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24 October 2019

Dear Interested Party

**Request for submissions: Barro Group's completed acquisition of stake in Adelaide Brighton**

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the completed acquisition by Barro Group Pty Ltd and its related entities (**Barro Group**) of a stake in Adelaide Brighton Ltd (**Adelaide Brighton**). Through a series of share purchases Barro has gained a 43 percent stake in Adelaide Brighton, which is referred to in this letter as the **acquisition**.

Barro Group primarily sells construction materials including cement, concrete and aggregates. Adelaide Brighton also sells construction materials including cement, concrete and aggregates. Further details regarding the parties can be found at **Attachment A**.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- the products and locations where Barro Group and Adelaide Brighton compete with each other – e.g. the supply of ready-mix concrete in Melbourne;
- the impact of the acquisition on prices or service quality

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the completed acquisition is in section 50 of the Competition and Consumer Act 2010. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market. While the completed acquisition is of a minority shareholding in Adelaide Brighton, there is no threshold shareholding for the purposes of s. 50 and all acquisitions are therefore subject to the Act.

Please provide your response by no later than **5pm on 14 November 2019**. Responses may be emailed to [mergers@acc.gov.au](mailto:mergers@acc.gov.au) with the title: *Submission re: Barro Group*

Adelaide Brighton - attention Will Sommers/Kelly Harkess. If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Will Sommers on (03) 9910 9444 or Kelly Harkess on (03) 9290 1897.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

**Confidentiality of submissions**

The ACCC will not publish submissions regarding the completed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Tom Leuner  
General Manager  
Merger Investigations

## Attachment A

### Barro Group

Barro Group is a family owned business which has operated since 1946. It is an independent supplier and distributor of raw construction materials, premixed concrete, quarry products and a range of associated products from over 45 operating sites, predominantly in Victoria and Queensland.

Barro Group's broad range of businesses include:

- **Premixed concrete:** Barro manufactures, sells and distributes premixed concrete from batching plants in Victoria and Queensland. Barro's premixed concrete business operates under the Pronto Concrete brand in Melbourne and the Pronto Concrete and Geelong Premixed Concrete brands in regional Victoria. In Queensland, Barro's premixed concrete business operates under the following brands: Pronto Concrete, Gladstone Premix, Hervey Bay Ready Mix, Townsville Concrete and Mt Cotton Concrete.
- **Quarry materials (aggregates):** Barro undertakes extraction, sale and distribution of aggregates, crushed rock, sands and gravels in Victoria, Queensland and New South Wales. Its Victorian quarries include locations at Point Wilson, Bacchus Marsh, Maude, Little River, Donnybrook, Wyndham Vale, Nyora, Lang, Yea, Seymour and Wodonga. In Queensland Barro Group's quarries are located in Mt Marrow, Hervey Bay, Townsville and Mt Cotton, and, in New South Wales, at Bookham (which is operated via a joint venture of which Barro owns 50%; the other 50% is owned by Glenella Quarry Pty Limited).
- **Builders' supplies:** Barro resells a range of building materials and products including steel reinforcing and accessories, bagged cement, oxides, landscaping supplies and tools of trade in both Victoria and Queensland.
- **Concrete roof tiles:** Barro manufactures, sells, distributes and fixes concrete roof tiles for the domestic market. The business is operated by Alice Roof Tiles (based in Bacchus Marsh, Victoria).
- **Concrete precast panels:** Barro manufactures and delivers concrete precast panels. The business is operated by Australian Precast (based in Dandenong, Victoria).
- **Tyres:** Barro repairs, relugs and services earthmover tyres and retreads/recaps truck passenger tyres (based in Brooklyn, Victoria), and sells new and recapped tyres (Brooklyn, Victoria).
- **Land fill:** Barro operates a land fill business (dealing with solid inert waste), trading as Sunshine Land Fill, located at Sunshine, Victoria.
- **Cement:** Barro has a stand-alone cement business based in Newcastle which imports and distributes cement throughout northern and western NSW. It trades under the name 'East Coast Cement'. Barro Group's other cement interests occur under the auspices of its joint venture with Adelaide Brighton, being Independent Cement and Lime Pty Ltd (ICL) which operates throughout Victoria and New South Wales. ICL is the exclusive distributor for Adelaide Brighton of cementitious products in Victoria and NSW. ICL also owns Building Product Supplies (a wholesaler of bagged cement and dry mix products) and Steel Cement (a manufacturer of ground slag in Victoria).

