



News Release

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COMPLETED ACQUISITION BY ARCELOR SA OF CORUS UK LIMITED'S UK HOT-ROLLED STEEL SHEET PILING BUSINESS

Statement of issues

The Competition Commission (CC) has today published an issues statement as part of its inquiry into the acquisition by Arcelor SA of the UK hot rolled steel sheet piling business of Corus Group plc. The acquisition was referred to the CC on 10 September 2004.

The CC is required to publish its final report by 24 February 2005.

To date, the CC's investigation has concentrated on gathering information, views and evidence. A number of issues of particular significance have been identified and they are set out in full at the end of this release. They will form the basis of a hearing, at which Arcelor will be asked about the acquisition and its effects.

The CC is seeking to establish whether, as a result of the acquisition, there will be a substantial lessening of competition within the market or markets for hot rolled steel sheet piling in the UK. Sheet piling is used in the construction industry as a retaining structure acting as a barrier to earth or water.

As part of that process, the CC will, in accordance with its guidelines:

- assess the competitive effects of the merger;
- define a relevant market or markets;
- compare future effects with what would have been likely to have occurred, had the merger not taken place (the counterfactual); and
- consider any customer benefits that might arise from the merger.

This issues statement highlights particular aspects of the acquisition that have been identified for further consideration. It is published so that interested parties may know, and comment on, the CC's current appraisal of the issues. Views so far expressed by third parties have been posted on the CC web site.

Comments from third parties are highly valued by the CC, whether they are on the specific, or more general, issues that the CC must consider, such as market definition, the competition effects of the market, the counterfactual, and customer benefits; or on any other competition issues relevant to the acquisition. If the CC identifies further issues, it will publish a supplementary statement.

The CC has reached no conclusions about whether the acquisition has resulted, or may be expected to result, in a substantial lessening of competition; and will not do so until after it has discussed these and any further issues with the parties concerned.

If the CC finds that there is, or may be expected to be, a substantial lessening of competition, it will consider whether any remedies are necessary. Should it find that they are, the CC will issue a remedies statement.

Anyone wishing to comment on any of the issues set out below is requested to do so by 11 November 2004 in writing to:

Inquiry Secretary (Arcelor/Corus merger inquiry)
Competition Commission
Victoria House
Southampton Row
London WC1B 4AD
or by email: Arcelor.Corus@competition-commission.gsi.gov.uk.

The CC will continue to gather evidence in this inquiry and will publish its provisional findings according to the administrative timetable for this inquiry available on the CC's web site: www.competition-commission.org.uk/inquiries/current/arcelor/index.htm.

Notes for editors

1. The Enterprise Act 2002 empowers the OFT to refer to the CC anticipated or completed mergers for investigation and report which create or enhance a 25 per cent share of supply in the UK (or a substantial part thereof) or where the UK turnover associated with the enterprise being acquired is over £70 million.
2. The Arcelor/Corus Group consists of five members—Peter Freeman (Group Chairman), John Bailie, John Collings, Chris Goodall and Jeremy Seddon.
3. Further information can be obtained from the CC's web site at: www.competition-commission.org.uk/inquiries/current/arcelor/index.htm.
4. Enquiries should be directed to Francis Royle, Press Officer, 020 7271 0242, or Rory Taylor on 020 7271 0488/rory.taylor@competition-commission.gsi.gov.uk.
5. The full text of the OFT's referral of this case can be found on the OFT web site at www.of.gov.uk.

The issues that the CC has identified as significant are:

Jurisdiction, the factual background and the counterfactual

- (a) What arrangements between Arcelor and Corus constitute the merger for the purposes of the Enterprise Act; in particular:
 - (i) whether the closure of Corus's heavy section mill at Scunthorpe is to be seen as part of the merger or not; and
 - (ii) the extent to which the transaction is part of a wider series of arrangements or understandings between Arcelor and Corus;
- (b) what would have happened had the merger not occurred; in particular:
 - (i) whether Corus's hot rolled steel sheet piling business would have closed in any event, and if so why and when;
 - (ii) whether Corus could have transferred the production of hot rolled steel sheet piling from the Scunthorpe heavy section mill to another Corus mill, bearing in mind that such a transfer might displace other products;
 - (iii) whether Corus could profitably have maintained a sales and marketing business for hot rolled steel sheet piling which it bought in from elsewhere; and
 - (iv) whether Corus could have transferred the business to someone else.

