

ARCELOR/CORUS MERGER INQUIRY

Market information request

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A. General information—your business

1. Please provide details of (i) the volume of annual HRSSP production for each of your mills, (ii) the proportion of each mill's total output accounted for by this HRSSP production, (iii) details of any other products produced at each mill, (iv) the value of annual HRSSP sales, and (v) annual capacity data for each of the mills producing HRSSP products over the last five years in the UK and European reference areas. (Where the capacity for producing HRSSP is less than the mill's total capacity, please provide details.) If any proportion of your production of each of the relevant HRSSP products is used by yourself, please differentiate between net production and sales (ie excluding 'in house' use) and gross production and sales in the data you provide.

B. The market(s)

2. (a) Are there any alternative products or services, besides HRSSP products, which your customers might reasonably use in place of HRSSP products? Please provide evidence.

(b) How effective are such alternatives? Please provide evidence.

(c) Do such alternatives effectively compete directly with HRSSP products? Please provide evidence.

(d) Are particular alternatives suitable mainly for certain applications? If so, please explain why.

(e) Do you, or any of your competitors in HRSSP products, produce any of these alternatives? If so, please provide details.
3. How price sensitive are your customers? Please provide us with any information you have on the price elasticity of demand for HRSSP products (both the price elasticity of

demand you face and the price elasticity of demand in the market generally), and cross-price elasticities with related products.

4. (a) Please provide details of any other companies that might be able easily to switch to, or start up in, the production of HRSSP (eg manufacturers of other long carbon steel products not currently producing HRSSP products).

(b) How easy would it be from a technological standpoint for such companies to change to the supply of HRSSP products (eg what new equipment, if any, would be needed)?

(c) For each company, please illustrate the changes that they would need to make in order to switch to, or start up in, the supply of HRSSP products.

(d) Please provide an estimate of the likely cost to each company of making such a switch to, or of starting up in, the production of HRSSP products.

(e) How would you expect the profitability of producing HRSSP products to compare to the profitability of each company's existing product range?

(f) How high would the price charged for HRSSP products have to rise for these companies to switch/start up?

(g) Given the factors in parts (b) to (f), for each company, please outline how likely you feel it is that they will begin supplying HRSSP products in the next year or so.

Please provide reasoning for your answers.

5. Specifically looking at the **UK market** for HRSSP, how do you view your long term position in this market? Do you perceive the overall UK market to be growing? Please explain.

C. Pricing

6. Please provide details of all tenders for HRSSP products in the UK and European reference areas that you have bid for in the last three years. Please give details of (i) the awarding authority/customer (including any relevant reference number, eg invoice number, OJEC tender), (ii) the tender date and the award date, (iii) the awarding procedure (eg open tender, restricted tender, bilateral negotiation) [Note: a restricted tender is an open tender among a pre-selected group of suppliers], (iv) the incumbent supplier at the time of the tender, (v) the tender details (eg product specification, quantity, length of contract, delivery time, intended use, whether the tender was subdivided into lots and, if so, how many), (vi) the value of the winning bid and whether it was the lowest bid, (vii) the number of competing bidders and their identities (if the tender was subdivided into lots, please indicate which competing bidders tendered for which lots), (viii) the cost to Arcelor of supplying the product(s) tendered for.
7. (a) Please outline how you set prices for HRSSP products (eg what are the main factors, such as costs, that you consider when setting prices?).

(b) Are any additional costs added to the sales price, such as transport or insurance? If so, please provide details.

(c) Do you have list prices and, if so, are these published? If so, please provide details and price histories for each relevant HRSSP product in the UK and European reference areas in the last five years.

(d) What discretion is there in price setting? Are individual prices negotiated with customers? If so, please describe. (For example, which staff are involved in negotiations? Over which aspects of the contract are staff able to negotiate, eg just price? How are base prices determined? What are the procedures for negotiation, eg what triggers referral to a higher negotiating authority? How are staff incentivized in negotiations, eg commission? What information is available to staff involved in negotiations?)

(e) Are prices transparent?

(f) In general, are there any customers or groups of customers who pay more or less than typical prices? If so, please describe the characteristics of these customers (eg smaller customers, customers on short contracts, customers using particular hot-rolled steel sheet piling for particular applications, customers in particular locations).

8. Please provide data on average prices for each relevant HRSSP product over the last five years for the UK and European reference areas. Please provide this data at the highest frequency possible (eg weekly, monthly).

D. Customers

9. Please provide, in order of importance, a list of all customers for HRSSP products in the UK and European reference areas, and the volume and value over the past five years of HRSSP products purchased by each. Please also indicate the nature of these customers eg stockholders, contractors, end users etc.
10. Do any of your customers possess buyer power? Explain your answer and provide evidence to support it, including details of the basis of any buyer power.

E. Production

11. (a) Please provide details of total HRSSP production capacity in the UK and European reference areas for the last five years, split by types of relevant HRSSP products.
- (b) What proportion of total heavy- and medium-section mill capacity did HRSSP capacity account for in each of the last five years?
- (c) Please provide details of share of capacity in the UK and European reference areas for all companies involved in the supply of HRSSP products for the last five years, split between all relevant product categories.
12. (a) Please outline the production facilities at each of your mills producing heavy- and medium-section mill products and explain any limitations these impose on each mill's ability to produce HRSSP products.
- (b) Do you at present have any spare capacity at any of these mills that could potentially be used to manufacture HRSSP, without displacing production of other products?

(c) Do you have any plans to develop these mills within the next three years? If so, what effect do you expect this development to have on each mill's capacity to produce HRSSP products?

(d) Would you consider switching some of your core production from other products to HRSSP if the price of piling rose relative to other products?

F. Barriers to entry, expansion and exit

13. (a) Please describe all barriers to entry and barriers to exit in the supply of HRSSP products. Provide estimates of the cost involved in overcoming these barriers and relate these costs to likely future sales from entry/future savings from exit. In your answer, please explicitly consider issues such as legal or regulatory barriers, patents or know-how, licences, the importance of economies of scale and/or scope, the minimum efficient scale for a business and access to sources of supply. Also consider the role of incumbency advantages in the form of information, reputation and cost as a barrier to entry.

(b) In the light of this, do you think there will be any entry into the supply of HRSSP products in the next three years? Explain the reasoning behind your answer. Similarly do you think there will be any sizeable exit in the next three years? Again, explain the reasoning behind your answer.

(c) Please list, in order of likelihood, all potential entrants to the supply of HRSSP products. Please give reasons for each.

14. What effect, if any, has the expansion of the EU in May 2004 had on your answer to question 12?

G. The merger

15. Overall do you have any views about the competitive impact of the merger? Please explain your answer

16. In your view, are there any features of the market that are conducive to, or that would inhibit, coordinated effects (eg conscious parallelism in pricing or output)?