

Competition Policy Newsletter

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◆Special Topics

◎Vice Chairman, Dr. Yu, Chao-Chuan Receives Great Recognition at the 2007 DSA International Seminar



Vice Chairman, Dr. Yu, Chao-Chuan stands with other guests at the 2007 DSA International Seminar

The US Direct Selling Association (DSA), through the World Direct Federation Selling Association (hereinafter called “WFDSA”), invited Dr. Yu, Chao-Chuan, the Vice Chairman of the FTC, to attend the 2007 DSA International Seminar. The Seminar was held in Washington, D.C. from March 27 to 29.

During the Seminar on March 28, Dr. Yu gave a presentation on “Professional Assessment Indices for the Multi-level Sales Industry” that Taiwan is currently planning to establish and shared and exchanged experiences with the representatives and scholars of the direct selling industry from countries all over the world. Dr. Yu received favorable reviews and was held in high regard by the participants of the Seminar.

The multi-level sales industry is an important industry in Taiwan. According to the FTC’s statistics for 2006 and the WFDSA’s analysis, Taiwan’s direct selling industry had a total output value of 68 billion New Taiwan Dollars, which caused it to be ranked 9th in the global market. In terms of the average output value of each direct selling enterprise, Taiwan was ranked 5th in the world. Taiwan also had the highest population density of direct selling participants in the world. Therefore, the development and administration of Taiwan’s direct selling industry have received much attention from the WFDSA as well as favorable comments from the foreign direct selling

industry. After the head of the Secretariat of the WFDSA, Neil H. Offen, learned that the FTC had started planning to implement the Professional Assessment Indices for the Multi-level Sales Industry last year, he immediately invited Dr. Yu to address the direct selling international conference in order to share the relevant procedures and indices of the Professional Assessment Indices for the Multi-level Sales Industry with the representatives from other countries.

Upon Dr. Yu’s arrival at the opening of the Seminar on March 27, several Seminar participants gave their full attention and expressed a deep interest in the subject on which Dr. Yu had planned to speak. Dr. Yu also met with officials from Malaysia who were in charge of overseeing the direct selling industry as well as with the officials from the Korean Fair Trade Commission. Meanwhile, several officials from the US Department of Commerce were also present at the seminar and were introduced to Dr. Yu through the DSA. During the speech he gave on March 28, Dr. Yu explained the origin of Taiwan’s implementation of the

Professional Assessment Indices for the Multi-level Sales Industry and the way in which the process of the System was studied. In addition, Dr. Yu talked in detail about the three dimensions that were concerned with whether a multi-level sales enterprise would pass the assessment. These three dimensions included information disclosure, an on-site audit, and items to increase/decrease the marks awarded for the assessment. Since Taiwan's Professional Assessment Indices for the Multi-level Sales Industry represent a system never before implemented in the world, it might become a reference to be employed by other countries in the future. Many participants interacted with Dr. Yu regarding the contents of his speech and expressed their admiration for the attention, care, and innovation that the Taiwanese government had directed toward the direct selling industry. Moreover, in light of the interest that the global direct selling businesses had expressed toward the market in China, Dr. Yu indicated that Taiwan would be the best stepping stone for businesses to engage in direct selling operations in

China. Several businesses immediately conveyed their interest in investing in Taiwan.

The DSA invited representatives from more than ten countries to attend this International Seminar, but Dr. Yu was the only guest from a foreign government that was invited to give a speech at the seminar.

◆ News Section

◎ **The FTC Initiated an Ex Officio Investigation into Price-hikes for Several Crucial Necessary Commodities**

The FTC initiated an investigation on April 27 into the reported price-hikes for several crucial necessary commodities, such as dairy products, imported meat, flour, cooking oil, and feed. The FTC planned to understand the market status through this investigation, maintain market trading order and protect the consumer's interests by preventing businesses from jointly driving up or manipulating prices.

The variations in prices are a consolidated result of economic activities. The FTC respects price variations which are decided by each individual enterprise as it considers market supply and demand as well as its own marketing strategy arising from free competition. The FTC does not, however, approve the type of price variation that is jointly forced up or artificially manipulated by enterprises as the result of a market monopoly. The FTC strictly punishes any and all violations of the Fair Trade Law. In the event that a price-hike is caused by an imbalance between market supply and demand or an increase in costs, the competent authority of the relevant business shall handle the situation accordingly.

