

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case NO: 73/LM/Jun08

In the matter between

Masscash Holdings (Pty) Ltd

Primary Acquiring firm

And

Franklin George Larkins Trading

as Top Sport Supermarket

Primary Target Firm

Panel : N Manoim (Tribunal member); Y Carrim (Tribunal member) and
M Mokuena (Tribunal member)

Heard on : 20 August 2008

Decided on : 21 August 2008

Reasons Issued : 23 September 2008

Reasons for decision

Approval

[1] On 21 August 2008 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Masscash Holdings (Pty) Ltd and Franklin George Larkins T/A Top Sport Supermarket unconditionally. The reasons for the approval appear below.

[2] The primary acquiring firm is Masscash Holdings (Pty) Ltd ("Masscash"), a firm incorporated under the company laws of the Republic of South Africa. Masscash

is controlled by Massmart Holdings Ltd (“Massmart”), which is listed on the JSE.¹ Masscash controls in excess of twenty subsidiaries.

[3] The primary target firm is Franklin George Larkins (“Larkins”), trading as Top Spot Supermarket under the name and style of Buy Rite Powertrade (“Buy Rite”). Buy Rite is owned by Larkins. It does not control any firm.

Transaction

[4] In terms of the structure of the proposed transaction, Masscash intends to acquire the business of Buy Rite. On completion of the transaction, the business of Buy Rite will be owned by Masscash.

Rationale

[5] The transaction will help Masscash decrease its reliance on the wholesale grocery market by changing the profile of some of its business to cater for the retail grocery market.

[6] The seller, i.e. Larkins, has cited personal reasons for selling his business including, inter alia, the fact that he wishes to move out of Groblersdal.

Parties Activities

[7] Both merging parties are involved in the retail and wholesale of grocery products.² Massmart is a retailer and wholesaler of grocery products, liquor and general merchandise throughout South Africa. It sells through Massdiscounters division, Masswarehouse division and Masscash division.

[8] Massdiscounters division comprises Game and Dior stores which are engaged in the retail of non-perishable goods. Masswarehouse division comprises of Makro stores which are engaged in the wholesale and retailing of a broad range of grocery and liquor products. Masscash division comprises of CWB and Jumbo stores

¹ Massmart is not controlled by any single shareholder. It controls firms in excess of seventy (refer to exhibit 6).

² Grocery products encompass food, cigarettes, health and beauty products and non-edible consumables such as detergents and house care products.

which are engaged in the wholesale distribution of grocery products, cosmetics, toiletries and hair care products.

[9] Buy Rite is also a retailer and wholesaler of grocery products in the Groblersdal region. Buy Rite's grocery products include a deli, bakery, butchery, fruit and vegetables etc.

Competition analyses

[10] There is an overlap between the activities of the merging parties in respect of the retail and wholesale of grocery products. Masscash's stores (Game stores) are situated in Witbank, Mpumalanga and Polokwane, Limpopo Province. Buy Rite's store is situated in Groblersdal. Witbank is approximately 150 Kilometers from Groblersdal and Polokwane is approximately 179 kilometres from Groblersdal.

[11] In our previous decision of a merger between Pick 'n Pay Retailers and Boxer Holdings³, we held that the geographic market for retail grocery is local. In line with this decision, the Commission concluded that Witbank and Polokwane are not in the same geographic area. There is therefore no geographic overlap between the activities of the merging parties in respect of the retail grocery market.

[12] Regarding the whole grocery market, the parties submitted to the Commission that they serve customers situated within 30 to 50 kilometers radius. As indicated above, Buy Rite's store is 150 kilometers and 179 kilometers away from Masscash's stores in Witbank and Polokwane respectively.

[13] While the Commission considered that the parties' view of the radius for wholesale grocery markets may be too narrow, it is however of the view that given the distance between the target firm and the nearest stores of the acquiring firm, they are unlikely to be in the same geographic market. We agree with the Commission that there is no geographic overlap in the activities of the merging parties in respect of the wholesale grocery market.

[14] The transaction also results in a minimal vertical integration as although Buy Rite purchased products from Masscash, the value of these products represented

³ Case no 52/LM/Jul02.

less than 1% in each merging parties' respective annual turnover in the previous financial year.

Public Interest

[15] The transaction does not give rise to any public interest issues and is approved without conditions.

N Manoim

Tribunal Member

23 September 2008

Date

Concurring: Y Carrim and M Mokuena

Tribunal Researcher : I Selaledi

For the merging parties : Edward Nathan Sonnenbergs Inc.

For the Commission : Thabelo Ravhugoni (Mergers & Acquisitions)