



COMMERCE COMMISSION

Decision No. 421

Determination pursuant to the Commerce Act 1986 in the matter of an application for a clearance involving:

FLETCHER STEEL LIMITED

and

STEEL & TUBE HOLDINGS LIMITED

The Commission: M J Belgrave
M N Berry
P R Rebstock

Summary of Application: The acquisition by Fletcher Steel Limited to acquire up to 100% of the shares in Steel and Tube Holdings Limited

Determination: Pursuant to section 66(3)(a) of the Commerce Act 1986, the Commission determines to give clearance for the proposed acquisition.

Date of Determination: 21 March 2001

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THE PROPOSAL

1. In a notice to the Commission dated 14 February 2001, pursuant to section 66(1) of the Commerce Act 1986 (“the Act”), Fletcher Challenge Steel Products Limited (“Fletcher Steel”) sought clearance to acquire up to 100% of the shares in Steel and Tube Holdings Limited (“Steel & Tube”).
2. The proposed acquisition was considered twice in 1999, in Decision 376 and 378. In Decision 376, dated 4 November 1999, the majority of the Commission was not satisfied that the acquisition would result, or be likely to result, in creating or strengthening a position of dominance in a market. Consequently, the Commission declined to give clearance.
3. In Decision 378, dated 10 December 1999, on the basis of new information, the majority of the Commission concluded that they were satisfied that the proposal would not result, or would not be likely to result, in any person acquiring or strengthening a dominant position in any of the relevant markets, and clearance for the acquisition was given.
4. Although clearance for the acquisition was granted, Fletcher Steel did not purchase Steel & Tube within twelve months, which is the statutory time-frame for which a clearance remains in effect.
5. A significant amount of the information recorded in Decision 378 is applicable to the present application. However, given that over a year has passed since this decision, the Commission has conducted market enquiries to verify and update information.

THE PROCEDURES

6. The application was received and registered on 14 February 2001. Section 66(3) of the Act requires the Commission either to clear or to decline to clear a notice given under section 66(1) within 10 working days, unless the Commission and the person who gave notice agree to a longer period. In total, an extension of fifteen working days (three weeks) was sought by the Commission and agreed to by Fletcher Steel. Accordingly, a decision was required by 21 March 2001.
7. In the application, Fletcher Steel sought confidentiality for specific information contained in the application. A confidentiality order was made in respect of that information for a period of 20 working days from the Commission’s determination of the notice. When that order expires, the provisions of the Official Information Act will apply.
8. The Commission’s determination is based on an investigation conducted by its staff. In the course of this investigation, Commission staff discussed the application with a number of parties in the industry including steel distributors, steel end-users, international steel traders, and steel producers.

THE PARTIES

9. The main parties in the current application are the same as for Decision 376 and 378, those being Fletcher Steel (“the applicant”), Steel & Tube (“the target”), Asmuss Steel, Vulcan Steel, United Industries, and Kiwi Steel (the last four will be referred to as “the second-tier players”). A brief description of the parties is given below.

Fletcher Steel Limited

10. Fletcher Steel is a wholly owned subsidiary of Fletcher Challenge Industries Limited, which forms part of the Fletcher Challenge group of companies. Other wholly owned subsidiaries of Fletcher Challenge Industries Limited include Fletcher Construction Company Limited, Firth Industries Limited, Winstone Aggregates Limited, Fletcher Homes Limited, Pacific Steel Limited and CSP Pacific Limited. These companies are all part of the Fletcher Challenge Building division of Fletcher Challenge Limited. Fletcher Challenge Building is ranked as the seventh largest company in New Zealand in terms of revenue.¹
11. Fletcher Steel is the parent company of a number of subsidiaries involved in the merchandising, processing and manufacture of a range of steel products. Dimond Industries is one trading arm that is involved in the manufacture and marketing of a range of roll-formed steel roofing and cladding products. Dimond Industries also markets a pressed metal tile for the roofing market, and manufactures and markets a range of gutter systems, ridging, barges, flashings and metal fascia.
12. Fletcher Easy Steel is another trading arm whose principal business is the distribution of long and flat steel products. It distributes merchant steel products and processed and unprocessed steel plate and coil products.
13. Fletcher Reinforcing is a trading arm involved in the fabrication of steel reinforcing bar products.
14. Fletcher Steel has a nationwide distribution network for its businesses.

