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COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 018937

In the matter between:

Blue Label Telecoms Ltd	Acquiring Firm
And	
Viamedia (Pty) Ltd	Target Firm

Panel	:	Norman Manoim (Presiding Member), Yasmin Carrim (Tribunal Member) and Imraan Valodia (Tribunal Member)
Heard on	:	31 July 2014
Order issued on	:	31 July 2014
Reasons issued on	:	14 August 2014

Reasons for Decision

Approval

[1] On 31 July 2014 the Competition Tribunal ("Tribunal") unconditionally approved the large merger between Blue Label Telecoms Ltd ("BLT") and Viamedia (Pty) Ltd ("Viamedia").

[2] The reasons for approving the proposed transaction follow.

Parties to transaction

[3] The primary acquiring firm is BLT, a company in terms of the laws of the Republic of South Africa. BLT is a firm listed on the Johannesburg Stock Exchange ("JSE") and is therefore not controlled by a single entity. BLT is a wireless application service provider ("WASP") and distributor of prepaid products and transactional services. BLT controls various firms however of relevance to the proposed transaction are the business operations of Panacea Mobile (Pty) Ltd ("Panacea Mobile") and Cellfind (Pty) Ltd ("Cellfind").

[4] Panacea Mobile and Cellfind are both active in the market for the provision of wireless application services. Panacea Mobile provides bulk-messaging services and least cost routing services which enable customers to find the most cost effective route for sending short message service ("SMS"). Cellfind on the other hand provides location based services; value added services and aggregation solution messaging services.

[5] The primary target firm is Viamedia, a firm incorporated in terms of the laws of the Republic of South Africa. Viamedia is also active in the wireless application services market. Viamedia distributes a wide range of content such as entertainment, games, news and similar interactive and communication services. Viamedia provides content to national consumers through various bearer channels to mobile phones.

[6] Wireless application service providers such as Viamedia provide their services to consumers through mobile platforms. While their services are offered to customers through the networks of Mobile Network Operators ("MNO"), such as Mobile Telephone Networks ("MTN"), Vodacom and Cell C, the customer who subscribes to those particular services (for example games or price-check applications) belong to Viamedia and not to the MNOs. The

subscription fees for such services are charged to these customers by the MNO on behalf of Viamedia. The MNO then passes this revenue onto Viamedia after retaining a percentage thereof as agreed between it and Viamedia. [1]

Proposed transaction

[7] The proposed transaction will result in BLT acquiring 75% of the issued share capital of Viamedia, thus gaining control of Viamedia post-merger.

Competition assessment

[8] The Competition Commission's ("Commission") assessment revealed a horizontal overlap in the broader market for the provision of wireless application services. The Commission further assessed:

- Panacea Mobile's market for the provision of bulk-messaging services,
- Cellfind's market for the provision of location based services and
- Viamedia's market for the provision of mobile content.

[9] This assessment revealed that no overlap occurs as the services offered by the merging parties can never be considered to be interchangeable or substitutable with each other. This is also evident in the fact that the customer bases of the merging parties are different.

[10] In the broad market for the provision of wireless application services the merging parties submitted that post-merger they will have a market share of less than 16%. The Commission however submitted that the post-merger market share will also be less than 12%.

[1] See page 6 of Transcript of hearing.

[11] During the hearing this difference in market shares was attributed to the fact that the Commission and the merging parties had relied on different sources for their computation. Regardless of which market shares we take into account, the market accretion is very marginal and the proposed transaction will not have any negative impact on competition in the relevant product market.[2]

Public Interest

[12] The merging parties confirmed that the proposed transaction will have no adverse effect on employment[3] and raises no other public interest concerns.

CONCLUSION

[13] We agree with the Commission that the proposed transaction is unlikely to substantially prevent or lessen competition and thus approve the transaction without conditions.

Ms Yasmin Carrim — 14 August 2014 **DATE**

Prof. Imraan Valodia and Mr Norman Manoim.

Tribunal Researcher:	**Caroline Sserufusa**
For the merging parties:	Justin Balkin of Edward Nathan Sonnenbergs
For the Commission:	Lana Norton

[2] See pages 9-10 of the Transcript of the hearing.
[3] See Merger record at page 59.