The FTC has already initiated an investigation to determine whether the price variations in the cases of dairy products and feed involve any artificial manipulation and will gather information from the necessary commodities market. In the event that any price manipulation is found, the FTC will initiate additional investigations. In regard to those cases with specific evidence proving the vio-

lation, the FTC will impose strict punishment in accordance with the Fair Trade Law. In the event that the price variations are a result of the imbalance in market supply and demand or cost factors, the FTC will request that the competent authority of the relevant business handle the situation accordingly. The FTC will issue important information regarding the necessary commodities through the media at any time to inform the public of market conditions and prevent people from anticipating price-hikes.

The FTC has appealed to enterprises for joint efforts to maintain market trading order and fair competition. Enterprises shall avoid any illegal actions where they monopolize the market and drive up prices. Any act to artificially manipulate or jointly raise prices that is proved with specific evidence will be punished with an administrative fine of more than NT\$50,000 and less than NT\$25,000,000 by the FTC in accordance with Article 41 of the Fair Trade Law.

©Selected FTC Decisions**□The FTC Rejects the Merger Report Filed by Holiday Entertainment Co., Ltd. and Cashbox Partyworld Co., Ltd. in Accordance With Article 12(1) of the Fair Trade Law as the Disadvantages of the Resulting Competition Restraints Might Outweigh the Advantages to the Overall Economy**

During its 800th Commissioners' Meeting on March 8, 2007, the FTC rejected the merger report filed by Holiday Entertainment Co, Ltd. (hereinafter called "Holiday") and Cashbox Partyworld Co., Ltd. (hereinafter called "Cashbox") in accordance with Article 12(1) of the Fair Trade Law as the disadvantages of the competition restraints might have outweighed the advantages to the overall economy.

Holiday's intention to acquire Cashbox fell under the merger type set forth in Article 6(1)(i) of the Fair Trade Law and was subject to the threshold set forth in Article 11(1)(i) of the same law. Holiday was supposed to file a merger report with

the FTC in accordance with the law.

Upon investigation, the FTC found that the enterprises participating in the said merger had a sales amount equal to about half of the national sales amount. The market was highly concentrated. The audiovisual and singing services in Taipei City/County accounted for one-third of the national sales amount. Once Holiday and Cashbox merged, they would own 90% of the market. Therefore, this merger gave rise to obvious concerns related to competition restraints.

After the review, it was determined that there were no other business operators that had the ability to compete with the enterprises participating in the merger in question. Moreover, monopolies tend to be reluctant to lower their costs, engage in product innovation, or increase service quality and are able to unilaterally elevate service remuneration. As a result, the consumer's rights and interests would be deeply affected. Furthermore, since the enterprises involved in this merger already had an advantage in terms of channels, these two enterprises asked the karaoke

tape agencies to sell their tapes to both the Cashbox and Holiday franchise systems. The said enterprises also cooperated with specific karaoke tape agencies that affected the record companies' choices in selecting karaoke tape agencies. As a result, if the enterprises to the merger were to request that the karaoke tape agencies discriminate against any newcomers entering the audiovisual and singing services industry, this would definitely affect the newcomers' business and willingness to enter the market and would further affect the competition in the market.

According to the enterprises to the merger, the proposed advantages to the overall economy should have outweighed the disadvantages arising from the competition restraints. The said proposed advantages included the enhancement of competition, the improvement of the consumer's rights and interests which could in turn have further improved the positive cycle of the industry, the enhancement of international competitiveness, the provision of job opportunities to produce internationalized

talent, and the reallocation of resources to towns and townships to develop the local economy and increase income from taxation. However, it was determined that the consumer's rights and interests would be seriously impacted by the enterprises following the merger. In addition, it was not found necessary to distinguish market competition prior to the enhancement of competition, the provision of job opportunities, and the development of towns and townships. Therefore, the enterprises' proposed merger was not accepted. The FTC thus rejected the merger report in accordance with Article 12(1) of the Fair Trade Law.

□ Biau-Ta Co., Ltd., Violates Article 21(1) of the Fair Trade Law by Making False, Untrue And Misleading Representations in Its Automobile Advertisement Regarding Its Product And Another's Automobile Product

During its 802nd Commissioners' Meeting on March 22, 2007, the FTC found that Biau-Ta Co., Ltd., (hereinafter

called “Biau-Ta”) violated Article 21(1) of the Fair Trade Law by making false, untrue and misleading representations regarding the fuel consumption of its automobile product as well as the fuel consumption of another’s automobile product. The FTC ordered Biau-Ta to immediately cease the aforesaid illegal act the day after the Disposition Letter was served and imposed an administrative fine of NT\$750,000 on Biau-Ta.

