



**Advice of the Commission to the  
Minister of Business, Enterprise,  
Commerce and Consumer Protection**

**Study of the cement market**

**1<sup>st</sup> July 2011**

**CCM/AS/001/MS001**

## **Background**

In July 2010, the Executive Director (ED) of the Competition Commission (CCM) announced the launching of a market study into the conditions of competition existing in the cement industry in Mauritius through consultations with various stakeholders in the industry.

Following the publishing of the final report purporting to this study in April 2011, the Commissioners of the Commission, exceptionally decided to hold a public hearing relating to the aforesaid final report in order to give an opportunity to the stakeholders in the industry to air their views, especially in light of the Government's recent decision to liberalise trading in the cement market.

The aforementioned public hearing took place on 24<sup>th</sup> June 2010 and several stakeholders were present and were given the opportunity to place on record their opinions. Amongst the organisations present were parastatal bodies, cement importers, construction companies, consumer protection institutions and a number of other interested persons and groupings.

## **Observations and Advice**

Following both the hearing and Government's decision to liberalise commercial dealings in the cement market, the Commissioners, by virtue of section 19 of the Competition Act, observe and advise as follows:

1. We commend the Executive Director (ED) and his team for the report that has been produced, which examined several crucial considerations, drawing several valid and compelling conclusions.
2. The Government announced the liberalisation of the importation of cement and the price of bagged cement as from the 1<sup>st</sup> July 2011. It should be noted that this liberalisation of prices relates to the bagged cement market only, as the prices in the loose cement market are already liberalised.
3. The industry had been for several decades, highly regulated, through Regulations imposed by Government, managed and administered by the parastatal body, the State Trading Corporation (STC), and had taken the form of three main types of intervention prior to 1<sup>st</sup> July 2011, namely:

- i) controls on the retail price of bagged cement;
  - ii) exclusive importation of 50% of the country's cement needs by the STC;
  - iii) controls on the importation of cement.
  
4. The Commissioners wish to state at this stage that it is patently clear, as concluded by the Executive Director in his report, and indeed during the hearing, that the level of State intervention had not been conducive to encouraging competition and had, in fact, hampered the development and growth in the industry.
  
5. The freeing up of the supply to the market, as in the Government's liberalisation plan, would enable other individuals or companies to bring cement into the country, leading to greater competition and ultimately lower prices for the consumer.
  
6. The liberalisation may give rise to competition concerns. There exist two important players in the cement market who have no intention of leaving it following liberalisation, namely Holcim and Lafarge (unlike the STC, which it appears may have a less active role in the industry following liberalisation). It is important that the behaviour of these two companies be monitored. The rationale behind this thinking is that to leave these two major players (currently involved in a price-controlled duopoly in the cement industry), to their own devices might result in higher prices for the consumer.
  
7. Assurances have been given publicly by one of these companies (Holcim) that it will not raise prices before the end of the year. It should be noted that internationally, in liberalised markets there has often been evidence of collusive activity in the cement industry.
  
8. It is for this reason that the Government needs to be careful of the way in which it liberalises the price of cement. In the circumstances, the ideal way forward would have been to hold off liberalising the price of bagged cement until such time as new entrants had the immediate ability to operate at substantial aggregate capacity whether via local production or imports.
  
9. The nomination of a watchdog to monitor not only price fluctuations, but the whole of the industry as it takes shape, including the possibility of directly importing cement if the need arises, is of great importance. This role, as suggested by its representative during the hearing, could potentially be given to the STC. This would be one deterrent for keeping in check any possible abuses in the market.
  
10. Another potentially effective control would of course be the CCM through the ED and his staff. The Competition Act bestows far-reaching powers of enquiry and investigation and it would be in a position to detect and, if found, act upon any evidenced breaches of the Act that might occur during the transitional phase in the industry.

