

IN THE ACT

MAKING MARKETS WORK WELL

ISSUE 1 | JUNE - SEPTEMBER 2018

NO EASY RIDE

GRAB & UBER FINED
\$13M FOR ANTI-
COMPETITIVE MERGER
INFRINGEMENT

The Grab logo is displayed in green, featuring the word "Grab" in a stylized, rounded font.The Uber logo is displayed in white text on a black rounded square background.

NO FOWL PLAY

Highest fine for single case
imposed on chicken cartel

NO ROOM TO SHARE

CCCS uncovers hotel
information sharing



CE's NOTE

I am pleased to present the revamped design of CCCS's e-newsletter, **In The Act**. The new design features simple lines, forms and colours, yet it aims to create impact with bold imagery and punny titles.

In this issue, we put the spotlight on 2 cases with infringement decisions issued by CCCS in September. One recorded the highest fine in CCCS's history, while the other was CCCS's first investigation against a completed merger that resulted in an infringement decision.

CCCS penalised 13 fresh chicken distributors who were found to have engaged in price-fixing and non-compete agreements for over 7 years, where they had control over 90% of the market. As a result of the infringement, close to S\$27 million in financial penalties were imposed by CCCS on the distributors.

The second infringement decision was against Grab and Uber for the sale of Uber's Southeast Asian business to Grab for a 27.5% stake in Grab in return. CCCS found that this transaction has infringed the Competition Act as an anti-competitive merger to the detriment of Singapore drivers and riders.

On regional matters, CCCS has concluded the 22nd ASEAN Experts Group on Competition (AEGC) meeting earlier this month. As chair of the AEGC, CCCS is honoured to have contributed to the development of policy and law in the region through several initiatives, such as the ASEAN Competition Enforcers Network, the Regional Cooperation Framework and the Virtual ASEAN Competition Research Centre.

Our biennial collaboration with the Economic Society of Singapore (ESS) also saw a fresh batch of winners from the 3rd run of the CCCS-ESS essay competition – Nexus between Competition and Consumer Protection Policies. We have featured the winning essays in this issue.

We hope you like the new look of the e-newsletter, and we look forward to continue working with you to make markets work well.

TOH HAN LI
CHIEF EXECUTIVE
COMPETITION AND CONSUMER COMMISSION OF SINGAPORE

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ABOUT CCCS

The Competition and Consumer Commission of Singapore ("CCCS") is a statutory board of the Ministry of Trade and Industry. CCCS administers and enforces the Competition Act (Cap. 50B) which empowers CCCS to investigate and adjudicate anti-competitive activities, issue directions to stop and/or prevent anti-competitive activities and impose financial penalties. CCCS is also the administering agency of the Consumer Protection (Fair Trading) Act (Cap. 52A) or CPFTA which protects consumers against unfair trade practices in Singapore. Our mission is to make markets work well to create opportunities and choices for business and consumers in Singapore.

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SPOTLIGHT

"Mergers that substantially lessen competition are prohibited and CCCS has taken action against the Grab-Uber merger because it removed Grab's closest rival, to the detriment of Singapore drivers and riders. Companies can continue to innovate in this market, through means other than anti-competitive mergers."

- Mr. Toh Han Li, Chief Executive, CCCS



NO EASY RIDE

Grab & Uber fined \$13M for anti-competitive merger infringement

CCCS has fined Grab and Uber a total of \$13 million on 24 September 2018 as part of its Infringement Decision on the merger of the two ride-hailing companies which infringed the Competition Act.

Grab's 80% post-merger market share, together with its exclusivities, also created barriers to entry for potential competitors who cannot scale up to compete effectively against the company. Potential new entrants also indicated that without CCCS's intervention to level the playing field, it is hard to compete effectively against Grab.

