

**ECONOMIC DEVELOPMENT DEPARTMENT  
NOTICE 1067 OF 2015  
COMPETITION COMMISSION**

**NOTIFICATION TO APPROVE WITH CONDITIONS THE TRANSACTION INVOLVING:**

**SBV SERVICES (PTY) LIMITED**

**AND**

**CERTAIN MOVABLE AND IMMOVABLE ASSETS OF ABSA BANK LIMITED**

**2015APR0226**

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:

**Background**

1. On 30 April 2015, the Competition Commission ("Commission") received a notice of an intermediate merger whereby the primary acquiring firm, SBV Services (Pty) Ltd ("SBV"), intends to acquire the certain movable and immovable assets owned by Absa Bank Limited ("Assets").

**Parties and their activities**

2. The primary acquiring firm is SBV, a company incorporated in accordance with the company laws of the Republic of South Africa. SBV is not controlled by any firm. SBV is equalled owned by Standard Bank Limited ("Standard Bank"), Absa Bank Limited ("Absa"), FirstRand Bank Limited ("FirstRand") and Nedbank Limited ("Nedbank").
3. The primary target firm is the movable and immovable assets which provide Absa with an internal cash processing and ATM replenishment capability ("the Assets"). The

Assets comprise of note counting machines, note sorting machines, furniture and fittings and immovable assets being three (3) cash processing centres located at Ormonde, Vaal and Brackenfell and leased properties. The Assets are wholly owned by Absa.

4. SBV was originally formed as a utility by and for the banks, and although it is now fully commercial, its focus has been on services to banks. SBV offers primarily the following services: cash and valuable logistics, cash processing (primarily to banks) and guarding and monitoring for banks. SBV offers a wide range of services including wholesale cash processing and management solutions to the banking industry, retail cash processing and management services to business owners, secure cash-in-transit ("CIT") services for the movement of cash, ATM management services, shopping mall cash recycling systems, guarding services, specialised training services and risk management consulting services.
5. The Assets are used to provide Absa with an internal cash processing function for both the wholesale and retail markets and ATM replenishment capability. The processing and counting of cash is conducted by Absa internally in its cash centres.

#### **Competitive assessment**

6. The Commission considered the activities of the merging parties and found that the merging parties are both involved in the ownership of the Assets, i.e. note counting machines, note sorting machines and cash processing centres. The Commission found that SBV's acquisition of the Assets will increase SBV's capacity in relation to its cash processing capacity and increase its revenue in terms of the cash volumes it processes and thus eventually increase its market share. The Commission further found that the merging parties are vertically integrated with Absa being a customer of SBV and currently processing a portion of Absa's cash volumes in its cash processing centres.
7. The Commission further considered the impact of the entire outsourcing arrangement on competition and public interest grounds. In relation to the competition concerns assessed, the Commission found that retail customers have countervailing power and are able to choose which service provider to use for their cash management services.

The Commission thus found that the proposed transaction is unlikely to result in any significant competition concerns.

#### **Public interest analysis**

8. The Commission found that the proposed transaction raises a substantial public interest concern with respect to the impact on employment. The guarding services for the 3 cash processing centres being acquired fell under a contract with another cash management security company pre-merger. Post-merger, the cash processing centres will be transferred as a result of the proposed transaction and will fall under the management and control of SBV as opposed to Absa. Therefore, the cash processing centres will not be covered for guarding services through the Absa contract, post-merger. In this regard, the employment concern is merger specific.
9. The Commission found that there were numerous dedicated guards at the 3 cash processing centres that would be affected as a result of the merger. Post the transaction, these guards would become redundant and may lose their jobs should their employer not be able to redeploy them. The Commission considered the number of guards affected to be substantial.
10. The Commission therefore found that the proposed transaction raises a merger specific, substantial public interest concern and thus imposes the condition as contained in Annexure "A" to address the employment concern.
11. The Commission therefore approves the merger with conditions in terms of section 14(1)(b)(ii) of the Competition Act no.89 of 1998, as amended

## ANNEXURE A

SBV SERVICES PROPRIETARY LIMITED  
AND  
CERTAIN MOVABLE AND IMMOVABLE ASSETS OF ABSA BANK LIMITEDCASE NUMBER: 2015APR0226

