



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 07/LM/Jan12

In the matter between:

**Bytes Technology Group
South Africa (Pty) Ltd**

Acquiring firm

And

Unisys Africa (Pty) Ltd

Target Firm

Panel	:	Yasmin Carrim (Presiding Member) Takalani Madima (Tribunal Member) Medi Mokuena (Tribunal Member)
Heard on	:	28 March 2012
Order issued on	:	28 March 2012
Reasons issued on	:	14 May 2012

Reasons for Decision

Approval

[1] On 28 March 2012 the Competition Tribunal ("Tribunal") approved the merger between Bytes Technology Group South Africa (Pty) Ltd and Unisys Africa (Pty) Ltd. The reasons for approving the proposed transaction follow below.

Parties to the transaction

[2] The primary acquiring firm is Bytes Technology Group South Africa (Pty) Ltd ("BTG SA"), a private company which is ultimately a wholly-owned subsidiary of publicly traded Allied Electronics Corporation Limited ("Altron").

[3] BTG SA is directly controlled by Bytes Technology Group (Pty) Ltd ("BTG") and it offers technical skills and specialised services to support IT infrastructure of businesses predominantly in the retail and financial sectors. BTG SA has three subsidiaries which are relevant to this transaction, namely Bytes Healthcare

Solutions (Pty) Ltd,¹ Bytes System Integration (Pty) Ltd² and Bytes People Solutions (Pty) Ltd.³

[4] Altron's activities include the telecommunications, multimedia, IT and power electronics industries by way of three subsidiaries, namely BTG, Power Technologies (Pty) Ltd and Allied Technologies Limited.

[5] The primary target firm is Unisys Africa (Pty) Ltd ("Unisys Africa"), a company incorporated in terms of the law of South Africa. Unisys Corporation is incorporated in the United States of America and is the ultimate parent company of Unisys Africa.

[6] Unisys Africa provides IT solutions and technology offerings to both public and private sector customers in sub-Saharan Africa, such as the telecommunications, energy, financial and other commercial industries.

Proposed transaction

[7] In terms of the proposed transaction, BTG SA intends to acquire 70% of the issued share capital held directly by Unisys Africa. In a separate sale of shares agreement, BTG SA will acquire 30% of the issued share capital held by CyberKnowledge Systems Investments (Pty) Ltd.

[8] Upon implementation of the transaction, BTG SA therefore will have a 100% interest in and sole control over Unisys Africa.

Rationale for the transaction

[9] The rationale for the proposed merger is that BTG SA will have access to Unisys Africa's employee skills, economies of scale and large customer base comprising petroleum companies and government entities. BTG SA has a newly established government solutions business which it would be able to boost as a result of the transaction.

[10] Unisys Corporation intends to narrow the focus of its global resources by simplifying its business structure and as such wants to sell its shares in Unisys Africa.

¹ Bytes Healthcare Solutions comprises two subsidiaries, namely Med-e-Mass (Pty) Ltd and Mediswitch (Pty) Ltd, through which IT-based business solutions are provided to the South African healthcare industry.

² Bytes System Integration provides designs, implements and manages customised IT solutions

³ Bytes People Solutions

Impact on competition

- [11] The Competition Commission ("Commission") recognised a vertical relationship between BTG SA and Unisys Africa, as Bytes Connect provides licences and maintenance services to Unisys Africa for Cosmocom, Nuance and Genesys Speech Services which Unisys Africa requires for projects with Telkom. The arrangement with Cosmocom will only run for a further two to three years. It concerns the systems integration product market with a low estimated market share of 4.1%. There are various other suppliers who could also carry out this function and as such we agree with the Commission that this is only a notional vertical relationship.
- [12] There is a slight horizontal overlap in the activities of the merging parties in the broader IT sector, pertaining to cheque processing systems, infrastructure support services, IT outsourcing and systems integration.
- [13] The merged entity's estimated market share will remain below 10% relating to infrastructure support services, IT outsourcing and systems integration. With regards to cheque processing services the merged entity will have an estimated market share below 30%. Although this could be considered a high market share the Commission found that this is a declining product market because fewer people are using cheques. The overall decline in cheque processing is approximately 22% per annum. Moreover, Internet Processing Solutions (Pty) Ltd ("IPS"), a customer of BTG SA and Unisys Africa, informed the Commission that IPS currently services 60% of this market and therefore the merging parties might have overestimated their market shares. The large banks are predominantly the customers in this product market as such countervailing power exists. The high market share therefore does not raise any competition concerns.
- [14] Barriers to entry are low and there are sufficient large competitors in all the relevant markets. BTG SA estimates that it has a 4% share of the entire IT market and Unisys Africa an estimated market share of less than 0.5% of such market.⁴The proposed merger will thus result in a market share accretion of less than 1% in the total IT market.

⁴ See page 17 of the record.

[15] Therefore the proposed transaction does not affect competition in any relevant market.

Public interest

[16] The merging parties confirmed that there will be no adverse effect on employment as a result of the proposed transaction⁵. No other public interest issues arise as a result of this transaction.

CONCLUSION

[17] We conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. Furthermore, the proposed transaction raises no public interest concerns. Accordingly, we approve the proposed merger unconditionally.



YASMIN CARRIM

14 May 2012
DATE

Takalani Madima and Medi Mokuena concurring.

Tribunal researcher:	Nicola Ilgner
For the merging parties:	Bowman Gilfillan
For the Commission:	Mogau Aphane

⁵ See page 20 of the record.