



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 46/LM/Aug10

In the matter between:

Nippon Telegraph and Telephone Corporation

Acquiring Firm

And

Dimension Data Holdings Plc

Target Firm

Panel : Norman Manoim (Presiding Member)
Yasmin Carrim (Tribunal Member)
Andreas Wessels (Tribunal Member)
Heard on : 22 September 2010
Order issued on : 22 September 2010
Reasons issued on : 04 November 2010

Reasons for Decision

APPROVAL

[1] On 22 September 2010, the Competition Tribunal (“Tribunal”) unconditionally approved the proposed transaction involving Nippon Telegraph and Telephone Corporation and Dimension Data Holdings Plc. The reasons for the approval follow below.

PARTIES TO THE TRANSACTION

[2] The primary acquiring firm is Nippon Telegraph and Telephone Corporation (“NTT”), a company incorporated in accordance with the laws of Japan. NTT is a public company listed on stock exchanges in Japan, New York and

London. NTT's major shareholders are: the Minister of Finance of Japan; Japan Trustee Services Bank, Ltd; the Master Trust Bank of Japan, Ltd; and Moxley and Company.

[3] NTT has in excess of 500 subsidiaries worldwide. NTT conducts business in South Africa through its indirect subsidiary MagiNet South Africa Incorporated ("MagiNet"). MagiNet was incorporated in the United States of America and is registered in South Africa as an external company.

[4] The primary target firm is Dimension Data Holdings Plc ("DiData"), a public company listed on the London and Johannesburg stock exchanges. DiData's major shareholders are: Allan Gray Investment Council; Venfin DD Holdings Ltd; and Public Investment Corporation.

[5] DiData has in excess of 100 subsidiaries worldwide and in South Africa these subsidiaries include Dimension Data (South Africa) Holdings (Pty) Ltd and Internet Solutions (Pty) Ltd ("Internet Solutions").

DESCRIPTION OF THE TRANSACTION

[6] In terms of the proposed transaction NTT intends acquiring the entire issued and to be issued ordinary share capital of DiData by way of a public offer to the shareholders of DiData. On completion of this transaction, NTT will have sole control over DiData.

RATIONALE FOR THE TRANSACTION

[7] The merging parties submitted that they share a common vision for the evolution of the information and communications technology (ITC) services markets and possess the capabilities to address the opportunities it presents. They also indicated that they have complementary product offerings and geographic presence, which will allow the combined business to offer a comprehensive portfolio of solutions to existing and new customers on a global basis.

ACTIVITIES OF THE MERGING PARTIES

[8] NTT is involved in the telecommunication services and IT services markets around the world. In South Africa NTT, through MagiNet, provides *inter alia* secure broadband internet access services (both wired and wireless) to hotels. MagiNet designs, builds and installs networks in hotels which guests use to access the internet for telephony, sending and receiving emails, searching and downloading from the internet and video conferencing. MagiNet also provides video-on-demand (or interactive TV) services at hotels on a revenue sharing basis with a hotel where these services are provided.

[9] DiData also has various interests in the IT services and communication services markets around the world. It provides solutions that help clients plan, build, support and manage their IT infrastructures. DiData focuses on the following six lines of business: converged communications¹, security², data centre and storage³, customer interactive solutions⁴, Microsoft solutions⁵ and network integration. Network integration entails creating a secure, manageable and optimised infrastructure, incorporating the local and wide area network and wired and wireless technologies, and focusing on ensuring excellence in end-user experience and network performance.

[10] The DiData SA systems integration business includes the above-mentioned six lines of business. The other relevant DiData business in South Africa for purposes of this transaction is the ISP services business conducted by Internet Solutions which provides *inter alia* internet based connectivity. The DiData SA and Internet Solutions businesses could combine their respective services to offer specialised converged communication services to various clients, including hotels.

¹ This entails assisting clients with integration of traditional communication tools, like telephony and email, with collaboration technologies such as instant messaging and video conferencing.

² This entails designing and supporting security solutions across all clients' IT infrastructure.

³ This entails providing services around the data centre, including storage, archiving, backup and recovery, virtualisation and consolidation.

⁴ This focuses on designing and building contact centre solutions.

⁵ This involves providing licensing solutions, professional services and managed services around five related areas, viz unified communications, collaboration, desktop and server infrastructure, systems management and software asset management.

RELEVANT MARKETS AND COMPETITION ANALYSIS

[11] The parties submitted that their activities do not overlap from a demand substitutability perspective, but might overlap from a supply substitutability perspective in regard to the provision of system integration/network integration services insofar as the merging parties each provide consulting, development and integration services for internet connectivity.

[12] The Commission identified a horizontal overlap in the activities of the merging parties in respect of a national market for the provision of system integration and network integration services. There is however no need for us to define the exact parameters of the relevant IT services markets in this case. We shall assess the effects of the proposed transaction in a potential national market for the provision of system integration and network integration services.

[13] For the provision of system integration and network integration services, DiData has a national market share of less than 25% and NTT (MagiNet) has an insignificant share of less than 0,1%. The competitors of the merging parties in this potential market include firms such as Accenture, IBM, BT, HP, CSC and a host of other firms. Furthermore, customers contacted by the Commission as part of its market investigation raised no concerns in regard to this deal and indicated that they have various alternative suppliers of the relevant services to turn to for example Gijima AST Holdings, Lefatsi, IBM, Business Connection and Hulled Packet.

[14] Given the very limited market share accretion resulting from the proposed transaction we conclude that any substantial lessening or prevention of competition as a result of the proposed deal is highly unlikely in a potential national system integration and network integration services market.

[15] Given the limited vertical relationships between the merging parties, the above-mentioned insignificant market share of MagiNet in a potential national market for the provision of system integration and network integration services and the large number of players in any potentially affected vertical

markets, we also consider any foreclosure effects as a result of this deal to be highly unlikely. We therefore do not discuss these vertical relationships in any further detail.

CONCLUSION

[16] In light of the above the Tribunal finds that the proposed transaction is unlikely to substantially lessen or prevent competition in any affected market. In addition, no public interest issues arise from the proposed transaction. Accordingly we approve the proposed transaction unconditionally.

Andreas Wessels

04 November 2010
Date

Norman Manoim and Yasmin Carrim concurring

Tribunal Researcher: Ipeleng Selaledi
For the merging parties: Webber Wentzel Attorneys
For the Commission: Themba Mahlangu