



PRESS STATEMENT

14 January 2009

Competition Commission prohibits construction sector merger

The Competition Commission has prohibited the intermediate merger between acquiring firm Much Asphalt (Pty) Ltd, a subsidiary of Murray and Roberts Holdings Ltd and the target firms Gauteng Asphalt (Pty) Ltd, Road Seal (Pty) Ltd and Road Seal Properties (Pty) Ltd.

Much Asphalt and Gauteng Asphalt are manufacturers and suppliers of hot and cold asphalt products used in the construction of roads. Road Seal is involved in paving selected surfaces including pavements, driveways, roads, urban streets, freeways, runways, race tracks and bus lanes using asphalt and is a customer of Gauteng Asphalt.

The Commission evaluated the overlap of the merging parties' activities and the vertical integration, finding that barriers to entry to the market are high; that construction companies would have limited countervailing powers; and, most importantly, that a degree of coordination exist between participants in that they endeavour to enter into alliances with each other to eliminate rivalry.

While the vertical integration occasioned by the transaction did not raise significant competition concerns, the Commission concluded that the merging parties would be able to behave somewhat independently of their customers and/or competitors. Considering the existence of coordination in this market the Commission believes that the merger was likely to increase or facilitate future coordination, which is detrimental to competition.

The Commission did consider the efficiencies and remedies proposed by the parties; however remains of the view that these were unlikely to outweigh the likely anticompetitive effects of the merger and would not address the competition concerns identified.

The Commission accordingly prohibited the proposed transaction.

Newly-appointed Head of Mergers and Acquisitions Maarten van Hoven said: "The ongoing construction of roads in South Africa is vital for commuters, tourists and a key mode of transport for consumer goods. Such significant capital expenditure of taxpayer money means we can't afford to have an uncompetitive asphalt market in these circumstances."

ENDS

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