Commerce Act 1986: Business Acquisition

Section 66: Public Version - Notice Seeking Clearance

Preformed Line Products

14 May 2010

Contents

EXECUTIVE SUMMARY

This submission is made on behalf of the Preformed Line Products Company (**PLP**) in support of its application for formal merger clearance under s 66 of the *Commerce Act 1986* (**Commerce Act**).

The parties

The acquirer is PLP, a company located at 660 Beta Drive, Mayfield Village, Ohio USA.

The target is Electropar Limited (**Electropar**).

Proposed Transaction

PLP proposes to acquire 100% of the issued shares in Electropar (**Proposed Transaction**).

Markets

The relevant market for the Proposed Transaction is the market for the manufacture and wholesale supply of transmission and distribution (**T&D**) equipment in the power industry.

T&D equipment manufacturers sell to local distributors/resellers but also directly to power utilities through tenders, period contracts and on an ad hoc basis.

Field of competition

The area of overlap between PLP and Electropar is in the manufacture and supply of T&D equipment in the New Zealand power industry.

In relation to the area of overlap, whether the Commission adopts the T&D equipment market proposed or a more narrowly defined product market, the following observations apply:

- T&D equipment is readily available from manufacturers located around the world.
- The majority of T&D equipment sold in New Zealand is imported. Most firms operating in New Zealand import their products from offshore manufacturers, predominantly in Asia.
- PLP imports all of the T&D equipment it supplies in New Zealand, c-i-c
- Electropar manufactures two types of T&D equipment in New Zealand, namely transmission line fittings and substation componentry. It imports all the other T&D equipment it supplies (including insulators) from overseas manufacturers.

  In 2009: (i) locally manufactured products accounted for | c-i-c of Electropar's T&D equipment sales; and (ii) imported products accounted for the remaining | c-i-c of Electropar's T&D equipment sales.
- The products in the relevant market are mature products with equivalent substitutable products readily available at an equivalent landed cost to locally manufactured products.
- The relevant market is subject to competition from Australian based and other overseas manufacturers without the need for established local operations. Local and overseas manufacturers can compete for and win tenders with power utilities and import and supply products to customers on an as needs basis. Overseas manufacturers can also supply to local distributors who tender separately to end user customers. As a result, overseas suppliers do not need to establish significant New Zealand operations, do not need to hold significant existing stock and can operate through a relatively small sales office.
- Firms not present in the market can easily enter and contest the T&D equipment market by supplying locally based distributors and/or customers

directly.

Effect of Proposed Transaction on Targets

c-i-c

Concentration levels

Even adopting a narrow market definition resulting in a market for the manufacture and supply of insulators and fittings (a product category within the T&D equipment market) the market is not concentrated and the Proposed Transaction does not give rise to a substantial lessening of competition under the Commerce Act.

No substantial lessening of competition

Whether on the basis of a broad or narrow market definition, the Proposed Transaction would not have the effect, or be likely to have the effect, of substantially lessening competition in the relevant market because:

- with the exception of fittings, there is minimal competitive overlap between PLP and Electropar in relation to the manufacture and wholesale supply of T&D equipment;[1]
- the relevant market is not concentrated;
- a number of existing competitors, including New Zealand Insulators, ABB Limited, Tyco Electronics Energy and Schneider Electric, operate manufacturing/assembly facilities in New Zealand and could expand their supply of T&D equipment relatively quickly and easily into specific product categories;
- existing firms which participate in the industry, whether as importers (Dulhunty Power Ltd, ABB Limited) or distributors (Transnet and Adapt Australia Pty Ltd), will each continue to constrain PLP;
- there are low barriers to entry, with international manufacturers able to compete for and win tenders to supply New Zealand distribution and transmission utilities without having established New Zealand operations. Manufacturers not present in the industry are thus a strong competitive constraint on PLP;
- T&D equipment is primarily sold to large power transmission and distribution utilities, eg Transpower. These utilities often obtain products from multiple suppliers and are well informed about alternative sources of supply. As such, they have a significant degree of countervailing power and are able to constrain PLP, including by fostering new entry through their tendering processes and their use of transitional supplier arrangements which underpins the minimal investment required to offer a competitive alternative;
- power utilities tend to be highly price sensitive and can, and often do, switch suppliers on the basis of price and other factors. c-i-c

[1] PLP imports all of its products into New Zealand whereas Electropar supplies a combination of domestically manufactured and imported products

PART 1: TRANSACTION DETAILS

1 Acquirer

PLP is a US-based multinational listed on the NASDAQ stock exchange. It is located at:

660 Beta Drive
Cleveland
Ohio 44143
USA

Contact details for PLP are:

Carrie Vaccariello
General Counsel & Corporate Secretary
Direct Line: 1 440 473 9287

Founded in 1947, PLP is an international company that designs and manufactures products and systems employed in the construction and maintenance of overhead and underground networks for energy, communications and broadband network companies. It sells its products to power utilities, telecommunications network operators, cable television and broadband service providers, corporations and enterprise networks, government agencies and educational institutions. Further information regarding PLP can be found at www.preformed.com.

PLP has subsidiaries in Australia, Brazil, Canada, China, Indonesia, Malaysia, Mexico, New Zealand, Poland, Spain, South Africa, Thailand and the United Kingdom. Preformed Line Products Australia Pty Ltd (**PLP Australia**) is the wholly owned Australian subsidiary of PLP.

In Australia, PLP Australia comprises three key operating divisions:

(a) *PLP*: which manufactures and distributes products used in the power transmission and distribution industry (**T&D equipment**) and the communications industry;

(b) *Rack Technologies*: which manufactures and distributes a range of cabinets and enclosures for the data communications, electronics and security industries; and

(c) *BlueSky Energy*: which offers solar power products and sustainable energy systems.

c-i-c

In the 2009 financial year, PLP's total New Zealand sales were approximately c-i-c divided as follows:

(a) approximately c-i-c related to the sale of rack technologies products by PLP NZ;

(b) approximately c-i-c related to the supply of communications fittings in New Zealand by PLP Australia; and

(c) approximately c-i-c related to the sale of T&D equipment in New Zealand by PLP Australia.

PLP Australia's organisational chart is located at **Appendix A**. PLP's 2009 accounts (audited) are located at **Appendix G**.

2 Target

Electropar is a privately owned New Zealand based company.

Company details for Electropar are as follows:

35 Lady Ruby Drive
East Tamaki
Auckland
New Zealand
Telephone: 09 274 2000
Fax: 09 274 2001
Website: www.electropar.co.nz

Contact details for Electropar are:

Grant Wallace
Managing Director
Direct Line: 09 274 2016
Email: grantw@electropar.co.nz

Electropar manufactures and distributes electrical engineering components for use in the electricity transmission and distribution, defence and industrial sectors. The company has one wholly owned subsidiary in Australia.

In New Zealand, Electropar operates three divisions:

(a) *Power Distribution and Transmission* (**PDT**): which manufactures and distributes cable componentry and hardware for electricity transmission, distribution and wind generation facilities;

(b) *Control*: which supplies a range of electrical control equipment to the marine, petrochemical, industrial and agricultural sectors; and

(c) *Components*: which distributes a range of electrical-related consumables and supporting componentry (including electrical resins, insulation materials, silicones and electrical wires) to equipment manufacturers, electrical wholesalers and electrical motor repair companies.

Electropar's PDT division currently manufactures two types of T&D equipment in New Zealand, namely transmission line fittings and substation componentry. Domestically

manufactured products account for approximately | c-i-c of the division's sales with the remaining c-i-c relating to products imported from third party manufacturers.

Approximately | c-i-c of the PDT division's sales are made on an ad hoc basis to New Zealand power utilities, third party contractors and retailers. However, the division has also entered into period contractors and/or tenders for the supply of T&D equipment.

Electropar employs approximately 90 staff across three facilities. The company's headquarters, manufacturing and primary distribution facility is located in East Tamaki, Auckland. The company also has smaller sales and distribution offices in Wellington and Christchurch.

In the 2009 financial year, Electropar's total New Zealand sales were approximately c-i-c with an after tax profit of c-i-c .[3]

Electropar's organisational chart is located at **Appendix B**. Electropar's 2008 accounts (not audited) are located at **Appendix G**.

3 The Proposed Transaction

PLP seeks to acquire 100% of the issued shares in Electropar from the Vendors, namely:

(a) Grant Lachlan Wallace, Tony Lachlan Wallace and Helen Amelia Wallace, as trustees of the Wallace Family Trust;

(b) Tony Lachlan Wallace, Grant Lachlan Wallace and Alison Kay Wallace, as trustees of the T&A Wallace Family Trust; and

(c) Cameron Lachlan Wallace, Grant Lachlan Wallace and Tony Lachlan Wallace, as trustees of the Cameron Wallace Trust

(together the **Vendors**).

The Vendors are the owners of the shares in Electropar. They have each agreed to sell, and PLP has agreed to purchase, the shares on the terms and conditions set out in the Agreement for sale and purchase of shares in Electropar Limited (**Agreement**).

The Agreement is conditional on a clearance being granted by the New Zealand Commerce Commission (**Commission**).

The parties executed the Agreement on 15 May 2010 and completion is anticipated in or around 31 July 2010.

Links between the parties

There are no formal links between any PLP business (including PLP Australia and PLP NZ) and Electropar Limited. On occasion, c-i-c . However, these transactions are best described as being on an "as needs" basis.

[3] Electopar's financial year being April 2008 to March 2009.

What is being acquired?

The Electropar assets acquired by PLP under the Agreement include the following:

c-i-c

The total book value of the Electropar business is estimated at approximately c-i-c .

