

PRESS RELEASE

28 June 2010

Competition Commission refers its price fixing findings in the cycling industry

The Competition Commission referred its findings of price fixing against 28 bicycle wholesalers and retailers to the Tribunal for adjudication on the 25 June 2010. The firms face the allegation that they colluded to set the wholesale and retail prices of cycles and accessories. In addition, they face the allegation of excluding competitors from the market.

Wholesalers sent retailers a price list with the wholesale price and the recommended retail price on a regular basis. The recommended retail price includes a mark-up of 35% for bicycles and 50% for accessories. In turn, the ceiling on mark-ups also determined the profit/margin that retailers could make on cycles and accessories.

Bicycle retailers colluded to exclude competitors like internet retailers from the market. The stratagem employed was to ask the wholesaler to sell to independent retailers at a higher price. This conduct is likely to harm competitors and consumers. The Commission has asked the Tribunal to levy an administrative penalty of 10% on the annual turnover of each of the firms involved.

The firms facing these allegations include retailers Fritz Pienaar Cycles, Cycle Lab, Hotspot Cycles, Maverick Cycles, Dunkeld Cycles, Summit Cycles, Bester Cycles, Johnson Cycle Works, Salojee's Cycles, West Rand Cycles, Bowman Cycles, Winners Cycles. Further it includes the following wholesalers: Thule, The Just Fun Group, Omnico, Cytek Cycle Distributors, Cape Cycle Systems, Silverback Lab, Shimano, Emotion Cycling, International Agencies, J&J Cycling, Le Peleton, Ravx Design, RFA Distributors, Supersport Cycling, Maillot Juine Trading and Bicicletta.

The Commission initiated this investigation on March 2009 following an anonymous tip-off, a complaint lodged by Yellow Saddle Cycling and admissions by some of the respondents during its investigation process. During its investigation the Commission also found that the respondents met on various occasions in 2008 to discuss and agree on wholesaler and retail prices.

The Commission is in possession of minutes of a meeting, which took place on September 2008 in Gauteng between various retailers and wholesalers in the industry. At this particular meeting an agreement to increase retailers' prices and to fix prices, discounts and other trading

conditions applied by wholesalers was concluded. The minutes from the meeting were posted on an online forum on the cycling website www.thehubsa.co.za.

Further info:

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PLEASE NOTE THE FOLLOWING ERRATUM:

In our referral CoolHeat was cited as an entity trading as Shimano whereas the correct citation should have been CoolHeat trading as CoolHeat. Shimano is a supplier of CoolHeat and CoolHeat is the distributor of Shimano products in South Africa.

We apologise for the inconvenience caused.