

## **MEDIA RELEASE**

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### **Commission approves steel merger with conditions**

The Commission has approved with conditions, the intermediate merger whereby Hebei Iron and Steel Group Co. Limited (Hebei) intends to acquire shares in Duferco International Trading Holding SA (Luxembourg) (Duferco). Hebei is a Chinese owned company which, through its subsidiaries, carries out iron and steel manufacturing activities. Duferco is active as a steel trader and distributor worldwide. The activities of Duferco in South Africa are undertaken by Duferco Steel Processing (Pty) Ltd (DSP) and Duferco Distribution Services (Pty) Ltd (DDS).

Through the proposed merger, Hebei will acquire a majority shareholding in Duferco. The merger will enable Hebei to market and sell its products beyond China, currently its main market. The Commission found that it will be easier for Hebei to import the finished products directly from China, given that it has the ability and capacity to manufacture the products that DSP and DDS currently manufacture and distribute, respectively.

The Commission found that there is a horizontal overlap between the activities of the merging parties with respect to the manufacture and supply of flat steel products. There is also a vertical overlap between the activities of the merging parties as Hebei supplies DSP with Hot Rolled Coil which is used to manufacture cold rolled steel and galvanised steel.

The Commission also found that the proposed merger is likely to raise public interest concerns related to the effect on the steel sector as well as employment. The concerns are premised on Hebei's intention to market and sell its products beyond China as result of the merger, which could increase the propensity of DSP and DDS to import product. In addition, the Commission found that it would be easier for Hebei to import the finished products (e.g. cold rolled steel and galvanised steel) directly from China, given that it has the ability and capacity to manufacture the products that DSP and DDS currently manufacture and distribute, respectively.

To address the public interest concerns, the Commission imposed the following conditions:

#### *Employment conditions*

- The merged entity does not retrench any employee of DDS and DSP as a result of the merger.
- The merged entity does not change the terms and conditions of employment of the employees of DSP and DDS.

*Investment conditions*

- The merged entity shall continue operating the businesses of DSP and DDS, post-merger in South Africa.
- Hebei will not change its plans of developing a steel plant in South Africa.
- Hebei will invest in the Saldanha steel processing plant of DSP in order for the plant to continue operating efficiently.

In addition, Hebei undertook to continue sourcing from local suppliers of DSP and DDS, provided it is economically feasible to do so.

“These conditions address the public interest concerns arising from the merger and will ensure that DSP remains a viable entity that contributes to the development of the domestic steel industry”, said acting Deputy Commissioner Hardin Ratshisusu.

Ends

**For more information:**

Mava Scott, Spokesperson

012 394 3527/ 076 095 2350/ [MavaS@compcom.co.za](mailto:MavaS@compcom.co.za)

Themba Mathebula, External Communication Coordinator

012 394 3325/ 076 821 2508/ [thembama@compcom.co.za](mailto:thembama@compcom.co.za)