4 Commercial rationale

c-i-c

c-i-c

[4] The figures are book value figures as at 10 March 2010.
[5] The figures are book value figures as at 10 March 2010.

5 Transaction documents

A copy of the Agreement is included at **Appendix C**.

The Agreement is conditional on approval being granted by the Overseas Investment Office (**OIO**) under the *Overseas Investment Act 2008*. PLP will provide the Commission with a copy of its Application after it is lodged with the OIO.

6 Other jurisdictions

The parties have no current intention to notify the competition authorities in other jurisdictions in relation to the Proposed Acquisition.

7 Goods or services supplied by the merger parties

PLP Australia and PLP NZ (together **PLP Australia/NZ**) and Electropar operate across a range of industry sectors and supply a number of products in various product categories in New Zealand.

The overlap between their operations is set out in Table 1 below.

Table 1: PLP Australia/NZ and Electropar operations in 2009

Industry	Products	PLP Australia/NZ (NZ$M)	Electropar (NZ$M)	Post-acquisition sales (NZ$M)
Communications	Cable fittings	c-i-c	c-i-c	c-i-c
Information technology	Cabinets / racks	c-i-c	c-i-c	c-i-c
Power	T&D equipment	c-i-c	c-i-c	c-i-c
Rail	Fittings	c-i-c	c-i-c	c-i-c

Source: PLP and Electropar estimates
c-i-c

Based on the information in Table 1 above, the only area of overlap between PLP Australia/NZ and Electropar is in the power industry in relation to the manufacture and supply of T&D equipment.

The T&D product category is discussed in detail below.

8 T&D equipment

T&D equipment includes all of the equipment used in electricity transmission and distribution networks (ie, all of the equipment used to transport electricity from the generator to the end users' premises). However, it does not include in-building switching and cabling.

Innovation tends to be relatively limited in the T&D equipment industry. The T&D equipment industry is a mature industry, with most products being based on historical designs that have been successfully used for many years. In addition, T&D equipment industry customers tend to be conservative about adopting new technologies. Power utilities generally only accept new product designs or methodologies if they have been proven effective through research, testing and analysis.

[6] This figure relates to the sale of fittings used in communications networks by PLP Australia to New Zealand based resellers/distributors.

[7] This figure relates to the sale of rack technologies products by PLP NZ.

[8] This figure relates to the sale T&D equipment by PLP Australia to Transpower and New Zealand based resellers/distributors.

At the same time, developments in the design and use of T&D equipment do occur. For example, over the last five years, Transpower has begun using implosive connectors[9] in its transmission network because they are easy to install and provide a high quality connection which is less dependent upon the installation skills of contractors. Improvements in global manufacturing processes have also resulted in some changes to the way in which substations are built.

8.1 T&D product categories

Based on the approach adopted by an international research study entitled "*T&D Report 2008/2009 Edition 8 The World's T&D Systems and Markets for Transmission and Distribution Equipment 2008 – 2013*", published by ABS Energy Research, 8 Quarry Road, London, SW18 2QJ, UK (**T&D Report**), the T&D equipment category can be further broken down into the following products:

(a) extra high voltage towers, ie towers for 380/400 kV lines and above;

(b) high voltage cables, ie cables used by utility companies to distribute down to customer voltage;

(c) insulators and fittings, including disc and plate insulator strings, spacers, anti-galloping fittings, splicing joints and transmission strings (**insulators and fittings**). Insulators and fittings are often referred to as "line hardware";

(d) meters;

(e) overhead lines, including all aluminium, copper, steel-wire core and other hybrid material lines used for overhead T&D networks;

(f) power systems, ie combinations of products with technology, higher engineering and IT which are assembled by manufacturers to operate as part of an assembled system;

(g) substations;

(h) switchgear, ie all types of switchgear with a minimum operating voltage exceeding 1 kV including line gear, sectionalisers, outdoor switchyards, indoor switchgear, packaged substations and fuse gears;

(i) transformers, including utility power and distribution transformers; and

(j) utility automation, ie the use of systems and IT engineering expertise to automate the monitoring and management of T&D networks, instrumentation and control.

8.2 T&D equipment purchasing practices

Customer purchasing practices vary depending on the nature of the project or works being undertaken.

Generally, power utilities (eg, Transpower and PowerCo), purchase T&D equipment using a combination of project specific tenders, period contracts and day to day ad hoc quoting. In summary:

[9] Implosive connectors are metal tubes with implosive rope wound around them which, when detonated, "implodes" the connector onto the electrical conductor.

(a) *Tender*: T&D equipment is commonly purchased by way of tender. For example, c-i-c

Transpower and the various distribution companies (eg, PowerCo) issue requests for proposals in relation to their T&D equipment requirements. For example, Transpower tenders for the supply of various electrical products and accepts offers from manufacturers, distributors and importers alike.

Tenders are public and generally provide respondents with four weeks in which to submit offers. Tenders may contain specific requirements and product specifications and can take up to 12 months to finalise. Once awarded, they generally run for three years.

Tenders may also be split between suppliers enabling multiple suppliers to win a part of the available tender.

Another common practice is for utilities to award tenders to a single contractor or consortium of contractors who in turn issue their own tender for the materials required for the contract. For example, in its recent tender for construction of the North Island Grid Upgrade Project (**NIGUP**), Transpower awarded the tender to a consortium of contractors who in turn issued their own tender for the materials, such as T&D equipment, required to complete the project. | c-i-c

PLP understands that when awarding a tender to a new supplier, utilities typically run down their inventory of existing incumbent stock and, over a transitional period, introduce the "new" supplier's equipment. This practice provides a new importer (or new entrant firm) with sufficient lead time to establish any necessary New Zealand operations and to land and distribute the T&D equipment.

(b) *Period contracts*: Customers also enter into period supply contracts (eg, for up to 3 years, typically with an option to extend the contract for a further period). For example, c-i-c

c-i-c

As with tenders, period contracts may be split between several suppliers. For example, c-i-c

(c) *Ad hoc requests*: PLP considers that, in general, ad hoc requests for short term supply contracts (ie, a "Request for Quotation") are a less common means of

[10] | c-i-c

obtaining T&D equipment than tenders and period contracts. However, PLP notes that, because of Electropar's particular business model, approximately 70% of its total T&D equipment sales are made on an ad hoc basis.

For small distribution projects and maintenance contracts certain distribution companies have preferred supplier relationships (eg. | c-i-c) but more commonly, distribution companies maintain relationships with a number of suppliers and source T&D equipment as required. Small transmission projects and maintenance requirements are examples of instances when T&D equipment may be sourced from multiple suppliers in an ad hoc manner.

The most significant T&D equipment sales occur through tenders or under period contracts.

As a result, tenders / period contracts result in serial competition for the right to supply T&D equipment, including by large multinational firms which may not be active in New Zealand or indeed have any established operations in New Zealand.

8.3 T&D equipment specifications and standards

Product standards

Product specifications and standards are generally included in tenders and contracts or, in the case of ad hoc sales, the request for supply.

In PLP's experience, the specifications and standards required by customers (eg utility companies such as PowerCo) tend to be based on those set by the Australian/New Zealand standards body and/or the International Electrotechnical Commission (**IEC**).

In the T&D equipment category, the standards most relevant to the supply of insulators and fittings (ie, line hardware) are:

(a) AS 1154-2009, which was set by the Joint Standards Australia/Standards New Zealand Committee EL-010 and applies to insulator and conductor fittings for overhead power lines;

(b) AS/NZS 2947.1-1999, which is an Australian/New Zealand standard governing porcelain and glass insulators for overhead power lines; and

(c) IEC 61284:1997, which was set by the IEC and applies to fittings used in overhead power lines.

In PLP's experience, customers will consider and accept products which satisfy their product specifications and comply with the appropriate / relevant standards, regardless of the product's origin. For example, in relation to NIGUP, the successful consortium tendered for the supply of T&D equipment (including line hardware) to be used in the project (based on product specifications set by Transpower). c-i-c

Certification and testing

Power utilities can require a test certificate showing that the equipment has been mechanically tested by the manufacturer or an internationally recognised testing laboratory (this is known as 'batch testing'). In this regard, PLP notes the following:

(a) The processes involved in batch testing T&D equipment differ depending on the particular product. However, for the majority of insulators and fittings, the batch testing process is relatively simple and inexpensive. c-i-c

(b) | c-i-c importers such as PLP rely on their suppliers to batch test the T&D equipment and provide the requisite certification.

(c) Importers of T&D equipment are generally not required to test products provided the manufacturer can provide a test certificate.

PLP's experience is that, if an importer can show that a product meets the equivalent Australian or European standards, and that those standards are better than, or at least equivalent to, the New Zealand standards, the customer will likely not require the product to be tested.

8.4 Specific product requirements and specifications

PLP understands that a limited range of T&D equipment used in New Zealand's transmission network differs to that utilised in Europe, Australia and the Asia Pacific region in that it is based on *imperial* rather than *metric* specifications. | c-i-c

In relation to these products, PLP considers that the utility may sometimes be prepared to accept an equivalent metric product. But otherwise, where there is no equivalent metric product, the utility may specify a range of imperial measures within which a product must fall. If, when converted to imperial measurements, the metric products falls within this range it will generally be accepted by the utility.

8.5 T&D equipment customers

For T&D equipment, the most significant customer is Transpower followed by various distribution utilities (there are 29 regional distribution companies). In the South Island, several distribution utilities have combined to form the South Island Buying Group (**SIBG**). SIBG is a consortium of Orion, Mainpower, Delta and Powernet which tenders for certain T&D equipment, including conductors, transformers and circuit breakers.

