

NOTICE 248 OF 2012**COMPETITION COMMISSION**

**NOTIFICATION TO CONDITIONALLY APPROVE THE TRANSACTION INVOLVING:
BIDSERV INDUSTRIAL PRODUCTS (PROPRIETARY) LIMITED T/A G FOX & CO
("G FOX")**

AND

ALSAFE (PROPRIETARY) LIMITED

2011SEP0250:

The Competition Commission hereby gives notice, in terms of Rule 38 (3)(c) of the 'Rules for the Conduct of Proceedings in the Competition Commission, that it has approved the transaction involving the above mentioned firms subject to conditions as set out below:

The acquiring firm is Bidserv Industrial Products (Proprietary) Limited trading as G Fox & Co ("G Fox"); which has its principal business address in Germiston, Gauteng Province. G fox is a wholly owned subsidiary of the Bidvest Group Limited ("Bidvest").

The target firm is Alsafe (Proprietary) Limited ("Alsafe"), a private company having its principal business address in City Deep, Johannesburg. Alsafe has offices in Cape Town, Johannesburg, Richards Bay, Durban, Port Elizabeth, Rustenburg, Hammersdale and Worcester.

There is a horizontal relationship between the merging parties in that both G Fox and Alsafe are retailers/distributors of various types of Personal Protective Equipment ("PPE") including amongst others footwear, above the head protection (including eye wear, head and face protection, ear protection and respiratory protection), work wear, freezer wear and rainwear, and hand protection. Apart from supplying PPE, G Fox also supplies cleaning chemicals and paper products however Alsafe does not supply these products.

The Commission's investigation revealed that PPE market is very fragmented. Based on a conservative total PPE market estimate of approximately R1,2 billion, G Fox will hold post-merger market share of about 43% with an accretion of 11%. Other players active in the distribution of PPE are Pienaar Brothers, Zenzeleni, Industrial Safety, MSA, Sweettor, Durban Overall to name but a few.

The Commission's investigation revealed that the customers of the merging parties are large corporations in the mining, retail, construction and agricultural sectors amongst others; who indicated the ability to switch suppliers of PPE should prices increase.

The transaction however raised public interest concerns relating to potential job losses and the impact on a particular industry specifically the clothing manufacturing industry.

With respect to the impact on a particular sector, the Commission received a concern that the acquisition of Alsafe by G Fox will have potential adverse impact on the local clothing manufacturing industry due to Alsafe being the only big retailer who sources from local manufacturers who are not vertically integrated. The Commission's investigation revealed that Alsafe is not only or the biggest independent distributor of PPE. Other PPE distributors who do not own their own protective clothing manufacturing facilities include the likes of Pienaar Brothers, Industrial Safety, Tamm Industrial, Fogel Distributors, The Kit, Simon Workwear and Javeline to list but a few. In addition, other local manufacturers of protective such as Zenzeleni, Integral Safety and Santon Workwear supply directly to end-customers. The Commission is therefore of the view that there is nothing that precludes local manufacturers of protective clothing from directly trading with end-customers and other distributors such as Pienaar Brothers, Industrial Safety, Tamm Industrial, Fogel Distributors, The Kit, Simon Workwar.

In relation to the impact of the transaction on employment; the acquisition of Alsafe compromise the employment of at least 11 (eleven) employees due to a duplication of functions. Ten (10) of the employees are Alsafe employees whilst one is a G Fox employee. This represents about 8% of Alsafe's total employees. The merging parties' indicated that they have frozen posts in order to mitigate the retrenchments and that through natural attrition the above number may reduce.

In order to alleviate the impact of the retrenchments, the parties undertake to:

- Retrench no more than 11 employees;
- Section 189 of the Labour Relations Act 66 of 1995 not to be compromised at the outset of the retrenchment process and when the retrenchments take place;

- Within its reasonable means endeavor to ensure that the retrenched employees get first preference for re-employment within the Bidserv Industrial group of companies where such employee may qualify for a vacant post within one year of such employee being retrenched as a result of this merger; and
- An amount of no less than R10 000 be made available to re-skill or retrain the employees that are retrenched as a result of this transaction.

In conclusion, the Commission finds that the acquisition of Alsafe does not raise significant competition concerns in light of the numerous players active in the PPE distribution market, the presence of new entrant and the ability of customers to switch suppliers. The public interest concerns relating to the potential retrenchment of 11 employees are ameliorated by the condition the parties agreed to.

The Commission therefore approved the acquisition of Alsafe by G Fox subject to the conditions that address the retrenchment concerns.

Enquiries in this regard may be addressed to Manager: Mergers and Acquisitions Division at Private Bag X23, Lynnwood Ridge, 0040. Telephone: (012) 394 3298, or Facsimile: (012) 394 4298.