Merger of eTreego, Hotai Motors, He Jun Energy and SEEC

1625th Commissioners' Meeting (2022)

Case: eTreego, Hotai Motors, He Jun Energy and SEEC filed a pre-merger notification with the FTC regarding their intention to set up a joint venture
Keyword(s): Electric car, battery charging, net zero emissions, solar energy, green energy
Reference: Fair Trade Commission Decision of November 16, 2022 (the 1625th Commissioners' Meeting)
Industry: Manufacture of Other Electrical Equipment (2890)
Relevant Law(s): Articles 10, 11 and 13 of the Fair Trade Law

Summary:

1. eTreego Co., Ltd. (hereinafter referred to as eTreego), Hotai Motor Co., Ltd. (hereinafter referred to as Hotai Motors), He Jun Energy Co., Ltd. (hereinafter referred to as He Jun Energy) and Shihlin Electric & Engineering Corporation (hereinafter referred to as SEEC) intended to set up a joint venture to provide electric vehicle charging service, and to expand battery charging operations and technical service markets. eTreego and Hotai Motors, with the shares of the joint venture held by its affiliate He Jun Energy taken into consideration, would each hold more than one third of the new business and gain control of the management and personnel appointment and dismissal. The condition fell under the category of the merger patterns described in Article 10(1)(ii)(v) of the Fair Trade Law. At the same time, the share Hotai Motors accounted for in the Automobile market achieved the filing threshold prescribed in Article 11(1)(ii) of the Fair Trade Law whereas the sales of Hotai Motors and SEEC in 2021 also reached the filing threshold specified in Article 11(1)(iii) and the exemption regulations in Article 12 of the same act was inapplicable. Therefore, a pre-merger notification was filed with the FTC according to law.

2. Findings of the FTC after investigation:
(1) The electric vehicle charging service industry would be affected by this merger. With the original business operations of the merging parties taken into consideration, the product markets could be defined as the electrical parts, electric vehicle charging equipment, electric car charging service, automobile and solar power markets. The merger was a conglomerate merger but also a vertical merger between electric

vehicle charging services.

(2) The conglomerate merger part: The domestic green energy policy could encourage more and more businesses to enter the electric vehicle charging industry and increase the incentives for the merging parties to participate in this cross-industry business venture. The merging parties were major players in the fields of charging equipment production, auto sales and supply of electrical parts and the technologies were mature, but they were novices as far as solar power and charging service were concerned. However, since the software services the new joint venture intended to provide involved no intellectual property rights, it was difficult to conclude that the technologies of the merging parties would have any effect on the competition in the electric vehicle charging service market. Furthermore, as the merging parties had no further cross-industry development plans, their current business management would not be affected.

(3) The vertical merger part: It is likely that many competitors likely will enter the electric vehicle charging service market since entry barriers such as special technologies and intellectual property rights did not exist at all. It is unlikely that the merger would have any influence on other competitors' choice of trading counterparts or on the level of difficulty for businesses outside the merging parties to enter the relevant market. The joint venture would have to face market competition from existing businesses with first mover advantages. In addition, the main business operations of the merging parties and electric vehicle charging service did not overlap, as a result it was impossible that the merging parties could increase the costs of their competitors.

(4) After taking into account the opinions of the competent authority of the industry, market competitors, as well as upstream and downstream trading counterparts. The FTC, after making a general assessment in accordance with related industrial data, concluded that the merging parties were entering a developing market to pursue the goal of net zero emissions by 2050 in Taiwan by making electric vehicle charging more convenient for electric vehicle users and increasing the number of users. The effect on use of electric vehicles and consumers in this country would be positive. There would be no significant concerns about restraints on market competition. Therefore, the FTC cited Article 13(1) of the Fair Trade Law and did not prohibit the merger.

Appendix:
eTreego Co., Ltd.'s Uniform Invoice Number: 57612402
Hotai Motor Co., Ltd.'s Uniform Invoice Number: 03251108

He Jun Energy Co., Ltd.’s Uniform Invoice Number: 90670753
Shihlin Electric & Engineering Corporation’s Uniform Invoice Number: 11039306

Summarized by: Fang, Yen-Hsiu; Supervised by: Ho, Yen-Jung