

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM109Sep16

In the matter between:

ABERCOM PROPRIETARY LIMITED

Primary Acquiring Firm

and

BRANCH ENGINEERING PROPRIETARY LIMITED

Primary Target Firms

ERF 616 SELBY PROPRIETARY LIMITED

Panel : AW Wessels (Presiding Member)

: Mondo Mazwai (Tribunal Member)

: Andiswa Ndoni (Tribunal Member)

Heard on : 09 November 2016 Order Issued on : 09 November 2016

Reasons Issued on : 05 December 2016

Reasons for Decision

Approval

- [1] On 09 November 2016, the Competition Tribunal ("Tribunal") approved the proposed transaction involving Abercom Proprietary Limited and Branch Engineering Proprietary Limited and Erf 616 Selby Proprietary Limited.
- [2] The reasons for approving the proposed transaction follow.

Parties to proposed transaction

Primary acquiring firm

- [3] The primary acquiring firm is Abercom Proprietary Limited ("Abercom"), a company incorporated in accordance with the laws of the Republic of South Africa. Abercom is a newly incorporated entity which has been formed for the purpose of the present transaction and does not currently provide any products or services. Abercom does not control any firm.
- [4] Abercom is jointly controlled by Ramsons Trust ("Ramsons Trust"), Global Capital Empowerment Investments Proprietary Limited ("Global Capital") and Investec Bank Limited. Global Capital is jointly controlled by Global Capital individuals, Bluesky Investment Proprietary Limited and Investec Limited ("Investec").
- [5] Ramsons Trust is a family trust of the founders of the primary target firms in the instant transaction. Ramsons Trust does not engage in any activities other than those undertaken by the target firms. Global Capital is a private equity investment business. Investee conducts business as a bank and financial institution.

Primary target firms

- [6] The primary target firms are (i) Branch Engineering Proprietary Limited ("Branch Engineering"); and (ii) Erf 616 Selby Proprietary Limited ("Erf 616"). The target firms are currently jointly controlled by Larry Cohen, Safika Industrial Proprietary Limited and Ramsons Trust.
- [7] Branch Engineering has two operational subsidiaries: (i) View Tanks Proprietary Limited; and (ii) ABECO Proprietary Limited. Branch Engineering, through its subsidiaries, operates in the broader liquid storage sector, specifically the manufacturing and supply of pressed metal tanks for storage.
- [8] Erf 616 is a company holding properties from which Branch Engineering operates. It owns two adjacent properties in Selby, Johannesburg and one in Bedfordview. The Bedfordview property consists of A-grade office property occupied by the target firms and a third part tenant.

Proposed transaction

[9] In terms of the proposed transaction, Abercom will acquire all the ordinary shares in a newly formed company Amanzi Storage Solutions (Pty) Ltd ("Amanzi"). Abercom will then acquire all the issued shares in Branch Engineering and Erf 616 from the current shareholders. Post-merger, Abercom will control Amanzi, Branch Engineering and Erf 616. As a final step of the transaction, Branch Engineering will be wound up and Amanzi will hold the business and assets of Branch Engineering and its subsidiaries.

Impact on competition

- [10] The Competition Commission ("Commission") found that the proposed transaction is unlikely to change the structure of any market since the acquiring group, other than Ramsons Trust, does not have any interests in firms that provide storage in form of modular, pressed galvanized steel tanks in competition with the primary target firms.
- [11] The Commission also considered the effect of the proposed transaction on the third party tenant of the Bedfordview property of Erf 616 and found likely adverse competition effects unlikely given *inter alia* the remaining duration of an existing lease agreement. Furthermore, the tenant in question did not raise any concerns.
- [12] Therefore, the Commission concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market in South Africa. We concur with the Commission's conclusion.

Public interest

- [13] The merging parties confirmed that the proposed transaction will not have an adverse effect on employment in South Africa.¹
- [14] Furthermore, the proposed transaction does not raise any other public interest concerns.

Conclusion

[15] 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

¹ Merger Record inter alia pages 7 and 58.

public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.

Mr AW Wessels

05 December 2016

DATE

Ms Mondo Mazwai and Ms Andiswa Ndoni concurring

Tribunal Case Manager:

Busisiwe Masina

For the merging parties:

Albert Aukema of Cliffe Dekker Hofmeyr Inc

For the Commission:

Xolela Nokele