

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 19/LM/Feb06

In the large merger between:

BCE Foodservice Equipment (Pty) Ltd

and

Basfour 3018 (Pty) Ltd

Reasons for Decision

Approval

1. On 22 March 2006 the Competition Tribunal issued a merger clearance certificate approving the merger between BCE Foodservice Equipment (Pty) Ltd and Basfour 3018 (Pty) Ltd. The reasons appear below.

The Parties

2. The acquiring firm is BCE Foodservice Equipment (Pty) Ltd ("BCE Foodservice"). BCE Foodservice is owned by the following shareholders in the percentages indicated:

Investec Bank Limited ("Investec") (49%)
LM Nedstart (13%)
Mr Frank Boner ("Mr Boner") (13%)
Cida BCE Investments (Pty) Ltd (25%)

Investec is owned by Investec Limited, a company listed on the JSE and is not controlled by any single shareholder. The other companies controlled by

Investec Limited are not relevant for the purposes of this decision.¹

3. The primary target firm is Basfour 3018 (Pty) Ltd (“Basfour”). Basfour is controlled by Mr Boner. Basfour controls Goldscene International Limited, which operates or appears from one time to have operated only in China.²

The Merger Transaction

4. BCE Foodservice will acquire 100% of the issued shares in Basfour from Mr Boner.

Rationale for the Transaction

- e. **The proposed transaction is viewed as providing an opportunity for BCE Foodservice to combine its business with that of Consolidated Importers and Exporters (Pty) Ltd, which was acquired by Basfour from ABSA.³**
- f. The proposed merger is perceived by the parties as benefiting them through the combined expertise and international networks of the management teams of the two merging parties in the field of importing products into South Africa.

1 The companies controlled by Investec Limited can be found on page 2 of the record. These include Investec Property Group Holdings Limited, Investec Assurance Limited, Investec Employee Benefit Holdings (Pty) Ltd and Investec Group Data (Pty) Ltd.

2 At the Tribunal hearing it was stated by the merging parties that Goldscene International Limited is a dormant company and should be disregarded for the purposes of this transaction.

3 Prior to the acquisition by Basfour of the assets and business of Consolidated Importers and Exporters (Pty) Ltd, Basfour was a shelf company and did not conduct any business. Thus the business currently conducted by Basfour is as a result of purchasing the assets and business of Consolidated Importers and Exporters (Pty) Ltd.

The relevant product markets

7. While the merging parties operate within a broadly defined distribution market, their products do not overlap in a narrowly defined market. In the latter, they operate within separate product markets and serve different customers. BCE Foodservice is a specialist wholesaler that supplies professional industrial, kitchen and catering equipment for use in the hospitality industry and food service industry, while Basfour is a general wholesaler of household goods and supplies a wide range of inexpensive household items to retailers and other general wholesalers.

- h. There is an overlap between some of the products distributed by BCE Foodservice and Basfour. This overlap relates to kitchenware and smaller utensils. However, the extent of the overlap is minimal and it does not substantially prevent or lessen competition.

Effect on Competition

- i. **In a broadly defined market⁴ the combined market share of the merging firms is estimated to be less than 15% post merger. The market share post merger is considered small and consequently, does not raise serious competition concerns. Moreover, there are other companies which will compete with the merging parties in the distribution of their various products. BCE Foodservice competes with Hendler & Hart, Steel King Centre, Capital Catering, Chef Master, Catering and Trading Supplies. Basfour competes with Metro Cash and Carry, Makro, Wechsler, Louis Schmidt, Tru Africa and Africa Direct. These companies will continue to compete with the merging parties post-merger.**

Public Interest

- x. There are no public interest issues that may raise serious competition concerns.

Conclusion

- 11. We conclude that the merger will not lead to a substantial lessening or prevention of competition.

⁴ The term 'broadly defined market' has been described on page 281 of the record, as a market which includes the supply at wholesale level of kitchen and catering products (for both industrial and domestic use) as well as other household hardware products.

Y Carrim

07 April 2006
Date

Concurring: M Moerane and L Reyburn

For the merging parties:	Desmond Rudman, Werksmans Attorneys
For the Commission:	Seema Nunkoo, Mergers and Acquisitions