



## **MERGER DECISION NO 08: 2021**

### **Notice in Terms of Section 53(4) (a) (ii) of the Competition Act 2018**

#### **DECISION ON THE PROPOSED (I) LEASE OF PHAKALANE HOTEL AND CONVENTION CENTRE BY CRESTA MARAKANELO LIMITED FROM NECTAR HOLDINGS PROPRIETARY LIMITED AND REAL TIME SERVICES PROPRIETARY LIMITED AND (II) ACQUISITION OF CERTAIN SALE ASSETS BY CRESTA MARAKANELO LIMITED FROM NECTAR HOLDINGS PROPRIETARY LIMITED, REAL TIME SERVICES PROPRIETARY LIMITED AND PHAKALANE ESTATES PROPRIETARY LIMITED**

#### **Introduction of the Merging Parties**

- i. Pursuant to Section 53(4)(a)(ii) of the Competition Act 2018 ("the Act"), notice is hereby given on the decision made by the Competition and Consumer Authority ("The Authority") in respect of the proposed (i) Lease of the Phakalane Hotel and Convention Centre by Cresta Marakanelo Limited ("Cresta") from Nectar Holdings Proprietary Limited ("Nectar") and Real Time Services Proprietary Limited ("Real Time") and (ii) Acquisition of certain Sale Assets by Cresta from Nectar, Real Time and Phakalane Estates Proprietary Limited ("Phakalane Estates"). The transaction was notified to The Authority on 15<sup>th</sup> January 2020 and the merger assessment was completed on 29<sup>th</sup> January 2021.
- ii. The Acquiring Enterprise, Cresta, is a company incorporated in accordance with the Laws of the Republic of Botswana. The company is listed on the Botswana Stock Exchange. Cresta operates in the travel and tourism sector, with a significant part of the hotel portfolio focused on the provision of hotel services to business travelers. In addition to accommodation, Cresta, as part of its services, offers customers safari tours, conference facilities, outside catering, as well as other ancillary business activities carried out from the hotels. Its largest shareholders are Botswana Development Corporation Limited (BDC); Cresta Holdings Proprietary Limited and Botswana Insurance Company Limited.
- iii. Specifically, The Target Enterprises, Nectar and Real Time, are incorporated in accordance with the Laws of the Republic of Botswana. They are in the business of property management. Nectar's portfolio consists of the Phakalane Golf Estate Hotel and the Phakalane Golf Course. Real Time owns and manages the Phakalane Golf Estate Self Catering Apartments and the Phakalane Golf Estate Convention

- iv. Centre. Nectar and Real Time portfolio of properties are collectively referred to as Phakalane Hotel and Convention Centre. Both Nectar and Real Time are subsidiaries of Phakalane Estates.

### **Relevant Markets**

- i. Cresta operates in the travel and tourism sector, with a significant part of the hotel portfolio focused on the provision of hotel services to business travelers. In addition to accommodation, Cresta, as part of its services, offers customers restaurants, bars, safari tours, conference facilities, outside catering, as well as other ancillary business activities carried out from the hotels. However, in Gaborone, Cresta's principal business is the provision of short term accommodation to its clients.
- ii. On the other hand, Nectar and Real Time are in the business of property management. Both Nectar and Real Time have been leasing Phakalane Estates and Convention Centre to Phakalane Estates. Thus, Phakalane Estates has been operating the Phakalane Hotel and Convention Centre hospitality business. Phakalane Estates intends to terminate its contract with The Target Enterprises and make way for Cresta.
- iii. Since the current merger affects the market in which Phakalane Hotel and Convention Centre and Cresta operate, The Authority defined the relevant market as the provision of short term accommodation in Gaborone by establishments in the 3 Star to 4 Star category.

### **Competitive Analysis and Public Interest**

- i. The Authority's assessment did not reveal any substantial lessening of competition concerns despite the merger being horizontal. This is because, the proposed merger will result in a small alteration in the market structure of the relevant market. Furthermore, there is a number of competitors in relevant market that are expected to provide a competitive restraint to the merged entity. However, the proposed merger may have negative effect on public interest matters in Botswana as per the provisions of section 52(2) of the Competition Act 2018.

### **The Determination**

- i. The Authority determined through the analysis of the facts of the merger, that the proposed transaction is not likely to result in the prevention or substantial lessening of competition, or endanger the continuity of the services offered in the relevant market. However, taking the public interest concerns and pursuant to the provision of section 53 of the Act, The Authority has approved the proposed (i) Lease of the Phakalane Hotel and Convention Centre by Cresta Marakanelo Limited from Nectar Holdings Proprietary Limited and Real Time Services Proprietary Limited and (ii) Acquisition of

certain Sale Assets by Cresta from Nectar, Real Time and Phakalane Estates Proprietary Limited subject to the following condition:

- a) Cresta will prioritise employees of Phakalane Estates who were working at the Phakalane Hotel and Convention Centre when recruiting for its new business situated at the Phakalane Hotel and Convention Centre.

However, as stated under Section 61 of the Act, this approval does not override or negate any other mandatory statutory approvals or processes that any of the parties to this merger must comply with under the Laws of Botswana.

Dated at Gaborone on this 29<sup>th</sup> day of January 2021.

Tebelelo Pule, Chief Executive Officer, Competition and Consumer Authority, P/Bag 00101, Gaborone, Plot 28, Matsitama Road, Tel: 3934278 Fax: 3121013