



**Australian
Competition &
Consumer
Commission**

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Our ref: 47301
Contact officer: Jason Beer / Braeden Smith
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21 March 2012

Dear interested party

Industrea Gas Management Pty Ltd completed acquisition of the underground in-seam drilling business of AJ Lucas Coal Technologies Pty Ltd

The Australian Competition and Consumer Commission (ACCC) is reviewing Industrea Gas Management Pty Ltd's (**Industrea**) completed acquisition of the underground in-seam drilling business of AJ Lucas Coal Technologies Pty Ltd (**AJ Lucas**) (the **completed acquisition**). Further details of the completed acquisition can be found at **Attachment A**.

The ACCC is currently considering the completed acquisition under section 50 of the *Competition and Consumer Act 2010 (Act)*. Section 50 of the Act prohibits acquisitions that substantially lessen competition in a market, or are likely to do so. The purpose of this letter is to seek your comments relating to the competitive effects of the completed acquisition.

The ACCC is conducting market inquiries to enable it to assess the actual or likely competitive effects of the completed acquisition to determine if it is likely to have breached section 50 of the Act. Specific issues and questions that you may like to address are set out in **Attachment B**.

In order to allow consideration of your response, please provide your response by no later than **5 April 2012**. Responses may be emailed (preferably in PDF format) to mergers@accc.gov.au with the title: Submission re: *Industrea acquisition of AJ Lucas* (attention Jason Beer/Braeden Smith).

If the information provided is of a confidential nature, you can be assured the details provided by you will be treated confidentially. That is, the ACCC will not disclose the confidential information to the merger parties or other third parties, other than advisors or consultants engaged directly by the ACCC, without first providing you with notice of its intention to do so, such as where compelled to do so by law. Please

note that any information provided by you that you believe to be of a confidential nature should be clearly marked or identified as such.

Updates regarding the ACCC's assessment of this matter will be available on the ACCC's public Mergers Register at (www.accc.gov.au/mergersregister).

If you would like to discuss the ACCC's assessment of the acquisition or have any questions in relation to this letter, please contact Jason Beer on (02) 6243 1222.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Rami Greiss', written over a horizontal line.

Rami Greiss
General Manager
Merger Investigations Branch

Industrea

Industrea Ltd is a publicly listed Australian company which supplies a range of goods and services used in mining. It operates in Australia, China, Indonesia, South Africa and South America.

Prior to the acquisition, Industrea supplied the following products in Australia and internationally to countries including China and Russia:

- vehicles for moving equipment and personnel underground;
- collision avoidance systems; and
- drill guidance systems (DGS).

Prior to the acquisition Industrea also supplied a range of mining services but did not provide underground in-seam drilling services. Underground in-seam drilling is used in underground coal mines to define seam profiles, to allow extraction of methane and carbon dioxide gas and to check the characteristics of the seam before coal extraction begins.

AJ Lucas

AJ Lucas Group Ltd is an Australian company based in Queensland which, through various subsidiaries, supplies a range of drilling services to resource and energy companies in Australia. Prior to the acquisition, AJ Lucas supplied both aboveground and underground in-seam drilling services using multi-purpose drilling rigs.

Prior to the acquisition, AJ Lucas purchased DGS for its underground in-seam drilling rigs from Industrea.

The Transaction

In early 2011, Industrea acquired the assets of the underground in-seam drilling services business of AJ Lucas Coal Technologies Pty Ltd through its subsidiary Industrea Gas Management Pty Ltd. The assets included drill rigs, survey systems and staff.

The acquisition has resulted in the vertical integration of Industrea's in-seam drilling equipment manufacturing business, including DGS production, with the in-seam drilling services business acquired from AJ Lucas.

Attachment B

1. Please provide a brief description of your business or organisation, including your relationship to Industrea (e.g. customer, competitor, supplier or interested third party).
2. Please comment on any overlap in the products and services supplied by Industrea and AJ Lucas prior to the completed acquisition.
3. Please provide a description of the drill guidance systems (DGS) for underground in-seam drilling supplied by Industrea.
4. Please provide information detailing alternative DGS available for use in Australia, with a focus on what differentiates these DGS from those supplied by Industrea.
5. Please provide information on any available alternative technology or technologies which can be utilised to undertake some or all of the tasks for which underground in-seam DGS are utilised, for example surface drilling systems.
6. Please identify suppliers of DGS:
 - a. in Australia; and
 - b. internationally.
7. Please comment on whether it is commercially feasible to purchase DGS from interstate or overseas based suppliers. If overseas based suppliers of DGS are not a suitable source of supply please explain why. .
8. Please comment on the nature and extent of barriers preventing companies other than Industrea entering the market for the supply of DGS. In commenting, please have reference to the following:
 - a. constraints caused by relevant intellectual property rights held by existing suppliers such as Industrea;
 - b. any regulatory or legal restrictions preventing new or imported DGS being utilised;
 - c. the financial costs involved in developing new DGS or adapting existing alternative technologies for the same purpose; and
 - d. any other factors which you may consider relevant.
9. Are there any firms in the market who are currently able to supply or manufacture DGS if Industrea was to increase prices and/or reduce quality? If so, please identify these firms.

10. Is it commercially feasible for purchasers of Industrea's DGS to switch to DGS supplied by competitors? If not please explain the reasons including outlining the costs or barriers to switching suppliers.
11. Please comment on the degree of countervailing power held by customers who purchase DGS from Industrea.
12. Please comment on whether you consider that Industrea would have the ability and incentive to foreclose competitors that compete in the market for underground in-seam drilling services by restricting supply of DGS to these competitors. In commenting, please have reference to whether Industrea would have the ability and incentive to utilise one or more of the following strategies:
 - a. raising the price of DGS supplied to competitors providing underground in-seam drilling services;
 - b. reducing the quality of DGS supplied to competitors, such as by limiting the features and specifications of these DGS systems; and
 - c. restricting the supply of DGS, either directly through restricting supply of complete systems to competitors or indirectly by limiting competitors access to replacement parts and other after-sale support required to keep existing systems fully functional.
13. Please provide any other information or comments which you consider relevant to the actual or likely effects of the completed acquisition on competition.