



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM239Feb16

In the matter between:

**BARLOWORLD SOUTH AFRICA PROPRIETARY
LIMITED**

Primary Acquiring Firm

and

**SALVAGE MANAGEMENT & DISPOSALS PROPRIETARY
LIMITED**

Primary Target Firm

Panel	: Yasmin Carrim (Presiding Member)
	: Anton Roskam (Tribunal Member)
	: Andiswa Ndoni (Tribunal Member)
Heard on	: 22 March 2016
Order Issued on	: 22 March 2016
Reasons Issued on	: 20 April 2016

Reasons for Decision

Approval

[1] On 22 March 2016, the Competition Tribunal ("Tribunal") approved the proposed transaction between Barloworld South Africa Proprietary Limited and Salvage Management & Disposals Proprietary Limited.

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

Parties to proposed transaction

Primary acquiring firm

- [3] The primary acquiring firm is Barloworld South Africa Proprietary Limited ("Barloworld SA") a wholly owned subsidiary of Barloworld Limited ("Barloworld"), a public company incorporated in terms of the laws of the Republic of South Africa.
- [4] Barloworld has a primary listing on the Johannesburg Stock Exchange (JSE) and secondary listing on the London and Namibian Stock Exchanges
- [5] Barloworld and Barloworld SA control a number of firms and will hereon be collectively referred to as the Barloworld Group.

Primary target firm

- [6] The primary target firm is Salvage Management & Disposals Proprietary Limited ("SMD"). SMD is an end-to-end salvage operator providing a full spectrum of asset management services, selling accident damaged, stolen and recovered vehicles, including passenger and commercial vehicles, agricultural equipment and leisure craft.¹

Proposed transaction and rationale

- [7] Barloworld intends to acquire 51.88% of the issued shares in SMD. As a result Barloworld will exercise control over SMD.
- [8] Barloworld Group submits that the proposed transaction will provide further option for the acquiring firm to grow services to the distressed asset sale market and increase its exposure to the insurance market.
- [9] SMD believes that strong synergies exist between Barloworld as a supplier of motor vehicles and SMD as offering alternatives distribution solutions. It also believes that it

¹ The merging parties have since agreed that the SMD Holdings' properties (excluding R21) will instead be transferred to SMD.

(SMD) can play a role in the de-fleeting of motor vehicles and the repossessed vehicle market.

Impact on competition

- [10] The Barloworld Group operates through four (4) core divisions being equipment, automotive, handling and logistics. Relevant to this transaction is the automotive division of the Barloworld Group which provides a range of integrated motor usage solution, including short and long term rental (through Avis), vehicle ownership and asset disposal solutions. SMD provides a full spectrum of asset management services, selling accident damaged, stolen and recovered vehicles including passenger and commercial vehicles, agriculture equipment and leisure craft.
- [11] The Commission considered the activities of the merging parties and found that the proposed transaction does not present a horizontal overlap in the management and sale of salvage vehicles as the Barloworld Group is not active in these activities. However there is a horizontal overlap in the sale of pre-owned commercial vehicles as the Barloworld Group and SMD are both active in these activities. In particular for the 9 month period ended 30 November 2015, SMD derived 0.67% revenue from buying and selling used commercial vehicles, which equates to 0.13% of total units sold by SMD in the same period. The Commission is of the view that the proposed transaction will not raise concerns within this market and notes that the merged entity will continue to face competition from other players in the market.
- [12] Further, the Commission found that the proposed transaction presents two vertical relationships between the merging parties as (1) SMD purchases and on-sells salvage vehicles from Barloworld SA, and (2) purchases new replacement vehicles from Barloworld SA.
- [13] In assessing the likelihood of input foreclosure and customer foreclosure relating to the purchase of salvage vehicle by SMD from Barloworld SA, the Commission found that in input foreclosure, the SMD accounts for less than 1% of the total revenue and in customer foreclosure, the SMD competes with reputable firms that can serve as a viable alternative to the competitors of Barloworld SA.
- [14] The Commission found that there are no foreclosure concerns arising from the proposed transaction as there are alternatives in the market.

[15] Therefore the Commission recommends that the proposed transaction be approved without conditions.

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

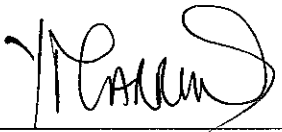
Public interest

[17] The merging parties confirmed that the proposed transaction will not result in any adverse impact on employment.

[18] The proposed transaction further raises no other public interest concerns.

Conclusion

[19] In light of the above, we concluded 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 approved the proposed transaction unconditionally.



Ms Yasmin Carrim

20 April 2016
DATE

Mr Anton Roskam and Ms Andiswa Ndoni concurring

Tribunal Researcher:	Busisiwe Masina
For the merging parties:	Bowman Gilfillan
For the Commission:	Reabetswe Molotsi