



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case no: LM162Jan24

Nedbank Group Limited

Primary Acquiring Firm

And

Eqstra Investment Holdings (Pty) Ltd

Primary Target Firm

Panel	:	Liberty Mncube(Presiding Member)
	:	Imraan Valodia(Tribunal Member)
	:	Anisa Kessery(Tribunal Member)
Heard on	:	16 April 2024
Order issued on	:	16 April 2024
Reasons issued on	:	14 May 2024

REASONS FOR DECISION

Introduction

- [1] On 16 April 2024, the Competition Tribunal ("Tribunal") unconditionally approved a large merger in terms of which Nedbank Group Limited ("Nedbank") intends to acquire 100% shares in Eqstra Investment Holdings Proprietary Limited ("Eqstra").
- [2] On completion of the proposed transaction, Nedbank will exercise sole control of Eqstra.

Parties and Activities

Primary acquiring firm

- [3] The primary acquiring firm is Nedbank, a public company incorporated in accordance with the laws of South Africa. Nedbank is a public company listed on the Johannesburg Stock Exchange and is not controlled by any single entity or individual.
- [4] Nedbank directly controls the following firms in South Africa:
- 3.1. Nedbank Limited;
 - 3.2. Nedbank Group Insurance Holdings Limited; and
 - 3.3. Nedbank Group Insurance Company.
- [5] Nedbank and all the firms controlled by it are collectively referred to below as the “Acquiring Group”.
- [6] The Acquiring Group offers banking and financial services. Of relevance to the proposed transaction is the Acquiring Group’s fleet management services which comprises of, but not limited to, (i) selection of the optimum vehicle for the task, taking total life costs into account rather than only the purchase price of the of the vehicle, (ii) disposing of vehicles, (iii) managing cost control, (v) monitor maintenance, (iv) managing information online to allow expectation to be managed.

Primary target firm

- [7] The primary target firm is Eqstra, a private company incorporated in accordance with the laws of South Africa.
- [8] Eqstra is wholly owned by enX Group Limited (“enX”).
- [9] Eqstra controls the following firms in South Africa:

- 9.1. [REDACTED];
- 9.2. [REDACTED]
- 9.3. [REDACTED]
- 9.4. [REDACTED]
- 9.5. [REDACTED]

[10] Eqstra including their subsidiaries and controllers will collectively be referred to as the “Target Businesses”.

Proposed Transaction and Rationale

Transaction

[11] Nedbank intends to acquire a 100% of the issued share capital of Eqstra. Upon implementation of the proposed transaction, Eqstra will be solely controlled by Nedbank.

Rationale

[12] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[13] [REDACTED]
[REDACTED]
[REDACTED]

Competition Assessment

Overlap

- [14] The proposed transaction results in horizontal and vertical overlap between the activities of the merging parties.
- [15] The horizontal overlap arises as both the merging parties provide vehicle leasing and fleet management services.
- [16] The vertical overlap arises as the Acquiring Group provides fleet financing services to firms that are active in the vehicle leasing and fleet management services such as Eqstra.

Relevant Product Market

- [17] In its assessment of product market, the Competition Commission considered its previous decision where it found that in terms of rental/leasing, different types of vehicles are not directly substitutable with each other from a customer/demand perspective.¹
- [18] The Commission further considered the transactions between *Absa Bank Limited and Avena Leaseplan South Africa Proprietary Limited*² and *Bidvest Bank Limited and Eqstra Investment Holdings Motors Proprietary Limited ("Bidvest/Eqstra")*,³ where the Tribunal considered the market for vehicle leasing and fleet management.
- [19] The Commission therefore assessed the effects of the proposed merger in the following markets: (i) upstream market for the provision of vehicle financing and (ii) downstream market for the provision of vehicle leasing and fleet management services.
- [20] The merging parties agreed with this approach.

¹ Case no: 2011Jun0091.

² Case no.: 10/LM/Feb04.

³ Case no.: 097/LM/Sep19.

[21] We did not receive evidence to suggest that we should depart from this way of framing the product markets. While we do not find it necessary to conclude on the precise scope of the relevant product markets since no competition concerns arise in the present case whichever approach is taken, we examine each of the above product markets in our analysis.

Relevant Geographic Market

[22] In its assessment of geographic market, the Commission considered the Tribunal's decisions in transactions between Bidvest/Eqstra case⁴ and *Volvo Financial Services Southern Africa (Pty) Ltd v Volvo Finance Debtors Book* case,⁵ and assessed the effect of the proposed transaction in the following markets: (i) the national upstream market for the provision of vehicle financing; and (ii) the downstream market for the provision of vehicle leasing and fleet management services. on a national level.

