



MEDIA RELEASE

27 April 2018

CCCS CLEARS PROPOSED ACQUISITION BY BRC ASIA LIMITED OF LEE METAL GROUP LIMITED

1. The Competition and Consumer Commission of Singapore (“CCCS”) has issued a clearance decision on the proposed acquisition of Lee Metal Group Limited (“Lee Metal”) by BRC Asia Limited (“BRC”) (the “Proposed Transaction”). Following a review of the Proposed Transaction, CCCS concluded that the Proposed Transaction, if carried into effect, will not infringe the section 54 prohibition of the Competition Act (Cap. 50B).

Background

2. Both BRC and Lee Metal (each a “Party”, collectively the “Parties”) are publicly listed companies on the Singapore Exchange. BRC is involved in the prefabrication of reinforcement steel products for use in concrete, trading of Rebars and manufacturing and sale of wire mesh fences. Lee Metal’s primary business activities are steel merchandising and fabrication of reinforcement steel products for the construction and building industry.
3. CCCS received the notification for decision from BRC on 22 February 2018. The Phase 1 review for this matter was extended, with the Parties’ consent, beyond 30 business days to allow CCCS sufficient time to assess the Proposed Transaction.
4. BRC and Lee Metal overlap in the sales of:
 - a. Rebars: 12-metre long reinforcing steel bars in standard bundles;
 - b. Cut & Bend: reinforcing steel bars cut and/or bent to customer requirements;
 - c. Mesh: steel wire mesh; and
 - d. Prefab: factory prefabricated reinforcing steel components for use in the construction of reinforced concrete structures, (collectively, the “Overlapping Products”).

CCCS’s Assessment

5. CCCS is of the view that the relevant markets for the purpose of assessing the Proposed Transaction are those for the processing and distribution of (i) Rebars and Cut & Bend; (ii) Mesh; and (iii) Prefab, in Singapore.

6. At the end of the consultation process¹ and after a holistic evaluation of the submissions, feedback and evidence, CCCS concluded that, on balance, the Proposed Transaction, if carried into effect, will not lead to a substantial lessening of competition within the relevant markets in Singapore.
7. In particular, CCCS found that:
 - a. While the Parties are close competitors, Lee Metal is not the closest competitor to BRC. There is another more significant competitor to BRC in the industry which is able to exercise competitive constraint on the Parties.
 - b. Barriers to entry for new firms to enter the markets for the supply of the Overlapping Products, in particular Mesh, are high primarily due to the large capital overlay required, though firms with existing presence in related markets (e.g., steel stockists) may find that these barriers are surmountable. While the majority of customers are of the view that it is not feasible to import the Overlapping Products from Malaysia, some competitors have the practice of importing some of the Overlapping Products from Malaysia for resale to customers in Singapore.
 - c. In the current market conditions, the production capacity for the Overlapping Products, in particular for Mesh, exceeds the demand. Consequently, barriers to expansion in terms of production volume are surmountable as competitors in the market are able to react to increases in demand by simply increasing their capacity utilisation levels to raise production volumes.
 - d. Competition in the industry is not based purely on price, but also on other factors, such as quality of products and delivery times. Given the multiple considerations other than price that factor into the customers' decision-making process, coordinated effects are unlikely to arise in the relevant markets due to the Proposed Transaction.
8. Further information on the application and CCCS's Grounds of Decision will be made available in due course on CCCS's Public Register at www.cccs.gov.sg.

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About CCCS

The CCCS administers and enforces the Competition Act (Cap. 50B) which empowers CCCS to investigate and adjudicate anti-competitive activities, issue directions to stop and/or prevent anti-competitive activities and impose financial penalties. CCCS is also

¹ In reviewing the merger, CCCS conducted one round of public consultation and contacted eleven other processors and distributors of reinforcing steel products, thirteen end-customers and eight upstream suppliers of reinforcing steel products of the Parties. In addition, CCCS engaged two government agencies as part of its review of the Proposed Transaction. One trade association and one member of public voluntarily submitted feedback in response to the public consultation.

the administering agency of the Consumer Protection (Fair Trading) Act (Cap. 52A) which protects consumers against unfair trade practices in Singapore.

For more information, please visit www.cccs.gov.sg.

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