

Contents

1	Introduction: Research Questions and Competition Law in a Developing Country Context	1
1.1	Research Questions	1
1.2	Competition Law in Developing Countries	7
1.2.1	Spread of Competition Law	7
1.2.2	Benefits of Competition Law	10
1.2.3	Nature of Competition Law in Developing Countries	12
1.2.4	Developing Countries' Constraints	15
1.2.5	Context Informs Design	18
1.2.6	Upshot	21
1.3	Outline of the Book	21

Part I Theoretical Foundations of Industrial Policy and Competition Law

2	The Concepts of Industrial Policy and Competition Law Distinguished	27
2.1	Industrial Policy	27
2.1.1	Nature of Industrial Policy	27
2.1.1.1	Industrial Policy as Classically Defined	27
2.1.1.2	Reasons for Industrial Policy	30
2.1.1.3	Modern Industrial Policy	32
2.1.2	Industrial Policies Relevant from Competition Perspective	34
2.1.2.1	Infant Industry Protection and Import Substitution	35
2.1.2.2	National Champion Policies	38
2.1.2.3	State-Ownership	42
2.1.3	Summary	46
2.2	Competition Law	47
2.2.1	Goals of Competition Law	47
2.2.1.1	Efficiency and Welfare	47

2.2.1.2	Competitive Process and Structure	50
2.2.1.3	Secondary Goals	51
2.2.2	Types of Competition Law	53
2.2.2.1	Efficiency-Based Approach	54
2.2.2.2	Open Market Approach	56
2.2.2.3	Development Approach	59
2.2.3	Public Interest and the Law	62
2.2.3.1	Public Interest Theory	62
2.2.3.2	Public Interest and Competition Law	65
2.2.4	Abuse of Dominance	66
2.2.4.1	A Concept Fit for Developing Countries?	66
2.2.4.2	Particular Conditions of Developing Countries	68
2.2.4.3	Design of Abuse of Dominance Provision	69
2.2.4.3.1	Relevant Market	70
2.2.4.3.2	Dominance	71
2.2.4.3.3	Abuse	72
2.2.4.3.4	Concrete Recommendations	75
2.2.5	Summary	77
3	Interface of Industrial Policy and Competition Law from a Theoretical Point of View	79
3.1	Distortive Effect of Government Regulation	80
3.2	Difference Between Impact on Competition and Competition Law	81
3.2.1	Competition and Regulation	81
3.2.2	Competition and Industrial Policy	83
3.2.3	Summary	85
3.3	Interface with Competition Law	85
3.3.1	Formation of National Champions	86
3.3.2	Hierarchy of Goals	86
3.3.3	Reach of Competition Law	87
3.3.4	Government Interference	91
3.3.5	Policy Concerns as Reflected by the Law	92
3.3.5.1	Integration of Concerns Other Than Competition-Related Ones	93
3.3.5.2	Case-by-Case Exemptions from the Scope of Competition Law	97
3.3.6	Competition Law As Tool to Fight Policy Repercussions	98
3.3.7	Summary	99
3.4	Ways to Reconcile Industrial Policy with Competition Policy and Law	100
3.4.1	Industrial Policy and Competition	100
3.4.2	Industrial Policy and Competition Law	101

3.4.2.1	Specific Adaptions of Competition Law	103
3.4.2.2	Dynamic Efficiency Concerns	104
3.4.2.2.1	Concept of Dynamic Efficiencies and Competition Law	104
3.4.2.2.2	General Applicability with Regard to Economic Progress and Development	107
3.4.3	Summary	109

