



## COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM019May24

In the matter between:

**GRINDROD HOLDINGS (SOUTH AFRICA)  
PROPRIETARY LIMITED**

Acquiring Firm

and

**GRINDROD RAIL CONSULTANCY SERVICES  
PROPRIETARY LIMITED**

Target Firm

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Panel: : Prof. Liberty Mncube (Presiding Member)  
: Prof. Imraan Valodia (Tribunal Member)  
: Adv Geoff Budlender SC (Tribunal Member)

Heard on : 04 June 2024  
Order issued on : 04 June 2024  
Reasons issued on : 07 June 2024

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### REASONS FOR DECISION

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#### Approval

- [1] On 04 June 2024, the Competition Tribunal unconditionally approved a large merger in which Grindrod Holdings (South Africa) Proprietary Limited (“**Grindrod**”), intends to acquire █████% shares in Grindrod Rail Consultancy Services Proprietary Limited (**Grindrod Rail**).

## **Parties to the transaction and their activities**

### *Primary Acquiring firm*

- [2] The primary acquiring firm is Grindrod. Grindrod is ultimately controlled by Grindrod Limited. Grindrod Limited is a public company listed on the Johannesburg Stock Exchange and is not controlled by any firm.
- [3] Grindrod controls various other firms. Of relevance to the proposed transaction, at present Grindrod exercises joint control over Grindrod Rail with a current shareholding of █████% in Grindrod Rail.
- [4] Grindrod Limited and all the firms it controls shall be referred to as the “Acquiring Group”.
- [5] The Acquiring Group is primarily active in the market for the provision of freight and logistics services. In this regard, the Acquiring Group sells products and renders services through two main segments, namely, (i) Port and Terminals; and (ii) Logistics.
- [6] The Port and Terminals segment manages investments, which provide the backbone for offering integrated logistics solutions along key trade corridors, in partnership with the logistics division. The terminal facilities are strategically positioned in Maputo, Richards Bay, Durban and Walvis Bay, providing an efficient service to importers and exporters.
- [7] The logistics segment provides tailored logistics solutions across the supply chain for the efficient, end-to-end delivery of diversified cargo.

### *The primary Target firm*

- [8] The Primary Target firm is Grindrod Rail. is active in the provision of (i) rail consultancy services, (ii) rolling stock and locomotive advice, services and

maintenance, and (iii) rolling stock and locomotive management and leasing services.

- [9] Rail consultancy includes the provision (by experienced rail managers and engineers) of a unique combination of independent advice and consultancy on a wide range of logistics solutions, particularly where a combination of road, rail, port handling and sea freight services is required.
- [10] Rolling stock and locomotives and related advice and maintenance services include the design, supply, maintenance, sourcing and financing of specific fit-for-purpose rolling stock and locomotives, together with the supply of parts (i.e., spares and components) and locomotive maintenance services and advice to various industries including the mining industry.
- [11] Rolling stock and locomotive management and leasing services includes providing rolling stock leasing solutions for various entities in South Africa. Leasing contracts are done either with or without maintenance services to various industries including the mining industry. Locomotive leases include locomotives owned by Grindrod Rail or outsourced from related companies.

#### **Proposed transaction and rationale**

- [12] In terms of the proposed transaction, Grindrod intends to acquire [REDACTED]% shares in Grindrod Rail. At present, Grindrod exercises joint control (together with various other shareholders) over Grindrod Rail with a shareholding of [REDACTED]%. Post transaction, Grindrod will move from joint to sole control over Grindrod Rail by acquiring all the shares in Grindrod Rail.
- [13] In terms of the rationale, the Acquiring Group submits that acquiring sole control over Grindrod Rail will [REDACTED]  
[REDACTED].
- [14] Grindrod Rail submits that [REDACTED]  
[REDACTED].

