

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no: 102/LM/Oct05

In The Large Merger Between:

NUMSA Investment Company (Pty) Ltd

Acquiring Firm

And

Doves Group Holdings (Pty) Ltd

Target Firm

Reasons for Decision

Approval

1. On 24 November 2005 the Competition Tribunal issued a Merger Clearance Certificate approving the transaction between NUMSA Investment Company (Pty) Ltd and Doves Group Holdings (Pty) Ltd. The reasons for this decision follow.

The transaction

2. The parties to the transaction are the National Union of Metal Workers South Africa (NUMSA) Investment Company (Pty) Ltd (“Numsa Investment”) and Doves Group Holdings (Pty) Ltd (“Doves”).
3. NUMSA Trust and NUMSA Union control Numsa Investment.¹ Doves’ shareholding is held by Trillion Nominees (Pty) Ltd,² Factaprops 178 (Pty) Ltd, trading as African Legend, HT Group Employee Trust and a number of management shareholders.³
4. The transaction involves the acquisition by Numsa Investment of all the ordinary shares in the issued share capital, and equity loans of Doves. The effect of the transaction is that Numsa Investment will become the sole shareholder and be in sole control of Doves.

Rationale for the transaction

5. According to the parties, the sellers wish to liquidate their investment and pursue other investment opportunities. Numsa Investment also views the acquisition of Doves as an opportunity to offer Numsa Union’s members a superior funeral service.

¹ Numsa has interests in various firms, a list of which can be found on page 340 of the merger record.

² In its capacity as nominee of the partnerships comprising, and the co-investment trusts associated with Ethos Private Equity Fund III.

³ Conradie van Heerden Family Trust, CH Reyneke, HJ Coetzee, KB von Garnier, H Augustyn, JAB Bates, WH du Plessis and JAA Geldenhuys.

The merging parties' activities

6. Numsa Investment was established to invest and manage the funds of Numsa Union and Numsa Trust, on behalf of their beneficiaries that are mainly members of Numsa Union. Numsa Investment has interests in companies, which are involved in *inter alia* financial services, the national lottery, telecommunications, information technology and building material trade.
7. Doves is principally engaged in the provision of funeral services (by approximately 127 branches throughout South Africa), long term insurance (through its subsidiary HTG Life Ltd) and the manufacturing of funeral products and equipment (through 3 factories in Brits, Cape Town and Bloemfontein).

Competition Analysis

8. Although there are no horizontal overlaps in the activities of the parties, the transaction will have a vertical effect, due to the fact that Numsa Investment will offer to the members of Numsa Union, Doves' funeral policy. Numsa Union currently provides and funds approximately 37000 funeral benefits to its members. It is a stated intention of the parties that post merger, the union funded funeral benefit will be restructured and funeral benefits will be offered to its members via the Doves funeral parlour network on a "preferential basis."⁴
9. The parties submit that other funeral service providers will not be prejudiced or denied access to Numsa union's members and their deceased as its membership is spread throughout the country. This means that the funerals which its members are involved in, take place throughout South Africa, thereby "benefit[ing]" local and regional competitors in the funeral insurance industry. Furthermore, the majority of beneficiaries are also members of the "informal burial societies who have established relationships with the local undertakers." According to the parties, union members "will benefit in the form of affordable and dignified funerals, but nevertheless retain the choice to utilize the service the service of an undertaker preferred by them."⁵

Conclusion

10. In light of the above, we agree with the parties that the transaction is unlikely to have significant vertical effects. There are no significant public interest issues which would alter our view. We accordingly approve the transaction for the above reasons.

Y Carrim

13 February 2006
Date

Concurring: N Manoim and M Mokuena

For the merging parties: P Krusche (Jan S. De Villiers)
For the Commission: L Lamola (Mergers and Acquisitions)

⁴ At paragraph 12.4.1 on page 61 of the merger record.

⁵ Ibidem.