

# **COMPETITION TRIBUNAL**

## **REPUBLIC OF SOUTH AFRICA**

**Case Number: 46/LM/Apr00**

**In the large merger between**

**Secotrade 72 (Pty) Ltd and  
Imperial Holdings Ltd**

**and**

**Hyundai Motor Distributors (Pty) Ltd**

### **Reasons for the Competition Tribunal's Decision**

#### **Approval**

The Competition Tribunal issued a Merger Clearance Certificate on 1 June 2000 approving the merger between Secotrade 72 (Pty) Ltd and Hyundai Motor Distributors (Pty) Ltd without conditions. The reasons for our decision to approve the merger are set out below.

#### **The merger transaction**

Secotrade will acquire the assets of Hyundai, which has been placed under provisional liquidation since 11 January 2000.

Secotrade will have an exclusive contract to import and distribute Hyundai vehicles, parts and accessories in South Africa. It will buy assets from Hyundai that will, *inter alia*, include passenger cars and light commercial vehicles, parts

and accessories, and assets of preferred dealerships.

## **Background**

The Motor Company of Botswana manufactured passenger cars and light commercial vehicles in Botswana. Hyundai distributed the vehicles in South Africa, which were sold through its own dealership network at retail level. Hyundai was placed under provisional liquidation on 11 January 2000. The liquidators have confirmed by means of an affidavit that several buyers were approached by the consortium. Imperial, however, was the preferred bidder.

Associated Motor Holdings (Pty) Ltd controls 80% of Secotrade and Imperial Holdings Ltd in turn controls 90% of Associated Motor Holdings.

The Imperial Group, *inter alia*, imports Renault, Kia and Daihatsu passenger vehicles into South Africa. The companies involved in the importing of passenger vehicles are Imperial Car Imports (Pty) Ltd, Kia Motors South Africa (Pty) Ltd and Imperial Daihatsu (Pty) Ltd. The Group owns its own dealerships and also distributes passenger cars to independently owned dealers that sell and service passenger cars.

## **Evaluating the merger**

Three relevant markets are involved namely the market for passenger vehicles, the market for retail distribution of passenger vehicles and the market for spare parts and services.

Imperial's market share in the passenger vehicle market (post merger) is less than 7%, which is much smaller than the market shares of its main competitors Volkswagen (22%), Toyota (21%) and Samcor (12%).

The parties could not provide market shares for the retail distribution of passenger vehicles market, due to the size and nature of the retail sector. Imperial competes with McCarthy Motor Holdings, Barlow Motor Holdings, Supergroup, Unitrans and Combined Motor Holdings, which are all major players. Imperial estimates its market share (post merger) at 11,1%.

With regard to the after sales market in spare parts and accessories Imperial estimates its market share to be 6,7% post merger. The parties could not provide market shares for this market because it is fragmented and diversified. However, they estimate that Original Equipment Manufacturers (OEM's) hold approximately

60% of the business in their specific franchise and imports, both genuine and generic, holds 40%.

The Tribunal is satisfied that the change in Imperial's total market share is negligible, from 6% to 7% post merger, and does not create competition concerns. Moreover an effective competitor will not exit the market and inter-brand competition will be enhanced.

We wish to point out that although we have been informed, at the hearing, that an exclusive distribution agreement for three years was negotiated, the Tribunal has not received a copy of it. Approval of the transaction, therefore, does not necessarily mean that we approve the exclusive distribution agreement.

**D.H LEWIS**

**27 June 2000**

**Concurring: N.M. Manoim and P.E. Maponya**