAB; and 'Eko Balt' UAB.
- On 22 November 2018 the contracting authority asked the applicant to provide some data to clarify its tender, inter alia relating to the distribution of respective waste management operations between its partners and subcontractors and relating to information as to which specific subcontractor was granted consent to carry out international shipment of waste.
- On 7 December 2018 the contracting authority, having studied the information provided by the applicant, informed it that international shipment of waste was subject to Regulation No 1013/2006, under which possession of a consent was required in order to carry out shipment, and no economic operator enlisted by the applicant had one.
- On 21 May 2019 the contracting authority adopted decisions rejecting the applicant's tender, announced the ranking of the tenders and the successful tenderer (which was the group of suppliers comprising 'Žalvaris' UAB and 'Toksika' UAB) and concluded a public service contract with the successful tenderer.
- The defendant substantiated its decision to reject the applicant's tender inter alia on the basis of the ever increasing threat to the environment caused by the unmanaged waste and of the failure to fulfil the tender conditions concerning the obligation of suppliers to have the right to pursue the activity required for the performance of the procurement contract (the applicant had to have consent issued by the Aplinkos apsaugos agentūra (Environmental Protection Agency) to carry out international waste shipment in accordance with the provisions of Regulation No 1013/2006 and, despite it having been suggested that it do so, failed to enlist new subcontractors who would have consent or who would not need it).
- On 30 May 2019 the applicant filed a claim with the defendant concerning the rejection of its tender. The applicant asserted that it met the qualification requirement for suppliers under the tender conditions as they did not contain the requirement to include consent for international shipment with the tender. According to the applicant, that consent was to be regarded as a requirement for the performance of the contract and not as a qualification requirement. It also noted that it could not obtain consent to ship waste in any event because the tender conditions did not state the precise quantity and composition thereof.
- 9 On 10 June 2019 the defendant adopted a decision to reject the applicant's claim, in which it essentially repeated the grounds in its previous decisions.

- On 20 June 2019 the applicant brought an action before the Vilniaus apygardos teismas (Regional Court, Vilnius), which was dismissed. On 16 October 2019 the applicant filed an appeal which the Lietuvos apeliacinis teismas (Court of Appeal of Lithuania) dismissed by ruling of 18 December 2019.
- The courts, in essence, found that, in accordance with Article 47 of the Law on public procurement, the contracting authority had to verify suppliers' qualifications, which meant that it could include the requirement concerning the right to pursue an activity in the tender conditions; classified the contested tender condition as a supplier qualification requirement; regarded as well founded the defendant's arguments that under Regulation No 1013/2006 the applicant had to provide the contracting authority with shipment consent because it decided to ship waste to another Member State of the European Union; and stated that that conclusion was not altered by the fact that such a document was not specified in the tender conditions as the document was included in mandatory provisions of EU law and therefore application of the document did not imply a breach of the principle of public procurement.
- On 17 January 2020 the applicant filed an appeal on a point of law with the Lietuvos Aukščiausiasis Teismas (Supreme Court of Lithuania; 'the court of cassation').

Brief summary of the reasons for the referral

- It is clear from the case file that the value of the public service contract concluded on 7 October 2019, i.e. EUR 1 167 500 exclusive of VAT, exceeds the minimum international procurement value, and therefore the dispute between the parties undoubtedly falls with the scope of EU public procurement law (Directive 2014/24). The application of Regulation No 1013/2006 is not associated with the value of the waste shipment, but depends on the subject (the waste in question) and the territorial aspect, and therefore the dispute between the parties falls within the scope of this act of EU law.
- In the present case the dispute between the parties concerns the lawfulness of the evaluation of the tenders submitted by the applicant and the successful tenderer as regards compliance with the requirements set.
 - The requirement to present, during the public procurement procedure, consent to carry out international shipment of waste under Regulation No 1013/2006
- 15 According to the chamber, the fundamental legal issue, relating inter alia to the interpretation and application of the provisions of Directive 2014/24 and Regulation No 1013/2006, concerns the proper classification of the tender conditions, i.e. whether a requirement concerning the right of suppliers to pursue an activity or a requirement for the performance of the public procurement contract is involved. This issue is not an end in itself; it is essentially the basis for

