



MEDIA RELEASE

29 June 2018

PROPOSED POULTRY SLAUGHTERING HUB: CCCS GRANTS CONDITIONAL APPROVAL AFTER JOINT VENTURE PARTIES GIVE COMMITMENTS

1. The Competition and Consumer Commission of Singapore (“CCCS”) has granted conditional approval of the formation of Singapore Poultry Hub Pte. Ltd. (“SPH”) to provide poultry slaughtering services (the “Joint Venture”), after accepting commitments from the Joint Venture parties. The Joint Venture parties are Mr. Tan Chin Long (“TCL”),¹ Kee Song Holdings Pte. Ltd. (“KSH”), Sinmah Holdings (S) Pte. Ltd, Tong Huat Poultry Processing Factory Pte. Ltd. (“Tong Huat”) and Tysan Food Pte. Ltd. (“Tysan”) (each an “Applicant” and collectively the “Applicants”).

CCCS’s Assessment

2. The proposed SPH will provide slaughtering services for and on behalf of each Applicant (or its respective affiliates).² The Applicants have submitted that the Joint Venture will give rise to benefits such as, among others, greater economies of scale and cost savings with respect to the slaughtering of chickens for the eventual sale of fresh chickens to consumers in Singapore, the alleviation of land scarcity in Singapore, and increased worker productivity.³

3. Having reviewed the Applicants’ submissions, CCCS has assessed that, while there is merit to some of the benefits claimed by the Applicants, CCCS has identified competition concerns in relation to the proposed Joint Venture. Specifically, CCCS noted that the Applicants (or their affiliates) will separately continue with commercial activities that are

¹ TCL, together with his wife, is the controlling shareholder of Boong Poultry Pte. Ltd.

² CCCS received a complete joint notification for decision from the parties on 12 September 2017 in relation to the Joint Venture. The notification was made in relation to section 34 of the Competition Act (Cap. 50B) (the “Act”), which prohibits agreements between undertakings, decisions by associations of undertakings or concerted practices which have as their object or effect the prevention, restriction or distortion of competition within Singapore (the “section 34 prohibition”). Please see CCCS’s media release of 14 September 2017 for further details, at the following: <https://www.cccs.gov.sg/media-and-publications/media-releases/public-consult-proposed-jv-poultry-slaughtering-hub>

³ Under Paragraph 9 of the Third Schedule to the Act, the section 34 prohibition shall not apply to “any agreement which contributes to (1) improving production or distribution; or promoting technical or economic progress; but which does not (2) impose on the undertakings concerned restrictions which are not indispensable to the attainment of those objectives; and (3) afford the undertakings concerned the possibility of eliminating competition in respect of a substantial part of the goods or services in question” (the “Net Economic Benefit Exclusion”).

upstream⁴ and downstream⁵ to the slaughtering services (collectively, the “Retained Activities”), i.e., they remain as competitors in the Retained Activities even whilst SPH undertakes chicken slaughtering on their behalf. CCCS’s concerns are that as the Applicants are shareholders who are able to appoint directors to SPH’s Board and remain as competitors, the Joint Venture may potentially facilitate the sharing of confidential and commercially sensitive information relating to the respective Applicants’ chicken supplies and slaughtering requirements. The sharing of such confidential and commercially sensitive information among the Applicants is in turn likely to adversely affect competition in the markets for the Retained Activities including having less competitive prices.

Commitments by the Applicants

4. To address the competition concerns identified by CCCS, the Applicants have committed to do the following (the “Commitments”):

- a) Provide undertakings not to exchange any form of ‘Highly Confidential Information’;⁶
- b) Establishing a ‘Clean Team’⁷ to manage ‘Commercially Sensitive Information’⁸ within SPH;
- c) Mandating the signing of non-disclosure agreements by relevant parties to enforce (a) and (b) above;
- d) Establishing an effective competition compliance programme which includes training/briefing sessions, compliance manuals, a whistle-blower programme and annual declarations of compliance; and
- e) Appointing a Monitoring Trustee⁹ to monitor compliance with all of the above.

⁴ The upstream Retained Activities relate to the procurement of live poultry from AVA-approved farms in Malaysia.

⁵ The downstream Retained Activities relate to (i) further processing services for chicken products (such as marinating, cooking and freezing services); and (ii) the marketing and distribution of fresh chilled chickens (whole and parts), frozen chickens (whole and parts) and/or frozen processed chicken-related food products to the wholesale market in Singapore (e.g., wet markets, supermarkets, hotels, hawker centres, etc.).

⁶ ‘Highly Confidential Information’ refers to confidential and commercially sensitive information relating to the Applicants’ upstream and downstream Retained Activities (where applicable), which is not necessary for the day-to-day operations of SPH.

⁷ The ‘Clean Team’ will comprise SPH’s senior management and SPH employees that require access to ‘Commercially Sensitive Information’ for the day-to-day operations of SPH, such as accounts staff. It will be independent from the Applicants and their affiliates.

⁸ ‘Commercially Sensitive Information’ refers to confidential information pertaining to SPH’s customers (including the Applicants), which the Applicants have submitted is necessary for the day-to-day operations of SPH.

⁹ The Monitoring Trustee will monitor the Applicants’ compliance with the commitments for such time until the Applicants successfully apply to CCCS for the cessation of the monitoring period, after an initial three years. The Monitoring Trustee will be able to conduct unannounced inspections and audits at SPH’s premises, in addition to other forms of checks. The Applicants’ appointment of the Monitoring Trustee is subject to CCCS’s approval.

The Commitments are in place for the lifetime of the Joint Venture.

5. The Applicants have also proposed the necessary changes to their initially-envisaged structure of SPH, to ensure that confidential and commercially sensitive information relating to the business of each Applicant will not be shared with the other Applicants through SPH.

Conclusion

6. After evaluating feedback provided by third-parties¹⁰ and the public consultation exercise held between 28 March 2018 and 3 April 2018 on the Commitments,¹¹ CCCS considers these Commitments, together with the Applicants' changes to SPH's structure, to be sufficient to mitigate the competition concerns identified by CCCS such that the Joint Venture will satisfy the requirements of the Net Economic Benefit Exclusion under paragraph 9 of the Third Schedule to the Competition Act. CCCS has therefore approved the Joint Venture, conditional upon the implementation of and compliance with the Commitments by the Applicants.

7. Further information on the application and CCCS's Grounds of Decision, including a non-confidential copy of the Commitments, will be made available in due course on CCCS's Public Register at www.cccs.gov.sg.

About The Competition and Consumer Commission of Singapore

The Competition and Consumer Commission of Singapore ("CCCS") is a statutory board of the Ministry of Trade and Industry. CCCS administers and enforces the Competition Act (Cap. 50B) which empowers CCCS to investigate and adjudicate anti-competitive activities, issue directions to stop and/or prevent anti-competitive activities and impose financial penalties. CCCS is also the administering agency of the Consumer Protection (Fair Trading) Act (Cap. 52A) or CPFTA which protects consumers against unfair trade practices in Singapore. Our mission is to make markets work well to create opportunities and choices for business and consumers in Singapore.

For more information, please visit www.cccs.gov.sg

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¹⁰ Comprising local government agencies and regulatory bodies, customers and competitors of the Applicants.

¹¹ Please see CCCS's media release of 28 March 2018 for further details, at the following: <https://www.cccs.gov.sg/media-and-publications/media-releases/poultry-hub-commitment-public-consult-28-mar-18>

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