PLP's customers

c-i-c

[11] PLP supplies 100% of its direct sales of its T&D equipment to Transpower. See footnote 10 above.

c-i-c

All of PLP Australia's New Zealand T&D equipment sales are derived through the customers referred to above. Contact details for these customers are provided in **Appendix D**.

Electropar's customers

c-i-c

Contact details for Electropar's customers are set out at **Appendix D**.

9 Industries affected by the proposed acquisition

The relevant industry affected by the Proposed Transaction is the power industry, specifically in relation to the manufacture and supply of T&D equipment products.

10 Role of imports

The majority of T&D equipment (including insulators and fittings) supplied in New Zealand is imported.

PLP is not able to provide independently verifiable data on the volume of insulators and fittings imported into New Zealand. However, based on its experience, PLP estimates that between 50% and 65% of all insulators and fittings sold in New Zealand are imported.

Imports have been a characteristic of the T&D equipment industry for many years and, following the proposed transaction, will continue to provide a strong competitive constraint on the merged firm. In PLP's view, domestic manufacturers do not enjoy any significant advantages over importers, for the following reasons:

(a) There are few, if any, impediments to customers choosing imports rather than domestically manufactured products. In particular, as outlined in section 8.3 above, the product specifications and standards set by power utilities and other customers are not a barrier to imports.

(b) PLP Australia understands that when purchasing imported insulators and fittings, utilities generally require a test certificate from the manufacturer or an internationally recognised laboratory. Provided the manufacturer can supply a certificate, the importer is generally not required to undertake any further testing or demonstrate that the product complies with the applicable product specifications or standards.

(c) Time is also not a barrier to imports. Although the time required to import products differs, PLP estimates that the average delivery time for imported insulators and fittings is approximately 8 to 10 weeks (assuming the use of sea freight).

(d) As noted above, power utilities generally tender and contract for T&D equipment well in advance of the required delivery date (in some cases up to 12 months in advance). These long lead times ensure that importers have sufficient time to establish any necessary New Zealand operations and land and distribute their products. For example, the NIGUP project referred to above began with Transpower issuing an RFP in 2007 and the tender contract being finalised in 2009 with supply commencing thereafter.

(e) The landed price of imports tends to be highly competitive with the price of domestically produced products. Relevantly:

(i) While the per unit freight costs for imports differs depending on the type, volume and origin of the T&D equipment being imported, PLP estimates that the freight costs associated with importing insulators and fittings are typically in the region of 5% to 10% of the manufacturing cost. As a result, products imported from large scale manufacturing operations in countries such as China are able to compete on price with products manufactured domestically. c-i-c

(ii) In relation to tariffs, while import duty is generally levied on insulators and fittings at a rate of 5%[12], some of the items subject to the tariff benefit from tariff concessions which allow certain insulators and fittings to be imported free of duty. Taking into account the relevant tariff concessions, only aluminium compression fittings, split bolt line tabs and uninsulated copper lugs and links up to 185mm^2 are subject to import duty. These products account for a very small proportion of all insulators and fittings supplied in New Zealand.

In summary, there exists considerable ability to import T&D equipment into New Zealand in response to customer demand given that the supply of imports by large overseas manufacturers[13] are not constrained (ie, overseas manufacturers have sufficient capacity) and barriers to import expansion are low (ie, standards and specifications are not a barrier and there exist tariff concessions). As a result, imports are an effective and very credible competitive constraint in relation to T&D equipment.

11 Recent mergers

PLP is not aware of any mergers that have occurred in the T&D equipment industry in New Zealand in the past three years.

However, PLP notes that the Commission considered the T&D equipment industry in 2002 in "*Decision No. 463: Reyrolle Pacific Holdings Limited and VA Tech Reyrolle Pacific Limited*".

In this decision, the Commission considered an acquisition involving firms engaged in the manufacture and supply of medium voltage electrical equipment including transformers, switchgear and accessories. In clearing the proposed acquisition, the Commission made the following observations:

> *There are a significant number of imports in the market for 11kV switchgear that currently provide constraint in the market. Imported switchgear is subject to an 8% tariff. In addition, importers bear the cost of transportation from overseas countries. Despite this, imports are reasonably competitively priced in the market, which is borne out by the fact that importers of switchgear win tenders more than just occasionally.*[14]
>
> *…*
>
> *Despite Reyrolle's low pricing, the tender process for the sales of switchgear ensures that pricing remains competitive. Importers regularly win tenders for the supply of switchgear. As subsidiaries of large multinational companies, importers often submit low priced bids in an*

[12] PLP understands that import duty is levied on tariff items 8536.69.00 and 8536.90 (including fittings) at a rate of 5%.

[13] The closest country with manufacturing capability is Australia (Dulhunty Power and Cabac), but others include China, India, USA, and Europe (the Sicame Group).

[14] New Zealand Commerce Commission, *Decision No. 463*, p 84

attempt to secure other supply contracts, for instance 33kV switchgear and related accessories.[15]

…

The merged entity would be constrained by current competition. The merged entity faces strong competition from a number of importers of switchgear, all of which are subsidiaries of large multinational companies.[16]

[15] New Zealand Commerce Commission, *Decision No. 463*, p 101
[16] New Zealand Commerce Commission, *Decision No. 463*, p 105

12 Horizontal aggregation

12.1 The manufacture and wholesale supply of T&D equipment in New Zealand

T&D equipment is manufactured and supplied into New Zealand by both domestic and overseas based companies. Table 2 below lists the major manufacturers currently supplying T&D equipment in New Zealand.

Table 2: T&D equipment manufacturers

Company	Based in	Website
T&D equipment manufacturers with manufacturing/assembly facilities in New Zealand		
ABB Limited	Switzerland[17]	http://www.abb.co.nz
Electropar	New Zealand	http://www.electropar.co.nz/
New Zealand Insulators	New Zealand	http://www.nzinsulators.co.nz/
Schneider Electric	France[18]	http://www.schneider-electric.co.nz/sites/new-zealand/en/home.page
Tyco Electronics Energy	USA[19]	www.energy.tycoelectronics.com
Overseas T&D equipment manufacturers who are known to supply in New Zealand		
Cabac	Australia	http://www.cabac.com.au/shop/home.asp
Dulhunty Power	Australia	www.dulhuntypower.com
Hubbell Power Systems Inc	USA[20]	http://www.hubbellpowersystems.com
K Line Insulators	Canada[21]	http://www.k-line.net
Maclean Power Systems	USA[22]	http://www.macleanpower.com
Mosdorfer	UK	http://www.mosdorferccl.com/474_en_Home.aspx
Pfisterer International	Germany[23]	http://www.pfisterer.com/
PLP Australia	Australia	http://www.preformed.com.au/
Thomas & Betts	USA[24]	http://www.tnb.com/ps/pubint

[17] The ABB Group has operations in 100 countries worldwide, including New Zealand
[18] Schneider Electric has operations in 102 countries worldwide, including New Zealand
[19] Tyco Electronics Energy also has manufacturing and research and development facilities in Europe and Asia
[20] Hubbell Power Systems Inc also has operations in Canada, Puerto Rico, Italy, Brazil, Switzerland and the UK
[21] K Line Insulators also has operations throughout the USA
[22] Maclean Power Systems also has operations in Canada, China and France
[23] Pfisterer International has operations in 22 countries throughout Europe, the Americas, Africa and Asia
[24] Thomas & Betts also has facilities in Canada, Belgium and Singapore

Company	Based in	Website
Overseas T&D equipment manufacturers who could potentially supply in New Zealand		
Beijing General Fitting Co	China	http://www.generalfitting.com/index.asp
Helical Line Products Company	USA	http://www.helical-line.com
Insulators and Electrical Company	India	http://www.insulatorsindia.com
LAPP Insulators	USA[25]	http://www.lappinsulator.com
Modern Insulators	India	http://www.moderninsulators.com/ie/index.htm
NGK Stanger	Australia	http://www.ngkstanger.com.au
Power Line Hardware	USA	http://www.powerlinehardware.com

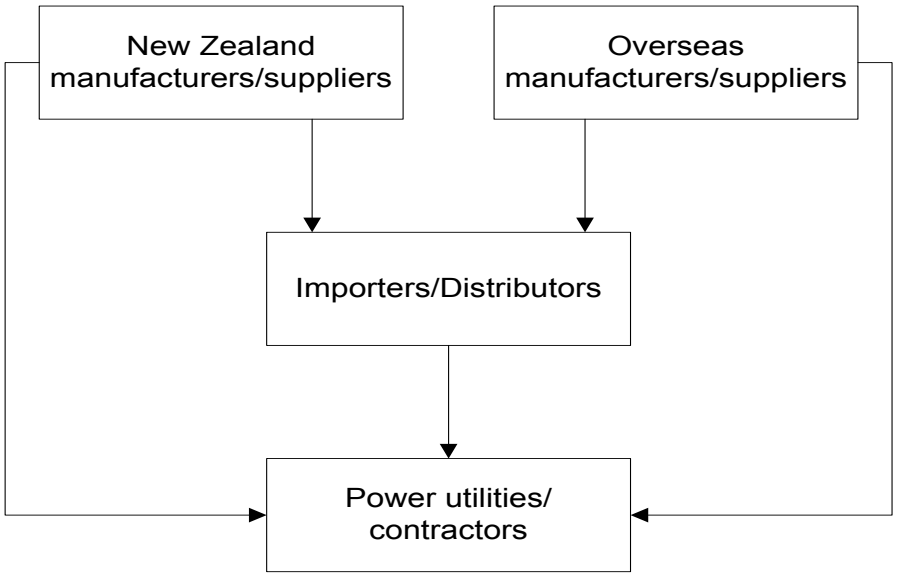
Source: PLP

PLP notes that some of the manufacturers listed in Table 2 above eg, Dulhunty Power, also purchase T&D equipment from other manufacturers for on-supply locally.

