

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 73/LM/Jun00

In the large merger between:

De Beers Consolidated Mines Limited

and

Industrial and Commercial Holdings Group Limited

Reasons for the Competition Tribunal's Decision

Approval

1. The Competition Tribunal issued a Merger Clearance Certificate on 12 July 2000 approving the merger between De Beers Consolidated Mines Limited (De Beers) and Industrial and Commercial Holdings Group Limited (ICH) without conditions. The reasons for our decision to approve the merger without conditions are set out below.

The merger transaction

2. The primary acquiring firm is De Beers and the primary target firm the ICH. De Beers and ICH are partners in the Saturn Partnership (Saturn). De Beers holds 87.5 percent interest in Saturn and ICH the remaining 12.5 percent.
3. Saturn holds the right to a 50 percent share of the pre-tax profits of the Venetia diamond mine, which is wholly owned by De Beers. Saturn is a conduit for these profits; it conducts no other business except to collect the profits on behalf of the partners.
4. De Beers is acquiring all the shares in ICH, the effect of this transaction will be to give De Beers the right to all the profits in the Venetia mine.

Evaluating the merger

Background

5. In 1980 South African Base Minerals Limited, which owned the mineral rights to the Venetia farm, entered into an agreement with De Beers giving De Beers an exclusive right to prospect for precious stones on the Venetia farm and to establish a mine should a discovery be made. In return De Beers would pay a royalty to South African Base Minerals Limited. Later that year De Beers discovered diamond deposits on the farm and the Venetia mine was established. South African Base Minerals Limited ceded the mineral rights to the Saturn Mining, Prospecting and Development Company (Pty) Limited (the Saturn Company) soon thereafter. In 1996 the Saturn Company sold the mineral rights to De Beers in return for a right to 50 percent of the share of the pre-tax profits of the Venetia mine and was restructured into the Saturn partnership with Anglovaal Mining Limited holding an 87.5 percent interest and ICH the remaining 12.5 percent.
6. De Beers acquired its interest in Saturn from Anglovaal Mining Limited through a merger that was approved by the Tribunal on 19 April 2000 (CT36/LM/Mar00).

The relevant product/services market

7. The relevant product market is the market for the production and sale of diamonds.

The relevant geographic market

8. Diamonds are produced and sold internationally by De Beers and other producers through the Central Selling Organisation controlled by De Beers.

Impact on competition

9. The Tribunal has already assessed the effect of this transaction on competition in the relevant market in its decision in case number CT36/LM/Mar00. In that case the Tribunal found that the transaction will give De Beers unfettered control over the production in the Venetia mine but that this was unlikely to have a significant effect on competition in the market because of De Beers' dominance in that market.

Public Interest Considerations

10. The Tribunal agrees with the Commission that there are no public interest concerns raised by this merger. According to the information supplied by the merging parties there will be no loss of employment resulting from this merger. ICH is an investment company without any employees.

12 July 2000

N.M. Manoim

Date

Concurring: D.H. Lewis, C. Qunta