

NOTICE 658 OF 2014**COMPETITION COMMISSION****NOTIFICATION TO APPROVE WITH CONDITIONS THE TRANSACTION INVOLVING:****SHOPRITE CHECKERS (PROPRIETARY) LIMITED****AND****KLIPAKKERS (PROPRIETARY) LIMITED IN RESPECT OF THE ASSETS OF STONE
ACRES SUPERSPAR AND TOPS MAFIKENG****CASE NUMBER: 2014APR0120**

The Competition Commission hereby gives notice, in terms of Rule 38 (3)(c) of the 'Rules for the Conduct of Proceedings in the Competition Commission, that it has approved the transaction involving the above mentioned firms subject to conditions as set out below:

On 1 April 2014 the Commission received notice of intermediate small merger whereby Shoprite Checkers (Pty) Ltd ('Shoprite Checkers') intends to acquire the assets of Klipakkers (Pty) Ltd ('Klipakkers'). Pre-merger, Klipakkers used to operate Stone Acres Superspar and Tops liquor store in Mafikeng Mall. Post-merger, the Sale Assets, including the liquor licence, will be transferred to Shoprite Checkers. A Checkers supermarket will replace Stone Acres Superspar and Checkers Liquorshop will replace Tops liquor store in Mafikeng Mall.

Shoprite Checkers is a firm incorporated in terms of the laws of the Republic of South Africa. Shoprite Checkers is wholly-owned and controlled by Shoprite Holdings Limited ('Shoprite Holdings'), a firm listed on the Johannesburg Securities Exchange Limited ('JSE'). Shoprite Holdings is not controlled by any single individual or firm. Shoprite Checkers operates grocery retail supermarkets which also hold grocery liquor licenses permitting the supermarkets to sell

wine, from their retail premises. The holders of the grocery liquor license are, however, prohibited from selling beer, flavoured alcoholic beverages ('FBA') and spirits.

Klipakkers is a wholly-owned subsidiary of The Spar Group Limited ("Spar Group"). Klipakkers does not control any other entity. Spar Group is a public entity listed on the JSE and therefore not controlled by any single entity. Klipakkers operates Stone Acres Superspar which is a grocery retail store operated as a franchise of the Spar Group. Klipakkers also operate a liquor retail outlet called Spar Tops which is a liquor store. The Stone Acres Superspar and Tops are corporate stores acquired by Klipakkers from the Spar franchisee, and are so operated pending their sale.

The Commission found that the proposed merger results in a horizontal overlap in the activities of the merging parties with respect to the off-consumption liquor retail. With respect to liquor retail, the Commission defines the relevant geographic market as 1.5km radius of Mafikeng Mall in North West, where the Sale Assets are located. The Commission found that Shoprite Checkers does not own liquor retail stores in Mafikeng area. The Commission therefore concludes that no geographic overlap arises with respect to the retail of liquor. As such the proposed merger is unlikely to substantially prevent or lessen competition in the market in liquor retail in the area around the Mafikeng Mall.

The Commission also found that the proposed merger results in a horizontal overlap in the activities of the merging parties with respect to the retail of grocery products. Shoprite Checkers owns a grocery retail store in Mafikeng within the 1.5km radius of Mafikeng Mall, where Sale Assets are located. Therefore, the Commission assess the horizontal overlap with respect to retail of grocery within 1.5 km radius of Mafikeng Mall as the narrowest possible geographic market within which competition is likely to be affected. Shoprite Checkers does not own any other supermarket in Mafikeng town. The next supermarket that Shoprite Checkers owns is located in Mmabatho Township, about 6 km from the sales assets in Mafikeng town.

The Commission found that the merged entity will have low post-merger market share. The competitors of Shoprite Checkers within the relevant geographic market include Choppies; Pick

n Pay and Spar Hatchet. The Commission found that there is a sufficient competitive constraint that the merged entity will face, post-merger. The Commission also found that it is unlikely that Shoprite Checkers will have the ability to unilaterally increase prices within the relevant geographic area, post-merger. None of the third parties contacted raised concerns about the proposed merger citing robust competition in the relevant geographic area. There is no vertical relationship that arises as a result of the proposed merger because none of the merging parties provide product or services that can be used as inputs in the business activities of the other. The Commission concludes that the proposed merger is unlikely to substantially prevent or lessen competition in the market for the retail of grocery products.

The Commission found that the proposed merger raises public interest concerns related to job losses. The Commission required that Shoprite Checkers make an undertaking to employ 45 Affected Employees. The Commission therefore made Shoprite Checkers' undertaking a condition to ensure that 45 Affected Employees are employed, post-merger. Shoprite Checkers has agreed to employ all of the Affected Employees (45 employees) within six (6) months from the date of the Commission's decision.

The Commission further found that there are no other public interest issues that are likely to arise.

The Commission therefore approved the proposed small merger with conditions in terms of section 13 (5) (b) (ii) of the Competition Act no.89 of 1998, as amended.

Enquiries in this regard may be addressed to Manager: Mergers and Acquisitions Division at Private Bag X23, Lynnwood Ridge, 0040. Telephone: (012) 394 3298, or Facsimile: (012) 394 4298.
