



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 017582

In the matter between:

Imperial Car Imports (Pty) Ltd

Acquiring Firm

And

Target Firm

Renault South Africa (Pty) Ltd

Panel : Norman Manoim (Presiding Member)
Andreas Wessels (Tribunal Member)
Medi Mokuena (Tribunal Member)
Heard on : 09 October 2013
Order issued on : 09 October 2013
Reasons issued on : 31 October 2013

Decision

Approval

1. On 09 October 2013 the Competition Tribunal (the "Tribunal") unconditionally approved the proposed transaction involving Imperial Car Imports (Pty) Ltd ("ICI") and Renault South Africa (Pty) Ltd ("Renault SA").
2. The reasons for the approval of the proposed transaction follow.

Merging parties and their activities

3. The primary acquiring firm is ICI, a firm incorporated in terms of the laws of the Republic of South Africa. ICI is a wholly owned subsidiary of Associated Motor Holdings (Pty) Ltd ("AMH"), which is in turn controlled by Imperial Holdings Ltd ("Imperial Holdings"). Imperial Holdings is a public

company listed on the Johannesburg Stock Exchange (“JSE”) and as such is not controlled by any one shareholder.

4. We note that ICI currently has a 49% shareholding in Renault SA, the primary target firm in this transaction.
5. The Imperial group is a diversified industrial services and retail group which conducts a wide range of activities relating to transportation, including distribution of vehicles, parts, industrial equipment and aircraft, over 200 new and used vehicle dealerships, logistics, transport, warehousing, specialist freight, supply chain solutions, car rental, tourism and insurance. Imperial group operates in South Africa, the rest of Africa, Europe and Australia.
6. The division within Imperial most relevant for purposes of the competition assessment of this transaction is the Distribution, Retail and Financial Services Division, which houses the Automotive Retail, Distributorships and Financial Services divisions of the Imperial group of companies. The Automotive Retail Division owns a network of motor dealerships which include motor brands such as Alpha Romeo, Audi, BMW, Chrysler, Dodge, Fiat, Ford, Lexus, Mercedes-Benz, Renault, Volkswagen and Volvo.
7. AMH is involved in the importation of various passenger vehicles.
8. The primary target firm is Renault SA, a firm incorporated in terms of the laws of the Republic of South Africa. Currently Renault S.A.S. (“Renault France”) has a 51% shareholding in Renault SA and ICI, as indicated above, has a 49% shareholding.
9. Renault SA imports and distributes Renault vehicles in South Africa via its dealer network. Renault SA is the only importer and distributor of Renault vehicles within South Africa.
10. Renault SA is also involved in the retail motor sector through its dealer network. Renault SA owns four Renault dealerships, of which all are

situated in Gauteng. These dealerships are located as follows: (i) Bryanston; (ii) East Rand; (iii) Northcliff; and (iv) Edenvale (Route24).

Proposed transaction and rationale

11. In terms of the proposed transaction, ICI intends to acquire a further 11% of the issued share capital in Renault SA from Renault France, thus increasing its shareholding from the current 49% to a post-merger 60%. Post-merger, ICI will have a 60% controlling interest in Renault SA. Renault France retains joint control over Renault SA.
12. From ICI's perspective this transaction represents a further opportunity to develop and improve Renault SA's performance.
13. Renault SA submitted that this transaction is a means to better utilise the Imperial Group's expertise in the South African motor vehicle market to grow and expand the business, particularly given the long history between the Imperial Group and the Renault brand in South Africa.

Competition analysis

14. The Competition Commission (the "Commission") identified horizontal overlaps in the activities of the merging parties since both parties are involved in the importation and distribution of both passenger cars and light commercial vehicles ("LCVs"), as well as in the retail sale of both passenger cars and LCVs.
15. The proposed transaction also has a vertical dimension since ICI imports and distributes various brands of passenger vehicles and LCVs to its own Renault owned dealerships, to Imperial owned dealerships, Renault franchises, independent dealerships, Imperial car rental companies and to independent car rental companies.

16. The Commission further analysed potential coordinated effects resulting from the Public Investment Corporation's shareholding in both Imperial and in Barloworld Ltd, a competitor of Imperial at the retail level.

17. The Commission identified product overlaps in various markets. These are:

- (i) a national market for the import and distribution of LCVs;
- (ii) a national market for the import and distribution of passenger vehicles;
- (iii) a national (narrower product) market for the import and distribution of entry level, small, sports-utility and multi-purpose vehicles;
- (iv) regional markets for the retail sale of LCVs within each of the Bryanston, East Rand, Northcliff and Edenvale areas; and
- (v) regional markets for the retail sale of passenger cars, specifically entry level, small, sports-utility and multi-purpose vehicles, within each of the above-mentioned geographic areas.

18. In relation to markets (i), (ii) and (iii) above, the Commission concluded that the proposed merger is unlikely to substantially prevent or lessen competition given the numerous other brands imported and distributed by parties other than the merged entity.

19. In respect of the markets mentioned in (iv) above the merging parties' combined post-merger market shares are less than 10% in each of the identified geographic areas.

20. In respect of the markets mentioned in (v) above, the merging parties' combined highest post-merger market share is in the Bryanston area with a market share of less than 30%. The merged entity will continue to face competition from numerous competitors in each of the identified geographic areas.

21. The proposed merger raises no appreciable foreclosure or coordinated effects concerns and we do not discuss those issues in these reasons.

22. We conclude that the proposed merger is unlikely to substantially prevent or lessen competition in any relevant market.

Public interest

23. The merging parties confirmed that the proposed transaction will have no adverse effect on employment in South Africa.¹ The proposed transaction raises no other public interest concerns.

Conclusion

24. For the reasons mentioned above, we approve the proposed transaction unconditionally.



Andreas Wessels

31 October 2013
Date

Norman Manoim and Medi Mokuena concurring

Tribunal researcher: Ipeleng Selaledi
For the merging parties: Anthony Norton of Nortons Inc.
For the Commission: Jatheen Bhima

¹ See merger record pages 17 and 96.