COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA

Case no.: 85/LM/Sep05

In the large merger between:

Super Group Dealerships – A division of Super Group Trading (Pty) Ltd

and

LM Wolfsohn Motors (Pty) Ltd

Reasons

Introduction

On 29 September 2005 the Competition Tribunal approved the merger between Super Group Dealerships, a division of Super Group Trading (Pty) Ltd, and LM Wolfsohn Motors (Pty) Ltd. The reasons for the decision are set out below.

The transaction

Super Group Dealerships, a division of Super Group Trading (Pty) Ltd, is acquiring the assets and goodwill of LM Wolfsohn (Pty) Ltd trading as Lionel Motors Rustenburg.

Super Group Trading controls five divisions of which Super Group Dealerships is one. Super Group Dealerships controls 17 Gauteng-based commercial and passenger vehicle dealerships that represent all the major South African brands including Nissan SA passenger and commercial vehicles. .

Lionel Motors, situated in Rustenburg, is a dealer in Nissan, Nissan Diesel and Renault passenger, light, medium and heavy commercial vehicles as well as pre-owned vehicles across all brands.

Rationale for the transaction

Super Group currently does not operate in the Rustenburg area and regards the acquisition as an opportunity for growth. Lionel Motors claims that the transaction will result in new avenues of business being available to it because of Super Group's empowered status.

Effect on Competition

The parties' activities overlap in the sale of new passenger and commercial Nissan vehicles as well as pre-owned vehicles. The market for passenger vehicles consists of small, middle, large, luxury, speciality, utility cars and minivans. The market for commercial vehicles consists of light, medium and heavy commercial vehicles.

The Commission refrained from defining the geographic market because, according to it, the transaction does not raise any competition concerns whether the geographic market was defined as local or regional.

When the geographic market is defined as local there is no geographic overlap between Super Group Dealerships' various Gauteng dealers and the target company's Rustenburg business.[1] If the market is defined as regional to include all the local markets the market shares may raise some prima facie concerns, specifically in the markets for medium and heavy commercial vehicles where the merged entity would have a market share of 60% and 37% respectively. However, the high market shares are not as a result of the transaction but exists pre-merger with Super Group Dealerships possessing a market share of 58%.

According to the Commission distribution of medium and heavy commercial vehicles differs from passenger or small commercial vehicles in that the former class of vehicles are readily sourced nationally as well as directly from the manufacturers via tenders in cases where the clients require certain specifications.[2] Based on this the Commission argued that the geographic market might indeed be defined even broader, as national, and the market share of the merged entity would as a result be much lower. Some of the larger regional competitors in the regional medium and heavy commercial markets are

1 Super Group has dealerships in Hydepark, Edenvale, Fourways, Boksburg, Benoni, Springs, Blackheath, Johannesburg, Midrand, Randburg, Krugersdorp and Lyndhurst

2 Medium commercial vehicles are defined as vehicles with a weight of between 7.5 and 16 tons and heavy commercial vehicles as vehicles with a weight of more than 16 tons.

Toit's Hatfield, Menlyn Nissan, McCarthy Sandton, Bruma Nissan and Melrose Nissan.

We found the Commission's record to be incomplete with regard to information on some of the product markets. However, in light of the above we do agree with it that the transaction does not raise any competition concerns.

Employment

No jobs will be lost as a result of the transaction and no other significant public interest issues are raised.

____________ **3 November 2005**

D Lewis **Date**

Concurring: N Manoim, Y Carrim