Manufacturers (whether overseas or domestically based) supply T&D equipment either directly to customers or via importers/distributors.

For example, domestic firms such as New Zealand Insulators, supply T&D equipment directly to power utilities and contractors. Others, including for example ABB and Tyco, supply T&D equipment to domestic distributors/resellers who then on-sell the equipment to customers. The supply of T&D equipment into New Zealand is illustrated in Figure 1 below.

Figure 1: Supply of T&D equipment in New Zealand



[25] LAPP Insulators also has operations in Germany

c-i-c

c-i-c

Electropar manufactures two types of T&D equipment in New Zealand, namely transmission line fittings and substation components and also imports a range of T&D equipment from third party manufacturers. c-i-c

12.2 The distribution/resale of T&D equipment in New Zealand

A number of firms act as distributors/resellers for T&D equipment manufactured and supplied by firms such as PLP, ABB Limited, and Tyco Electronics Energy.

The key distributors/resellers in New Zealand and PLP's general understanding of the manufacturers which supply them and an approximation of their respective sales volumes for 2009 are set out in Table 3 below.

Table 3: T&D equipment distributors

Distributors/reseller	Supplier	Estimated 2009 Revenue (NZ$M)
Transnet	[c-i-c] Tyco Electronics Energy, Cabac	$6.5 - $8
Techmark	NGK Insulators and General Electric	$2.4
Dulhunty Power	Dulhunty Power China, c-i-c , Mosdorfer and others	$3 - $4
Cuthbert Stewart	Tyco, Australmode and others	$1.7
Electrical Connections	Hex Brass Copper and Alloy	$0.5 - $1
Britech	Hubbell Power Systems	$1 - $4
Canterbury Engineering	Schneider Electric	$0.35
Hamer	Pfisterer and Bowthorpe	$0.5
OHUG	Dulhunty Power, Raytech, Noja Power, Madclean Power Systems, Greenlee, Arcus and others	$0.5
General Cables	[c-i-c and others	$0.4

Source: PLP Australia and Electropar estimates

In relation to the T&D equipment industry outlined above, c-i-c and c-i-c

The relevant acquisition therefore results in a horizontal aggregation.

13 Market for the manufacture and supply of T&D equipment

13.1 A market for the manufacture and supply of T&D equipment

The relevant market for the Proposed Transaction is the market for the manufacture and wholesale supply of T&D equipment in New Zealand.

Apart from the T&D Report which provides an independent estimate of the "Total Market" size for T&D equipment, the parties are unable to obtain verifiable third party data regarding competitors' sales. However, for the purposes of this application the parties have estimated the competitors' sales and shares. The parties estimated share of the market is set out in Table 4 below.

Table 4: Pre and post-acquisition sales of T&D equipment for 2009

Supplier	**Pre-acquisition**		**Post-acquisition**	
	Sales (NZ$M)	Share (%)	Sales (NZ$M)	Share (%)
PLP Australia	c-i-c	c-i-c	c-i-c	c-i-c
Electropar	c-i-c	c-i-c		
Others*			c-i-c	c-i-c
Total			**684.18**[26]	**100%**

Source: PLP Australia and Electropar estimates | T&D Report, see Appendix 1
*This includes the domestic and overseas manufacturers listed in Table 2 above. PLP is unable to provide an estimate of the sales share of each manufacturer which supplies T&D equipment in New Zealand.

As shown by the above table, in the area of overlap identified between the businesses, the aggregation resulting from the Proposed Transaction does not give rise to a substantial lessening of competition under the Commerce Act.

13.2 A market for the manufacture and supply of insulators and fittings

Notwithstanding PLP's view that the relevant market is the market for the manufacture and supply of T&D equipment, if the Commission proposes that the relevant market should be defined more narrowly, PLP considers that the product groups identified in the T&D Report (see Section 8.1 above) should form the basis for any such product markets.

The product categories used in the T&D Report are set out in **Table 5** below.

[26] The T&D report estimates the total value of the New Zealand T&D equipment market in 2009 at US$435 million. This figure has been converted to New Zealand dollars using the average annual exchange rate for 2009 as determined by the US Federal Reserve (ie, NZ$1 = NZ$0.6358). See: http://www.federalreserve.gov/releases/g5a/current/

Table 5: PLP Australia and Electropar T&D equipment sales (2009 Actual)

Product category	PLP Australia (NZ$M)	Electropar (NZ$M)	Post-acquisition sales (NZ$M)
EHV Towers	c-i-c	c-i-c	c-i-c
HV Cables	c-i-c	c-i-c	c-i-c
Insulators and fittings	c-i-c	c-i-c	c-i-c
Meters	c-i-c	c-i-c	c-i-c
OH Lines	c-i-c	c-i-c	c-i-c
Power Systems	c-i-c	c-i-c	c-i-c
Substations	c-i-c	c-i-c	c-i-c
Switchgear	c-i-c	c-i-c	c-i-c
Transformers	c-i-c	c-i-c	c-i-c
Utility Automation	c-i-c	c-i-c	c-i-c
Total T&D sales	c-i-c	c-i-c	c-i-c

Source: PLP Australia and Electropar estimates | T&D Report, see Appendix 1

c-i-c

**Relates to the supply of fittings manufactured by Electropar in New Zealand and insulators imported from third party manufacturers. Electropar does not manufacture any insulators in New Zealand.

As indicated in **Table 5**, within the T&D equipment industry, the c-i-c area of overlap between PLP and Electropar if a narrow market were adopted is in the manufacture and wholesale supply of insulators and fittings. (PLP notes that "insulators and fittings" are also commonly referred to as "line hardware" in the power and T&D equipment industries.)

Assuming a narrow product market (which PLP does not accept), the relevant market for the purposes of assessing the Proposed Transaction would be the market for the manufacture and supply of insulators and fittings[27] in the power industry in New Zealand.

The parties' estimated share of insulator and fittings sales is set out in Table 6 below.

[27] The insulators and fitting product category includes disc and plate insulator strings, spacers, anti-galloping fittings, splicing joints and transmission strings.

Table 6: Pre and post-acquisition sales of insulators and fittings (NZ$M) for 2009

Supplier	Pre-acquisition		Post-acquisition	
	Sales (NZ$M)	Share (%)	Sales (NZ$M)	Share (%)
PLP Australia	c-i-c	c-i-c	c-i-c	c-i-c
Electropar	c-i-c	c-i-c		
Others*			c-i-c	c-i-c
Total			28.31[28]	**100%**

Source: PLP Australia and Electropar estimates | T&D Report see Appendix 1
* This includes the domestic and overseas manufacturers listed in Table 2 above. PLP is unable to provide an estimate of each manufacturer's share of insulator and fittings sales in New Zealand.

Apart from the T&D Report, which provides an independent estimate of the "Total Market" size, the parties are unable to obtain verifiable third party data regarding competitors' sales. However, for the purposes of this application, the parties have estimated the value of the sales of insulators and fittings by the manufacturers and distributors listed in Table 7 below. The figures provided represent the parties' best estimate of sales to end use customers (ie, power utilities, contractors and retailers (eg, Mastertrade)). The estimates are subject to the qualification that the "Total Market" figure in Table 7 below cannot be reconciled with the T&D Report "Total Market" figure.

Table 7: Pre and post-acquisition sales of insulators and fittings to end users in 2009

Supplier	Pre-acquisition		Post-acquisition	
	Sales (NZ$M)	**Share (%)**	**Sales (NZ$M)**	**Share (%)**
PLP	c-i-c	c-i-c	c-i-c	c-i-c
Electropar	c-i-c	c-i-c		
Transnet			c-i-c	c-i-c
New Zealand Insulators			c-i-c	c-i-c
Techmark			c-i-c	c-i-c
Dulhunty Power			c-i-c	c-i-c

[28] The T&D report estimates the total value of the New Zealand insulators and fittings market in 2009 at US$18 million. This figure has been converted to New Zealand dollars using the average annual exchange rate for 2009 as determined by the US Federal Reserve (ie, NZ$1 = NZ$0.6358). See: http://www.federalreserve.gov/releases/g5a/current/

Supplier	Pre-acquisition		Post-acquisition	
Cuthbert Stewart[29]			c-i-c	c-i-c
Electrical Connections			c-i-c	c-i-c
Britech			c-i-c	c-i-c
Canterbury Engineering			c-i-c	c-i-c
Hamer			c-i-c	c-i-c
OHUG			c-i-c	c-i-c
General Cables			c-i-c	c-i-c
Total			**25.26**	100%

Source: PLP Australia and Electropar estimates.
c-i-c

In relation to Table 7, while recognising that the table comprises sales of fittings and insulators to end users by manufacturers and distributors, on the basis of the parties' estimates, c-i-c

In addition, c-i-c

PLP considers that the significant share of sales held by Transnet, NZ Insulators, Techmark and Dulhunty Power c-i-c indicates that these firms would continue to be strong competitors post Proposed Transaction.

13.3 Conclusion

In the relevant market, the Proposed Transaction will not result in any relevant market concentration. Even adopting a narrow product market for the supply of insulators and fittings in New Zealand, post Proposed Transaction PLP will have a c-i-c share of the market. This share does not give rise to a substantial lessening of competition under the Commerce Act.

14 Vertical integration

The proposed acquisition does not result in any increase in the level of vertical integration in either the T&D equipment market or any other more narrowly defined product market(s).

[29] c-i-c

[30] c-i-c

If the Proposed Transaction does not take place, Electropar is likely to be sold to a non-industry player. If this occurred, Electropar would not be able to take advantage of the benefits associated with integration into PLP's existing business, including the anticipated increase in its exports to Australia. See Part 5 below.

