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COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 86/LM/Sep12
015636

In the matter between:

Unitrans Automotive (Pty) Ltd **Acquiring Firm**

And

Reeds Motor Group (Pty) Ltd

Reeds Motors Tableview (Pty) Ltd **Target Firms**

Panel	:	Andreas Wessels (Presiding Member) Takalani Madima (Tribunal Member) Medi Mokuena (Tribunal Member)
Heard on	:	17 October 2012
Order issued on	:	17 October 2012
Reasons issued on	:	29 October 2012

Reasons for Decision

Approval

[1] On 17 October 2012 the Competition Tribunal ("Tribunal") approved the merger between Unitrans Automotive (Pty) Ltd ("Unitrans"), the primary acquiring firm, and Reeds Motor Group (Pty) Ltd ("RMG") and Reeds Motors Tableview (Pty) Ltd ("RM Tableview"), the primary target firms.

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

Parties to transaction

[3] The primary acquiring firm is Unitrans, a company incorporated in accordance with the company laws of the Republic of South Africa. Unitrans is a wholly-owned subsidiary of the JD Group Limited.

[4] Of relevance to the competition assessment of this transaction is that Unitrans sells new and pre-owned light commercial and passenger vehicles, parts and accessories and further provides related aftermarket services. It represents a number of international motoring brands such as Toyota/Lexus, General Motors South Africa ("GMSA"), Volkswagen, Audi, Nissan, Renault, Mercedes-Benz, BMW and MAN. It services its customers from a network of 81 dealerships located throughout South Africa. With regards to the geographic area of overlap with the target firms, Unitrans operates seven dealerships in the Western Cape.

[5] The primary target firms are RMG and RM Tableview. Both these firms are private companies incorporated in accordance with the company laws of the Republic of South Africa. RMG is ultimately controlled by Zizap Investments (Pty) Ltd ("Zizap"), which holds 80% of the shares therein. RMG has the following interests: (i) RM Tableview (70%); (ii) Reeds Car Rental (Pty) Ltd (100%); and (iii) Reeds Contract Car Rental (Pty) Ltd (70%).

[6] The target firms sell new and pre-owned light commercial and passenger vehicles, parts, accessories and provide aftermarket services within the GMSA stable, which includes Opel and Chevrolet passenger cars, Opel half ton bakkies, Isuzu LDV's and Isuzu trucks. RMG also sells a selection of used and demonstration vehicles. It operates three full dealerships (inclusive of workshops) and one boutique dealership that does not have a workshop. These dealerships are located in the Western Cape, namely Reeds N1 City, Tygervalley, Reeds Cape Town and Reeds Tableview (trading as Isuzu Truck Centre).

Proposed transaction and rationale

[7] According to the merging parties the proposed transaction envisages the acquisition of (i) a business which includes motor vehicle dealerships that include workshops, and a boutique vehicle dealership, conducted by RMG and its subsidiaries, Reeds Car Rental (Pty) Ltd and Reeds Contract Car Rental (Pty) Ltd (also see paragraph 5 above); and (ii) 70%[1] of the total issued shares in RM Tableview.

[8] According to Unitrans the proposed acquisition will compliment the Unitrans' business model and strategy and afford it more of a presence in the Western Cape.

[9] From the target firms' perspective, the main motivation for the transaction is to enable the shareholders of Zizap to realise their investments in the businesses. In addition, the major shareholder of Zizap is nearing retirement and therefore wishes to exit the vehicle dealership market.

Relevant markets and impact on competition

[10] There is a horizontal overlap in the activities of the merging parties in respect of the sale of new and pre-owned light commercial and passenger vehicles, as well as the sale of spare parts and the provision of maintenance and repair services. Geographically these activities overlap in the broader Western Cape area and, more specifically, in the Cape Town/Bellville area. There is, however, no need for us in this case to take a definitive view on the exact parameters of the relevant product and geographic markets since this does not alter our ultimate conclusion with regards to the competitive effect of this transaction.

[11] According to the Commission's assessment the merged entity will have a post-merger market share of below 20% in the Western Cape in respect of each of the following markets: the sale of (i) new light commercial

[1] According to the merging parties the balance of the shares in RM Tableview will be retained by the current shareholder, Melanie Jacobs, in keeping with the firm's black economic empowerment strategy.

vehicles; (ii) new small passenger cars; (iii) new medium passenger cars; (iv) new multipurpose passenger vehicles; and (v) new sport utility cars.

[12] Furthermore, the Tribunal at the hearing requested the merging parties to submit a list of motor vehicle dealerships in the (narrower) Cape Town/Bellville geographic area. The merging parties subsequently submitted this information[2] and we were satisfied that the merged entity, from a narrow geographic market perspective, faces sufficient competition post-merger.

[13] With regards to the sale of pre-owned vehicles and after sale service, the Commission found that no likely competition concerns arise as a result of the proposed transaction given the existence of sufficient competition to the merged entity. We have no reason to doubt this finding.

[14] We therefore conclude that that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market.

Public interest

[15] The merging parties confirmed that there will be no job losses or retrenchments as a result of the proposed transaction.[3] No other public interest issues arise as a result of this transaction.

CONCLUSION

[16] We approve the proposed merger unconditionally.

Andreas Wessels

29 October 2012
DATE

Takalani Madima and Medi Mokuena concurring

[2] See the merging parties' additional submission dated 17 October 2012 following the Tribunal's request.
[3] See merger record pages 7, 36 and 62.

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For the Commission:	Zanele Hadebe