



competition commission
south africa

MEDIA RELEASE

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COMPETITION COMMISSION PROHIBITS ASPHALT MERGER

The Competition Commission (Commission) has prohibited an intermediate merger in terms of which Much Asphalt (Pty) Ltd (Much Asphalt) intends acquiring 5 fixed asphalt plants (Roadspan Plants) from Roadspan Surfaces (Pty) Ltd (Roadspan). Following the merger, Much Asphalt will wholly own the Roadspan Plants. The Commission found that the proposed merger is likely to substantially prevent or lessen competition in the markets for the supply of asphalt products.

Much Asphalt manufactures and supplies hot and cold mix asphalt products to the commercial sector. It also supplies asphalt products for use or application on urban streets, freeways, runways, race tracks, public sidewalks, bus lanes and certain harbour specific applications. Much Asphalt is currently only active in the manufacture of asphalt and does not offer services such as laying the product onto the selected surface. The 5 fixed Roadspan Plants produce hot and limited cold mix asphalt. These plants are located in Kimberley, Stilfontein, Welkom, Nelspruit and Daben.

The Commission found that the merged entity will hold a dominant position in each of the affected markets as a result of the proposed merger, and will not face strong competition in these markets. The Commission also found that it is not easy for new firms to enter and compete effectively in the affected markets because of capital, regulatory and economies of scale requirements. Furthermore, customers of the merging parties do not have the ability to negotiate for lower prices as there are few alternative suppliers of asphalt products. Thus, the merged entity is unlikely to be constrained by customers and may increase prices post-merger.

The Commission further found that given the structure of the affected markets (i.e. high concentration levels and barriers to entry), the proposed merger is likely to enhance the merging parties' ability to engage in collusive conduct (such as price fixing) with their competitors.

The merging parties did not propose any remedies to address the Commission's concerns nor have they advanced any cogent efficiencies, procompetitive gains or public interest benefits that could outweigh the competition concerns. Accordingly, the Commission has prohibited the proposed merger.

"Asphalt is one of the critical input products in infrastructure development projects, particularly road construction. The merger would have created a market structure in the supply of asphalt that is highly concentrated, leaving the merged entity the dominant supplier in key geographic locations in South Africa. Ultimately, customers of asphalt in road construction would have had

to bear the high prices that would likely result (from the lessening of competition) had the merger been approved”, says Acting Deputy Commissioner, Hardin Ratshisusu.

Ends

For more information:

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