BHPB bid for Rio - Scrapping marks end of huge mergers

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It is reported that the decision by BHP Billiton to scrap plans to take over rival Rio Tinto is not only a shame given the amount of money and effort put into the deal by the suitor, but it is the second of two huge mergers gone sour lately in what could mark the end of an era of marriages between majors.

Mr John Meyer, London based analyst said that "The big surprise is how much money BHP Billiton has spent on legal and associated fees related to the deal. Roughly USD 450 million is a really big waste of money for a deal that was never likely to be allowed to go through without very significant disposals from the combined entity."

According to Mr Meyer, European regulators in charge of approving, dismissing or setting conditions on the deal would have likely forced the combined company to rid itself of large portions to allow the merger, in order to comply with antitrust policies.

He said that "What should have done was waiting for the European Union to give it advice before running up such bills. But I dare say would argue that it could not have gotten the full look at the deal without incurring the legal fees."

According to Mr David Duckworth, London analyst with the CRU consultancy, the collapse of the merger which followed Xstrata ending its pursuit of South African platinum giant Lonmin in October likely spells the end of the large scale merger craze, at least until the global economic crisis blows over.

He said that "People are just really worried about getting into more debt and you can't get credit from banks these days."