

# **COMPETITION TRIBUNAL**

## **REPUBLIC OF SOUTH AFRICA**

**Case Number: 04/LM/Jan00**

**In the large merger between**

**Lexshell 296 Investment Holdings**

**and**

**Molope Group Limited and certain of its subsidiaries**

### **Reasons for the Competition Tribunal's Decision**

#### **Approval**

The Competition Tribunal issued a Merger Clearance Certificate on 23 February 2000 approving the merger between Lexshell 296 Investment Holdings and Molope Group Limited and certain of its subsidiaries without conditions. The reasons for our decision to approve the merger are set out below.

#### **The merger transaction**

The primary acquiring firm is Lexshell 296 Investment Holdings (Pty) Ltd, a wholly owned subsidiary of Rebhold Limited. Rebhold Limited is an investment company listed on the JSE. Lexshell (to be renamed Rebserve) was formed specifically for the purposes of this merger.

The primary target firms are:

- Molope Group Limited;
- Trollope Mining Services 9Pty) Ltd;
- JIC Mining Services (Pty) Ltd;

- Treated Timber Products (Pty) Ltd;
  - Protea Security Group Holdings (Pty) Ltd;
  - Petra Black Granite (Pty) Ltd;
  - MRS Catering (Pty) Ltd
- 
- Molope Cleaning Services;
  - Molope Residential Services.

The target firms are subsidiaries of L.S. Molope Holdings, a company listed on the JSE.

### **Evaluating the merger**

The merging parties' businesses overlap in the security industry, the catering industry and the facilities management industry.

#### Catering Services

Royal Foods Services, a subsidiary of Lexshell, and MRS, a subsidiary of Molope, are both in the catering business, being the preparation and serving of food on client's premises. The market share of the merged company will be 6,5%. According to independent market surveys both Fedics and Compass/Supervision, the two largest competitors, have market shares of 15%.

#### Security Services

Coin Security Group (Pty) Ltd, a subsidiary of Rebhold, operates mainly in the guarding and cash-in-transit aspect of security. Protea, one of the target firms, operates only in the guarding services market. The market share of the merged entity will be 3,5% and according to independent market surveys Fidelity Guards and Gray security, the two largest competitors, have market shares of 9% and 6% respectively.

#### Facilities Management Services

Facilities management entails cleaning the facilities that are being managed by the two firms. MRS provides this service primarily in the mining industry, while Royal provides it as an ancillary service to its main business. The estimated market share of the merged firm will be below 4% and will therefore not have an effect on competition. It is estimated that more than 90% of facilities management in mines are being done by the mines themselves, the rest is outsourced.

Lexshell submitted various independent market surveys that contain divergent estimates of market shares. Although the evidence of market shares is uncertain the Tribunal is of the opinion that even if the survey that attributes the largest market shares to the merging parties are taken into account, it raises no concentration concerns in the relevant market.

Because of the small post merger market shares, as well as the fact that all these services are in highly competitive industries, the merged firm is unlikely to have market power in any of the relevant markets. The Tribunal therefore agrees with the Competition Commission that the merger is unlikely to prevent or lessen competition.

The merger, furthermore, does not raise public interest concerns. In terms of the sale agreement, the contracts of employment of the target firms' employees have been transferred to Rebhold as contemplated in section 197 of the Labour Relations Act. The businesses of the target firms will continue to operate independently of Rebhold and there is therefore no intention to retrench employees.

**N.M. Manoim**

**Date**

**Presiding member**

**Concurring: M. Holden and U. Bhoola**