## Relevant market and impact on competition

- [15] The merging parties submit that there are no product/service overlaps between the merging parties in South Africa and as such, there will be no accretion in market share in any relevant markets.
- [16] The Competition Commission (Commission) notes that the proposed transaction will result in a vertical overlap in the activities of the merging parties because for a period of 12 months ended 31 December 2023, Grindrod Rail provided consultancy services and sold spare parts to the Acquiring Group.
- [17] In its assessment of the product market, the Commission considered and assessed the effects of the proposed transaction in the following markets: (i) The market for the provision of rail consultancy services in South Africa, and (ii) The market for the provision of rolling stock and locomotives and related advice and maintenance services in South Africa.
- [18] The merging parties agreed with this approach.
- [19] We did not receive evidence to suggest that we should depart from this way of framing the product markets. While we do not find it necessary to conclude on the precise scope of the relevant product markets since no competition concerns arise in the present case whichever approach is taken, we examine each of the above product markets in our analysis.

### *The market for the provision of rail consultancy services in South Africa*

- [20] In The market for the provision of rail consultancy services in South Africa, Grindrod Rail has an estimated market share of less than █%.
- [21] Further, there are alternative suppliers of rail consultancy services, which include includes Hatch Limited<sup>1</sup>, Zutari<sup>2</sup>, Worley Parsons<sup>3</sup>, R&H Rail<sup>4</sup> and others.<sup>5</sup>

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<sup>1</sup> With an estimated market share of 25%.

<sup>2</sup> With an estimated market share of 25%.

<sup>3</sup> With an estimated market share of 25%.

<sup>4</sup> With an estimated market share of 15%.

<sup>5</sup> Making up the difference.

[22] Based on the above, we do not consider it likely that the merged entity will have substantial market power.

*The market for the provision of rolling stock and locomotives and related advice and maintenance services in South Africa*

[23] In the provision of rail consultancy services in South Africa, Grindrod Rail has an estimated market share of less than █%.

[24] Further, the merged entity will continue to face competition from larger players in the market which include Transnet SOC Limited, with an estimated market share of 90% and other players such as Traxtion Sheltam Proprietary Limited, RCE Consulting Engineers, African Rail and Traction Services Proprietary Limited.

[25] Based on the above, we do not consider it likely that the merged entity will have substantial market power.

*Conclusion on the competition assessment*

[26] In light of the above, we do not believe that the proposed transaction is like to raise a substantial lessening of competition as a result of vertical effects.

**Public Interest**

*Effect on employment*

[27] The merging parties submitted that the proposed transaction will not have any negative effects on employment.

[28] The Commission contacted the employee representative of the merger parties, who raised no concerns regarding the proposed merger.

[29] In light of the above, the proposed merger is unlikely to raise employment concerns.

### *Effect on ownership*

[30] The Acquiring Group has 84.26% shareholding held by Historically Disadvantaged Persons (HDP). Grindrod Rail has an HDP ownership of 35.6%.

[31] Post-merger, Grindrod Rail will be wholly owned by the Acquiring Group which presently has an HDP ownership of 84.26%. As such, the proposed transaction results in an increase in HDP shareholding in Grindrod Rail from 35.68% to 84.26%.

[32] Accordingly, the proposed transaction will result in a positive increase in the levels of ownership by HDPs.

### *Other public interest factors*

[33] The proposed transaction raises no other public interest concerns.

### *Conclusion on public interest*

[34] Considering the above, we do not believe that the proposed transaction raises public interest concerns.

## **Conclusion**

[35] For the reasons set out above, we approve the proposed transaction without conditions.

Signed by: Liberty Mncube  
Signed at: 2024-06-07 18:05:44 +02:00  
Reason: Witnessing Liberty Mncube

*L. Mncube*

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**Professor Liberty  
Mncube**

**07 June 2024**

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**Date**

**Professor Imraan Valodia and Advocate. Geoff Budlender SC concurring.**

Tribunal case manager : Ofentse Motshudi

For the merging parties : Richardt van Rensburg, Sazi Madlala and Zaid Bhayat of Edward Nathan Sonnenbergs Inc.

For the Commission : Nomthandazo Mndaweni and Themba Mahlangu