Part II Competition Law, Industrial Policy and South Africa

4	Industrial Policy in South Africa	113
4.1	Under Apartheid.	114
4.1.1	The Political Economy of Apartheid	114
4.1.2	Gold and Dependence on Mineral Resources	116
4.1.3	State-Owned Enterprises	118
4.1.4	Import-Substitution Policies	120
4.1.5	Summary and Conclusion	122
4.2	Post-Apartheid	123
4.2.1	Conservative Policy-Making	123
4.2.2	Trade	126
4.2.3	Privatisation and Restructuring	127
4.2.4	Economic Regulation and Industrial Policy.	130
4.2.5	South Africa as Developmental State.	135
4.2.5.1	Concept.	135
4.2.5.2	South Africa	138
4.2.6	Summary	140
5	Competition Law in South Africa	143
5.1	Under Apartheid.	143
5.1.1	The 1955 Regulation of Monopolistic Conditions Act	143
5.1.2	The 1979 Maintenance and Promotion of Competition Act.	144
5.1.2.1	Competition Board Versus Minister	144
5.1.2.2	Modest Enforcement.	146
5.1.3	Summary	146
5.2	Post-Apartheid	147
5.2.1	Point of Departure	147
5.2.2	Evolution of the 1998 Competition Act.	149
5.2.2.1	Proposed Guidelines for Competition Policy	150
5.2.2.2	Competition Bill	152
5.2.3	Features of the Act.	153
5.2.3.1	Prohibited Practices	154
5.2.3.1.1	Restrictive Practices	154
5.2.3.1.2	Abuse of Dominant Position.	155

5.2.3.2	Merger Control	157
5.2.3.3	Provisions Reflecting Industrial Policy and Development Concerns	158
5.2.3.3.1	Preamble and Purpose of the Act	159
5.2.3.3.2	The Exemption Regime	162
5.2.3.3.3	Public Interest with Merger Control	166
5.2.3.3.3.1	Interrelation of Competition Assessment and Public Interest	167
5.2.3.3.3.2	Direction of Impact	168
5.2.3.3.3.3	Need for Positive Justification	169
5.2.3.3.3.4	Contradictory Interests	170
5.2.3.3.3.5	Public Interest Criteria	171
5.2.3.3.4	Institutional Structure	175
5.2.4	Summary	176
6	Interface of Industrial Policy and Competition Law in South Africa.	179
6.1	Enforcement to Fight the Legacy of Apartheid	180
6.1.1	Telkom	181
6.1.1.1	Background	181
6.1.1.1.1	Reform of the Telecommunications Regulation	181
6.1.1.1.2	Universal Access Versus Cost- Competitiveness	182
6.1.1.1.3	Partial Privatisation	184
6.1.1.1.4	Sector Regulation	184
6.1.1.1.5	Second Network Operator	186
6.1.1.2	Case Law Involving Telkom	187
6.1.1.2.1	The 2004 Refusal Case	188
6.1.1.2.2	The 2009 Margin Squeeze Case	193
6.1.1.3	Conclusion	195
6.1.1.4	Summary	195
6.1.2	Arcelor Mittal Steel	196
6.1.2.1	Background	196
6.1.2.1.1	Iscor as State-Owned Enterprise	196
6.1.2.1.2	Post Privatisation	197
6.1.2.1.3	Continuous State-Support	199
6.1.2.2	Case Law Involving Arcelor Mittal Steel	203
6.1.2.2.1	The Tribunal Case	203

	6.1.2.2.2	The Appeal Court Decision	208
	6.1.2.3	Conclusion	212
	6.1.2.4	Summary.....	215
6.1.3	Sasol.....		215
	6.1.3.1	Background.....	216
	6.1.3.1.1	Chemicals Sector	216
	6.1.3.1.2	Foundation of Sasol	217
	6.1.3.1.3	State-Support	219
	6.1.3.2	Case Law Involving Sasol	224
	6.1.3.2.1	Nationwide Poles	224
	6.1.3.2.1.1	The Tribunal Case	224
	6.1.3.2.1.2	The Appeal Court Decision.....	227
	6.1.3.2.2	Case Law Regarding Fertiliser and Polymers	229
	6.1.3.2.2.1	Fertiliser Case	229
	6.1.3.2.2.2	Polymers Case.....	233
	6.1.3.3	Conclusion	241
	6.1.3.4	Summary.....	243
6.1.4	Foskor		245
	6.1.4.1	Background.....	245
	6.1.4.2	Case Law Involving Foskor	246
	6.1.4.3	Conclusion and Summary.....	247
6.1.5	SAA.....		247
	6.1.5.1	Background.....	248
	6.1.5.1.1	Foundation of South African Airways.....	248
	6.1.5.1.2	Deregulation of the Civil Aviation Sector	249
	6.1.5.1.3	Restructuring and Attempt to Privatisise	251
	6.1.5.1.4	Recent Developments.....	251
	6.1.5.2	Case Law Involving South African Airways	254
	6.1.5.2.1	South African Airways I.....	255
	6.1.5.2.2	South African Airways II	259
	6.1.5.2.2.1	The Tribunal Case	259
	6.1.5.2.2.2	The Appeal Court Decision.....	263
	6.1.5.3	Conclusion	265
	6.1.5.4	Summary.....	266
6.1.6	Senwes Ltd.....		267
	6.1.6.1	Background.....	267
	6.1.6.2	Case Law Involving Senwes.....	270
	6.1.6.2.1	The Abuse Case	270
	6.1.6.2.1.1	The Tribunal Case	270

