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to	Lizel Blignaut / HB Senekal Edward Nathan Sonnenbergs Inc	*fax*	011 269 7899
	Legal Services Competition Commission		44283
ref	03/LM/|Jan11	*date*	12 April 2011
from	Tebogo Mputle	*pages*	5 (including this page)
re	Reasons		

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Attached please find the Tribunal's reasons for the decision in the above matter.

Regards

Tebogo Mputle

CC: Alex Constantinou - 44445

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COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No:03/LM/JAN11

In the matter between:

RETAIL AFRICA CONSORTIUM HOLDINGS (PTY) LTD	Acquiring Firm
And	
RAPFUND HOLDINGS (PTY) LTD AND RETAIL AFRICA WINGSPAN INVETMENTS (PTY) LTD	Target Firms

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Panel	:	Norman Manoim (Presiding Member), Yasmin Carrim (Tribunal Member) Merle Holden (Tribunal Member)
Heard on	:	30 March 2011
Order issued on	:	30 March 2011
Reasons issued on	:	11 April 2011

Reasons for Decision

Approval

[1] On 30 March 2011 the Competition Tribunal ("Tribunal") approved the large merger between Retail Africa Consortium Holdings (Pty) Ltd and Rapfund Holdings (Pty) Ltd and Retail Africa Wingspan Investments (Pty) Ltd. The reasons for approving the proposed transaction follow below.

The Parties to the transaction

[2] The primary acquiring firm is Retail Africa Consortium Holdings (Pty) Ltd ("REACH"), a company incorporated in accordance with the laws of the Republic of South Africa. REACH is an entity that was established for the purposes of giving effect to the proposed transaction and as such has no

activities and does not control any firm. REACH is controlled 25% each by each of the following trusts, the Eygenberger Investment Trust, the Kruger Investment Trust, the Pickard Investment Trust and the Wingspan Investment Trust.

[3] The primary target firms are Rapfund Holdings (Pty) Ltd ("Rapfund") and Retail Africa Wingspan Investments (Pty) Ltd ("Wingspan"). Both are companies incorporated in accordance with the laws of the Republic of South Africa.

[4] In terms of the transaction, REACH intends to acquire a 53.7% interest in Rapfund and a 54.6% interest in Wingspan. The transaction is made up of two steps in terms of which after the second step, Atterbury Investment Holdings ("AIH") will ultimately own a 50% shareholding in REACH. Therefore, upon conclusion of the transaction, REACH will control the target firms and AIH will control REACH.

The Rationale

[5] The merging parties submitted that the transaction will ensure that the primary target firms are consolidated such that management of the same is conducted by a single entity. Further that the implementation of the transaction will permit AIH to consolidate its interest in both Rapfund and Wingspan and thus be in a position to achieve economies of scale in terms of the management of its properties by its grouping together of similar investments.

The parties' activities

[6] As REACH was established for purposes of the proposed transaction, it has no activities. However, its controlling trustees hold into various entities for investment purposes and are also active in the property investment market.

[7] Both Rapfund and Wingspan are active in the property investment market in South Africa and their functions include the development, investment, refurbishment and management of rentable retail property. However Rapfund specialises in the management of shopping centres that are less than 15 000m^2, situated in high income residential areas, whilst Wingspan specialises in the management of rentable retail properties measuring in excess of 15 000m^2.

The relevant market and the impact on competition

[8] The Commission found that there is a horizontal relationship in respect of retail space but no vertical overlap.

[9] The parties defined the relevant product market as that for rentable local convenience retail space and rentable neighbourhood retail space. In defining the relevant product market, the Commission took guidance from the Urban Studies report in retail classification as an indicator of the different types of shopping centres. This report takes into account, in addition to gross lettable area ("GLA"), factors such as tenant mix, parking structure, convenience factor, destination factor, physical structure of the centre and general target population.

[10] The Commission submitted that there are at least four major distinctions between shopping centre types, broken down into convenience centres which include free standing convenience, neighbourhood and smaller community sized centres, whose tenant mix is mostly geared towards grocery shopping; comparative orientated centres which include larger community, minor regional, regional and super regional sized centres whose tenant mix is mostly geared towards a wide range of shops in which customers will be able to compare many items such as clothing or fashion items, lifestyle centres characterised by a tenant mix highly geared towards 'white cloth' restaurants, art and decor shops targeting upper LSM consumers, and value centres characterised by a tenant mix geared towards 'big box' retailers occupying relatively larger spaces.

[11] The Commission submitted that based on the above four categories, the differences between these centre types suggest that each centre type caters to its own market. We do not need to decide in the present case whether this assumption is correct.

[12] In this merger, the Commission found that there are two overlaps in respect of shopping centres, one in Brooklyn (Pretoria) and the other one in Northcliff, Johannesburg.

[13] In respect of Brooklyn, post merger the merging parties will own the Waterkloof Corner and Glenfair centres. The Commission classifies both as convenience centres. The Commission submitted that although Waterkloof Corner and Glenfair compete in the same product market, they are not in the same geographic market. Geographic markets for convenience centres will be smaller than for other types of centre as owing to their nature, consumers will not travel too far to get to them. The fact that the two centres are 6.3km apart suggests that they are not the most proximate of competitors. More importantly, the Commission draws attention to the fact that they are on either side of the N1 Highway. This physical divide has meant that, Waterkloof Corner draws its customers mainly from Brooklyn and Waterkloof, whilst Glenfair draws its customers from Lynwood Manor. The Commission's conclusion that Waterkloof Corner and Glenfair are in separate geographic markets seems reasonable.

[14] In respect of Northcliff, the Commission submitted that both Verdi and L'Corro shopping centres have the characteristics of 'free standing convenience centres'. The Commission further submitted that Verdi and L'Corro being 2.5km apart, with no natural or psychological impediments such as mountains or highways are in the same geographic market.

[15] In relation to the effect on competition in Northcliff, the Commission submitted that within a 3.6km radius there are 12 alternative convenience centres. Verdi and L'Corro each having a market share of 6.42% and 5.96% respectively, the Commission found that the post-merger market share of less than 13% was too low to raise any concerns. Further that the market share would decline if the radius is increased to the upper bound of 5km. The Commission further submitted that there are in the region of 100 proposed new shopping centres or shopping centres under construction across South Africa, ranging from local convenience to super regional. It was also submitted that convenience centres have relatively lower barriers than other centre types as due to size and location require less capital. Further that

obtaining the requisite permission from a local municipality to build these kinds of shopping centres is accomplished with ease.

[16] In light of the above, the Commission found that the transaction is unlikely to substantially prevent or lessen competition in the relevant markets. Again this conclusion is reasonable.

CONCLUSION

[17] The proposed transaction does not raise any public interest issues as there will be no effect on employment pursuant to the implementation of the merger.

[18] In light of the above, we find that the transaction would not substantially prevent or lessen competition in the relevant markets and we accordingly approve the transaction.

MERLE HOLDEN — 11 April 2011 **DATE**

N Manoim and Y Carrim concurring

Tribunal Researcher:	Tebogo Hlafane
For the merging parties:	Edward Nathan Sonnenbergs Inc.
For the Commission:	Mr Jabulani Ngobeni
	Mr Alex Constantinou
	Ms Grace Mohammed

* * * Communication Result Report (12. Apr. 2011 10:02) * * *

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Date/Time: 12. Apr. 2011 9:54

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