

COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA

Case No: 73/CR/Jul12
016378

In the matter between:

The Competition Commission

Applicant

and

Cytek Cycle Distributors CC

Respondent

Panel: N Manoim (Presiding Member), M Mokuena
(Tribunal Member) and I Valodia (Tribunal
Member)

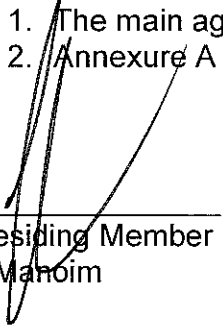
Heard on: 29 May 2013

Decided on: 30 May 2013

Order

The Tribunal hereby confirms the following attached consent agreements, as agreed to and proposed by the Competition Commission and the Respondent:

1. The main agreement, dated 12 March 2013.
2. Annexure A thereto, dated 29 May 2013.



Presiding Member
N Manoim

Concurring: M Mokuena and I Valodia

IN THE COMPETITION TRIBUNAL OF SOUTH AFRICA
HELD IN PRETORIA

CT CASE NO. 73/CR/JUL12

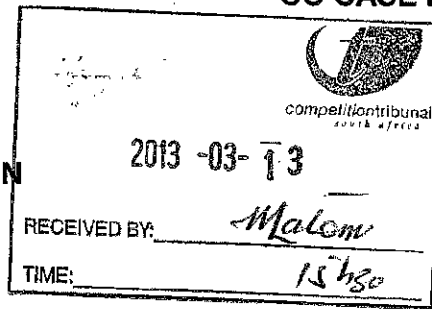
CC CASE NO. 2011JUL0155

In the matter between:

THE COMPETITION COMMISSION

and

CYTEK CYCLE DISTRIBUTORS CC



Applicant

Respondent

In re:

COMPETITION COMMISSION

and

FRITZ PIENAAR CYCLES (PTY) LTD AND 19 OTHERS

Applicant

Respondents

SETTLEMENT AGREEMENT BETWEEN THE COMPETITION COMMISSION AND CYTEK CYCLE DISTRIBUTORS CC ("CYTEK") IN REGARD TO ALLEGED CONTRAVENTION OF SECTION 4(1)(b)(i) OF THE COMPETITION ACT 89 OF 1998, AS AMENDED.

The Commission and Cytek hereby agree that application be made to the Tribunal for the confirmation of this Settlement Agreement as an order of the Tribunal in terms of section 49D as read with section 58 (1)(b) and 59(1)(a) of the Act on the terms set out below.

1. DEFINITIONS

For the purposes of this Settlement Agreement the following definitions

shall apply;

- 1.1 **"Act"** means the Competition Act, 1998 (Act No. 89 of 1998), as amended;
- 1.2 **"Commission"** means the Competition Commission of South Africa, a statutory body established in terms of section 19 of the Act, with its principal place of business at Building C, Mulayo Building, the DTI Campus, 77 Meintjies Street, Sunnyside, Pretoria, South Africa;
- 1.3 **"Commissioner"** means the Commissioner of the Competition Commission appointed in terms of section 22 of the Act;
- 1.4 **"Complaint"** means the complaint initiated by the Commissioner of the Competition Commission in terms of section 49B of the Act under case number: 2011Jul0155;
- 1.5 **"Settlement Agreement"** means this settlement agreement duly signed and concluded between the Commission and Cytex;
- 1.6 **"Cytex"** means a close corporation duly registered in accordance with the laws of the Republic of South Africa, with its main place of business at Enterprise Industrial Park, 138 Butler Road, Nuffield, Springs, Gauteng;
- 1.7 **"Parties"** means the Commission and Cytex;
- 1.8 **"Tribunal"** means the Competition Tribunal of South Africa, a statutory body established in terms of section 26 of the Act, with its principal place of business at Building C, Mulayo Building, the DTI Campus, 77 Meintjies Street, Sunnyside, Pretoria, South Africa; and



