



## COMPETITION TRIBUNAL OF SOUTH AFRICA

**Case No: LM123Oct19**

In the matter between:

**Barnes Group Holdings (Pty) Ltd**

Primary Acquiring Firm

And

**Barnes Reinforcing (Pty) Ltd**

Primary Target Firm

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|-------------------|---|----------------------------------|
| Panel             | : | Yasmin Carrim (Presiding Member) |
|                   | : | Andiswa Ndoni (Tribunal Member)  |
|                   | : | Halton Cheadle (Tribunal Member) |
| Heard on          | : | 15 January 2020                  |
| Order Issued on   | : | 15 January 2020                  |
| Reasons Issued on | : | 20 February 2020                 |

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### Reasons for Decision

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### Approval

- [1] On 15 January 2020, the Competition Tribunal ("Tribunal") unconditionally approved the transaction involving Barnes Group Holdings (Pty) Ltd and Barnes Reinforcing (Pty) Ltd.
- [2] The reasons for approving the proposed transaction follow.

## Parties to the proposed transaction

### *Primary acquiring firm*

- [3] The primary acquiring firm is Barnes Group Holdings (Pty) Ltd ("Barnes Holdings"), a private company incorporated in accordance with the laws of the Republic of South Africa.
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

- [6] Barnes Holdings and the firms indirectly and directly controlled by it will be hereinafter collectively be referred to as the Barnes Group.
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

### *Primary target firm*

- [9] The primary target firm is Barnes Reinforcing (Pty) Ltd ("BRI"), a private company incorporated in terms of the company laws of South Africa.



## Impact on competition

- [16] The Commission considered the activities of the merging parties and found that the proposed transaction presents a horizontal and vertical overlap. The horizontal overlap occurs in that Barnes Group's subsidiaries, [REDACTED] and the Target Group are active in the production and supply of rebar (cut and bend); rebar (straight and cut), mesh and wire.
- [17] The vertical overlap occurs in that the Target Group procures various steel products from Barnes Group. The steel products by the Target Group from Barnes Group includes rebar and mesh products. The Target Group uses these products to produce rebar (cut and bend); mesh and binding wire; and rebar (straight and cut).
- [18] The Commission did not conclude on the relevant geographic market but assessed the effects the proposed merger would have on a national basis in the following markets:
- [18.1] The national upstream market for the production and distribution of (i) reinforcing steel (rebar) and (ii) mesh & wire products;
- [18.2] The national downstream market for the supply of (i) rebar products (cut & bend); (ii) rebar (straight & cut); and (iii) mesh & wire products.<sup>1</sup>
- [19] The Commission found that the merged entity will have an estimated [REDACTED] combined post-merger market share in the production and supply of mesh and wire; [REDACTED] in the production and supply of rebar (cut & bend); and [REDACTED] in the production and supply rebar (straight and cut).

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<sup>1</sup> Please see Table 1 page 17 of the CC recommendations

- [20] The Commission submitted that the horizontal overlap between the activities of the merging parties was unlikely to substantially prevent or lessen competition as the merging parties are relatively smaller players. the Commission also found that the merged entity would continue to face competition from various other players such as Reinforcing Steel Contractors, Reinforcing & Mesh Solutions and Steel and Reinforcing Suppliers.
- [21] With respect to vertical overlap, the Commission assessed whether the merging parties would have the ability and incentive to foreclose the downstream competitors of the Target Group from accessing rebar and mesh products required in the downstream production.
- [22] The Commission found that Barnes Group is not a dominant supplier of rebar steel and mesh and would continue to face competition from other players such as Arcelor Mittal SA, Cape Gate, SA Metal and Fortune Steel. Thus it did not have the incentive or ability to foreclose downstream competitors.
- [23] Given the above, the Commission concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market in South Africa.

### **Public interest**

- [24] The merging parties confirmed that the proposed transaction will have no adverse effect on employment in South Africa and raises no other public interest concerns.<sup>2</sup>

### **Conclusion**

- [25] In light of the above, we concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition,

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<sup>2</sup> Merger Record, pages 17.

no public interest issues arise from the proposed transaction. Accordingly, we approved the proposed transaction unconditionally.



**Ms Yasmin Carrim**

**06 February 2020**

**DATE**

**Ms Andiswa Ndoni and Mr Halton Cheadle concurring**

|                         |   |                                                      |
|-------------------------|---|------------------------------------------------------|
| Tribunal Case Manager   | : | Ms Busisiwe Masina                                   |
| For the merging parties | : | Mr Greg Shapiro of Eversheds Sutherland<br>Attorneys |
| For the Commission      | : | Ms Rethabile Ncheche                                 |