- evaluating the lawfulness of the contracting authority's decision to reject the applicant's tender.
- In this context, the court of cassation's consistent case-law should be noted, according to which, when resolving disputes between contracting authorities and suppliers, what in fact matters is the content of the condition, and not what the contracting authority calls it; the correct classification of the conditions of the procurement documents will ensure correct application of the provisions of the Law on public procurement to various procurement procedures and, accordingly, the correct resolution of the dispute.
- On the other hand, it should be noted that the contested tender condition does not expressly state the requirement to present consent for international shipment of waste together with the tender. The parties are not in dispute on that.
- 18 The defendant classified the contested tender condition as covering the requirement to have the right to carry out international shipment of waste. The courts which examined the case supported that view.
- The court of cassation has stated more than once that the supplier's qualification is understood as his capacity and preparedness to perform properly the obligations to be assumed under the public procurement contract; this is an objective category (a legal fact) denoting the existence of certain facts of the past (e.g. profitability of the activity) or the present (e.g. competence of the undertaking's staff); the qualification must be acquired by the closing date for the submission of tenders set in the procurement documents. The same position is essentially stated in the case-law of the Court of Justice (see judgment of the Court of 10 October 2013, *Manova*, C-336/12, EU:C:2013:647, paragraph 42).
- The case-law of the court of cassation relating to the classification of public procurement conditions as a supplier capacity requirement or a requirement for the performance of the contract states inter alia that it is important for such an appraisal to establish whether the relevant requirement in the procurement conditions is set directly and unambiguously and in such a way that the evaluation of compliance therewith is tied to the closing date for the submission of tenders; it is also necessary to evaluate the relevant legal rules giving rise to the supplier's obligation to hold a certain permit in order to pursue an activity.
- Throughout the proceedings the applicant has consistently argued that in accordance with the provisions of Regulation No 1013/2006 the consent the submission of which was requested by the defendant is to be seen more as pertaining to the performance of a specific contract and not as the supplier's qualification. According to the chamber, such an interpretation of Regulation No 1013/2006, having regard to its provisions, a priori does not seem unfounded.
- Indeed, in accordance with the provisions of Regulation No 1013/2006, consent to carry out international shipment of waste is more ad hoc than general in nature because a shipment of waste is recognised as lawful inter alia where it is notified

- to the competent authorities, the latter have granted consents and the shipment is performed as indicated in the notification or movement documents and in accordance with the provisions of the regulation.
- According to the chamber, the mere fact that a certain document permitting an economic operator to act contains very specific information would not per se exclude the possibility of classifying that consent as proof of the right to pursue an activity.
- Nevertheless, the chamber considers that consent to ship waste from one Member State to another is valid for a rather brief period, and even when consent to ship the relevant waste has been obtained it will not be possible to use the consent on another occasion in particular because the purpose for which the consent was granted is already fulfilled. Moreover, the composition of various waste shipments may be different and, even if it remains the same, the State of transit and the State of destination may vary. Therefore, the issuance and validity of the shipment consent and the possibility of using it depend not only on the reliability and efforts of the entity seeking to obtain it but also on other specific circumstances.
- Furthermore, in accordance with the provisions of Regulation No 1013/2006 the competent authorities of the respective States (the States of dispatch, destination or transit) enjoy a rather broad discretion to refuse to issue consent, so that there is a significant risk that a supplier who has successfully tendered in a public procurement procedure for waste shipment and entered into the contract, or that supplier's partner, will ultimately be incapable of lawfully performing the contract.
- The chamber has doubts as to whether the risk that consent will not be issued should be transferred to the contracting authorities which have selected the successful tenderer and entered into a contract with the latter. On the other hand, if the contested tender condition is construed as a qualification requirement, risk of a certain kind, relating to the administrative burden of seeking to obtain shipment consent and the economic burden of seeking to obtain a financial guarantee (Article 6 of Regulation No 1013/2006), would inevitably fall on the supplier.
- In this regard, the court of cassation finally considers that a decision on the classification of the contested tender condition, having regard to the ad hoc nature of shipment consent, must be based, among other things, on the provisions of Directive 2014/24, a fortiori Article 58 thereof and Annex XI thereto. Nevertheless, neither that article nor the preamble of the Directive contain clearer provisions making it possible to establish the actual content of the contested tender condition precisely when examining whether consent to ship waste is an element characterising suppliers' qualifications. In other words, it is unclear whether the EU legislature, in defining the concept of 'suitability to pursue a professional activity', intended to describe situations of any kind, encompassing inter alia the issuance and use of an ad hoc permit to pursue an activity.