This case originated from a complaint letter submitted by a consumer saying that Biau-Ta claimed that the diesel engine of Volkswagen’s automobile product, the Golf 1.9 TDI, had a fuel consumption of 18 to 23 km per liter of fuel while the gasoline engine had a fuel consumption of 6 to 11 km per liter based on the advertisement published on page A13 of the April 21, 2006 issue of the Apple Daily. The difference was so huge that the company might have employed untrue data in its advertisement. The FTC therefore commenced the investigation.

After the investigation, the FTC found on the Volkswagen’s Taiwan sales

website that the city fuel consumption of motor vehicles was 13.69 while the highway fuel consumption was 21.74 for the said type of car. The average fuel consumption of the motor vehicles was thus 17.86. Additionally, according to the “2006 Fuel Consumption of Motor Vehicles Information” published by the Bureau of Energy, Ministry of Economic Affairs, in 2006, the city fuel consumption of motor vehicles for a 4-door hatchback was 12.1 and the highway fuel consumption was 18.9, which resulted in an average of 15.7, while the city fuel consumption of motor vehicles for a 2-door hatchback was 9.9 and the highway fuel consumption was 18.7, which resulted in an average of 14.1. The aforesaid data had a conspicuous difference from that given by Biau-Ta which claimed that the fuel consumption of its product was between 18 and 23. The differences in the rates of city fuel consumption were, respectively, 24% (for data from Volkswagen), 32.77%, and 45% (for data from the Ministry of Economic Affairs).

Biau-Ta also employed a compari-

son chart to compare its product, the Volkswagen Golf 1.9 TDI, with fuel consumption of 18 to 23 with another type of vehicle (equipped with a 2.0 gasoline engine) with a fuel consumption of 6 to 11. Based upon the “2006 Fuel Consumption of Motor Vehicles Information” published by the Ministry of Economic Affairs in February 2006, there were 90 types of domestic and imported cars with an exhaust emission rate of 2.0 and city fuel consumption from 8.3 to 12.1 km per liter of fuel and highway fuel consumption ranging from 13.5 to 18.6. The aforesaid data was quite different from Biau-Ta’s statement which said that another type of vehicle (equipped with the 2.0 gasoline engine) had fuel consumption of 6 to 11 km per liter of fuel. Although Biau-Ta stated that the said data was taken from an article submitted by a car owner for an essay competition and based upon the opinions of the readers of several automobile magazines, the standards Biau-Ta employed to compare its own product with another’s were obviously unfair and lacked objectivity. The overall advertisement gave rise to an unfair

comparison.

Biau-Ta violated Article 21 of the Fair Trade Law by making false, untrue and misleading representations regarding the fuel consumption of its motor vehicle product and another’s. After considering the motive, purpose, and expected improper benefit of the unlawful act of Biau-Ta; the degree of the act’s harm to market order; the duration of the act’s harm to market order; the benefits derived on account of the unlawful act; the scale, operating condition, sales and market position of the enterprise; whether or not the type of unlawful act involved in the violation had been corrected or warned by the Central Competent Authority; the types and number of and intervals between past violations, and the punishment for such violations; remorse shown for the act and attitude of cooperation in the investigation; and other factors, the FTC made the aforementioned disposition in accordance with the fore part of Article 41 of the Fair Trade Law.

□ Yahoo! Taiwan Inc.'s Filing of a Merger Report With the FTC Regarding Its Intention to Merge With Wretch by Acquiring 100% of Wretch's Shares is Approved by the FTC in Accordance With Article 12(1) of the Fair Trade Law

During its 803rd Commissioners' Meeting on March 29, 2007, the FTC approved, in accordance with Article 12(1) of the Fair Trade Law, Yahoo! Taiwan Inc.'s (hereinafter called "Yahoo!") merger report where Yahoo! planned to acquire 100% of Wretch's shares. However, in order to prevent the applicant from engaging in competition restraints and exploiting its market position through such merger and to ensure that the advantages to the overall economy would outweigh the disadvantages arising from the competition restraints, the FTC, in accordance with Article 12(2) of the Fair Trade Law, additionally requested that the applicant not employ its market position after the merger to improperly obstruct other competitors' website links, email receipt and transmittal, or other services; or restrict trading counterparts to trade or

not to trade with specific enterprises; or improperly decide on, maintain or alter prices; or request trading counterparts to exclusively trade with the applicant; or impede other enterprises' fair competition; or other actions exploiting the applicant's comparatively advantageous position in the market.

