Application of UPPI, CPPI and DEA under the Horizontal Merger Regulation of the Competition Law

Hsu, Shu-Hsin*

Abstract

The Fair Trade Commission (FTC) may impose conditions or undertakings in any of its decisions, which are the result of the evaluation of entity requirements as mentioned in Article 13 (1) of the Fair Trade Act, which states that "The overall economic benefit of the merger outweighs the disadvantages resulting from competition restraint." Since a horizontal merger is generally more likely to result in significant competition restrictions, this article specifically focuses on the horizontal merger. We select one case which the FTC handled in the past and refer to the law enforcement experiences of other competition authorities and the related literature. We then apply economic analysis models such as GUPPI & UPPI, CPPI and DEA for empirical testing while observing whether our test results are the same as for economic analysis models, which were not used before. In addition to that, we further explore the implications and meanings implied by the results to provide a reference for the FTC. After using the economic analysis models to test the results, the main finding is that, in terms of the unilateral effects and economic efficiency, the empirical test results conform to the analysis of the FTC. The economic analysis models used in this article are indeed convenient and effective methods. It is thus recommended that the economic analysis models mentioned above be used as a reference for law enforcement when reviewing merger cases.

Keywords: Fair Trade Act, Merger, Unilateral Effects, Coordinated Effects, Economic Efficiency.

Date submitted: October 1, 2019 Date accepted: December 24, 2019

* Master degree in National Development, National Taiwan University; Master degree in Economics, National Chengchi University. Director, Department of Planning, Fair Trade Commission.