

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case Number: 24/LM/Feb00

In the large merger between

Imperial Holdings Limited

and

National Airways and Finance Corporation Limited

Reasons for the Competition Tribunal's Decision

Approval

1. The Competition Tribunal issued a Merger Clearance Certificate on 15 March 2000 approving the merger between Imperial Holdings Limited and National Airways and Finance Corporation Limited ("NAFCO") without conditions. The reasons for our decision to approve the merger without conditions are set out below.

The merger transaction

2. The primary acquiring firm is Imperial Holdings Limited and the primary target firm is NAFCO, a subsidiary of Lonrho Africa PLC.
3. Imperial Holdings acquired NAFCO in 1999 from Lonrho Africa who had decided to sell subsidiaries in its non-core business. Although the transaction was concluded on 14 July its effective date is 31 March 1999. This merger has accordingly been notified in terms of Schedule 3 of the Act.

Evaluating the merger

4. Both the merging parties are involved in the aviation industry. NAFCO's core business is the sale and maintenance of small to medium-sized private aircraft. The company also finances the sale of small to medium-sized aircraft and charters them out on behalf of the owners.

5. Imperial Holdings controls two other companies involved in the aviation industry. The one is Luftmeister Air Limited, which Imperial acquired in April 1999. This company specializes in freight carriage; it also provides charters in the tourism industry. The other company is SAFAIR Limited, which charters and leases large commercial aircraft to companies like SAA and COMAIR. Imperial Holdings acquired SAFAIR in December 1998.

The relevant product/services market

6. The relevant services market is the small aircraft charter market. NAFCO deals with private owners of aircraft who buy the aircraft and contract with NAFCO to charter the aircraft on their behalf. There is an overlap in this market with Luftmeister Air which is also involved in the charter of small planes in the tourism industry.

The relevant geographic market

7. The Tribunal does not have enough information to determine whether the geographic market is limited to South Africa or is an international one. For the purposes of this decision it is not necessary to decide this. As appears more fully in paragraphs 8 and 9 below, the Tribunal is satisfied that there are no competition concerns raised by this merger even when the relevant geographic market is limited only to South Africa.

Impact on competition

8. There is an overlap between Imperial's business (because they control Luftmeister) and that of NAFCO in the small aircraft charter business. This overlap causes no competition concerns because there are many other businesses providing the same service with the result that this merger is unlikely to give the Imperial Group market power. The biggest competitors for NAFCO in this market at the moment are ROSSAIR and EXECUJET. According to NAFCO's estimates the three companies at the moment have about 50 (fifty) percent of the market. There are several other smaller companies and individuals who own aircraft and charter them out. Furthermore, entry barriers into this market are very low; virtually every aircraft owner can enter the market by making the aircraft available for charter.
9. The Tribunal agrees with the Commission that this merger raises no competition concerns. The overlap referred to in paragraph 8 above is unlikely to give Imperial and NAFCO a dominant share of the market and they are therefore unlikely to be able to exert market power. The fact that entry barriers into the market are low and that the market is potentially

geographically very wide makes it a competitive market that is hard to dominate.

Public Interest Considerations

10. There are no public interest concerns raised by this merger; according to the information supplied by the parties, no job losses will result from the merger because, in terms of the merger agreement, their businesses will not be combined and they will continue to operate as they did prior to the merger.

N.M. Manoim
Presiding member

Date: 28 March 2000

Concurring: H.D. Lewis, P.E. Maponya