

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no.: 72/LM/Aug05

In the large merger between:

Corvest 6 (Pty) Ltd

and

Fidelity Supercare Services Group (Pty) Ltd

Reasons

Introduction

On 21 October 2005 the Competition Tribunal approved the merger between Corvest 6 (Pty) Ltd and Fidelity Supercare Services Group (Pty) Ltd. The reasons are set out below.

The transaction

Fidelity Services Group Ltd ("FSG") is unbundling and restructuring the Fidelity group of companies of which it is a part. This will lead to a number of changes within the group, one of which is the change in control of Fidelity Supercare Services Group (Pty) Ltd ("FSSG").

This transaction involves the acquisition of joint control of the issued share capital of FSSG, a 100 % subsidiary of Fidelity Services Group Properties (Pty) Ltd ("Propco"), which is in turn a 100% subsidiary of FSG. The primary acquiring firms are:

- | | |
|--|-----|
| ▪ Dickerson Investments (Pty) Ltd ¹ | 25% |
| ▪ Corvest 6 (Pty) Ltd ("Corvest 6") ² | 25% |
| ▪ Zungu Investments Co (Pty) Ltd ("Zico") ³ | 25% |

¹ Its sole purpose is to hold investments in FSG.

² Corvest 6 is 100% owned by Corvest Holdings (Pty) Ltd, a member of the FirstRand Group. Corvest Holdings (Pty) Ltd owns 38.34 of the shares in FSG.

³ Zico is an investment holding company and a BEE shareholder.

- Management consortium 4 25%

FSG and Propco will be liquidated post the transaction.

FSG has a number of shareholders but is not controlled by any of them.⁵

Rationale for the transaction

The shareholders of FSG wish to unbundle and restructure the group of companies controlled by FSG. One of the main motivations for this process is to introduce BEE partners into each of the main areas of business.

Effect on competition

FSSG renders a broad range of services, viz. contract cleaning services, hygienic services, outsourced labour services, pest control services, garden services and micro loans.

Two of the acquiring shareholders are involved in the same product markets as FSSG. The first is Corvest 6 which has interests in three companies, Industrial Health Services (Pty) Ltd, ("IHS"), IHS Property Care Services (Pty) Ltd ("IHSPC") and Pristine Washroom Products (Pty) Ltd ("PWP"), that are involved to a small extent in contract cleaning, hygiene services and pest control in some of the provinces. The second, Zico, is already involved in a joint venture with FSSG and David Prinsloo, called Isikhonyane, that supplies contract cleaning services.⁶ Post the transaction Isikhonyane will remain a joint venture subsidiary of FSSG.

The overlap in the product markets between the acquiring firms and FSSG does not occur as a result of this transaction but already existed before the transaction. The market structure will thus not change post the transaction and the Tribunal accordingly finds that the transaction will not substantially lessen or prevent competition in any of the product markets.

Public interest

The transaction does not raise any public interest issues.

4 The sole purpose of the management consortium is to hold shares in FSSG through a trust or company still to be formed.

5 Simplified diagrams of the pre-merger and post-merger structure of the FSG group are found at p 622-623 of the record.

6 See page 221 – 222 of the record.

L Reyburn

4 November 2005
Date

Concurring: T Orleyn, M Mokuena