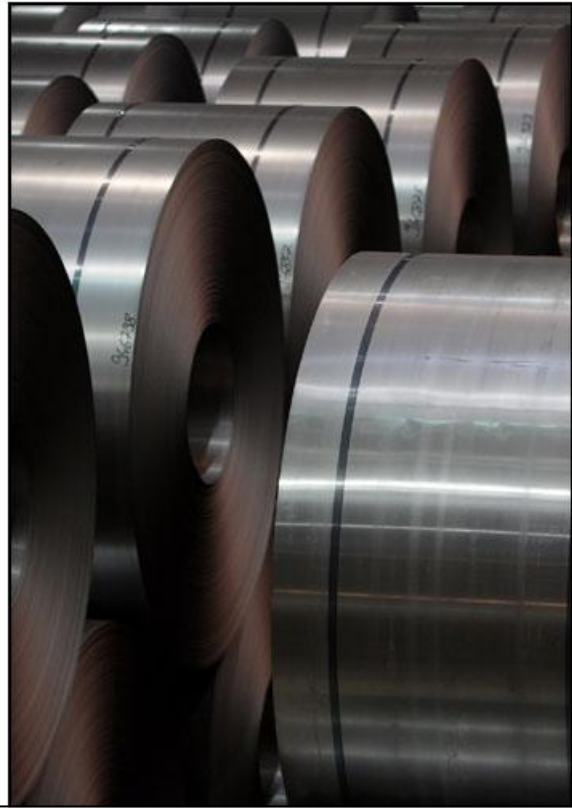




economic  
development

Economic Development Department  
REPUBLIC OF SOUTH AFRICA



## HIGHLIGHTS REFLECTED IN THE 1ST QUARTERLY REPORTS OF THE COMPETITION COMMISSION, COMPETITION TRIBUNAL AND ITAC





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## Introduction

This is the first in a series of bulletins to be issued every quarter summarising the work of the Competition Commission, Competition Tribunal and the International Trade Administration Commission.

In a nutshell:

- Competition Tribunal issued a ruling on the Sasol excessive pricing case.
- Sasol and Safripol settle a collusion case and pay R128 million penalty.
- Competition Commission to investigate the Cell C complaint against Vodacom and MTN for call termination rates.
- Competition Commission raided the offices of Uniliver and Sime Derby Hudson & Knights in its investigation of edible oils. Two panel beaters have also been raided in a case of cover charging. The two firms are Precision and Sons and Eldan Auto.
- 110 mergers notified and the acquisition of Orange Mynbou and Vervoer Maatskapy (Pty) Ltd by Raumix Holding (Pty) Ltd approved by the Competition Commission.
- Competition Tribunal heard 29 cases, of which orders were issued in 26 cases and written reasons in 21 cases. It imposed a total of R544 million of fines.
- ITAC finalised 6 tariff investigations, finalised the anti-dumping investigation on Soda Ash and completed sunset review for welded chain link

## Excessive pricing case against Sasol: A win for the Competition Commission!

The Competition Commission (CC) had referred a complaint to the Competition Tribunal in which it alleged that Sasol charged excessive prices to domestic customers of purified propylene and polypropylene during the period 2004 to 2007. The Tribunal imposed an administrative penalty on Sasol of R534 million and directed Sasol and the CC to submit a pricing remedy within 90 days. The pricing remedy is intended to ensure that Sasol's customers will be charged lower prices in future. Sasol is appealing the Tribunal's decision.



## Collusion between Sasol and Safripol

Sasol and Safripol colluded on a pricing formula contained in the supply agreement concluded between them. They settled the case and paid administrative penalties amounting to R128 million.

## Construction Investigation

Phase II of the construction investigation has been launched by the Competition Commission. However, seven construction cases had to be non-referred either due to lack of evidence of involvement or liquidation of the respondents.

### ***The International Trade Administration Commission of South Africa (ITAC) dealt with several interesting cases during the first quarter***

ITAC considered and recommended an application by Apollo Tyres South Africa (Pty) Ltd for a reduction in the rate of customs duty on stranded wire, of wire which is plated, coated, or clad with brass (also known as steel cord wire) from 5% ad valorem to free of duty. The product is one of the inputs used in the manufacturing of pneumatic tyres. As reason for the application, Apollo Tyres South Africa (Pty) Ltd stated that there are no local manufacturers in the SACU region. ITAC found this to be correct and that the existing tariff structure places an unnecessary cost burden on the industry manufacturing pneumatic tyres.

Natstan Wire (Pty) Ltd, applied for an increase in the rate of customs duty on wire of iron or non-alloy steel plated or coated with other base metals, from free of duty to the World Trade Organisation's bound rate of 10% ad valorem. The product is used for the reinforcement of virtually all types of new pneumatic tyres such as those for trucks, buses, cars, motorcycles etc. As reason for the application, Natstan Wire (Pty) Ltd stated that, since the import duties on wire products were removed, the domestic industry has lost substantial business due to the low landed price of competing imported products. The South African tyre manufacturers in general do their purchasing via a centralised purchasing office which is based overseas and that decisions to purchase are based purely on the lowest price. Furthermore, the International suppliers now offer 90 days payment terms as well as 30 days consignment stock. This means there is little risk or cost associated with imported goods.

ITAC recommended that the rate of customs on wire of iron or non-alloy steel plated or coated with other base metals be increased from free of duty to 10% ad valorem. It found that tariff support for the domestic industry manufacturing bead wire would improve its competitive position without an undue cost raising impact on the downstream industry and would enable it to utilise its installed production capacity and achieve economies of scale.

Ferro Industrial Products (Pty) Ltd, applied for an increase in the rate of customs duty on vitrifiable enamels and similar preparations from free duty to the World Trade Organisation bound rate of 10% ad valorem. The product is a glass coating that is used to coat steel and has properties which allow for the adherence of enamel to steel. The resultant coating prevents rusting and corrosion in the case of high pressure hot water tanks. It also forms heat resistance on stoves and presents an attractive finish which is heat and colour-fade resistant. Vitrifiable enamels and similar preparations are produced in a powder form. Ferro





Industrial Products (Pty) Ltd stated that it is experiencing increased competition from imports, predominantly from Turkey. These imports land at prices below local and international prices. The industry is running a real risk of closure, because of continuous loss in market share.

ITAC found that Ferro Industrial Products (Pty) Ltd is indeed experiencing price disadvantages vis-a-vis foreign producers of vitrifiable enamels and recommended that the general rate of duty on vitrifiable enamels and similar preparations be increased from the current rate of free of duty to 5% ad valorem. The tariff support recommended by ITAC would eliminate the price disadvantages experienced by the domestic industry manufacturing vitrifiable enamels, would allow for a fair and reasonable profit for producers and further investment in the industry with a concomitant increase in production and employment and would not have an undue cost-rising impact on consumers. The support should enable the industry to utilise its existing production capacity and reduce the unit of production.

ITAC's Trade Remedies Unit investigated the allegation by the Government of Botswana that disodium carbonate (soda ash) was been imported from the USA and dumped in the SACU market. Botswana Ash (Pty) Ltd (Botash) is the sole manufacturer of soda ash in the SACU and has been negatively affected by the dumping. The product is described as disodium carbonate, commonly known as soda ash, a solid white granular product. ITAC made a final determination that it was in fact being dumped onto the SACU market and subsequently recommended anti-dumping duties.