

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 70/LM/Dec03

In the large merger between:

General Motors LAAM Holdings

and

Boco (Pty) Ltd

Reasons for Decision

APPROVAL

On 28 January 2004 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between General Motors LAAM Holdings and Boco (Pty) Ltd in terms of section 16(2)(a). The reasons for the approval of the merger appear below.

The Parties

1. The acquiring firm is General Motors LAAM Holdings LLC ("GM Laam"), a Delaware corporation in Florida, USA. It's a subsidiary of General Motors Corporation in the US ("GM")-the ultimate controlling entity. Companies forming part of the GM group include GM Plats (Pty) Ltd, Adam Opel and SAAB. Its only subsidiary in RSA, GM Plats, acquires and sells platinum group metals ("PGMs") including rhodium, palladium and platinum.
2. The target firm is Boco (Pty) Ltd, ("Boco"), which controls Delta Motor Corporation (Pty) Ltd ("Delta"). Boco is merely a private holding company with respect to Delta. GM is the largest shareholder in Boco.
3. Delta is a wholly owned subsidiary of Boco. It is the former GMSA. IN 1986 GM disposed of its shares in GMSA to a management buy-out group. Boco was created as a holding company to facilitate the 1986 Disposal Agreement. GM acquired 49% of Boco in 1997, retaining the option to acquire the remaining shares. Delta is a licensee of GM with respect to Opel Corsa and Astra passenger cars in RSA.

The Merger Transaction

4. The transaction comprises the acquisition of 51% of Boco by GM, to take their existing 49% to 100%. Post-merger, Boco, including its subsidiaries, will become a subsidiary of GM.

Merger Rationale

5. GM wants to re-enter SA motor vehicle industry again after it withdrew in 1986 due to economic and political sanctions. They would like to augment their product and service range in RSA and increase their exports from South Africa. Delta is in turn promised access to international markets and procurement advantages.

The Relevant Market

6. GM, one of the largest motor manufacturers worldwide manufactures and sells motor vehicles under the brands, Cadillac, Buick, Chevrolet, Saab, Saturn, etc. In South Africa the only vehicles GM sells in the country, other than through Delta, are Saab vehicles which are distributed by an independent dealer network¹.
7. Delta's subsidiaries include Delmot Properties (Pty) Ltd, DAD Holdings Limited, Stainless Precision Components (Pty) Ltd, Precision Exhaust Systems (Pty) Ltd, DMC Holdings, and Global Logistics Services (Pty) Ltd. Its largest shareholder is GM.
8. Delta is the fifth largest automotive company in RSA with an approximately 11.5% share of the motor vehicle market. It has two assembly plants in PE. It assembles supplies and sells the following motor vehicles:
 - ?? Isuzu - pickups, recreational vehicles, medium and heavy trucks -under license from Isuzu Motors Limited, Japan and
 - ?? Opel Corsa, Astra passenger vehicles under License from GM's subsidiary, Adam Opel².
9. Delta also distributes Opel and Suzuki vehicles in RSA.
10. The activities of the other subsidiaries are not relevant to this transaction.
11. The overlap therefore occurs in that both GM and Delta manufacture, assemble and supply motor vehicles in RSA (wholesale). In particular both parties are directly involved in the passenger market and only Delta is involved in the light, medium and heavy commercial vehicle markets.

¹ GM's Chevrolet is to be re-launched in RSA and sold by Delta here.

² Opel is a subsidiary of GM since 1929.

Geographical Market

12. According to the Commission, this market is national since the parties' motor vehicles are supplied nationally throughout RSA.

Impact on competition

Horizontal

Passenger Cars

13. The parties assert that the market shares of the merging parties for the passenger car market as a whole is 7.55% (including Cadillac, Chevrolet, Isuzu, Opel, Saab and Suzuki).
14. Therefore, in the passenger motor vehicle market, GM's license to Delta to assemble and distribute Opel and Astra cars will not change post-merger. Furthermore, the market shares in the various segments are too small to warrant concern. Accordingly there will be no material change in market structure as a result of this transaction.

Commercial Cars

15. Similarly, in the light, medium and heavy commercial vehicle categories, there will be no material change in market shares post-merger.

Vertical

16. GM Plats (GM Subsidiary) acquires and sells PGMs used in the production of catalytic converters. PES (Delta Subsidiary) makes catalytic converters. GM Plats therefore performs an intermediary function for General Motors by applying PGM's to a number of catalytic converters or manufacturers in South Africa, one of them being Precision Exhaust Systems, a wholly owned subsidiary of Delta.
17. However, GM Plats only supply PGMs for use as catalytic converters in GM vehicles. GM Plats only supplies these PGM's to companies that manufacture for the GM group. So, any catalytic converter using PGM's from GM Plats ultimately finds its way into a GM vehicle. Therefore there is no potential for rivals of GM to be foreclosed and no vertical concerns arise as this aspect of GM's business has always and will continue to stay within the GM group.

Conclusion

We conclude that the merger will not lead to a substantial lessening of competition. The Tribunal therefore approves the transaction unconditionally. There are no public interest concerns which would alter this conclusion.

N. Manoim

10 February 2004
Date

Concurring: M. Holden, P. Maponya

For the merging parties: Bowman Gilfillan Attorneys

For the Commission: M. Mohlala and K. Ramathula, Competition
Commission