

In the larger merger between:

Super Group Trading (Proprietary) Limited

and

**The Micor, Sherwood, DNA Automotive, Streamworks and Jumpoint
Businesses of DNA Supply Chain Investments Limited**

Reasons for decision

Approval

1. On the 3rd September 2003 we issued a merger clearance certificate approving unconditionally the merger between the abovementioned parties. The reasons for our decision are set out below.

The merger transaction

2. The primary acquiring firm is Super Group Trading (Pty) Ltd ("**Super Group**"), a wholly owned subsidiary of Super Group Limited ("**SG**"), which is a listed public company on the JSE Securities Exchange.

3. This transaction involves the acquisition by Super Group of five businesses belonging to DNA Supply Chain Investments Ltd. DNA's businesses, which are the subject matter of the proposed transaction, are comprised of its logistics business ("**DNA Automotive**"); an IT sales, software development and consultancy business relevant to supply chain services ("**Streamworks**" and "**Jumpoint**"); a procurement outsourcing business ("**Sherwood**"); and an airfreight clearing, forwarding and consolidation business ("**Micor**").

4. On completion of the proposed transaction, ownership and control of these DNA businesses will vest in Super Group.

Rationale for the transaction

5. According to the parties, the benefits of the proposed transaction to SG is that it will introduce new areas of business which will complement the services that SG currently provides to its clients thus enabling the merged entity to provide a more comprehensive service to its customers both locally and internationally. This will include the following services:

- (a) Logistic services comprising transportation, distribution, facilities and warehouse management, managing both inbound and outbound cargo

- on behalf of customers, including procurement outsourcing on the clients' behalf;
- (b) Airfreight clearing, forwarding and consolidation services; and
 - (c) Information technology and consultancy services relevant to supply chain management.

6. The parties further aver that the efficiencies which will result from the addition of DNA's systems, will, in turn, enable South African companies to be more competitive in international markets¹.

The relevant market

7. The parties have defined the relevant markets as, firstly, logistic services which comprise the provision of transportation, distribution, facilities and warehouse management services as well as the management of inbound and outbound cargo. The second relevant market is that for the provision of airfreight clearing, forwarding and consolidation services. The third relevant market is for the provision of information technology, consultancy and systems relevant to supply chain services.

8. It appears that these services are provided throughout South Africa and that the relevant geographic market is accordingly national.

9. As elaborated below, we are satisfied that there is no overlap with respect to airfreight clearing, forwarding and consolidation. The only overlap thus occurs in respect of the market for information technology, consultancy and systems relevant to supply chain services. No overlap exists insofar as logistical services is concerned.

Competition evaluation of the transaction

10. At the hearing Mr Schwikkard, the Chief Operating Officer of the DNA Group, explained the activities of each of the target firms and indicated areas of overlap with the acquiring firm². As indicated above the target firms include *Micor*, *Sherwood*, *DNA automotive*, *Streamwork* and *Jumpoint* all being the businesses of *DNA Supply Chain Investments Ltd*.

11. **Micor** is a clearing and forwarding company. Micor comprises two companies, *Trans Africa Logistics* and *Cosmotrans*. Super Group does not perform any of these services and hence there is no overlap.

12. *Trans Africa Logistics* is a bulk handling and management company which provides logistics services predominantly in the Sub-Saharan areas. It appears that Super Group supplies certain services to *Trans Africa Logistics*. Micor provides consultancy and advisory services with regard to the transportation of bulk commodities, whereas Super Group is involved in the

¹ Refer to page 22 of the record.

² Refer to page 2 of the transcript dated 3 September 2003.

actual physical handling and transportation of bulk commodities. It appears then that there is no overlap between the parties in respect of these activities.

13. *Cosmotrans* is an international airfreight wholesale consolidator of perishable and general cargo and household and personal effects³. It appears that this is a service provided to the smaller clearing and forwarding agents. There is no comparable service provided by the Super Group.

14. It is accordingly concluded that no overlap exists in relation to Cosmo Trans.

15. ***Sherwood*** is a procurement company operating predominantly in sub-Saharan Africa. It specialises mainly in the mining arena, but also provides procurement services to major manufacturing companies.

16. Again, there is no overlap with respect to Super Group.

17. ***DNA Automotive*** deals with the logistics end of the auto spare parts business. That is it manages the supply of spare parts to the different auto dealerships. Its customers include Daimler Chrysler, Ford, Honda, and Mitsubishi.

18. Although the Super Group owns significant auto dealerships, it does not manage the supply of parts into those or any other dealerships. Accordingly there is no overlap in relation to these activities.

19. The ***Streamworks*** business provides information technology services relating to warehousing and distribution. With respect to warehousing, Streamworks implement customised track and trace systems. It is also involved in the automation side, mainly in the motor industry, where it does programming where the assembly lines are automated.

20. It appears that there is an overlap with Super Group in the provision and implementation of warehousing systems. However, whereas the Super Group provides off the shelf packages, Streamworks actually builds software specifically for its customers.

21. However this is a very fragmented market with the parties' combined market share less than one percent. Large international players such as SAP, IBM, and Oracle hold 3%, 5,5% and 1,5% market shares respectively.

22. ***Jumpoint*** specialises in the implementation of technology (advanced planning logistics) relating to warehousing and distribution. Jumpoint is a consulting business that undertakes the implementation of systems⁴. Their major competitors are the big five auditing companies. Hence, although Super Group also has a division that specialises in this area the share of the merged entity relative to the large auditing firms is very small.

³ Refer to page 1 of Super Group's merger notice as contained in Schedule 1.

⁴ For instance, where a company is managing its supply chain and needs specific consulting work and then the implementation of that software, Jumpoint manages that whole process for that company.

23. We are satisfied that there appears to be no likelihood of a substantial lessening or prevention of competition in the relevant markets as a result of this transaction.

Public interest considerations

24. The impact of the transaction on employment was considered. The parties submitted that the proposed transaction is structured so that the DNA's businesses will remain intact and employees will be transferred in terms of section 197 of the Labour Relations Act. To the extent that, post acquisition, operational considerations require any retrenchments which, at worst, would be minimal, *'last-in, first-out'* principles will apply together with all applicable labour laws and guidelines.

25. The Tribunal is satisfied that there are no other public interest issues that militate against the approval of this merger. We accordingly approve this transaction unconditionally.

D. Lewis

08 October 2003
DATE

Concurring: N. Manoim, U. Bhoola

For the merging parties:	Mr. J Dvorak, Routledge Modise Inc. Mr. P Coetser, Brink Cohen Le Roux.
For the Commission:	Mr. H Shozi assisted by Mr. A Chetty, Competition Commission