

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no.: 104/LM/Oct05

In the large merger between:

Imperial Holdings Ltd

and

TFD Network Africa (Pty) Ltd

Reasons

Introduction

1. On 22 December 2005 the Competition Tribunal approved the merger between Imperial Holdings Ltd and TFD Network Africa (Pty) Ltd. The reasons are set out below.

The transaction

2. CIC Holdings will sell 100% of its share capital in TFD Network Africa (Pty) Ltd ("TFD") to Imperial Holdings Ltd ("Imperial").
3. Imperial is listed on the JSE Stock Exchange Ltd. Imperial Holdings controls in excess of 50 subsidiaries and does not have any controlling shareholders.
4. TFD is controlled by CIC Holdings Ltd, a company listed on the Namibian Stock Exchange. Although TDF controls various firms in Namibia and Botswana it does not directly or indirectly control any firm in South Africa.

Rationale for the transaction

5. The rationale for the transaction is that TFD has not been performing financially since 2002 due to, *inter alia*, the loss of one of its principal customers in 2004. It has therefore struggled to establish itself as a viable and sustainable private entity.

6. The acquisition will enable Imperial to provide additional and more extensive services, focussing also on ambient products, in the fast moving consumer goods market ("FMCG market").

Effect on competition

7. The Commission found that the parties' activities overlapped with regard to the provision of logistics services for FMCG by road. Logistics services comprises of various activities which include demand forecasting, inventory management, logistics communication, order processing, packaging, warehouse management, parts and service support, procurement, reverse logistics, debtor management and transportation. Since the parties' market share would be less than 5% post the transaction, Imperial's market share is approximately 0.98% and that of TFD approximately 0.8%, the Commission found that the transaction would not substantially lessen or prevent competition.
8. We agree with the Commission that the merger would not substantially lessen or prevent competition, however, we do not agree with its definition of the relevant market.
9. The parties informed the Tribunal during the hearing that although Imperial and TFD both provide logistics services to the FMCG industry, Imperial only provides logistics services for temperature-controlled FMCG while TFD offers its services only to the ambient FMCG market. Since one needs different kinds of warehouses and trucks for each of these sub-markets the logistics services for temperature-controlled goods and those for ambient goods are not substitutable.¹ There is thus no horizontal overlap.

Public interest

10. Imperial will retain the TFD business as a separate entity. Accordingly, there will be no job losses as a result of the transaction.

N Manoim

19 January 2006
Date

Concurring: L Reyburn and M Mokuena

¹ See transcript dated 22 December 2005, page 3.