



**competition commission**  
south africa

**Media Statement**  
**For Immediate Release**  
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## **COMMISSION PROHIBITS ASF GROUP AND VUKA PROPOSED MERGER**

The Commission has prohibited a proposed transaction whereby Africa Forestry Fund II Limited (AFF) intends to acquire Vuka Forestry Holdings (Pty) Ltd (Vuka Holdings) and Glen Village Trading Co (Pty) Ltd (Glen Village).

AFF forms part of entities including MTO Forestry (Pty) Ltd, Ramanas Farms (Pty) Ltd, Imvelo Forests (Pty) Ltd and Peak Timbers Limited, among others, collectively referred to as the ASF Group.

The ASF Group is active in the plantation of hardwood trees which they harvest and sell as transmission pole logs, building and fencing pole logs, mining timber logs, and pulp wood, among others. Vuka is involved in a treatment of poles operating from a facility in Comondale, Mpumalanga. Vuka primarily produces treated transmission poles (for use in electricity transmission and distribution) and treated building and fencing poles (for use in agricultural, conservation and building).

The proposed transaction result in an overlap in the business activities of the parties in relation to the supply of treated building and fencing poles. This overlap, however, does not raise competition concerns in the market for the supply of treated building and fencing poles as the parties combined post-merger market shares remain relatively low.

However, the Commission found that the proposed the transaction raises several competition concerns from a supplier-customer (vertical) relationship perspective with respect to transmission pole logs. ASF Group supplies transmission pole logs to Vuka and its rivals which they use them as inputs to produce treated transmission poles.

The Commission found that a new merged entity (ASF Group & Vuka) would have the ability to engage in input foreclosure (exclusive) strategies against rivals of Vuka in the downstream market for the manufacturer of treated transmission poles. This is because the ASF Group is the single largest producer of transmission pole logs available to independent downstream players in the relevant Limpopo, Mpumalanga and eSwatini areas.

The Commission also found that barriers to entry and expansion in the upstream market for supply of transmission poles where ASF Group is active are high given the applicable regulatory requirements such as applicable permits, limited land, time it takes to grow the trees to effectively constrain the incumbents, capital requirements, among others, such that it is unlikely that entry will take place in a timely and sufficient manner.

Further, the Commission found that downstream competitors of Vuka are dependent (to varying degrees) on the ASF Group for the supply of transmission pole logs required for their pole treatment operations especially in the Mpumalanga and Limpopo areas. There are several ways through which the ASF Group can implement such exclusive strategies.

The merged entity also would have incentives to embark in input foreclosure strategies in respect of transmission pole logs. The Commission found that there are also substantial short-term and long-term anti-competitive effects that were likely to arise from the proposed transaction.

When all the significant factors are considered the proposed transaction was likely to substantially prevent and lessen competition in the downstream market for treated transmission poles in South Africa.

In addition, the proposed transaction would result in a negative public interest outcome in the broader forestry industry in the Mpumalanga and Limpopo regions.

Considering the above competition and public interest concerns, the Commission invited the merging parties to submit possible remedies that can address the foreclosure and public interest concerns above. However, in this instance, there were no workable remedies that were proffered by the merging parties that can alleviate the concerns arising. As a result, the Commission prohibited the merger.

**[ENDS]**

**Issued by:**

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