

Media Release

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Commission refers and settles collusion case in the polymers market

The Competition Commission today referred complaints of collusion and excessive pricing in the polymers market against Sasol Chemical Industries Limited (“Sasol”) and Safripol (Pty) Ltd to the Tribunal for adjudication.

Simultaneously, it also reached a settlement with Safripol in which it admits that the supply agreement between Sasol and Safripol and its implementation amounted to price fixing in contravention of the Act. Safripol agreed to pay a penalty of R16, 5 million which represents 1, 5% of its total annual turnover derived from polypropylene products.

The Commission initiated the investigation in 2007 following concerns raised by the Department of Trade and Industry (dti) about polymer pricing and its negative effect on diversified growth and employment in manufacturing.

The Commission found that Sasol had charged excessive prices for polypropylene and propylene to its local customers in line with import parity pricing. Further, that Sasol and Safripol engaged in collusive conduct as a result of the implementation of the supply agreement including the operation of the pricing formula and the exchange of information relating to the pricing of polypropylene.

Sasol is the dominant supplier of propylene, for its own use and that of Safripol. It is also the major supplier of polypropylene to the South African market along with Safripol. The Commission found that South Africa is also a major exporter of polypropylene reflecting its competitive position in this product. One would therefore have expected pricing to local customers to be on the same basis as export prices, however, this is not the case.

Polypropylene, a plastics polymer is used by plastics converters to manufacture a wide range of products. The competitiveness of local manufacturers in these relatively labour intensive activities depends on competitively priced polypropylene input.

“This is an important case as it goes to the heart of government’s objective to support employment creation and growth in downstream manufacturing,” said Commissioner Shan Ramburuth.

The Commission is seeking a penalty of 10% of Sasol’s annual turnover for each of these contraventions.

ENDS

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