



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 018234

In the matter between:

SUPER GROUP HOLDINGS (PTY) LTD

Primary Acquiring Firm

And

GREAT WALL MOTORS SA (PTY) LTD

Primary Target Firm

Panel	: Norman Manoim (Presiding Member)
	: Medi Mokuena (Tribunal Member)
	: Takalani Madima (Tribunal Member)
Heard on	: 5 March 2014
Order Issued on	: 5 March 2014
Decided on	: 12 March 2014

Reasons for Decision

Approval

- [1] On 5 March 2014, The Competition Tribunal unconditionally approved the acquisition by **Super Group Holdings (Pty) Ltd** of a 50.1% shareholding in Great Wall Motors SA (Pty) Ltd.

[2] The reasons for approving the proposed transaction follow.

Parties to transaction

Primary acquiring firm

[3] The primary acquiring firm is **Super Group Holdings (Pty) Ltd** ("Super Group"). Super Group is controlled by Super Group Limited (79.96%) and by SG Tsogo (RF) (Pty) Ltd (20.04%). Super Group Limited is a public company listed on the Johannesburg Securities Exchange and its main shareholders are¹:

- Allan Gray
- PIC²
- Visio/Mazi Capital (Hedge funds)
- PSG Online Securities Broking
- Investec Asset Management

[4] Super Group controls the following firms:

- Super Group Africa
- Chataprop Holdings 68 (Pty) Ltd
- Lexshell 280 Investments (Pty) Ltd
- Micor Freight (Pty) Ltd
- Rentrack (Pty) Ltd

[5] Super Group is a supply chain management business with operations in South Africa, Australia, New Zealand, Mozambique, Zimbabwe, Botswana, Namibia, Malawi, Nigeria, the Democratic Republic of Congo and the United Kingdom. The business consists of the planning and management of all activities across the supply chain, including the sourcing, procurement, transport and warehousing of goods and services. This is done through co-ordination and collaboration with certain suppliers, intermediaries, third party service providers or customers.

¹ See page 7 of the Commission's Report.

² PIC also has interests in Barloworld SA, Imperial Holdings, Bidvest (McCarthy), Combined Motor Holdings and Unitrans Automotive.

Primary target firm

- [6] The primary target firm is Great Wall Motors SA (Pty) Ltd ("GWMSA"), a private company which wholly owns Jinbei SA (Pty) Ltd and a 50% share in Orion Properties 85 (Pty) Ltd. The remaining shares in Orion Properties 85 (Pty) Ltd are held by Peter Azzi Trust (25%) and Henry Meistre (25%).
- [7] GWMSA is controlled by Mr Anthony Pinfold (96%) in his personal capacity and through nominee companies, Pop-Up Trading 39 (Pty) Ltd and Tarsa Trading LLC ("Tarsa"). Williams Sykes controls the remaining 4% in GWMSA.
- [8] GWMSA imports and distributes passenger vehicles, light commercial vehicles and related spare parts from Great Wall Motors, China. GWM China does not own GWMSA; the only relationship between the two companies is that GWMSA is a local exclusive distributor of vehicles manufactured by GWM China in China.

Proposed Transaction and Rationale

- [9] In terms of the Agreement between Super Group, Pop-Up Trading 39 (Pty) Ltd, Zustonelli and Mr Pinfold, it is agreed that Super Group will acquire 50.1% of the total issued shares in GWMSA from Pinfold in two phases.
- [11] Following implementation of the proposed transaction, Super Group will acquire sole control over GWMSA even though it will acquire 50.1%.
- [12] Super Group's rationale for the acquisition is that it has recently acquired two GWMSA dealerships and sees the transaction as an opportunity to backward integrate in the motor vehicle supply chain by acquiring an importer. For Mr Pinfold it is an opportunity to realise part of his investment in GWMSA and as such, wishes to sell 50.1% of the shares ultimately held by him to a large investor such as Super Group.

Relevant Market and Impact on Competition

[13] There is no horizontal relationship between the activities of the merging parties. The proposed transaction does however give rise to a vertical overlap in the activities of the merging parties in that Super Group owns dealerships which sell new and used passenger and commercial vehicles and spare parts while GWMSA and Jinbei import and distribute new passenger and commercial vehicles. Thus, in line with our previous decisions,³ we define the relevant market as:

- The import and supply of passenger and light commercial vehicles nationally; and
- The retail of new passenger and light commercial vehicles in the Midrand and Boksburg area.

[14] In October 2013, Super Group acquired two GWM branded dealerships in Boksburg and Midrand. GWMSA's sales to the dealerships owned by Super Group account for a relatively small proportion of GWMSA's turnover. As part of the conditions under the proposed merger, Super Group has undertaken to open and/or acquire a minimum of 5 other GWM branded dealerships within a period of 18 months from the date of implementation of the transaction.

[15] The Commission, during its investigation, contacted customers of GWMSA and the independent dealerships. Two of these dealers raised concerns that Super Group would post merger use its position as an importer to favour its dealerships over those of rivals. The Commission considered this issue during its investigation as did the Tribunal during its hearing. The answer provided by Super Group was that it was not in its interest to foreclose other dealers as it was in their interests to expand distribution of GWM vehicles. Regardless of the number of GWM dealerships that Super Group opens and/or acquires, a significant proportion of GWMSA's turnover is still derived from the more than 70 other independent dealerships.

³ See Imperial and Renault case no. 017582.

[16] We therefore find that the proposed transaction is unlikely to raise input foreclosure concerns as Super Group does not seem to have an incentive to reduce sales to independent dealerships, post-merger. In addition, the independent dealerships are an essential channel for GWMSA to grow their sales and therefore increase market share.

[17] Furthermore even if the transaction leads to foreclosure of other GWM dealers this would only impact on intra brand competition. In respect of inter brand competition the market in which GWMSA competes is highly competitive and fragmented with a number of suppliers manufacturing vehicles locally or exporting into South Africa.⁴

Jinbei

[18] Jinbei SA does not currently supply minibus taxis (or any other vehicles) to Super Group. However, we hold the view that even if Jinbei were to supply their vehicles exclusively to Super Group post-merger, that Super Group's competitors will still have access to other alternative options, including Toyota and Volkswagen.

Conclusion

[19] In light of the above we concluded that the proposed transactions are unlikely to substantially prevent or lessen competition in the market of sale of motor vehicles. In addition, no public interest issues arise from the proposed transactions. Accordingly we approved the proposed transactions unconditionally.



Norman Manoim

12 March 2014
DATE

⁴ Examples of brands that are being imported into South Africa in a fully built up state by region are: Europe (Peugeot and Citroen), Japan (Daihatsu, Honda, Subaru, Korean (Daewoo, Hyundai and Kia), Indian (Tata, Mahindra) and China (Chery, Chana and Foton).

Medi Mokuena and Dr Takalani Madima concurring

Tribunal Researcher: Moleboheng Moleko

For the merging parties: Fluxmans Attorneys

For the Commission: Nompucuko Nontombana