competitiontribunal
south africa

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to	Pia Harvey Cliffe Dekker Hofmeyr Inc	*fax*	011 562 1507
	Legal Services Competition Commission		44283
ref	11/LM/Feb11	*date*	08 June 2011
from	Tebogo Mputle	*pages*	4 (including this page)
re	Reasons		

Attached please find the Tribunal's reasons for the decision in the above matter.

Regards

Tebogo Mputle

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COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 11/LM/Feb11

In the matter between:

RMB Ventures Six (Pty) Ltd	Acquiring Firm
And	
MCG Industries (Pty) Ltd	Target Firm

Panel	:	Andreas Wessels (Presiding Member) Medi Mokuena (Tribunal Member) Andiswa Ndoni (Tribunal Member)
Heard on	:	19 May 2011
Order issued on	:	19 May 2011
Reasons issued on	:	08 June 2011

Reasons for Decision

Approval

[1] On 19 May 2011 the Competition Tribunal ("Tribunal") approved the proposed transaction involving RMB Ventures Six (Pty) Ltd and MCG Industries (Pty) Ltd. The Tribunal's reasons for approving the transaction are set out below.

Parties to the transaction

[2] The primary acquiring firm is RMB Ventures Six (Pty) Ltd ("RMBV6"), a company incorporated in terms of the laws of the Republic of South Africa. RMBV6 is controlled by RMB Investment and Advisory (Pty) Ltd ("RMB Investment") which in turn is controlled by FirstRand Investment Holdings (Pty) Ltd ("FirstRand Investment").[1] FirstRand Investment is controlled by FirstRand Ltd, a JSE listed

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[1] http://www.firstrand.co.za/live/index.php

entity which is not controlled by any single shareholder.[2] For the purposes of this transaction, the above firms will collectively be referred to as the acquiring group.

[3] The target firm is MCG Industries (Pty) Ltd ("MCG"), a company incorporated under the laws of the Republic of South Africa. MCG is not controlled by any firm. MCG controls MCG Plastic Closures (Pty) Ltd.[3]

[4] The acquiring group premerger already owns 48.62% of the shares in MCG through different subsidiaries. The acquiring group through the proposed deal intends to acquire 34.44% of the issued share capital of MCG. Pursuant to the proposed transaction the FirstRand group will beneficially own 82.48% of the shares in MCG and therefore have sole control of MCG.[4]

Rationale for the proposed transaction

[5] According to the acquiring firm the proposed transaction will enable it to invest in a business that is well known to it[5] at a reasonable valuation, providing attractive financial returns. The proposed transaction will also simplify future decision making in MCG at shareholder level.

[6] The target firm views the proposed transaction as a means for its shareholders to either partly or fully realise the value of their investment. Some shareholders will realise portions of their investment whilst still retaining a stake in the business.

Activities of the merging parties

[7] FirstRand is an integrated financial services group providing *inter alia* retail, investment, corporate and private banking services, various insurance products and asset management services. RMBV6 is an investment holding company established to hold shares and thereby acquire investments in unlisted entities. RMB Investment is also an investment holding company.

[8] Of relevance to this transaction is that Corvest 6 (Pty) Ltd, which is part of the FirstRand group, holds 66% of the shares in SA Leisure (Pty) Ltd ("SA Leisure") which is involved in the manufacture, sale and distribution of a wide range of plastic consumer products such as outdoor furniture, home and office furniture, camping equipment, gardening equipment and storage and DIY goods.

[9] The primary target group operates through three business divisions being the (i) plastic closures, (ii) metal closures and (iii) injection moulding divisions. Of relevance to this transaction is the injection moulding division which manufactures injection moulded products for a wide range of industries including the beverage, furniture, materials handling, bakery and agricultural industries. It also produces plastic moulded chairs and seats sold to suppliers that sell these chairs to *inter alia* schools, hospitals and canteens.[6]

[2] FirstRand Ltd's shareholders include RMB Holdings Ltd (30.06%); Financial Securities Ltd (8.53%); Public Investment Corporation (11.77%); and FirstRand Empowerment Trust and related parties (8.7%).

[3] http://www.mcgindustries.com/index.html

[4] RMB Ventures Two (Pty) Ltd will sell 0.58% of its shares in MCG to a new shareholder.

[5] As stated above, the acquiring group already owns 48.62% of the shares in MCG.

[6] http://www.mcgindustries.com/injecMoulding.html

Competitive assessment

[10] The Competition Commission ("Commission") concluded that from a supply-side perspective there is a product overlap between the activities of SA Leisure, which forms part of the acquiring group, and the injection moulding division of MCG since both firms are involved in the manufacture and sale of plastic chairs. The merging parties however indicated that they cannot be regarded as competitors in the manufacture and sale of plastic chairs since they operate at different levels of the supply chain and therefore have different distribution channels and different customers. SA Leisure produces and sells plastic chairs to retailers that are marketed as outdoor furniture for use by end-users. MCG manufactures and sells heavy duty, industrial type plastic chairs to supplies and distributors for use in for example canteens, restaurants, hospitals, schools, offices and auditoriums. The Commission's market investigation showed that from a demand or customer perspective, the plastic chairs produced by the merging parties are not substitutable in terms of price, functionality and quality. Furthermore, at the hearing Mr Naidoo of the merging parties indicated that the price difference between the heavy duty chairs of MCG and the light weight chairs sold in retail stores is approximately 40%.

[11] There is however no need for the Tribunal in this case to take a definitive view on the exact parameters of the relevant product market since the proposed deal raises no likely competition concerns even in an assumed broad market for the production and sale of plastic chairs in South Africa. Customers contacted by the Commission during the course of its investigation did not raise any concerns about the proposed merger and furthermore identified several players that are active in this market including Rand Plastics, Goldsun, Chemcraft, Unica and Glofurn. We therefore conclude that the proposed merger is unlikely to substantially prevent or lessen competition in a potential national market for the production and sale of plastic chairs.

Public interest

[12] The merging parties confirmed that no job losses or retrenchments are anticipated as a result of the proposed transaction[7] and no other public interest issues arise from this transaction.

Conclusion

[13] Given that no likely competition or public interest issues arise from the proposed merger the Tribunal approves the transaction without conditions.

A Wessels	08 June 2011 **DATE**

A Ndoni and M Mokuena concurring

Tribunal Researcher:	Songezo Ralarala
For the merging parties:	Pia Harvey of Cliffe Dekker Hofmeyr
For the Commission:	Mogalane Matsimela and Seema Nunkoo

[7] See *inter alia* page 8 of the record.

* * * Communication Result Report (8. Jun. 2011 16:34) * * *

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