competitiontribunal
SOUTH AFRICA

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM139Dec19

In the matter between

SPAR GROUP LTD — Primary Acquiring Firm

And

MONTEAGLE AFRICA LTD — Primary Target Firm

Panel	: Mr E Daniels (Presiding Member)
	: Ms Y Carrim (Tribunal Member)
	: Mr A Wessels (Tribunal Member)
Heard on	: 4 March 2020
Order Issued on	: 4 March 2020
Reasons Issued on	: 31 March 2020

REASONS FOR DECISION

APPROVAL

[1] On 4 March 2020, the Competition Tribunal ("Tribunal") unconditionally approved a large merger between The SPAR Group Ltd and Monteagle Africa Ltd.

[2] The reasons for the approval of the proposed transaction follow.

PARTIES TO THE PROPOSED TRANSACTION

Primary acquiring firm

[3] The primary acquiring firm is the SPAR Group Ltd ("SPAR Group"), a public company incorporated in South Africa and listed on the Johannesburg Stock Exchange. The SPAR Group is not controlled by any single shareholder.

[4] The SPAR Group controls several entities including SPAR South Africa (Pty) Ltd, SPAR Retail Stores (Pty) Ltd and SPAR Namibia (Pty) Ltd.

[5] The SPAR Group conducts wholesaling and retailing operations throughout South Africa. The SPAR Group acquires goods,[1] then sells and distributes these goods to the members of the SPAR Guild of Southern Africa NPC ("SPAR Guild")[2] utilising seven distribution centres across South Africa.

[6] For the purposes of this transaction, the goods that the SPAR Group acquires and sells to the SPAR Guild will be classified as non-private label products (e.g. Coca-Cola, Nestle, Clover) and private label products (offerings branded as SPAR, Savemor etc.).

Primary target firm

[7] The primary target firm is Monteagle Africa Ltd ("Monteagle"), a public company incorporated in RSA. It is jointly controlled by Bruce Kilby Hughes and Monteagle Consumer Group Ltd.

[8] Monteagle sources and distributes general merchandise items for SPAR Group's private label. It targets small suppliers that would otherwise be unable to directly supply SPAR Group as SPAR Group requires that its suppliers have the capacity to supply all of its national distribution centres. Monteagle assists these small suppliers with the necessary logistical support (transportation, warehousing & packaging of the products).

[1] Such as dry and perishable goods, liquor, general merchandise and personal care products.

[2] The SPAR Guild is a voluntary trading group whose retail members include SuperSPAR, KwikSPAR, Tops at SPAR, Pharmacy at SPAR and Build It.

PROPOSED TRANSACTION AND RATIONALE

[9] The SPAR Group intends to acquire 50% of the issued share capital of Monteagle from Monteagle Consumer Group Ltd. Post-merger, SPAR Group will exercise joint control over Monteagle.

[10] The Competition Commission ("Commission") found that the rationale for the proposed transaction is that Monteagle Consumer Group Ltd wants to realise its investment in Monteagle [redacted]. SPAR Group wants to maintain and deal directly with the small private label suppliers managed by Monteagle. This will ensure consistency and quality of the private label product supply, as well as a larger supplier base. SPAR Group will not consolidate its private label procurement under Monteagle as Monteagle dealt with very small suppliers.

RELEVANT MARKET AND IMPACT ON COMPETITION

[11] The Commission considered the activities of the merging parties and found that the proposed transaction would not result in horizontal overlaps because no firm within the SPAR Group provides services or has an interest in businesses considered substitutable or to be competing with Monteagle. The firms operate at different levels of the general merchandise value chain – SPAR Group, as a wholesaler and retailer, and Monteagle as a provider of logistics and distribution services to small suppliers. The Commission concluded that the relevant market is the market for the provision of logistical support services to the SPAR Group.

[12] The Commission found that the proposed transaction is unlikely to result in foreclosure concerns as SPAR Group has been Monteagle's sole customer in South Africa for the past eight years, and Monteagle's services does not form part of any contestable relevant market. The Commission also found that SPAR Group allows SPAR franchisees to procure general merchandise externally.

[13] The Commission found that the foreclosure of SPAR Group's other private label suppliers was unlikely, as these suppliers provided over 65% of the total value

of SPAR Group's private label. SPAR Group procures its private label products directly from these other suppliers. The Commission, therefore, found that the SPAR Group relied on these suppliers and would have no incentive to stop procuring private label products from them. Additionally, the other private label suppliers contacted by the Commission raised no concerns with the proposed transaction.

[14] The Commission found that the foreclosure of SPAR Group's suppliers of non-private label products was also unlikely, as non-private label products constituted more than 70% of SPAR Group's consumer product sales. The Commission found that SPAR Group would have no incentive to stop procuring non-private label products from these manufacturers.

[15] Due to the above, the Commission concluded that the proposed transaction is unlikely to substantially lessen or prevent competition in any market. We found no reason to disagree.

PUBLIC INTEREST

[16] The merging parties stated unequivocally that the merger will not result in any job losses or retrenchments. No concerns were received from SACCAWU (representing SPAR Group's employees). Monteagle's employee representative raised no employment concerns.

[17] The Commission found that job duplication was unlikely due to there being no horizontal overlaps between the merging parties. During the hearing, the Tribunal queried whether the merged entity may encounter duplications in its wholesaling and IT divisions that could possibly lead to retrenchments. The merging parties confirmed that no job losses would occur as a result of the proposed transaction.[3] The Tribunal accepted the assurance given.

3 Page 18 of the Transcript.

[18] In view of the above, the Commission concluded that the merger is unlikely to raise any employment concerns. In addition, the proposed transaction raises no other public interest concerns.

CONCLUSION

[19] In light of the above, the Tribunal concludes that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition, we believe that all public interest concerns were addressed satisfactorily.

[20] Accordingly, the Tribunal approved the transaction without conditions.

Mr E Daniels

31 March 2020
Date

Ms Y Carrim and Mr A Wessels concurring

Tribunal Case Manager:	P Kumbirai
For the Merging Parties:	H Stephenson of Garlicke & Bousfield Inc.
For the Commission:	Z Hadebe and W Gumbie