[23] We did not receive evidence to suggest that we should depart from this way of framing the geographic market. While we do not find it necessary to conclude on the precise scope of the relevant geographic markets since no competition concerns arise in the present case whichever approach is taken, we examine each of the above geographic markets in our analysis.

Market shares

[24] In the market for the provision of vehicle leasing and fleet management, Nedbank has a market share less than 5% and Eqstra has a market share of about 10% - 15%. The market share accretion is about 10% - 15%.

[25] Further, the merged entity will continue to face competition from other players in the market such as WesBank Limited ("Wesbank"), Zeda Car Lesasing (Pty)

⁴ Ibid.

⁵ Case no: LM162Mar20.

Ltd t/a Avis Fleet (“Avis Fleet”), Standard Bank Limited (“standard Bank”), Fleet Africa (Pty) Ltd (“Fleet Africa”), Zenith Car Rental (Pty) Ltd, Bidvest Group Limited (“Bidvest”), Afirent Fleet Data Technologies (Pty) Ltd (“Afirent Fleet Data Technologies”), Moipone Fleet Isipho Capital (Pty) Ltd (“Moipone Fleet Isipho Capital”), Katari Fleet Solutions (Pty) Ltd (“Katari Fleet Solutions”) and Kwane Capital (Pty) Ltd (“Kwane Capital”).

- [26] Based on the above, we do not consider it likely that the merged entity will have substantial market power.

Vertical assessment

Input foreclosure:

- [27] In the upstream market for the provision of vehicle financing, the merged entity will have a combined market share of less than 20%.
- [28] The merged entity will continue to be constrained by competitors such as Absa Bank Limited (“Absa”), WesBank, and Standard Bank.
- [29] We did not receive evidence to suggest that the merged entity will have the ability to incentive and foreclose downstream rivals.
- [30] In light of the above, we are of the view that the proposed merger is unlikely to raise any significant input foreclosure concerns.

Customer foreclosure

- [31] We considered whether the merged entity would have the ability and incentive to foreclose the other upstream competitors’ access to the Target Business as a customer of vehicle financing.
- [32] The Commission noted that pre-merger, Eqstra procures vehicle financing from [REDACTED] The Commission in its investigation engaged with [REDACTED], who indicated that they do not have any concerns with the proposed transaction.

- [33] The Commission further noted that Eqstra has an estimated market share of less than 20% in the downstream market for the provision of fleet management services and competes with other players active in the market such as Supergroup, AvisFleet, Fleet Data Technologies, Moipone Fleet Isipho Capital, Katari Fleet Solutions amongst others.
- [34] Furthermore, the Commission considered barriers to entry in the downstream market for the provision of fleet management services and found that the barriers to entry in this market are unlikely to be high as there are firms that have recently entered the market.
- [35] Given the above, we conclude that the proposed transaction is unlikely to raise any customer foreclosure concerns.

Conclusion on the competition assessment

- [36] In light of the above, we do not believe that the proposed transaction is like to raise a substantial lessening of competition

Public Interest

Effect on employment

- [37] The merging parties submitted that the proposed transaction will not have any negative effects on employment.
- [38] The Commission contacted the employee representatives of the merger parties, who confirmed that its employees had no concerns regarding the proposed merger.
- [39] In light of the above, the proposed merger is unlikely to raise employment concerns.

Effect on ownership

- [40] The Commission found that the Acquiring Group currently has an effective shareholding by Historically Disadvantaged Persons (“HDPs”) of approximately 35.88%.
- [41] The Commission’s investigation further found that the Target Businesses have shareholding of approximately 17.71% held by HDPs.
- [42] Accordingly, the proposed transaction will result in a positive increase in the levels of ownership by HDPs.

Other public interest

- [43] The proposed transaction raises no other public interest concerns.

Conclusion on public interest

- [44] Considering the above, we do not believe that the proposed transaction raises public interest concerns.

Conclusion

- [45] For the reasons set out above, we approve the proposed transaction without conditions.

Signed by: Liberty Mncube
Signed at: 2024-05-14 12:32:41 +02:00
Reason: Witnessing Liberty Mncube

L. Mncube

14 May 2024

Prof L Mncube

Presiding Member

Date

Adv A Kessery and Prof I Valodia concurring

Tribunal Case Manager:

Nomkhosi Mthethwa-Motsa

For the Merging Parties:

Dale Adams and Ahmore Burger-Smidt of
Werksmans Inc

For the Commission:

Nonhlanhla Msiza and Themba Mahlangu