

# Tribunal approves IDC's acquisition of Scaw stake — just as it plans to sell

*Surprise greets announcement that shares could be bought in three to four months*

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**THE** Competition Tribunal approved the Industrial Development Corporation's (IDC's) acquisition of Anglo American's interest in Scaw SA and Consolidated Wire Industries yesterday, just as the IDC indicated that it planned to sell a stake in Scaw.

Allens Meshco, a manufacturer of wire and wire products, had objected to the merger on the grounds that Scaw and Arcelor-Mittal SA sold 95% of the wire rod on the market, which raised concern about access to supplies.

The IDC underwrote a consortium's R3.4bn purchase of Anglo American's 74% stake in Scaw Metals in April. The consortium includes Shanduka Resources, Izingwe Holdings and the Southern Palace Group.

It had been driving the state's strategy to become more involved in minerals and beneficiation to create jobs and wealth.

The IDC also has a 7.9% interest in ArcelorMittal SA. The Competition Tribunal has now set conditions on the deal to limit the information exchange between the IDC and ArcelorMittal.

The state-owned development finance institution had acquired the majority interest in Scaw SA and ArcelorMittal's interest in Consolidated Wire Industries, but indicated that its discussions with a "technical partner" for a partial

buyout of its share in Scaw were at an "advanced stage".

The announcement that its shares could possibly be bought within the next three to four months, was met with surprise at the tribunal's hearing, raising questions about why the IDC would make a huge investment for such a short period.

The tribunal, however, approved the transaction and ordered the IDC to inform the Competition Commission within one month of concluding the final sale agreement if it disposed of its interest in Scaw SA or Arcelor-Mittal SA.

The IDC was also ordered to notify the competition authorities of any transaction which would result in another entity obtaining a controlling interest in Scaw.

Scaw produces long-steel products for the mining, construction, industrial, power and rail sectors. Consolidated Wire Industries manufactures steel wire products for agricultural, construction and mining use.

The commission expressed concern that the firm commitments that were made during the hearings on the IDC's strategic objectives to help set a developmental price model for steel in SA could be nothing more than "pie in the sky".

The IDC had said it intended to position Scaw as a "credible"

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supplier of cheap steel and a "credible" competitor to Arcelor-Mittal. However, it had only conducted prefeasibility studies into how this would be achieved and it told the tribunal that more work — which would take up to 24 months — was still required.

Mbuyazwe Magagula, head of

mining and minerals beneficiation at the IDC, told the tribunal it would achieve its aims by getting access to cheaper raw materials.

He said the IDC would also apply "appropriate technology" to lower the cost of steel production and would ensure there were no "unfair" profit margins on distribution costs.

These objectives would form

part of a shareholders' agreement in the event of it becoming a minority shareholder, the IDC assured the tribunal.

Robert Kruse, who represented Allens Mescho at the tribunal, said it was left with "lingering unease" due to the IDC's refusal to give firm undertakings about its plans for the steel industry.

"We are wondering whether

there was not an ulterior motive for the transaction," he said.

Mr Kruse said the impression the IDC created was that it was going to be a "benign supplier", bringing cheaper prices to the market, yet it could not give that undertaking any longer since it was negotiating the sale of its stake in Scaw and becoming a minority shareholder.