COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 020925

In the matter between:

The SPAR Group Ltd — Primary Acquiring Firm

And

Florida Foodliner (Pty) Ltd — Primary Target Firms
in respect of Florida Junction SUPERSPAR
Florida Junction Tops@SPAR and
Memoire Trading 130 (Pty) Ltd in respect of
Gordon Road SUPERSPAR and
Gordon Road Tops@SPAR

Panel	:	Norman Manoim (Presiding Member), Fiona Tregenna (Tribunal Member) Andreas Wessels (Tribunal Member)
Heard on	:	25 March 2015
Order issued on	:	25 March 2015
Reasons issued on	:	10 April 2015

Reasons for Decision

Approval

[1] On 25 March 2015 the Competition Tribunal ("Tribunal") unconditionally approved the large merger between The SPAR Group (Pty) Ltd ("the SPAR Group") and Florida Foodliner (Pty) Ltd ("Florida Foodliner"), in respect of Florida Junction SUPERSPAR and Florida Junction Tops@SPAR ("Florida Junction Businesses") and Memoire Trading 130 Pty Ltd ("Memoire Trading"), in respect of Gordon Road SUPERSPAR and Gordon Road Tops@SPAR ("Gordon Road Businesses") ("collectively referred to as the "Target firms"). The reasons for approving the transaction follow.

Parties to the transaction

[2] The primary acquiring firm is the SPAR Group, a public company incorporated under laws of the Republic of South Africa ("RSA") and listed on the Johannesburg Securities Exchange. The SPAR Group conducts a wholesaling operation throughout South Africa. It acquires goods at best possible prices as far as possible directly from manufacturers and sells these goods to the SPAR Guild members. The SPAR Group also operates the SPAR Distribution centres. These distribution centres warehouse and distribute dry goods, perishable goods, liquor, general merchandise, personal care goods, etc. to the SPAR Guild stores. The SPAR Group also operates nine retail stores.

[3] The primary target firms are the Florida Junction Businesses and Gordon Road Businesses. The Florida Businesses are controlled by Florida Foodliner, whilst the Gordon Road Businesses are controlled by Memoire Trading. The target firms do not control any firm. The target firms are retail supermarkets that sell a wide range of fresh and processed foodstuffs, toiletries, household products and other similar supermarket-style items to the general public. The target firms also retail liquor in off-consumption liquor stores that sell a wide range of liquor and associated products to the public. Both target firms are located in the Gauteng province in Roodeport.

Proposed transaction and rationale

[4] The acquisition of the target firms by the SPAR Group is a short term strategy of the SPAR Group which ultimately wants to place the businesses with a suitable retailer who is a member of the SPAR Guild of Southern Africa NPC.

[5] Florida Foodliner and Memoire Trading offered to sell the businesses to the SPAR Group in terms of the pre-emptive right enjoyed by the SPAR Group as no suitable purchaser could immediately be found to purchase the businesses.

Competition assessment

[6] The Commission considered the activities of the merging parties and found that there is a horizontal overlap in the retail of food, groceries and liquor. The Commission also found that there is a vertical relationship between the merging parties as the SPAR Group supply goods to the target firms.

[7] The Commission identified two relevant product markets, namely one for the retail of groceries and another for the retail of liquor. In both instances, the Commission defined the geographic market to encompass an estimated 1.5 kilometre ("km") radius of the target firms.

Horizontal overlap

Retail of liquor

[8] The Commission's analysis revealed that the closest liquor retail store owned by the SPAR Group is about 36 km away from the target firms and is unlikely to constrain the target firms. The Commission thus concluded that there is no geographical overlap in the activities of the merging parties in relation to the market for the retail of liquor.

Retail of grocery

[9] The Commission's analysis revealed that the closest grocery retail store owned by the SPAR Group is about 54.7 km away from the target firms. The Commission thus concluded that there is no geographical overlap in the activities of the merging parties in relation to the market for the retail of groceries.

[10] The Commission therefore submitted that the proposed transaction is unlikely to result in any competition concerns. We agree with the Commission's findings.

Vertical overlap

[11] The vertical overlap of the proposed transaction is as a result of the target firms purchasing between 92-96% of their products from the SPAR Group and the remainder from other suppliers. This means that only in few instances where the SPAR Group does not have the products, the target firms source from third parties. The Commission concluded that foreclosure concerns as a result of the proposed transaction are highly unlikely as the status quo will remain post-merger.

Public Interest

[12] The merging parties submitted that the proposed transaction will not have a negative impact on employment as the SPAR Group will continue to run the businesses of the target firms if the transaction is approved. The employees of the businesses are required to keep the businesses running and they shall continue to be employed after the sale, on the same terms and conditions as applied prior to the sale. [1] The proposed transaction raised no other public interest concerns.

CONCLUSION

[13] We agree with the Commission's findings that the proposed transaction is unlikely to substantially prevent or lessen competition in the identified markets. We therefore approve the transaction without conditions.

Mr Norman Manoim

10 April 2015
DATE

Prof. Fiona Tregenna and Mr Andreas Wessels concurring.

Tribunal Researcher:	**Caroline Sserufusa**
For the merging parties:	Howard Stephenson of Garlicke &Bousfield Inc
For the Commission:	Hugh Dlamini

[1] See page 15 of the merger record.