

Press Release
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PPC confesses to being part of a cement cartel and gets conditional leniency

The Competition Commission has granted Pretoria Portland Cement Company Ltd ("PPC") conditional leniency from prosecution under the Competition Act, in exchange for PPC's complete and truthful disclosure of all cartel activities between PPC and its competitors.

PPC applied for leniency shortly after the Commission raided and seized documents and electronic data from PPC's premises and those of its competitors Lafarge Industries South Africa ("Lafarge"), AfriSam Consortium (Pty) Ltd ("AfriSam") and Natal Portland Cement Cimpor (Pty) Ltd ("NPC") on 24 June this year. The raids were in pursuance of the Commission's investigation of possible collusion in the cement industry.

In its application for leniency PPC confirmed the existence of a cartel to divide markets among the four cement producers. According to this information, the four cement producers agreed to divide the cement market amongst themselves in order to maintain the market shares that each producer held prior to 1996 when a lawful cement cartel existed and was regulated by exemptions to the competition legislation. The agreement was implemented up until this year through highly disaggregated sales information each producer submitted to the Cement and Concrete Institute of South Africa ("C&CI") through an audit firm appointed by C&CI. The four cement producers are the main members of C&CI.

In addition, there was an agreement that PPC would not compete in the Northern Natal market in exchange for Lafarge not competing with PPC in the Botswana market.

In exchange for immunity from prosecution PPC has agreed to cooperate fully with the Commission until the investigation and Tribunal proceedings are finalised. In terms of the agreement reached PPC must also stop its involvement in cartel activity and refrain from submitting competition sensitive information to the C&CI.

The problem with competitors dividing markets between themselves is that they successfully shield themselves from competition and can thus price above competitive levels with no opposition or alternative from a competitor.

The Commission will now proceed with its further investigation of this matter with PPC's cooperation.

ENDS

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