



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 020057

In the matter between:

DRA AFRICA HOLDINGS (PTY) LTD

Primary Acquiring Firm

And

TAGGART GLOBAL SOUTH AFRICA

Primary Target Firm

INVESTMENTS HOLDINGS (PTY) LTD

Panel	: Andreas Wessels (Presiding Member)
	: Fiona Tregenna (Tribunal Member)
	: Anton Roskam (Tribunal Member)
Heard on	: 18 February 2015
Order Issued on	: 18 February 2015
Reasons Issued on	: 04 March 2015

Reasons for Decision

Approval

[1] On 18 February 2015 the Competition Tribunal ("Tribunal") unconditionally approved the proposed merger between DRA Africa Holdings (Pty) Ltd ("DRA Africa Holdings") and Taggart Global South Africa Investments Holdings (Pty) Ltd ("Taggart Global").

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

Parties to transaction and their activities

Primary acquiring firm

[3] The primary acquiring firm is DRA Africa Holdings.¹ It is a wholly owned subsidiary of DRA Group Holdings (Pty) Ltd ("DRA Group Holdings"). DRA Group Holdings is not controlled by any single firm. The five largest shareholders of DRA Group Holdings are: the Lyon Hart Family Trust (15%), the Lilla Howe Trust (10%), the L&S Uys Family Trust (9%), Stuart Lawrence (5%) and the DR Share Trust (5%). In addition to DRA Africa Holdings, DRA Group Holdings controls the following firms in South Africa: DRA South Africa (Pty) Ltd (75%) and DRA Research and Development (Pty) Ltd (100%). DRA Africa Holdings controls a number of firms.² DRA South Africa (Pty) Ltd holds a 50% interest in the joint venture ARDBEL.

[4] DRA Group Holdings is a multinational consulting firm which provides engineering, procurement and construction management ("EPCM") services. The DRA group's activities can effectively be divided into two main categories: (i) engineering and project management services which are focused on the mining and mineral industries; and (ii) operations services relating to the commissioning, operation and maintenance of mineral processing plants. It also offers engineering and project management services in relation to bulk materials handling projects³ through the joint venture ARDBEL.⁴

Primary target firm

[5] The primary target firm is Taggart Global, a private company incorporated in accordance with the company laws of the Republic of South Africa. Taggart is a wholly owned subsidiary of Forge Group Limited ("FGL"), a company incorporated in accordance with the laws of Australia. FGL is not controlled by any single firm. In South Africa, FGL has a 51% shareholding in, and thereby controls, the following firms:⁵ Taggart JHDA Engineering (Pty) Ltd ("JHDA"), Taggart Tekpro Projects (Pty)

¹ The initial acquiring vehicle as per the notified transaction was DRA International Limited ("DRAI") which, like DRA Africa Holdings, is ultimately controlled by DRA Group Holdings (Pty) Ltd. However, the merging parties alerted the Tribunal to a change in the transaction structure whereby DRAI would be substituted with DRA Africa Holdings or another nominee (also see paragraph 7 below). The effect of this is simply to substitute one DRA Group Holdings' subsidiary for another.

² For a list of the firms controlled by DRA Africa Holdings, see page 122 of the record.

³ Bulk materials handling involves the movement of bulk materials from receipt of the material from the mining operation, through to final product load onto either rail or ship.

⁴ ARDBEL operates on a standalone basis, offering engineering and project management services for large-scale bulk materials handling projects.

⁵ The remaining 49% of the shares in JHDA, Tekpro and LSL are held by their respective senior management.

Ltd ("Tekpro") and Taggart LSL Consulting (Pty) Ltd ("LSL"). LSL and Tekpro operate as a single company and will therefore be referred to collectively as "LSL-Tekpro".

- [6] LSL-Tekpro is a general and specialist engineering consultancy and project management firm providing services to the broader mining and mineral industries. JHDA provides lump-sum turnkey (LSTK) and EPCM services. It specialises in mineral processing and materials handling.

Proposed transaction and rationale

- [7] In terms of the proposed transaction, DRA Africa Holdings - or another nominee which will be a 100% subsidiary of DRA Group Holdings - will acquire 100% of the issued shares in Taggart Global. Pursuant to the implementation of the proposed transaction the DRA group will exercise sole control over Taggart Global.
- [8] The acquiring group's rationale for the proposed transaction is based *inter alia* on its intention to expand its international business.

Relevant markets and impact on competition

- [9] The Commission found that both the merging parties offer engineering and project management services to the mining and mineral industries.
- [10] In relation to market delineation, the Commission found that the product markets comprise of a broad market for the provision of engineering and project management services in the mining and mineral industry, which can be further divided into two narrower relevant product markets. These narrower relevant product markets are engineering and project management services in relation to (i) mineral processing plants; and (ii) bulk materials handling. The Commission assessed these product markets on a national geographic basis.
- [11] The Commission further found that the relevant markets can be described as tender or bidding markets and that the merged entity's post-merger market shares did not raise any significant competition concerns. According to the Commission, the post-merger market shares of the merged entity in each of the relevant markets will be as follows:

- (i) a broad national market for the provision of engineering and project management services in the mining and mineral industry: a market share of less than 15%;
- (ii) engineering and project management services in relation to mineral processing plants in South Africa: a market share of below 21%; and
- (iii) engineering and project management services in relation to bulk materials handling in South Africa: a market share of less than 10%.

[12] Moreover, the Commission concluded that the merged entity will continue to face competition from a number of well-established market players such as Worley Parsons Limited (including TWP), Amec Foster Wheeler Plc (including MDM), Fluor and Hatch Goba (Pty) Ltd which are active in the broad market for engineering and project management services in the mining and mineral industry and the sub-market for mineral processing plants. In relation to the sub-market for bulk materials handling, the well-established market players include Worley Parsons Limited, Hatch Goba and Fluor.

[13] To supplement its above-mentioned market share analysis, the Commission investigated the total number of engineers employed by the merging parties and their competitors for EPCM in South Africa. This analysis did not point to significant post-merger concentration concerns.

[14] The Commission ultimately concluded that the proposed transaction will not substantially lessen or prevent competition in any of the relevant markets.

[15] The Tribunal concurs with the Commission's conclusion.

Public interest

[16] The Commission did not identify any employment concerns arising from the proposed transaction.


[17] The merging parties confirmed that there will be no negative effect on employment in South Africa as a direct result of the proposed transaction and no retrenchments as a result of the proposed transaction.⁶

[18] The proposed transaction further raises no other public interest concerns.

⁶ Pages 12, 96 and 119 of the record.

CONCLUSION

[19] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition, no public interest issues arise from the proposed transactions. Accordingly we approve the proposed transaction unconditionally.



Andreas Wessels

04 March 2015

DATE

Anton Roskam and Fiona Tregenna concurring

Tribunal Researcher: Ammara Cachalia

For the merging parties: Aidan Scallan of ENS Africa

For the Commission: Daniela Bove