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**Common Market for Eastern
and Southern Africa**

Case File No. CCC/MER/8002/2013

**Decision of the Committee of Initial Determination on
the Application for Authorisation of the Merger
between PPC International Holdings Proprietary
Limited (“PPC International”) and CIMERWA
Limited (“CIMERWA”).**

ECONOMIC SECTOR: Construction

October 2013

1.0 Information and Relevant Background

- 1.1 On 13 August, 2013, the COMESA Competition Commission (‘the Commission’) received an application for authorisation of a merger from Bowman Gilfillan on behalf of their clients PPC International Holdings Proprietary Limited (“PPC International”) and CIMERWA Limited (“CIMERWA”) hereinafter called the parties.
- 1.2 The transaction was notified with the Commission under Article 24(1) of the COMESA Competition Regulations, 2004 (‘the Regulations’). The Commission’s concern is primarily whether the proposed transaction between the parties would, or is likely to have the effect of substantially preventing or lessening competition or would be contrary to public interest in the Common Market as provided for under Article 26 of the Regulations.
- 1.3 The Committee of Initial Determination (the CID) determined that the business of the acquiring firm is carried out in more than one Member State namely Zambia and Zimbabwe. The business of the target firm is carried out in Rwanda, Uganda and the Democratic Republic of Congo. This therefore means that the regional dimension requirements under Articles 23(3) and 23(5) are satisfied and ultimately asserts jurisdiction on the Commission to assess the transaction.

2.0 The Parties

PPC International Holdings Proprietary Limited (“PPC International”)

- 2.1 The acquiring firm is PPC International Holdings Proprietary Limited (“PPC International”), a private company incorporated in accordance with the laws of South Africa, with registration number 2012/034930/07. PPC International has its principal business address at PPC Building, 180 Katherine Street, Barlow Park Ext., Sandton, 2000, Gauteng, South Africa.
- 2.2 PPC International is a wholly owned subsidiary of PPC Limited (“PPC”). The shares in PPC are listed on the Johannesburg Stock Exchange Limited (JSE). PPC is a supplier of cement in Southern Africa with cement manufacturing facilities and milling depots in South Africa, Botswana and Zimbabwe.

CIMERWA Limited (“CIMERWA”)

- 2.3 The target firm is CIMERWA, a company incorporated in accordance with the laws of Rwanda. CIMERWA has its principal business address at Western Province, Rusizi District, Muganza Sector, Rwanda.

3.0 Competition Analysis and Relevant Observations

- 3.1 The CID has determined that the relevant product is the manufacturing and selling of cement. The definition of the relevant product market is based on the fact that consumers interviewed responded that cement was not easily substitutable with any other product and that cement being a bulk product is sold within a cost effective and reasonable distance from the cement plant.
- 3.2 The CID determined that the transaction is not likely to substantially prevent or lessen competition and is not likely to be contrary to public interest. The CID has noted that the merger will not lead to any changes in the market concentration as the parties were not competing in the relevant market before the merger. The CID has further determined that the merger will not result in the creation of a dominant position of market power and its likely abuse because the parties market shares in the relevant market is small to exert market power.

Other Relevant Observations

- 3.3 The CID observed that the transaction will attract foreign investment into, promote competition and encourage economic growth and development in Rwanda and the Common Market in general. The inquiries with the Member States revealed that there is significant under capacity in the cement market in COMESA. Given the growing infrastructure, construction industries, housing demands and populations of COMESA Member States, there is generally a deficit of cement supply in COMESA including Rwanda, Burundi, Uganda and the Democratic Republic of Congo. The merger is likely to result in higher production, reduced costs and greater overall efficiency in the cement markets for these and other COMESA Member States. This is reflected in that CIMERWA, being the only significant cement producer in Rwanda, is only able to supply 26% of the national demand for cement.

4.0 Determination

- 4.1 The CID has determined that the acquisition of CIMERWA by PPC is not likely to substantially prevent or lessen competition and it will not be contrary to public interest. The CID noted that it was important to stress that the COMESA Competition Regulations are applied by the Commission with a view of single market integration in mind. On this basis, agreement(s) and conduct which might have the effect of dividing the territory of one Member State from another will be prohibited. It is in this vain that the CID find the merger between CIMERWA and PPC in addition to the factors stated under Article 26 of the Regulations, not in conflict with Article 55 of the Treaty.
- 4.2 The CID has determined that the assessment of the merger at issue is compatible with the COMESA Treaty in that it does not negate the objective of free and liberalised trade. The COMESA Treaty is premised on the attainment of full market integration. Market integration means that there should be free movement of goods and services in the

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Common Market and the analysis in this report has revealed that the merger shall not lead to the frustration of free movement of goods and services.

For the reasons set out in this decision the Commission has decided not to oppose the notified merger and to declare it compatible with the Common Market.