

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 12/LM/Feb02

In the large merger between :

Siemens Business Services (Pty) Ltd

and

Medscheme Holdings (Pty) Ltd

Reasons for Decision

Approval

On 3 April 2002 we approved the large merger transaction between Siemens Business Services (Pty) Ltd and Medscheme Holdings (Pty) Ltd without conditions. We set out the reasons for this decision below.

Parties to the transaction

The primary acquiring firm is Siemens Business Services (Pty) Ltd (“SBS”), which focuses on designing, building, implementing and maintaining IT solutions to support and enhance the business of its customers. These include consulting services, infrastructure services and outsourced services.

SBS is controlled by Siemens Business Services Holdings (Pty) Ltd (“SBS Holdings”), which in turn is controlled by Siemens SA, and Siemens Business Services Verwaltungs GmbH. Ultimate control lies with Siemens AG, a global company with businesses in energy, industry, information and communications, healthcare, transportation and lighting. Unihold Limited has a 40% shareholding in SBS.

The primary target firm is the information technology (IT) division of Medscheme Holdings (Pty) Ltd (“Medscheme”). Medscheme is controlled by Medscheme Limited whose largest shareholder is Corrimar (Pty) Ltd. Medscheme, and its subsidiaries have businesses in the administration and management of medical scheme services; hospital benefit services; pharmacy benefit services; dental benefit services; HIV / AIDS services; optical benefit services; and a wellness programme.

The merger transaction

The transaction is a consequence of the decision by Medshceme to outsource its non-core IT functions in order to focus on its core business. SBS has been providing Medscheme with limited IT support services for a number of years.

The transaction is embodied in two agreements:

- a sale of business agreement in terms of which SBS will acquire the “in-house” IT division of Medscheme as a going concern
- a service provision agreement in terms of which SBS will install and maintain IT services for Medscheme

Evaluating the merger

There is no market overlap between the businesses of the parties to the transaction.

SBS will provide Medscheme with infrastructure related support, desk top support, network management, service support and related maintenance. These are generic IT services not specific to Medscheme’s business. The exclusivity arrangement in the service agreement allows Medscheme to retain and protect its intellectual property over software application development specific to its business in the healthcare industry.

There are other suppliers of IT services to medical schemes active in South Africa and no significant barriers to entry. The IT sector is also characterized by rapid innovation.

The transaction therefore does not raise competition concerns.

Public interest

The proposed transaction will not result in any job losses. The sale of business agreement provides for all employees in the IT division of Medscheme to become employees of SBS on the same terms and conditions that they currently enjoy.

D.H.Lewis

12 April 2002
Date

Concurring: N. M. Manoim, P. Maponya