In addition to the financial penalties imposed, CCCS also imposed remedies on both Grab and

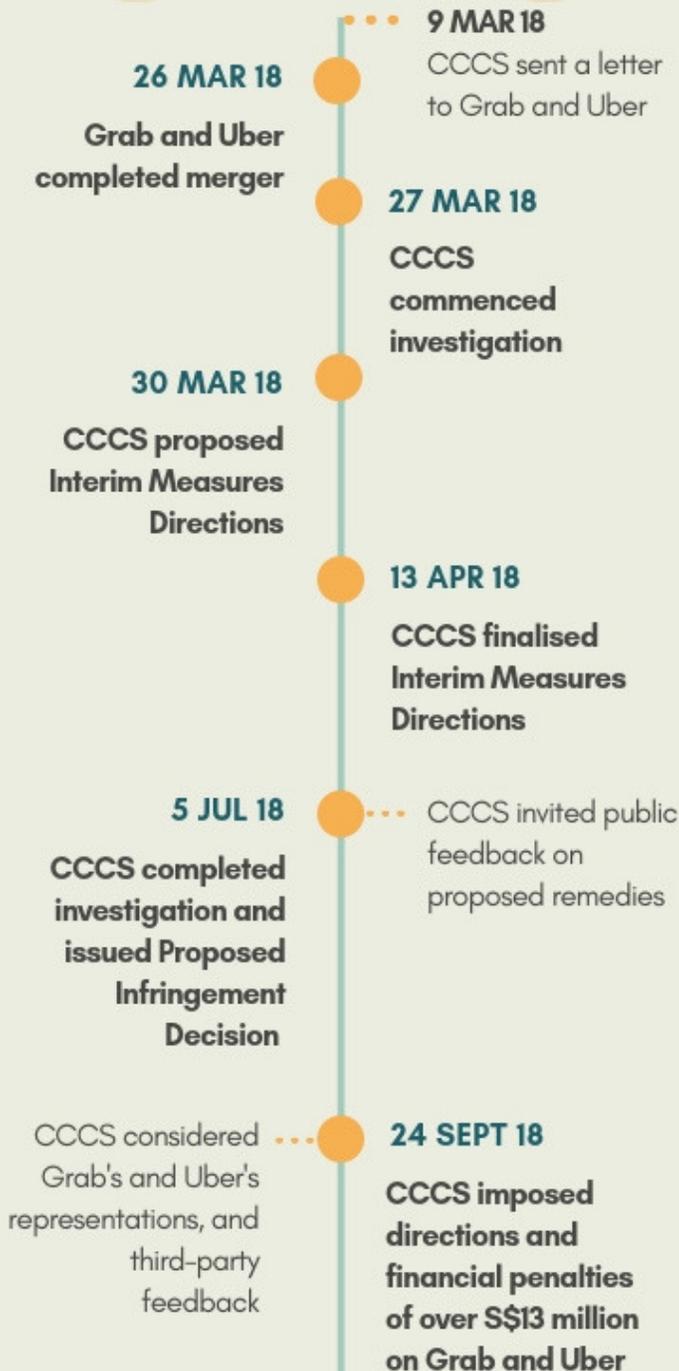
Uber to lessen the impact of the merger on drivers and riders, and to open up the market and level the playing field for new players. They include ensuring that Grab drivers are not required to exclusively use the Grab ride-hailing platform, removing Grab's exclusivity arrangements with any taxi fleet in Singapore, maintaining Grab's pre-merger pricing algorithm and driver commission rates, and requiring Uber to sell the vehicles of Lion City Rentals to any potential competitor.

The Grab Philippines-Uber merger was also fined P16M (approx. S\$409, 890) by the Philippine Competition Commission in October 2018.

[Grab-Uber Merger Timeline >>](#)

GRAB-UBER Merger

Timeline



 Mergers that substantially lessen competition are prohibited.

CCCS has taken action against this merger because it **removed Grab's closest rival to the detriment of Singapore drivers and riders.**



Companies can continue to innovate in this market, through means other than anti-competitive mergers.



Interim measures directions lessen the detrimental impact of the completed merger on drivers and riders.



CCCS's final decision and directions **open up the market and level the playing field.**



Financial penalties deter the completion of irreversible mergers that harm competition.



 Financial penalties can be avoided if merging parties obtain clearance from CCCS before completing a merger.

