

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no.: 95/LM/Nov04

In the large merger between:

Steinhoff Africa Holdings (Pty) Ltd

and

Unitrans Ltd

Reasons

Introduction

1. On 12 January 2005 the Competition Tribunal unconditionally approved the merger between Steinhoff Africa Holdings (Pty) Ltd ("Steinhoff Africa") and Unitrans Ltd. The reasons are set out below.

The transaction

2. Steinhoff International, through its subsidiary Steinhoff Africa, is increasing its shareholding in Unitrans Ltd from 22.40% to 60.8%, by exercising its pre-emptive right over the shares held by Murray and Roberts Holdings in Unitrans. As a result of the transaction Steinhoff will control Unitrans.

Parties to the transaction

3. The primary acquiring firm is Steinhoff Africa Holdings (Pty) Ltd, which is controlled by Steinhoff International Holdings Ltd ("Steinhoff"). Steinhoff is vertically integrated in the manufacturing and distribution of furniture and household goods as well as raw products used in the manufacturing of these products. Steinhoff Africa also owns a joint venture company with

Unitrans called Roadway Logistics (Pty) Ltd.¹

4. The primary target firm, Unitrans, is not controlled by any single or group of shareholders. Its shareholders are:

United Investments (Pty) Ltd ²	38.41%
Steinhoff Africa	22.40%
Old Mutual Life Association Society	7.98%
Clidet No 518 (Pty) Ltd ³	13.02%

5. Unitrans is a diversified transport, distribution and logistics group, active in harvesting, transport, the logistics services provided by the joint venture Roadway Logistics, warehousing, distribution, freight and passenger transport, express delivery, fleet management, vehicle leasing, motor retail and related financing and insurance.

Rationale for the transaction

6. During August 2004 Murray and Roberts received an offer for its shares in Unitrans. Both Unitrans and Steinhoff felt that it was not in the best interest of Unitrans to accept the offer. Steinhoff Africa was concerned about the influence that the new shareholder would have on the logistics part of the Unitrans business, more specifically on its joint venture Roadway Logistics. Unitrans was concerned about its motor dealerships since the potential investor was one of its major competitors in the motor retail sector. Unitrans felt that the transaction could lead to a major restructuring or sell-off within the Unitrans Group. In light of this Steinhoff decided to exercise its pre-emptive right to acquire Murray and Robert's interest in Unitrans.

Competitive assessment

7. This is a vertical merger. The relevant product markets, which the Competition Commission identified relate to the vertical supply-chain. These are:

- 1) The local market for the supply of saw logs, pulp logs, poles and woodchips ("forest material") in which Steinhoff Africa operates;

¹ Post the transaction Steinhoff will control Roadway Logistics.

² This is a wholly owned subsidiary within the Murray and Roberts Group.

³ Clidet No 518 is a black empowerment company.

- 2) The local market for harvesting and transportation in which Unitrans operates;
 - 3) The national market for the supply of sawn timber in which Steinhoff Africa operates;
 - 4) The national market for the supply of particleboard in which Steinhoff operates;
 - 5) The national market for the manufacturing of furniture, household goods and raw materials in which Steinhoff operates; and
 - 6) The national market for warehousing, distribution and logistics in which the joint venture between Unitrans and Steinhoff Africa, Roadway Logistics, operates.
8. We will focus on the potential vertical affects that the transaction might have on the transportation of forest material, the transportation of sawn timber and particleboard and the transportation and logistics of furniture.

Transportation of forest material

9. The transporting of forest material is awarded through tender procedures for periods of three years. In each of the local markets identified, namely Knysna/George, KwaZulu-Natal and Mpumalanga, there are large transport contractors that compete with Unitrans.⁴
10. Steinhoff Africa is a small customer in relation to Unitrans' forestry transport operations, comprising approximately 6% of Unitrans' turnover for 2004. Unitrans informed the Tribunal that it would not be economically viable for Unitrans to only transport Steinhoff goods since it would have to change the nature of almost all facets of its business. Unitrans has long-term contracts with hundreds of customers, each of them having different transport requirements for which Unitrans supplies dedicated specialized equipment and which is not readily interchangeable.

Sawn timber and particleboard

11. Many contractors and sub-contractors operate in the local market for sawn timber, which makes input and customer foreclosure highly unlikely.
12. Steinhoff owns PG Bison, a particleboard manufacturer. Although Unitrans transports woodchips, pulpwood and saw logs it does not supply PG Bison

⁴ According to the parties there are approximately 250 contractors providing transport and harvesting services within the forestry sector of which the largest are: Imperial, Gaskells and Marathon Transport..

with input nor does it currently have spare capacity to do so – PG Bison has recently awarded a contract to an independent transport company, LT Plant, for the delivery of woodchips, sawdust and lumber off-cuts. Customer foreclosure would not be likely since two large competitors and several third party distributors remain in this market. Board merchants also import particleboard.

Furniture

13. Roadway Logistics, which is responsible for the major portion of Steinhoff Africa's finished goods distribution and logistics requirements, transports approximately 55% of Steinhoff Africa's furniture production to retailers. Neither Roadway Logistics nor Unitrans currently provides transport services to Steinhoff's competitors in the furniture retail sector. Steinhoff also uses various third party contractors to transport its furniture, foam and textile products such as CDC Transport, Zul Transport Pivot Transporters, etc.
14. The transportation of Steinhoff Africa's goods via Roadway Logistics constitutes less than 1% of Unitrans' total turnover for 2004. According to Steinhoff the majority of new furniture manufacturers have their own in-house fleets for distribution of their products to retailers. Roadway Logistic's other competitors in this market are, inter alia, Imperial via Conree Transport, Bolt Transport and Lush Transport.

Conclusion

15. In light of the above we therefore find that the transaction would not substantially prevent or lessen competition in any of the relevant markets identified above.
16. No public interest concerns have been raised in this transaction.

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15 February 2005
Date

Concurring: D Lewis, M R Madlanga