COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA

Case No: 43/LM/Jul01

In the large merger between

Siemens Business Services (Pty) Ltd

and

Unihold Business Solutions Division of Unihold Group Ltd

REASONS FOR THE TRIBUNAL'S DECISION

Approval

The Competition Tribunal issued a Merger Clearance Certificate on 20 September 2001 approving the merger between Siemens Business Services (Pty) Ltd and Unihold Business Solutions Division of Unihold Group Ltd without conditions. The reasons for approving the merger are set out below.

The merger transaction

Siemens Business Services (Pty) Ltd (SBS) and Unihold Group Ltd have entered into a transaction in terms of which operations of SBS will be merged with the IT business solutions division of Unihold, which business is carried on by the Unihold Business Solutions Division (UBS) of Unihold. The division will be integrated into SBS.

As part of the consideration for the sale of the UBS business to SBS, Unihold will receive 40% of the issued share capital in SBS so that after the transaction Unihold will hold 40% of the shares in SBS, and a newly-formed Siemens Company, Siemens Business Services Holdings (Pty) Ltd will hold the remaining 60% of the shares in SBS.

The parties allege that, as small individual players in the current IT market, they were unable to provide to customers the quality and range of services they desired. They found that organic growth was not a viable option and that a merger of the two businesses, which complement one another, would create an IT services group that has the requisite

critical mass. Furthermore, the two groups have, in the past, worked together on a number of projects.

Evaluating the merger

The relevant market

Both parties are players in the information technology services market in South Africa.

The UBS division is focussed on providing software solutions to its customers and a very small component of its business provides infrastructure to its customers. SBS is focussed on installation and maintenance of IT infrastructure.

The following diagram sets out the various business solutions services and the areas in which UBS and SBS are currently active:

Business Solutions Services	Services offered by UBS	Services offered by SBS
Business strategy	-	-
Business Processes	-	Professional Services Consulting
Business Applications and software	1. Business Information Management (BIM) 2. Customer Relationship Management (CRM) 3. E- Commerce	SAP Enterprise Resource Management (ERM)
IT Infrastructure	Re-sells HP & Compaq	Covers 80% of its South African business

The areas in which the merging parties' services overlap are Business Applications and Software and IT Infrastructure.

In the business applications and software area SBS provides only SAP ERM, whilst UBS

is involved in BIM, CRM and E-Commerce. As far as the provision of IT infrastructure goes, UBS is marginally involved, in that it re-sells Hewlett Packard and Compaq components. For SBS 80% of its business in South Africa is conducted in the IT Infrastructure area by providing infrastructure and database.

Both parties conduct their businesses in South Africa.

Impact on competition

Currently both SBS and the UBS division have market shares of less than 1% and compete with players such as Dimension Data (market share of 12,7%), AST (market share of 11,7%) and EDS (market share of 11,3%).

We agree with the Competition Commission that the merger should not have any negative effect on competition and may actually result in the creation of a more effective competitor that could challenge large players such as Dimension Data.

Public interest consideration

Except for employment, the transaction is unlikely to have a negative impact on any of the other public interest issues.

As a result of the merger restructuring will be necessary in the finance, administration and logistics area that could result in up to 40 members of staff being retrenched.

3   October   2001

D.H. Lewis

Concurring: P. Maponya and F. Fourie