Based upon the definition of "Internet information providers" given by the competent authority on electronic commerce, the Ministry of Economic Affairs, Yahoo! is a web portal providing consolidated Internet services, while Wretch is a simple community website. What both websites have in common is that both companies' revenues are derived from their members' income and from the online advertisements generated through the service of web communities. Since Wretch was not involved with online shopping and online auctions and more than 70% of the users were also Yahoo!'s members, the merger would not have greatly affected the online shopping and online auction markets. Moreover, in light of the current website operating mode, website operators mostly provide free

services and information to attract users to visit their websites. By gathering large numbers of potential consumers, website operators try to make profits by attracting advertisement agencies or advertisers and encouraging them to place advertisements on their websites. Therefore, these websites are of the nature of online media. The FTC felt that the number of visits depended on the quantity of web pages and content provided by the website operators and determined the number of potential consumers gathered by the websites, and therefore, a key point to be taken into account by the advertisement agencies or advertisers. However, the actual value of the number of visits still required to be finally realized through trade. The major income of online media is from online advertisements. Users hop easily from one website to another due to the differences in the website services and quality. As a result, the income from online advertisements shall be considered to be an important reference when calculating market shares. Since there are no such official statistics for the domestic market, the FTC referred to the

information published by Brain magazine and the Internet Advertising and Media Association of Taipei. From the said information, Yahoo!'s market share ranged from 57% to 59.54% while Wretch's share ranged from 1.67% to 1.75%.

After holding seminars with relevant authorities, scholars and Internet business operators, interviewing downstream advertisement agencies, and asking advice of the competent authority, the FTC found that the merger involving Yahoo! and Wretch should not be able to conspicuously change the current market structure. In addition, since that website operation is not restricted by laws, technology and capital and that the Internet technology continues to improve, new Internet media can challenge the existing businesses at any time with diverse and innovative operating modes. Besides, since the global leading search engine, Google, officially participated in the domestic market in January 2007, more diverse Internet media operating modes are being created. Then, telecommunications and digital television businesses could all possibly become

potential competitors. As a result, the merger of Yahoo! with Wretch should cause no obvious disadvantages in terms of competition restraints to the relevant market structure and competition. The FTC therefore approved the merger in accordance with Article 12(1) of the Fair Trade Law. However, in order to prevent the applicant from engaging in competition restraints and exploiting its market position through such merger and to ensure that the advantages to the overall economy would outweigh the disadvantages from competition restraints, the FTC, in accordance with Article 12(2) of the Fair Trade Law, additionally requested that the applicant not employ its market position after the merger to improperly obstruct other competitors' website links, email receipt and transmittal, or other services; or restrict trading counterparts to trade or not to trade with specific enterprises; or improperly decide on, maintain or alter prices; or request trading counterparts to exclusively trade with the applicant; or impede other enterprises' fair competition; or else other actions exploiting the

applicant's comparatively advantageous position in the market.

□ All Chinese Internet Inc. Violates Article 19(v) of the Fair Trade Law by Improperly Replicating Another Website's Information and Engaging in Unfair Competition and Also Violates Article 21(1), Applied Mutatis Mutandis to 21(3), by Making False, Untrue, and Misleading Representations Regarding Its Service Quality

During its 803rd Commissioners' Meeting on March 29, 2007, the FTC found that All Chinese Internet Inc. (hereinafter called "All Chinese") violated Article 19(v) of the Fair Trade Law by improperly replicating the resumes of the job seekers registered with "104 Corporation" and engaging in unfair competition. The FTC also found that All Chinese violated Article 21(1), applied mutatis mutandis to 21(3), by making false, untrue, and misleading representations as "1111 Job Bank – the biggest job bank in the nation," "1111 Entrepreneurship & Franchising – the

biggest entrepreneurship & franchising website in the nation,” and “up to 2004, 1111 website has accumulated a growth of resumes of 2.12 million; has 6 million web pages reviewed daily; has more than 2.12 million resumes; has more than 510,000 visitors everyday; has 4,000 new effective resumes added every day; has more than 22,000 companies simultaneously using talent search services online; and has more than 80,000 people simultaneously searching for jobs online.” In addition to ordering All Chinese to immediately cease the aforesaid two unlawful acts from the day after the Disposition Letter was served, the FTC also imposed administrative fines of NT\$1,500,000.

