

**COMPETITION TRIBUNAL  
REPUBLIC OF SOUTH AFRICA**

**Case No: 77/LM/Aug05**

**In the large merger between:**

**Unitrans Motors (Pty) Ltd**

**and**

**Weiss Motors (Pty) Ltd**

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**Reasons for Decision**

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**APPROVAL**

On 21 October 2005 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Unitrans Motors (Pty) Ltd and Weiss Motors (Pty) Ltd in terms of section 16(2)(a). The reasons for the approval of the merger appear below.

**The Parties**

1. The acquiring firm is Unitrans Motors (Pty) Ltd ("Unitrans"). It is controlled by Unitrans Motor Enterprises (Pty) Ltd, which is a wholly-owned subsidiary of Unitrans Limited. Steinhoff Africa Holdings (Pty) Ltd, a 100% subsidiary of the listed entity, Steinhoff International Holdings Ltd, has a 60% stake in Unitrans Limited. Unitrans operates a motor dealership in Kings Park, Durban.
2. The primary target firm is Weiss Motors (Pty) Ltd ("Weiss"). It owns two motor dealerships in Durban and Amanzimtoti. Weiss' sole shareholder is Mr A Hartley.

**The Merger Transaction**

3. Unitrans is acquiring sole ownership of the Weiss dealerships in Durban and Amanzimtoti. This transaction involves the sale of the dealerships as going concerns.

### **Rationale for the Transaction**

4. Unitrans wants to consolidate its existing dealership with Weiss' operations. Weiss' owner is emigrating and selling his dealership business.
5. The parties contend that the greater Durban area is becoming over-traded , with the result that it is becoming difficult for motor dealerships to remain viable on the numbers of vehicles they are servicing. They allege that their daily dealership costs, as well as workshop and "tooling up" costs, are very high and add to their burdens. While the parties are not contending that the target firm is a failing firm, they state that economies of scale and cost savings will be achieved by the combination of dealerships.<sup>1</sup>

### **The relevant product and geographic markets**

- f. **Both parties are involved in various aspects of motor vehicle retailing. Unitrans sells new and pre-owned motor vehicles, parts and accessories and provides after-sales services as well as associated services such as transport, logistics, distribution and warehousing. Weiss Motors also sells new and pre-owned vehicles, parts and accessories and provides after-sales service. The Commission identified the overlap between them as extending to the sale of new Volkswagen motor vehicles as well as various brands of pre-owned motor vehicles.**
7. Based on this overlap, the identified relevant markets are firstly, the sale of Volkswagen's new small, medium and luxury cars and light commercial vehicles, and secondly, the sale of pre-owned passenger vehicles of all brands.
8. We have previously defined the passenger vehicle market as comprising different segments or sub-markets.<sup>2</sup> The Commission did not analyse the

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<sup>1</sup> We note that an assertion of over-trading, when made by a participant in the market, could merely signify healthy competition.

<sup>2</sup> We have held that the passenger vehicle sub-markets may include entry level cars; small cars; lower middle cars; upper middle cars; large cars; lower luxury cars; upper luxury cars; lower specialty cars; upper speciality cars; small utility; lower middle utility; upper middle utility; small minivans; and minivans. The market for commercial vehicles can be sub-divided into: light; medium and heavy commercial vehicles; as well as buses and coaches over ten tons. See DaimlerChrysler South Africa (Pty) Ltd and Sandown Motor Holdings (Pty) Ltd - 44/LM/Jul01, Combined Motor Holdings Limited and Forza (Pty) Ltd - 64/LM/Jul05

market for parts and servicing, and we find it unnecessary to consider whether this is a separate relevant market. As we mention below, there seem to be other Volkswagen dealers in Durban and nearby areas from which Volkswagen parts are readily accessible.

9. For present purposes we accept that the second relevant market, that for the sale of pre-owned vehicles, includes after-sales servicing.
10. It is not disputed that in the market for the sale of pre-owned passenger vehicles, competition is lively. A market share quantification for that market has not been provided and we are satisfied that it would not have been necessary for the purposes of the Tribunal's adjudication of this merger.
11. We have previously held that the market for pre-owned motor vehicles is characterised by low entry barriers, as evidenced by the many sources of supply of pre-owned vehicles.<sup>3</sup> We do not need to analyse this market any further.
12. As far as the first market is concerned, the Commission has applied the approach which we have adopted in previous cases and has identified the combined market shares of the merging parties (based on new Volkswagen sales) in the overlapping sub-markets or segments of both the broader geographic market, namely the greater Durban area, and also and more narrowly, Durban itself:

***Table 1: Market Shares in Durban (new Volkswagen vehicles)***

<b>Firm</b>	<b>Small</b>	<b>Medium</b>	<b>Luxury</b>	<b>Light Commercial</b>
Unitrans	4.6%	2.8%	0.2%	0.1%
Weiss	4.3%	2.4%	0.5%	0.06%
<b>Combined post-merger</b>	<b>8.9%</b>	<b>5.2%</b>	<b>0.7%</b>	<b>0.16%</b>

*Source: Merging parties' data derived from Naamsa Figures*

***Table 2: Market Shares in Greater-Durban<sup>4</sup> (new Volkswagen vehicles)***

<b>Firm</b>	<b>Small</b>	<b>Medium</b>	<b>Luxury</b>	<b>Light Commercial</b>
Unitrans	3.4%	2.0%	0.2%	0.08%
Weiss	4.7%	2.4%	0.4%	0.1%
<b>Combined post-merger</b>	<b>8.1%</b>	<b>4.4%</b>	<b>0.6%</b>	<b>0.18%</b>

<sup>3</sup> See DaimlerChrysler South Africa (Pty) Ltd and Sandown Motor Holdings (Pty) Ltd - 44/LM/Jul01

<sup>4</sup> According to Naamsa data, greater Durban entails Durban, Durban City Council, Ndwedwe, Pinetown, Pinetown City Council, Umhlanga, Umlazi/Amanzimtoi, Verulam/Tonga, Westville. Record page 388

***Source: Merging parties' data derived from Naamsa Figures***

13. It is clear that in each sub-market, the merger will bring about minimal market share accretion.

14. Furthermore, the parties listed at least five rival Volkswagen dealerships competing in both Durban and the greater Durban region.

## **Conclusion**

We conclude that there is no effect on competition. The merger will not lead to a substantial lessening or prevention of competition in any market.

No vertical issues arise which call for discussion, and similarly there are no public interest concerns. The merging parties have given an assurance that the merger will not affect employment.

The Tribunal therefore approves the transaction unconditionally.

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**L. Reyburn**

31 October 2005

Date

Concurring: M. Mokoena, T. Orleyn

For the merging parties:	N. Browne, Cliffe Dekker Attorneys
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For the Commission:	O. Strydom, Mergers and Acquisitions
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