	6.1.6.2.1.2	Higher Instances	272
	6.1.6.2.1.3	Settlement	275
	6.1.6.2.2	Collusion	276
	6.1.6.3	Conclusion	277
	6.1.6.4	Summary	277
6.1.7	Patensie	Sitrus Beherend Beperk	278
	6.1.7.1	Background	278
	6.1.7.2	Case Law Involving Patensie Citrus Beherend Beperk	279
	6.1.7.3	Conclusion and Summary	280
6.1.8	South African Breweries		281
	6.1.8.1	Background	281
	6.1.8.2	Case Law Involving South African Breweries	283
		6.1.8.2.1 The Tribunal Case	283
		6.1.8.2.2 The Appeal Court Decision	286
	6.1.8.3	Conclusion	287
	6.1.8.4	Summary	288
6.1.9	Conclusion		288
6.2	Prioritisation and Selection		292
	6.2.1	Authorities' Procedural Discretion and the Process of Prioritisation	293
	6.2.2	Approach Taken by the South African Competition Commission	295
	6.2.2.1	Prioritisation Criteria and Sectors	296
	6.2.2.2	Impact of Prioritisation	297
		6.2.2.2.1 Investigation Numbers and Leniency Applications	297
		6.2.2.2.2 Concrete Results	299
		6.2.2.2.2.1 Food and Agro-Processing	299
		6.2.2.2.2.2 Infrastructure and Construction	300
		6.2.2.2.2.3 Intermediate Industrial Products	303
		6.2.2.2.2.4 Financial Services (Banking)	307
	6.2.3	Conclusion	308
6.3	Inclusion of Industrial and Development Objectives in Competition Law		309
	6.3.1	Exemption Regime	310
		6.3.1.1 The Maintenance and Promotion of Exports	311
		6.3.1.1.1 South African Airways (Pty) Ltd	311
		6.3.1.1.2 South African Port Operations	314

6.3.1.1.3	Western Cape Citrus Producers Forum.	314
6.3.1.1.4	Allens Meshco (Pty) Ltd	316
6.3.1.1.5	Grain South Africa	316
6.3.1.1.6	Squid Exporters Association and Various Lobster Exporters	317
6.3.1.2	The Promotion of the Ability of Small Business or Firms Controlled or Owned by Historically Disadvantaged Persons to Become Competitive	318
6.3.1.2.1	Ring Pharmaceutical Distributors.	318
6.3.1.2.2	National Hospital Network.	319
6.3.1.2.3	Scriptpharm Holdings (Pty) Ltd and Others.	320
6.3.1.2.4	Spring Lights Gas (Pty) Ltd	320
6.3.1.3	Change in Productive Capacity Necessary to Stop Decline in an Industry	321
6.3.1.4	The Economic Stability of an Industry Designated by the Minister.	322
6.3.1.4.1	Sasol and Other Oil Companies Reg. Main Supply Agreement	322
6.3.1.4.2	Petroleum Oil and Gas Corporation of South Africa Ltd.	322
6.3.1.4.3	South African Petroleum and Refinery Industry	324
6.3.1.4.3.1	Short-Term Exemption for FIFA World Cup.	324
6.3.1.4.3.2	Long-Term Exemption after FIFA World Cup	325
6.3.1.5	The Exercise of Intellectual Property Rights	327
6.3.1.6	Exemption of Professional Rules	327
6.3.1.6.1	Law Society of South Africa	327
6.3.1.6.2	Health Professions Council of South Africa	328
6.3.1.6.3	Council for the Built Environment and Its Members	329
6.3.1.7	Conclusion	330
6.3.2	Public Interest Regime.	332
6.3.2.1	Effect on Employment	335
6.3.2.1.1	Case Law	336
6.3.2.1.1.1	DB Investments SA and De Beers Consolidated Mines & De Beers Centenary AG	336