GRAB-UBER Merger



CCCS's Findings



Grab increased effective fares* between **10% - 15%** after removal of its closest competitor



CCCS received numerous complaints from drivers and riders



July 2018 - Grab announced changes to GrabReward Scheme: reduced points earned by riders per dollar spent on Grab's trips; increased points required for redemptions



*Trip fares net of rider promotions

Ride-hailing platform market



Recent entry by several small players but their market shares remain insignificant



Grab's exclusivities block access to drivers and vehicles necessary for potential competitors to expand



Feedback from potential new entrants: **without CCCS's intervention to level the playing field, hard to compete effectively against Grab**





NO MORE FOWL PLAY

Highest fine for single case imposed on chicken cartel

A public tip-off led CCCS to uncover a chicken distribution cartel, made up of 13 fresh chicken distributors, which were fined a total of \$26.9 million on 12 September 2018 for engaging in price-fixing and anti-competitive agreements. This is the highest total financial penalty in a single case to date.

For at least seven years, the cartel members expressly coordinated the amount and timing of price increases, and agreed not to compete for each other's customers in the market for the supply of fresh chicken products in Singapore. Chicken is the most consumed meat in Singapore. The cartel members collectively held over 90% of

market share and earned about half a billion dollars annually.

The collusion restricted competition in the market and likely contributed to price increases of certain fresh chicken products in Singapore. This also limited options for customers to switch to more competitive supplies.

Persons who are aware of any cartel activities and wish to provide the information may write, email or call the CCCS hotline at **1800 3258282** to provide such information.

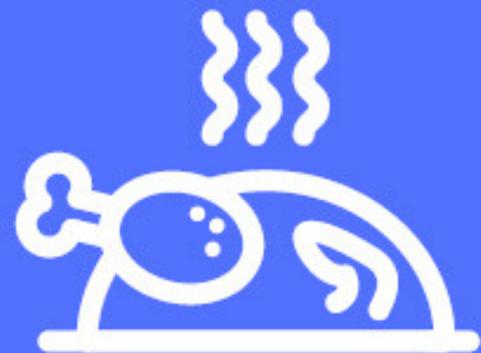
Scan the QR Code to find out more about our Reward Scheme for whistleblowers



Fresh Chicken Industry in Singapore

In 2016, approximately 49 million live chickens were slaughtered in Singapore. (Source: SINGSAT)

Chicken is the most consumed meat in Singapore



Average annual consumption per person (FY 2016) (Source: AVA)

13 fresh chicken distributors



Supply of fresh chickens in Singapore

The Parties supply
> 90%
(by annual turnover)



Annual Turnover
> SGD 500 million dollars



The Parties:

- Gold Chic, Hua Kun
- Hy-fresh
- Kee Song
- Ng Ai
- Sinmah
- Toh Thye San
- Lee Say Group (Lee Say, Hup Heng, Prestige Fortune, Leong Hup & ES Food)
- Tong Huat Group (Tong Huat, Ban Hong)

For at least 7 years (Sep 2007 to Aug 2014), CCCS found that the Parties had:



- Engaged in price discussions
- Expressly coordinated the amount and timing of price increases
- Agreed not to compete for each other's customers



Prices of fresh chicken products sold to supermarkets and hawker stalls



by 10 ¢ - 30 ¢ per kg



READY FOR TAKE-OFF

Guiding self-assessment of airline alliances

Singapore's open skies policy encourages both local and international airlines to grow their connectivity at Changi and helped Singapore grow as a key air hub in the region. Airline alliances can enhance operational efficiencies and provide benefits to the traveling public. On the other hand, certain forms of airline alliances can potentially restrict competition, and lead to fewer options and higher airfares.

CCCS has issued an Airline Guidance Note on 5 September 2018 to provide more clarity on the competition assessment of such airline alliance agreements.

