



Determination of the Competition Authority

Determination No. M/03/024 of the Competition Authority, dated 22 August 2003, under Section 21 of the Competition Act, 2002

Notification No. M/03/024 – The acquisition by Anglo American Lisheen Holdings Limited of the entire issued share capital of Ivernia West Limited

Introduction

1. On 28 July 2003 the Competition Authority, in accordance with Section 18(1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby Anglo American Lisheen Holdings Limited would acquire the entire issued share capital of Ivernia West Limited.

The Parties

2. Anglo American Lisheen Holdings Limited ("AALH") is an indirectly wholly owned subsidiary of Anglo American plc. The Anglo American Group (“Anglo American”) is one of the world’s largest mining and natural resource groups, with operations in Africa, Europe, Russia, South and North America and Australia. With its subsidiaries, joint ventures and associates, it is a world leader in gold, platinum group metals and diamonds; it has significant interests in coal, industrial minerals, forest products, base and ferrous metals including zinc and lead.
3. Ivernia West Limited ("IWL") is a wholly owned subsidiary of Ivernia West Inc. Ivernia West Inc. is an international base metals mining and exploration company, with primary interest in lead and zinc, headquartered in Toronto, Canada.
4. AALH and IWL are the vehicle companies for a 50/50 joint venture between Anglo American plc and Ivernia West Inc - the Lisheen mine in County Tipperary. The acquisition represents a move from joint to sole control of the Lisheen mine, by Anglo American.

Analysis

5. The Lisheen mine produces zinc concentrate and lead concentrate, which are intermediate products in the production of refined zinc and lead metal. Lead and zinc ores frequently occur together and therefore a key part of the mining/production process is often to separate the two. There are no refining/smelting plants on the island of Ireland and so all zinc concentrate and lead concentrate produced in Ireland is exported. Anglo American is also active at the refining/smelting stage of the production of refined zinc metal.
6. Market enquiries have confirmed that the markets for zinc concentrate and lead concentrate are global. Refiners purchase zinc/lead concentrate from all corners of the world and prices are the same worldwide.



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7. Customers and competitors of Anglo American stated that it is an important but relatively small player in markets for zinc and lead concentrate and for zinc metal; it is more active in other commodities. Anglo American produces around 2.7% and 1.7% of the world wide production of zinc concentrate and lead concentrate respectively (including its 50% share of Lisheen's production). The Lisheen mine produces around 1.7% and 0.8% of the world wide production of zinc concentrate and lead concentrate respectively.
8. Market enquiries revealed that if, post-transaction, Anglo-American were to redirect sales of zinc concentrate from the Lisheen mine to its own smelters, customers (refiners) would easily be able to replace the supplies from elsewhere in the global market. Also, if Anglo-American tried to increase the price of zinc/lead concentrate to customers post-transaction, the customers would switch to an alternative source of supply in the global market. Accordingly, Anglo American's acquisition of sole control of the Lisheen mine will not give Anglo American market power, such that it could foreclose the market for zinc metal or raise its zinc/lead concentrate prices.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Terry Calvani
Member of the Competition Authority

22 August 2003