Steel and Tube Holdings Limited

15. Steel & Tube is the parent company of a number of subsidiaries involved in the merchandising, processing and manufacture of a range of steel products. It is a publicly listed company, which is ranked as the 55th largest company in New Zealand in terms of annual revenue.² The majority shareholder of Steel & Tube is a listed Australian company, OneSteel, which holds 50.01% of Steel & Tube's issued share capital. OneSteel was listed on the Australian Stock Exchange on 23rd October 2000.
16. Steel & Tube Roofing manufactures and markets roll-formed steel roofing and cladding products and rainwater goods for residential and commercial building sectors. They are generally made to customer specifications, and are manufactured using coated Colorsteel and Zinalume steel coil, primarily supplied by BHP New Zealand Steel Limited. Steel & Tube Roofing also distributes a range of complementary roofing goods such as fasteners, underlay, wire netting and translucent sheeting.
17. Steel & Tube is involved in steel distribution and processing through its trading arm Steel and Tube. Its subsidiaries have the following areas of focus:
 - Metal Sales Limited – special steels, which are normally of significantly higher value than regular mild steels
 - Nuts, Bolts and Screws and Fastening Supplies – ancillary steel fittings
 - Stewart Steel Limited – sale of processed and unprocessed steel plate and coil products.

¹ "2000 Top 200 New Zealand Companies", Management December 2000, p. 70.

² Ibid at p. 72.

18. Steel & Tube is also involved in the reinforcing and fabrication of steel products through CP Reinforcing Limited.
19. Steel & Tube has a nationwide distribution network for its businesses.

Second-Tier Players

Kiwi Steel Limited

20. Kiwi Steel Limited (“Kiwi”) is predominantly involved in the distribution of steel coil and steel plate. It has distribution outlets in Auckland and Christchurch, and has a representative in the Hawkes Bay. Kiwi Steel distributes steel on a nationwide basis.

Asmuss Steel and Wire

21. Asmuss Steel and Wire (“Asmuss”) is a division of industrial company HJ Asmuss & Co Limited which has been in business for 75 years, although it has become a significant steel supplier only in the past ten years. Asmuss is involved in the nationwide distribution and processing of steel plate, steel merchant products and steel reinforcing. Asmuss has steel distribution outlets in Auckland, Mt Maunganui, New Plymouth, Wanganui, Wellington (Steel Traders Limited), and Christchurch and Dunedin (through Tudor Pipeline Supplies Limited).

Vulcan Steel Limited

22. Vulcan Steel Limited (“Vulcan”), is a privately owned company involved in the distribution and processing of steel coil, plate, reinforcing bar and merchant products. Vulcan distributes steel products nationally, with outlets in Auckland, Palmerston North, Nelson, Christchurch and Dunedin. Vulcan has been in the market since 1996.

United Industries Limited

23. United Industries Limited (“United”) is the parent company of subsidiaries Metalcraft Industries Limited (“Metalcraft”), ReoFab Limited (“Reofab”) and Steel Plus Limited (“Steel Plus”). Metalcraft is involved in the manufacture and distribution of long run steel roofing products. Steel Plus is involved in the distribution of steel merchant products, and Reofab in the fabrication and distribution of steel reinforcing rod.
24. Metalcraft operates a nationwide distribution network with outlets in Auckland, Hamilton, Palmerston North, Tauranga, Rotorua, Wellington and Christchurch. Steel Plus operates in the Auckland region and ReoFab operates out of Auckland and Christchurch.

RELEVANT MARKETS

25. In Decision 376 and 378, the following market definitions were used:
- the national market for the distribution of merchant steel products;
 - the national market for the distribution and fabrication of reinforcing steel;
 - the national market for the distribution and processing of steel plate products;
 - the national market for the distribution and processing of steel coil products;

- the national market for the manufacture and distribution of domestic roofing products; and
- the national market for the manufacture and distribution of industrial roofing products.

26. During previous investigations, the Commission received several submissions suggesting amendments to the above market definitions. The Commission has considered these but are of the view the above market definitions are the most appropriate. There has been no new evidence to suggest the market definition should be changed. The Commission, therefore, proposes to proceed with the above market definitions.

