

COMPETITION TRIBUNAL OF SOUTH AFRICA

In the matter between:

Case No: 64/LM/May08

Bytes Technology Group SA (Pty) Ltd Acquiring firm

And

Nor Stationary Wholesalers (Pty) Ltd

Nor Paper (Pty) Ltd Target firms

Panel : D Lewis (Presiding Member); U Bhoola (Tribunal Member) and N Manoim (Tribunal Member)

Heard on : 9 July 2008

Decided : 9 July 2008

Reasons Issued : 28 July 2008

Reasons

Approval

[1] On 9 July 2008 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Bytes Technology Group SA (Pty) Ltd and Nor Stationary Wholesalers (Pty) Ltd and Nor Paper (Pty) Ltd unconditionally. The reasons appear below.

Parties

[2] The acquiring firm is Bytes Technology Group SA (Pty) Ltd ("BTG SA"), a company incorporated under the laws of the Republic of South Africa.¹ BTG SA is controlled by Bytes Technology Group Ltd ("BTG"), a company which was formerly listed on the JSE Securities Exchange and is currently in the process of being converted to a private company. BTG is in turn controlled by Allied Electronics Corporation Ltd ("Altron").

[3] The primary target firms are NOR Stationary Wholesalers (Pty) Ltd ("NOR Stationary")² and NOR Paper (Pty) Ltd ("NOR Paper")³ companies incorporated under the

¹ BTG SA controls the following subsidiaries : Bytes Corporate Services (Pty)Ltd; Bytes Systems Integration (Pty)Ltd; Bytes People Solutions (Pty)Ltd; Bytes Outsource Service (Pty)Ltd; Bytes Resource Service (Pty)Ltd; Bytes Healthcare Solutions (Pty)Ltd; Med-e-Mass (Pty)Ltd; Digital Healthcare Switch (Pty)Ltd and Bytes Software (Pty)Ltd. BTG SA also consists of Bytes Communication Systems Division; Bytes Document Solutions Division ("BDS"); Bytes Managed Solutions Division and Bytes Specialised Solutions Division.

² NOR Stationary is controlled by the Norsworthy Family Trust. Norsworthy Family Trust does not control any other firm.

laws of the Republic of South Africa. The target firms are collectively referred to as the NOR Business.

Transaction

[4] In terms of the proposed transaction BTG SA intends to purchase the entire business operations of NOR Stationary and NOR Paper as going concern. The transaction will result in BTG SA having control over NOR Business.

Rationale of transaction

[5] According to BTG SA this acquisition will assist in alleviating BDS's dependency on Xerox by enabling it to grow its non-core business.

[6] From the perspective of the target firms, the disposal presents an opportunity to expand the NOR Business.⁴ In addition the proposed transaction will enable NOR Business to obtain Black Economic Empowerment ("BEE") credentials.⁵

Parties Activities

[7] The Bytes Group provides a broad range of products, technical skills and specialised services to support enterprise-wide IT infrastructure.⁶ The relevant division of BTG SA for the purposes of this transaction is the Bytes Document Solutions Division ("BDS"). BDS provides a broad portfolio of products and services to the document industry.⁷ BDS production printing equipment provides commercial printers and document intensive industries with high speed digital printing and services that enable on-demand personalised printing.⁸

³ NOR Paper's interests are held by the following shareholders who do not control any other firm: R Blake 25% shareholding; A Norsworthy 25%; J.E Norsworthy 25% and SE Norsworthy 25% shareholding.

⁴ The parties submit that NOR Business will have benefits associated with forming part of the bigger group such as having access to having capital injection into its business.

⁵ According to the parties NOR Business currently has no BEE shareholder whereas BTG SA brings to the merged entity participation and involvement of one of the leading BEE firms, namely Kagiso Strategic Investments (Pty) Ltd.

⁶ BTG SA is made up of the following divisions and subsidiaries: Bytes Communication Systems Division; Bytes Document Solutions Division; Bytes Managed Services Division; Bytes People Solutions (Pty) Ltd; Bytes Specialised Solutions Divisions; Bytes Systems Integration (Pty) Ltd; Bytes Outsource Service (Pty) Ltd; Bytes Healthcare Solutions (Pty) Ltd; Bytes Corporate Services (Pty) Ltd; Bytes Resources Services (Pty) Ltd and Bytes Software (Pty) Ltd.

⁷ The portfolio includes digital systems such as printing and publishing systems, digital presses and "book factories", multi-function devices, laser and solid ink network printers, copiers and fax machines.

⁸ The parties submit that BDS also distributes A4 and A3 white 80gsm copy paper. It also offers service expertise including assisting businesses to share inter office documents and acknowledge, operating in-house print shops and mailrooms, and offers customers associated software, support and supplies (including toner paper).

[8] NOR Business offers comprehensive paper, board and sundry supplies and is a “One-Stop Shop” for all printing and allied trades, as well as stationers and small business.⁹ NOR Business is also involved in the distribution of the following paper products: Coated art paper which is available in three grades namely: matt, gloss and silk (semi gloss); uncoated woodfree paper; copy paper and various boards.

Competition Analysis

[9] In its analysis of the proposed transaction the Commission found there is an overlap in the activities of the merging parties with regard to copy paper. According to the Commission, whilst BDS is classified as a supplier that supplies its copy paper under their own brand names to large customers, NOR business is classified as a wholesaler that distributes its copy paper to commercial printers, paper traders, stationers and small businesses. The Commission found that the merging parties will have a 16.8% post-merger market share. According to the Commission, pre-merger BDS had approximately 14% market share and the NOR Business had approximately 2.8% market share. We therefore agree with the Commission’s view that the proposed transaction is unlikely to raise any serious competition concerns as the market share increments are insignificant. In addition there are no public interest issues.

Conclusion

[10] Based on the above the transaction will not result in a substantial lessening or prevention of competition and is accordingly approved unconditionally.

_____	<u>28 July 2008</u>
N Manoim	Date
Tribunal Member	

U Bhoola And D Lewis concurring

Tribunal Researcher	: J Ngobeni
For the merging parties	: Bowman Gilfillan Inc
For the Commission	: Thabelo Ravhugoni (Mergers and Acquisitions)

⁹ NOR Business is considered a supplier of specialty paper. The specialty paper is generally used for commercial printing.