



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM133Oct16

In the matter between

UNITRANS AUTOMOTIVE, A DIVISION OF PEPKOR (PTY) LTD

Acquiring Firm

And

**KOOS NEL GROUP COMPRISING KOOS NEL AUTO (PTY) LTD,
JACQUES NEL AUTO (PTY) LTD AND WATERBERG
INSPECTACAR (PTY) LTD**

Target Firm

Panel	: Yasmin Carrim (Presiding Member)
	: Mondo Mazwai (Tribunal Member)
	: Medi Mokuena (Tribunal Member)
Heard on	: 16 November 2016
Order Issued on	: 16 November 2016
Reasons Issued on	: 12 December 2016

REASONS FOR DECISION

Approval

- [1] On 16 November 2016, the Competition Tribunal approved the large merger between Unitrans Automotive ("Unitrans"), a division of Pepkor Trading (Pty) Ltd ("Pepkor trading") and Koos Nel Group Comprising Koos Nel Auto (Pty) Ltd trading as EL Auto Ford, Jacques Nel Auto (Pty) Ltd trading as Bonus Motors and Waterberg Inspectacar (Pty) Ltd (collectively referred to as "Koos Nel Group") without conditions.
- [2] The reasons for approving the proposed transaction follow.

Parties to the transaction

Primary Acquiring Firm

- [3] The primary acquiring firm is Unitrans, a division of Pepkor Trading and a company incorporated in accordance with the laws of the Republic of South Africa. Pepkor Trading is a wholly owned subsidiary of Pepkor Holdings (Pty) Ltd, which is, in turn, wholly owned by Steinhoff Africa Holding (Pty) Ltd ("Steinhoff Africa"). Steinhoff Africa is a wholly owned subsidiary of Steinhoff Investment Holdings Ltd which is ultimately controlled and owned by Steinhoff international Holdings Limited, a company with dual listings on the Frankfurt and Johannesburg Securities Exchange.
- [4] Other than Unitrans Automotive, Pepkor Trading does not control any other firm.
- [5] Unitrans represents Pepkor Trading's automotive retail activities and its key offerings are the sale of new and pre-owned passenger and light commercial vehicles, parts and accessories and after-market services. Unitrans automotive operates more than 100 franchised dealerships across all provinces which include a variety of vehicle brands.

Primary Target Firm

- [6] The primary target firm is the Koos Nel Group which comprises three motor vehicle dealerships in Mokopane, Limpopo under the names EL Auto, Bonus Motors and Waterberg Inspectacar. The Koos Nel Trust is the ultimate owner of these dealerships.
- [7] The Koos Nel Group's activities include the sale of new and pre-owned passenger and light commercial vehicles, the sale of parts, after-sales maintenance services and intermediary services for vehicle finance services.

Proposed transaction and rationale

- [8] In terms of the proposed transaction, Unitrans will acquire the Koos Nel Group's Motor dealership businesses as a going concern. Post-merger, Pepkor Trading, through Unitrans will control the Koos Nel Group.
- [9] Broadly, the acquiring firm submits that the proposed transaction will enhance the VW division of Unitrans and give Unitrans an entry point into the For Franchise environment. The Primary target firm submits that the transaction allows the Koos Nel Group to realise its investments made over many years.

Impact on Competition

- [10] The Commission found that the proposed transaction would result in horizontal overlap in the markets for the sale of new and used passenger vehicles, the sale of new and pre-owned light commercial vehicles, the provision of after sales services and the provision of financial and insurance services.
- [11] In its analysis, the Commission did not assess the horizontal overlaps present in the market for the sale of pre-owned and demonstration passenger and light commercial vehicles or the market for the provision of after sales service on the basis that these markets were strongly competitive. It concluded that the merger was unlikely to lead to competition concerns in these markets. The Commission maintained further that no analysis was required of the overlaps present in the market for the provision of financial and insurance services because the merging parties do not provide this service, rather acting only as intermediaries for banks and insurance companies.
- [12] In its assessment of the market for the sale of new passenger vehicles within a 100 kilometre radius of Mokopane and in the Limpopo province and the sale of new light commercial vehicles in the same nodes, the Commission found that the presence of other dealerships as well as the low post-merger market shares held by the merged entity meant that the transaction was unlikely to substantially prevent or lessen competition in any of the mentioned markets.

- [13] We concur with the Commission's conclusion that the proposed merger is unlikely to substantially prevent or lessen competition in any relevant market.

Public Interest

- [14] The merging parties confirmed that the proposed transaction will not have a negative effect on employment owing to the fact that the Koos Nel Group will be taken over in terms of section 197 of the Labour relations Act, 66 of 1995, as amended.

- [15] The Commission did not receive any concerns related to employment and found that the proposed transaction was unlikely to have a negative effect on employment.

- [16] The proposed transaction further raised no other public interest concerns.

Conclusion

- [17] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition, no public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.



Ms Yasmin Carrim

12 December 2016
Date

Ms Mondo Mazwai and Mrs Medi Mokuena concurring

Tribunal Researcher: Alistair Dey-van Heerden

For the merging parties: Chris Charter of Cliffe Dekker Hofmeyr

For the Commission: Maanda Lambani