



COMESA Competition Commission

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**Common Market for Eastern
and Southern Africa**

Case File No. CCC/MER/ 8/29/2014

Decision¹ of the Twelfth Meeting of the Committee of Initial Determination involving the Acquisition by Robert Bosch GmbH of Hytec Holdings (Pty) Ltd.

Economic Sector: Industrial Technology

5th December, 2014 – Lilongwe, Malawi

¹ In the published version of this decision, some information has been omitted pursuant to Rule 73 of the COMESA Competition Rules concerning non-disclosure of business secrets and other confidential information. Where possible the information omitted has been replaced by ranges of figures or a general description.

Information and Relevant Background

1. On 14th August, 2014, the COMESA Competition Commission ('the Commission') received an application for approval of a transaction involving the proposed acquisition by **Robert Bosch GmbH ("Bosch")** of controlling interest in **Hytec Holdings (Pty) Ltd ("Hytec")**.
2. The transaction was notified with the Commission under Article 24(1) of the COMESA Competition Regulations ('the Regulations'). The primary concern of the Commission with regard to transactions of this nature is whether the proposed transaction between the parties would, or is likely to have the effect of substantially preventing or lessening competition; or would be contrary to public interest in the Common Market pursuant to Article 26 of the Regulations.
3. The Committee of Initial Determination ("CID") observed that both the acquiring firm and the target firm operates in two or more COMESA Member States. This, therefore, means that the regional dimension requirements under Articles 23(3) and 23(5) of the Regulations are satisfied and ultimately asserts jurisdiction of the Commission to assess the transaction.

The Parties

Robert Bosch GmbH

4. Bosch is a German multinational engineering and electronics private company headquartered in Gerlingen, Germany. Bosch's is involved in the production and supply of a variety of engineering products and its core products includes automotive components such as brakes, controls, electrical drives, electronics, fuel systems, generators, starter motors and steering systems; industrial products such as drives and controls, packaging technology and consumer goods; and building products such as household appliances, power tools, security systems and thermotechnology). The focus of this transaction is on the supply of industrial products specifically the drive and control components and systems.

Hytec Holdings (Pty) Ltd

5. Hytec is predominantly active in the distribution and manufacture of hydraulic and automation components and solutions including installation and repair services. Hytec's primary business involves acquiring drive and control components from various local and international suppliers for the production of hydraulic and

automation solutions. In addition, Hytec sources drive and control components for the maintenance and repair of existing machinery. Hytec performs these functions either directly through its South African and Zambian operations or indirectly through independent third party distributors.

Competition Analysis

6. The CID noted that the transaction involves vertical integration of the businesses of the parties namely Bosch (upstream) and Hytec (Downstream) considering that they operate at different levels of the supply chain. Bosch supplies drive and control technologies to Hytec. Hytec on the other hand, utilizes the supplies from Bosch as inputs into the manufacture of its hydraulic and automation solutions as well as specializing in the distribution, marketing and sell of a wide range of products and systems to diverse range of customers in the mining and drilling industry in the Common Market.
7. The CID, in this regard, defined the relevant product markets as the downstream market for the distribution of drive and control components. The CID defined the geographic market as regional but recognized the insignificant levels of trade in these products among the Member States of the Common Market.
8. The CID noted that the market for the supply of drive and components in the Common Market, particularly to the mining and drilling industry, is diverse with a wide range of suppliers and that the market is open to new entrants given that the region largely relies on imports of products and services of this nature and that there are no significant barriers to entry. The CID also noted the increase in Chinese ownership of the mining activities in the region and the direct link of such ownership with an increased supply of such products and services by the Chinese companies.
9. The CID, therefore, concluded that the proposed transaction will not raise significant competition concerns in the Common Market considering that much as the integration of Hytec into Bosch will obviously foreclose a channel of distribution for the upstream competitors of Bosch who have been using Hytec to penetrate the regional market, the relevant downstream market remain competitive given the existence of a large number of on-sell operators of products of similar functionality. In addition, the market does not have substantial barriers to entry hence there is potential for the expansion of existing suppliers as well as the entry of new suppliers.

Determination

10. For the above reasons, the CID determined that the acquisition of Hytec by Bosch is not likely to substantially prevent or lessen competition and it will not be contrary to public interest. The CID further determined that the transaction does not negate the single market objective. The transaction is, therefore, approved without conditions.

11. This decision is adopted in application of Article 26 of the Regulations.

Dated this 5th day of December, 2014.

For the Commission

(Signed)

George K. Lipimile