

Media Release

30 November 2015

Competition Commission refers abuse of dominance complaints against Uniplate

On Friday 27 November 2015, the Competition Commission (Commission) referred two abuse of dominance complaints against Uniplate Group (Pty) Ltd (Uniplate) to the Competition Tribunal (Tribunal) for adjudication. This referral follows an investigation conducted by the Commission after receiving complaints from New Number Plates Requisites CC (NNPR) and JJ Plates and Signs CC (JJ plates).

Uniplate and NNPR manufacture and supply number plate embossing machines and number plate blanks to a group of customers known as number plate embossers (embossers). The two inputs are used by embossers to produce final embossed number plates which are then sold to motorists and motor vehicle dealerships. JJ Plates operates as an embosser.

The first complaint was lodged by NNPR on 26 June 2012 alleging, among other things, that Uniplate has contravened the Competition Act by requiring its customers (embossers) to purchase all of their requirements for number plate blanks from Uniplate. According to NNPR, this conduct disadvantages other manufacturers of number plate blanks as most of the embossers have exclusive contracts with Uniplate. On 07 February 2013, JJ Plates lodged a similar complaint alleging that Uniplate is contractually obliging it to purchase all of its number plate blanks from Uniplate and this prevents it from sourcing from other suppliers who offer cheaper prices. JJ Plates also alleges that Uniplate's conduct has inflated its costs and has put pressure on its business.

The Commission's investigation revealed that Uniplate holds a dominant position in markets relating to the manufacture and supply of number plate blanks in South African. In total, the Commission found that it holds approximately 75% market share across all types of number plate blanks. The other manufacturers of number plate blanks are NNPR, Argar Plates and Signs (Pty) Ltd (Arga), and Naicker Toolmakers and Metal Pressing. Uniplate is also dominant in markets relating to the manufacture and supply of embossing machines; it holds approximately 59% market share across all types of embossing machines. The other two suppliers of embossing machines are NNPR and Arga. While all the embossing machine and number plate blank manufacturers sell their products directly to embossers, Uniplate makes use of third-party distributors and these include Teqplate (Pty) Ltd (Teqplate) and Baleka Plates (Pty) Ltd (Baleka).

The Commission also found that Uniplate has entered into long term exclusive agreements with a significant number of embossers. In terms of these agreements, embossers are required to exclusively purchase their number plate blanks from Uniplate when acquiring a Uniplate embossing machine. In other words, Uniplate uses its supply agreements relating to embossing machines to secure sales for its number plate blanks. Embossers contracted with it are only allowed to source from alternative suppliers of number plate blanks if Uniplate is not able to supply them. The duration of these

exclusive agreements is usually 10 years, without the option of cancellation within this period. Teqplate and Baleka have also adopted Uniplate's business model.

The effect of Uniplate's conduct is that competing manufacturers of number plate blanks are prevented from gaining access to a significant number of embossers. This conduct also denies embossers the benefit of purchasing number plate blanks from other manufacturers at competitive prices. In this regard, the Commission found that the prices charged by Uniplate for its number plate blanks are generally higher than prices charged by its competitors.

On the basis of these findings, the Commission has taken a view that Uniplate has acted in breach of sections 8(d)(i), or alternatively 8(d)(iii) or alternatively 8(c) of the Competition Act. The Commission seeks the Tribunal to interdict and restrict Uniplate from engaging in such conduct that contravenes the Competition Act and to impose an administrative penalty in the sum of not more than 10% of Uniplate's turnover in South Africa.

Ends

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