

UNDER FIRE: Sasol, one of two of the country's large monopolies, has been urged to take steps to provide discounts on local prices or face action under the Competition Act

Picture: ANTONIO MUCHAVE



Minister takes SA's top firms to task over pricing

By LINDA ENSOR

Davies asks companies to consider discounts or face consequences

TRADE and Industry Minister Rob Davies has warned two of the country's large monopolies, ArcelorMittal South Africa and Sasol, that if they do not take steps to provide discounts on their local prices they will face action under the Competition Act and other measures.

The pricing policies of both companies have led to a dispute with the government, which believes they hinder the growth of downstream manufacturing industries. Sasol Chemical Industries has

already been fined R534-million by the Competition Tribunal for its excessive pricing of propylene and polypropylene products, a ruling the company is appealing against.

Davies even went as far as to suggest that ArcelorMittal should cut its steel price 10% and Sasol Chemical Industries should drop its polymer prices 10%-15%.

He also proposed a 15%-20% discount for platinum group metals and stainless steel, to stimulate growth in the autocatalytic convertor industry.

Davies insisted at a colloquium on beneficiation organised by parliament's trade and industry committee that the government would not hesitate to embark on Competition Commission investigations if the industry did not co-operate. It would also act to ensure that import parity pricing was no longer practised.

"We are prepared to have

an engagement with those companies about changing these practices and if they do [this] we will support them in a number of ways. If they don't, it will be back with the competition authorities. If we are unable to find each other we will have to act.

"I believe it is critical that in a very short space of time we change the policies in such a way that we deliver on a discounted price of mineral products that supports manufacturing."

Davies said discounted prices were critical to the success of the state's beneficiation strategy.

But his reliance on competition policy to force compliance did not find favour with Competition Commission head Tembinkosi Bonakele, who does not believe competition law should be used to address loopholes in the implementation of industrial policy.

Bonakele told MPs last week that using competition policy as a mechanism to reduce prices was a

"delayed remedy to the market". The process was slow and litigious, taking years to finalise in some cases.

He said it would be better to use regulations and licence conditions to achieve industrial policy objectives.

Last week, ArcelorMittal chief executive Paul O'Flaherty said there was no way the company could change its import parity pricing policy now as it faced competition from cheap steel imports.

But Davies retorted that for the past three years ArcelorMittal's steel prices had on average been 13% higher than the benchmark price proposed by the Department of Trade and Industry.

Sasol Chemical Industries vice-president for strategy and development Mike Biesheuvel told MPs that the company's prices had fallen in nominal terms by about 8% between 2009 and 2012 following the removal of 10% import duties and the consequent price adjustment. — *BDLive*