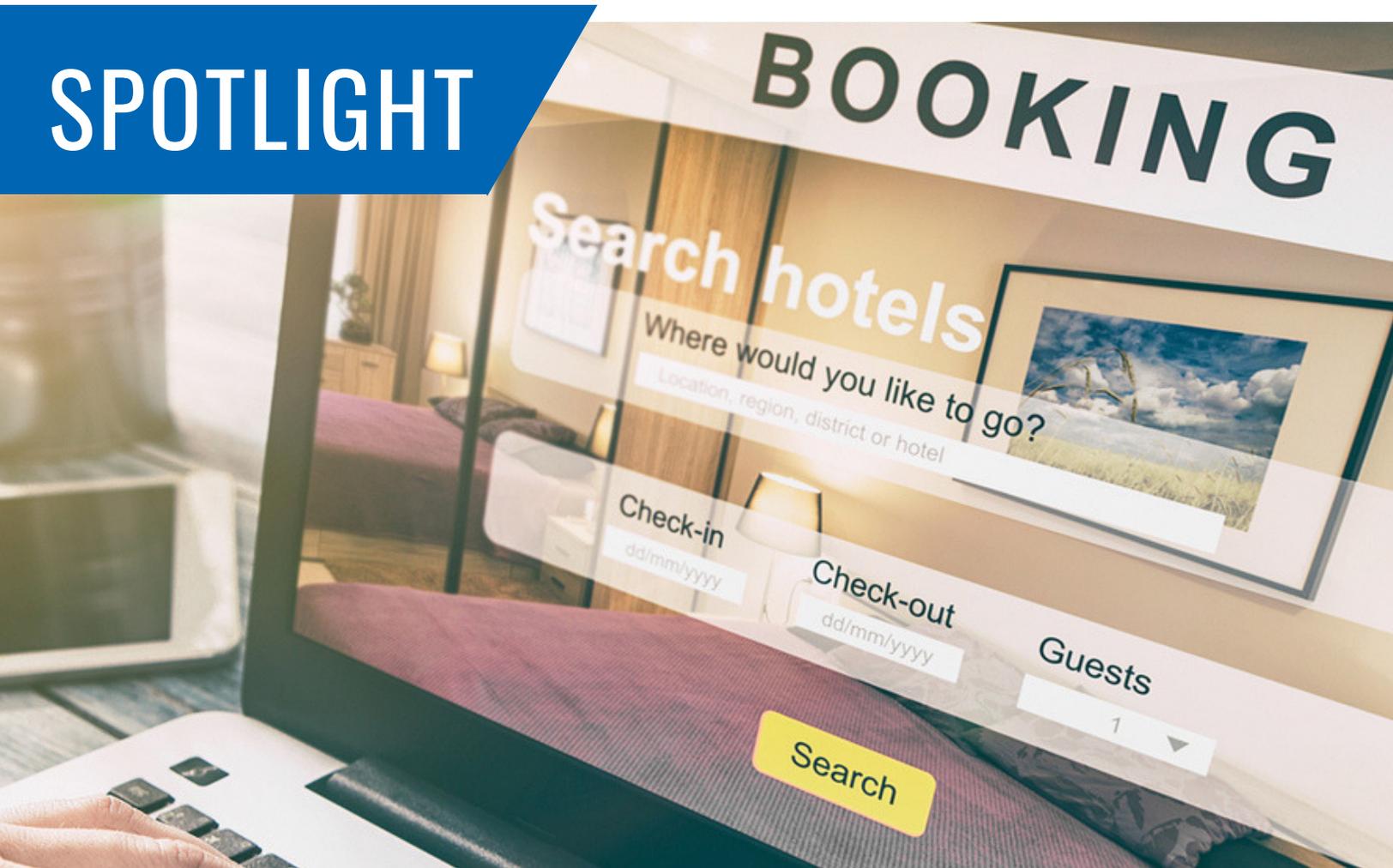
The Airline Guidance Note aims to facilitate the airlines' self-assessment of whether their alliance

agreements will breach the Competition Act, and whether the alliance generates economic benefits that would outweigh competition concerns.

After making a self-assessment, should an airline choose to notify CCCS for guidance or decision, the Airline Guidance Note specifies how such notifications should be made and set out the required documentation for CCCS's review. It also introduces a streamlined review process with an indicative review timeframe which mirrors CCCS's current merger review timelines.

[Scan the QR code to read more about the Airline Guidance Note](#)





NO ROOM TO SHARE

CCCS uncovers hotel information sharing

Following an investigation into the hotel sector, CCCS issued a Proposed Infringement Decision on 2 August 2018 against the owners and operators of four competing hotels for exchanging confidential, customer-specific and commercially sensitive information.

