



**COOLING TOWER WATER TREATMENT CONTROLLERS EXPORTED FROM
THE UNITED STATES OF AMERICA**

VISIT REPORT

CONVERGENT WATER CONTROLS PTY LTD

Location: 2/4 Huntley St. Alexandria (Sydney) NSW

Date: 8-10 February 2017

Convergent Water Controls:

Larry Narunsky – Technical Director
Andrew Narunsky – Operations Director

Anti-Dumping Commission:

: Catherine Gladman, Director – Operations 5
Mick Kenna, Assistant Director – Operations 5

Background and purpose

On 23 January 2017, the Anti-Dumping Commission (Commission) commenced an investigation into the alleged dumping of cooling tower water treatment controllers exported to Australia from the USA. The investigation commenced after the Commission received an application from Aquarius Technologies Pty Ltd (Aquarius). In its application, Aquarius identified Convergent Water Controls Pty Ltd (CWC) as an importer of cooling tower water treatment controllers from a country other than the USA.

Although imports of controllers from countries other than the USA cannot be impacted by the present investigation, the Commission contacted CWC to see if it was prepared to provide information to assist it in quantifying the Australian market for cooling tower water treatment controllers. During initial discussions, CWC advised that it undertook some manufacturing processes in Australia. The Commission visited CWC to see if its controllers could be regarded as being produced in Australia. If this was the case, CWC would be part of the Australian industry producing like goods. We also sought CWC's view of the Australian market for cooling tower water treatment controllers.

Company background

CWC was established in 1996 when Larry Narunsky, an electrical engineer, emigrated from South Africa and saw an opportunity in the water treatment industry in Australia and formulated a product range. In 2000, an outbreak of legionnaire's disease at the Melbourne aquarium led to the introduction of a requirement in

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Victoria for cooling towers to use two types of biocide (disinfectant) as part of industrial water treatment. At the time, CWC's controllers were available on the Australian market with the capability for dispensing two biocides, even though this feature was not being used at the time. CWC's sales increased significantly as a result. CWC believes that it is now one of the largest suppliers of cooling tower water treatment systems in the Australian market.

Due to the finite market for cooling tower water treatment equipment, CWC diversified into other water related markets. CWC is now a distributor of a range of water treatment equipment, including its Digichem brand controllers, pumps and controllers from Italy, as well as a range of parts and components. CWC advised that the sale of cooling tower water treatment systems represented a significant percentage of its business.

CWC has offices in Sydney, Melbourne and Brisbane. The company has approximately 16 employees, four of which are involved in product assembly.

Australian market

CWC explained that the Australian market for cooling tower water treatment controllers is divided into the commercial market (for example, shopping centres, office buildings and hospitals) and the industrial market (for example, refineries, processing plants). The commercial market is more cost sensitive and competitive than the industrial market, which typically involves larger scale projects.

CWC stated that Aquarius, Waterdos Instruments Australasia (Waterdos) and itself, compete mainly in the commercial market with similar ranges of controllers. The other suppliers of controllers, Nalco (through Ecolab) and Solenis, may be more active in the industrial market.

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XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX. [Estimate of Australian market size]

The two largest Australian Owned Water Treatment Companies in the water treatment service industry (and customers for controllers) are the Victorian head-office based, Hydrochem and the New South Wales head-office based, Integra.

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XXXXXXXXXXXXXXXXXXXXXXXXXXXX [Confidential market information].

CWC commented that it had not been hurt significantly by the loss of Integra's business to Waterdos as others had held most of this business at the time Waterdos entered the market. The company advised that, if reports of Waterdos pricing were correct, it would consider these prices as low. CWC stated that it was sometimes not successful in winning business where Waterdos equipment was also quoted.

Produced in Australia

We considered whether CWC's cooling tower water treatment controllers are produced in Australia in terms of the legislation. To be produced in Australia, the controllers must be wholly or partly manufactured in Australia. To be partly manufactured in Australia, at least one substantial process in the manufacture must be carried out in Australia. In considering this issue, we have focussed on the controller unit itself, not the dosing systems that CWC manufactures incorporating the controllers.

In our view, CWC does not perform a substantial process in the manufacture of its cooling tower water treatment controllers in Australia. XXXXXXXXXXXXXXXXXXXX
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XXXXXXXXXXXXXXXXXXXX [import information].

We consider that CWC is an importer of cooling tower water treatment controllers XXXXXXXXXXXXX [source] and not part of the Australian industry producing cooling tower water treatment controllers. However, CWC are part of the Australian industry producing complete cooling tower water treatment dosing systems

Attitude to the investigation

CWC stated that, if it was considered to be an Australian manufacturer of cooling tower water treatment controllers, it would not support the application for anti-dumping duties. CWC stated that it had not been sufficiently damaged by the emergence of Waterdos in the market to justify the work involved. CWC was also conscious of the negative sentiment that such an action could attract in a small market where commercial relationships were important.

CWC noted that it was possible that cooling tower water treatment controllers could demand higher prices in the USA due to the dominance of expensive controller brands such as Nalco 3DT and Walchem.