

## Cashbox Partyworld Co., Ltd. & Holiday Entertainment Co., Ltd.

1450<sup>th</sup> Commissioners' Meeting (2019)

Case: Cashbox filed a pre-merger notification to the FTC regarding its intention to acquire shares of Holiday yet been prohibited

Keyword(s): Audiovisual and singing

Reference: Fair Trade Commission Decision of August 21, 2019 (the 1450<sup>th</sup> Commissioners' Meeting)

Industry: Operation of Audiovisual and Singing Facilities (9322)

Relevant Law(s): Articles 10, 11 and 13 of the Fair Trade Law

### Summary:

1. Cashbox Partyworld Co., Ltd. (hereinafter referred to as "Cashbox") intended to acquire the entire shares of Holiday Entertainment Co., Ltd. (hereinafter referred to as "Holiday") and gain direct or indirect control of the latter's management and personnel appointment and dismissal. This case fell into the patterns of the mergers described in Subparagraphs 2 and 5 of Paragraph 1 of Article 10 of the Fair Trade Law. At the same time, the market shares of the merging parties both met the filing thresholds specified in Subparagraphs 1 and 2 of Paragraph 1 of Article 11 of the Fair Trade Law whereas the proviso in Article 12 of the same law was inapplicable. Therefore, a merger notification was filed with the FTC.

### 2. Findings of the FTC after investigation and the results:

- (1) When reviewing the case, besides asking the competent authority and related businesses for their opinions and information, the FTC also outsourced a survey on the behavior of consumers using audiovisual and singing services. In addition, the FTC held a seminar in Jun. 2019 and invited Cashbox and Holiday to present their statements in which scholars, specialists, competent authorities of related industries, consumer protection authority, upstream and downstream businesses and horizontal competitors were also invited to discuss and express their opinions with regard to market definition in this case and the impact on the domestic music market, music copyright licensing and audiovisual and singing services.
- (2) According to the survey results, the FTC defined the product market as the audiovisual and singing service market and the enterprises belonging to this market were businesses providing audiovisual and singing facilities as their main service. As for the geographic market, considering the merging parties were competitors with chain operations to provide audiovisual and signing services around the country, the FTC defined the entire domestic market as the geographic market. Moreover, since consumers usually would choose such facilities by taking their daily life circles and distance into account while the merging parties were competitors with overlapped operating ranges, the FTC particularly examined the competition in Taipei City, New Taipei City, Taoyuan City, Hsinchu city, Taichung City, Tainan City, and Kaohsiung City.
- (3) The merging parties were the top two businesses in the market and each other's major competitors. After the merger, competition between the top two businesses in the audiovisual and signing service market would cease to exist. As far as consumers' choice and other competitors' competitiveness were concerned, the

merger could easily weaken the competition function in the audiovisual and singing service market. The merging parties' incentives and abilities to raise prices would increase, and consumers and competitors would have no effective measures to counteract under the circumstances. Consequently, competition restraints could appear and create certain disadvantages.

- (4) When the FTC solicited opinions from various sectors, a number of music companies, KTV product agents, music copyright management groups and consumer protection groups all expressed their concerns about potential competition restraints after the merger.
- (5) The merger would bring significant economic benefits to the merging parties, but the promise that they would not increase prices or reduce service contents was no guarantee that, in the long run, they would not raise prices especially after the main competitor was eliminated. The FTC thus concluded the overall economic benefit of the merger would be insignificant.
- (6) Accordingly, the FTC decided that the merger could not lead to significant overall economic benefit. On the contrary, it could seriously weaken the competition function in the audiovisual and singing service market while the merging parties would also have high incentives and abilities to increase prices and consumers and thus the competitors would be unable to cope or counteract effectively. Apparently, the merger could entail disadvantages as a result of competition restraints. Hence, the FTC prohibited the merger by citing Article 13(1) of the Fair Trade Law.

Appendix:

Cashbox Partyworld Co., Ltd.'s Uniform Invoice Number: 22327867

Holiday Entertainment Co., Ltd.'s Uniform Invoice Number: 84256265

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