

□ Concerted Price Increase of Canister Gas by Jhonghwa Gas Filling Station Violates Article 19, Subparagraph 4 of the Fair Trade Law 【October 27, 2005】

During its 729th Commissioners' Meeting on October 27, 2005, the FTC determined that Jhonghwa United Gas Filling Station (hereafter Jhonghwa United) notified and caused its gas dealers and the Penghu United Gas Distributors Center (hereafter Penghu United; composed of 14 gas dealers of Guoguang LPG) to jointly raise the retail price of canister gas. The action violated Article 19, subparagraph 4 of the Fair Trade Law. In addition to ordering Jhonghwa United to cease the aforementioned unlawful act, the FTC imposed a fine of NT\$300,000.

The case started when the Consumer Protection Commission (CPC) wrote to inform the FTC that residents of Penghu County had written to request the CPC to carry out an investigation. According to the public, canister gas dealers in Penghu County demanded that their customers buy new gas canisters starting November 2003; otherwise, the dealers would discontinue sales of canister gas to the consumers. The public suspected a monopoly and asked the CPC to investigate. The Penghu County Government and CPC also referred to the FTC similar complaints, which the FTC would review altogether. The FTC's investigation found that Sin Sing Shun Enterprise Ltd. established Anjia Canister Gas Filling Station (hereafter Anjia) in early 2000. Before this, Jhonghwa United and Guoguang LPG Filling Station (hereafter Guoguang) were the only liquefied gas filling stations in Penghu. Each station filled approximately 120 to 130 tons of canister gas per month, and the price of a 20-kilogram household canister gas was maintained at NT\$500 per canister (NT\$450 for business use) in Penghu. In late November 2003, the dealers' cost of new canisters and inspection of old canisters increased significantly because the Penghu fire department outlawed expired gas canisters. On the other hand, although the list price of Chinese Petroleum Corp. continued to increase, retail pricing did not change significantly due to intense competition among gas dealers. On Jan. 21, 2004, Jhonghwa United started to inform and cause gas dealers to increase their selling price of 20-kilogram household canister gas from NT\$500 to NT\$600. On the same day, Jhonghwa United communicated the news of its price increase to Penghu United of Guoguang, with the intent to discourage price competition and cause a joint price increase of canister gas in Penghu. As a result, Penghu United increased the price of 20-kilogram household canister gas from NT\$500 to NT\$550 on February 1, 2004.

Jhonghwa United violated Article 19, subparagraph 4 of the Fair Trade Law by informing gas dealers and contacting Penghu United to jointly increase the price of canister gas and discontinue price competition. After taking into account the motive, degree of damage to trading order, scale of business, and conduct after the violation, the FTC imposed the aforementioned fine in accordance with Article 41 of the Fair Trade Law.