COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA

Case No.: 72/LM/Jun00

In the large merger between

BP Amoco Plc

and

Burmah Castrol Plc

Reasons for the Competition Tribunal's Decision

Approval

The Competition Tribunal issued a Merger Clearance Certificate on 8 August 2000 approving the merger between BP Amoco Plc and Burmah Castrol Plc without conditions. The reasons for our decision to approve the merger are set out below.

The Transaction

The proposed transaction is taking place in the UK and entails a full operational merger of the worldwide businesses of BP Amoco and Burmah Castrol. The conclusion of the transaction is subject to two pre-conditions, one of which has already been met, namely that the Federal Trade Commission in the USA and the EC Competition Commission approve the transaction and subsequent to this, that all the regulatory authorities in the various countries in which BP Amoco and Castrol operate, including South Africa, must approve the transaction.

The primary acquiring firm is BP Amoco, which operates in South Africa through its subsidiary, BP Southern Africa (Pty) Ltd. The primary target firm is Burmah Castrol, which operates in South Africa principally through its subsidiary Castrol South Africa (Pty) Ltd. Because the parties have not agreed on how the South African businesses are to merge the Tribunal will only consider the agreement between the parent companies and its affect on competition in the South African market.

The proposed transaction will involve the purchase of all the issued share capital in Burmah Castrol by way of a public offer to all of the shareholders of Burmah Castrol. The parties aver that the reason for the transaction is primarily that BP Amoco perceives the marketing and brand management skills possessed by Burmah Castrol Group as complementing BP Amoco's existing lubricant product development and production capabilities, with a result that the worldwide competitiveness of the BP Amoco Group will be enhanced.

The relevant market

The relevant product market is defined narrowly as the market for:

- Automotive lubricants used in petrol and diesel engines, gearboxes, axles and brakes.
- Industrial lubricants such as hydraulic fluids, industrial gear lubricants and compressor lubricants, etc.
- Marine lubricants used in marine engines.
- Aviation lubricants used in turbofan engines and piston engines.
- Chemical cleaners such as detergents and degreasers.

Lubricants are generally used to lubricate moving parts to reduce friction between them, thus reducing wear and preventing undesirable heat build up. Lubricants may be sold in solid, semi-solid or fluid form, and depending on the additives added to the base oil, lubricants are sub-divided into the above-mentioned product types between which there is little substitutability.

The impact on competition in the relevant market

The 6 largest producers that are the most prominent in South Africa are:

Producers	Automotive Lubricants	Industrial Lubricants	Marine Lubricants
BP	**13%**	**8%**	**23%**
Castrol Engen	**16%** 20%	**18%** 18%	**4%** 20%
Shell	16%	28%	15%
Total	8%	10%	
Caltex	13%	9%	10%

The market shares are based on sales by volume because the turnover figures of competitors are not available. There are also approximately 80 small producers that are active in this industry that are not included in the 1999 Lubrizol Survey from which the above figures were taken.

Although the post merger market shares are high, 29%, 26% and 28% respectively, the Tribunal is satisfied that adequate competition exists in the market with major competitors such as Engen, Caltex, Shell and Total.

The Competition Commission has indicated that barriers to entry are low and that competitors, i.e. new blenders that wish to enter the blending market, are free to compete by using the existing blending facilities of BP, Engen, Total Caltex and Fuchs at "the Island" near Durban at no disadvantage to them.

Countervailing power for industrial lubricants exist in the form of mining houses, manufacturing concerns and government bodies, which often seek competitive tenders for their needs. In the automotive lubricant market retail chains, vehicle manufacturers and transport conglomerates possess significant countervailing power.

The parties also indicated to the Tribunal that it would continue to sell Castrol through the retail outlets of its competitors.

Conclusion

In light of the above the Tribunal is satisfied that the merger does not substantially prevent or lessen competition in the relevant horizontal or vertical markets, nor does it raise any of the public interest concerns listed in section 16(3) of the Act.

____________ 5 September 2000

D. Lewis Date

Concurring: N.M. Manoim and P.E Maponya