



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM147Jan20

In the matter between:

Unitrans Automotive Holdings (Pty) Ltd

Primary Acquiring Firm

And

Cedar Isle Auto (Pty) Ltd

Primary Target Firm

Panel	: E Daniels (Presiding Member)
	: A Wessels (Tribunal Member)
	: I Valodia (Tribunal Member)
Heard on	:31 March 2020
Order issued on	:31 March 2020
Reasons issued on	:29 April 2020

REASONS FOR DECISION

APPROVAL

[1] On 31 March 2020, the Competition Tribunal ("Tribunal") unconditionally approved the proposed transaction between Unitrans Automotive Holdings (Pty) Ltd ("Unitrans") and Cedar Isle Auto (Pty) Ltd ("Cedar Isle Auto").

[2] The reasons for the approval follow.

PARTIES TO THE TRANSACTION

Primary Acquiring Firms

- [3] The primary acquiring firm is Unitrans, a firm controlled by CFAO South Africa (“CFAO South Africa”) which held 74.9% shareholding in Unitrans, pre-merger. The remaining 25.1% shares in Unitrans were held by Kepela Investments, a South African, majority black owned, investment group.
- [4] CFAO South Africa is a wholly owned subsidiary of CFAO which in turn is wholly owned by the TTC Group. The TTC Group is a listed entity in Tokyo, Japan and is not controlled by any person or entity.
- [5] Unitrans operates one of the largest automotive dealer networks in South Africa with approximately 100 franchised dealerships across the country. Its product and service offerings include the sale of new and pre-owned vehicles, parts and accessories and after-market service. Unitrans’ dealerships assist customers with acquiring consumer credit, insurance products, fleet management services and car rentals.
- [6] The dealerships include vehicles brands such as Audi, BMW, Opel, Isuzu, Ford, Hino, Honda, Kia, Lexus, Mercedes Benz, Mini, Mitsubishi, Nissan, Renault, Subaru, Toyota and Volkswagen. In Gauteng, Unitrans operates 38 franchised dealerships.

Primary Target Firm

- [7] The primary target firm is Cedar Isle Auto. The shareholders of Cedar Isle Auto are Wheatfield Investments (Pty) Ltd (“Wheatfield Investments”), Coetzer Family Trust, RJ Khoza Family Trust and E Kruger. Both Wheatfield Investments and RJ Khoza Family Trust are BEE shareholders of Cedar Isle Auto.
- [8] Cedar Isle Auto operates 1(one) BMW dealership in Fourways, Gauteng. The products and services offered by Cedar Isle Auto are similar to those of the acquiring firm. Cedar Isle Auto sells new and pre-owned vehicles, parts and accessories and after-market services. Further, Cedar Isle Auto also offers

customers' access to financial services related to the purchase of new and pre-owned vehicles.

PROPOSED TRANSACTION

- [9] In terms of the Sale of Business Agreement, Cedar Isle Auto is disposing of its business to Unitrans as a going concern.

COMPETITON ANALYSIS

- [10] The Commission considered the activities of the merging parties and found that the transaction presents a horizontal overlap in relation to the retail sale of (i) new passenger vehicles; (ii) used and pre-owned passenger vehicles; (iii) after-market parts and services in relation to BMW vehicles; and (iv) insurance services.
- [11] In terms of the retail sale of new passenger vehicles, the Commission assessed the market share of new passengers' vehicles within a radius of 80km in Gauteng and found that Unitrans holds a market share of less than 7% and Cedar Isle Auto has a limited presence with a market share of less than 1%. Post-merger, the merged entity will have a market share of about 7% in Gauteng. The merging parties will also continue to face competition from several market rivals such as Bidvest McCarthy, Motus Group, Hatfield Group and SuperGroup amongst others, which are in close proximity to Cedar Isle Auto, post-merger.
- [12] With regards to the retail sale of used and pre-owned passenger vehicles, the Commission found that the market is highly competitive as most dealerships in this market sell pre-owned vehicles relative to new vehicles, because dealerships require agreements with the manufacturers. These pre-owned vehicles can also be purchased on the internet, at auctions and through private sales. Post-merger, the merging parties will have a combined market share of approximately 15.67%.
- [13] When the Commission assessed the retail sale of OEM spare parts and scheduled services for BMW vehicles, it found that most of the revenue generated by approved BMW dealerships is derived from vehicles that have a maintenance or service plans. There are a total of 16 BMW dealerships in Gauteng, pre-merger. Unitrans operated 3 BWM dealerships and held a market share of approximately

18.75% while Cedar Isle Auto operated 1 BMW dealership with a market share of approximately 6.25%. Post-merger, the merging parties will hold a combined market share of 25%.

- [14] As a result of the low market shares and minimal accretion, the Commission was of the view that the proposed transaction is unlikely to substantially prevent or lessen competition in the 3 observed markets.

PUBLIC INTEREST

- [15] The merging parties submitted that the proposed transaction will not have any adverse effects on employment and no retrenchments are anticipated as a result of the implementation of this merger.

- [16] The proposed transaction will result in a reduction in the BEE shareholding in the target firm by approximately 35.7%. However, the Commission is of the view that the reduction in BEE will not substantial impact on the BEE shareholding, in particular black individuals in the sales of motor vehicles, as the acquiring firm has an interest in the target firm of 25.1%, which is held by Kapela Investment, a South African, majority black owned investment group which owns a direct share in Toyota Tusho Africa ("TTAF").¹

- [17] In terms of the transaction's effect on small businesses (SMMEs) and historically disadvantaged Individuals (HDIs), the Commission found that Cedar Isle Auto utilises the services of 4 SMMEs. Unitrans submitted that they will continue to utilised the service of these SMMEs, as the price offered will remain market related and the quality of service received will also remain on par with those of the other service providers of Unitrans.

¹ TTAF owns 80% in Toyota Tsusho South Africa Processing (Pty) Ltd ("TTSAP"), a company which operates a steel processing plant and supplies Toyota South Africa with inner and outer sheet steel for Hilux and Corolla vehicle.

[18] Based on the above submission, the Commission is of the view that the proposed transaction is unlikely to negatively impact on employment, the BEE shareholding and the participation by HDI's in the automotive value chain.

CONCLUSION

[19] Considering the above, we concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any market. Accordingly, we approved the proposed transaction unconditionally.

Mr Enver Daniels

29 April 2020
Date

Mr Andreas Wessels and Prof. Imraan Valodia

Tribunal Case Manager : Lumkisa Jordaan

For the merging parties : Gideon Bothma for Unitrans

For the Commission : Raksha Darji and Thabelo Masithulela