

In The Large Merger Between:

Bytes Technology Group South Africa (Pty) Ltd

And

Digital Health Solutions (Pty) Ltd

Reasons for Decision

Approval

On 26 April 2005 the Competition Tribunal issued a Merger Clearance Certificate approving the transaction between Bytes Technology Group South Africa (Pty) Ltd and Digital Health Solutions (Pty) Ltd. The reasons for this decision follow.

The transaction

The parties to the transaction are Bytes Technology Group South Africa (Pty) Ltd ("BTG SA") and Digital Health Solutions (Pty) Ltd ("DHS"). Bytes Technology Group Limited ("BTG") holds 73% of the shares in BTG SA. BTG¹ is, in turn, controlled by Allied Electronics Corporation Limited ("Altron").² The shareholding in DHS is held by BTG (39,13%), Business Connexion Group Limited ("Business Connexion") (39,13%), Network Healthcare Holdings Limited (19,14%) and United South African Pharmacies (2,6%). DHS controls Digital Healthcare Switch (Pty) ("Switch") and Med-e-Mass (Pty) Ltd ("Med-e-Mass").

The transaction involves Business Connexion selling its 39,13% stake in DHS to BTG SA. BTG SA will also acquire the 39,13% interest belonging to BTG. Post merger, BTG SA will hold 78,26% of DHS.

According to the parties, Business Connexion wants to exit certain businesses in which it does not own 100% of the issued shares and which it considers to be non-core businesses. BTG wishes to ensure that the group's shares in DHS are held by one company, namely BTG SA and through the transaction would like to increase its exposure to the e-commerce and software business of DHS.

Effect on Competition

According to the Commission, while both parties are involved in the broad information technology sector, there are no overlaps in the products and services offered by them.³

¹ For a list of BTG's subsidiaries, see page 16 of the Record and page 2 of the Commission's Report.

² For a list of Altron's divisions, see page 72 of the Record and page 4-5 of the Commission's Report.

³ A detailed description of the parties' and their subsidiaries' activities can be found in the Commission's Report (page 3-5).

Through its two operating companies, namely, Switch and Med-e-Mass, DHS provides transaction switching services, practice management and informatics solutions to the healthcare industry. The BTG group, on the other hand, provide a broad range of products, technical skills and specialized services to support enterprise-wide IT infrastructure.⁴ Therefore, according to the Commission, the parties do not compete with each other as they offer different products and related services to their respective clients.

In the preceding financial year, BTG SA provided DHS with network support and desktop maintenance services (through BTG), switchboard maintenance services (through Bytes Communication Systems), and Xerox copier consumables and rentals (through Bytes Documents Solutions). According to the Commission these relationships existed between BTG SA and DHS prior to the merger and are not created as a result of the merger. In addition, the value of the services provided to DHS is minor in comparison to other customers of BTG.

Since the merger creates no overlaps nor leads to any significant vertical integration we are satisfied that it raises no competition issues.

Conclusion

According to the merging parties the transaction would not affect the operations of either of the merging parties' businesses nor result in any job losses.

We agree with the Commission's recommendation that this transaction is unlikely to result in the substantial lessening or prevention of competition. We accordingly approve this merger unconditionally.

D Lewis

26 April 2004
Date

Concurring: N Manoim and Y Carrim

For the Merging parties: D Rudman and P Naggan (Werksmans)

For the Commission: S Nunkoo (Mergers and Acquisitions)

⁴ At page 230 of the record (Report on Competitive and Public Interest Aspects).