

**□ Six sand and gravel companies in southern Taiwan engage in obviously unfair conduct that was able to affect trading order, which violated Article 24 of the Fair Trade Law. 【May 29, 2006】**

Because China had earlier announced in April 2006 that it would ban the export of natural sand, six sand and gravel companies in southern Taiwan maliciously hoarded sand and gravel to raise product prices faced with the adverse supply and demand situation in Taiwan. During its 21st Emergency Commissioners' Meeting on May 29, 2006, the FTC determined that the action of the six sand and gravel companies was an obviously unfair conduct able to affect trading order, and violated Article 24 of the Fair Trade Law. In addition to ordering the companies to immediately cease the unlawful action, the FTC imposed fines ranging from NT\$1 million to NT\$6.92 million. The fines imposed on the six companies totaled NT\$17.85 million.

The local sand and gravel market was affected by China's announcement in April 2006 stating that it would ban the export of natural sand starting May 1, 2006. The announcement led to a short-term supply instability in the local market and to price increases, which caused public concern. Since sand and gravel are daily commodities, the FTC task force set up to prevent the manipulation of the prices of daily commodities acted *ex officio* in accordance with Article 26 of the Fair Trade Law and immediately initiated investigations into whether there were violations that undermined public interest, such as malicious hoarding to increase prices. In addition to the punishment imposed on the 11 sand and gravel companies in the Jhuoshuei River and Dajia River basins of central Taiwan during its 757th Commissioners' Meeting on May 11, 2006, the total fines imposed amounting to NT\$33.08 million, the FTC also imposed a punishment on the companies in the Kaohsiung and Pingtung River basins in southern Taiwan.

Investigations showed that the inventory of the six businesses was about 100,000 to 450,000 cubic-meters during this period, and that the six businesses did raise their retail prices. Although China had earlier announced a ban on natural sand exports starting May 1, 2006, the government implemented relevant emergency measures and there was no supply shortage in the local sand and gravel market. The six businesses were unable to explain why their April inventory increased drastically or why the inventory was significantly higher than that during the same period in 2005. In addition, the six businesses were unable to justify their increase in retail prices when they had not acquired highly-priced raw materials, which caused their costs to increase; yet, they used cost increases as an excuse for increasing their quoted and retail prices to their trading counterparts. At a time of adverse supply and demand in the local sand and gravel market, the six businesses maliciously hoarded sand and gravel to raise product prices, which was obviously unfair conduct and detrimental to the market mechanism. Their conduct seriously affected trading order and was ethically reprehensible. It undermined public interest and violated Article 24 of the Fair Trade Law.

After taking into account the motive, objective, expected improper benefits, degree of damage to trading order, duration of the actions, benefits obtained, scale of business, business operations, previous violations, conduct after the violation, and cooperation during the investigation, the FTC subsequently imposed the aforementioned punishment in accordance with Article 41 of the Fair Trade Law.