

# COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No.: 31/LM/Mar07

In the matter between:

Firststrand Investment Holdings (Pty) Ltd

Acquiring Firm

and

Rentworks Africa (Pty) Ltd

Target Firm

Panel : D Lewis (Presiding Member), N Manoim (Tribunal  
Member), and Y Carrim (Tribunal Member)

Heard on : 23 July 2007

Decided on : 23 July 2007

Reasons Issued: 13 September 2007

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## REASONS FOR DECISION

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### Approval

- 1] On 23 July 2007 the Competition Tribunal approved the merger between Firststrand Investment Holdings (Pty) Ltd and Rentworks Africa (Pty) Ltd. The reasons are set out below.

### The parties to the transaction and the transaction

- 2] The target firm is Rentworks Africa (Pty) Ltd and the acquiring firm is FirstRand Investment Holdings (Pty) Ltd.
- 3] Rentworks is a subsidiary of The Rentworks Partnership which consists of Rentworks Trust South Africa, a Mauritian discretionary trust, and Shanduka Rental Solutions (Pty) Ltd, a 100% subsidiary of Shanduka Fund Managers (Pty) Ltd.<sup>1</sup> The Shanduka Group is a black owned entity.
- 4] FirstRand Investment is listed on the JSE and is controlled by FirstRand Limited. FirstRand Limited also controls various subsidiaries.
- 5] In terms of this transaction FirstRand Investment will acquire 65% of the shares in Rentworks. However, in order for the transaction to proceed, the Rentworks partnership must first be dissolved and its assets restructured. At the conclusion of the restructuring Rentworks Trust South Africa will no longer hold an interest in Rentworks and FirstRand Investment will own 65%, Rentworks Trust South Africa 9.9% and Shanduka Rental Solution 25.1% of the shares in Rentworks.

### **Rationale for the transaction**

- 6] The senior partner representing Rentworks in The Rentworks partnership wishes to retire and dispose of his interest in the partnership. Shanduka declined the offer to acquire Rentwork's share in the partnership.
- 7] FirstRand wishes to enter the "pay for use" business in which Rentworks trades.

### **Effect on Competition**

- 8] Rentworks is a rentor of movable assets such as IT equipment, office equipment and furniture as well as vehicles. It generates revenue from investing in the residual values of the rented equipment. FirstRand provides a variety of banking services. However, for purposes of this transaction, we will only consider services rendered by Wesbank, a division of FirstRand that primarily provides financing for movable assets via instalment credit and lease agreements.

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<sup>1</sup>Shanduka Rental Solutions has a 50.1% partnership interest and paid R50 million as a partnership contribution. Rentworks Trust Sout Africa contributed shares in Rentworks and DFinancial Services (Pty) Ltd to the Partnership for which it received a 49.9% interest.

- 9] There is no horizontal overlap in the services supplied by the merging parties as Wesbank does not invest in the residual value of assets. However the proposed transaction does constitute a vertical merger. Not only does Wesbank discount 39% of Rentwork's rental book for IT equipment, the FirstRand Group also rents certain of its IT equipment from Rentworks.
- 10] During its merger investigation competitors and customers of Rentworks indicated to the Commission that they were concerned about this transaction because it would result in input foreclosure and sharing of rivals' information via Wesbank. However, we do not agree with these concerns.
- 11] There are numerous players in the market that compete with Wesbank for discounting rental agreements, such as Standard Bank, ABSA, Nedbank, Fintech and Sasfin.<sup>2</sup> In fact the competitors that raised these concerns are already discounting some of their rental agreements with other institutions such as Standard Bank, ABSA and Nedbank. Input foreclosure is thus unlikely.
- 12] If customers are concerned that their confidential information might be leaked to Rentworks via Wesbank they could either move their business to Wesbank's competitors or they could lodge a complaint in terms of the Financial Advisory and Intermediary Services Act that requires financial institutes to keep their customers information confidential.
- 13] In light of the above we find that the transaction is unlikely to substantially lessen or prevent competition in the relevant vertical markets.

### **Public interest issues**

- 14] The parties submit that the proposed transaction will not result in any job losses. No other significant public interest issues are raised.

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<sup>2</sup> The Commission's investigation revealed that traditionally the market for discounting of IT rental agreements used to be dominated by ABSA and Standard Bank until Wesbank established a dedicated unit focusing on this market about 4 years ago.

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**D Lewis**  
**Tribunal Member**

N Manoim and Y Carrim concurring.

Tribunal Researcher:	R Badenhorst
For the merging parties:	Hofmeyer Herbststein & Ginwala Inc
For the Commission:	M Mohlala and N Mateane