Examining the supplier's right to pursue an activity (Article 35(2)(3) of the Law on public procurement)

- Should it be decided that the contested tender condition is to be classified as a requirement for suppliers to have the right to pursue an activity and that requirement arises from the tender procedure and the application of the provisions of Regulation No 1013/2006 so that suppliers must fulfil it, this gives rise to additional questions concerning the evaluation of suppliers' capacity, given paragraph 23.1.2 of the tender conditions which cites Article 35(2)(3) of the Law on public procurement.
- The applicant bases its position on the unlawfulness of the rejection of its tender inter alia on the fact that, on account of the content of the contested tender condition and the systemic application of paragraph 23.1.2 of the tender conditions, its tender could not be rejected as the defendant itself stated in the tender conditions that the supplier's right to pursue an activity would be verified only partially.
- The chamber notes that for a long time (until the beginning of 2017) a partially flawed practice used to be applied in Lithuania under which public procurement documents did not lay down any requirements at all for the right of suppliers to pursue an activity or the requirements were worded too abstractly, setting a general condition without specifying what specific right was to be held or what documentary evidence thereof was to be provided. The court of cassation at that time was of the view that the principle of transparency also gave rise to the requirement to observe mandatory legal rules laid down in other specialised legislation, which essentially meant that the supplier was responsible, in accordance with the definition of the subject of the procurement procedure and with other provisions of technical specifications, for assessing all required certificates, permits, attestations and other similar documents proving the possession of a specific right.
- Such case-law of the court of cassation was applied until 14 February 2017 when a ruling in civil proceedings changed the previously existing national case-law. That ruling, relying inter alia on the judgment of the Court of Justice of 2 June 2016 in *Pizzo* (C-27/15, EU:C:2016:404), stated the following: (a) precedence of the application of specialised legislation over the clarity of public procurement conditions implies that contracting authorities enjoy too broad a discretion and gives rise to a risk of abuse by them; (b) contracting authorities may not reject suppliers' tenders on the basis of requirements that are not clearly predefined even if the requirements arise from mandatory legal rules; (c) if the procurement conditions do not clearly state requirements for the right to pursue an activity which are laid down in other binding legal acts and suppliers do not fulfil them, the suppliers must be allowed to remedy any shortcoming in their tenders; (d) such a rectification mechanism encompasses permission for the supplier to enlist new entities partners or subcontractors for the performance of a public

