

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 114/LM/Dec05

In the large merger between:

Combined Motor Holdings (Pty) Ltd

and

Craig Park Motors (Pty) Ltd

Reasons for Decision

APPROVAL

On 18 January 2006 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Combined Motor Holdings (Pty) Ltd and Craig Park Motors (Pty) Ltd in terms of section 16(2)(a). The reasons for the approval of the merger appear below.

The Parties

1. The acquiring firm is Combined Motor Holdings (Pty) Ltd ("CMH"). It controls 13 subsidiaries, listed on the Commission's Recommendation at page 3. CMH is not controlled by any firm.
2. The primary target firm is Craig Park Motors (Pty) Ltd ("CPM"), trading as Normans Toyota. It is controlled by NL Welthagen Family Holdings (Pty) Ltd as to 75% and is a listed company.

The Merger Transaction and Rationale

3. The acquiring firm is acquiring all the share capital in Normans Toyota. CMH seeks to expand its dealer representation and range of products.

The relevant product and geographic markets

4. CMH is active in vehicle dealership and sells passenger vehicles and light, medium and heavy commercial vehicles through its subsidiaries CMH Luxury Motors, Datcentre Motors, Kempster Sedgwick and Whitehouse Motors. It has 49 dealerships which businesses are situated at various locations in Durban (16 dealerships), Cape Town (9 dealerships), Johannesburg and environs (11), Pretoria (11) and Pietermaritzburg (2)
5. CMH further operates in the motor vehicle rental industry. Its services are offered in Bloemfontein, Johannesburg, Kimberly, Mpumalanga, Pretoria, Rustenburg, Plettenberg Bay, Port Elizabeth and various other locations around the country.
6. CMH is further engaged in the business of motor vehicle panel and repair shops, located in Umhlanga and Johannesburg.
7. Finally, CMG, through CMH Marine and Leisure, also sells marine equipments, such as motorboats, jet ski's, motorized quad bikes, etc.
8. Normans Toyota operates in the motor vehicle dealership market and sells passenger and light commercial vehicles in a suburb of Johannesburg. It trades in new Toyota passenger and light commercial vehicles and used motor vehicles.
9. The target firm has no involvement in marine equipment, motor vehicle rentals, or panel shops. The only area of overlap between the merging parties is that of the sale of new and used passenger vehicles and light commercial vehicles in the Johannesburg local area.

Impact on Competition

10. The relevant markets could be defined as the market for new passenger vehicles and the market for light commercial vehicles. This was the broad market definition.
11. A narrower (segmented) market definition of passenger vehicles was also considered.
12. A third area of overlap was that of used passenger vehicles and light commercial vehicles.
13. Pre-merger the market shares for the acquiring firm were 7% in the new passenger vehicle market and 5% in the light commercial vehicle

market.

14. The combined post-merger market share of the broader market for passenger vehicles will be 9% and 7% in respect of light commercial vehicles respectively.
15. The combined post-merger market shares for a segmented (narrower) new passenger vehicle market are as follows:
 - a. Small cars - 3%
 - b. Middle cars - 6%
 - c. Luxury cars - 13%
 - d. Speciality cars - 3%
 - e. Utility cars - 3%
16. Whether the relevant market is defined in a broader or narrower manner, the merger would result in a small accretion in market share for the acquiring firm.
17. Insofar as both the acquiring and target firms sell used vehicles, there is an overlap in the Johannesburg area. Although neither the Commission nor the merging parties were able to give us used car market shares, the Tribunal was advised by the parties at the hearing that used cars are sourced primarily as trade-in vehicles. Moreover, used car sales comprise a small portion of the target firm's total car sales. We have found in previous mergers that the used car market is very competitive in that all brands of used cars can be sourced from a variety of dealers and private entities. Therefore we do not foresee any competitive impact on the used car market as a result of this merger.

Conclusion

We conclude that there will be no substantial effect on competition. The merger will not lead to a substantial lessening or prevention of competition in any market. There are no public interest concerns which would alter this conclusion.

The Tribunal therefore approves the transaction unconditionally.

Y. Carrim

18 January 2006
Date

Concurring: T. Orleyn, N. Manoim

For the merging parties:	Mr J. Young, Combined Motor Holdings
For the Commission:	L. Khumalo, Mergers and Acquisitions