

In the larger merger between:

Cool Ideas 262 (Pty) Limited

and

Crossroads (Pty) Ltd and others

Reasons for decision

Approval

1. On 21 January 2004, the Competition Tribunal issued a Merger Clearance Certificate approving unconditionally the merger between Cool Ideas 252 (Pty) Ltd ("**Cool Ideas**") and Crossroads Distribution (Pty) Ltd ("**Crossroads**") as well as its subsidiaries. The reasons for our decision follow.

The parties

2. The primary acquiring firm is **Cool Ideas**, a dormant company, which has to date, not traded.

3. The primary target firm is Crossroads and its nine subsidiaries.¹ Community Investments Holdings, Crossroad Distribution Group and Crossroads Holdings hold the target firm.

Merger transaction

Structure

4. The proposed transaction basically entails a management buy-out where the primary acquiring firm acquires:

- the business comprising of assets and certain liabilities in Crossroads;
- all shares in and claims on loan account against Cross Country, Cross Cape, Independent Express, Jowells Cape, Jowells Garage, Namakwaland, Skynet and United Parcel ("the subsidiaries").

¹ Its subsidiaries comprise Cool Ideas 264 (Pty) Ltd, Cross Country Express (Pty) Ltd, Crosscape Express (Pty) Ltd, Independent Express (Pty) Ltd, Jowells Cape Transport (Pty) Ltd, Jowells Garage & Transport (Pty) Ltd, Namakwaland Lugdiens (Pty) Ltd, Skynet Worldwide Express (Pty) Ltd, and United Parcel Services (Pty) Ltd.

- 75% of the shares in and claims on loan account against Cool Ideas 264; and
- all Crossroads shares in and claims on loan accounts against Crossroads Distribution Properties (Pty) Ltd and in other businesses in neighbouring countries².

5. On completion of this transaction, the merged entity will be owned as to 60% by Tresso Trading 607 (Pty) Ltd (“Tresso”)³ and the remaining 40% by Nedcor Investments (Pty) Ltd. It is envisaged in the parties’ shareholders agreement that Tresso Trading and Nedcor Investments will jointly control the merged entity. The shareholding in Tresso is held as to 58,34% by Lorpez Developments (Pty) Ltd (“Lorpez Developments”)⁴ and as to 41,66% by a consortium comprised of a number of individuals, i.e. the existing management of Crossroads⁵.

Rationale

6. The rationale is two-fold:

Firstly, the parties seek through this transaction to afford certain shareholders the opportunity to exit their investments in Crossroads.

Secondly, to allow the existing management together with the black economic empowerment shareholders in the target firms to increase their shareholding in Crossroads, and avoid the business of Crossroads being disposed of in its entirety.

Activities of the parties

7. **Cool Ideas** is a dormant company and has not traded as yet. Similarly, **Tresso** is dormant and has to date not traded.

8. **Nedcor Investments** is an investment holding company for all investments made by the private equity division of the Capital Markets Division of Nedbank Corporate.

9. Apart from their proposed shareholding in the primary acquiring firm, Tresso and Nedcor Investments do not sell or provide any product/s or services identical to that of the primary target firms (as discussed hereunder). Neither do they have direct or indirect control over any firms in the Republic of South Africa in the courier, transport, logistics and motor industries.⁶

² They are Stuarts Transport Botswana (Pty) Ltd, Stuarts Transport (Namibia) (Pty) Ltd, Jowells Transport (Namibia) (Pty) Ltd and Trek Transport (Pty) Ltd.

³ According to the parties, Tresso is indirectly controlled by Community Investments Holdings, which holds the entire issued share capital in Lorpez Developments (see page 303 of the record).

⁴ The parties state that Lorpez Developments is a wholly owned subsidiary of Community Investments Holdings (Pty) Ltd, which is a broad based black empowerment company that is wholly owned by trusts, the beneficiaries of which are previously disadvantaged individuals.

⁵ See page 597 of the record.

⁶ See page 608 of the record).

The primary target firms

10. **Crossroads** is an all service offering company comprised of four main divisions⁷ involved in the courier, transport, logistics and motor industries.

- ~~10.1~~ Skynet Worldwide Express is involved in the courier business in both national and international markets.
- ~~10.2~~ Crosscape Express is involved in express road freight distribution business.
- ~~10.3~~ The Full Truckload Division operates a heavy freight transport business under the trade names of Cool Ideas 264, Jowells Transport and Stuarts Transport.
- ~~10.4~~ The Motor Division operates a new and used vehicle and vehicle parts sale business in the Northern Cape and Southern Namibia.

The relevant market

11. In its analysis of the relevant product market, the Commission found that no product overlap exists between the products or services provided by Cool Ideas and Crossroads. As indicated above, Cool Ideas and Tresso are dormant companies, which have not yet traded. Similarly, Nedcor stated that it does not have any direct or indirect control over any firms in the Republic of South Africa in the courier, transport, logistics and motor industries.

12. For this reason the Commission did not consider it necessary to define what the relevant markets were. In the parties' view, the relevant product markets are the courier, express road freight, heavy freight transport, and motor sales and parts.

Competitive effect of this transaction

13. It appears from the above that no overlap exists between the activities of the merging parties. Similarly, no vertical integration concerns arise from this transaction.

Public interest considerations

14. According to the parties, no impact on employment is envisaged thereof. In addition, the trade unions at the primary target firms have given this merger a go ahead.

Conclusion

15. Based upon the above findings, we conclude that this transaction is unlikely to substantially lessen or prevent competition in any of the relevant markets, and accordingly approve it unconditionally.

⁷ The parties indicated at the hearing that these four businesses would continue to be run as a group.

D. Lewis

04 February 2004
DATE

Concurring: N. Manoim, P. Maponya

For the merging parties:	Mr Craig Roelofs and P. Botha, Fluxmans Attorneys.
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For the Commission:	Mr Horace Shoji assisted by Ms. Lizel Blignaut, Competition Commission
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