

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no.: 10/LM/Feb06

In the large merger between:

Calibre Private Equity Partnership No. 12

and

Salvage Management and Disposals (Pty) Ltd

Reasons

Introduction

1. On 22 March 2006 the Tribunal approved the merger between Calibre Private Equity Partnership No. 12 and Salvage Management and Disposals (Pty) Ltd . The reasons are set out below.

The Transaction

2. The transaction involves the acquisition by Calibre Private Equity Partnership No 12 (“Calibre Partnership”) of a 30% interest together with minority protections in Salvage Management and Disposals (Pty) Ltd (“SMD”). Calibre Partnership is a special vehicle created for purposes of this transaction.
3. Calibre Partnership is jointly controlled by a general partner Calibre Private Equity Trust (“Calibre Trust”) holding 0.05% of the shares and Volentia (Pty) Ltd with 83.50% who is one of two limited partners, the other being PTW Investments (Pty) Ltd (“PTW”) holding 16.45%. PTW does not have any form of control over Calibre Partnership.
4. Calibre Trust is controlled by its trustees being Theunis de Bruyn, Werner Stals, Pieter Gideon Viljoen and Johnson Ntabankulu Njeke.

5. Volentia is a wholly owned subsidiary of Xanthe Investment Holdings (Pty) Ltd which is controlled by KTI. KTI is jointly controlled by Kagiso Trust holding 50.32% and IPIL, a wholly owned subsidiary of Remgro, holding 37.15%.
6. SMD's shareholders are Aldu Trust holding 100 shares (33.33%), the Wilgers Trust holding 100 shares (33.33%), the Stroebel Trust holding 25 shares (8.33%) and Hofmeyer holding 75 shares (25%). SMD owns SMD Towing.¹
7. The sale shares comprise 90 shares (30 shares each) being bought from Aldu Trust, Wilgers Trust and Hofmeyer. As a result Calibre will hold 30% of the total issued share capital in SMD including certain minority protections, which will afford it joint control of SMD.

Rationale for the transaction

8. According to the parties the transaction will facilitate black economic empowerment.

Effect on Competition

9. Calibre Partnership, the acquiring firm, is an investment Trust which owns two portfolio companies namely iVolve and BroLink. iVolve is engaged in the supply, finance and maintenance of computer hardware products and BroLink offers a link between insurance companies and brokers.
10. KTI is the investment arm of Kagiso Trust, which focuses on investment banking activities that do not require a banking licence. Remgro is an investment holding company with investments in tobacco products, banking and financial services, printing and packaging, engineering and motor components, life assurance, medical services, mining, petroleum products, food, wine and spirits and various other trade mark products.
11. The target firm, SMD, manages and sells insurance salvage motor vehicles. SMD has salvage contracts with a number of insurance companies, including an exclusive agreement with OUTsurance, a subsidiary of Remgro. The contracts involve the upliftment, storage and sale of salvage vehicles on either commission basis or an outright purchase basis.

¹ SMD will acquire SMD Towing prior to this transaction. The transaction is a small merger and therefore need not be notified.

12. SMD Towing is involved in the towing and transportation of motor vehicles that have broken down or which have been damaged in accidents. It also moves repossessed vehicles on behalf of ABSA and transports new vehicles between motor dealers on behalf of Forecourt Express.
13. Neither Calibre Partnership nor any of the firms controlling it are involved in any business activities or produce any products or services interchangeable with those of SMD. However, since SMD and OUTsurance are in a vertical relationship we need to consider this aspect of the transaction further.
14. It is accepted in competition law that vertical mergers only give rise to competition concerns if one or both of the merging parties possess market power in their respective upstream or downstream relevant product markets since which could lead to the foreclosure of either customers or suppliers. Neither SMD nor OUTsurance possess market power in their respective product markets. OUTsurance estimates its market share at approximately 2.7% within the primary short-term insurance market and on a narrow definition of the relevant market at approximately 5.2% within the market for motor vehicle insurance. Within the downstream market in which SMD operates its market share is approximately 13%. There are numerous other players in the towing industry.
15. In light of the above we find that the transaction will not substantially prevent or lessen competition in the relevant vertical markets.

Public interest issues

16. The transaction does not give rise to any public interest concerns.

Y Carrim

27 March 2006
Date

Concurring: M Moerane, L Reyburn