15 Existing competitors

The T&D equipment market is characterised by the presence of a number of significant overseas T&D equipment manufacturers. PLP estimates that more than 9 domestic and overseas suppliers currently operate in New Zealand.

These competitors have the capacity and capability to increase the supply of T&D equipment in New Zealand in response to any attempt by the merged entity post-Proposed Transaction to increase prices and reduce the supply. This observation applies equally in relation to any narrow insulators and fittings market. Indeed, the competitor profiles below indicate there are numerous existing competitors in New Zealand which could supply these products in response to any attempted unilateral conduct by the merged entity in this narrow market.

Profiles of the key participants in the T&D equipment industry are set out below.

(a) *Transnet*: Transnet is a New Zealand based distributor/reseller which supplies a broad range of equipment and componentry for use in the power, rail, OEM and wholesale industries. The company has distribution facilities in Auckland, Western Australia and Tonga.

Further information regarding Transnet can be found at: http://www.transnet.co.nz/index.php

(b) *New Zealand Insulators*: New Zealand Insulators (**NZI**) specialises in the manufacture and supply of insulators and associated line hardware for use in the power distribution and transmission industries. The company employs approximately 50 staff across 2 key divisions:

(i) Low Voltage, which manufactures and supplies low voltage electrical equipment for use in the New Zealand power industry; and

(ii) High Voltage, which manufactures and supplies ceramic power distribution insulators and related products for both domestic and overseas use.

Further information regarding NZI can be found at: http://www.nzinsulators.co.nz/

(c) *ABB Group:* The ABB Group (**ABB**) is a global manufacturer and supplier of engineering equipment for use in the power industry. ABB is headquartered in Switzerland and operates throughout Europe, the United States, the Middle East and the Asia Pacific.

ABB New Zealand supplies a wide range of T&D equipment in New Zealand, including cables, transformers, switchgear, circuit breakers and associated equipment. The company is headquartered in Auckland and has offices in Christchurch, Hamilton, Henderson, Mt Wellington, Napier, New Plymouth, Rotorua, Stratford, Tokora and Wellington.

Further information regarding ABB New Zealand can be found at: http://www.abb.co.nz/

(d) *Tyco Electronics Energy*: Tyco Electronics Energy is a division of Tyco Electronics Ltd (**Tyco**) and a global manufacturer and supplier of components used to connect and support cables and conductors in low, medium and high voltage power distribution networks. The company has manufacturing and research and

development facilities in Europe, Asia and the Americas which supply a global sales team. Tyco Electronics Energy is currently, and following the Proposed Acquisition will continue to be, a significant competitor to PLP in the T&D equipment industry.

Tyco operates one sales and assembly plant in Auckland. This operation principally provides sales support services as Tyco's two major T&D product ranges - Raychem and Utilux which are sold through Transnet.

Further information regarding Tyco Electronics Energy can be found at www.energy.tycoelectronics.com.

(e) *Dulhunty Power*: Dulhunty Power is a global manufacturer and supplier of T&D products. The company has manufacturing facilities in Australia, China, Thailand and Malaysia and sales offices in New Zealand, North America and Hong Kong.

Dulhunty Power supplies its own branded T&D products to power utilities and contractors throughout North America, Europe, the Middle East and the Asia Pacific. It also procures and sells electrical products manufactured by other companies through its 51% owned subsidiary - Dulhunty Engineering Ltd.

Dulhunty Engineering owns 100% of the shares in Dulhunty Power (Aust) Pty Ltd (**Dulhunty Australia**) which, in turn, owns 100% of the shares in Dulhunty Power (New Zealand) Ltd (**Dulhunty NZ**).

Dulhunty Australia is based in Sydney and listed on the Australian Stock Exchange. It manufactures a range of T&D equipment including vibration dampers, insulators and distribution and line fittings. It also imports a range of T&D products into Australia, including glass, porcelain and composite insulators, substation fittings, fault indicators, height meters, tension monitoring systems, switchgear, corona cameras, emergency tower structures and high temperature conductors.

Dulhunty NZ is based in Auckland and specialises in the supply of T&D equipment used in electricity transmission networks. OHUG Power Equipment also distributes a wide range of Dulhunty branded T&D equipment in New Zealand.

Further information regarding Dulhunty Power can be found at www.dulhuntypower.com

(f) *Adapt*: Adapt Australia Pty Ltd (**Adapt**) distributes T&D products to electricity utilities in Australia, New Zealand and the Pacific Islands. Adapt is based in Victoria, Australia. The company also has sales offices and warehousing capability in New South Wales, Western Australia and New Zealand.

Further information regarding Adapt can be found at www.adaptaust.com.au.

(g) *Schneider Electric*: The Schneider Group is a French based multinational operating in 102 countries throughout Europe, North America and the Asia Pacific region. The group designs, manufactures and supplies a broad range of electrical componentry and associated products to the power, water and mining industries.

In New Zealand, the Schneider Group operates through Schneider Electric (NZ) Limited (**Schneider Electric**). Schneider Electric is based in Auckland and has offices in Christchurch, Hamilton, Napier and Wellington. Through these offices, the company distributes a wide range of T&D equipment, including circuit breakers, transformers and switches.

Schneider Electric also owns Canterbury Engineering. Until the 1980s, Canterbury Engineering was the sole manufacturer of high voltage outdoor busbars and connectors which it supplied primarily to Transpower. Canterbury Engineering also manufactured and supplied medium and high voltage air breach switches to electricity utilities. Since this time, Canterbury Engineering has transferred ownership a number of times and is now owned by Schneider Electric. Under Schneider Electric's ownership, Canterbury Engineering has specialised in the manufacture and importation of connector products and accessories.

Further information regarding Schneider Electric can be found at http://www.schneider-electric.co.nz/sites/new-zealand/en/home.page

Of the above competitors, PLP understands that New Zealand Insulators, ABB, Tyco and Schneider operate manufacturing/assembly facilities in New Zealand. The remaining competitors import T&D equipment into New Zealand and do not currently have domestic manufacturing capabilities.

In addition to the competitors listed above, there are a range of others competitors in the industry which would continue to compete with PLP including the following:

(a) *AK Power Solutions Pty Ltd*: AK Power Solutions distributes T&D equipment to electricity utilities in Australia, New Zealand, the Middle East, South Africa, South East Asia and the UK.[31]

(b) *Britech Pty Ltd*: Britech distributes T&D and other products to the communications, mining, power and transport industries in Australia, New Zealand, Africa and the South Pacific.[32]

(c) *Cabac*: This company is an Australian based company which designs and manufactures a broad range of T&D equipment, including electrical connectors, cables and low voltage power connectivity products. In New Zealand, Cabac products are distributed primarily through Transnet.[33]

(d) *NGK Stanger:* NGK Stanger is an Australian-based company involved in the manufacture and supply of switchgear equipment to power utilities in Australia, New Zealand and South East Asia.[34]

(e) *The Energy Network (Australia) Pty Ltd*: Ten is an Australian-based company which imports and supplies a range of electrical componentry and related equipment to power utilities in Australia and New Zealand.[35]

(f) *Thew & McCann Pty Ltd*: This company is a privately owned Australian-based company which supplies a range of fittings and other T&D equipment to the electricity supply industry.

Post Proposed Transaction the above competitors through a mix of limited local manufacturing, some local assembly, OEM value add-ons and stocking and distributing arrangements, are able to supply products that would compete with those supplied by PLP and would be likely to constrain any attempt by PLP to engage in unilateral conduct.

[31] Further information regarding AK Power Solutions Pty Ltd can be found at: http://www.akpowersolutions.com/
[32] Further information regarding Britech Pty Ltd can be found at: http://www.britech.com.au/
[33] Further information regarding Cabab can be found at: http://www.cabac.com.au/shop/home.asp
[34] Further information regarding NGK Stanger can be found at: http://www.ngkstanger.com.au/
[35] Further information regarding TEN can be found at: http://www.tengroup.com.au/

Further, and as noted above, in many cases the T&D equipment, including the insulators and fittings sold in New Zealand [c-i-c], are manufactured overseas, imported and resold without any value-add.

In PLP's experience, the existence of numerous existing competitors which have the ability to import equivalent T&D products, including equivalent insulators and fittings, from low cost manufacturing countries with minimal supply chain overheads support its view that, post Proposed Transaction, these competitors will continue to exercise a strong competitive constraint on PLP.

Where known, competitor contact details are set out at **Appendix E**.

16 Constraints

Post Proposed Transaction, in addition to existing domestic and overseas competitors (see Section 15 above), the merged entity will also continue to be constrained by:

(a) the ability of power industry customers to substitute products supplied by existing suppliers for those supplied by competitors (assuming the relevant certification can be achieved);

(b) the threat of new entry; and

(c) the ability of existing participants to expand their business and supply T&D equipment, including insulators and fittings, to the power industry.

Each constraint is considered below.

16.1 Switching

T&D equipment, including insulators and fittings, are highly standardised. As such, customers can generally easily switch between suppliers. For example, helical wire formed line fittings are stocked and sold by several importers.

Indeed, customers can, and often do, obtain T&D equipment from more than one supplier and/or switch suppliers on the basis of price and other factors. Distribution companies in particular often change or have multiple suppliers for certain commonly used items on their respective networks. For example:

(a) PLP understands that Etel (a power transformer manufacturer) regularly purchases copper lugs and links from a number of suppliers, including c-i-c .

(b) c-i-c

Northpower's conduct indicates that T&D equipment customers can readily and easily switch between suppliers.

