

COMPETITION TRIBUNAL

REPUBLIC OF SOUTH AFRICA

Case Number: 13/LM/Feb00

In the large merger between

Ford Motor Company (USA)

and

Volvo Cars Corporation (Sweden)

Reasons for the Competition Tribunal's Decision

Approval

The Competition Tribunal issued a Merger Clearance Certificate on 23 February 2000 approving the merger between Ford Motor Company (USA) and Volvo Cars Corporation (Sweden) without conditions. The reasons for our decision to approve the merger are set out below.

The merger transaction

On 1 March 1999 Ford acquired the passenger vehicle interests of Volvo AB. The international merger has had an effect in South Africa since Ford is involved, through its significant interest in the South African Motor Corporation (Pty) Ltd (Samcor) in the manufacture of motor engines and automotive parts and the assembly of passenger vehicles, whilst Volvo, although having no direct presence through subsidiaries, nevertheless sells passenger cars to the value of more than R200 million annually in this market.

Internationally, there had been a spate of mergers between motor vehicle manufacturers in an effort to either become or remain globally competitive. Ford considered Volvo's activities to be complementary to its own.

Evaluating the merger

The relevant product market is motor passenger vehicles. The Tribunal agrees with the Competition Commission that the market can be sub-divided into many niche markets, based on the price of the passenger cars, the type of model such as sedans, hatchbacks, etc, as well as other factors.

The geographic market is South Africa.

The merger does not raise any competition concerns. Samcor, according to figures released by NAAMSA in November 1999, is the third largest supplier of motor vehicles in South Africa with a market share of 12,7% while Volvo has an estimated market share of 0,3%. Volkswagen, the largest supplier of motor vehicles has a market share of 22% and Toyota, a market share of 21,2%.

Furthermore, it was found that Ford and Volvo compete in different sub-markets. The bulk of Ford's product range in South Africa competes against the likes of Toyota, Nissan, Volkswagen and Delta. Volvo regards its competitors as Mercedes Benz, Audi, BMW or some other so-called "up market" passenger vehicles.

The merger, furthermore, does not raise public interest concerns. Since Volvo has no presence in South Africa there will be no intention to lay off staff.

D.H LEWIS

Date

Presiding member

Concurring: N.M. Manoim and M Holden