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## CONDITIONS

## 1. DEFINITIONS

The following expressions shall bear the meanings assigned to them below –

- 1.1 "Acquiring firm" or "SBV" means SBV Services (Pty) Ltd;
- 1.2 "Absa" means Absa Bank Limited;
- 1.3 "Absa Owned Cash Processing Centres" mean the Ormonde Cash Centre, Vanderbijlpark Cash Centre and Brackenfell Cash Centre;
- 1.4 "Affected Employees" mean the employees employed to provide guarding services at the Absa Owned Cash Processing Centres and encapsulated in the list referred to in paragraph 3.4 below;
- 1.5 "Approval Date" means the date referred to in the Commission's merger clearance certificate (CC 15);
- 1.6 "Business Day" means any calendar day which is not a Saturday, a Sunday or an official public holiday in South Africa;

- 1.7 "Commission" means the Competition Commission of South Africa;
- 1.8 "Competition Act" means the Competition Act 89 of 1998, as amended;
- 1.9 "Conditions" means these conditions;
- 1.10 "Contract" means the agreement between Absa and the Third Party concluded in October 2013 in terms of which the Third Party supplies various services to Absa, including the provision of guarding services at the Absa Owned Cash Processing Centres.
- 1.11 "Implementation Date" means the date, occurring after the Approval date, on which the merger is implemented by the merging parties;
- 1.12 "Merger" means the acquisition of control over certain movable and immovable assets of Absa by SBV as specified in the Supply of Services Agreement;
- 1.13 "Merging Parties" for the purposes of these Conditions mean the Acquiring firm and the Target firm as defined in this section;
- 1.14 "Target Firm" means certain movable and immovable assets of Absa Bank Limited.

## 2. RECORDAL

- 2.1 On 30 April 2015, the Merging Parties filed an intermediate merger transaction with the Commission. Following its investigation of the Merger, the Commission is of the view that the proposed transaction is unlikely to substantially prevent or lessen competition in the market for cash processing. The Commission has, however, noted a public interest concern which may arise due to the fact that the

Absa Owned Cash Processing Centres will no longer belong to Absa after the Merger, and will therefore not form part of the Contract.

2.2 The Commission finds that the proposed transaction is unlikely to result in any employment losses in the Merging Parties business. However, the Commission considered the effects on employment at another cash management security company as a result of the termination of guarding services currently provided by it at the Absa Owned Cash Processing Centres. The Commission finds that the termination of these guarding services will affect the Affected Employees. The Commission is of the view that a condition is warranted to protect the Affected Employees.

2.3 In order to remedy the abovementioned negative impact on employment, the Commission hereby imposes the Conditions as set out in paragraph 3 below.

### 3. **CONDITIONS**

3.1 SBV shall not retrench any of its existing employees directly as a result of the Merger.

3.2 For the sake of clarity, retrenchments do not include (i) voluntary separation arrangements; (ii) voluntary early retirement packages or (iii) unreasonable refusals to be redeployed.

3.3 Should the Affected Employees be retrenched by their employer as a result of the Merger, SBV shall employ the Affected Employees, provided that they meet SBV's Screening Requirements and Security Standards. SBV shall be entitled to deploy the Affected Employees that it hires as it deems fit in accordance with its operational requirements. This condition shall apply for a period of 12 months from the Implementation Date of the Merger or when the Affected Employees have been hired by SBV, whichever is the shorter.

- 3.4 The Commission shall within 7 (seven) business days of the Approval Date provide SBV with a list of the Affected Employees including their qualifications, years of service at the Absa Owned Cash Processing Centres and contact details.

#### 4. MONITORING OF COMPLIANCE WITH THE CONDITIONS

- 4.1 The Merging Parties shall circulate a copy of the Conditions to the Affected Employee's employer or their legal representative within 5 (five) business days of the Approval Date.
- 4.2 As proof of compliance thereof, SBV shall within 10 (ten) business days of circulating the Conditions, submit an affidavit by a senior official attesting to the circulation of the Conditions and provide a copy of the notice that was sent.
- 4.3 SBV shall inform the Commission of the Implementation Date within five (5) business days following the Implementation Date.
- 4.4 As and when Affected Employees' employer retrenches the Affected Employees (should it do so), it shall provide the Commission with a list of their names and contact details, and the Commission shall immediately pass this list to SBV.
- 4.5 SBV shall, upon the termination of the Conditions, provide the Commission with a detailed report containing the following:
- 4.5.1 The number of the Affected Employees who met SBV's Screening Requirements and Security Standards and were offered employment and proof thereof.
- 4.5.2 The number of Affected Employees not offered employment and the

reasons thereof. The report must be accompanied by an affidavit confirming the accuracy of its contents.

- 4.6 All correspondence in relation to this merger must be submitted to the Commission's email address: [mergerconditions@compcom.co.za](mailto:mergerconditions@compcom.co.za).