6.3.2.1.1.2 Unilever Plc, Unifoods,
Hudson & Knight,
Robertson
Foods (Pty) Ltd
and Robertson Food
Service (Pty) Ltd 337

6.3.2.1.1.3 Distillers
Corporation (SA)
Limited and
Stellenbosch Farmers
Winery Group Ltd 338

6.3.2.1.1.4 Daun et Cie AG
and Kolosus Holding
Limited 339

6.3.2.1.1.5 Harmony Gold Mining
Company Limited and
Gold Fields Limited. 340

6.3.2.1.1.6 Edgars Consolidated
Stores (Pty) Ltd and
Rapid Dawn 123 (Pty)
Ltd 341

6.3.2.1.1.7 Lonmin Plc and
Southern Platinum
Corp. 343

6.3.2.1.1.8 Tiger Brands Ltd
and Langeberg
Foods International
Ashton Canning
Company (Pty) Ltd 344

6.3.2.1.1.9 DCD Dorbyl (Pty)
Ltd and Globe
Engineering
Works (Pty) Ltd 345

6.3.2.1.1.10 Nedbank Ltd and
Imperial Bank Ltd 346

6.3.2.1.1.11 Metropolitan
Holdings Limited
and Momentum
Group Limited 347

6.3.2.1.1.12 Walmart Stores Inc
and Massmart
Holdings Limited. 349

6.3.2.1.1.13 Kansai Paint Co. Ltd
and Freeworld
Coatings Limited 360

6.3.2.1.1.14	Aon South Africa (Pty) Ltd and Glenrand MIB Ltd.	363
6.3.2.1.1.15	Glencore International Plc and Xstrata Plc.	364
6.3.2.1.1.16	Sibanye Gold Limited and Newshelf 1114 (Pty) Limited	365
6.3.2.1.1.17	Arrowhead Properties Trust Ltd and Vividend Income Fund Ltd	366
6.3.2.1.1.18	BB Investment Company (Pty) Ltd and Adcock Ingram Holdings (Pty) Ltd.	366
6.3.2.1.1.19	Vodacom (Pty) Ltd and Nashua Mobile (Pty) Ltd in Respect of Its Vodacom (Pty) Ltd Subscriber Base	367
6.3.2.1.1.20	RCS Card (Pty) Ltd and The Consumer Finance Business of the JD Group Ltd.	368
6.3.2.1.1.21	Diageo South Africa (Pty) Ltd, Heineken International B.V., Namibia Breweries Ltd and Brandhouse Beverages (Pty) Ltd, DHN Drinks (Pty) Ltd, Sedibeng Brewery (Pty) Ltd	370
6.3.2.1.2	Conclusion	370
6.3.2.2	Effect on Particular Industrial Sector or Region ..	371
6.3.2.2.1	Case Law	372
6.3.2.2.1.1	Nasionale Pers Limited and Educational Investment Corporation Limited . . .	372

6.3.2.2.1.2	Tongaat-Hulett Group Limited and Transvaal Suiker Beperk, Middenen Ontwikkeling (Pty) Ltd, Senteeko (Edms) Bpk, New Komati Sugar Miller's Partnership, Tsb Bestuurdienste	373
6.3.2.2.1.3	Iscor Limited and Saldanha Steel (Pty) Ltd	374
6.3.2.2.1.4	Harmony Gold Mining Company Limited and Gold Fields Limited	375
6.3.2.2.1.5	Life Healthcare Group (Pty) Ltd and Aurora Hospital (Pty) Ltd	376
6.3.2.2.1.6	Ardutch B.V. and Defy Appliances (Pty) Ltd . . .	377
6.3.2.2.1.7	AgriGroupe Holdings (Pty) Limited and AFGRI Limited	378
6.3.2.2.1.8	Hebei Zhongbo Platinum Co. Ltd and Eastern Platinum Ltd	380
6.3.2.2.2	Conclusion	381
6.3.2.3	Effect on Ability of Small Business and Historically Disadvantaged Persons to Become Competitive.	382
6.3.2.3.1	Case Law	382
6.3.2.3.1.1	Nasionale Pers Limited and Educational Investment Corporation Limited . . .	382