It was found that the interested party, Mr. Cheng, when serving All Chinese in 2002, used inappropriate methods to obtain the IDs and passwords of seven businesses that paid the complainant for talent search and transferred the same to All Chinese to increase the volume of All Chinese’s resumes. All Chinese used the said IDs and passwords to log into the complainant’s “104 Job Bank” to view tens of thousands of resumes of those

job seekers who were registered with the complainant. All Chinese further exported and replicated the data and saved the same in its computer. After screening the aforesaid data, All Chinese made a list of those who were not registered with All Chinese and submitted the same to the customer service representatives to send email and invite these people to register their resumes with All Chinese for the purpose of increasing All Chinese’s job seeker database. At present recruitment websites have rather high competition. Based upon the considerations of privacy and security, resumes registered by job seekers with the recruitment websites shall be kept private and not searchable by the general public. Recruitment websites shall keep job seekers’ private information, such as names, telephone numbers, email addresses, and physical addresses, confidential. After sorting and arranging the information according to the professions, job seekers’ information may be easy for the trading counterparts of the recruitment websites to use. The editing and establishment of a human resources database and the convenience to search

are important factors that enterprises that are seeking for talent would consider prior to paying the recruitment websites for such services. The more the recruitment websites are dedicated to the process of sorting the job seekers' information, the more the trading counterparts will pay to open an account and use the password. Since the trading counterparts would have to separately purchase a "password" to log in as a "member" in order to utilize the job seekers' information sorted and arranged by the recruitment websites, such transaction shall meet the description of "innovation" and "secrecy." It should be deemed that such information has economic value and that a reasonable confidentiality measure has been taken (by the recruitment websites). Furthermore, according to the survey on the charges of the 10 recruitment websites with the highest sales amount, those 10 recruitment websites all provided job seekers free resume publishing and various job seeking services while enterprises looking for talent had to pay to obtain a complete resume or interview or hire any job seekers. Enterprises that are looking for

talent depend on the completeness and convenience of job seekers' information before they decide to pay a particular recruitment business for its services. Therefore, the said information is considered to be information related to the production and sales of the recruitment businesses. All Chinese's actions to employ an improper method to obtain job seekers' information and use the same to increase its own resume database had met the description of using confidential information on production and sales, which was a violation of Article 19(v) of the Fair Trade Law.

All Chinese made representations on its web pages, such as "1111 Job Bank – the biggest job bank in the nation," and "1111 Entrepreneurship & Franchising – the biggest entrepreneurship & franchising website in the nation." However, according to relevant market surveys, there were other enterprises having higher sales amounts and market shares than All Chinese. All Chinese did not disclose the target and the basis of such a comparison on its web page. Therefore, Internet users could not confirm the accuracy of

such representations. All Chinese also admitted that it could not provide any just and objective statistics to support the truthfulness of such representations. The representations made by All Chinese on its web page were sufficient to mislead the general or relevant public into wrongly believing that All Chinese was the number one business in the industry. As a result, such representations were false, untrue and misleading. Additionally, All Chinese claimed that “up to 2004, the 1111 website has accumulated a growth of resumes of 2.12 million; has 6 million web pages reviewed daily; has more than 2.12 million resumes; has more than 510,000 visitors everyday; has 4,000 new effective resumes added everyday; has more than 22,000 companies simultaneously using talent search services online; and has more than 80,000 people simultaneously searching for jobs online.” It was found that up to 2004, the number of resumes registered with All Chinese’s website was less than 1,950,000. The other evidence provided by All Chinese was the data produced after March 2005 that could not support the aforesaid statements. All

Chinese failed to submit any objective and just proof to support its statements, meaning that such statements were groundless, and therefore a violation of Article 21(1) of the Fair Trade Law, applied mutatis mutandis to 21(3).

□ Taipei County Jewelers’ Association Violates Article 14(1) of the Fair Trade Law by Restricting Its Members’ Freedom to Decide on the Sales Prices of Gold and Affecting the Market Function of Trade in Gold in Taipei County

During its 804th Commissioners’ Meeting on April 12, 2007, the FTC found that the Taipei County Jewelers’ Association had advised all members by letter and members that were selling gold at low prices by phone or paying visits that they should not sell gold at a price lower than the international rate. The Taipei County Jewelers’ Association had restrained its members’ decisions as to the sales prices of gold and had impacted the market function of trade in gold in Taipei County. The FTC therefore

decided that the Taipei County Jewelers' Association had violated Article 14(1) of the Fair Trade Law by engaging in a concerted action. In addition to ordering the Taipei County Jewelers' Association to immediately cease the aforesaid illegal acts, the FTC also imposed an administrative fine of NT\$500,000.

