



## COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM183Nov15

In the matter between:

**Southern Sun Hotels Proprietary Limited**

**Southern Sun Hotel Interests Proprietary Limited**

Primary Acquiring Firms

and

**Majormatic 194 Proprietary Limited**

Primary Target Firm

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Panel	: Norman Manoim (Presiding Member)
	: Andiswa Ndoni (Tribunal Member)
	: Anton Roskam (Tribunal Member)
Heard on	: 15 December 2015
Order Issued on	: 15 December 2015
Reasons Issued on	: 25 January 2016

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### Reasons for Decision

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#### Approval

- [1] On 15 December 2015, the Competition Tribunal ("Tribunal") unconditionally approved the merger between the acquiring firms Southern Sun Hotels (Pty) Ltd ("SSH") and Southern Sun Hotel Interests Proprietary Limited ("SSH") and the target firm Majormatic 194 (Pty) Ltd ("Majormatic").
- [2] The reasons for approving the proposed transaction follow.

## **Parties to transaction**

### *Primary acquiring firm*

- [3] The primary acquiring firm SSHI is a wholly-owned subsidiary of SSH, which is in turn an indirect wholly-owned subsidiary of Tsogo Sun Holdings Limited ("Tsogo Sun Holdings"). Tsogo Sun Holding's controlling shareholder is Hosken Consolidated Investments Limited.
- [4] Tsogo Sun Holdings is a hotel, gaming and entertainment firm with operations in and around South Africa.

### *Primary target firm*

- [5] The primary target firm Majormatic is a company which leases hotel properties from HPF Properties (Pty) Limited ("HPF"). Majormatic cedes the management agreements relating to the hotels to extrabold Hotel Management (Pty) Ltd. ("extrabold"). To elucidate, the primary target firm in this case is Majormatic as well as the management agreements, head office and staff of extrabold.

## **Proposed transaction and rationale**

- [6] The proposed transaction involves SSH acquiring the entire issued share capital of Majormatic which includes the lease agreements of the following properties: Crowne Plaza Johannesburg- Rosebank, Holiday Inn Sandton- Rivonia Road and Protea Hotel- Hazyview. SSH will also acquire the management agreements between extrabold and Majormatic for these hotels as well as extrabold's head office and staff.
- [7] SSH submits that the proposed transaction provides it with an opportunity to acquire lease and management agreements which would generate management fees for SSH. Majormatic concluded the proposed transaction to focus on other interests.

## **Impact on competition**

- [8] The Competition Commission ("the Commission") in its investigation found that the proposed transaction resulted in a horizontal overlap as both of the merging parties are involved in the management of hotels. The Commission adopting

hotel star grading as a basis for comparative substitutes evaluated the proposed transaction in the following markets; the market for the provision of 3 and 4 star hotel accommodation in the Hazyview area, the market for the provision of 3 and 4 star hotel accommodation in the Rosebank area and the market for the provision of 4 star hotel accommodation in the Sandton area.

- [9] The Commission in its investigation into the identified horizontal overlap in the Hazyview area found that SSH owns a 4 star hotel, Sabi River Sun Resort. The Protea Hotel- Hazyview, leased by Majomatic, is categorized as a 3 star accommodation. The Commission assessed the overlap in the broad market of 3 and 4 star hotel accommodation and found that the merged entity would hold a market share under 25% with an accretion below 11%. It also found that the merged entity would continue to face competition from a number of alternative hotels in the Hazyview area.
- [10] In its assessment of the Rosebank area, the Commission found that SSH operates a 5 star hotel, 54 on Bath. The Commission evaluated the overlap between 54 on Bath and the 4 star hotel leased by Majomatic, the Crowne Plaza Johannesburg. The Commission's investigation into the market shares revealed that the merged entity would have less than 30% of the market share with an accretion falling under 25%. The Commission noted that although the post-merger market share would be high the competitive dynamics of the market would remain unchanged as both hotels would continue to face the same competition from numerous other hotels in the Rosebank area. Further during the hearing, the merging parties submitted that the hotels have a different client base 54 on Bath is a deluxe boutique hotel catering to niche business and leisure patrons whereas the Crowne Plaza would cater to a mixture of business and 4 star leisure travelers.
- [11] The Commission in its investigation into the Sandton market found that SSH operates a 4 star hotel, the Southern Sun Katherine. The Commission evaluated the overlap between the Southern Sun Katherine and the 4 star hotel Holiday Inn Sandton leased by Majomatic. The Commission found that the merged entity would have a market share of just under 35%, with an accretion falling below 15%. The Commission noted the high market shares prevalent in this segment but submitted that the Sandton area is highly competitive as it is a tourist and business hub. The merging parties submitted during the hearing, that low

occupancy levels have created a huge gap in supply and demand which would keep the merging parties competitive post-merger.

[12] The Commission in the three markets listed above found that there is a prevalence of alternative players who offer hotel accommodation in the areas in which the merging parties manage hotels. Further no concerns were raised by the various customers, travel agencies and competitors who the Commission contacted during their investigation. Based on this, the Commission is of the view that the proposed transaction would not substantially lessen or prevent competition.

[13] Based on the facts provided to us we are of the view that the proposed transaction is unlikely to substantially prevent or lessen competition in any of the markets mentioned above.

#### **Public interest**

[14] The merging parties confirmed that the proposed transaction will not result in an adverse impact on employment.<sup>1</sup> The proposed transaction further raises no other public interest concerns.

#### **Conclusion**

[15] 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 transactions. Accordingly, we approved the proposed transaction unconditionally.

  
**Mr Norman Manoim**

25 January 2016  
DATE

**Ms Andiswa Ndoni and Mr Anton Roskam concurring**

Tribunal Researcher:	Aneesa Ravat
For the merging parties:	Anthony Norton of Nortons Inc
For the Commission:	Zanele Hadebe

<sup>1</sup> *Inter alia* merger record page 16.