

COMPETITION TRIBUNAL OF SOUTH AFRICA

CASE NO: 123/LM/NOV08

In the matter between:

FIRST RAND BANK LIMITED

Acquiring Firm

and

UNITRANS MOTORS (PROPRIETARY LIMITED

Target firms

Panel : N Manoim (Presiding Member), Y Carrim (Tribunal Member), and
M Mokuena (Tribunal Member)

Heard on : 19 December 2008

Order issued on : 19 December 2008

Reasons issued on : 14 January 2009

REASONS FOR DECISION

APPROVAL

1. On 19 December 2008 the Tribunal approved the merger between the aforementioned parties. The reasons for the decision follow:

THE PARTIES

2. The primary acquiring firm is FirstRand Bank, an investment holding company controlled by FirstRand Limited. WesBank is a division of FirstRand Bank. The primary target firm is Contract Lease Management (Pty) Ltd (CLM), a wholly owned subsidiary of Unitrans Motors.

THE TRANSACTION AND RATIONALE

3. In terms of the proposed transaction FirstRand Bank will acquire the entire issued share capital of CLM from Unitrans Motors.¹
4. The rationale for the proposed transaction for FirstRand Bank is to expand its fleet management business through CLM's business which compliments WesBank's current needs, as CLM has extensive expertise and skills in fleet management.
5. Unitrans Motors regards the proposed transaction as an opportunity to realise its investment.

RELEVANT PRODUCT MARKET

6. There is a horizontal overlap in the market for fleet management services in South Africa where both parties are active. CLM through Unitrans Motors is a provider of fleet management services. FirstRand Bank is also involved in the fleet management business through WesBank Fleet Services which is conducted within the WesBank division.
7. In this market FirstRand Bank has merely 0.75% market share premerger. The post merger market share is estimated at 3.75% which is low compared to other competitors in this market. The strongest competitors in this market include the following with their respective market shares; Avis Fleet Services – 18%, Imperial Fleet Service - 17%,

¹ Currently Unitrans Motors and Absa Bank Limited are in a partnership which owns vehicles and in terms of which CLM acts as agent for undisclosed principals to conclude rental arrangements with customers. As a condition to the proposed merger, WesBank will acquire ownership of all the assets that form the subject of the partnership agreement between Absa and Unitrans Motors; i.e. vehicles and rights and obligations to rental agreements. The rationale for this is that Unitrans Motors has been funding this partnership agreement, and on disposing its shares in CLM, it will also withdraw its funding and terminate the partnership. Looking forward, Wesbank will provide the funding in this business.

Super Group – 16%, Absa Vehicle Management Solutions – 15%, and Debis Fleet Management – 12%.

8. At the hearing, the merging parties stressed that the fleet management market is highly competitive, and that though the current trend in this market has generally faired towards consolidating due to access to finance and funding issues, there are smaller players entering the market and also creating partnerships with others.²

CONCLUSION

9. Based on the above, the Tribunal finds that this merger will not result in any substantial lessening or prevention of competition in the relevant market. Accordingly, the merger is approved without conditions.

10. There are no public interest issues.

N Manoim

Tribunal Member

14 January 2009

Date

Y Carrim and M Mokoena **concurring**

For the merging parties : Vani Chetty Competition Law

For the Commission : Xolela Nokele

Tribunal Researcher: L Xaba

² See Mr Frey's submissions from Wesbank Fleet Services on pg. 3 of the transcript, and Mr Key's submissions from Unitrans on pg. 4 of the transcript.