COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 82/LM/Sep12
015552

In the matter between:

Sycom Property Fund	**Acquiring Firm**
And	
AECI Pension Fund in respect of a 60% undivided share in the letting enterprise known as Woodlands Office Park and its management company	**Target Firm**

Panel	:	Andreas Wessels (Presiding Member) Takalani Madima (Tribunal Member) Medi Mokuena (Tribunal Member)
Heard on	:	17 October 2012
Order issued on	:	17 October 2012
Reasons issued on	:	29 October 2012

Reasons for Decision

Approval

[1] On 17 October 2012 the Competition Tribunal ("Tribunal") approved the merger between Sycom Property Fund ("Sycom") and AECI Pension Fund ("AECI") in respect of a 60% undivided share in the letting enterprise referred to as Woodlands Office Park as well as its management company, Woodlands Office Park Property Management Company (Pty) Ltd ("Woodlands Manco").

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

Parties to transaction

[3] The primary acquiring firm is Sycom. Sycom is a closed-end property unit trust that is listed on the Johannesburg Securities Exchange Limited (JSE). Sycom, either directly or indirectly, through its property investment companies, invests in rental property in the retail and office space sectors. We note that Sycom however does not perform any asset management services for third parties.

[4] The primary target firm is AECI in respect of a 60% undivided share in the letting enterprise referred to as Woodlands Office Park as well as Woodlands Manco. AECI is a registered pension fund in terms of the Pension Funds Act.[1] The principal participating employer in the fund is AECI Limited, a JSE listed chemical company with a wide variety of shareholders.

[5] Woodlands Office Park is classified as A-Grade rentable office space. Woodlands Manco is the management company for the Woodlands Office Park and performs the function of office manager.

Proposed transaction

[6] Premerger Sycom owns a 40% undivided share in Woodlands Office Park and Woodlands Manco respectively. In terms of the proposed transaction, Sycom will acquire from AECI its 60% interest in both Woodlands Office Park and Woodlands Manco. Upon implementation of the proposed transaction, Sycom will therefore have sole control over Woodlands Office Park and Woodlands Manco.

Rationale for proposed transaction

[7] According to Sycom, since it already owns 40% of Woodlands Office Park and Woodlands Manco, the acquisition of the remaining 60% is in line with its strategy of enhancing Sycom Group's unitholder value through buying out co-owners' interest, where possible.

[1] Act No. 24 of 1956.

[8] AECI’s rationale for the proposed transaction relates to compliance with Regulation 28 of the Pension Funds Act.

Relevant markets and impact on competition

[9] The activities of the merging parties overlap with regards to the provision of rentable A-grade office space in the Woodmead node in Gauteng. There is, however, no need for us in this case to take a definitive view on the exact parameters of the relevant geographic market since it does not alter our conclusion.

[10] As stated above, Woodlands Office Park and Woodlands Manco are already jointly owned by Sycom (see paragraph 6 above).

[11] According to the Commission’s assessment, the proposed merger will not have a likely negative impact on competition since there are sufficient constraining factors post-merger, including vacant A-grade office space in the Woodmead node itself, as well as A-grade office space in the Greater Woodmead node comprising Woodmead, Sunninghill, Sandton and Environs nodes. In addition to this market participants submitted that there are new developments coming up aimed at A-grade office rental space in the relevant geographic area(s). Furthermore, customers contacted by the Commission submitted that they have alternatives to the merging parties’ A-grade office space in the Woodmead node.

[12] We concur with the Commission’s finding that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market.

Public interest

[13] The merging parties confirmed that there will be no adverse effect on employment as a result of the proposed transaction.[2] No other public interest issues arise as a result of this transaction.

CONCLUSION

[14] We approve the proposed merger without conditions.

____________________ 29 October 2012

Andreas Wessels **DATE**

Takalani Madima and Medi Mokuena concurring

Tribunal researcher:	Caroline Sserufusa
For the merging parties:	Vani Chetty Competition Law
For the Commission:	Thelani Luthuli

[2] See merger record pages 13, 69 and 108.