COMPETITION TRIBUNAL OF SOUTH AFRICA

CASE NO: 59/LM/JUN07

In the matter between:

EDGARS CONSOLIDATED STORES LIMITED Acquiring firm

And

NEW CLICKS SA (PTY) LTD Target firm

Panel : DH Lewis (Presiding Member), N Manoim (Tribunal Member), and

Y Carrim (Tribunal Member)

Heard on : 15 August 2007

Order issued on : 15 August 2007

Reasons issued on : 17 August 2007

REASONS FOR DECISION

APPROVAL

[1] On 15 August 2007, the Tribunal approved the merger between Edgars Consolidated Stores Limited and New Clicks SA (Pty) Ltd. The reasons for approval follow.

THE TRANSACTION

[2] The primary acquiring firm is Edgars Consolidated Stores Limited ("Edcon"), and the primary target firm is a division of New Clicks SA (Pty) Ltd ("New Clicks"); Discom Division ("Discom").

[3] In terms of the proposed transaction Edcon and New Clicks have entered into an agreement in terms of which Edcon intends to purchase from New Clicks, the business and assets of Discom as a going concern for the agreed sale price of R360 million.

[4] According to the parties this is a strategic fit for Edcon to expand its scale of operation by penetrating into Discom's core service offering, and using its added distribution network in order to achieve enhanced customer service. New Clicks' view is that Discom does not form part of its core activities and that the division's future will more effectively be accomplished by Edcon. The rationale for this merger is also to realize economies of scale in relation to the procurement and fixed-cost components of its business which include central infrastructure, human resources, IT, logistics, finance and real estate.

THE RELEVANT MARKET

[5] According to the Commission and the parties there is a clear overlap in the activities of both Edcon and Discom for the retail of the following products: cellular phone and photo, baby care products, confectionery, general healthcare, homeware and appliances, toiletry, beauty and personal care, books and stationary.

[6] The relevant product markets are all in the retail sector. The Commission's calculation of the relative market shares, pre and post merger are listed below:-

PRODUCT CATEGORIES	**EDCON %**	**DISCOM %**	**COMBINED %**
Cellular Phone and Photo	4.7	0.1	4.8
Baby Care	6.5	2.0	8.6
Confectionery	0.7	0.4	1.2
General Healthcare	2.1	0.2	2.4
Homeware and Appliances	6.6	1.2	7.8
Toiletry, Beauty and Personal Care	0.7	4.1	4.7
Books and Stationery	28.9	1.0	29.9

[7] In all the relevant markets, the market share accretion as a result of the merger is relatively small, with the market share in the market for the retail of books and stationery being moderately high. In their competitiveness report, the merging parties define this market as general stationery products[1], but the revenue figures provided include that for books and stationery.[2]

[8] At the hearing we raised our concerns that the use of the broad market definition of books and stationery, rather than that of general stationery, could

1 Page 348 of the record
2 Page 355 of the record

possibly present us with distorted market share figures in this market. In response the merging parties clarified the fact that Discom does not sell books but general stationery only. They stated further that they had difficulty in obtaining revenue figures for a market for stationery only.

[9] The Commission and the parties also expressed the view that the combination of books and stationery was justifiable in respect of supply side substitution between book and stationery retailers. They accordingly provided us with a broader market definition.

COMPETITION EVALUATION

[10] In all the relevant product markets, except books and stationery, the combined post merger shares are less than 10% and do not raise any competition concerns. In the market for the retail sale of books and stationery, as broadly defined, the post merger market shares are an estimated 30%. However the market share accretion as a result of the merger is relatively small. Accordingly, we find it unnecessary to define a more narrow market for the retail of general stationery.

[11] We are satisfied that the proposed merger is unlikely to substantially prevent or lessen competition in any market.

CONCLUSION

[12] There are no public interest issues and we accordingly approve the merger without any conditions attached.

_______________ 17 August 2007

Y Carrim Date

Tribunal Member

D Lewis and N Manoim **concur** in the judgment of Y Carrim.

Tribunal Researcher: L Xaba

For the merging parties : D Rudman (Werksmans)

For the Commission : M Mohlala and M Dasarath

(Mergers and Acquisitions)