

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM011Apr15

In the matter between:

**Super Group Dealerships, a division of Super
Group Trading (Pty) Ltd**

Primary Acquiring Firm

And

**The Business of General Motors and Isuzu in
Roodepoort Operated by Tommy Martin Motors
Krugersdorp (Pty) Ltd**

Primary Target Firm

Panel	:	Yasmin Carrim (Presiding Member), Medi Mokuena (Tribunal Member) Fiona Tregenna (Tribunal Member)
Heard on	:	03 June 2015
Order issued on	:	03 June 2015
Reasons issued on	:	18 June 2015

Reasons for Decision

Approval

- [1] On 03 June 2015 the Competition Tribunal ("Tribunal") unconditionally approved the large merger between Super Group Dealerships, a division of Super Group Trading (Pty) Ltd ("Super Group Dealership") and the Business of General Motors ("GM") and Isuzu in Roodepoort, operated by Tommy Martins Krugersdorp (Pty) ("Tommy Martins"). The reasons for approving the transaction follow.

Parties to the transaction

- [2] The primary acquiring firm is Super Group Dealership, a division of Super Group Trading Proprietary Limited ("SG Trading"), a firm incorporated in terms of the company laws of the Republic of South

Africa ("RSA"). SG Trading is a wholly-owned subsidiary of Super Group Limited ("Super Group"). Super Group is listed on the Johannesburg Securities Exchange Limited ("JSE"), and is therefore not controlled by any firm. SG Trading controls various firms such as Super Group Africa (Pty) Ltd, Chataprop Holdings and Lexshell 280 Investments (Pty) Ltd amongst others. Super Group Trading is in turn controlled by Super Group Holdings (Pty) Ltd ("SG Holdings") which also controls entities such as Fleet Africa (Pty) Ltd. Super Group has operations in Europe, Australia, New Zealand, United Kingdom and in Africa. In the RSA, Super Group Dealership controls a total of 44 dealerships. It operates motor vehicle dealerships which sell and service various brands of new motor vehicles, such as Toyota, Mercedes Benz, Dodge, GM, Isuzu, Honda, Nissan and Land Rover amongst others. Super Group Dealership also sells pre-owned and demonstration motor vehicles and parts and accessories for the brands of motor vehicles listed above. Super Group Dealership also provides intermediary finance and insurance services in respect of the motor vehicles listed above.

- [3] The primary target firm is Tommy Martins, a private company with limited liability, duly incorporated in accordance with the company laws of RSA. Tommy Martins is controlled by its two directors Mr Walter Martin and Ms Carol Banfield. Tommy Martins does not control any firm. It is an exclusive GM and Isuzu franchise vehicle dealership situated in Roodepoort, Gauteng which sells new, pre-owned and demonstration motor vehicles. Tommy Martins also services and sells accessories for GM and Isuzu motor vehicles as well as intermediary finance and insurance services in respect of the motor vehicles.

Proposed transaction and rationale

- [4] In terms of the Sale of Business Agreement, Super Group Dealership intends to acquire the business of a motor vehicle dealership selling new GM, Opel and Chevrolet passenger vehicles; Isuzu commercial vehicles; the sale of parts; the provision of workshop services; and the selling of

used passenger and commercial vehicles of various brands conducted by Tommy Martins.

- [5] For Super Group Dealership, the growth of the GM brand and the fact that Tommy Martins is a single point franchised outlet with a stable staff compliment is beneficial to Super Group Dealership. In addition to this, the acquisition meets and exceeds all the group's returns based hurdle rates and expectations. Lastly, Super Group Dealership has been identified as the preferred bidder for this dealership by Original Equipment Manufacturers ("OEMs").
- [6] For Mr Walter Martin and Ms Carol Banfield, the proposed transaction will assist them to exit the market and realise their investments.

Competition assessment

- [7] The Commission identified the relevant product markets as the market for the sale of new passenger vehicles, the market for light commercial vehicles, the market for medium and the market for heavy commercial vehicles, since both parties are involved in these markets.
- [8] The Commission defined the geographic market as Roodeport; despite the fact that market participants submitted that the geographical scope could be wider. The Commission's decision was based on the fact that a significant proportion of any dealership's sales are derived from its immediate vicinity.¹

Interbrand competition

- [9] The Commission used data received from the National Association of Automobile manufacturers of South Africa ("NAAMSA") as a basis to calculate market shares. The post-merger market shares were calculated based on the number of vehicles sold by the merging parties

¹ See page 18 of the Commission's report.

in the Roodepoort area, during the period under review (2014). The post-merger market share in respect of passenger vehicles will be less than 3 % in the Roodeport, which shows that the merged entity will face fierce competition from other competitors. In the market for light commercial vehicles, the post-merger market share will be less than 20%. In the market for medium commercial vehicles and heavy motor vehicles, the post-merger market share will be less than 30%. The Commission concluded that the low market shares show that post-merger the merged entity will continue to face competition from other competitors in this market.

Intra-brand competition

[10] According to market participants,² intra-brand competition is mainly based on price, availability of stock, the quality of services personnel and the brand appeal of a given dealership in the market. Internet also affects the automobile market in that it broadens the geographic scope of the market as dealerships can sell cars to other provinces and neighbouring countries.³ Based on all of the above, the Commission came to the conclusion that the proposed transaction is unlikely to substantially prevent or lessen competition in the markets for the retail sale of passenger vehicles, light, medium and heavy commercial vehicles.

[11] We agree with the above findings of the Commission.

Public Interest

[12] The proposed transaction will have a positive impact on employment as opportunities may become available to the employees of the target firm for growth within the division itself.⁴ The proposed transaction raised no public interest concerns.

² See pages 21-22 of the Commission's Report.

³ See page 270 of merger record in teleconference summary with VW McCarty in Menlyn.

⁴ See page 10 of the merger record.

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.



Ms Yasmin Carrim

18 June 2015

DATE

Ms Medi Mokuena and Prof. Fiona Tregenna concurring.

Tribunal Researcher:

Caroline Sserufusa

For the merging parties:

Graham Watson of Super Group

For the Commission:

Maanda Lambani