

COMPETITION TRIBUNAL REPUBLIC OF SOUTH AFRICA

Case No: 90/LM/Oct00

In the large merger between

Roadway Logistics (Pty) Ltd

and

Roadway Transport (Pty) Ltd

Reasons For The Competition Tribunal's Decision

Approval

The Competition Tribunal issued a Merger Clearance Certificate on 13 December 2000 approving the merger between Roadway Logistics (Pty) Ltd and Roadway Transport (Pty) Ltd without conditions. The reasons for approving the merger are set out below.

The merger transaction

Unitrans Limited and Steinhoff Africa Holdings (Pty) Ltd have formed a joint venture called Roadway Logistics (Pty) Ltd that will acquire 50 % of the household logistics, distribution and warehousing division owned by Steinhoff Africa Holdings (Pty) Ltd.

Steinhoff Africa Holdings (Pty) Ltd and Unitrans Limited will jointly control Roadway Logistics.

Evaluating the merger

Background

Steinhoff is a large manufacturer and distributor of furniture and household goods, which is transported, warehoused and distributed by Roadway Logistics. Although Roadway logistics have predominantly dealt with fellow subsidiaries within the Steinhoff Group it also renders these services to outside customers.

Unitrans, a diversified transport and logistics company, consists of a freight division, a passenger division, an express delivery service division, a fourth part logistics division and a motor and financial services division, which renders transportation, warehousing and distribution services to the non-household goods sector.

According to the parties they decided to establish the joint venture, which will benefit from the technical expertise of Unitrans whilst maintaining its existing relationship with the Steinhoff Group, to enhance product and cost efficiencies. As a result the joint venture will be able to compete more effectively for the household goods logistics market with competitors such as Berco Express, Conier Transport, Cross Cape, Freight Source Logistics, Sun Couriers, TransGlobe and others.

The product market

Both parties provide warehousing, transportation and distribution services. The acquiring firm conducts its business in the non-household goods sector and the target firm its in the household goods sector. The different nature of the commodities renders the logistic services not substitutable.

The product market is therefore divided into two sub-markets, the market for the warehousing, transportation and distribution for *household* goods and the market for warehousing, transportation and distribution for *non-household* goods.

The geographic market

The warehousing, transportation and distribution of household and non-household goods are conducted throughout South Africa.

Impact on competition

Within the narrowly defined sub-market for household goods the joint venture will have 7,3% market share. In the logistic services market in general Unitrans currently has a market share of between 4-5% and Roadway Transport a market share of 0,4%.

However, because the parties to the joint venture do not conduct their logistic services in the same commodity markets the merger does not raise any competition concerns.

Public interest consideration

The employees of Roadway transport will be transferred to Roadway logistics without any change to their terms and conditions of employment. The merger, furthermore, does not raise any other public interest concerns raised in section 16(3) of the Act.

N.M. Manoim

18 December 2000

Concurring: D.H. Lewis and D.R. Terblanche