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COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM213Jan16

In the matter between:

PPC LIMITED	Primary Acquiring Firm
and	
3Q MAHUMA CONCRETE PROPRIETARY LIMITED	Primary Target Firm

Panel	: Andreas Wessels (Presiding Member)
	: Anton Roskam (Tribunal Member)
	: Medi Mokuena (Tribunal Member)
Heard on	: 13 April 2016
Order Issued on	: 13 April 2016
Reasons Issued on	: 12 May 2016

Reasons for Decision

Approval

[1] On 13 April 2016, the Competition Tribunal ("Tribunal") approved the proposed transaction between PPC Limited and 3Q Mahuma Concrete Proprietary Limited.

[2] The reasons for approving the proposed transaction follow.

Parties to proposed transaction

Primary acquiring firm

[3] The primary acquiring firm is PPC Limited ("PPC"), a company incorporated in accordance with the laws of the Republic of South Africa. PPC is listed on the Johannesburg Securities Exchange ("JSE"). Of relevance to the competition

assessment is that in South Africa PPC controls a number of firms including Pronto Holdings (Pty) Ltd ("Pronto").

[4] PPC is a supplier of cement in Southern Africa. It also produces aggregates, metallurgical-grade lime, burnt dolomite, limestone and fly-ash. Of specific relevance to the competition assessment of the proposed transaction is that PPC supplies readymix concrete through Pronto.

Primary target firm

[5] The primary target firm is 3Q Mahuma Concrete Proprietary Limited ("3Q Mahuma"), a company incorporated in accordance with the laws of the Republic of South Africa.

[6] 3Q Mahuma is controlled by 3Q Group Holdings (Pty) Ltd ("3Q Group Holdings"). 3Q Group Holdings is, in turn, controlled by Capital Africa Steel (Pty) Ltd ("CAS"). CAS' shareholders are Wilson Bayly Holmes-Ovcon Limited ("WBHO") and Brait Societas Europaea ("Brait"). WBHO and Brait are listed firms on the JSE.

[7] 3Q Mahuma does not control any firm.

[8] 3Q Mahuma is a manufacturer and supplier of readymix concrete in South Africa. It is active in Gauteng, Limpopo, Mpumalanga, the North West and the Northern Cape.

Proposed transaction and rationale

[9] PPC, through Pronto, intends to acquire the entire issued share capital of 3Q Mahuma. Pursuant to the implementation of the proposed transaction Pronto therefore will have sole control 3Q Mahuma.

[10] PPC wishes to acquire 3Q Mahuma in order to grow its service offering.

[11] CAS is unbundling and selling its non-core assets.

Impact on competition

[12] The Competition Commission ("Commission") found that the proposed transaction results in a horizontal as well as a vertical overlap.

[13] With regards to the horizontal overlap, the Commission found that the activities of PPC, through Pronto, and 3Q Mahuma overlap in relation to the manufacture and supply of readymix concrete.

[14] With regards to the vertical aspect of the proposed transaction, PPC supplies cement, aggregates and fly ash to 3Q Mahuma, which are used as inputs by 3Q Mahuma in the manufacturing of the readymix concrete.

Horizontal overlap

[15] As stated above, the Commission identified a horizontal overlap between the merging parties' activities in the market for the manufacture and supply of readymix concrete.

[16] With regards to the geographic location of the readymix concrete plants, the Commission found that Pronto's manufacturing plants are situated in the following areas of Gauteng: Alrode, Benoni, City Deep, Kya Sands, Lanseria, Midrand, Pretoria West, Roodepoort and Silverton. The Commission further found that 3Q Mahuma has readymix concrete plants in South Africa in the Limpopo, Mpumalanga, Northern Cape and North West provinces. In Gauteng, 3Q Mahuma had two so-called "project" plants at the time of the merger filing, one at the Mall of Africa project and the other at the Menlyn Main project.

[17] In relation to 3Q Mahuma's plants in Gauteng, the merging parties at the hearing confirmed that when the merger filing was submitted there was one project-specific plant in Midrand servicing the Mall of Africa build and there was a separate project-specific site at Menlyn servicing the Menlyn Main refurbishment. At the end of January 2016 the Mall of Africa build was however completed and the Mall of Africa plant was moved to a 3Q Mahuma site on Simon Vermooten in Pretoria East. Subsequent to that they ran out of space at the Menlyn refurbishment site so effectively 3Q Mahuma moved off the Menlyn Main site and created one consolidated project-specific plant at Simon Vermooten in Pretoria East.[1]

[18] Given the above, the Commission assessed the competitive effects of the proposed transaction in the market for the manufacture and supply of readymix concrete within

[1] Transcript, pages 5 and 6.

a 25 km kilometre radius from the merging parties' operations in Pretoria East (Gauteng).

[19] However, it is not necessary for the Tribunal to take a definitive view on the exact parameters of the relevant geographic market since it does not affect our ultimate conclusion.

[20] Responding to questions from the Tribunal at the hearing, Mr Charl Marais of 3Q Mahuma explained that a distinction should be drawn between the above-mentioned project-specific readymix concrete plants (that may be used for smaller or larger projects (such as the Mall of Africa project)) and plants that he referred to as "*long term commercial*" plants that supply a range of customers. He further stated that all 3Q Mahuma's readymix concrete plants potentially are movable to a different geographic location[2] and that in a best-case scenario a plant could be moved to a different geographic location in four to six weeks.[3] We however lack information on the costs involved in moving these plants, other potential barriers to moving plants and the criteria utilised in deciding to move plants. However, nothing turns on this in this case. As indicated above, we have left the geographic market delineation open.

[21] On the basis of the Commission's above-mentioned assessment of the manufacture and supply of readymix concrete within a 25 km kilometre radius from the merging parties' operations in Pretoria East (Gauteng), the merged entity will have a post-merger market share of less than 20%. Competitors in this (potential) relevant market include AfriSam, Lafarge, Eastern Readymix and Titancrete. The Commission thus concluded that the proposed transaction is unlikely to substantially prevent or lessen competition from a horizontal perspective.

[22] We concur with the Commission's finding that the proposed merger is unlikely to substantially prevent or lessen competition in the market for the manufacture and supply of readymix concrete, regardless of the scope of the relevant geographic market. There are a number of firms in various regions that compete with the merged entity in the manufacture and supply of readymix concrete.

[2] Transcript, pages 6 to 9.
[3] Transcript, page 9.

Vertical assessment

[23] As mentioned above, there is an existing vertical relationship between PPC and 3Q Mahuma. The Commission however found that this vertical relationship is unlikely to result in any foreclosure concerns since there are alternative players both in the applicable upstream and downstream markets. Furthermore, the Commission found that the vertical relationship exists pre-merger since 3Q Mahuma currently sources the products in question from PPC. The Commission further noted that WBHO will exit as shareholder in 3Q Mahuma post-merger.

[24] We concur with the Commission's finding that the proposed transaction is unlikely to raise significant vertical competition concerns.

Public interest

[25] The merging parties confirmed that there will be no job losses as a result of the proposed transaction.[4] The proposed transaction further raises no other public interest concerns.

Conclusion

[26] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition, no public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.

Mr Andreas Wessels

12 May 2016
DATE

Mr Anton Roskam and Ms Medi Mokuena concurring

Tribunal Researcher:	Kameel Pancham
For the merging parties:	Rick van Rensburg of Edward Nathan Sonnenbergs Inc.
For the Commission:	Zanele Hadebe

[4] Merger record, pages 10 and 59.