

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 73/LM/JUL07

In the matter between:

FIRSTRAND BANK LIMITED

Acquiring Firm

And

LENDING DIVISION OF THE TRANSNET HOUSING

BUSINESS UNIT

Target Firm

Panel : Y Carrim ((Presiding Member), U Bhoola (Tribunal Member)
and M Madlanga (Tribunal Member)

Heard on : 14 September 2007

Decided on : 14 September 2007

Reasons issued on : 18 September 2007

REASONS FOR DECISION

Approval

[1] On 14 September 2007, The Tribunal approved the acquisition by FirstRand Bank Limited (“FirstRand Bank”), of the Lending Division of Transnet Housing Business Unit (“Transnet Housing – Lending Division”), without conditions. The reasons for that decision follow.

Parties to the Transaction

[2] The primary acquiring firm is FirstRand Bank. FirstRand Bank does not control any firm. FirstRand Bank is a wholly owned subsidiary of FirstRand Bank Holdings Limited (“FirstRand Bank Holdings”), which in turn is wholly owned by FirstRand Limited (“FirstRand”). FirstRand is not controlled by any firm. The acquiring group as a whole has over thirty subsidiaries.¹

[3] The primary target firm/business is Transnet Housing – Lending Division, a division of Transnet Limited (“Transnet”). Transnet is wholly owned by the government of the Republic of South Africa and has in excess of ten business units,² primarily involved in the transport sector.

Transaction

[4] In terms of the Sale of Business Agreement FirstRand Bank is purchasing the Lending Division of the Transnet Housing Business Unit from Transnet Limited. Pursuant to the implementation of the transaction FirstRand Bank will acquire ownership and control of Transnet Housing – Lending Division.

Rationale for the Transaction

[5] The acquiring group submitted that it views Transnet Housing – Lending Division as an attractive investment as the latter is an established mortgage business. Transnet, which operates and controls South Africa’s major transport infrastructure and is responsible for ensuring that the country’s transport industry conforms to international standards has decided to sell Transnet Housing - Lending Division, a non-core division, in order to focus on logistics.

The parties Activities

1 Details of which appear in pages 36 – 55 of the record.

2 Details of which appear in pages 334 – 337 of the record.

[6] The acquiring group is an integrated financial services provider. Its products include retail banking; investment banking; corporate banking; private banking, life assurance; health insurance; asset management; employee benefits and short term insurance. FirstRand Bank also provides home loans or mortgage finance indiscriminately to private individuals nationally. FirstRand Bank also provides banking services to Transnet.

[7] Transnet Housing – Lending Division administers all housing related activities within the Transnet Group and offers home loans (mortgage and pension fund backed loans); general and secured small loans. The target firm provides these services in-house to current and former employees of Transnet.

The Relevant Market

[8] The commission defined the market as being that of the provision of home loans and, taking into account the nature of the product involved, the commission further defined the geographic market as national. We accept the commission’s market definition.

[9] Table 1. below indicates the pre and post merger market structure in the provision of home loans in South Africa.

Table 1. Pre and post merger home loans market structure in RSA

Competitor	Market Share prior	Market Share post
The acquiring Group	16.3%	16.5%
Transnet Housing – Lending Division	0.2%	0%
ABSA	30.3%	Same
Standard Bank SA	26%	Same
Nedbank	19.6%	Same
Investec	5.6%	Same

Competition Analysis

[10] The transaction has both horizontal implications (as the parties are competitors in the home loans business) and vertical implications (as FirstRand Bank also provides corporate banking services to Transnet). In view of the fact that Transnet only provides its home loans services to current and former employees, the target firm does not actively compete against FirstRand Bank in the home loans market. The horizontal effects of the transaction are also insignificant as the acquiring group's market share will only increase by 0.2% from 16.3% to 16.5%. The local home loan market remains a fiercely contested one and at least three significant competitors i.e. ABSA, Standard bank and Nedbank, will remain in the market post merger, with higher market shares than the merged entity.

[11] Accordingly, we find that the transaction will not substantially prevent or lessen competition.

Conclusion

[12] We further find that the transaction does not raise any significant public interest issues and accordingly approve the merger without conditions.

Y Carrim

18 September 2007

Date

U Bhoola and M Madlanga concurring.

Tribunal Researcher : P S Munyai

For the merging parties : Edward Nathan & Sonnenbergs for Transnet

: Hofmyer Herbstein & Ginwala Inc

for FirstRand Bank.

For the Competition Commission : M Dasarath