

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 63/LM/Sep02

In the large merger between:

Silicon Technology (Pty) Ltd

and

Calcium Carbide Division of Sentrachem Limited

Reasons for Decision

Approval

On 6 November 2002 we unconditionally approved the merger between Silicon Technology (Pty) Ltd and Sentrachem Limited in respect of Sentrachem Limited's Calcium Carbide Division. The reasons for our decision follow.

The transaction

This transaction entails an acquisition by Silicon Technology ("Siltech") of certain businesses from Sentrachem Limited ("Sentrachem"). Siltech will acquire the acetylene carbon black and calcium carbide businesses of Sentrachem as going concerns. The sale constitutes one indivisible transaction.

The primary acquiring firm is Siltech, a private company subsidiary of Lion Invest AG, ultimately controlled by Glencore International AG.

The primary target firms are the businesses of Sentrachem, a subsidiary of the Dow Chemical Company.

Sentrachem is disposing of all its non-core businesses hence this transaction.

Evaluating the merger

Siltech produces “75% Ferrosilicon”, an alloy of iron and silicon, as well as its by-products, ferrosilicon slag and silica fume. However, its parent company, Glencore, is widely involved in the mining, smelting, refining and processing of metals and minerals. In South Africa, Glencore also produces anthracite.

Sentrachem is the only producer of calcium carbide in South Africa. Calcium carbide is manufactured from anthracite, pitch coke, metallurgical coke, lime dolomite and electricity. It is used extensively as a desulphuriser in the steel and metallurgical industry, in the manufacture of calcium cyanide and acetylene for the welding and cutting industries. The sale of calcium carbide as a desulphuriser constitutes approximately 50% of the turnover of this part of the target business.

Sentrachem’s acetylene carbon black business uses calcium carbide to produce high purity elemental acetylene carbon black (“ACB”). ACB is distinguishable from the carbon black, which is used in manufacture of automobile tyres. At the hearing the parties submitted that ACB is currently not imported and the only customer for ACB in South Africa is Gillette, which manufactures zinc carbide batteries. Sentrachem has an evergreen supply contract with Gillette, which is subject to annual price negotiation.

It is clear that the products produced by the acquirer and those produced by the target businesses are not substitutable and do not compete in the same market. Although there is no product overlap between the merging parties, the transaction does give rise to vertical integration since the target company consumes anthracite in its production process and the acquiring group produces anthracite. In fact, the target purchases 50% of its anthracite requirements from the acquiring group and the remaining part thereof from the Ingwe Coal Group.

However, the target company’s purchases from the acquiring group constitute less than 1% of the total market. Furthermore, the extent of this vertical integration is substantially diluted by the fact that the target company’s purchase of anthracite is determined by the actual properties of the anthracite that is required. Thus foreclosure of this market is unlikely because the target requires a particular blend of anthracite that the acquiring group, by itself, cannot provide.

Public interest concerns

The transaction will not impact negatively on employment.

Conclusion

We conclude that the merger will not lead to a substantial lessening of competition. The Tribunal therefore approves the transaction unconditionally. There are no public interest

concerns, which would alter this conclusion.

N. Manoim

15 January 2003

Date

Concurring: F. Fourie, M. Holden

For the acquiring firm:	Werksmans
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For the target firm: Bell Dewar & Hall Inc.

For the Commission:	J. Mokwana, Legal Services Division, Competition Commission
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