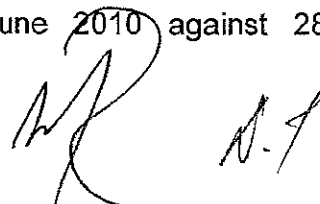
- 1.9 **"Respondents"** means all the firms that are cited as the respondents in the Commission's complaint referral filed under Competition Tribunal Case number: 73/CR/JUL12 respectively, namely: Fritz Pienaar Cycles (Pty) Ltd ("FPC"), Melody Street 18 (Pty) Ltd ("Melody"), Moneymine 88 CC trading as Hotspot Cycles ("Hotspot"), Pedal-On-Marketing CC trading as Maverick Cycles ("Maverick"), Salojee's Cycles CC ("Salojee's"), West Rand Cycles CC ("West Rand Cycles"), Bowman Cycles (Pty) Ltd ("Bowman"), Albatros Fishing & Cycling, previously named Winners Cycles (Pty) Ltd ("Albatros"), Omnico (Pty) Ltd ("Omnico"), Cytek Cycle Distributors CC ("Cytek"), Coolheat Cycle Agencies (Pty) Ltd ("Coolheat"), Maillot Jaune Trading (Pty) Ltd ("Maillot Jaune"), Tridirect SA (Pty) Ltd ("Bicicletta"), Le Peloton (Pty) Ltd ("Le Peloton"), DBS Distributing CC trading as Thule Car Rack Systems ("Thule"), Pedaling Dynamics CC trading as Dunkeld Cycles ("Dunkeld"), Summit Cycles ("Summit"), Dynamic Choices Two CC trading as Bester Cycles ("Bester"), Johnson Cycle Works CC ("Johnson"), and New Just Fun.

2. THE COMMISSION'S INVESTIGATIONS AND FINDINGS

- 2.1 In September 2008, the Commission received information from an anonymous source regarding the meetings which allegedly took place in Cape Town and Gauteng between various cycling retailers and wholesalers. The Commission was also provided with minutes of one such meeting. These minutes were also posted on the Hub Website, a web based forum for cycling enthusiasts in the cycling industry. The minutes provided to the Commission were of a meeting which occurred on 10 September 2008 ("the September 2008 meeting") in Midrand.

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- 2.2 As reflected in this minutes, the following key issues were discussed:
- 2.2.1 Increasing retailer gross margins by increasing mark-ups for cycling accessories from 50% to 75%, and for bicycles from 35% to 50%;
 - 2.2.2 A proposed time for the price increase (as from the 1st October 2008);
 - 2.2.3 Getting rid of discounting and of shops undercutting each other; and
 - 2.2.4 Getting wholesalers to provide higher recommended retail prices ("RRPs") to the retailers and advertise these prices to the public.
- 2.3 Based on this information, the Commission initiated a complaint in terms of section 49B of the Act, on 5 March 2009 against FPC and Cycle Lab (now Melody) under CC Case Number: 2009Mar4326. The representatives of these firms were identified as having been the instigators behind the September 2008 meeting. Both the firms against whom the complaint was first initiated are cycling retailers.
- 2.4 The Commission later obtained further information implicating other firms and the Commissioner amended the first initiation to include other respondents on 12 May 2009.
- 2.5 Following an investigation, the Commission referred the complaint to the Tribunal on 25 June 2010 against 28

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respondents who were both cycling retailers and wholesalers, including all of the respondents identified in the amended initiation. On 12 November 2010, the Commission filed an amended notice of motion and supplementary referral affidavit.

- 2.6 Pursuant thereto, the Commission withdrew the first referral on 10 June 2011 against all respondents named in the first referral.
- 2.7 On 18 July 2011, the Commissioner then initiated a fresh complaint under CC Case Number: 2011Jul0155, into the allegations concerning primarily the September 2008 meeting and received additional information from certain respondents pursuant to the investigation of this complaint.

3. THE COMMISSION'S REFERRAL

- 3.1 Following its investigation, the Commission concluded that the conduct by Cytex together with other respondents constituted a contravention of section 4(1)(b)(i) of the Act, in that they agreed, alternatively engaged in a concerted practice to directly or indirectly fix prices or other trading conditions. This includes both the retailers and wholesalers present at the September 2008 meeting since they are in the same line of business in respect of the sale of bicycles and cycling accessories and equipment, at the wholesale and retail levels respectively.
- 3.2 In light of its findings, the Commission decided to refer the complaint on 5 July 2012 to the Tribunal for determination.

