COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA

Case no.: 75/LM/Aug05

In the large merger between:

Medi-Clinic Investment (Pty) Ltd

and

Wits University Donald Gordon Medical Centre (Pty) Ltd

Reasons

Introduction

The Competition Tribunal approved the merger between Medi-Clinic Investment (Pty) Ltd and Wits University Donald Gordon Medical Centre (Pty) Ltd on 12 October 2005. The reasons are set out below.

The transaction

Medi-Clinic Investment (Pty) Ltd ("Medi-Clinic") will acquire 49.9% of the issued share capital of Wits University Donald Gordon Medical Centre (Pty) Ltd ("WUDGMC"). Medi -linic is a wholly owned subsidiary of Medi-Clinic Corporation Ltd. It owns and manages a range of private hospitals throughout South Africa. WUDGMC is controlled by the University of the Witwatersrand ("Wits") and owns one private hospital in Parktown, Johannesburg. It also controls Kenridge Dispensary (Pty) Ltd.

Medi-Clinic will conclude a shareholders' agreement with Wits University, the remaining shareholder with 50.1%, in terms of which it will obtain minority protection rights. Medi-Clinic will also manage the hospital in terms of a management agreement.

Rationale for the transaction

Apart from expanding its presence in Johannesburg, Medi-Clinic's hospitals and doctors will be kept abreast of evidence-based medicine as well as securing the training of and exposure to specialists. Medi-Clinic will also benefit from its association with the Wits University brand and the merger will increase the possibility of accreditation of certain units at its other hospitals in Johannesburg as teaching units affiliated to Wits.

WUDGMC will acquire additional capital to, inter alia, purchase new equipment and Medi -linic's procurement power will reduce WDGM's costs and overheads.

Effect on competition

Both the merging parties are active in the product market for the provision of private hospital services.

Medi-Clinic is one of only three major private hospital groups in South Africa and and owns 6209 beds nationally of which 1515 are in Gauteng. WUDGMC owns one private hospital with 190 beds in Parktown, Johannesburg.

The Competition Commission considered the effect of the transaction within a local as well as a national geographic market. Within a local market the merged entity's market share will increase from 10.9% to 14% with its largest competitor being Netcare with 55.8% and the second largest being Life Healthcare with 30%. In a national market the merged entity will have a market share of 30.4% with the largest player being Netcare with 36.6% and the second largest Life Healthcare with 32.9%.

WUDGMC is a relatively small player in the private hospital market, which is dominated by three large competitors. Its market share in the local market is 3.1% and in the national market 0.9%. We agree with the Commission that, based on its low market share, WUDGMC could not be regarded as an effective competitor exiting the market.

The Tribunal accordingly finds that the transaction will not substantially prevent or lessen competition in the private hospital market whether the market is defined as local or national.

Public interest

According to the merging parties a maximum of 25 of the 306 employees, i.e. senior management and administrative staff, of WUDGMC might, in a worst-case scenario, be retrenched. However the parties informed the Commission that these staff members would be considered and accommodated for 23 new positions that will be created as a result of the transaction.

____________ 2 November 2005

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Concurring: D Lewis, N Manoim,