

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no.: 93/LM/Dec02

In the large merger between:

Masstores (Pty) Ltd

and

Masana Limited & MGS Handy House (Pty) Ltd

Reasons for Decision

Approval

On 3 March 2003 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Masstores (Pty) Ltd (“Masstores”) and Masana Limited (“Masana”) & MGS Handy House (Pty) Ltd (“MGS”). The reasons for this decision follow.

The parties

The primary acquiring firm is Masstores, a subsidiary of Massmart, which is listed on the JSE Securities Exchange. Masstores incorporates Massdiscounters, trading as “Dion” and “Game” and Masswarehouse, trading as “Makro”.

The primary target firms are Masana and MGS, which are jointly controlled by the Matziah and Mitzvah trusts. Masana trades as “Builders Warehouse” and MGS trades as “Tile Warehouse”.

The transaction

The transaction is a sale of business in terms of which Masstores will acquire

and continue operating all the businesses conducted by Masana and MGS.

Evaluating the merger

The relevant market

Product market

Masstores operates in the retail market offering a wide variety of consumer goods and general merchandise. It is comprised of the Game and Dion chains of cash discount stores and the Makro chain of large warehouse outlets. These stores primarily market branded food, liquor, household and related merchandise.

As the name suggests, MGS's Tile Warehouse stores offer ceramic and other tiles including adhesives and related goods. There is no product overlap between the goods offered at Tile Warehouse and the Masstores chains, hence this part of the transaction raises no competition concerns and we do not pursue it any further.

Masana's Builder's Warehouse stores sell motor accessories, DIY products, household, electrical and lighting goods, paint power tools garden and patio goods, swimming pool accessories, timber, cement and related products.

The Commission thus determined a functional product overlap between some of the goods sold by the Masstores chains and Builder's Warehouse in respect of the products listed above sold by Builder's Warehouse. However, after considering various factors the Commission found that within this broad product range, sub-markets exist and furthermore, that the parties do not compete in a sub-market of their own. The Masstores chains stock a wide variety of general merchandise and its customers' purchases of hardware or DIY products are much smaller compared to their total purchases. Builder's Warehouse stores, on the other hand, are one-stop home improvement stores and cater for the customer who is uniquely home improvement driven.

Masstores chains do not offer credit facilities, while Builders Warehouse stores do, particularly to customers who are building contractors or merchants. The format of the stores and the range of specific products sold differs vastly.

The Commission concluded that the range of products in which the overlap

occurs constitutes the relevant product markets.

Geographic market

Builder's Warehouse has six stores in the Gauteng region only. Masstores operate through national chains which follow a national pricing policy. The Commission therefore analysed the parties market share figures in the different product markets both nationally and within the Gauteng region only.

On either basis, it is clear that the parties do not enjoy a market share in excess of 14.8% in any of the product markets. The parties face competition from well established specialized firms such as Timbercity, Mica Hardware, Cashbuild, as well as large retail stores who trade in these products.

Impact on competition

The parties operate in a variety of product markets in which national and local competitor firms exist. The parties do not control a significant part of any of the relevant product markets either nationally or within Gauteng.

Thus the transaction will not substantially alter competition in the relevant markets.

Public interest Issues

The parties submit that the transaction will not result in any job losses instead it will positively affect employment by providing employees with greater opportunity for movement within the Massmart Group.

No other public interest issues arise. Accordingly, we agree with the Commission's recommendation that the transaction be unconditionally approved.

N. Manoim

1 April 2003
Date

Concurring: D. Lewis, P. Maponya

For the merging parties: Edward Nathan Friedland Corporate Law Advisers

For the Commission: H. Shoji, Legal Services Division, Competition
Commission