

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 132/LM/Dec07

In the matter between:

Lithotech Holdings Ltd

Acquiring Firm

And

Rotolabel (Transvaal) (Pty) Ltd

Target Firm

Panel : Y Carrim (Presiding Member), N Manoim (Tribunal Member) and U Bhoola (Tribunal Member)

Heard On : 06 February 2008

Decided on : 06 February 2008

Reasons Issued on : 20 February 2008

Reasons for Decision

Approval

[1] On 05 February 2008 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Lithotech Holdings Ltd and Rotolabel (Transvaal) (Pty) Ltd unconditionally. The reasons appear below.

Parties

[2] The acquiring firm is Lithotech Holdings Ltd ("Lithotech")¹ a company incorporated under the laws of South Africa. Lithotech is a wholly owned subsidiary of Bidvest Group Ltd ("Bidvest Group") and forms part of the Bidvest Bidpaper Plus division.²

[3] The target firm is Rotolabel (Transvaal) (Pty) ("Rotolabel"), a company incorporated under the laws of South Africa. Rotolabel is jointly controlled by Richard Simon Gilbert and the Zagsy Cat Trust ("the Trust"), who together own 65% of the shares in Rotolabel.³

¹ Lithotech controls the following firms: Lithotech (Pty)Ltd; Lithotech Afric Mail (Cape)(Pty) Ltd; Lithotech Corporate (Pty)Ltd and Lithotech Solutions (Pty)Ltd

² Bidvest is a company incorporated in accordance with the laws of South Africa. It has a number of subsidiaries in South Africa and abroad.

³ The rest of the shareholders of Rotolabel are as follows: Anthony Roy William Clarke, with 13.5%; Ronald Harry Dyer, with 13.5% shares; Jacobus Lodewicus Maritz, with 4% shares and Grant Watson with 4% shares. Rotolabel does not directly or indirectly control

Transaction

[4] In terms of the proposed transaction Lithotech will acquire 100% of the share capital in Rotolabel.

Rationale

[5] Lithotech considers the transaction as part of a broader diversification plan of its Bidpaper Plus division. It is anticipated that having a facility such as Rotolabel would elevate Bidpaper Plus division's position in the market, while also bringing additional skills and equipment. The target firm's shareholders are selling their shares because the majority shareholders are approaching retirement and have identified this transaction as the best way to realise their investment.

Parties' Activities

[6] Lithotech conducts the print and paper conversion services of the Bidvest Group.⁴ It offers a range of products and services which include labels and labelling systems, the manufacturer sales and distribution of customer communications, business forms, document management and other commercial products. The parties submitted that with regard to the labelling products business, the Bidpaper Plus division has two label operations, namely, Lithotech Labels (which manufactures decorative self-adhesive labels) and Lithotech Manufacturing Spartan (which manufactures blank or limited colour self adhesive labels).

[7] Rotolabel produces decorative self-adhesive labels which are largely applied to Fast Moving Consumer Goods("FMCG") and supplies mainly to Woolworth's packaging labels and the wine and pharmaceutical sectors.

Relevant Market

[8] In its analysis of the proposed transaction the Commission found that there is an overlap in the activities of the merging firms in respect of the manufacture and supply of self-adhesive labels, specifically in the decorative self-adhesive product label. The Commission defines the market as the market for the manufacture and supply of self-adhesive labels.
any other firm.

⁴ Bidvest Group operates through Bidpaper Plus, Bidfreight, Bidserve, BidFood, Bid Industrial and Commercial Services, Bid Auto and Bid Corporate Services and its activities are: catering supplies, food and allied products; travel, financial and related services; freight-forwarding, clearing, distribution, warehousing and allied activities; stationary, office furniture, supplies and related products; linen, rental, laundry, cleaning and other services; electrical supplies, security and related products; motor retail and related services; and printing and stationary products which are conducted by Bidpaper Plus

The parties argued that the market could be defined further into the market for decorative self-adhesive labels and the market for plain self-adhesive labels. At the hearing Mr Neil Bircht, Chief Executive Officer of Lithotech Holdings, submitted that the manufacturing of decorative self-adhesive labels required additional colours and varnishes which were not required in the plain self-adhesive labels.⁵ The merging parties relied on this Tribunal's approach to the labels market in Nampak Ltd/Malbak Ltd. In that case the Tribunal distinguished between self-adhesive and wet glued labels.⁶ In our view the processes for the manufacture of decorative labels, while requiring more colour and varnish, did not seem significantly different from that of self-adhesive blank labels. Accordingly we define the relevant market as the market for the manufacture and supply of self-adhesive labels.⁷

Competition Analysis

[9] According to the Commission the merging parties would have a 9% combined post merger market share for the manufacture and supply of self adhesive labels nationally. Pre-merger, Lithotech and Rotolabel have small market shares, estimated at 2% and 7% respectively. The accretion in the market share would thus be only 5%. The Commission further submitted that this market share is insignificant to raise any competition concerns. In addition, the transaction does not raise any public interest issues.

Conclusion

[10] Based on the above, we find that the transaction will not result in a substantial lessening or prevention of competition in the relevant market and is accordingly approved unconditionally.

Y Carrim

Tribunal Member

20 February 2008

Date

N Manoim and U Bhoola concurring.

⁵ See page 3 of the transcript.

⁶ See Tribunal case number 29/LM/May02.

⁷ This is supported to some extent by the fact that both the Commission and the merging parties rely on turnover figures of self-adhesive labels as a whole to estimate the merged entities market share. See page 50 of the record.

Tribunal Researcher	: J Ngobeni
For the merging parties	: Bowman Gilfillan
For the Commission	: Mahale Mohlala