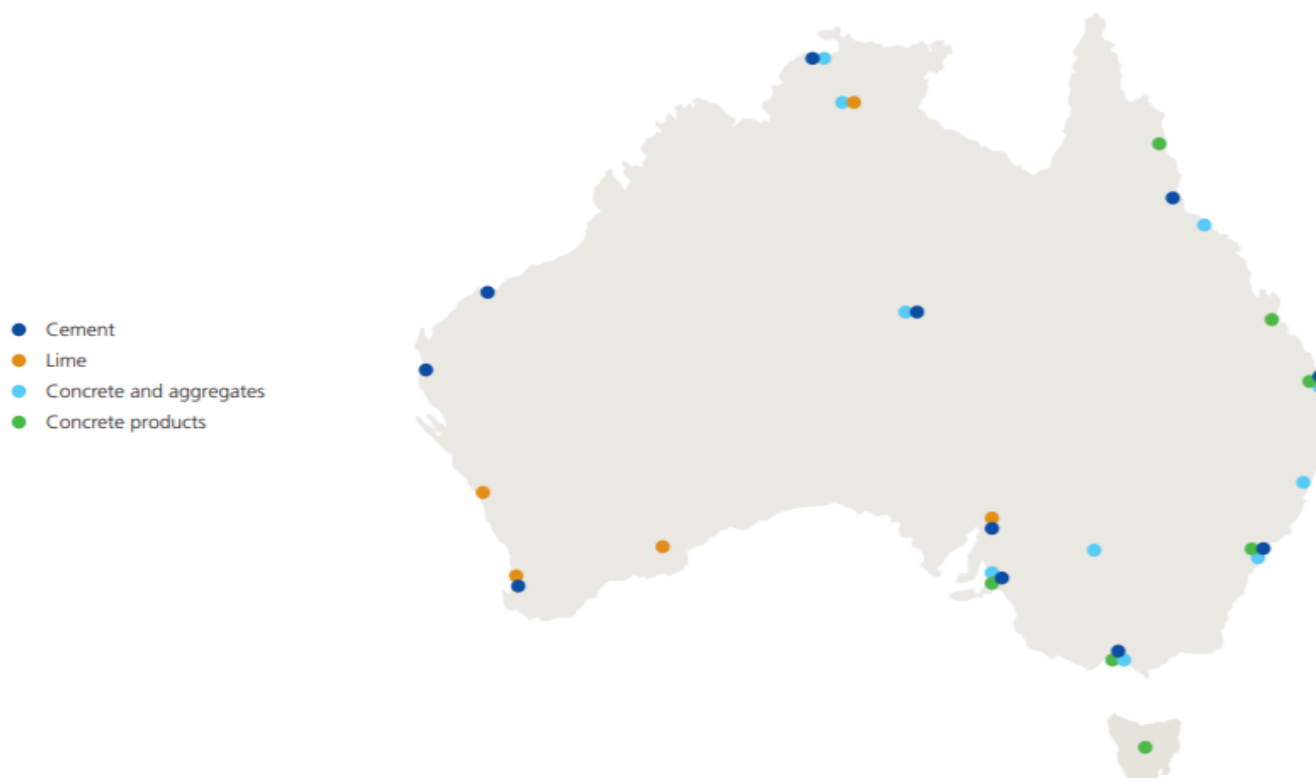
Barro Group's businesses are supported by mechanical and engineering workshops,

laboratory services (material testing, quality control), and a transport fleet supplying cartage (concrete agitator trucks and tanker trucks for bulk raw cementitious material).

## Adelaide Brighton

Adelaide Brighton is an ASX-listed manufacturer and supplier of a range of products to the building, construction, infrastructure and mineral processing markets. Its principal activities include the production, importation and distribution of clinker, cement, industrial lime, premixed concrete, aggregates and concrete products.

**Figure 1: Overview of Adelaide Brighton's Australian operations**



Adelaide Brighton is organised into three business groups:

- **Cement and lime:**
  - Adelaide Brighton is the second largest supplier of cement and clinker products in Australia, with operations in South Australia, Western Australia and Northern Territory. It also has facilities in the same states/territories for the production of industrial lime products. Adelaide Brighton's cement and lime brands include Adelaide Brighton Cement, Cockburn Cement, Northern Cement, Swan Cement and Morgan Cement.
  - Adelaide Brighton is also an importer of cement, clinker and slag.
- **Concrete and aggregates:** Adelaide Brighton has concrete operations in South Australia, Victoria, New South Wales, Queensland and Northern Territory. Operations include ready mix concrete, sand and aggregates. Adelaide Brighton's concrete and aggregates brands include Hy-Tec, Direct Mix Concrete, Southern Quarries, Peninsula Quarries, Quarry & Mineral, Central Pre-Mix Concrete and Davalan Concrete.

