

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 85/LM/Dec02

In the large merger between:

Reutech Engineering Services (Pty) Ltd

and

ATC (Pty) Ltd

Reasons for Decision

Approval

On 19 December 2002 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Reutech Engineering Services (Pty) Ltd and ATC (Pty) Ltd in terms of section 16(2)(a). The reasons for the approval of the merger appear below.

The merger transaction

Reutech Engineering Services (Pty) Ltd ("Reutech") who already owns 28.13% of the shares in ATC (Pty) Ltd ("ATC") is acquiring a further 50.87% of the shares in ATC, which were previously held by Marconi Communications Africa (Pty) Ltd (28.13%) and Associated Electrical Industries Limited (22.74%)¹. On completion of the transaction Reutech will be the majority shareholder with approximately 79% shareholding in ATC.

Reutech, the primary acquiring company, is a dormant firm, which is wholly owned by Reunert Ltd.

¹ Associated Electrical Industries Ltd is controlled by Marconi Plc, a London company.

The current shareholders in ATC are Marconi Communications Africa (Pty) Ltd, Associated Electrical Industries Ltd, Reutech Engineering Service (Pty) Ltd and African Cables Ltd.²

Rationale for the transaction

According to the parties ATC lost a major Telkom order at the end of 1999, which resulted in significant retrenchments³, apparently, because its empowerment credentials were not in line with Telkom's expectations. Due to ATC's extremely complex shareholding and the fact that existing shareholders did not want to dilute their shareholding it was not possible to introduce a black empowerment shareholder. However, all this will change after the transaction is completed since the new shareholders intends to introduce a significant black empowerment component.

The relevant product market

We agree with the Commission that there is no product overlap between the merging parties.

As stated above, the acquiring firm is a dormant company held by Reunert, which is engaged in the manufacture of electronics and low-voltage electrical engineering. ATC specialises in the manufacture of telecommunication cable for public network operators such as Optical fiber, Optical fiber Cables and Copper Cables.

Effect on competition

ATC sells its cables directly to Telkom, which is the only company responsible for laying the cables used in the transmission of electrical signals.⁴ Other players that also sell optical fiber communication cables to Telkom are Aberdare and M-Tec. Aberdare also provides Telkom with copper communication cables.

In light of the fact that the market structure will not change as a result of the transaction we find that the transaction will not significantly lessen or prevent competition in the relevant market.

² African Cables is a joint venture between Reunert Ltd (holding 49% of the shares) and Pirelli Spa (holding 51% of the shares). African cables manufacture insulated electrical power cables.

³ ATC's fiber plant at that time was totally dependent on receiving work from Telkom.

⁴ The merger therefore does not raise any vertical integration concerns.

Public Interest Issues

No employment or other public interest issues arise as a consequence of the transaction.

D. Lewis

20 December 2002

Date

Concurring: N.M. Manoim, M. Holden