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4. AGREEMENTS

4.1 Admissions

4.1.1 Cyttek admits that it has engaged in conduct that amounts to a contravention of section 4(1)(b)(i) of the Act.

4.2. Future Conduct

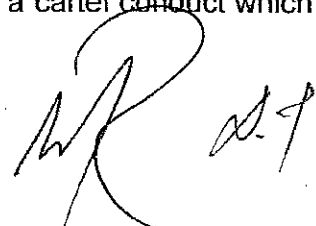
4.2.1 Cyttek agrees to fully cooperate with the Commission in relation to the prosecution of any other respondents who are the subject of its investigations and referral to the Tribunal. Without limiting the generality of the foregoing, Cyttek specifically agrees to:

4.2.1.1 Testify before the Tribunal, to facts which are within Cyttek's personal knowledge, regarding the conduct and events forming the factual basis of the Commission's referral affidavit and which are covered by this Settlement Agreement ; and

4.2.1.2 To the extent that it is in existence, provide evidence, written or otherwise, which is in its possession or under its control, concerning the alleged contraventions set out in the Commission's referral affidavit.

4.2.1.3 Desist from engaging in the conduct complained of.

4.2.2 Cyttek agrees that it will in future refrain from participating in meeting(s) aimed at engaging in a cartel conduct which

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may lead to a possible contravention of section 4(1)(b) of the Act.

4.2.3 Cytex agrees that its employees, management, directors and agents will attend a competition law compliance training programme incorporating corporate governance and designed to ensure that its employees, management, directors and agents do not engage in future contraventions of the Act.

4.2.4 Cytex will ensure that such training materials will be made available to all new employees joining Cytex.

4.2.5 Furthermore, Cytex will update and repeat such training materials annually to ensure on an ongoing basis that its employees, management, directors and agents do not engage in any future contraventions of the Act

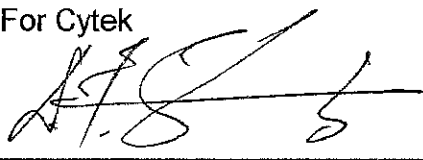
5. Full and Final Settlement

This agreement, upon confirmation as an order by the Tribunal, is entered into in full and final settlement and concludes all proceedings between the Commission and Cytex relating to any alleged contravention by the respondents of the Act that is the subject of the Commission's investigation (CC Case no. 2011JUL0155).

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Dated and signed at Spokane on this the 1st day of MARCH 2013

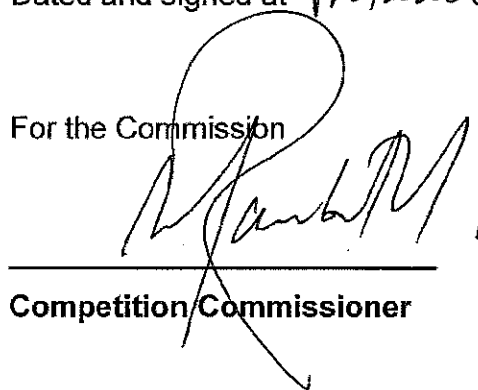
For Cytek



[title] MERVEL D. EDWARDS

Dated and signed at Proctorville on this the 12 day of March 2013

For the Commission



Competition Commissioner

ANNEXURE "A"

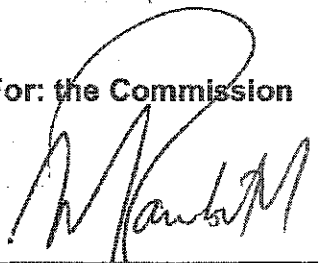
The parties agree that a notice on the terms set out hereunder will be displayed in a prominent place in their premises for a period of 6 months from the date of the Competition Tribunal's order.

"[Name of a firm] has settled a complaint referral with the Commission and has undertaken to ensure full compliance with the provisions of the Competition Act 89 of 1998.

For further information feel free to contact the Commission on telephone number: 012 394 3200 or E-mail:CCSA@compcom.co.za."

Dated and signed on this the 29th day of May 2013

For: the Commission



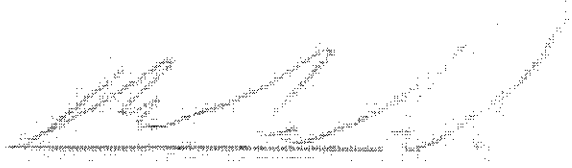
Competition Commissioner

For: Westrand Cycles CC



Member C. Schauder
Legal Representative duly authorised to
sign on behalf of Westrand Cycles

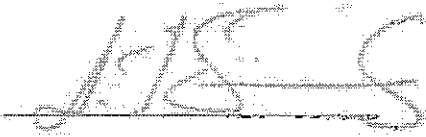
For: Pedaling Dynamic CC to Dental Cycle



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Member

For: Cycle Cycle Distribution CC



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Member


For: Dental Cycle (Pty) Limited



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Represented by

New Just Fun Group (Pty) Limited SE



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Represented by