- **Concrete products:** Adelaide Brighton's Adbri Masonry business manufactures a range of concrete products, including bricks, blocks, pavers and retaining walls. It operates in Queensland, New South Wales, Victoria, Tasmania and South Australia.

Adelaide Brighton also has interests in the following joint ventures.

- Sunstate Cement Ltd (with Boral)
- Mawsons (with BA Mawson Pty Ltd)
- Batesford Quarry Geelong (with E&P Partners & Geelong Lime Pty Ltd)
- Burrell Mining Services (with Burrell Mining Products)
- Aalborg Portland Malaysia Sdn. Bhd. (with APM)

## Attachment B

1. Please provide a brief description of your business or organisation.
2. Please outline the reasons for your interest in the acquisition, including any commercial relationship/s with either of Barro Group or Adelaide Brighton.

### General questions for all market participants

The ACCC understands Barro Group and Adelaide Brighton overlap in the supply of cement, cementitious products, concrete, concrete products and aggregates. In answering the questions below, please consider each of these products (if you are familiar with them) and any other products which Barro Group and Adelaide Brighton compete to supply.

3. How closely do Barro Group and Adelaide Brighton compete to provide goods and services, taking into account factors such as:
  - a. price, including specials, discounts and promotions,
  - b. quality of goods, service quality, and
  - c. reputation.
4. Are there particular regions, products or types of customers for whom competition between Barro Group and Adelaide Brighton is particularly intense? Please provide examples wherever possible.
5. Which other businesses compete with Barro Group and Adelaide Brighton to provide similar goods and services? How strong is the competition they provide?
6. To what extent are the products supplied by Barro Group and Adelaide Brighton imported into Australia? Please identify the parties who currently import and their market shares, if known. Are there any barriers to imports increasing? For example, price differences, product range, quality, after-sales service, shipping costs, supply risks and lead times.
7. Please explain any barriers a business would face in trying to provide goods and services including cement, cementitious products, concrete, concrete products and aggregates on a scale similar to that of Barro Group. In your response, please provide details about barriers to entry, such as:
  - a. economies of scale and the minimum efficient scale of market entry;
  - b. costs to enter, and the extent to which these costs would not be recoverable on exit;
  - c. how long it would take to enter;
  - d. any regulatory barriers, such as environmental or planning regulations;
  - e. exclusive/long-term customer contracts or the extent of brand loyalty;
  - f. access to key inputs or distribution channels; and

- g. market growth/decline, and
  - h. any examples of recent market entry or exit.
8. Are there significant customers with the ability to bypass supply from the merged firm by vertically integrating (i.e. commencing self-supply of) cement, cementitious products, concrete, concrete products or aggregates, establishing direct importation arrangements, or sponsoring new entry.
9. Do you consider Barro Group's acquisition of a 43 per cent interest in Adelaide Brighton affects competition in the supply of cement, cementitious products, concrete, concrete products and aggregates (or any other product)? Why or why not?

**Questions specifically for customers of cement, cementitious products, concrete, concrete products and aggregates**

10. Please provide details of your current requirements for cement, cementitious products, concrete, concrete products and aggregates (and any other goods or services that Barro Group and Adelaide Brighton provide). Who do you purchase these products from and why?
11. Please describe the differences between suppliers in terms of price, quality and products offered.
12. Is it easy to switch suppliers? Are there any significant barriers to switching supplier? Please provide any recent examples of switching supplier.

**Questions specifically for suppliers of cement, cementitious products, concrete, concrete products and aggregates**

13. Please describe the type of cement, cementitious products, concrete, concrete products and aggregates (and any other goods or services that Barro Group and Adelaide Brighton provide) that your company supplies.
14. What factors are taken into account when determining price? For example, do you offer customers discounts across different volume levels?
15. How frequently do customers switch between suppliers? Are there any significant barriers to customers switching suppliers? Please provide recent examples of customers switching to another supplier.

**Other information or competition issues**

16. Please provide any additional information or comments, or identify other competition issues, that you consider relevant to the ACCC's consideration of the acquisition under section 50 of the Act.