The Taipei County Jewelers' Association has approximately 550 members which are all jewelry shop operators in Taipei County. The said association informs its members of the "suggested quotation," "nominal price of gold," and "quotation of platinum" daily via text messages. The aforementioned "nominal price of gold" is the cost price without profits, which is the lowest quote provided daily by the Central Trust of China, importers, or wholesalers. The "nominal price of gold" is provided to the members to serve as reference when they purchase gold from gold suppliers, such as the Central Trust of China or wholesalers. According to the said association, the suggested quotation set by the association serves merely as a suggestion and has no restriction on the members. However, the

association admitted that if some member had sold gold for prices lower than the international rates for a long period of time and had impacted the local jewelers' rights and interests, the association would request that local directors/supervisors visit such a member to understand the reasons for the low prices. In fact, some jewelers had received phone calls or visits from the Taipei County Jewelers' Association and were advised not to sell gold for prices lower than the international rates after they sold gold for prices lower than the nominal price of gold. Additionally, the association issued a letter to its members on August 29, 2005 to advise its members not to sell gold for prices that were lower than the international rates for gold.

The action by the association to employ its charter, a resolution of a general meeting of members or a board meeting of directors or supervisors, or "any other means" to restrict activities of enterprises is also deemed as a concerted action as set forth in Article 7(4) of the Fair Trade Law. Upon investigation, the Taipei County Jewelers' Association had

requested that its president and directors or personnel phone or visit the members, or issue letters to restrict its members with regard to the sales prices of gold. The Taipei County Jewelers' Association tried to justify its actions by claiming that the reason for the intervention was to make sure its members were not selling gold having suspicious sources or purity or cheating the consumer by adding the price difference to the processing fees. However, the FTC found that although the international price of gold varies daily, the direct costs for a jeweler to sell gold would change noticeably based upon the material sources and purchase timings. In addition, each jeweler had different managing and selling costs and had to adopt different strategies according to the market environment and competition it faced. As a result, the price competition in regard to gold was not to impede the operation of the market function and was supposed to benefit the consumer.

The action whereby that the Taipei County Jewelers' Association phoned or visited its members and issued letters to warn and advise its members not to

sell gold for prices lower than the international rates would cause jewelers to tend to sell gold for prices not lower than the international rates and would lead to a lower limit in terms of its price. The said act would also have a dampening effect on the normal price competition and would further affect the market's function in terms of trading in gold in relevant markets. The FTC found such an act a concerted action and a violation of Article 14(1) of the Fair Trade Law. In addition to ordering the Taipei County Jewelers' Association to immediately cease this illegal act, the FTC also imposed an administrative fine of NT\$500,000.

□ Taiwan Mobile Co.'s Filing of a Merger Report to FTC Regarding Its Intention to Merge With Taiwan Fixed Network Through Tai-Hsin International Telecommunications Co., Ltd. is Approved by the FTC in Accordance With Article 12(1) of the Fair Trade Law

During its 805th Commissioners' Meeting on April 12, 2007, the FTC

approved Taiwan Mobile Co.'s merger report regarding its intention to merge with Taiwan Fixed Network (hereinafter called "TFN") through Tai-Hsin International Telecommunications Co., Ltd. in accordance with article 12(1) of the Fair Trade Law. The FTC also issued a notice, in accordance with the proviso of Article 11(3) of the Fair Trade Law, informing the applicant to commence with the merger pursuant to the merger report as of the receipt of the notice.

The FTC said that Taiwan Mobile Co. (hereinafter called "TWM") purchased more than 41% of TFN's shares through Tai-Hsin International Telecommunications Co., Ltd. (a new subsidiary 100% owned by Tai-Hsin Telecommunications Co., Ltd.). Additionally, both TWM and Tai-Hsin Telecommunications Co., Ltd. (hereinafter called Tai-Hsin Telecommunications, a subsidiary 100% owned by TWM) originally held 9.87% and 0.08% of TFN's shares, respectively. Therefore, TWM would directly or indirectly own more than 50% of TFN's shares and

further control the business operations or personnel appointments of TFN. In addition, TWM had a 30% market share in the mobile communications service market in 2006. Its sales amount for the previous fiscal year (2006) exceeded 10 billion New Taiwan Dollars while TFN's exceeded 1 billion New Taiwan Dollars. In conclusion, this merger should fall under the descriptions of merger types set forth in Article 6(1)(ii) and (v) of the Fair Trade Law. Therefore, participants of the merger shall file a merger report with the FTC in accordance with Article 11(1)(ii) and (iii) of the Fair Trade Law. The exemption set forth in Article 11-1 of the Fair Trade Law shall not be applicable.

