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Our ref: IM-70907  
Contact officer: Will Sommers / Stella Leung  
Contact phone: (03) 9910 9444 / (03) 9658 6444

6 October 2020

Dear interested party

### **BGC's proposed acquisition of Midland Brick**

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of Midland Brick by BGC (the **proposed acquisition**).

BGC supplies various building products and operates residential and commercial construction businesses. BGC (through its Brikmakers brand) and Midland Brick overlap in the supply of bricks, and other clay and masonry products, in Western Australia.

Further details regarding the acquisition can be found at **Attachment A**.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- the impact of the proposed acquisition on the price and quality of bricks,
- how effectively Austral Bricks would compete with BGC post-acquisition,
- whether customers could switch from bricks to other building products in response to price rises.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by **27 October 2020**. Responses may be emailed to [mergers@acc.gov.au](mailto:mergers@acc.gov.au) with the title: *Submission re: BGC/Midland Brick - attention Will Sommers*. ACCC staff may contact you shortly to discuss this matter. In the meantime, if you have any questions about this letter, please contact Will Sommers on (03) 9910 9444 or Stella Leung on (03) 9658 6444.

Updates regarding the ACCC's investigation will be available on the [ACCC's mergers register](#).

***Confidentiality of submissions***

The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Sharon Deano  
General Manager (A/g)  
Merger Investigations

## Attachment A

### *BGC*

BGC (Australia) Pty Ltd (part of BGC Group, together **BGC**) manufactures building products, and operates residential and commercial construction businesses. BGC is based in Western Australia. BGC supplies a range of clay and masonry products through its Brikmakers brand, including clay bricks.

BGC's Brikmakers products also include purpose made render bricks and blocks, concrete pavers, masonry facing and common blocks, and reconstituted limestone facing and common blocks predominantly for retaining walls.

### *Midland Brick*

Midland Brick manufactures building products, including clay bricks. Midland Brick is based in Middle Swan, Western Australia. Midland Brick also produces clay pavers, dry press concrete pavers, and dry press concrete blocks.

In August 2019 Boral agreed to sell Midland Brick to property developers, Linc Property Pty Ltd and Fini Group Pty Ltd (now trading as Hesperia Property Pty Ltd and Birchmead Pty Ltd, together the **consortium**). The transaction completed in September 2020.

### *The proposed acquisition*

BGC proposes to acquire the Midland Brick business, including a lease for a northern parcel of the Middle Swan site on which two of Midland Brick's three operating brick kilns are situated as well as brick inventory. The consortium intends to retain and develop the remaining Middle Swan land, and accordingly the other operating and two non-operating Midland Brick kilns will be dismantled.

The proposed acquisition also includes Midland Brick's masonry business, and a parcel of land on the Middle Swan site upon which the masonry business is situated.

## Attachment B

1. Please provide a brief description of your business or organisation.
2. Please outline your interest in the proposed acquisition, including any commercial relationships with BGC (Brikmakers) or Midland Brick.

### *Competition from other bricks suppliers*

3. If BGC tried to increase the price of clay bricks post-acquisition, please comment on the ability of Austral Bricks or other brick suppliers to compete and therefore limit the ability for BGC to increase prices. In your answer, please consider:
  - whether Austral Bricks or other brick suppliers would be an alternative to a combined Brikmakers/Midland Brick
  - transport costs (i.e. from what distance is it economic to source clay bricks?)
  - whether Austral Bricks could respond to a price increase from BGC by increasing its own prices.

### *Competition from other building products*

4. If the price of bricks were to rise post-acquisition, would customers use other building products instead of bricks, such as:
  - concrete blocks, panels and similar products
  - timber weatherboards, or
  - fibre cement panels or boards, or
  - timber and steel-framed lightweight construction materials?

In your answer, please consider the main factors for selecting bricks or other building materials. Factors may include customer preferences, the total installed price, the installation time, functional properties (for example, thermal and sound insulation), the type of building, or the role of architects.

### *Future competition*

5. Please comment on how competitive each of BGC (Brikmakers) and Midland Brick are for the supply of clay bricks at present (in terms of price and quality). How do you expect this would change in the future (taking into account that irrespective of the proposed acquisition, one operational and two non-operational Midland Brick kilns will be dismantled so that the land can be used for property development)?

### *Power of customers*

6. If BGC tried to increase the price of clay bricks post-acquisition, please comment on whether any large customers, such as large residential home builders, could sponsor another manufacturer of bricks or other building products to expand their supply (for example, by offering a large contract to the manufacturer).

### *Other information*

7. Please provide any other information or comments you consider relevant.