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Australian Competition and Consumer Commission Mergers Public Register

Acquirer:	Simsmetal Ltd
Target:	Wanless Metal Industries Pty Ltd
Initiation:	Parties
Market Definition:	1. Regional (areas within Queensland) markets for the acquisition of ferrous scrap from collectors and originators. 2. Queensland market for the sale of processed ferrous scrap to end users
Merger Type:	Horizontal
Guidelines Thresholds:	Crossed
Imports Above 10%:	No
Summary:	Simsmetal has the first right of refusal to acquire the Queensland operations of Wanless. Both companies are involved in the recycling of ferrous and non-ferrous metal scrap. (Overlap: collection & processing of ferrous metal; collection of non-ferrous)

Competition Analysis:

The Commission has formed the view that the proposed acquisition would have the effect, or be likely to have the effect, of substantially lessening competition in a market in breach of section 50 of the Trade Practices Act.

The appropriate markets in which to assess the proposed acquisition are: 1. the Queensland market for the sale of processed ferrous scrap to end users such as steel manufacturers and foundries; and, 2. the Queensland market for the acquisition of ferrous scrap from collectors and dealers.

In arriving at this conclusion, the Commission considered: - that the acquisition would combine the two largest competitors in the ferrous scrap market in Queensland, and the only two with light gauge processing facilities, or shredders; - following the acquisition, two companies would account for almost 100% of the market; - the absence of any current import competition, and the potential for future imports is low; - barriers to entry to the market for the sale of ferrous scrap, in terms of the high level of capital costs, most of which could not be recovered on exit, significant environmental obligations, and the need to enter both the processing collections markets; - the lack of countervailing power amongst customers in terms of their ability to import or vertically integrate.

Finally, it was considered that the merged firm would have the ability to increase the price paid by end users and depress the buying price that would be paid to collectors and dealers. Therefore, it was considered that the proposed acquisition was likely to result in a substantial lessening of competition in a market.

Simsmetal announced on 26 June 1997 that it was withdrawing its proposed acquisition of Wanless.

Outcome:	Opposed	Resolution:	Withdrawn
Date Raised:	21-Mar-1997	Date Closed:	26-Jun-1997