The FTC pointed out that TWM's major businesses were to provide mobile telephone communications services, including the provision of 2-way calling of landlines, domestic long distance calls, international long distance calls, mobile phones, pagers, voice mail, and text messaging services. TFN's major businesses were to provide fixed network communications services, including

voice mail (including local calls, long distance calls, international direct calls, and broadband calls) and leased lines (including local, long distance and international leased line, domestic Ether leased lines, and international Ether leased lines).

The integration of the mobile phone communications market and fixed network communications market has become a trend amongst the relevant business operators in the market. Chunghwa Telecom is already in the market with a platform in both the mobile phone communications market and fixed network communications market. With the enterprises in this merger participating in the integration, the advantageous position of Chunghwa Telecom will not be affected. On the contrary, the result of the competition between the enterprises involved in this merger and Chunghwa Telecom might even benefit the consumer with more preferential services. In addition, several existing mobile phone and fixed network businesses and potential competitors will be able to control the

enterprises in the merger in terms of price determination. The degree of competition in the overall market shows no obvious decrement. Furthermore, after this merger, the possibility of concerted action is low, and the competition between the existing enterprises will not be negatively affected. The merger can also stimulate the competition in terms of pricing plans and service quality in the current market. The public will be able to choose from the diverse services provided by each operator. In addition, telecommunications business operators' pricing plans shall all be reported to the competent authority prior to their implementation. As a result, the merger will not have a negative impact on the general users. The FTC found that the advantages of the overall economy shall outweigh the disadvantages arising from the competition restraints, and therefore, approved such a merger report in accordance with Article 12(1) of the Fair Trade Law. A notice of the shortened period was also issued by the FTC in accordance with the proviso of Article 11(3) of the Fair Trade Law.

◆ FTC Activities

- ◎ On March 7 and 28, the FTC was in Chi-Shan Township Office and Kang-Shan Township Office, Kaohsiung County to promote the Fair Trade Law, in conjunction with the Division of Justice of the Southern Joint Service Center, Executive Yuan, for the propagation of “Law and Life”
- ◎ On March 9, the FTC invited the executive of Webs-TV Digital International Corporation Ltd., Chen, Ming-Yao, to give a speech on the “Current Competition Status in the Digital Films Market.”
- ◎ On March 13, the FTC convened a workshop on the “Deliberation of Issues regarding Internet Service Market Competition.”
- ◎ On March 13 and 20, the FTC respectively held a “Fair Trade Commission Propagation regarding the Regulations Governing Trade in Agricultural Products” in Kaohsiung City and Taichung City.
- ◎ On March 16, the FTC invited the chief operating officer of Skysoft Co., Ltd., Lin, Kuan-Chun, to deliver a speech on “Aspects of Digital Music Business Operations.”
- ◎ On March 23, the FTC invited the chief of the Legal Affairs Office, Joint Credit Information Center, Lin, Hsin-Hung, to deliver a speech on “The Establishment, Utilization, and Charge of the Joint Credit Information Center Database.”
- ◎ On March 26 and 27, the FTC held the “2007 FTC Personnel Training Course for Surveying Multi-Level Sales Enterprises Operation Conditions” at the TaiPower Training Center in Wulai, Taipei County.
- ◎ On March 28, the FTC convened a workshop on the “Current Status of Real Estate Trade” in Taipei City.
- ◎ On March 27 and 30, the FTC held a “Fair Trade Commission Propagation regarding Regulations Governing the Insurance Industry” at the Labor Recreation Center in Hualien City and the Howard International House in