In relation to the ability of customers to switch products, PLP does not consider brand to be a significant impediment to switching. In particular, certain brands of products are parallel imported and available through multiple suppliers. For example, PLP understands that "Salisbury" branded safety equipment is available from both c-i-c

16.2 Entry

Barriers to entry and expansion in the T&D equipment, or indeed the narrower insulators and fittings, market are low.

The processes involved in manufacturing T&D equipment (including insulators and fittings) are relatively simple and do not require any specialised machinery. By way of example, PLP understands that the principle work undertaken at Electropar's manufacturing facility involves cutting, machining, drilling, turning, milling, pressing and welding metal. These activities can be performed using widely available engineering machinery.

In addition, as discussed in Section 8.3 above, the New Zealand standards governing the manufacture and testing of fittings do not constitute a barrier to entry.

Furthermore, given the 12 month lead time available on some tenders, new entrants could bid for tenders without having any established New Zealand operations. As no specialised facilities are required by importers to supply domestic customers, a successful entrant could use the lead time to establish local operations. This avoids the risks associated with a new entrant establishing a local operation without a viable customer base. Given the relative value of some tenders, a new entrant without New Zealand operations could effectively fund its entry into New Zealand by winning a large tender.

The absence of any significant barriers to entry into the New Zealand T&D equipment market is demonstrated by the recent establishment of OHUG Power Equipment Ltd (**OHUG**).[36] This company was recently started by an industry person who had previously worked for Electropar in a sales role. OHUG was established in 2007 to supply a range of equipment for use in electricity distribution networks. The company does not manufacture its own T&D equipment. Rather, OHUG acts a reseller/distributor, supplying products manufactured by other major international suppliers, including Dulhunty Power and ABB. The ease with which OHUG was able to establish its operations supports the view that the barriers to entry and expansion are low.

16.3 Expansion

The dynamics discussed in section 16.2 above with respect to new entry apply equally to expansion by an existing, but smaller, competitor. In this regard, PLP notes the following:

(a) The same basic machinery is used to manufacture the majority of the T&D products supplied in New Zealand. As a result, any firm currently manufacturing one or more T&D products could, with relative ease, expand their operations to supply new categories of T&D equipment.

[36] Further information regarding OHUG can be found at: http://www.ohug.com/index.htm.

(b) Similarly, given that T&D equipment is manufactured using basic engineering machinery, a firm currently manufacturing electrical equipment could, in response to the appropriate market signals, switch production to produce T&D equipment.

(c) A firm not currently manufacturing T&D or other electrical equipment could purchase the necessary equipment for between NZ$150,000 and NZ$300,000 (excluding labour costs).

(d) Large overseas manufacturers are not production constrained (ie, overseas manufacturers have sufficient capacity). Therefore and, given that barriers to importing T&D equipment are low (ie, the New Zealand standards are not a barrier, specifications are not a barrier and tariffs are not a barrier), a firm could expand into T&D equipment by assembling products such as insulators and fittings supplied by the overseas manufacturers.

Two existing T&D equipment suppliers that could expand their operations relatively quickly and easily are Canterbury Engineering (a division of Schneider Electric) and Transnet.

Canterbury Engineering currently supplies a range of substation componentry in the T&D equipment market. However, given the company's links with Schneider Electric (a significant, global supplier of T&D equipment), PLP considers that it could easily expand its activities into other T&D product categories, including insulators and fittings.

Transnet is a New Zealand based reseller which supplies imported T&D equipment to power utilities and other customers. Transnet has extensive experience in importing T&D equipment and strong relationships with a number of industry participants. In these circumstances, and given the low barriers to import expansion discussed above, PLP considers that Transnet could easily and quickly expand its supply of T&D equipment in response to an increase in demand.

17 Potential competition

PLP considers there are a number of overseas T&D equipment manufacturers, which are not capacity constrained, and would be able to supply T&D equipment within that category to New Zealand customers and/or distributors.

Potential international manufacturers of T&D equipment are set out in Table 2 above.

As discussed in Section 16.2 above, barriers to entry into the T&D equipment market are low. In this regard, PLP notes the following:

(a) *The estimated costs of entry*: The costs associated with establishing a domestic manufacturing and/or importing operation could vary significantly depending on the scope of the business involved. However, the costs associated with establishing an import company of sufficient scale to be a competitive force are likely to be relatively low.

(b) *Anticipated timeframes for entry*: PLP considers that new firms, particularly importers, could enter the T&D equipment market quickly. See Section 18 below.

(c) *Regulatory requirements*: PLP's experience suggests that the regulatory requirements governing the importation and supply of T&D equipment (including insulators and fittings) are no more onerous than those applying in other industries.

(d) *Frontier requirements*: There are no significant regulatory impediments to importing T&D equipment into New Zealand. In this regard, PLP notes that New Zealand does not require importers to be licensed. As a result, any business or

individual can import T&D equipment (or other products) into New Zealand. Tariff items 8536.69.00 and 8536.90 (covering insulators and fittings) attract customs duty at a rate 5%. However, these items are subject to a number of tariff concessions which allow certain products to be imported free of duty. As a result of these concessions, only aluminium compression fittings, split bolt line tabs and uninsulated copper lugs and links up to 185mm^2 are subject to import duty.

(e) *Business Requirements:* Any business wishing to enter a market must employ staff, establish an office, etc. The cost related to the establishment of a business to supply T&D equipment or specific product categories would not be significant, and in any event, are a necessary cost of doing business in any industry. In addition, PLP understands that no licences or other approvals are required to manufacture, assemble and/or import T&D equipment into New Zealand.

PLP considers that a number of factors are likely to encourage entry and/or expansion in the New Zealand T&D equipment industry in coming years. Most significantly, PLP expects New Zealand power utilities to increase spending on capital works (and therefore T&D equipment) over the short to medium term to improve operational efficiency and replace aging assets. This increase may encourage new firms to enter the T&D equipment industry. In this regard, PLP notes that a number of global T&D manufacturers have not yet entered the New Zealand market. These include the French-based Sicame Group which designs, manufactures and supplies a broad range of T&D equipment, including insulators and fittings, in more than ten countries worldwide. The Sicame Group currently operates Sicame Australia Pty Ltd in Australia and could therefore enter the New Zealand market relatively quickly and easily.

18 Likelihood, Extent and Timeliness of Entry

The timeframe for entry and expansion differs depending on the mode of entry or expansion adopted. As discussed, a firm wishing to either enter or expand their presence in the T&D equipment market has a number of options available to it, including:

(a) establishing a local manufacturing operation;

(b) undertaking the assembly and final production of imported products;

(c) importing products for distribution and/or resale;

(d) expanding a current electrical manufacturing business to supply T&D equipment. As discussed in Section 16.3 above, PLP considers that both Canterbury Engineering and Transnet could expand their supply of T&D equipment, including insulators and fittings, relatively quickly and easily; or

(e) responding to significant tenders for T&D equipment while not currently present in New Zealand.

Subject to the mode of entry, PLP considers that entry or expansion could occur very quickly. The timeframe for entry by a firm importing T&D equipment into New Zealand is likely to be very short. PLP's experience suggests that an import company could be established in less than one month. An entrant establishing a new manufacturing operation could take between one and three months to construct and commission a local manufacturing operation.

PLP considers that if post-Proposed Transaction it attempted to increases prices and reduce the quality of its goods or services, entry or expansion in the relevant market would occur within the timeframe adopted by the Commission for the purposes of the LETS test. Transnet was established in 1999 and grew very quickly. OHUG Power was

established in 2007. Both of these companies were established by industry participants who had worked for several other manufactures/importers, including Electropar. Such entry would also be of a scale sufficient to constrain PLP post Proposed Transaction. c-i-c

An entrant could easily replicate this mode and scale of entry if supported by a contract to supply Transpower or an electricity distribution utility.

19 Countervailing power of buyers

The Commission's *Mergers and Acquisitions Guidelines* recognise that a firm's ability to exert market power "may be constrained if purchasers were able to exert a substantial influence on the price, quality or terms of supply of the goods or service".[37]

If, post Proposed Transaction, PLP sought to act unilaterally by raising prices and lowering the quality its products, its customers have a significant degree of countervailing power such that this conduct could not be sustained in the short term.

PLP and Electropar primarily sell their T&D products to large power transmission and distribution utilities. These products are generally substitutable for equivalent products manufactured and supplied by other existing competitors.

Relevantly:

(a) Power transmission and distribution utilities are large in relation to PLP. T&D equipment contracts are commercially significant to firms such as PLP. c-i-c

(b) In certain cases, utilities may be the only, or only significant, acquirer of certain T&D equipment. | c-i-c

(c) The power transmission and distribution utilities are well informed about alternative sources of supply. They deal with significant alternative suppliers of T&D equipment (eg, ABB) in other contexts (eg, substations) and are able to inform themselves about alternative products.

PLP considers that buyers such as Transpower and the electricity distribution utilities have a significant degree of countervailing power because these firms can:

(a) through their tenders, easily foster new entry or expansion by an existing industry participant; or

(b) buy directly from manufacturers of the T&D equipment. c-i-c

Post the Proposed Transaction, Transpower and the electricity distribution utilities could, if required, source their T&D equipment requirements from other global

[37] New Zealand Commerce Commission, *Mergers and Acquisitions Guidelines,* p 31

manufacturers directly – bypassing the local manufacturing operations of a firm such as PLP.