The sales representatives from Capri by Fraser Changi City Singapore ("Capri"), Village Hotel Changi and Village Hotel Katong were found to have shared information relating to the provision of hotel room accommodation in Singapore to corporate customers from 2014 to 2015.

Separately, the sales representatives from Capri

and Crowne Plaza Changi Airport Hotel were also found to have shared similar information from 2014 to 2015.

These included non-public bid prices in response to corporate customer requests, as well as percentages of price reduction which customers asked for and the corresponding responses by each hotel sales representative during confidential price negotiations. The exchange of such commercially sensitive information would reduce the competitive pressure on prices/contract terms offered by competing hotels to their corporate customers.

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SPOTLIGHT

<< Continued

CCCS will make its decision after careful consideration of the representations from the hotels, including those which applied for lenient treatment under **CCCS's Leniency Programme**, as well as all available information and evidence.

APPLYING FOR LENIENCY

CCCS's Leniency Programme affords lenient treatment to businesses that are part of a cartel agreement or concerted practice (or trade associations that participate in or facilitate cartels), when they become the first party to come forward to CCCS with information on their cartel activities.

Where eligible for lenient treatment, businesses can be granted total immunity or be granted a reduction of up to either 100% or 50% in the level of financial penalties, depending on whether CCCS has already begun an investigation and the timing of the leniency application.

To qualify for leniency, the applicant must:



i) come forward with all the information and documents relating to the cartel activity as well as render full, complete and continuous cooperation to CCS until the conclusion of any action arising as a result of the investigation;



ii) refrain from further participation in the cartel from the time of disclosure to CCS, unless otherwise directed by CCS; and

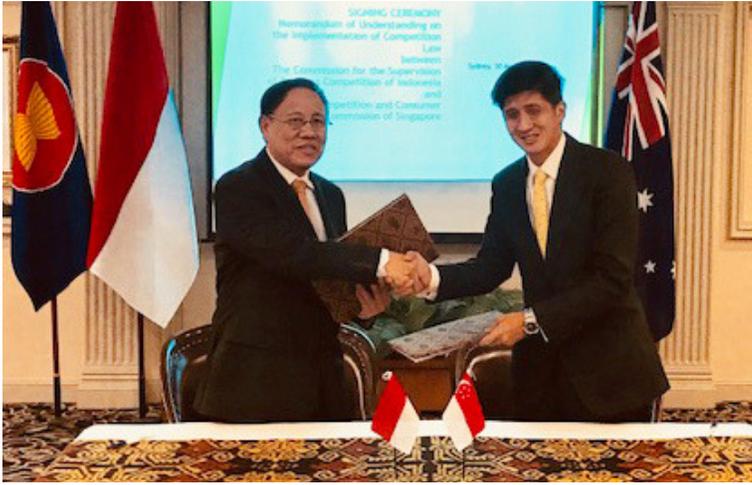


iii) not have been the initiator of the cartel and not have taken steps to coerce other parties to participate in the cartel.

Scan the QR code
to read more about the
Leniency Programme



GLOBAL ACT



CCCS-KPPU MOU

CCCS and Indonesia's Commission for the Supervision of Business Competition ("KPPU") signed a Memorandum of Understanding ("MoU") on 30 August 2018 to facilitate cooperation on competition enforcement between the two agencies.

This marks CCCS's first ever MoU on enforcement cooperation of competition law

with an ASEAN competition authority and signifies the strengthening of the long-standing relationship between both authorities. The MoU will enhance effective enforcement of competition laws in Indonesia and Singapore through the establishment of a mutual cooperation framework and increase the effectiveness of enforcement on cross-border cases involving both countries.

ASEAN COMPETITION ENFORCERS' NETWORK



The ASEAN Experts Group on Competition ("AEGC") has established the ASEAN Competition Enforcers' Network ("ACEN") to facilitate cooperation on competition cases in the region and to serve as a platform to handle cross-border cases. ACEN held its first meeting on 9 October 2018 on the side-lines of the 22nd AEGC Meeting.

