



## COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 018135

In the matter between:

**Kendrum Ltd**

Acquiring Firm

And

**Wood Group GTS Business and  
Siemens Aktiengesellschaft TurboCare Business**

Target Firms

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Panel	:	Yasmin Carrim (Presiding Member) Andreas Wessels (Tribunal Member) Andiswa Ndoni (Tribunal Member)
Heard on	:	10 January 2014
Order issued on	:	10 January 2014
Reasons issued on	:	07 February 2014

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### Reasons for Decision

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#### Approval

1. On 10 January 2014 the Competition Tribunal (the "Tribunal") unconditionally approved a joint venture called Kendrum Ltd (the "JVC") between John Wood Group PLC's ("Wood Group") Gas Turbine Services Business and Siemens Aktiengesellschaft's ("Siemens") TurboCare Business.
2. The reasons for the approval of the proposed transaction follow.

## The Parties and their activities

3. The primary acquiring firm is the JVC, a newly formed company incorporated in accordance with the laws of the United Kingdom. The JVC is a joint venture between Wood Group, a public company incorporated in Scotland and Siemens, a stock corporation organised under the federal laws of Germany. The JVC is a newly formed entity and does not currently provide any products or services.
4. Wood Group is listed on the London Stock Exchange and is not controlled by any firm. Wood Group controls several firms throughout the world and in South Africa it controls Wood Group (South Africa) (Pty) Ltd. Wood Group is an international energy services company which provides a range of engineering, production support, maintenance management and industrial gas turbine overhaul and repair services to the oil, gas and power generation industries worldwide. It is contributing to the JVC its Gas Turbine Services Business ("GTS").<sup>1</sup>
5. Siemens is listed on the German, London, Swiss and New York Stock Exchanges and is not controlled by any firm. Siemens controls several firms throughout the world and in South Africa.<sup>2</sup> Siemens is a global powerhouse in electronics and electrical engineering, operating in the fields of industry, energy and healthcare as well as providing infrastructure solutions primarily for cities and metropolitan areas. It is contributing its global TurboCare Business to the JVC ("TurboCare").<sup>3</sup>
6. The primary target firms are GTS and TurboCare. GTS does not control any firm in South Africa and internationally it wholly-owns the following

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<sup>1</sup> Excluding the following Wood Group GTS joint ventures: Rolls Wood Group (Repair and Overhauls) Ltd, Sulzer Wood Ltd and TransCanada Turbines Ltd.

<sup>2</sup> For a full list of all firms controlled by Siemens in South Africa, see pages 786 – 787 of the record.

<sup>3</sup> With the exception of Siemens' Venezuela TurboCare business which was recently sold to an independent third party and its Canadian TurboCare business which was recently integrated into Siemens Canada.

firms: Gas Turbine Efficiency Ltd, Wood Group Gas Turbine Services Ltd, Wood Group Engineering (Middle East) Ltd, Wood Group Oil Gas & Industrial Services Ltd, OGIS (Middle East) Ltd and Wood Group GTS Australia (Pty) Ltd.

7. GTS is a global independent provider of rotating equipment services and solutions. These include facility operations and maintenance, repair and overhaul of gas turbines and other rotating equipment, power plants engineering, procurement and construction management services to owners of power generation facilities. In South Africa, through Wood Group (South Africa), GTS fulfils its obligations under a series of contracts to construct Hitachi boilers at the Medupi and Kusile power stations.
8. TurboCare does not control any firm in South Africa and internationally it controls the following firms: TurboCare Inc, TurboCare Sp. z.o.o., TurboCare Poland S.A., TurboCare B.V. and TurboCare SpA. TurboCare provides a wide range of services globally, primarily in relation to non-Siemens-manufactured turbines, including gas and steam turbines. TurboCare is, however, not active in South Africa.

#### **Proposed transaction and rationale**

9. Wood Group and Siemens have concluded a joint venture agreement in terms of which each will contribute to the JVC GTS and TurboCare businesses respectively. In exchange for their respective contributions, Wood Group will acquire a 51% interest and Siemens will acquire a 49% interest in the JVC. On completion, Wood Group and Siemens will have joint over the JVC.
10. According to Wood Group and Siemens, the proposed transaction will help the JVC to, *inter alia*, offer significant benefits to customers through enhanced efficiencies, reduced costs and improved customer service and choice at a global level.

## Competition Analysis


11. The Commission found that globally there is a horizontal overlap between Wood Group and Siemens' businesses being contributed to the JVC in relation to the market for the provision of services for mature technology gas turbines. This overlap, however, does not exist in South Africa as TurboCare has no activities in South Africa.
12. The Commission further found that Wood Group and Siemens have agreed to non-compete obligations in relation to the JVC, which require that each of them shall not, for as long as they own at least 20% of the JVC's shares and for a period of 3 years thereafter, engage in activities that compete with those of the JVC. As this restraint is only limited to the activities that compete with the JVC and is only limited for 3 years, the Commission concluded that the restraint is reasonable and commercially justifiable.

## Public interest

13. The merging parties confirmed that the proposed transaction will have no adverse effect on employment and will not result in any retrenchments in South Africa.<sup>4</sup> The proposed transaction raises no other public interest concerns.

## Conclusion

14. For the reasons mentioned above, we approve the proposed transaction unconditionally.



**Ms Yasmin Carrim**

07 February 2014

**Date**

**Mr. Andreas Wessels and Ms. Andiswa Ndoni concurring**

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<sup>4</sup> See merger record, pages 10. Also see paragraph 7.1 of the Commission's merger report.

Tribunal researcher: Ipeleng Selaledi

For the merging parties: Lesley Morphet of Webber Wentzel

For the Commission: Xolela Nokele