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Share price, rand Jan 3-Apr 2

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Source: Bloomberg



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Tribunal looks at collusion between top steel producers

**Londiwe Buthelezi
and Bloomberg**

SOUTH Africa's two biggest steel makers, ArcelorMittal South Africa and Evraz Highveld Steel and Vanadium, could be fined 10 percent of annual turnover for collusion and price-fixing.

The Competition Commission said yesterday that it had referred a collusion case against the two firms to the Competition Tribunal for arbitration on March 30.

The commission said the case related to price-fixing and market allocation conduct in respect of flat steel products. The investigation followed a complaint in early 2008 alleging that ArcelorMittal and Highveld adjusted their prices for steel products around the same time and with similar percentage increases.

"Evidence before the commission indicates that the steel producers engaged in concerted practices or had understandings that Highveld would follow Mittal's lead on the pricing mechanism and changes in pricing, including discounts and transport tariffs," the commission said in a statement.

In a statement, ArcelorMittal SA noted the commission's decision to refer the matter to the tribunal for adjudication.

The company announced that it decreased the price of long products on Monday. Wire products had been decreased by an average of 6.4 percent.

ArcelorMittal

Share price, rand Jan 3-Apr 2



Euraz

Share price, rand Jan 3-Apr 2



Rolled rounds and squares of 14.5mm and larger products decreased by an average of 3.9 percent. Spring steel products decreased by an average of 3.6 percent. But flat products prices remained unchanged.

The commission said that



ArcelorMittal SA and Evraz Highveld Steel and Vanadium face charges of collusion and fixing the prices of flat steel products. If found guilty, they could each face a fine of up to 10 percent of annual turnover. PHOTO: SIMPHWE MBOKAZI

during the inquiry it also found that the steel producers divided the markets by specific types of goods, maintaining market shares and allocating supply quotas for exports. The arrangements regarding exports included agreements with

European steel producers association Eurofer. This conduct was maintained through information exchanges on sales volumes, allowing the two to monitor and maintain market share and prices.

Ryan Seaborne, an analyst at

360 Asset Management, said that because the matter had been outstanding for a while for both the companies and that the market had been aware, the issue would be which year's turnover it would be based upon.

"Interestingly, ArcelorMittal is likely to go into a net debt situation this year, (before) this fine implementation, due to their replacement capital expenditure and poorer operational cash flow," Seaborne said.

What could make things worse is that the company had not provided for any fine in its last financials as the outcome of the case was uncertain at that time, the analyst added.

Stephen Meintjes, an analyst at Imara SP Reid, said if the two companies were found guilty and fined as the commission said, it would be a serious blow to them. But he did not think this would ease the barriers of entry for new competition into the steel market.

Yesterday, ArcelorMittal SA fell the most in more than four months after Barclays Capital cut its rating of the stock to underweight.

The shares fell as much as 5.3 percent, the biggest intraday decline since November 18.

Shares closed trade at R54.90, a decline of almost 2 percent on the day.

Richard Hart, an analyst at HSBC, said any bit of negative news would hit ArcelorMittal stock. "The economy has not recovered to the extent everyone has anticipated. The past few quarters have been tough for ArcelorMittal," he said.

ArcelorMittal has reported losses in the past two quarters.

Evraz shares slid 0.2 percent to R27 on the JSE yesterday.