

SOUTH AFRICA / JUDGMENT

Sanlam Life Insurance Limited v ACT Healthcare Assets (Pty) Ltd (LM065Jul15) [2015] ZACT 113 (15 September 2015)

[2015] ZACT 113

COURT

Competition Tribunal

BEFORE

Andreas Wessels, Imraan I Valodia, Medi Mokuena

CASE / FILE NUMBER

LM065Jul15

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COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM065Jul15

In the matter between:

Sanlam Life Insurance Limited Primary Acquiring Firm

and

ACT Healthcare Assets (Pty) Ltd Primary Target Firm

Panel

: Mr Andreas Wessels (Presiding Member)

: Prof Imraan I Valodia (Tribunal Member)

: Ms Medi Mokuena (Tribunal Member)

Heard on

: 02 September 2015

Order Issued on

: 02 September 2015

Reasons

Issued on : 15 September 2015

Reasons

for Decision

Approval

[1] On 02 September 2015, the Competition Tribunal ("Tribunal") unconditionally approved the merger between Sanlam Life Insurance Limited ("Sanlam Life") and ACT Healthcare Assets (Pty) Ltd ("ACT").

[2] The reasons for approving the proposed transaction follow.

Parties to proposed transaction

Primary acquiring firm

[3] The primary acquiring firm is Sanlam Life, a firm incorporated in South Africa.

Sanlam Life is a wholly-owned subsidiary of Sanlam Limited ("Sanlam"). Sanlam is a public company listed on the JSE Limited.

[4] The Sanlam Group's business is organized into four clusters being Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam Investments

and Short-term insurance.

[5] Relevant for the assessment of the proposed transaction are the group's activities conducted through the Sanlam Personal Finance

division. Through various entities, the Sanlam Personal Finance division is active in the provision of medical administration services, managed healthcare services, health risk management and health insurance products.

Primary target firm

[6] The primary target firm is ACT. ACT is wholly-owned by Afrocentric Investment Corporation Limited ("Afrocentric").

[7] In South Africa, Afrocentric controls Afrocentric Health Limited ("AHL") and WAD Holdings (Pty) Ltd. AHL

controls a number of firms and relevant for the assessment of the proposed transaction are Medscheme Holdings (Pty) Ltd ("Medscheme");

Helios IT Solutions (Pty) Ltd; Aid for Aids Management (Pty) Ltd; Resticraft (Pty) Ltd; and Klinnika (Pty) Ltd.

[8] The Afrocentric group is involved in the administration of medical aid funds and managed healthcare activities, as well as the provision of healthcare and related services to end consumers directly as part of an extended administrative or managed healthcare business.

Proposed transaction and rationale

- [9] Afrocentric, ACT and Sanlam Life have entered into a subscription agreement in terms of which Sanlam Life will subscribe for shares representing 28.7% of the issued ordinary share capital of ACT for a subscription price of R703 million. Sanlam Life will also acquire certain minority protections in relation to ACT and certain of its subsidiaries, which confer control upon it for the purposes of section 12(2)(g) of the Competition Act of 1998[1].
- [10] The Sanlam group submitted that it expects growth in the healthcare sectors and does not at present have scale in this sector commensurate with the rest of its retail offerings. It would like to extend a medical scheme offering to its clients.
- [11] ACT submitted that the proposed transaction would inter a/ia provide Medscheme with access to the Sanlam group's extensive distribution capabilities.

Impact on competition

- [12] The Competition Commission ("Commission") identified a horizontal overlap in the activities of the merging parties in relation to (i) the supply of medical scheme administration services; and (ii) the provision of managed healthcare services.
- [13] In the market for the provision of medical scheme administration services, the Commission found that the merging parties will have a combined national market share of approximately [20-30]% with an accretion in market share as a result of the proposed transaction of approximately [0-1]%. The merging parties will continue to face competition from large players such as Discovery Limited ("Discovery") and MM! Holdings Limited ("MMI") and other smaller market participants.
- [14] In the market for the provision of managed healthcare services, the Commission found that the merging parties will have a combined national market share of approximately [25-35]%, with an accretion in market share as a result of the proposed transaction of approximately [0-1]%. The merging parties will compete with large players such as Discovery and MMI and other smaller market participants.
- [15] The Commission furthermore contacted customers as part of its market investigation and these customers did not raise any concerns regarding the proposed transaction as they indicated that there are alternatives available to them in the affected markets.
- [16] The Commission concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in the abovementioned markets.
- [17] We concur with the Commission's conclusion that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market.

Public interest

[18] The merging parties confirmed that the proposed transaction will have no negative impact on employment since no retrenchments are envisaged.[2]

[19] The proposed transaction further raises no other public interest concerns.

Conclusion

[20] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition, no public interest issues arise from the proposed transactions. Accordingly, we approve the proposed transaction unconditionally.

15 September 2015

DATE

Mr Andreas Wessels

Prof Imraan I Valodia and Ms Medi Mokuena concurring

Tribunal Researcher: Aneesa Raval

For the merging parties: Kesiah Frank of Glyn Marais Anton Roets of Nortons Inc

For the Commission: Kholiswa Mnisi and Lindiwe Khumalo

[1] Act No. 89 of 1998, as amended.

[2] Merger record inter alia page 11.

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