Under the ASEAN Economic Community Blueprint 2025, competition policy is key to create a competitive, innovative, and dynamic ASEAN. ACEN aims to enable mutual understanding of enforcement goals, encourage information sharing between ASEAN competition authorities and look into facilitating cooperation on cross-border mergers and acquisitions.

SHOWCASE



From left: Zhang Qing Yang, Zhang Xiaomenghan, Prof Euston Quah, Minister Ong Ye Kung, Seow Yu Ning Charlene, Wong Xue Li, Bai Jiawei & Xu Tian Cheng



From left: Prof Euston Quah, Wang Yi Kat, Minister Ong Ye Kung, Chua Jun Yan & Koh Boon Tiong

RESULTS OF THE CCCS-ESS ESSAY COMPETITION 2018

Nexus between Competition and Consumer Protection Policies

The competition, which ended on 1 June, attracted a total of 56 entries under the Open and Pre-University categories. The awards ceremony was held in conjunction with the Economic Society of Singapore (ESS) Annual Dinner on 25 July 2018. Winners received their awards from the Guest-of-Honour, Minister for Education, Mr. Ong Ye Kung.

Scan the QR code to read the winning essays



1st prize winner of the Open Category

Ms. Wang Yi Kat of Clifford Chance, highlighted in her essay that with a single agency conducting market studies and advocacy, both competition and consumer protection functions can be carried out in a comprehensive and balanced manner.

1st prize winner of the Pre-University Category

Mr. Zhang Xiaomenghan and **Mr. Zhang Qing Yang** of the SAF Military Police Command, in their essay held that despite certain trade-offs between competition policy and consumer protection, the pursuit of one objective generally reinforces the other.

ON THE RECORD

GCR ENFORCEMENT RATING ★★ ★

Star rating: 3 stars

Performance: ↑

The Global Competition Review (GCR) surveys the world's leading competition authorities annually. In the third year of CCCS's participation, it was awarded a 3 stars ranking with an upward trend of improving performance.

GCR noted the ambitious cases taken on by CCCS in 2017, including with the likes of the US Federal Trade Commission and the EU's DG Competition on big merger cases, like the merger of eyewear suppliers Essilor and Luxottica, as well as the merger of maritime products suppliers Wilhelmsen Maritime Services and Drew Marine.

2017 was also a strong year on enforcement matters, as GCR considered 2 cases with infringement decisions. One involved bid-rigging conduct in electrical services and asset tagging services tenders, and the other (with the highest penalty recorded as of 2017) a global capacitor cartel for price-fixing and information exchange.

CCCS was also lauded for its market studies into formula milk, petrol and car warranty markets. For these studies, CCCS was described as "going in with more of a soft touch and evaluating the market conditions to reach an amicable conclusion without opening up a full-fledged enforcement action".

Read more on GCR's website:

<https://globalcompetitionreview.com/edition/1001254/rating-enforcement-2018>

"Due process is important for a robust and credible competition regime. In this regard, businesses served with a proposed infringement decision are given sufficient time to review the evidence and make their representations to CCCS, which will finalise its decision only after careful consideration of the representations as well as all available information and evidence."

- Mr. Teo Wee Guan, Director (International & Strategic Planning), CCCS, in a forum reply to The Straits Times on 19 September 2018, clarifying that price-fixing investigations took a long time because of due process.

"CCCS's measures seek to create an open, competitive environment to enable new and existing players to compete effectively, so as to benefit drivers and riders alike."

- Mr. Herbert Fung, Director (Business & Economics), CCCS, in a forum reply to The Straits Times on 5 October 2018, clarifying that CCCS's infringement decision against Grab and Uber had taken into account the interests of both drivers and riders.

BLUEPRINT

BE A FAIR TRADER

STOP THESE UNFAIR TRADE PRACTICES

FALSE CLAIMS ABOUT THE HISTORY OF GOODS

FOR SALE
10,000KM
MILEAGE ONLY!



FALSE CLAIMS THAT THE GOODS OR SERVICES ARE OF A PARTICULAR STANDARD OR QUALITY



FALSE CLAIMS ABOUT GOODS OR SERVICES

Unbreakable!

World #1



Life-time replacement

FALSE CLAIMS THAT GOODS ARE NEW OR UNUSED

