**COMPETITION TRIBUNAL**
**REPUBLIC OF SOUTH AFRICA**

**Case Number: 11/LM/Nov99**

**In the large merger between**

**Quadrant Container Lines Limited**

**and**

**Tiger Foods Industries Limited**

---

## Reasons for Competition Tribunal's Decision

---

### (a) Approval

The Competition Tribunal issued a Merger Clearance Certificate on 14 January 2000 approving without conditions the merger between Quadrant Container Lines Ltd ("Quadrant") and Tiger Foods Industries Ltd ("Tiger Foods"). The reasons for our decision to approve the merger are set out below.

### (b) The Merger transaction

The transaction entails Quadrant purchasing –

(c) the business of Island View Shipping ("IVS") as a going concern from Tiger Foods;

(d) the shares in IVS (Australia) Ltd from Tiger Oats (Maritius) Limited;

(e) the shares in Comshipco Schiffahrtsagentur GmbH ("Compshipco") from Weesperkarspel Exploitatiemaatskappij B.V. Haarlem.

The three target firms referred to above are all involved in operations relating to the transportation of cargo worldwide. The operations of IVS and Compshipco relate to dry-bulk cargo and entail chartering vessels and finding cargo to be carried by these vessels, or alternatively contracting for the transportation of cargo and then finding a vessel to carry the cargo.

IVS Australia is a marketing agent for IVS and Comshipco.

The acquiring firm (Quadrant) also provides services relating to the worldwide transportation of cargoes, but its operations exclude dry-bulk cargo.

**(f) Evaluating the merger**

In assessing a merger in terms of section 16 of the Competition Act, the Tribunal must consider –

(g) whether or not the merger is likely to substantially prevent or lessen competition; and

(h) whether the merger can or cannot be justified on substantial public interest grounds by considering the effect of the merger on each of the following: a particular industrial sector or region; employment; the ability of small businesses or firms controlled by historically disadvantaged persons, to become competitive; and the ability of national industries to compete in international markets.

To answer the question whether the merger is likely to substantially prevent or lessen competition, the Tribunal must, in terms of Section 16(2), assess the strength of competition in the **relevant market** and the probability that the firms in the market after the merger will behave competitively or co-operatively.

<u>The Relevant Market</u>

As the acquiring firm, Quadrant, is not at all involved in dry-bulk cargo transportation, there is no direct product overlap between it and the target firms. There are, however, two subsidiaries within the Grincor Group, of which Quadrant is a part, which do participate in the dry-bulk cargo market. They are Unicorn Lines (Pty) Ltd (the Unicorn Tankers Division) and Griffin Shipping Holdings Ltd. The former charters dry bulk vessels to transport salt from Walvis Bay to Durban, while the latter owns two dry-bulk vessels, which it tramps on the world market.

Taking this indirect overlap as the starting point in defining the relevant product market in this case, it appears that the relevant product market is the provision of transportation services in respect of dry-bulk cargo. The target firms and, indirectly and to a limited extent, the acquiring firm participate in this market by mixing and matching chartered dry-bulk vessel capacities and cargo, which they contract to transport for third parties. The market for the service that they provide appears to be highly 'contestable' and susceptible to supply-side substitution; not only can vessel owners themselves contract with third parties directly, but capacity is easily transferred into this market by firms operating in other markets. For instance, firms that provide similar services in respect of other types of cargo could easily switch to dry-bulk cargo.

However, the main source of substitution in respect of this service is geographical. Firms providing services on particular routes can easily, and without significant delay, switch to other routes. We, therefore, conclude that the relevant geographic market is very wide – it is probably a world-wide market.

## Impact on competition

Given our conclusion regarding the ambit of the relevant geographic market, the impact of this merger on competition is miniscule. The merged entity a tiny player in this large geographic market and barriers to entry into the market are rather low. We accordingly found that the merged firm would not have any market power and would therefore not be in a position to behave anti-competitively.

## Public interest considerations

None of the public interest considerations listed in section 16(3) appear to be relevant to this merger.

____________________________ ________________

**D.H. Lewis** **Date**
**Presiding Member**

**Concurring: D.R. Terblanche and N.M. Manoim**