- procurement contract if he himself is unable or not entitled to carry out certain works (provide certain services).
- It should be noted that, in implementing the provisions of Directive 2014/24, the Lithuanian legislature adopted a new version of the Law on public procurement, in Article 35(2)(3) of which, with a view to avoiding tender rejections based on qualification requirements that are not clearly defined, it expressly entitled contracting authorities not to verify (or to verify not to the full extent) the capacity of suppliers that is in question.
- When interpreting that provision, the court of cassation has noted that the Law on public procurement essentially reflects the practice in private legal relations of ensuring possession of the relevant right to pursue an activity in contractual rather than pre-contractual legal relations (even though contracting authorities are not in fact prohibited from laying down such a capacity requirement in public procurement documents); before concluding a public procurement contract, contracting authorities must in any case ascertain whether the entities concerned will be entitled to assume and fulfil contractual obligations.
- Moreover, having regard to the duties of contracting authorities arising from the principle of transparency, the wording 'qualification has not been verified' covers not only a request to produce a document certifying the relevant right but primarily the formulation (laying down) in the public procurement conditions of the very requirement that suppliers must possess such capacity, i.e. the qualification is considered to be verified where relevant requirements are laid down in the procurement conditions and the contracting authority, when examining a tender, requests that relevant documents be submitted.
- It is to be concluded from the case-law of the court of cassation between 2017 and 2019 that, if a contracting authority were not to verify fully or at all whether suppliers possess the right to pursue an activity, the supplier adjudged to be the successful tenderer would be obliged, prior to concluding the public procurement contract, to provide the contracting authority with documentary evidence of such a right, irrespective of the date of issuance thereof, and, if the supplier were not to possess such a right, he could enlist new entities, namely partners in joint activity or subcontractors.
- Questions arise for the chamber as to whether such national legislation under which contracting authorities retain an unrestricted right not to verify whether suppliers possess the right to pursue an activity even though it is possible that those authorities may (or must) be aware of the need to possess such a right and may (or must) comprehend that there is a threat to proper performance of the public procurement contract is compatible with the principles of transparency and of the protection of legitimate expectations and with the practice of rational performance of public procurement procedures.

The lawfulness of public procurement conditions defining the subject of the procurement procedure

- 37 The chamber also has questions with regard to the tender conditions that define the subject of the tender procedure and with regard to some provisions of the technical specifications. The tender conditions clearly show that the contracting authority does not fully know the precise composition and quantity of the waste to be removed.
- In this context, the court of cassation and the Court of Justice have, inter alia, stated more than once that technical specifications must be sufficiently precise to allow tenderers to determine the subject matter of the contract and to allow contracting authorities to award the contract; they must be clearly indicated, so that all tenderers know what the conditions established by the contracting authority cover (judgment of the Court of Justice of 10 May 2012, Commission v Netherlands, C-368/10, EU:C:2012:284).
- On the other hand, even if the opposite were the case, that is to say, if the defendant could lawfully give a non-comprehensive definition of the subject of the procurement procedure, the chamber has a doubt as to the lawfulness of such a situation under the provisions of Regulation No 1013/2006, especially if the contested tender condition were classified as a requirement concerning the right to pursue an activity. Article 2(35) of Regulation No 1013/2006 makes it clear that there is an illegal shipment, inter alia, where the shipment is effected in a way which is not specified materially in the notification or movement documents. The lawfulness of waste shipment therefore depends, inter alia, on compliance with the initial conditions subject to which consent to ship waste is granted.
- 40 Article 17 of Regulation No 1013/2006 provides that if any essential change is made to the details and/or conditions, the competent authorities and the consignee must be informed before the shipment starts, where possible; in such a case a new notification is submitted. This means that, where the actual composition and quantity of all the hazardous waste becomes known when the public procurement contract is being performed, the carrier must essentially recommence the notification procedure.
- In the tender conditions the contracting authority indicated that, if the composition of waste in the containers that it examined were to change or the composition were to be re-determined on the basis of containers not previously examined, the supplier should manage that waste under the code 19 12 11 ('other wastes from mechanical treatment of waste containing hazardous substances') or under the code 16 10 01 ('aqueous liquid wastes containing hazardous substances'). The chamber has doubts with regard to such a non-comprehensive alternative to the definition of the subject of the procedure as far as the application of the provisions of Regulation No 1013/2006 is concerned.

- For example, under Article 5 of that regulation the notifier and the consignee must conclude a contract for the recovery or disposal of the waste. It is not clear whether the parties may agree, in such a contract, on waste shipment under the aforementioned hazardous waste codes where not all the required data on waste composition are available.
- 43 Having regard to the above, the chamber has a justified doubt as to whether, under the general public procurement legislation (Directive 2014/24) and relevant provisions of Regulation No 1013/2006, when procuring waste management services contracting authorities are not obliged to define the quantity and composition of, and other relevant information on, the waste to be removed and handled with as much precision and detail as possible rather than leaving it to suppliers to find that out and to adapt when the public procurement contract is performed.