

NOTICE 248 OF 2008**COMPETITION COMMISSION****NOTIFICATION TO PROHIBIT THE TRANSACTION INVOLVING:****FERRO INDUSTRIAL PRODUCTS (PTY) LTD****AND****POWDER-LAK (PTY) LTD**

The Competition Commission hereby gives notice, in terms of Rule 38 (3)(c) of the 'Rules for the Conduct of Proceedings' in the Competition Commission, that it has prohibited the transaction involving the above-mentioned firms.

The primary acquiring firm is Ferro Industrial Products (Pty) Ltd ("Ferro"), a company incorporated under the laws of South Africa. Its main shareholders are Investec Bank Limited and Ian Forbes. Ferro provides its services through the following divisions: Powder Coatings; Plastics; Enamel; Ceramic and Tiles; and Glass coatings.

The primary target firm is Powder-Lak (Pty) Ltd ("Powder-Lak"), a company incorporated under the laws of South Africa, which is a wholly-owned subsidiary of Quarrystone Holdings Ltd. Powder-Lak is involved in the manufacturing, marketing and distribution of powder coating products

Ferro intends to acquire the business of Powder-Lak as a going concern.

There is a horizontal overlap between the activities of the merging parties in the manufacture and supply of powder coating in South Africa. Powder coating finds use in the construction, white goods (i.e. fridges, microwaves, televisions, phones and other appliances), automotive, architectural and general metal finishing sectors.

The parties argued that powder coating could be substituted for solvent-based wet coating, galvanising and anodising. On the contrary, customers of the merging parties have indicated that there are quality and technical limitations inhibiting a switch from powder coating to other forms of coating. There have been instances, advanced by the parties, where certain customers stopped using powder coating and switched to other forms of coating. The Commission's market investigating revealed that such customers switched as powder coating prices were perceived supra-competitive to the extent that it was no longer profitable to use the product, in other words it was not switching as a result of a small but significant price increase of the competitively priced powder coating.

In the powder coating market in South Africa, Ferro and Powder-Lak have a market of approximately 35% and 19%, respectively. Their competitor is Akzo Nobel with the