PHILIPPINE COMPETITION COMMISSION
Ensuring businesses compete and consumers benefit

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PRESS RELEASE
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PCC: Udenna notifies TransAsia deal, commits to address competition concerns in TransAsia and 2Go transactions

The Philippine Competition Commission (PCC) has received the notification by Udenna Corporation and Trans-Asia Shipping Lines, Inc. on September 21, 2018 and will commence Phase 1 review today.

The deal was earlier nullified on June 28, 2018 after the Commission determined the parties' failure to file a notification of the acquisition.

On the same date, in a related transaction, PCC conditionally cleared Chelsea Logistics Holding Corporation's purchase of shares in KGLI-NM Holdings, Inc., which owns 2Go Group Inc. The Commission noted that with the nullification of the Trans-Asia transaction, it eliminated the competition concerns brought about by the common ownership by Udenna of both 2Go and TransAsia. The parties sought to have both decisions reconsidered by the Commission and to have the penalties reduced, leading to a hearing on September 17.

At the hearing, Mr. Dennis Uy and other representatives signified their intent to comply with the compulsory notification requirements of Section 17 of the Philippine Competition Act. They further expressed their willingness to offer voluntary commitments to address the competition concerns arising from Udenna's concurrent ownership of 2Go and TransAsia. These include the commitment to be bound by a price monitoring scheme and provide necessary information to implement the same.

The subsequent notification and the proposal of voluntary commitments were considered as mitigating factors, leading the Commission to set the applicable administrative fine at 1% of the transaction value amounting to Php11.4M.

"Compliance is the cornerstone of fostering a culture of competition. The competition law is fair as it rewards faithful observance of the rules while it penalizes violations," said PCC Chairman Arsenio M. Balisacan.

Based on its previous review of the Chelsea/KGLI-NM transaction, PCC found that control of both 2Go and Trans-Asia by Chelsea would lead to a substantial lessening of competition affecting Roll-On/Roll-Off passenger shipping services (RoPax) in 6 legs, particularly (i) Cebu-Cagayan De Oro, (ii) Cagayan De Oro-Cebu, (iii) Cebu-Ozamis, (iv) Ozamis-Cebu, (v) Cebu-Iligan and (vi) Iligan-Cebu legs.

The same transaction also found substantial lessening of competition in the cargo shipping services in the same areas plus the (vii) Cebu-Zamboanga leg. In these legs, 2Go and Trans-Asia overlap or compete directly with each other.

Chelsea is a wholly-owned subsidiary of Udenna Corporation engaged in maritime trade and shipping transport business. Among Chelsea's subsidiaries are Chelsea Shipping Corporation engaged in the business of petroleum hauling; Starlite Ferries Inc. involved in domestic shipping; and Worklink Services, Inc. involved in domestic logistics solutions for various local industries. On the other hand, Trans-Asia Shipping Lines, Inc. is mainly engaged in the business of transporting passengers and cargo.

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ABOUT PCC

The Philippine Competition Commission is a national government agency and independent quasi-judicial body established by the Philippine Competition Act (Republic Act No. 10667) to review mergers and acquisitions for possible substantial lessening of competition in the market and investigate anti-competitive conduct by businesses across all sectors. Through its legal mandate, PCC aims to ensure that businesses compete and consumers benefit from fair market competition.

ABOUT SEC. 17 OF THE PCA

Sec. 17 of the Philippine Competition Act requires parties to the merger or acquisition agreement that meets the threshold (Php5B Size of Party, Php2B Size of Transaction) to file a notification at the Philippine Competition Commission within 30 days of the signing of definitive agreement. An agreement consummated in violation of this requirement to notify the PCC shall be considered void and subject the parties to an administrative fine of 1% to 5% of the value of the transaction.

ABOUT VOLUNTARY COMMITMENTS

Voluntary commitments are pledges or conditions tendered by firms that are deemed acceptable and sufficient by the PCC to address identified competition concerns raised during a merger review. Voluntary commitments may result in a Commitment Decision that enumerates conditions for the approval of the transaction in question. Unlike other courts or quasi-judicial bodies, Commitment Decisions are unique to competition authorities around the world, including the PCC.

The antitrust commission adopts a Commitment Decision only when the proposed commitments of the parties directly address the competition concerns. Alternatively, once the Commitment Review Period expires without PCC's acceptance of the proposed commitments, the review shall resume where a ruling may impose remedies and/or penalties.

For more information, please visit www.phcc.gov.ph.

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