

Taoyuan City Association of Security Companies

1448th Commissioners' Meeting (2019)

Case: Taoyuan City Association of Security Companies violated the Fair Trade Law for imposing restrictions on members' quotation for security services

Keyword(s): Trade association, self-regulation agreement, price quotation

Reference: Fair Trade Commission Decision of August 7, 2019 (the 1448th Commissioners' Meeting); Disposition Kung Ch'u Tzu No.108044

Industry: Security and Investigation activities (8000)

Relevant Law(s): Articles 14 and 15 of the Fair Trade Law

Summary:

1. The FTC received complaints accusing Taoyuan City Association of Security Companies (hereinafter referred to "TCASC") of passing the "Regulations Governing the Implementation of Basic Guidelines of the Self-regulation Agreement (hereinafter referred to as the self-regulation agreement)" and the "Annual Contrast Table of Price Quotation Standards in Accordance with the Self-regulation Agreement" at its general assembly to impose restrictions on members' price quotation and at the same time to fine members quoting prices below the standards.

2. Findings of the FTC after investigation and grounds for disposition:

(1) The TCASC had more than one hundred members and most of them were security companies which provide security services to apartment buildings, congregate housing communities, factories, and schools. These companies normally obtained the opportunity to provide their services by participating in tenders put up by apartment building management committees, factories, or government agencies. The FTC's investigation confirmed that the TCASC had indeed established the price quotation standards in accordance with the self-regulation agreement each year from 2016 to 2019 after making the decision during a board meeting of directors and supervisors. The decision and standards were then issued to each member in the name of the association. In the meantime, the TCASC would also notify members giving price quotations below the standards to give their statements at the association. Some members were sanctioned for violating the self-regulation agreement. The TCASC requested these members to donate payments they received in advance to the association. The above conduct constitute the concerted action of "a trade association restricting the activities of enterprises by means of a resolution of a general meeting of members or a board meeting of directors and supervisors" as set forth in Article 14(4) of the Fair Trade Law.

(2) The TCASC stipulated that members' price quotations could not be lower than the suggested price quotation standards established by the association. The restriction compressed the flexibility of members to decide prices according to market conditions. It also deprived trading counterparts of the opportunity to obtain more advantageous prices. In addition, the total sales of the members of the association

accounted for almost 50% of the relevant market. Therefore, the restriction the TCASC imposed on its members' price quotation could affect of the supply-demand function in the relevant market. It was in violation of the regulation against concerted action in Article 15(1) of the Fair Trade Law.

- (3) Accordingly, the TCASC violated the regulation against concerted actions in Article 15(1) of the Fair Trade Law. Hence, the FTC cited the first section of Article 40(1) of the same law, ordered the association to immediately cease the unlawful act and also imposed on it an administrative fine of NT\$400,000.

Appendix:

Taoyuan City Association of Security Companies' Uniform Invoice Number:
19614437

Summarized by: Lai, Hsin-Yi; Supervised by: Liao, Hsien-Chou □