



**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: CR049Jul12/SA207Feb15 (020784)

In the matter between:

The Competition Commission

Applicant

And

Melody Street Trading 18 (Pty) Ltd

Respondent

Panel : A Roskam (Presiding Member)
I Valodia (Tribunal Member)
A Ndoni (Tribunal Member)

Heard on : 29 April 2015

Decided on : 29 April 2015

Order

The Tribunal hereby confirms the consent agreement as agreed to and proposed by the Competition Commission and Melody Street Trading 18 (Pty) Ltd, annexed hereto marked "A"



**Presiding Member
Mr A Roskam**

29 April 2015
Date

Concurring: Prof. I Valodia and Ms A Ndoni

"A"

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

Applicant

and

MELODY STREET TRADING 18 (PTY) LTD

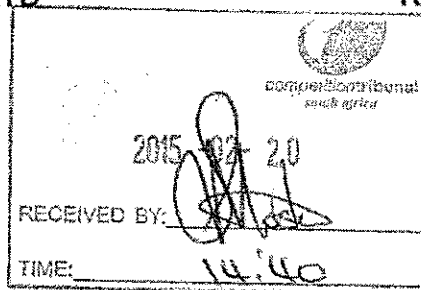
Respondent

In re:

COMPETITION COMMISSION

Applicant

and



FRITZ PIENAAR CYCLES (PTY) LTD AND 19 OTHERS

Respondents


SETTLEMENT AGREEMENT BETWEEN THE COMPETITION COMMISSION AND MELODY STREET TRADING 18 (PTY) LTD ("MELODY STREET") IN REGARD TO ALLEGED CONTRAVENTION OF SECTION 4(1)(b)(i) OF THE COMPETITION ACT 89 OF 1998, AS AMENDED.

The *Commission* and Melody Street 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 "**Melody Street**" means a company duly registered in accordance with the laws of the Republic of South Africa, with its main place of business at the Terraces, 1 Silvermoon Close, Steenberg Office Park, Tokai, Cape Town, Western Cape;
- 1.6 "**Parties**" means the Commission and Melody Street;
- 1.7 "**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 Street"), 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 ("Omnicco"), Cytek Cycle Distributors CC ("Cytek"), Coolheat

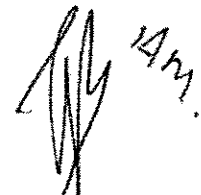
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Cycle Agencies (Pty) Ltd ("Coolheat"), Maillot Jaune Trading (Pty) Ltd ("Maillot Jaune"), Tridirect SA (Pty) Ltd ("Bicicletta"), Le Peloton (Pty) Ltd ("Le Peloton"), DBS Distributing CC trading as Thule Car Rack Systems ("Thule"), Pedaling Dynamics 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;

- 1.8 "**Settlement Agreement**" means this settlement agreement duly signed and concluded between the Commission and Melody Street; and
- 1.9 "**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.

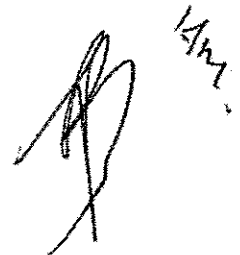
2. THE COMMISSION'S INVESTIGATIONS AND FINDINGS

- 2.1 In September 2008, the Commission received information from 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.
- 2.2 As reflected in this minutes, the following key issues were discussed:



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- 2.2.1 Increasing 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;
 - 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 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 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 amended notice of motion and supplementary referral affidavit.

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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 Melody Street 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.

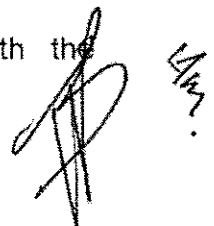
4. AGREEMENTS

4.1 Admissions

4.1.1 Melody Street admits that its conduct amounts to a contravention of section 4(1)(b)(i) of the Act.

4.2 Future Conduct

4.2.1 Melody Street agrees to fully co-operate with the

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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, Melody Street specifically agrees to:

4.2.1.1 Testify before the Tribunal regarding the conduct and events forming the factual basis of the Commission's referral affidavit and which are covered by this Settlement Agreement and

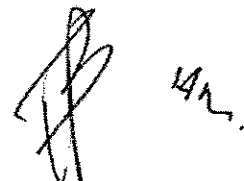
4.2.1.2 To the extent that it is in existence, provide evidence, written or otherwise, which is in its possession or under its control, concerning the alleged contraventions set out in the Commission's referral affidavit;

4.2.1.3 Desist from engaging in the conduct complained of.

4.2.2 Melody Street agrees that it will in future refrain from participating in meeting(s) aimed at engaging in a cartel conduct which may lead to a possible contravention of section 4(1)(b) of the Act.

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

4.2.4 Melody Street will ensure that such training materials will be made available to all new employees joining Melody

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Street.

4.2.5 Furthermore, Melody Street 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 Competition Act.

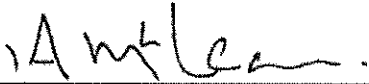
5. Full and Final Settlement

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 Melody Street relating to any alleged contravention by the respondents of the Act that is the subject of the Commission's investigation (CC Case no. 2011JUL0155).

Dated and signed at

on this the 19 day of January 2015

For Melody Street



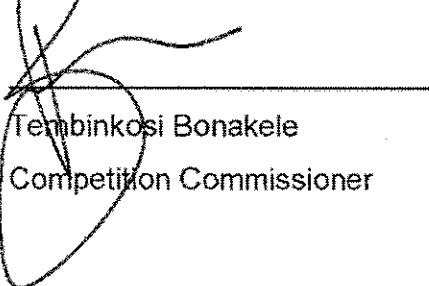
Andrew Mclean (duly authorised)

Director

Dated and signed at

PRETORIA on this the 19th day of February 2015

For the Commission



Tembinkosi Bonakele
Competition Commissioner