



FIJI COMMERCE COMMISSION

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FINAL DETERMINATION FOR WHOLESALE PRICE OF BAGGED AND BULK CEMENT

10 DECEMBER 2010

1. INTRODUCTION

1.1 On 1st February 2010, the Fiji Commerce Commission (Commission) released the final determination for cement sold by Fiji Industries Limited (FIL), authorising an 8.50% decrease in the prices of bagged and bulked cement.

The authorized prices were as follows:

| Cement type or grade | Existing Prices (VEP) in (\$/t) | Decrease from existing prices (\$/t) | Commission's Authorized Price |
|----------------------|---------------------------------|--------------------------------------|-------------------------------|
| GB Bag Cement | 255.64 | 21.73 | 233.91 |
| GP Bulk Cement | 232.40 | 19.75 | 212.65 |

1.2 On 15th September 2010, the Commission received a new submission from FIL requesting for a price increase in wholesale price for both bagged and bulk cement.

1.3 On 21st September 2010, FIL furnished the Commission with the following information upon request:

- Audited financial statements for 2006, 2007 and 2008
- Client service reports from 2005 to 2010,
- Detailed management accounts from 2005 to 2010 and
- Detailed of emoluments of staff with their ranking in the organization.

1.4 From 8 November to 11 November 2010, the Commission's Regulated Industry Team was based at FIL's corporate office carrying out verification of financial information.

1.5 This determination is as per the detail findings and analysis duly recorded in the Commission paper.

2. LEGAL FRAMEWORK

2.1 The Commission is empowered under the **Commerce (Control of Prices for Cement) Order 2009** to control and/or regulate the prices of cement in Fiji.

2.2 Paragraph 3 of the said Order specifically authorises the control and/or regulation of prices for cement in all quantities, grades and classes in Fiji.

2.3 The Order authorises the Commission to regulate and control prices for three (3) years with effect from 1st October 2009.

3. ANALYSIS

The prices determination for GB bagged and GP bulk cement was based on the WACC analysis and the building block method (as it was used in the previous prices determination)

i. WACC

The WACC used for the calculation of required revenue for the cost centres is **15.09** percent (11.67% was used in our previous determination).

ii. Regulatory Asset Base

The computed value for the Regulatory Asset Base used is \$19,804,233 (In our previous determination, \$18,707,318.50 was used – the increase was mainly attributed to the increase in bank overdraft).

iii. Required Return on Capital (Annual)

| | | | |
|-------------------|----------|---------------|----------------------------|
| Asset Base | X | WACC | = Return on Capital |
| 19,804,233 | X | 15.09% | = 2,988,829.55 |

The annual return on capital for our determination is thus \$2,988,829.55

The Commission after a careful analysis of the submission by Fiji Industries Limited and its independent research and computations has authorized a price decrease of 5.89 percent in the bag and bulk wholesale cement price.

The authorised prices by the Fiji Commerce Commission are to be effective from 10th December 2010 and are as follows:-

| Cement type or grade | Current Prices (VEP) in (\$/t) | Increase/(Decrease) from current prices (\$/t) | Commission's Authorized Price |
|----------------------|--------------------------------|--|-------------------------------|
| GB Bag cement | 233.91 | (13.79) | 220.12 |
| GP Bulk Cement | 212.65 | (12.53) | 200.12 |

Commissioners:

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|---|---|--|---|
|  |  |  |  |
| Dr. Mahendra Reddy | Leba Mataitini | Krishn Shah | Sepeti Tagilala |
| Chairman | Commissioner | Commissioner | Commissioner |

Determination Date: 10th December 2010
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