COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 016436

In the matter between:

The Bidvest Group Limited Acquiring Firm

And

Amalgamated Appliance Holdings Limited Target Firm

Panel	:	Norman Manoim (Presiding Member), Takalani Madima (Tribunal Member) and Andiswa Ndoni (Tribunal Member)
Heard on	:	12 June 2013
Order issued on	:	12 June 2013
Reasons issued on	:	25 June 2013

Reasons for Decision

Approval

[1] On 12 June 2013, the Competition Tribunal ("Tribunal") approved the merger between the Bidvest Group Limited ("Bidvest") and Amalgamated Appliance Holdings Limited ("Amap"), in terms of which Bidvest intends to acquire 71.7% of the entire issued share capital of Amap, which is the remaining issued share capital not already held by Bidvest. Our reasons for this decision follow below.

Parties to the Transaction

[1] The primary acquiring firm is Bidvest, which is active in a diverse portfolio of businesses and is listed on the Johannesburg Stock Exchange Limited ("JSE"). Of relevance to this merger are the following Bidvest subsidiaries whose activities overlap with those of Amap. They are:

- *Voltex*, a stockist and distributor of electrical and related materials.
- *Afcom*, a manufacturer and distributor of packaging and fastening products.
- *Buffalo*, a self-adhesive tape company.
- *Berzack*, a supplier of industrial machinery, household and personal care appliances, upholstery material amongst others.
- *Yamaha*, a supplier of motor, audio visual, music and other leisure products.[1]

[2] The target firm is Amap, a firm that imports, and distributes domestic appliances. These include sewing and embroidery equipment, audio and video products, electrical accessories, houseware and personal care appliances. Amap sells these products to retailers whose customers are generally domestic users. Amap is not only a distributor of other firms' brands but it also manufactures certain products itself including the following well-known brands of house hold appliances; Salton, Russel Hobbs, Pineware as well as bake ware.

The relevant market and the impact on competition

Horizontal issues

[3] Bidvest through several of its subsidiaries is active in the distribution of some products that compete with those offered by Amap. The Commission identified several overlaps but concluded after its investigation that the increment in market share in each category was too small to raise concerns. We set out these overlaps and market shares indicating the extent of the increments below:

- Small household appliances, Bidvest - 0.24%, Amap - 26.28%; Merged entity - **26.52%**
- Personal care appliances, Bidvest - 0.4.%, Amap - 15.1%; Merged entity -**15.5%**
- House wares, Bidvest - 6%, Amap - 8.4%; Merged entity - **14.4%**
- Electrical accessories, Bidvest -18%, Amap - 3.3%; Merged entity - **21.3%**
- General lightings fittings and fixtures, Bidvest - 9.80%, Amap - 0.45%; Merged entity - **10.3%**

[1] For a more detailed submission on the subsidiaries and activities of the Bidvest Group, see merger record, pages 66-72.

- Sewing and embroidery machines, Bidvest- 1%, Amap - 28% Merged entity - **29%**
- Tapes, Bidvest - 18%, Amap - 0.1%; Merged entity- **18.01%**
- Professional audio/music equipment, Bidvest - 2.56%, Amap - 8.56% Merged entity - **11.12%**.

[4] The merging parties further submitted that the two business entities would continue to operate separately and not be integrated, as the Bidvest Group operates on a decentralised basis.[2]

[5] The Commission also submitted during the hearing that in as much as it looked at each product separately, it also took into account portfolio power and thus submitted that post merger, the merged entity would not have bargaining power as market participants assured the Commission that there were no exclusivity agreements in place with the merging parties and as such, they were free to switch to other alternatives when they wish to do so.[3]

Vertical issues

[6] There is a vertical relationship in the activities of the merging parties, as in some product markets the merging parties interchangeably manufacture or distribute the other one's products. However the Commission submitted that there would be no negative impact on competition, as in both the manufacturing and distribution markets that the parties are active in, are highly competitive.

Public interest issues

[7] During the Commission's investigation the National Union of Metalworkers of South Africa ("NUMSA") made a submission regarding the transaction, as it was concerned that because Bidvest mostly imports its small appliances products, it might influence Amap to do the same post merger, which would affect local production and in effect could result in job losses.[4] NUMSA did not however make more specific submissions on this issue.[5]

[8] The merging parties re-assured us that they had no intention of closing down any local manufacturing plant as some of the products Amap

[2] See Transcript of hearing para10, page 6.
[3] See Transcript of hearing at page 7.
[4] See Merger record at page 786, letter from NUMSA to the Commission regarding its submission to the proposed transaction.
[5] See Transcript of hearing at page 4.

manufactures are successful well known brands such as Salton, Russel Hobbs and Pine ware.[6]

[9] There is no evidential basis to conclude that the merger will have an adverse effect on Amap's manufacturing activities.

CONCLUSION

[10] There are no significant public interest issues raised by this merger or any indication that it will lessen or prevent competition and we accordingly approve the transaction without conditions.

Norman Manoim

25 June 2013
DATE

T Madima and A Ndoni concurring.

Tribunal Researcher: **Caroline Sserufusa**
For the merging parties: Natalia Lopes of Edward Nathan Sonnenbergs
For the Commission: Xolela Nokele

[6] See Transcript of hearing at para 10 page 8.