

### **COMPETITION TRIBUNAL OF SOUTH AFRICA**

Case No: LM019Apr18

In the matter between:

HYUNDAI AUTOMOTIVE SOUTH AFRICA (PTY) LTD Primary Acquiring Firm(s)

AND KIA MOTORS SOUTH AFRICA (PTY) LTD

and

THE KIA AND HYUNDAI MOTOR VEHICLE DEALERSHIP
CONDUCTED BY NAVIGLI TRADING (PTY) LTD

**Primary Target Firm** 

Panel

: Norman Manoim (Presiding Member)

: Enver Daniels (Tribunal member )

: Yasmin Carrim (Tribunal Member)

Heard on

: 05 July 2018

Order issued on

: 05 July 2018

Reasons Issued on

: 18 October 2018

### Reasons for Decision

## **Approval**

- [1] On 05 July 2018, the Competition Tribunal ("Tribunal") unconditionally approved the proposed transaction involving Hyundai Automotive South Africa (Pty) Ltd and Kia Motors South Africa (Pty) Ltd and The Kia and Hyundai motor vehicle dealerships conducted by Navigli Trading (Pty) Ltd.
- [2] The reasons for approving the proposed transaction follow.

# Parties to the proposed transaction

# Primary acquiring firm

- [3] The primary acquiring firms are Hyundai Automotive South Africa (Pty) Ltd (Hyundai SA) and Kia Motor South Africa (Pty) Ltd (Kia SA). Both Hyundai SA and Kia SA are wholly-owned subsidiaries of Motus Corporation (Pty) Ltd (Motus). Motus is in turn wholly-owned subsidiary of Imperial Holdings Limited (Imperial), a JSE public listed company.
- [4] Hyundai SA controls Taylor Truck Bodies (Pty) Ltd. Kia SA does not control any firm.

  Motus directly and indirectly controls a number of firms in South Africa and worldwide.

  Imperial controls numerous other firms in South Africa.
- [5] Imperial, Motus, Hyundai SA and Kia SA will collectively be referred to as the Acquiring Group.

# Primary target firm

- [6] The primary target firms are the Kia Sandton Motor Vehicle Dealership (Kia Dealership) and Hyundai Sandton Motor Vehicle Dealership (Hyundai Dealership). The Kia Dealership and the Hyundai Dealership will collectively be referred to as the Target Dealerships.
- [7] The Target Dealerships are controlled by Navigli Trading (Pty) Ltd (Navigli Trading).

### Proposed transaction and rationale

- [8] In terms of the Sale of Assets Agreement, Motus intends to acquire the Target Dealerships through its wholly-owned subsidiaries Hyundai SA and Kia SA. Postmerger, Hyundai SA will own and control the Hyundai Dealership, while Kia SA will own and control the Kia Dealership.<sup>1</sup>
- [9] The Acquiring Group submits that the proposed transaction allows for growth of its Kia and Hyundai brands at retail level.

<sup>&</sup>lt;sup>1</sup> Please see further paragraph 9 page 13 of the Record.

[10] Navigli Trading submits that Mr Venter who holds a 30% shareholding in Navigli Trading has expressed his desire to retire from his position as operational director of the business and as such, the remaining shareholders of Navigli Trading have agreed to sell the Hyundai Dealership and the Kia Dealership.

# Impact on competition

- [11] Imperial operates in the wider transportation and mobility markets in Southern Africa, Europe, Australia and the United Kingdom. Of relevance to the proposed transaction are the activities of its subsidiary Motus. Motus operates across the motor vehicle value chain. This includes the importation, distribution, retail, rental, aftermarket parts and vehicle-related financial services. Kia SA has exclusive distribution rights to the KIA brand in South Africa. Kia SA is responsible for the importation and distribution of new Kia branded vehicles and parts. Hyundai SA has exclusive distribution rights to the Hyundai brand in South Africa. Hyundai is responsible for the importation and distribution of new Hyundai branded vehicles and parts.
- [12] The Target Dealerships are franchised by Kia SA and Hyundai SA. The Target Dealerships sell new and used passenger vehicles as well as light commercial vehicles. It also offers after-sales services and after sales part and accessories.
- [13] The Commission considered the activities of the merging parties and found that the proposed transaction results in horizontal overlaps in the market for the sale of new passenger vehicles, the market for the sale of new light commercial vehicles and in the market for the sale of medium commercial vehicles. The Commission found that in the market for the sale of new passenger vehicles, the parties will have an estimated market share of 23.7% with an accretion of 0.64%, in the market for sale of new light commercial vehicles, the merged entity will have an estimated market share of 11.3% with an accretion of less than 0.4% and in the market for sale of medium commercial vehicles, the merged entity will have an estimated market share of 13.2% with an accretion of 0.5%.
- [14] Based on the above, the Commission submitted that the proposed transaction is unlikely to substantially prevent or lessen competition in in abovementioned markets as the merging parties' post-merger market shares remain relatively low. Furthermore, the Commission submitted that there are alternative players in the market that will constrain the merged entity post-merger.

[15] In addition, the Commission found that there is a vertical dimension between the activities of the Acquiring Group and the Target Dealerships, as the Acquiring Group is the exclusive supplier of Kia and Hyundai vehicles to dealers, including the target firms. As such, the Commission is of the view that the proposed transaction is unlikely to change the structure of the market and will not substantially prevent or lessen competition in any of the relevant markets.

[16] Given the above, the Commission concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market in South Africa.

[17] We concur with this finding.

## **Public interest**

[18] The merging parties confirmed that the proposed transaction will not give rise to any adverse effect on employment.

[19] Furthermore, the proposed transaction raises no other public interest concerns.

#### Conclusion

[20] In light of the above, we conclude 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 approve the proposed transaction unconditionally.

Mr Norman Manoim

18 October 2018

Mr Erver Daniels and Ms Yasmin Carrim concurring

Tribunal Case Manager:

**Busisiwe Masina** 

For the merging parties:

Ms Candice Upfold of Norton Rose Fulbright

For the Commission:

Mr Billy Mabatamela