



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case no: LM210Mar21

In the large merger between:

The Prepaid Company (Pty) Ltd (Primary Acquiring Firm)

And

GloCell Distribution (Pty) Ltd (Primary Target Firm)

Heard on: 21 April 2021

Order Issued on: 21 April 2021

REASONS FOR DECISION

- [1] On 21 April 2021, the Competition Tribunal (“Tribunal”) unconditionally approved the large merger between The Prepaid Company (Pty) Ltd (“TPC”) and GloCell Distribution (Pty) Ltd (“GCD”).
- [2] TPC is a wholly owned subsidiary of Blue Label Telecoms Limited (“BLT”), a public company listed on the JSE. The BLT group directly and indirectly controls several firms active in the mobile telephony space. The acquiring group’s activities include the wholesale supply of prepaid cellular airtime and data and cellular starter packs of certain local mobile network operators (“MNOs”). The acquiring group procures the prepaid airtime, data and starter packs from MNOs and other wholesalers.
- [3] GCD, the target firm, is also active in the wholesale supply of prepaid cellular airtime and data and cellular starter packs to local wholesalers and retailers. The airtime, data and starter packs are obtained from MNOs. It does not sell these products directly to consumers. Among GCD’s current shareholders are the acquirer and GloCell (Pty) Ltd (“the Seller”).
- [4] The acquiring group intends to acquire an additional 40% of the entire issued share capital of GCD from the Seller thereby increasing its shareholding in GCD from 48% to 88%. Post implementation of the proposed transaction TPC will move from a position of joint to sole control over GCD.
- [5] The merger parties are both active in the national market for the wholesale supply of pre-paid airtime, data and cellular starter packs. The merger parties also purchase and sell these products to each other. In addition, GCD outsources its human resources and IT services to the acquiring group. The Competition Commission (“the Commission”) characterised the interparty telephony sales as trade sales, not warranting cause for competition concern, and the relevant activities relating to HR and IT services, the Commission found to be *de minimus* since that portion of the business concerns a limited number of employees.

- [6] The Tribunal has considered submissions in relation to the proposed transaction and agrees with the Commission's conclusion that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. The proposed transaction does not lead to a change in the structure of the relevant markets. The Commission also found that the merged entity will account for approximately [20-30]% of the national wholesale supply of pre-paid airtime, data and cellular starter packs, with a market accretion of less than 2% as a result the proposed transaction. Furthermore, the merged entity will continue to be constrained by a number of alternative competitors, including each of the MNOs. In addition, other than the acquiring group, competing wholesalers can procure prepaid airtime, data and starter packs directly from the MNOs.
- [7] From a public interest perspective, the proposed transaction will not result in negative employment effects i.e., there will be no job losses, relocation of employees or reduction in employees' remuneration as a result of the proposed transaction. Therefore, the proposed transaction does not raise any employment concerns. Additionally, the proposed transaction does not raise any other public interest concerns. The Tribunal has, therefore, approved the proposed transaction without conditions.

Mr Andreas Wessels
Ms Yasmin Carrim and Prof. Fiona Tregenna concurring

03 May 2021

Date

Tribunal Case Manager:
For the Merging Parties:
For the Commission:

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