Indeed, there are a significant number of global suppliers of T&D equipment such that buyers like Transpower are able to credibly threaten to bypass PLP either by self acquiring the required products or by sponsoring new entry. c-i-c

20 No substantial lessening of competition

Following the Proposed Transaction, the market for the manufacture and supply of T&D equipment will continue to be subject to significant competitive constraints in New Zealand. These include:

(a) competition from existing large international manufacturers of T&D equipment such as ABB, Tyco and Schneider, which are already present in New Zealand. They can easily expand the range of their products sold in New Zealand whether by importing directly to New Zealand customers or by supplying existing distributors in New Zealand. As the same basic machinery is used to manufacture the majority of T&D equipment, these firms could easily and quickly expand into the manufacture and supply other T&D products (if they do not do so already), including insulators and fittings;

(b) competition from existing domestic distributors. Currently, there are a number of domestic distributors, some of which assemble imported T&D components, which are readily able to import T&D equipment from international suppliers. For example, post Proposed Transaction, Transnet will continue to constrain the parties given its established operational ability, as a significant distributor of T&D equipment, to import such products. PLP considers that Transnet could, in response to the appropriate market signals, expand its supply of T&D equipment relatively quickly and easily;

(c) competition from direct imports of suppliers not present in New Zealand. As discussed in section 10 above, there are no significant barriers to importing T&D equipment into New Zealand. In particular, there are no licensing or other regulatory requirements for importing T&D equipment and the New Zealand product standards are not a barrier to entry. For example, as discussed in section 17 above, the French based Sicame Group is not yet present in New Zealand. It does, however, operate a subsidiary in Australia and could use this as a base for entering the New Zealand market;

(d) significant countervailing power from large T&D customers which could, post Proposed Transaction, credibly threaten to bypass PLP by sponsoring new entry.

For the reasons set out above, PLP submits that the Proposed Transaction will not result in a substantial lessening of competition in the market for the manufacture and supply of T&D equipment in New Zealand, or any other market.

21 Coordinated market power

The Commission's *Mergers and Acquisitions Guidelines* identify three key ingredients which are necessary for successful coordination between competing firms.[38] These are: collusion, detection and retaliation. The Commission also refers to factors it considers in assessing the likelihood of co-ordinated conduct in a market. Whether or not these factors are present in the relevant market is summarised in Table 8 below.

Table 8: The potential for collusion in the T&D equipment industry

Factor	Presence of factors in the T&D equipment industry
High seller concentration	As discussed in Sections 13 and 15 above, the T&D equipment industry is not concentrated. Post Proposed Acquisition, there will continue to be at least 11 other firms supplying insulators and fittings in New Zealand. These firms will continue to complete vigorously with the merged entity.
Undifferentiated products	The majority of products supplied in the T&D equipment industry (including insulators and fittings) are based on standardised designs. As a result, product differentiation tends to be limited.
Static production technology	As discussed in Section 8 above, the T&D equipment industry is a mature industry in which technological development tends to occur at a relatively slow pace. However, PLP's experience suggests that developments do occur over time. For example, PLP understands that improvements in global manufacturing processes have resulted in changes to the way in which substations are built.
Slow speed of new entry	The Commission's *Mergers and Acquisitions Guidelines* recognise that collusion is more likely to occur in markets which are difficult to enter. This is because, "the longer the time needed to enter the market, the longer the co-ordinating business can enjoy high profits before the profits are eroded by entry".[39] PLP considers that new firms, particularly importers, could enter the T&D equipment industry quickly. As discussed in section 18 above, PLP considers that a new importer could enter the New Zealand T&D equipment market in less than one month.
Lack of fringe competitors	PLP considers there are fringe competitors that could enter and/or expand their operations in the T&D equipment industry relatively quickly and easily. See Section 16.3 above. In addition, PLP notes that a number of international T&D equipment manufacturers, including the Sicame Group, have yet to enter the New Zealand market. See Section 17 above.
Acquisition of a maverick business	The Commission's *Mergers and Acquisitions Guidelines* provide that "loss of an aggressive competitor may make it easier for other businesses to collude, as they no longer have to convince a maverick business to participate".[40] This factor does not apply to the Proposed Transaction.
Price inelastic market demand	Both PLP and Electropar's experience in the T&D equipment

[38] New Zealand Commerce Commission, *Mergers and Acquisitions Guidelines,* p 33
[39] New Zealand Commerce Commission, *Mergers and Acquisitions Guidelines,* p 33
[40] New Zealand Commerce Commission, *Mergers and Acquisitions Guidelines,* p 34

Factor	Presence of factors in the T&D equipment industry
	industry suggests that power utilities are sensitive to changes in price and often switch suppliers on the basis of price. c-i-c
History of anti-competitive behaviour	PLP and Electropar have not previously been involved in any investigations by a competition regulatory authority. However, PLP notes that proceedings have been brought against other participants in the T&D equipment industry.
Characteristics of the buyer	The Commission's *Mergers and Acquisitions Guidelines* recognise that "[p]urchasers with countervailing power could undermine co-ordinated market power".[41] For the reasons set out in Section 19 above, PLP considers that a significant number of customers of T&D equipment are able to exercise strong countervailing power.

Based on Table 8 above, PLP considers that co-ordinated conduct between competing firms is unlikely to occur in the relevant industry.

22 Efficiencies

PLP considers that efficiencies will result from the acquisition. In particular:

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[41] New Zealand Commerce Commission, *Mergers and Acquisitions Guidelines,* p 34

PART 6: INFORMATION AND DOCUMENTATION

The contact details of relevant competitors, buyers and suppliers are set out in the Appendices below.

PART 7: CONFIDENTIALITY

Confidentiality is sought over the information contained in or attached to the Notice and identified by square brackets and shaded or in the case of attachments described as being "Confidential" (**Confidential Information**).

Confidentiality is sought over the Confidential Information until PLP advises the Commission that it can make public disclosure of that information.

Confidentiality is sought under section 9(2)(b) of the *Official Information Act* 1982 on the grounds that:

(a) the information is commercially sensitive and valuable information which is confidential to the parties; and

(b) disclosure of the information is likely to give unfair advantage to competitors of the parties and unreasonably prejudice the commercial position of the parties.

PLP requests that it is notified of any request made to the Commission under the Official Information Act for access to the Confidential Information, and that the Commission seeks PLP's views as to whether the information remains confidential and commercially sensitive at the time those requests are being considered.

The above applies in respect of any additional information provided to the Commission that is expressed to be "confidential".

DECLARATION

THIS NOTICE is given by the Preformed Line Products Company (**PLP**).

I, Carrie Vaccariello, General Counsel & Corporate Secretary of PLP am authorised to make this notice on PLP's behalf.

I hereby confirm that:

(a) all information specified by the Commission has been supplied;

(b) if information has not been supplied, reasons have been included as to why the information has not been supplied;

(c) all information known to the applicant which is relevant to the consideration of this notice has been supplied; and

(d) all information supplied is correct as at the date of this notice.

I undertake to advise the Commission immediately of any material change in circumstances to the notice.

Dated this day of May 2010

_____

I, Carrie Vaccariello, General Counsel & Corporate Secretary am authorised by PLP to make this Notice.

