



Level 17, 2 Lonsdale Street
Melbourne VIC 3000

Our ref: IM-70076
Contact officer: Yak Wang / Jonathan Koay
Contact phone: 03 9290 6978 / 03 9658 6436

GPO Box 520
Melbourne Vic 3001
tel: (03) 9290 1800

13 February 2019

mergers@acc.gov.au

www.acc.gov.au

Dear Interested Party

Request for submissions: Liberty's proposed acquisition of Steelforce

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of Steelforce Holdings Pty Ltd (**Steelforce**) by GFG Alliance Australia / Liberty House Group (**Liberty**) (the **proposed acquisition**).

Liberty is Australia's main manufacturer, and a major distributor, of long steel products. Steelforce imports long steel products from its mill in China and other international sources and is a major distributor in Australia. Liberty and Steelforce both supply and distribute certain long steel products such as hollow structural sections (**HSS**), hot rolled structural steel (**HRS**) and merchant bar products. Further details on Liberty and Steelforce can be found at **Attachment A**.

The ACCC is investigating the potential competition issues that could arise at the manufacturing and supply level (referred to as wholesale supply) and at the distribution level. In particular, we are seeking your views on:

- the likely impact of the merger on the prices distributors pay for long steel products
- whether the merger will likely give Liberty the ability to foreclose other distributors of long steel products
- how closely Liberty and Steelforce currently compete in the wholesale supply of long steel products in Australia
- whether imports of long steel products are readily available and can be economically imported, taking into account current and possible future anti-dumping measures.
- the likely impact on prices that will arise from the merger of two of the major distributors of long steel products to end-use customers and retailers
- how closely Liberty and Steelforce currently compete in the distribution of long steel products in Australia.

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 no later than **5pm on 5 March 2019**. Responses may be emailed to mergers@acc.gov.au with the title: *Submission re: Liberty/Steelforce- attention Yak Wang/Jonathan Koay*. If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Yak Wang on 03 9290 6978 or Jonathan Koay on 03 9658 6436.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC 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



Tom Leuner
General Manager
Merger Investigations

Attachment A

The acquirer – GFG Alliance Australia / Liberty House Group

GFG Alliance Australia is comprised of two separate corporate groups—the Liberty House Group and the SIMEC Group. The Liberty House Group operates the Liberty Steel division. The Liberty House Group acquired the main business assets of Arrium in August 2017, namely:

- iron ore mining assets near Whyalla, South Australia, and iron ore bulk handling facilities at the Whyalla port (now known as SIMEC Mining)
- the Whyalla steelworks (now known as Liberty Primary Steel), and
- the former OneSteel steel distribution, manufacturing and recycling businesses now known as Liberty Recycling, Liberty Steel, Liberty Reinforcing and Liberty Metalcentre.

GFG Australia also owns Austube Mills, which is a major manufacturer of HSS such as steel structural pipe and tube products.

Liberty Primary Steel is the only Australian manufacturer of HRS steel products. HRS products include universal beams and columns, beams and channels, and angles.

Liberty Steel is the largest manufacturer of long steel products in Australia producing rod, reinforcing bar and wire products for construction applications, merchant bar for general applications, fencing for rural applications and specialty bar and wire for manufacturing applications in Australia.

Liberty Metalcentre is a major distributor of long steel products with a network of 46 branches in Australia. Its range includes HSS, HRS, and merchant bars.

The target – Steelforce

Steelforce's operations include its:

- steel manufacturing business in Dalian, China (conducted through subsidiary companies Dalian Steelforce Hi-Tech Co Ltd and Dalian Austeel Trading Pty Ltd). Steelforce has a cold forming mill producing steel pipe and other cold formed hollow sections. Steelforce also sources a range of cold formed open profiles and fabricated products such as farm gates and cattle panels.
- steel distribution and/or trading businesses in Australia and New Zealand (conducted through the parent company Steelforce Holdings Pty Ltd). This business imports and distributes various steel products, sourced both from Steelforce's Dalian manufacturing plant and from third party international manufacturers.

Attachment B

1. Please provide a brief description of your business or organisation.
2. Please outline the reasons for your interest in the proposed acquisition, including any commercial relationship/s with either of Liberty or Steelforce.

Relevant market

3. How does your organisation purchase or supply long steel products: HSS (such as steel structural pipe and tube), HRS (such as universal beams and columns), and merchant bar products? The ACCC would appreciate receiving information about:
 - the specific types of long steel products you purchase or supply
 - how you source (domestic or import) or produce these long steel products
 - the identity of your suppliers and how they compete with Liberty and/or Steelforce (in terms of product range, supply area, scale, product quality or service standards, etc)
 - your major customers and how they use the products, and volumes / value of your purchases / supply.
4. Do you purchase your products under a single contract with each supplier? Do you have separate contracts for different parts of Australia? Can you easily purchase products from new suppliers from further away? If so, please identify transport costs and any other relevant factors.

Competitive dynamics

5. How closely do Liberty and Steelforce compete? Relevant factors may include their product range, geographic areas of supply, responding to each other's promotional activity, and winning and losing customers between each other. Please provide specific examples where possible.

Potential competitive constraints on merged firm

Competing domestic manufacturers and distributors of long steel products

6. Who are the alternative domestic manufacturers and distributors? What alternative manufacturer or distributor could you use if the combined "Liberty/Steelforce" attempted to increase prices? Can you readily switch to another manufacturer or distributor?
7. The ACCC understands Liberty is the only local manufacturer of HRS and merchant bars. Please comment on whether domestic HSS manufacturers can readily 'switch' production to HRS and merchant bars in response to a price increase for those products.

Import competition

8. The ACCC understands that long steel products need to comply with Australian material standards. Please comment on the quality of imports compared with Australian long steel products. Do imports comply with Australian material

standards? Do they require additional processing once they have been imported in order to comply with Australian material standards?

9. Do overseas suppliers have the full range of long steel products that you require? Can you readily import these products?
10. Where relevant, please describe the types of long steel products that you import and are subject to current anti-dumping measures. How much duty is applied to each product? Which country do the products originate from? How long is the anti-dumping measure in place for? Is the product likely to be subject to anti-dumping measures in the next two years?

New entry

11. Please identify any potential new wholesale supplier or new distributor of long steel products. What are the set up costs for potential entrants? Do they need sufficient customer volumes in order to enter? Have there been new entries/exits in the past?

Other information or competition issues

12. Please provide any additional information or comments, or identify other competition issues, that you consider relevant to the ACCC's consideration of the proposed acquisition under section 50 of the Act.