

PRESS STATEMENT

25 June 2009

Competition Commission raids premises of cement producers

On Wednesday 24 June 2009 the Competition Commission searched the offices of Pretoria Portland Cement Company Limited 'PPC', Lafarge Industries South Africa 'Lafarge', AfriSam Consortium (Pty) Ltd 'AfriSam' (formerly Holcim South Africa) and Natal Portland Cement Cimpor (Pty) Ltd 'NPC-Cimpor'. The search was conducted in 5 locations in Gauteng and KwaZulu-Natal simultaneously.

Given the government's substantial infrastructure investment and its broad impact on the economy, the Commission has been researching the infrastructure sector (one of its priority sectors) for two years and has identified a number of products where there may be competition concerns, including cement. Despite fluctuations in demand and input costs, the producer prices of cement in South Africa have been increasing in tandem every six months (see chart below), at levels far outstripping the producer price index (PPI), the leading indicator of overall costs in the economy. The producers have implemented increases of approximately 6% on average (12% per annum) and an even higher increase in February 2009 in factory-gate, or producer prices.

The Commission believes that anti-competitive behaviour in this market could be substantially increasing the cost of South Africa's infrastructure programme, with negative effects on the economy.

The search was part of the Commission's investigation against the main cement producers for price fixing and market allocation, controlling or limiting the supply of cement extenders, and abuse of dominance by PPC aimed at foreclosing independent cement blenders.

Cartel behaviour by these international companies raided yesterday is also being investigated by competition authorities in Germany, the EU, Brazil and Egypt.

Since the Commission began looking into infrastructure markets it has found evidence of price-fixing, customer and market allocation as well as bid-rigging in the sector. Of the applications for corporate leniency received by the Commission in the previous financial year approximately 25% have come from the construction industry generally.

"During the search we seized documentation and electronic data, which we will now evaluate as part of our investigation. Should we find that the firms have engaged in anticompetitive conduct, we will prosecute them for breaking the law" says the Commissioner, Shan Ramburuth.

ENDS

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Note to editors:

In terms of section 46 of the Competition Act, the Commission is authorised to enter and search premises and seize documents which have a bearing on an investigation. Section 46(2) (b) of the Act authorizes a judge or magistrate to issue the Commission with a warrant allowing them and accompanying police officers to enter and search such premises.

