

SOUTH AFRICA / JUDGMENT

Sun International (South Africa) Limited v GPI Slots Proprietary Limited (LM101Aug15) [2015] ZACT 96 (5 November 2015)

[2015] ZACT 96

COURT

Competition Tribunal

BEFORE

Norman Manoim, Medi Mokuena, Imraan Valodia

CASE / FILE NUMBER

LM101Aug15

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COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM101Aug15

In the matter between:

Sun International (South Africa) Limited

Primary Acquiring Firm

and

GPI Slots Proprietary Limited

Primary Target Firm

Panel

: Norman Manoim (Presiding Member)

: Medi Mokuena (Tribunal Member)

: Imraan Valodia (Tribunal Member)

Heard on

: 7 October 2015

Order Issued on

: 7 October 2015

Reasons

Issued on : 5 November 2015

Reasons

for Decision

Approval

- [1] On 7 October 2015, the Competition Tribunal ("Tribunal") unconditionally approved the merger between Sun International (South Africa) Limited ("SISA") and GPI Slots Proprietary Limited ("GPI Slots").
- [2] The reasons for approving the proposed transaction follow.

Parties to transaction

Primary acquiring firm

- [3] The primary acquiring firm is SISA which is a wholly-owned subsidiary of Sun International Limited ("Sun International"). Sun International is publically listed on the JSE and is not controlled by any firm.
- [4] SISA invests and manages businesses in the hotel, resort and casino industries which SISA collectively refers to as leisure centres. These leisure centres offer a variety of experiences and activities ranging from wedding and banqueting offerings to water sport offerings. SISA has also recently entered the online sports betting space.

Primary target firm

- [5] GPI Slots is a subsidiary of Grand Parade Investments Limited ("GPI Investments"). Although GPI Slots is not controlled by any firm, SISA currently owns 25.1% of the shares in GPI Slots.
[1]
- [6] GPI Slots is the holding company of all the Limited Pay-out Machines ("LPM's") gaming operations of GPI Investments. LPM's are defined by the National Gambling Act as a gambling machine with a restricted bet and prize and which are generally located in bars, restaurants and clubs.[2] Regulation prescribes a maximum amount of money per win and per bet as well as the maximum number of LPM's allowed per single venue.

Proposed transaction and rationale

- [7] In the proposed transaction SISA intends to acquire 25% of the shares in GPI Slots. As SISA already owns 25.1% of the shares in GPI Slots the proposed transaction will increase SISA's total shareholding to 50.1%. This increase will grant SISA sole control of GPI Slots.
- [8] SISA submits that the proposed transaction is in line with its strategic objectives of growing its business to new areas and

products. GPI Investments submitted that the proposed transaction presented it with the opportunity to hand over the operational

control of GPI Slots to an expert operator.

Impact on competition

[9] The Commission based its findings on the Initial Transaction and found that there is no horizontal overlap between the parties as LPM's and casinos are not part of the same product market.[3] The Commission was satisfied with this

conclusion

as it based its opinion on the categorization of LPM's and the regulation surrounding it, specifically the limitation of bet sizes and prizes. The Commission is of the view that due to this, LPM's do not compete with the gambling offerings of SISA. The Commission was also of the opinion that due to the lack of an overlap SISA would not have any incentive to act in an anti-competitive manner post-merger.

[10] The merging parties further submitted that consumers visiting SISA casinos do so because of the wide variety of gambling options whereas at LMP venues the LMP's are an ancillary feature of the location. As the Commission is of the view that there is no overlap they had not conducted a competitive assessment for the proposed transaction.

[11] On the evidence in the present record we must accept that there is no overlap present and we therefore find that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market.

Public interest

[12] The Initial Transaction was approved subject to an employment condition which placed a 2 year moratorium on merger specific job losses at SISA and GPI Slots.[4] This moratorium was put into place over two concerns.

[13] The merging parties also indicated that they will continue to be bound by the moratorium put in place in terms of the initial transaction until it expires, which is two years after 24 December 2014. The present transaction thus raises no new employment concerns that are not already addressed by the prior condition.[5] The proposed transaction further raises no other public interest concerns.

Conclusion

[14] 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.

05 November 2015

DATE

Mr Norman Manoim

Ms Medi Mokuena and Prof Imraan Valodia concurring

Tribunal Researcher: Aneesa Ravat

For the merging parties: Nick Altini of Cliffe Dekker Hofmeyr

For the Commission: Ratshidaho Maphwanya and Nompucuko Nontombana

[1] The acquisition of these shares was approved by the Tribunal in November 2014 in Sun International (South Africa) Limited and GPI Slots Proprietary Limited 019083 ("the Initial Transaction")

[2] Act No 7 of 2004

[3] See footnote 1

[4] See footnote 1

[5] Inter alia merger record page 1 3.

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