

## COMPETITION TRIBUNAL OF SOUTH AFRICA

Case NO: 05/LM/Jan08

In the matter between

**Powertech Properties and Investments (Pty) Ltd**

Primary Acquiring firm

And

**ABB Powertech Transformers (Pty) Ltd**

Primary Target Firm

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Panel : D Lewis (Tribunal Member); T Orleyn (Tribunal Member) and N Manoim (Tribunal Member)

Heard on : 26 March 2008

Decided on : 26 March 2008

Reasons Issued : 13 May 2008

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### Reasons for Decision [NON-CONFIDENTIAL]

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#### Approval

[1] On 26 March 2008 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Powertech Properties and Investments (Pty) Ltd and ABB Powertech Transformers (Pty) Ltd unconditionally. The reasons appear below.

#### Parties

[2] The primary acquiring firm is Powertech Properties and Investments (Pty) Ltd ("Powertech Properties"), a company incorporated under the laws of the Republic of South Africa. Powertech Properties is a wholly owned subsidiary of Allied Electronics Corporation Ltd ("Altron").<sup>1</sup>

[3] The primary target firm is ABB Powertech Transformers (Pty) Ltd ("ABB Powertech"), a company incorporated under the laws of the Republic of South Africa. ABB Powertech is jointly controlled and owned by Powertech Properties and ABB Holdings (Pty) Ltd ("ABB SA").<sup>2</sup>

#### Transaction

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<sup>1</sup> Altron is a public company listed in the Johannesburg Stock Exchange. It controls the following three firms, Allied Technologies Ltd (Altech) Bytes Technology Ltd ("Bytes") and Powertech.

<sup>2</sup> ABB Powertech controls Desta Power Matla (Pty) Ltd ("Desta Power") a company incorporated in accordance with the laws of South Africa.

[4] In terms of the proposed transaction Powertech Properties seeks to increase its shareholding in ABB Powertech from 49% of the shares to 100%, by acquiring the remaining shares currently held by ABB SA.

### **Rationale for the Transaction**

[5] The merging parties submit that for both Powertech and ABB Group the rationale for the transaction is to facilitate the inclusion of an empowerment partner in the business of ABB Powertech. Furthermore the parties submitted that the acquisition by Powertech of ABB SA's interest in ABB Powertech will pave the way for Powertech to on sell a 25.1% interest in ABB Powertech to black economic empowerment investors.

### **Parties Activities**

[6] Powertech Properties is a holding company for Powertech Technologies investment in ABB Powertech and does not conduct any business operations. Altron, through its subsidiaries namely Altech, Bytes and Power Technologies is involved in a variety of activities. Through Altech, Altron is involved in the design, development, convergence, manufacturing, installation and distribution of telecommunications equipment, multi-media systems, information technology solutions, electronics components, cellular telephony and industrial electronic products. Through Bytes, it provides a wide range of products including technical skills and services to support enterprise wide IT infrastructure and telecommunications across Southern Africa and United Kingdom. Through Powertech Technologies, it is involved in cable and cable accessories, transformers batteries and DC power systems, as well as accessories.

[7] ABB Powertech is a supplier of power transformer and associated products to the African and worldwide markets.<sup>3</sup> Desta Power a subsidiary of ABB Powertech, supplies a small, medium and large distribution transformers and miniature substations

### **Competition Analysis**

[8] According to the Commission there is an overlap in the activities of the merging firms as far as the acquiring firm has prior shareholding in the target firm. The Commission analysed the horizontal overlap and came to the conclusion that the overlap will not result in an increase of market share or change in the structure of the market. We agree with the Commission that the merger raises no horizontal issues as both firms held an interest in the

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<sup>3</sup> The variety of transformers and associated products supplied by ABB Powertech are as follows: three phase unit, single phase unit, auto transformers, shunt reactors, rectifies transformers including tailor made transformers to meet customer exact demands and condenser bushing.

same asset which will now be wholly owned by Powertech instead of partially owned. Since Powertech is not invested in any other competing company the merger neither changes its incentives or that of the target firm.

[9] The Commission also found that there is a vertical relationship between the merging firms in that ABB Powertech has on occasion purchased certain products from companies within the acquiring firm. An examination of the vertical effects by the Commission revealed that ABB Powertech has occasionally purchased copper strip and insulating materials from Aberdare Cables (Pty) Ltd (“Aberdare”) and Powertech Callidus (Pty) Ltd (“Callidus”) respectively. According to the Commission the copper strip purchased from Aberdare represents [CONFIDENTIAL] of Aberdare’s total sale of copper strip and [CONFIDENTIAL] of ABB Powertech’s total purchases of copper strip. The Commission also found that the insulating materials purchased from Callidus represents [CONFIDENTIAL] of Cadillus total sale of insulating materials and [CONFIDENTIAL] of ABB Powertech’s total purchases of insulating materials. The Commission is of the view that the above figures are insignificant to raise any foreclosure concerns. We therefore agree with the Commission’s conclusion that the proposed transaction is unlikely to substantially prevent or lessen competition.

#### **Public Interests**

[10] There are no public interest issues

#### **Conclusion**

[11] Based on the above the transaction will not result in a substantial lessening or prevention of competition in the identified markets and is accordingly approved unconditionally.

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**N Manoim**

Tribunal Member

D Lewis and T Orleyn concurring

Tribunal Researcher : J Ngobeni.

For the merging parties : Bowman Gilfillan

For the Commission : Themba Mahlangu

**13 May 2008**

**Date**