

**COMPETITION TRIBUNAL  
REPUBLIC OF SOUTH AFRICA**

**Case No: 44/LM/May06**

**In The Large Merger Between**

**Bidvest Group Ltd**

**Acquiring Firm**

**And**

**Versalec Cables (Pty) Ltd**

**Target Firm**

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**REASONS FOR DECISION**

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**Approval**

1. On 22 June 2006, the Tribunal unconditionally approved the proposed merger between the abovementioned parties. The reasons for the decision follow.

**Parties**

2. The acquiring firm is Bidvest Group Ltd (“Bidvest”) a company listed on the Johannesburg Stock Exchange. <sup>1</sup> The only subsidiary of Bidvest that operates a dedicated special cable supply and distribution business is Voltex (Pty) Ltd (“Voltex”) through its Atlas cable division (“Atlas”). The primary target firm is Versalec Cables (Pty) Ltd (“Versalec”). Its shareholders are Trevor George Schmidt (“Schmidt”) who owns 95% of the shares in Versalec and the remaining 5% are owned by Roland Michael Fry (“Fry”). Versalec does not have any subsidiaries.

**Transaction**

3. Bidvest is acquiring 74% of the issued shares in Versalec with an option to acquire the remaining 26% of the issued shares in Versalec.

**Rationale of the transaction**

4. The rationale of the transaction is that Bidvest wants to expand Voltex’s presence in the in the supply and distribution of electrical cable, particularly through obtaining the services of Versalec’s staff and the relationship between Versalec, its suppliers and its customers. The rationale of the existing shareholders in Versalec for selling their shares is to realise the investment they have made in Versalec.

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<sup>1</sup> For a list of Bidvest’s subsidiaries see page 2 of the Commission’s Report.

## **The merging parties activities**

5. Bidvest is an international service trading and distribution company. Bidvest offers financial services, freight management and distributes products to catering, hospitality and leisure sector, manufacture of office equipment and is involved in the retail of motor vehicles. Voltex, a subsidiary of Bidvest, primarily conducts business as a wholesaler of electrical goods. Atlas supplies a complete range of low, medium and high voltage electrical cable to municipalities, mines, specialist reticulation contractors, other wholesalers and to branches of Voltex. The primary target firm operates an electrical cable supply and distribution business.

## **Relevant Product and Geographic Market**

6. The Commission defines the relevant product market as the market for the distribution of electrical cables. The merging parties submitted that the geographic market is national as customers throughout South Africa get supplies from electrical cable manufacturers and suppliers located in various parts of South Africa. Although the Commission did not deem it necessary to make a firm determination of the relevant geographic market it investigated the market as national.

## **Market shares**

7. The Commission's investigation revealed that the merging parties would enjoy a combined post merger market share of 7% in the wholesale market for the sale of electrical cables.

8. The Commission found that pre-merger Versalec had 3% whilst Atlas/Voltex has 4% of the identified relevant market share. According to the Commission the change in concentration as measured by the Herfindahl-Hirschman Index (HHI) is 24, an insignificant increase in concentration.

## **Competitive Analysis**

9. This transaction involves a horizontal integration. The Commission's investigation revealed that electrical cables are imported from Spain, Zimbabwe, the DRC, China, Portugal and India. There is an import tariff of between 11.25% and 15%. The Commission also concluded that the barriers to entry are low. The parties have also submitted that there are over 150 distributors of electrical cables who source the product locally and internationally and as a result there are alternative sources of supply. We therefore agree with the Commission that the transaction is unlikely to prevent or lessen competition in the distribution of electric cable, as the market shares remain low, there are low barriers to entry and there are a number of distributors of electrical cable.

10. There are also vertical aspects to the transaction as the merging parties sell electrical cable to each other. According to the Commission the sales constitute less than 5% of each other's turnover and therefore it is unlikely

that the proposed transaction will substantially prevent or lessen competition in the market.

**Public interest**

11. No public interests issues arise from the merger.

**Conclusion**

12. Based on the above the transaction will not result in a substantial lessening or prevention of competition in the identified markets and is accordingly approved unconditionally.

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**D Lewis**

**5 July 2006**  
**Date**

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Concurring: M Mokuena and N Manoim

For the merging parties: Craig Roelofsz Werkmans  
For the Commission: Lindiwe Khumalo, Mergers and Acquisitions