

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case NO: 29/LM/Apr08

In the matter between

Saudi Telecom Company

Primary Acquiring firm

And

Oger Telecom Ltd

Primary Target Firm

Panel : Y Carrim (Tribunal member); M Mokuena (Tribunal member)
and T Orleyn (Tribunal member)

Heard on : 16 April 2008

Decided on : 16 April 2008

Reasons Issued : 07 May 2008

Reasons for decision

Approval

[1] On 16 April 2008 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Saudi Telecom Company and Oger Telecom Ltd unconditionally. The reasons for the approval of the merger appear below.

Parties

[2] The primary acquiring firm is Saudi Telecom Company ("STC"), a company incorporated under the laws of the Kingdom of Saudi Arabia. STC is controlled by the Public Investment Fund, a Saudi government owned entity.¹

¹ The Public Investment fund holds 70% shares in STC. The remaining shares are owned by the Public Pension Agency with 5%, the General Organisation for Public Insurance with 5% and 20% is owned by the public.

[3] The primary target firm is Oger Telecom Ltd (“OT”), a company incorporated under the laws of the Dubai International Financial Centre. OT is jointly controlled by Saudi Oger Ltd (“SO”), with 35% shares and Oger Telecom Saudi Arabia Ltd with 45%.²

[4] In South Africa, OT controls Oger Telecom (South Africa) Holdings (Pty) Ltd (“OTSA”) and Lanun Securities SA (“Lanun”). OTSA together with Lanun have 75% shareholding in 3C Telecommunications (Pty) Ltd (“3C”)³, which in turn, controls Cell C (Pty) Ltd (“Cell C”).⁴

Transaction

[5] In terms of the proposed transaction, STC intends to acquire 35% of the shares in OT. Upon completion, STC will have joint control in OT.

Parties Activities

[6] STC offers fixed and mobile voice data and services as well as internet services to personal, homes and enterprise users in Saudi Arabia and internationally. It does not provide any products or services in South Africa.

[7] OT provides telecommunications services in Turkey and Middle East, operating fixed-line, mobile communications and internet access businesses. OT also owns a major regional ISP which operates in Saudi Arabia, Lebanon and Jordan. In South Africa, OT operates through Cell C.

[8] Cell C provides mobile voice and mobile data telephone services. It offers a wide range of mobile cellular products and services, including pre-paid and contract airtime packages.

² OTSA holds 60% and Lanun holds 15%. The remaining 20% of shares of OT are held by various institutional investors, with each holding less than 5%.

³ The remaining 25% shareholding in 3C is held by CellSAf, a consortium of historically disadvantaged persons.

⁴ Cell C wholly owns and controls Cell C Service Provider Company (Pty) Ltd and Cell C Property Holdings Company (Pty) Ltd. In addition, Cell C also jointly controls Virgin Mobile South Africa.

Rationale for the transaction

[9] This transaction offers STC with an opportunity to enter into two of the largest and most advanced emerging telecom markets, i.e. South Africa and Turkey.

[10] OT hopes to benefit from STC's broad and in-depth experience in operating fixed-line and mobile networks in Saudi Arabia, bringing significant value and also support further development in its operations.

Competition Analysis

[11] There is an overlap between the activities of the merging parties in respect of the provision of mobile telecommunications. There is, however, no geographic overlap in the activities of the merging firms as the acquiring firm is not active in South Africa.

[12] Based on the above, the transaction will not result in a substantial lessening or prevention of competition.

Conclusion

[13] There are no significant public interest issues and we accordingly approve the transaction without conditions.

Y Carrim
Tribunal Member

07 May 2008

Date

M Mokuena and T Orleyn concurring.

Tribunal Researcher : I Selaledi
For the merging parties : Deneys Reitz and Werksmans
For the Commission : Makgale Mohlala and Mogalane Matsimela (Mergers & Acquisitions)