

## **Ready-mix Concrete Suppliers in Taoyuan, Hsinchu and Miaoli Area**

1503<sup>rd</sup> Commissioners' Meeting (2020)

Case: The FTC initiated an ex officio investigation to find out if ready-mix concrete suppliers in Taoyuan, Hsinchu and Miaoli had engaged in concerted price increase of ready-mix concrete

Keyword(s): Ready-mix concrete, price increase notice, consistency

Reference: Fair Trade Commission Decision of August 26, 2020 (the 1503<sup>rd</sup> Commissioners' Meeting)

Industry: Manufacture of Ready-mix Concrete (2332)

Relevant Law(s): Article 15 of the Fair Trade Law

### Summary:

1. Taiwan Regional Engineering Contractors Association informed the FTC that Goldsun Building Materials Co., Ltd. (hereinafter referred to as "Goldsun"), Guopu Concrete Industry Co., Ltd. (hereinafter referred to as "Guopu"), and New Sanya Ready-mix Concrete Co., Ltd. (hereinafter referred to as "New Sanya") had sent notices of price increase for NT\$300-350 per-cubic-meter to operators of ongoing construction projects in Taoyuan and Miaoli areas on March 25 and April 1, 2019. Therefore, the FTC initiated an ex officio investigation to find out if the aforesaid ready-mix concrete suppliers had violated the Fair Trade Law.
2. Findings of the FTC after investigation:
  - (1) The price increase notices sent by the three suppliers involved 7 ready-mix concrete procurement projects run by BES Engineering Corporation (hereinafter referred to as "BES"). Goldsun supplied ready-mix concrete for 5 of them and sent a price increase notice to inform BES that it intended to raise the price per cubic meter by NT\$330. New Sanya was the supplier of one project, which Goldsun was also a supplier, and wanted to increase NT\$300 per cubic meter. The FTC's investigation showed that one of the projects supplied by Goldsun ended in agreed revision on an increase of NT\$350 per cubic meter starting on March 1, 2020 after one year of repeated negotiations. As for the remaining 6 other projects, BES refused to accept any price increase and the suppliers continued to supply ready-mix concrete at the unit price stipulated in the contract.
  - (2) The price increase approaches adopted by the three suppliers in March 2019 were not similar. During that period, Guopu and New Sanya only tried to raise the price of the BES projects they supplied ready-mix concrete. As for Goldsun, however, it had not only tried to increase the price of the BES projects but also those of other customers. However, Goldsun failed in its negotiations with every customer. Meanwhile, Goldsun's Hsinchu plant and Miaoli plant did not issue any price increase notice in March 2019. In other words, the price increase notices sent by the three suppliers to raise the unit price on BES's projects were merely change of contract price for individual case. They are not across-the-board price increase notification in the entire region of Taoyuan, Hsinchu and Miaoli at all.
  - (3) Another finding indicated that the prices of 3,000-pound, 3,500-pound and 4000-pound ready-mix concrete from the three suppliers fluctuated up and down each month between January 2018 and June 2019, while there was no consistency or dramatic escalation. The FTC's investigation also revealed that the prices of ready-mix concrete went up and down in Taoyuan, Hsinchu and Miaoli between

January 2018 and June 2019. In the meantime, the 29 ready-mix concrete suppliers in the region raised or lowered their prices at various points of time and with different margins. Therefore, it was difficult to conclude that the suppliers had reached any mutual understanding on engaging in any concerted actions or there was any consistency in the price adjustments.

- (4) During a period when the average price continued to go up in the ready-mix concrete market, most contract prices were lower than the market rate and the difference continued to increase. Therefore, it was justifiable that the 3 suppliers tried to increase the contract price on BES in March 2019 because the market rate kept rising. In addition, the contracts for the 7 ready-mix concrete procurement projects had been signed two years earlier. The construction cost index data showed that the ready-mix concrete cost index had gone up for 17.97%. For this reason, there was indeed economic rationality for the 3 suppliers' intentions to raise the unit price during the duration of the contract because of the cost increase in the long supply period of time.
- (5) In conclusion, there was no direct evidence to indicate that the 3 suppliers in question or the other ready-mix concrete suppliers in the Taoyuan, Hsinchu and Miaoli region had reach a mutual understanding to increase the price together. Meanwhile, the price adjustments made by the afore-mentioned ready-mix concrete suppliers was inconsistent. Consequently, the FTC found it difficult to conclude the ready-mix concrete suppliers had jointly increased the price of ready-mix concrete and violated the Fair Trade Law.

Appendix:

Goldsun Building Materials Co., Ltd.'s Uniform Invoice Number: 24060203

Guopu Concrete Industry Co., Ltd.'s Uniform Invoice Number: 22487913

New Sanya Ready-mix Concrete Co., Ltd.'s Uniform Invoice Number: 16874660

Summarized by: Hung, Chin-An; Supervised by: Liou, Chi-Jung