Market definition

- (c) The appropriate definition of the relevant markets affected by the acquisition, in particular:
 - (i) whether other barriers or retaining systems using, for example, concrete caissons or piles, cold formed steel sheet piling, or wooden piles can be regarded as alternatives to hot rolled steel sheet piling;
 - (ii) what factors would bear on the choice to be made between such alternatives;
 - (iii) whether the effectiveness of such alternatives may vary for different customers or in different applications;
 - (iv) whether there are certain applications for which hot rolled steel sheet piling is the only option;
 - (v) whether there are certain applications which require particular forms of hot rolled steel sheet piling, such as wide Z shapes;
 - (vi) whether heavy section mills not currently providing hot rolled steel sheet piling could be diverted profitably to do so within a year (following a hypothetical non-transitory 5 to 10 per cent relative price increase); and
 - (vii) whether the relevant geographic market is the UK, the EEA or wider.

Effect on competition

- (d) Whether UK customers for hot rolled steel sheet piling will be adversely affected by the merger; in particular:
- (i) who competed with Arcelor and Corus before the merger;
 - to what extent;
 - and in what form competition existed on price, quality or other factors; for example, whether hot rolled steel sheet piling was sold in a 'bidding market'; and
 - whether switching costs were significant;
 - (ii) why prices paid by UK customers have risen recently;
 - whether the merger has contributed to this price rise, or
 - whether it is due to other factors, such as 'the China effect'; and
 - whether prices will rise further as a result of the merger;
 - (iii) whether there are any unique or specific features in the supply of hot rolled steel sheet piling in the UK that may affect the assessment of the merger, for example,
 - particular geographic or geological features, or
 - whether the strength of the domestic concrete industry means that the UK is not typical.
- (e) Whether following the merger Arcelor can meet the needs of UK customers for hot-rolled steel sheet piling (such as delivery in time to a suitable specification); in particular:
- (i) whether the lack of a UK-based manufacturer of hot rolled steel sheet piling affects customers adversely;
 - (ii) whether Arcelor's products are more expensive than—or of different quality from—those available from Corus before the merger; or
 - (iii) whether they are as easy to install, for example, do they suffer from excessively tight clutches.
- (f) What competitive pressures may apply to Arcelor following the merger in supplying UK customers for hot rolled steel sheet piling, in particular:
- (i) which other suppliers of hot rolled steel sheet piling (wherever located) are able to meet the needs of UK customers;
 - (ii) which other steel suppliers (wherever located) might be able to switch to the production of hot rolled steel sheet piles;

- (iii) to what extent UK customers have the alternative of buying new or second-hand steel sheet piling from stockholders; and whether they regard this as a credible alternative to having steel sheet piles made to order by Arcelor or others; and
- (iv) what other materials might be available as alternatives to steel sheet piling for retaining systems (see (d) above).

Entry

- (g) Whether following the merger any supplier (for example, another steel company) is likely to enter the market for hot rolled steel sheet piling to compete with Arcelor and others; in particular:
 - (i) how feasible it is to start production or merchandising of hot rolled steel sheet piling;
 - (ii) how might transport and investment costs influence any decision on entry; and
 - (iii) how quickly any such entry might be expected to occur.

Customer benefits

- (h) Whether there are likely to be benefits to customers from the merger, for example the increased availability and improved support for Arcelor's products, which are claimed to be more advanced, and more economical to use, than those of Corus.

Possible remedies

- (i) Whether, if the CC were to find that there could be expected to be a substantial lessening of competition, there is an appropriate remedy to deal with the adverse effects.