COMPETITION ANALYSIS

27. The focus of the current investigation has been to verify whether conclusions reached in Decision 378 are still applicable. Market shares have been assessed as follows:

**Table 1:
Estimated Market Shares in the National Market
for the Distribution of Merchant Steel Products**

Company	Tonnes	Market Share (%)
Fletcher Steel	[]	[]
Steel & Tube	[]	[]
<i>Combined Entity</i>	[]	[]
Asmuss Steel (including Steel Traders and Tudor)	[]	[]
Vulcan Steel	[]	[]
Kiwi Steel	[]	[]
Steel Plus (United)	[]	[]
<i>Total</i>	[]*	[]

*Due to difficulties in assessing market size, no estimate has been made for “other” competitors or “direct sales”.

**Table 2:
Estimated Market Shares in the National Market
for the Distribution and Processing of Steel Plate Products**

Company	Tonnes	Market Share (%)
Fletcher Steel	[]	[]
Steel & Tube	[]	[]
<i>Combined Entity</i>	[]	[]
Asmuss (including Steel Traders and Tudor)	[]	[]
Kiwi	[]	[]
Vulcan	[]	[]
Steel Plus (United)	[]	[]
Others	[]	[]
<i>Total</i>	[]	99.9

Table 3:
**Estimated Market Shares in the National Market for the
Distribution and Processing of Reinforcing Steel**

Company	Tonnes	Market Share (%)
Fletcher Steel	[]	[]
Steel & Tube	[]	[]
<i>Combined Entity</i>	[]	[]
Asmuss (incl. Tudors and Steel Traders)	[]	[]
Vulcan	[]	[]
Kiwi	[]	[]
Reofab/Steel Plus (United)	[]	[]
Other/Direct Imports	[]	[]
<i>Total</i>	[]	100

Table 4:
**Estimated Market Share for the National Market
for the Distribution and Processing of Steel Coil**

Company	Tonnes	Market Share (%)
Fletcher Steel	[]	[]
Steel & Tube	[]	[]
<i>Combined Entity</i>	[]	[]
Asmuss (incl. Tudor and Steel Traders)	[]	[]
Vulcan	[]	[]
Kiwi Steel	[]	[]
Steel Plus	[]	[]
Other/Direct sales/Direct Imports	[]	[]
<i>Total</i>	[]	99.9

Table 5:
**Estimated Market Shares for the National Markets for the Manufacture and
Distribution of Domestic and Industrial Roofing Products**

Company	Market Share	
	Domestic	Industrial
Fletcher Steel	[]	[]
Steel & Tube Roofers	[]	[]
<i>Merged Entity (incl. Apex)</i>	[]	[]
Metalcraft (United)	[]	[]
Calder Stewart	[]	[]
Others	[]	[]
<i>Total Roll-Formed</i>	[]	[]
<i>Total Metal Tile</i>	[]	[]
<i>Total Concrete Tile</i>	[]	[]
<i>Others (incl. Butynol and shingles)</i>	[]	[]
<i>Total</i>	99.9	100.0

28. Since Decision 378, there have been the following notable changes in the markets:

- In December 1999, Tudor opened a branch in Dunedin, and on 1 September 2000 Asmuss opened a branch in Mt Maunganui;
- [];
- []; and,
- Metalcraft has opened two new branches in Tauranga and Rotorua.

29. The Commission has conducted market enquiries and checked the data compared to Decision 378 and is satisfied there have been no adverse changes in the market share or competitive constraints that would lead to a change in the analysis.

OVERALL CONCLUSION

30. The Commission has considered the likely impact of the proposal in the following markets:

- the national market for the distribution of merchant steel products;
- the national market for the distribution and fabrication of reinforcing steel;
- the national market for the distribution and processing of steel plate products;
- the national market for the distribution and processing of steel coil products;
- the national market for the manufacture and distribution of domestic roofing products;
and
- the national market for the manufacture and distribution of industrial roofing products.

31. Having regard to the various elements of section 3(9) of the Act, and all the other relevant factors, the Commission is satisfied that the proposal would not result, or would not be likely to result, in any person acquiring or strengthening a dominant position in any of the markets identified above.

DETERMINATION ON NOTICE OF CLEARANCE

32. Accordingly, pursuant to section 66(3)(a) of the Act, the Commission determines to give clearance for the proposed acquisition by Fletcher Steel of 100% of the shares in Steel & Tube.

Dated this 21st day of March 2001

M J Belgrave
Chair