

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 43 /LM/Apr07

In the matter between

Johnnic Book Retail Ltd

T/A Exclusive Books

Acquiring Firm

And

Van Schaik Bookstores

A division of Via Afrika Ltd

Target Firm

Panel : D Lewis (Presiding Member), N Manoim (Tribunal Member) and M Mokuena (Tribunal Member)

Heard on : 08 August 2007

Decided on : 08 August 2007

Reasons Issued : 05 November 2007

REASONS

Approval

[1] On 08 August 2007 the Competition Tribunal issued a Merger Clearance Certificate unconditionally approving the merger between Johnnic Book Retail Ltd T/A Exclusive Books and Van Schaik Bookstores a Division of Via Afrika Ltd. The reasons appear below.

Parties

[2] The acquiring firm is Johnnic Book Retail Ltd T/A Exclusive Books ("Exclusive Books") a publicly listed company. Exclusive Books is entirely controlled by Johnnic Communications Ltd ("Johncom").¹

[3] The target firm is Van Schaik Bookstores ("Van Schaik") a Division of Via Afrika Ltd ("Via Afrika"). Via Afrika is a company controlled by Media24 Ltd ("Media24"), which in turn is controlled by Naspers Ltd ("Naspers").²

Transaction

¹ Johncom is a company that is listed on the JSE and does not have any controlling shareholders.

² Naspers is a public company listed on the JSE and therefore is not directly or indirectly controlled by any shareholder.

[4] The transaction involves the acquisition by Exclusive Books of all the issued shares in Van Schaik.

Rationale for the Transaction

[5] From the acquiring firm's perspective the proposed transaction will enable it to change its product mix, providing general and academic books.

[6] From the target firm's perspective Naspers advised that the sale of academic books by Van Schaik division does not form part of its core business, and it has decided to divest of its interest in Van Schaik.

Activities of the Parties

[7] Exclusive Books is involved in the trading of a wide range of general books including fictional and non-fictional novels, biographies, health related books, business related books, children's books, travel books and religious books and magazines. Their stores are located in shopping malls. Johncom is a supplier of media, including national newspapers, magazines and digital services. Van Schaik is a trader of academic books and a very limited seller of general books. Their stores are located close to, or on, University campuses and other academic institutions.

Relevant Market

[8] The merging parties submitted that the relevant product markets in which the parties are active are the markets for the retail sale of general books and retail sale of academic books. In its analysis of the relevant product market the Commission considered three issues namely: demand side substitution, supply side substitution and the fact that to some extent the parties' activities overlap. The Commission agreed with the product market definition advanced by the merging parties and it therefore concluded that the product market is the market for retail sale of general books and retail sale of academic books. With regard to the geographic market the Commission considered the impact of the merger at a local level based on the overlapping stores identified on the basis of both 2km and 5km radius.³ We agree with the commission's conclusions.

³ On the 2km radius Exclusive Books has stores in the following areas: Brooklyn, Claremont, Stellenbosch, East London and Nelspruit. On the 5km radius Exclusive Books has stores in Bloemfontein and Roodepoort. Van Schaik has the following overlapping stores within the 2km radius: Hatfield, Rondebosch, Stellenbosch, East London and Nelspruit. On the 5km radius a further two stores overlapping are identified namely: Bloemfontein and Roodepoort.

Competition Analysis

[9] The Commission's examination of the proposed transaction showed that the proposed transaction will result in both horizontal and vertical effects. According to the Commission there is an overlap in the activities of the merging parties in the sense that exclusive books occasionally stocks academic books and Van Schaik stocks a limited number of general books. Furthermore the Commission's investigation confirmed that the overlap does not seem to be significant, given the fact that less than 1% of Exclusive Books' turnover is from academic books and 5% of Van Schaik' turnover is derived from general books sales. The Commission's investigation of vertical integration did not uncover competition issues of concern given the amount of general books sold by Van Schaik and the fact that its store locations are predominantly on or near higher educational institution campuses. We agree with the Commission that no foreclosure concerns arise as a result of the proposed transaction. There are no public interest issues.

Conclusion

[10] Based on the above the transaction will not result in a substantial lessening or prevention of competition in the identified markets and is accordingly approved unconditionally.

D. Lewis
Tribunal Member

05 November 2007

Date

N Manoim and M Mokuena concurring

Tribunal Researcher : J Ngobeni
For the merging parties : Anthony Norton (Webber Wentzel Bowens)
For the Commission : Geoffrey Mudzanani (Mergers and Acquisitions)