

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 33/LM/Apr08

In the matter between:

Altron Finance (Pty) Ltd

Acquiring Firm

And

Aeromaritime International Management Services

Target Firm

Panel : D Lewis (Presiding Member), U Bhoola (Tribunal Member),
and M Mokuena (Tribunal Member)

Heard on : 4 June 2008

Order Issued : 4 2008

Reasons Issued: 14 July 2008

Reasons for Decision

Approval

[1] On 4 June 2008, the Tribunal unconditionally approved the merger between Altron Finance (Pty) Ltd and Aeromaritime International Management Services (Pty) Ltd. The reasons for approving the transaction follow.

The parties

[2] The primary acquiring firm is Altron Finance (Pty) Ltd ("Alfin"), a wholly owned subsidiary of Allied Electronics Corporation Limited ("Altron"), a company listed on the JSE Securities Exchange.

[3] Altron is not controlled by any single shareholder. Its major shareholders are Biltron (Pty) Ltd (with a 29.2% shareholding), Alfin (Pty) Ltd (with a 10% shareholding), Public Investment Corporation (with a 9.8% shareholding), Old Mutual Group (with a 7.6% shareholding), Liberty Group (with a 5.9% shareholding), and Nedcor (with a 4.5% shareholding).

- [4] Alfin has in excess of 10 subsidiaries.¹ In addition it owns 50% shareholding in Aeromaritime International Management Services (Pty) Ltd (“AIMS”), the primary target firm in the instant transaction.
- [5] Altron has in excess of 20 subsidiaries in Southern Africa and these include Allied Technologies Limited, Bytes Technologies Group Limited, and Power Technologies (Pty) Ltd.²
- [6] The primary target firm is Aeromaritime International Management Srvices (Pty) Ltd (“AIMS”), a company incorporated under the laws of the Republic of South Africa. AIMS does not control any firm. AIMS is jointly controlled by Renfreight (Pty) Ltd (“Renfreight”), and Alfin, with each firm holding 50% of the issued share capital. Renfreight is controlled by the Bidvest Group Limited (“Bidvest”), a company listed on the JSE Securities Exchange.

Description of the transaction

- [7] In terms of this transaction, Alfin intends to increase its 50% shareholding in AIMS to 100% by acquiring an additional 50% shareholding in AIMS. On completion of the transaction, AIMS will be a wholly owned subsidiary of Alfin.

Rationale for the transaction

- [8] The acquiring firm views this transaction as an opportunity to create a centre for excellence within the Altron Group to manage the Group's supply chain. The parties submitted that although the AIMS joint venture between Alfin and Renfreight has been successful, AIMS services have been primarily directed towards servicing companies within the Altron Group. With a competitor (Renfreight) as one of the major shareholders, it has been difficult for AIMS to expand.
- [9] Renfreight submitted that the joint venture was initially formed with Altron bringing the client base and Bidvest bringing the expertise. However, over the years, there has been a full skills transfer to AIMS. Therefore, Renfreight's involvement in AIMS has been reduced to oversight role with representation on the board. They further submit that AIMS is a small part of the Bidvest Group's overall clearing business and accordingly it wishes to dispose of it.

¹ See page 52 of the record.

² See page 51 of the record for a complete list of firms controlled by Altron.

The parties' activities

Primary acquiring group

Alfin

[10] Alfin is a group finance company and service provider to the Altron Group. It holds funds on behalf of fellow subsidiaries and makes advances to fellow subsidiary companies within Altron Group.

[11] Alfin conducts a treasury function, oversees the administration of employee benefits, manages insurance programs, conducts internal audits, employs senior group executives, provides legal services and taxation consultancy services and does limited amount of company secretarial work.

Altron

[12] Altron is involved in the telecommunications, power electronics, multi-media and information technology sectors.

The primary target firm

AIMS

[13] The parties submitted that AIMS was formed in 1990 to provide clearing and forwarding services to Altron Group of companies. AIMS is accredited to effect customs clearing and, within the Altron Group, clears products/components of an electronic nature used in the manufacture of various electronic products for the power transformer and cable industries; finished products for the office automation businesses and telecommunication convergence products.

Competition analysis

[14] The parties submitted that the Altron Group has no freight or logistics services business apart from Alfin's 50% stake in AIMS and that, as a result, there is no horizontal overlap. The Commission, on the other hand, submitted that there is an overlap in the activities of the merging firms in as far as the acquiring firm has prior shareholding in the primary target firm. The Tribunal concludes that

this transaction will not result in an increase in market share or change in market structure as AIMS has less than 1% market share.³ As a result, this transaction is not likely to lead to a substantial prevention or lessening of competition.

[15] Though the firms are vertically integrated in that AIMS provides freight brokering services to companies within the Altron Group, such vertical integration does not raise foreclosure concerns. The Commission and the parties rightly stated that the vertical integration does not arise from the current transaction. In addition, AIMS was formed specifically to render clearing and forwarding services for companies within the Altron Group.

Public Interest

[16] There are no public interest issues.

Conclusion

[17] The merger is approved unconditionally.

D Lewis
Tribunal Member

14 July 2008

DATE

U Bhoola and M Mokuena concur in the judgment of D Lewis

Tribunal Researcher : R Kariga

For the merging parties: Brink Cohen and Le Roux Attorneys.

For the Commission : K Mahlakona (Mergers and
Acquisitions)

³ See page 45 of record.