

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 108/LM/Dec06

In the matter between:

CBW Holdings (Pty) Ltd

Acquiring Firm

And

Kwambonambi Cash and Carry (Pty) Ltd

Target Firm

Panel	:	Y Carrim (Presiding) N Manoim (Tribunal Member) and M Mokuena (Tribunal Member)
Heard on	:	7 February 2007
Decided on	:	7 February 2007
Reasons Issued	:	14 February 2007

REASONS FOR DECISION

Approval

[1] On 7 February 2007 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between CBW Holdings (Pty) Ltd and Kwambonambi Cash and Carry (Pty) Ltd unconditionally. The reasons appear below.

Parties

[2] The acquiring firm is CBW Holdings (Pty) Ltd ("CBW"). CBW is controlled by Massmart Holdings Ltd ("Massmart"), a company listed on the JSE Securities Exchange Limited.

[3] The target firms are Kwambonambi Cash and Carry (Pty) Ltd (“Kwambonambi”); the business conducted by PH Besigheidstrust, namely Thaba Botshabelo (“Thaba Botshabelo”); the business conducted by Praxos 199 CC, namely Thaba Ladybrand (“Thaba Ladybrand”); and the business conducted by Thaba Trust, namely Thaba Wholesalers (“Thaba Wholesalers”)

Transaction

[4] The proposed transaction is composed of two parts. According to the parties, Part A is in essence a mechanism aimed at consolidating the businesses of Thaba Wholesalers, Thaba Botshabelo and Thaba Ladybrand prior to the acquisition of control by CBW. Part B provides for the acquisition by CBW of 51% controlling interest in Kwambonambi.

Rationale for the Transaction

[5] The proposed transaction will enable CBW to enter the retail grocery market. The individuals controlling the target firms would like to partially exit the businesses.

Activities of the Parties

[6] The acquiring firms fall under the Massmart Group. Massmart is a high volume, low margin retailer and wholesaler of food, liquor and general merchandise.¹ Massmart’s various trading companies and legal entities are

¹ The parties submit that the general merchandise comprise a wide and disparate array of products including office equipment and stationary supplies; home improvement supplies, tools and accessories; outdoor and garden furniture; pool equipment and supplies; audio equipment, video equipment and computer electronics; large and small household appliances;houseware; sport clothing, footwear and equipment; and outdoor and camping clothing, footwear and equipment

grouped into four divisions comprising Massdiscounters,² Masswarehouse,³ Massbuild⁴ and Masscash.⁵

[7] The target firms are engaged in the retail of grocery products in the following product categories namely; food, beverage and tobacco and pharmaceutical products, cosmetics and toiletries.

Relevant Market

[8] The Commission's investigation revealed that both the acquiring firms and the target firms are involved in retail grocery products. However the Commission found that there was no geographic overlap between the activities of the acquiring firms and the target firms insofar as the retail of grocery products is concerned.

Competition Analysis

[9] An examination of the proposed transaction by the Commission showed that there is a product overlap between the activities of the merging parties in the retail of grocery products, but given that there is no geographic overlap between the activities of the merging parties the Commission is of the view that the proposed transaction is unlikely to substantially prevent or lessen competition in the affected markets. We agree with the Commission that given the absence of geographic overlap between the activities of the merging parties the proposed transaction is unlikely to substantially or lessen

2 Massdiscounters comprises retail discount stores trading under the names "Game" and "Dion"

3 Masswarehouse division comprises the Makro chain of large wholesale club outlets, which market a broad range of food, liquor and general merchandise to commercially affiliated resellers and upper income, end consumers predominantly in the LSM 6-10+ socio economic Groups, through 12 stores located in Gauteng, Western Cape, Eastern Cape and KwaZulu Natal and two stores in sub-Saharan Africa

4 Massbuild division comprises the Builders Warehouse, Delarey, Federated Timbers and Servistar chains, which sell building supplies, hardware and related products.

5 Masscash division comprises CBW, Jumbo and Shield

competition in the affected markets.

Public Interest

[10] There are no public interest issues.

Conclusion

[11] Based on the above the transaction will not result in a substantial lessening or prevention of competition in the identified markets and is accordingly approved unconditionally.

Y Carrim

Tribunal Member

14 February 2007

Date

N Manoim and M Mokuena concurring.

Tribunal Researcher : J Ngobeni

For the merging parties : Mark Gardern (Edward Nathan Sonnenbergs.)

For the Commission : Kwena Mahlakoana (Mergers and Acquisitions)