

## Long Chang Bar and 3 other bars

1620<sup>th</sup> Commissioners' Meeting (2022)

Case: Long Chang Bar and other bars in Taipei City violated the Fair Trade Law by jointly deciding to collect private room fees

Keyword(s): Bar, private room, joint pricing

Reference: Fair Trade Commission Decision of October 12, 2022 (the 1620<sup>th</sup> Commissioners' Meeting); Disposition Kung Ch'u Tzu No. 111081

Industry: Special Amusement Activities (9323)

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

### Summary:

1. The FTC received complaints that Long Chang Bar, Hao Men Bar, Hua Na Bar (Huang Guan Bar on the store sign) and Jin Chang Bar (Jin Cong Bar on the store sign) in Taipei City all made the announcement to charge NT\$500 for a private room used by one or two people, and NT\$1,000 for a private room used by three or people more than three, starting on February 1, 2021. It was a concerted action.
2. Findings of the FTC after investigation:  
The management styles of Long Chang Bar, Hao Men Bar, Hua Na Bar and Jin Chang Bar were similar and therefore substitutability was high. Their locations were close and thus their management decisions had a considerable effect on one another. The bar owners and related personnel often got together and visited each other's establishments to build up business relationships. At the end of January 2021, Hua Na Bar, Jin Chang Bar and Hao Men Bar announced they would begin to collect private room fees starting on February 1, 2021 as a response to the policy of the Bar Association. Long Chang Bar also made the same announcement soon afterwards. As a matter of fact, the four bars had passed the fee collection message when getting together or through their staff members to confirm the willingness of one another to collect private room fees and achieve consensus before they made the announcement almost at the same time to charge private room fees, NT\$500 for a room used by one or two people and NT\$1,000 for a room used by three or people of more than three.

### 3. Grounds for disposition:

- (1) The four bars were horizontal competitors on the market, and they were the actors in this concerted action. The announcements provided by the informer all showed that collection of NT\$500 for a private room used by one or two people and NT\$1,000 for a private room used by three or people more than three would begin on February 1, 2022. The announcements from Hua Na Bar and Hao Men Bar specifically indicated that the decision was made in response to the policy of the Bar Association. Hua Na Bar, Long Chang Bar and Jin Chang Bar all admitted that they started to collect private room fees on February 1, 2021 and adopted the standard as announced. Hao Men Bar claimed the period between February 1 and March 3, 2021 was the promotion period for the policy of private room fee collection. If customers agreed, the fees collected would be used as bonuses for staff members with outstanding performance. Collection of private room fees did not officially begin until Mar. 4. However, whether the fees collected during the promotion period went to Hao Men Bar or staff members with outstanding performance, it did not change the fact that Hao Men Bar began to collect private room fees on February 1, 2021. Therefore, the four bars were consistent as far as the collection time and fee standard were concerned.
- (2) The announcements from Hua Na Bar and Hao Men Bar specifically indicated that the decision was made in response to the policy of the Bar Association. The announcement sent by Jin Chang Bar as a text message also clearly indicated that “collection of private room fees begins on February 1 in response to the Bar Association policy.” Nevertheless, the four bars either said the Bar Association did not exist or were not sure if there was such an association despite that they all used the same excuse for private room fee collection. In the meantime, Long Chang Bar asserted that it merely followed suit after Hua Na Bar and Jin Chang Bar resumed the policy for private room fee collection. Hao Men Bar claimed it did the same thing after Hua Na Bar started to collect private room fees and stated that it instructed staff members to blame the private room fee collection on the Bar Association when they complained it was difficult to explain to customers the reason for collecting private room fees. Apparently, the bars passed messages to one another. It was not a matter of following suit.
- (3) The four bars were horizontal competitors in the market of “hotels and bars with waitresses keeping customers company” in Taipei City. They should have offered more advantageous terms to obtain transaction opportunities. However, instead of individually deciding to

collect private room fees or not in accordance with the management cost, the competitive environment and each bar's own business judgment, the bars exchanged ideas when the managers or staff members got together to improve business relationships, discussed private room fee collection and reached consensus. Through staff members, they confirmed the beginning point of time for private room fee collection to reduce the competition risk of one bar beginning to collect the fees alone. In consequence, every bar started to collect private room fees on February 1, 2022. The restriction was placed on price, the core of market competition. It was a type of hardcore cartel which was intrinsically highly harmful to market competition. Whether the market share was high or low, the practice could affect the supply-demand function of the market in violation of Article 15(1) of the Fair Trade Law. For this reason, the FTC imposed on the four bars administrative fines that totaled NT\$450,000 and also gave the informer a concerted action whistleblower reward.

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