COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 018416

In the matter between:

THE PREPAID COMPANY (PTY) LTD Primary Acquiring Firm

And

RETAIL MOBILE CREDIT SPECIALISTS (PTY) LTD Primary Target Firm

Panel	: Mondo Mazwai (Presiding Member)
	: Medi Mokuena (Tribunal Member)
	: Andiswa Ndoni (Tribunal Member)
Heard on	: 12 March 2014
Order Issued on	: 12 March 2014
Reasons Issued on	: 10 April 2014

Reasons for Decision

Approval

[1] On 12 March 2014, the Competition Tribunal ("**the Tribunal**") unconditionally approved an acquisition by The Prepaid Company (Pty) Ltd of 100% of the shares in Retail Mobile Credit Specialists (Pty) Ltd.

[2] The reasons for approving the proposed transaction follow.

Parties to transaction

[3] The primary acquiring firm is The Prepaid Company (Pty) Ltd ("**TPC**"). TPC is controlled by Blue Label Telecoms Limited ("**BLT**"), a company listed on the Johannesburg Securities Exchange and thus is not controlled by any single shareholder.

[4] BLT has three subsidiaries which are relevant to this proposed transaction (collectively "the acquiring group"):

- TPC (the primary acquiring firm in this transaction)
- The Post Paid Company (Pty Ltd
- Blue Label Distribution (Pty) Ltd

[5] The primary target firm is Retail Mobile Credit Specialists ("**RMCS**"), a private company with several individual shareholders. According to the Commission, none of the shareholders controls RMCS for competition law purposes.

Proposed Transaction and Rationale

[6] TPC will acquire 100% of the issued share capital of RMCS. Post-merger RMCS will be a wholly owned subsidiary of TPC.

[7] According to the merging parties, the transaction will enable them to expand their product offerings and customer base.

Relevant Market and Impact on Competition

[8] The merging parties are both active in the market for the distribution and supply of airtime. The acquiring group, through TPC, *inter alia*, distributes cellular starter packs that are either preloaded with airtime or not, to major retailers, wholesalers and independents. It also offers cellular telephony solutions and value-added services to major retailers and small merchants.

Through the Post-Paid Company, the acquiring group also distributes post-paid cellular offerings[1] to customers of existing retailers such as Edcon who have been pre-vetted/registered by the retailers.

[9] RMCS focuses on the distribution and supply of discounted post-paid airtime contracts from all network operators and value added services. RMCS supplies to small merchants but the majority of its customers are end-users who are reached via retailers.

[10] As indicated, the merging parties' activities overlap in the distribution and supply of airtime, and more specifically in the distribution and supply of post-paid airtime. According to the Commission nothing turns on whether the product market is delineated broadly as the market for the supply of airtime or further segmented to distinguish between pre-paid, post-paid, subscription or starter packs as the proposed transaction is unlikely to substantially prevent or lessen competition on either definition of the market.

[11] BLT and RMCS both distribute airtime throughout South Africa. The relevant geographic market is therefore national.

[12] According to the merging parties, the largest participants in the market for the distribution of airtime nationally are**:**

Table 1: Estimated Market Shares for the distribution of airtime nationally:

Competitors	**Estimated Market Share**
Vodacom Service Provider	20%
MTN Service Provider	15%
Telkom	<5%
Cell C Service Provider	5-10%

[1] More specifically, the Post Paid Company sells so-called "hybrid" cellular contracts, which are fixed term 12 or 24 month agreements in terms of which the user is required to pay a set monthly fee which entitles the user to a set amount of pre-loaded airtime every month. Should the pre-loaded airtime be used up before month end, then the user may top up on a pre-paid basis. According to the Commission, the industry does not distinguish between hybrid and other post-paid offerings.

Altech Autopage	15-20%
Nashua Mobile	15-20%
BLT	**15%**
RMCS	**<1%**

Source: Merging parties' estimates

[13] According to the merging parties, the proposed transaction will result in a market share accretion of less than 1% in relation to the national market for the distribution of airtime. The acquiring group will have a post-merger market share of approximately 15.1%.

[14] Assuming a narrower market for the distribution of post-paid airtime, the merging parties' estimate market shares are as follows:

Table 2: Estimated Market Shares for the distribution of post-paid airtime nationally:

Competitors	**Estimated Market Share**
Vodacom Service Provider	38%
MTN Service Provider	30%
Cell C Service Provider	10%
Altech Autopage	4%
Nashua Mobile	7%
BLT	**1%**
RMCS	**6.5%**

Source: Merging parties' estimates

[15] On these market shares, the acquiring group's post-merger market shares will be approximately 7.5%.

[16] The Commission found that the market was dominated by large mobile network operators who distribute airtime at each level of the supply chain[2]. In

[2] The Commission relied on estimated market shares at the network operator level rather than the distribution level which is more appropriate. This however does not affect the overall conclusions regarding the competitive effects of this merger.

addition to distributing airtime through their own Operator-owned Service Providers (the so-called "OSP's"), the network operators also distribute airtime through Independent Service Providers (the so-called "ISP's" e.g. Autopage and Nashua) as well as through intermediaries/distributors e.g. TPC, RMCS, Glocell, Smart Call; and through retailers. The Commission concluded that it was unlikely that the merged entity would be able to exercise market power (if any) given the large presence of the network operators as well as other distributors such as Nashua, Autopage, iTalk and numerous intermediaries.

Public Interest

[17] The Commission found no public interest issues arising out of the proposed transaction.

Conclusion

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

MONDO MAZWAI — 10 April 2014 (DATE)

Medi Mokuena and Andiswa Ndoni concurring

Tribunal Researcher:	Moleboheng Moleko
For the merging parties:	Lee Mendelsohn, Kirsty van den Bergh and Michael Mbikiwa - Edward Nathan Sonnenberg's incorporated
For the Commission:	Nompucuko Nontombana