

PRESS STATEMENT

5 March 2009

Competition Commission uncovers bike retailer cartel

The Competition Commission has uncovered a possible cartel operating amongst local bicycle retailers aimed at increasing their margins.

The Commission has initiated an investigation and today issued summons against two cycle shop retailers, Fritz Pienaar of Fritz Pienaar Cycles and Andrew Mclean of Cycle Lab.

Background

The Commission is in possession of minutes of a meeting from which it appears that a group of bicycle retailers met to discuss how to work together to raise prices in order to increase their margins. The shop owners allegedly discussed ramping up the prices on cycling accessories to increase margins from 50% to 75%, ramping up prices of bicycles to increase margins from 35% to 50% and coordinating these increases to be introduced at the same time – to be introduced on the 1st October 2008.

The shop owners also discussed a plan to get certain wholesalers on board to back the above agreements by providing a new suggested retail price to the retailers they supply and advertise that price to the public.

It appears, from information received by the Commission, that discussions amongst the shop owners also included face-to-face meetings, purportedly in Gauteng and Cape Town.

Shan Ramburuth, Commissioner at the Competition Commission says it would seem there are more entities involved in this conduct and the Commission has initiated an investigation to uncover the true extent of this alleged cartel.

“That these retailers believed they could act together to increase prices with impunity is shocking. The Commission intends to thoroughly investigate this apparently blatant attempt amongst competing retailers to collusively raise prices to unsuspecting consumers.”

The minutes from the meeting were posted to a forum on cycling website www.thehubsa.co.za.

http://www.thehubsa.co.za/forum_posts.asp?TID=33149&PN=13 (scroll down to the bottom of the page for the text of the minutes).

ENDS

Prepared by: FD Beachhead

Dani Cohen 021 487 9021 / 082 897 0443/ dani.cohen@fd.com
Jennifer Cohen 011 214 2401 / 082 468 6469 / jennifer.cohen@fd.com
Senzi Dlamini 011 214 2420 / 073 494 0030 / senzi.dlamini@fd.com

On behalf of: The Competition Commission

Further info:

Nandi Mokoena, Manager of Strategy and Stakeholder Relations
012 394 3286 / 082 399 1328 / nandisilem@compcom.co.za
Keitumetse Letebele, HOD Communications
012 394 3183 / 082 783 3397 / keitumetsel@compcom.co.za