

**In The Large Merger Between:**

**Nedbank Ltd, Investec Ltd, Hosken Consolidated Investments Ltd**

**And**

---

**The IQ Business Group (Pty) Ltd**

---

**Reasons for Decision**

---

**Approval**

1. On 27 October 2004 the Competition Tribunal issued a Merger Clearance Certificate approving the transaction between Nedbank Ltd, Investec Ltd, Hosken Consolidated Investments Ltd and The IQ Business Group (Pty) Ltd. The reasons for this decision follow.

**The Parties**

2. The primary acquiring firms are Nedbank Ltd ("Nedbank"), Investec Ltd ("Investec") and Hosken Consolidated Investments Ltd ("HCI").
3. Nedbank is ultimately controlled by Old Mutual Plc, a company listed on the London Securities Exchange. No firm controls Old Mutual Plc. Investec is not controlled by any single entity and is listed on the JSE Securities Exchange. Its largest shareholder grouping comprises an empowerment consortium (comprising the Tiso Group, the Peu Investment Group, a broad-based Entrepreneurship Development Trust and an Investec Employee Share Trust), which holds 25,1% of the issued shares of Investec. Sactwu Educational Trust and Southern African Clothing and Textile Workers Union jointly control HCI (11% and 34% respectively).
4. The primary target firm is The IQ Business Group (Pty) Ltd ("IQ"). Pre-acquisition, the primary acquiring firms are shareholders in the target firm.

**The transaction**

5. The transaction involves the acquisition of additional shares in the IQ's share capital by the acquiring firms. This in effect amounts to a recapitalisation of IQ Business Group.

**The Parties' Activities**

6. Nedbank provides banking and related services through out the Republic of South Africa. Investec provides a wide range of financial products and services, viz. investment banking, treasury and specialized finance, private banking and client portfolio management and asset management. HCI is an investment holding company, which invests in the media and broadcasting, gaming, information technology and financial services.
7. IQ provides project management and process enhancement services including the use of information technology skills and tools to achieve such business process enhancement. IQ designs, implements and manages technology enabled business processes in financial services, healthcare and supply chain management.<sup>1</sup>

### **Impact on competition**

8. None of the acquiring firms are involved in the same market as IQ. However, while there is no horizontal overlap in the activities of the parties, IQ and Nedbank are in a vertical relationship as IQ provides services to Nedbank. Along with Nedbank, IQ also provides the following services to other banks: Project management, business analysis, software development and contracting. These services are provided as composite packages of services to their clients.
9. IQ is, however, a relatively small player as its market share is below 10%. There are a number of other players in the market and according to a competitor of IQ, the service market was a “buyers market in that customers [were] always playing one competitor against the other and service contracts [were] for a short period allowing customers to switch to alternate providers if they were unhappy with services rendered.”<sup>2</sup> The Commission in its investigation found that if customers of IQ, the banks in particular, did not wish to source their services from IQ they could switch to other providers of project management services.

### **Conclusion**

10. Having regard to the above, we conclude that the merger will not lead to a substantial lessening of competition and there are no significant public interest concerns. Accordingly, we agree with the Commission’s recommendation that the transaction be unconditionally approved.

**04 November 2004**

---

<sup>1</sup> When asked by the tribunal to describe, in layman’s terms, what services IQ provides, Mr Pieter van Tonder, Group Financial Director of the IQ Business Group, replied that in essence IQ simplified business processes by applying technology in order “, to enable businesses to achieve maximisation [of the whole design of the system]”. With regard to the services provided to the banks, IQ, for example, helped simplify the home loan application process (which took about 30-35 days), by developing a system, which reduced the process to 2 days. At page 1-2 of the transcript.

<sup>2</sup> At page 5 of the Competition Commission’s report.

**D Lewis**

**Date**

**Concurring: N Manoim and M Mokuena**

For the merging parties: L Mendelsohn and J Balkin (Edward Nathan & Friedland)  
For the Commission: A Chetty (Mergers and Acquisitions)