



Australian
Competition &
Consumer
Commission

NewsRelease

A.C.C.C. TO OPPOSE BORAL'S PROPOSED ACQUISITION

The Australian Competition and Consumer Commission will oppose the proposed acquisition by Boral Ltd of Adelaide Brighton Ltd, ACCC Chairman, Mr Graeme Samuel, said today.

"The ACCC has sought an undertaking from Boral that it will not proceed with the acquisition", Mr Samuel said. "If the undertaking is not given we will take appropriate action in the Federal Court.

"The ACCC's investigation found that the proposed acquisition is likely to have significant detrimental effects on competition in downstream markets, including pre-mixed concrete and concrete masonry in a number of geographical areas", Mr Samuel said. "Market inquiries were wide-ranging and extensive and conducted with a large number of market participants".

A major concern of the ACCC with this proposal is that it would remove a significant source of cement supply which is predominantly independent of the major players, Boral, Readymix (CSR) and Hanson (Pioneer), and their suppliers Blue Circle Southern Cement and Cement Australia. The existence of Adelaide Brighton Ltd, in conjunction with its 50 per cent owned distribution arm ICL Ltd, has proved to be a significant competitive element in the cement and concrete industries. The acquisition of Adelaide Brighton by Boral would restrict this independence and substantially alter the competitive landscape.

The ACCC considered the likely effect of imports as a constraint on the remaining cement producers. Market inquiries indicated that for a number of reasons, there were significant barriers to entry to sustained and significant importation of cement. This meant that imports were not likely to act as a competitive constraint on the remaining Australian cement producers.

In addition to the increased concentration that this merger will bring about in cement, there will be a similar effect in pre-mixed concrete in Sydney and Melbourne; concrete masonry in Sydney, Melbourne, and Adelaide; and flyash in New South Wales and South Australia.

Taking all of these factors into account, the ACCC considers that the proposed merger would be likely to result in a substantial lessening of competition, in contravention of section 50 of the *Trade Practices Act 1974*. Section 50 prohibits mergers and acquisitions that will have the effect, or are likely to have the effect, of substantially lessening competition in a market.

Boral Ltd is a large building and construction materials company. Adelaide Brighton Ltd has operations in all mainland states of Australia. Both companies are involved in the production and/or distribution of cement, concrete, concrete masonry products, aggregates, and supplementary cementitious products (flyash and slag).

There are three cement manufacturers in Australia. Two of these, Cement Australia and Boral Ltd are vertically integrated, whereas Adelaide Brighton is essentially a non-vertically integrated player although it does have pre-mixed concrete operations in Sydney and Melbourne, quarry reserves outside Sydney, and is involved in the supply of flyash.

A statement of reasons for the decision will be published on the ACCC website: www.accc.gov.au shortly.

Further information

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