<p>Taipei City, respectively.</p> <p>◎ On March 30, the FTC convened a workshop on the “Current Status of Milk Related to the Fair Trade Law” to prevent milk business operators from jointly raising the prices or maintaining resale prices. After the workshop, the FTC also issued a press release to the public to announce that the purchase prices of summer raw milk and the seasonal milk price would be raised in April.</p> <p>◎ On April 3 and 10, the FTC convened a workshop on the “Current Status of Real Estate Trade” in Taichung City and Kaohsiung City, respectively.</p> <p>◎ On April 11 and 14, the FTC propagated the Fair Trade Law at the Nanhua Township Office and Fongshan City Office, respectively.</p> <p>◎ On April 12, 15, 21, and 24, the FTC held the “2007 Fair Trade Law Training Camp for Southern Colleges and Universities,” respectively, at the National Pingtung Institute of Commerce, Kun Shan University, the</p>	<p>Meiho Institute of Technology, and the National Kaohsiung First University of Science and Technology.</p> <p>◎ On April 14 and 20, the FTC held a “Fair Trade Law Training Camp” at the Competition Policy Information and Research Center, respectively, for the faculty members and students of the Law School, Fu Jen Catholic University and the Graduate School of Economics, Chinese Culture University.</p> <p>◎ On April 14, 20, and 24, the FTC, in conjunction with the Division of Justice of the Southern Joint Service Center, Executive Yuan, propagated the “Law and Life” at Cheng-Yi High School in Kaohsiung County, National Penghu University, and National Pingtung University of Science & Technology, respectively.</p> <p>◎ On April 17, 18, and 24, the FTC held three workshops on the “FTC’s Guiding Policy & Development of Competition Laws in the Next 3 Years.”</p>
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- ◎ On April 20, the FTC held the “Fair Trade Commission Propagation regarding the Regulations Governing Trade in Agricultural Products” in Taoyuan County.
- ◎ On April 27 and 28, the FTC convened a Seminar on the “FTC’s Guiding Policy from 2007 to 2009.”
- ◎ The keynote speeches delivered at the FTC’s Competition Policy Information and Research Center (CPIRC) in March and April were as follows:

Date	Keynote Speaker	Topic
March 27, 2007 (Batch: 9602-184)	Researcher, Liang, Chi-Yuan (Institute of Economics, Academia Sinica)	Clarification of energy tax related issues & evaluation of relevant economic impact
April 24, 2007 (Batch: 9603-185)	Commissioner, Lin, Hsin-Wu (Fair Trade Commission, Executive Yuan)	The impact the implementation of competition laws can cause on the nation’s competitiveness

◆ International Exchanges

- ◎ On March 6 and 7, Officer Ms. Chang, Shin-Yi attended the “APEC Seminar for Sharing Experience in APEC Economies on Strengthening the Economic Legal Infrastructure” held in Hanoi, Vietnam.
- ◎ From March 12 to 14, the FTC held a technical assistance and training course for officials from the Unfair Competition Regulatory Authority of Mongolia (UCRA).
- ◎ On March 15, the FTC and the Unfair Competition Regulatory Authority of Mongolia (UCRA) signed a Memorandum of Understanding (MOU) regarding the Cooperation of

Competition Law Implementation in Taipei.

- ◎ From March 25 to 27, Commissioner Mr. Lin, Yi-Yu and Section Chief Mr. Chen, Chun-Ting attended the 13th International Conference on Competition and the 14th European Competition Day held in Munich, Germany.
- ◎ From March 27 to 29, Vice Chairman, Dr. Yu, Chao-Chuan, attended the “2007 DSA International Seminar” held in Washington, D.C., U.S.A.
- ◎ From April 4 to 6, Officer Ms. Lin, Chia-Hua attended the OECD-Korea Regional Centre for Competition Seminar.
- ◎ On April 9, the Chairman of the European Chamber of Commerce, Mr. Scheller, visited and exchanged thoughts regarding the enforcement of the Fair Trade Law with the FTC.
- ◎ On April 12 and 13, Inspector Mr. Hsu, Tzung-Yu participated in the “ICN Merger Workshop on Substantive Issues in Merger Review” held in Dublin, Ireland.

The Fair Trade Law was enacted in 1991 with the establishment of the Fair Trade Commission (FTC) a year later on February 4, 1992 as the implementing agency of this law. The mandate of the Commission is to maintain a fair trading order in the market and therefore to ensure the protection of consumer interests in a fair trade environment, the establishment of the Commission complements the government's economic policy of "competition policy in prime, industrial policy in aiding" and reflects the global trend of liberalization and internationalization of trade.

The FTC, to bring the gap closer between international counterparts and practitioners of competition law and policy under this trend of open markets and free competition, has established a Competition Policy Information and Research Center (the CPIRC) , on January 27, 1997.

The CPIRC is dedicated to collecting information of local and foreign competition law and policy. Locally, the CPIRC aims to offer professional information services and to provide relevant reference to the government agencies in the making of industrial policy. Internationally, the CPIRC serves as a focal point for available information on international competition law and policy issues and aims to facilitate research of competition law and policy all over the world.

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