



Australian
Competition &
Consumer
Commission

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NEWS RELEASE

ACCC CALLS FOR COMMENT ON ELGAS' PROPOSED ACQUISITION OF KLEENHEAT'S EAST COAST LPG BUSINESS

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The Australian Competition and Consumer Commission has released a Statement of Issues outlining competition concerns with the proposed acquisition by Elgas Limited of Wesfarmers Kleenheat Gas Pty Ltd's east coast LPG business.

Elgas is a member of the BOC Group of companies, which is owned by the Linde Group, an international gases and engineering company. Kleenheat is a wholly-owned subsidiary of Wesfarmers Limited.

The three major distributors of non-automotive LPG on the east coast are Elgas, Kleenheat and Origin. These three distributors have a combined east-coast share of approximately 90 per cent. In certain regional areas the only distributors are Elgas and Kleenheat, or dealers supplied exclusively by them.

LPG distributors acquire wholesale LPG from oil refineries, oil and gas processors, and import terminals. Elgas owns Australia's largest LPG import terminal, the Elgas Cavern in Sydney.

"The ACCC's preliminary view is that the proposed acquisition raises significant competition issues for the distribution of LPG to customers in a number of different markets," ACCC Chairman Rod Sims said.

"Market inquiries have identified concerns that the transaction would remove Kleenheat as a significant competitor to Elgas and Origin."

At a national level, there have been concerns raised that the proposed acquisition would remove Kleenheat as the only competitor to Elgas that has the ability to distribute non-automotive LPG, including leisure cylinders, to large national customers on competitive terms.

"The ACCC is concerned that the proposed acquisition would leave customers vulnerable to price increases," Mr Sims said.

Market inquiries suggest that barriers to new entry and expansion by existing market participants are already high and would increase further as a result of the proposed acquisition. Some parties are particularly concerned about access to a competitive source of non-automotive LPG, given the importance of the Elgas Cavern. Concerns have been raised that the proposed acquisition would give Elgas additional incentive to deny its downstream rivals access to competitively priced wholesale LPG.

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The Statement of Issues seeks further information on the competition issues which have arisen from the ACCC's review to date www.accc.gov.au/mergersregister.

The ACCC invites further submissions from interested parties in response to the Statement of Issues by 26 June 2014. The ACCC's proposed final decision date is 24 July 2014. Submissions can be sent to the ACCC at mergers@acc.gov.au.

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