

The Ministry of Justice recommends the imposition of sanctions against cement companies for cartel

Brasilia – 10/11/2011 (MJ) – According to the decision published today in the Official Gazette, the Secretariat of Economic Law (SDE) of the Ministry of Justice recommended that the Administrative Council of Economic Defense (CADE) impose sanctions against several cement makers, two industry associations, one trade union and 6 individuals for their participation in a cartel. Companies could be fined in up to 30% of their gross turnover in the year before Investigation Administrative Procedure.

The investigations resulted in an administrative procedure with more than 12,000 pages and in the collection of approximately 820,000 electronic files. They provided substantive evidence of the participation of Holcim do Brasil S.A., Votorantim Cimentos S.A., Camargo Corrêa Cimentos S.A., Cimpor Cimentos do Brasil LTDA., Itabira Agro Industrial S.A., Companhia de Cimento Itambé, Associação Brasileira das Empresas de Serviços de Concretagem (ABESC), Associação Brasileira de Cimento Portland (ABCP), Sindicato Nacional da Indústria do Cimento (SNIC) in a sophisticated cartel scheme in the Brazilian market for cement and concrete. Both sectors have already been subject to fines and are also being investigated in other jurisdictions such as Germany, France, the United Kingdom, Poland, South Africa, Pakistan and Egypt.

Through meetings and e-mail exchanges the participants in the cartel managed to fix prices, establish production quotas, allocate markets and customers, coordinate the control of the sources of raw material and implement asset deals in order to harm companies that did not participate in the agreement.

Investigations began in 2006. In 2007 SDE undertook unannounced inspections at the premises of the companies. Besides the imposition of fines, SDE has also recommended that CADE determine structural sanctions such as the sale of

assets, and the spin off of companies so as to reestablish competition in the market. Furthermore, SDE has decided to start a sector inquiry in order to study measures that could foster entrance in this market and monitor the conditions of access to raw material.

Among all anticompetitive conducts, cartel is the most egregious violation of competition law as they severely harm customers by raising prices and restricting supply, In case of the cement cartel this harm tends to be even greater as cement is an essential input to the civil construction industry and the demand for cement has been high for the last two decades.