



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 018341

In the matter between:

IMPERIAL GROUP LIMITED

Primary Acquiring Firm

And

**MITSUBISHI MOTORS PAARDEN EILAND AND MITSUBISHI MOTORS
SANDTON, DIVISIONS OF SANDOWN MOTORS HOLDINGS (PTY) LTD**

Primary Target Firms

Panel	: Mondo Mazwai (Presiding Member)
	: Medi Mokuena (Tribunal Member)
	: Andiswa Ndoni (Tribunal Member)
Heard on	: 12 March 2014
Order Issued on	: 12 March 2014
Reasons Issued on	: 02 April 2014

Reasons for Decision

Approval

[1] On 12 March 2014, the Competition Tribunal (“**the Tribunal**”) unconditionally approved an acquisition by Imperial Group Limited of Mitsubishi Motors

Paarden Eiland and Mitsubishi Motors Sandton, both divisions of Sandown Motor Holdings (Pty) Ltd ("Sandown Motors").

[2] The reasons for unconditionally approving the proposed transaction follow.

Parties to the Transaction

Primary acquiring firm

[3] The primary acquiring firm is Imperial Group Limited ("**Imperial Group**"), a company incorporated in terms of the laws of South Africa. Imperial Group is wholly controlled by Imperial Holdings Limited ("**Imperial Holdings**"), a South African firm listed on the Johannesburg Securities Exchange. Imperial Holdings' shares are widely dispersed and there is thus no controlling shareholder.

Primary target firm

[4] The primary target firms are two Mitsubishi Motor Dealerships ("**the Mitsubishi Motor Dealerships**"), namely:

- Mitsubishi Motors Paarden Eiland, a division of Sandown Motors ; and
- Mitsubishi Motors Sandton, also a division of Sandown Motors.

[5] Mercedes Benz South Africa Limited, a wholly owned subsidiary of the global corporation Daimler AG, controls Sandown Motors through its holding of 62.6% of the issued shares therein.

Proposed Transaction

[6] The proposed transaction envisages the acquisition by Imperial Group of the Mitsubishi Motor Dealerships from Sandown Motors, as going concerns.

Rationale

- [7] Mercedes and Mitsubishi Motors Corporation (“**MMC**”) recently terminated an agreement in terms of which Mercedes acted as the sole distributor of Mitsubishi products in South Africa. MMC has subsequently appointed Imperial as its sole distributor in South Africa. In light thereof, Mercedes, Sandown Motors and Imperial agree that it no longer makes sense for Sandown Motors to continue operating the Mitsubishi Motor Dealerships while its parent company, Mercedes, no longer acts as distributor of Mitsubishi products.
- [8] Conversely, and in light of recently replacing Mercedes as the distributor of Mitsubishi, Imperial is interested in acquiring the Mitsubishi Motor Dealerships.

Relevant Market and Impact on Competition

- [9] The relevant product markets identified by the Commission were:
- 9.1. the market for the retail sale of new passenger and light commercial vehicles (“**LCV**”);
 - 9.2. the market for the retail sale of used passenger and LCVs; and
 - 9.3. the market for the provision of parts and after sales servicing.
- [10] The Commission identified the following two relevant geographic markets:
- 10.1. in respect of the Paarden Eiland dealership the market was identified as the Greater Cape Town region; and
 - 10.2. in respect of the Sandton dealership, it was concluded that the relevant market was that falling within a 35 km radius of the target firm.¹
- [11] The Commission was of the view that the markets for the retail sale of used passenger vehicles and LCVs, and after sales servicing posed no competition concerns since the market is served by a multitude of players and barriers to

¹ The merging parties were of the view that the geographic market in respect of the Sandton dealership was Gauteng (excluding Pretoria, Centurion, Heidelberg and Carletonville).

entry are minimal. It thus confined its investigation to the market for the retail sale of new vehicles.

[12] In respect of the retail sale of new passenger and LCVs in the Sandton area, the Commission concluded that the merged entity would enjoy market shares of about 43%. The merging parties however differed with the Commission on its calculation of the market shares; and believed the market shares to be closer to 30%. This difference however does not affect our conclusions in this merger. In respect of the Greater Cape Town market, the Commission found that the proposed transaction would result in post-merger market shares of about 25%. The Commission concluded that the merger was unlikely to alter the market structures in either geographic market (the Sandton or Greater Cape Town market) since the accretion in market share in each would be minimal (less than 1%).

[13] The Commission also identified two vertical dimensions to the proposed transaction. The first arises by virtue of the fact that Imperial is MMC's South African distributor and MMC retails Mitsubishi vehicles. The second vertical consideration arises since Imperial sells insurance products and the Mitsubishi Motor Dealerships require insurance for their vehicle sales.

[14] In respect of the first vertical relationship the Commission found there to be no alteration to market conditions as the distributorship relationship between Imperial and MMC existed pre-merger.

[15] In respect of the second vertical aspect identified, the Commission found that because the end customer, and not the dealership, is ultimately the one who chooses the insurance provider, the proposed transaction was unlikely to raise any foreclosure concerns.

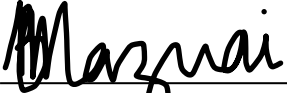
Public Interest

[16] No public interest concerns are envisaged to arise from the proposed transactions.

Conclusion

[17] In light of the above we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in the markets for the retail sale of new or used passenger or LCVs within the Sandton or Greater Cape Town regions as defined.

[18] Accordingly, we approve the transaction unconditionally.



MONDO MAZWAI

02 April 2014

DATE

Medi Mokuena and Andiswa Ndoni concurring

Tribunal Researcher: Shannon Quinn

For the merging parties: Marianne Wagener - Norton Rose Fulbright

For the Commission: Reabetswe Molotsi, Grashum Mutizwa