6.3.2.3.1.2	The Government Employees Pension Fund and Afrisam Consortium (Pty) Ltd (4 July 2012)	383
6.3.2.3.1.3	JD Group Limited and Ellerine Holdings Limited	383
6.3.2.3.1.4	Schumann Sasol (South Africa) (Pty) Ltd and Price's Daelite (Pty) Ltd	384
6.3.2.3.1.5	Shell South Africa (Pty) Ltd and Tepco Petroleum (Pty) Ltd	385
6.3.2.3.1.6	Anglo American Holdings Ltd and Kumba Resources Ltd	388
6.3.2.3.1.7	Business Venture Investments 790 (Pty) Ltd and Afrox Healthcare Ltd	390
6.3.2.3.1.8	Masscash Holdings (Pty) Ltd and Finro Enterprises (Pty) Ltd t/a Finro Cash and Carry	391
6.3.2.3.1.9	Pioneer Hi-Bred International Inc and Pannar Seed (Pty) Ltd	392
6.3.2.3.1.10	Hyprop Investments Limited and Sycom Property Fund Managers Limited	393
6.3.2.3.2	Conclusion	395
6.3.2.4	Effect on Ability of National Industries to Compete Internationally	396
6.3.2.4.1	Case Law	396

6.3.2.4.1.1	Nedcor Limited and Standard Bank Investment Corporation	396
6.3.2.4.1.2	Tongaat-Hulett Group Limited and Transvaal Suiker Beperk, Middenen Ontwikkeling (Pty) Ltd, Senteeko (Edms) Bpk, New Komati Sugar Miller's Partnership, Tsb Bestuurdienste	398
6.3.2.4.1.3	Iscor Limited and Saldanha Steel (Pty) Ltd	399
6.3.2.4.1.4	Nampak Limited and Malbak Limited	399
6.3.2.4.1.5	Distillers Corporation (SA) Limited and Stellenbosch Farmers Winery Group Ltd	400
6.3.2.4.1.6	Tiger Brands Ltd and Langeberg Foods International Ashton Canning Company (Pty) Ltd	401
6.3.2.4.1.7	Rhodes Food Group (Pty) Ltd and Del Monte South Africa (Pty) Ltd	402
6.3.2.4.1.8	Ethos Private Equity Fund VI and TP Hentiq 6128 (Pty) Ltd	403
6.3.2.4.2	Conclusion	403
6.3.2.5	Conclusion on Public Interest.	404

7	Consideration of Development Concerns in Enforcing South African Competition Law.	409
7.1	Competition Law's Contribution to the UN's Development Goals	410
7.2	Case Law with Development Impact	411
7.2.1	Food	411
7.2.1.1	Bread	411
7.2.1.2	Wheat and Maize	414
7.2.1.3	Dairy	417
7.2.1.4	Poultry	421
7.2.1.5	Conclusion	422
7.2.2	Health	423
7.2.2.1	Medicine	425
7.2.2.1.1	Glaxo Wellcome (Pty) Ltd	425
7.2.2.1.2	GlaxoSmithKline (South Africa) (Pty) Ltd	427
7.2.2.1.3	Bristol-Myers Squibb (Pty) Ltd	429
7.2.2.1.4	MSD (Pty) Ltd	429
7.2.2.1.5	Aspen Pharmacare (Pty) Ltd and GlaxoSmithKline (South Africa) (Pty) Ltd	430
7.2.2.2	Medical Equipment.	431
7.2.2.2.1	Adcock Ingram Critical Care (Pty) Ltd and Others.	431
7.2.2.2.2	Hosanna Medical & Disposables CC and Shekinah Medical & Disposables CC	432
7.2.2.3	Conclusion	432
7.2.3	Housing and Sanitation	434
7.3	Summary and Conclusion	435

Part III Conclusion

8	Conclusion: Complex Relationship Between Industrial Policy, Competition Law and Development Concerns.	439
	Legal Provisions	445
	Annexes	453
	Bibliography	467