



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 018317

In the matter between:

Barloworld South Africa (Pty) Ltd

Primary Acquiring Firm

And

Leatoy (Pty) Ltd

Primary Target Firm

Panel: Takalani Madima (Presiding Member)

Medi Mokuena (Tribunal Member)

Anton Roskam (Tribunal Member)

Heard on: 19 February 2014

Order Issued: 19 February 2014

Reasons Issued on: 14 March 2014

Reasons for Decision

Introduction

[1] On 19 February 2014 the Competition Tribunal approved the acquisition by Barloworld South Africa (Pty) Ltd of Leatoy (Pty) Ltd trading as Leach Toyota. The Reasons for approving the transaction are set out below.

The parties

- [2] The primary acquiring firm is Barloworld South Africa (Pty) Ltd ("Barloworld SA"). Barloworld SA is a wholly owned subsidiary of Barloworld Limited Group which is listed on the Johannesburg Stock Exchange and secondary listings on the London and Namibia stock exchanges. The proposed transaction is taking place within the Barloworld Automotive division of Barloworld Limited.
- [3] The primary target firm is Leatoy (Pty) Ltd, trading as Leach Toyota ("Leach Toyota"). Leach Toyota is controlled by 4 shareholders namely Harry Leach Trust (with 65% shareholding), JA Leach Trust (with 15% shareholding), DC Leach Trust (with 15% shareholding) and H Leach Trust (with 5% shareholding).

The transaction

- [4] Barloworld SA will acquire sole control of Leach Toyota and its business, which business sells and services Toyota and Hino motor vehicles in Kuruman.

The rationale for the transaction

- [5] Barloworld contends that the proposed transaction will present it with an opportunity to enter a new geographic area where its Automotive division is not currently represented.
- [6] Leach Toyota avers that the transaction will present its shareholders with an opportunity to recoup their investment.

Effect on Competition

- [7] The Barloworld Group is a distributor of leading international vehicle brands such as Mercedes Benz, Chrysler, MBW, General Motors, Ford, Toyota, Volkswagen and Audi and it also provides integrated rental, fleet management, product support and logistics solutions.
- [8] Leach Toyota is a Toyota and Hino franchised dealer in new and used commercial and passenger motor vehicles and it also provides automotive parts and accessories and offers repair and/or ancillary services. It owns one dealership which is based in the Kuruman area in the Northern Cape province.
- [9] The transaction will result in a horizontal overlap in the following relevant product markets as identified by the Commission:

- The sale of new and used passenger vehicles
- The sale of new commercial vehicles, which include light medium and heavy commercial vehicles

[10] Barloworld owns dealerships in the Free State, KZN, Mpumalanga, Gauteng and the Western Cape. The Commission found that there is no overlap in the geographic market for new passenger vehicles as Barloworld is not active in the Northern Cape province or any region close to Kuruman where Leach Toyota is active.

[11] With regard to the sale of new commercial vehicles the Commission, based on previous decisions of the Tribunal, considered the geographic market as national.¹ Within the national market the merged entity's market share in the market for light, medium and heavy commercial vehicles would be less than 5%.

[12] The transaction is therefore unlikely to substantially prevent or lessen competition in any of the relevant markets identified above.

Public interest

[13] The merging parties submitted that there would be no job losses as a result of the transaction.

Conclusion

[14] In light of the above I find that the transaction is unlikely to result in a substantial lessening or prevention of competition in the markets for new and used passenger vehicles in Kuruman and for new commercial vehicles nationally. In addition the proposed transaction raises no public interest issues.

[15] I accordingly approve the proposed transaction.



Takalani Madima

14 March 2014

Date

Medi Mokuena and Anton Roskam concurring

¹ See Tribunal decision 33/LM/May02 - 38/LM/May02 on page 8.

Tribunal Researcher: Rietsie Badenhorst

For the merging parties: Bowman Gilfillan

For the Commission: Clementine Mahlangu and Grashum Mutizwa