

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no.: 76/LM/Aug05

In the large merger between:

Spar Group Ltd

and

Sparit Family Supermarkets (Pty) Ltd

Reasons

Introduction

1. On 8 September 2005 the Tribunal approved the merger between Spar Group Ltd and Sparit Family Supermarkets (Pty) Ltd. The reasons are set out below.

The transaction

2. The Spar Group will acquire three retail supermarket businesses and two retail liquor outlets businesses, all owned by Sparit Supermarkets.
3. The Spar Group Ltd ("Spar Group"), which also controls Nelspruit Wholesalers (Pty) Ltd in South Africa, is a public company listed in the JSE.
4. Sparit Family Supermarkets (PtY) Ltd ("Sparit Supermarkets") consists of the following retail businesses:
 - ?? Komati Spar, a retail store in Komatipoort,
 - ?? Hoedspruit Spar, a retail store in Hoedspruit,
 - ?? Greenview Spar, a retail store in Sabie,
 - ?? Mr Cellars Komati, a retail liquor store in Komatipoort, and
 - ?? Mr Cellars Sabie, a retail liquor store in Sabie

Rationale of the transaction

5. Spar submits that the transaction is a purely defensive strategy in order to keep the stores as Spar retail outlets. Spar Group intends to sell the stores as soon as possible to owners who will continue to operate them independently as Spar stores. It would appear that the owners are free to sell their businesses to other retailers and Spar is anxious to prevent these stores falling into the hands of a rival chain who would re-brand them.

Background

6. The Spar Group Ltd (“Spar”) is a buying organization, which purchases, warehouses and distributes merchandise to and on behalf of its Spar Guild members. It owns six distribution centers, in Johannesburg, Olifantsfontein near Pretoria, Durban, Cape Town, Port Elizabeth and Nelspruit, which service the 773 Spar stores throughout South Africa and neighbouring countries. The members are expected, but not obliged, to purchase most of their requirements from the Spar distribution centers or through nominated drop shipment suppliers.

Effect on competition

7. Spar and its Guild members do not compete with each other but are in a vertical relationship. Spar trades in the wholesale market for household grocery products and its Guild members in the retail sector.
8. Whilst the rationale for the merger may be a pre-emptive strike to prevent a rival retailer getting hold of prime retail locations in the various local markets the merger does no more than preserve the status quo – a Spar retailer was in these sites pre-merger and will be so post merger. The merger would therefore not lead to a substantial lessening or prevention of competition.

Public interest issues

9. No significant public interest issues arise from this transaction.

N. Manoim

16 September 2005
Date

Concurring: L. Reyburn and Y. Carrim