Figure 2: PLP Australia corporate structure

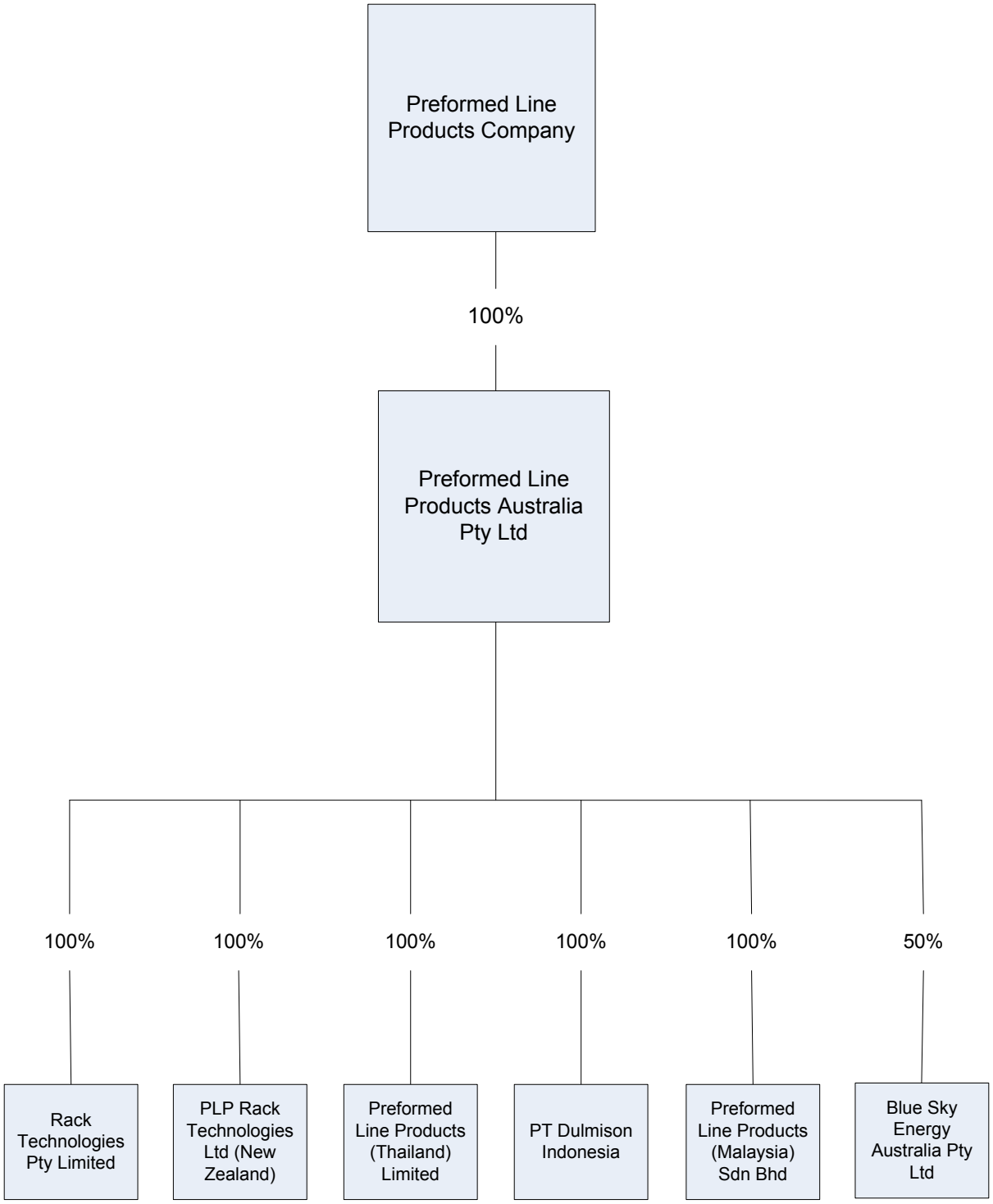
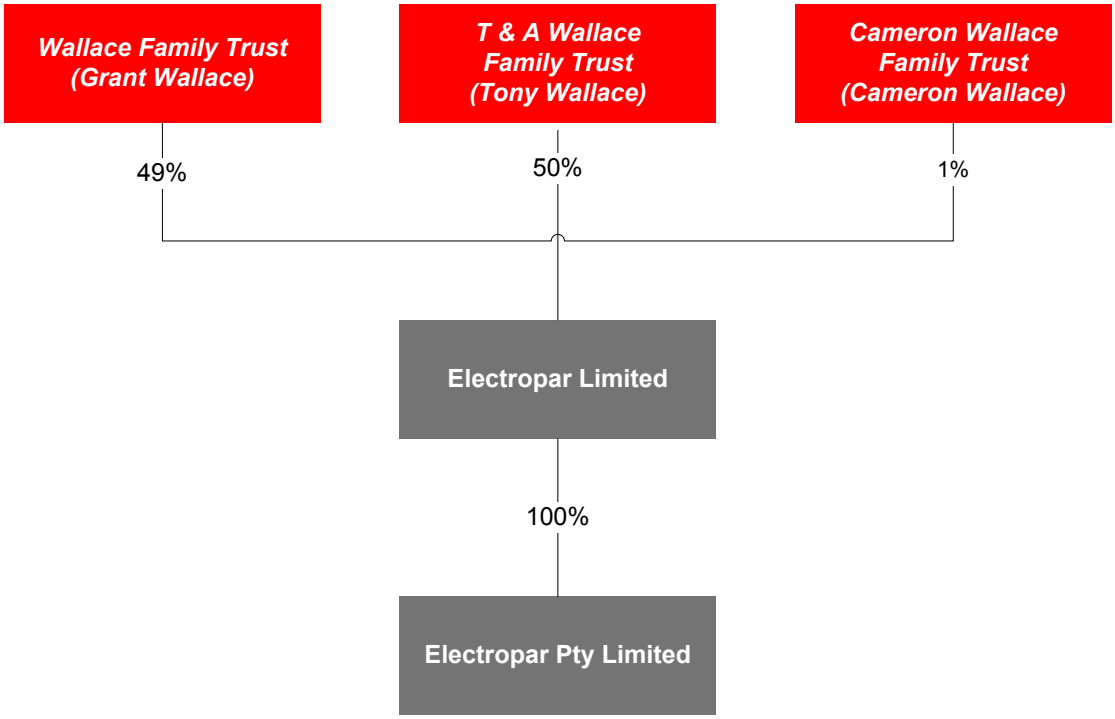


Figure 3: Electropar corporate structure



Appendix C: Confidential Transaction Documents

Attached with this Notice.

Appendix D: Confidential Contact Details for Customers

Table 9: PLP Australia's customers in the T&D equipment market

Customer name	Sales (2009)	Operational summary	Address	Phone No.	Website	Contact
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Table 10: Electropar's 10 largest customers in the T&D equipment market

Name	Sales (Nov-YTD 2010)	Operational Summary	Address	Phone No.	Website	Contact

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Name	Sales (Nov-YTD 2010)	Operational Summary	Address	Phone No.	Website	Contact

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Appendix E: Contact Details for Competitors

Table 11: Competitors in the T&D equipment industry

Name	Operational summary	Address	Phone no.	Website	Contact
Dulhunty Power NZ Limited	Importer and supplier of T&D equipment	PO Box 281 Whangaparaoa, Auckland, New Zealand	9 424 7295	www.dulhuntypower.com	Brian Mathieson, General Manager Email: brian@dulhunty.co.nz Phone: 21 424 729
Transnet New Zealand Limited	Manufacturer, stockist and supplier of electrical engineering equipment to the power distribution industry	PO Box 39 388 Howick, Auckland, New Zealand	9 274 3340	www.transnet.co.nz	Spencer Winn, Managing Director swinn@transnet.co.nz Phone: 9 274 549-
Bri-Tech Pty Ltd	Importer, stockist and supplier of electrical engineering equipment to the power transmission and distribution industry	2/32 Neilpark Drive, East Tamaki, Manukau	9 274 4280	www.britech.com.au	Mike Day, Managing Director sales@britech.co.nz Phone: 9 274 4280
JTS Power Limited	Importer, stockist and supplier of electrical engineering equipment to the power distribution industry	24 Ra Ora Drive, East Tamaki, Manukau	9 274 7255	www.itspower.co.nz	Russell Clarke, Owner Phone: 9 274 7244
Cuthbert Stewart Limited	Importer, stockist and supplier of electrical equipment to the power distribution industry	4 Fred Thomas Drive, Takapuna	9 489 1751	www.cuthbertstewart.co.nz	Phil Elliott Phone: 027 430 1547
Hamer Limited	Importer, stockist and supplier of electrical engineering equipment to the power distribution industry	50 Disraeli Street, Addington, Christchurch, 8024	3 366 2483	www.hamer.co.nz	Geoffrey Sullivan, General Manager gsullivan@hammer.co.nz Phone: 21 376 787
OHUG Power Equipment Limited	Importer, stockist and supplier of electrical engineering equipment to the power distribution industry	71 Adams Drive, Pukekohe, South Auckland, 2340	9 239 2186	www.ohug.com	Steve Rigby, Managing Director Phone: 27 405 1129

Name	Operational summary	Address	Phone no.	Website	Contact
Schneider Electric (NZ) Limited	Manufactures and imports electrical connection equipment for substations	*Head office* 38 Business Parade South, Highbrook, East Tamaki, Manukau 2013	9 829 0490	www.schneider-electric.co.nz	*Head office* Telephone Phone: (09) 829 0490
Canterbury Engineering	A division of Schneider Electric. Manufactures and imports electrical connection equipment for substations	11 Moncur Place, Middleton, Christchurch, 1026	3 338 9059	www.schneider-electric.co.nz	Merv Meredith, Manager merv.meredith@nz.schneider-electric.com Phone: 3 338 9059
Electrical Connections Ltd	Importer of copper and bimetal lugs and links	3 Tokomaru Place, Stoke, Nelson, 7011	3 542 8233	www.electricalconnections.co.nz	Richard Malcolm, Owner Phone: 3 543 8233
Arthur D Riley & Co Ltd	Importer, stockist and supplier of electrical engineering equipment for the power transmission and distribution industry	137 Thorndon Quay, Pipitea, Wellington City, Wellington, 6011	4 472 7614	www.adriley.co.nz	Alastair Neil, Manager High Voltage Phone: 9 444 2350
Adapt Australia Pty Ltd	Distributes T&D equipment in Australia, New Zealand and the Pacific Islands.	183 Elgin Road, Ashburton, New Zealand	3 302 3023	www.adaptaust.com.au	Steve Offord sofford@adapt.com Phone: 3 310 0480
The Energy Network (Australia) Pty Ltd	Imports and supplies electrical componentry for use in the power industry	4/630 Great South Road, Papatoetoe, Auckland, New Zealand, 2155	9 270 0007	www.tengroup.com.au	Dave Edgar, Sales Manager Email: dave@tengroup.co.nz
Thew & McCann Pty Ltd	Supplies T&D equipment to the power industry.	45 Enterprise Drive, Cleveland, Queensland, Australia, 4163	61 7 3826 6000	www.thew.com.au	Charles Williamson, CEO Email: cwilliamson@thew.com.au Phone: 61 07 3826 6000
Tyco Electronics NZ Limited	Global manufacturer and supplier of T&D equipment.	57 Mahunga Drive, Mangere, New Zealand, 2022	9 634 9932	www.tycoelectronics.com	Jason Woodcock, Industry Manager Energy Division: Phone: 274 610 676 Email: jwoodcock@tycoelectronics.com

Appendix F: Confidential Contact Details for Suppliers

Table 12: PLP Australia's 10 largest suppliers in the T&D equipment market

	Name	Value of purchases (2009)	Operational summary	Address	Phone no.	Website	Contact

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	Name	Value of purchases (2009)	Operational summary	Address	Phone no.	Website	Contact

c-i-c

Table 13: Electropar's 10 largest suppliers in the T&D equipment market

	Name	Value of purchases (2009)	Operational summary	Address	Phone No.	Website	Contact

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	Name	Value of purchases (2009)	Operational summary	Address	Phone No.	Website	Contact

c-i-c

	Name	Value of purchases (2009)	Operational summary	Address	Phone No.	Website	Contact

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Appendix G: Confidential Annual Report(S)

Attached with this Notice are:

The Preformed Line Products (Australia) Pty, Special Purpose Annual Financial Report for the Year ended 31 December 2009.

Electropar Limited's financial statements for the year ending 31 March 2009 and Electropar Pty Ltd's financial statements for the year ended 30 June 2009