

---

## **BHPB bid for Rio - EU could be the stumbling block**

*Sunday, 07 Dec, 2008*

Reuters reported that though the world economy got the most blame when BHP Billiton dropped its USD 66 billion bid for Rio Tinto, tough demands from EU competition officials were the more likely nail in the coffin.

BHP may have highlighted the downturn in metals markets to deflect tough questions about whether it misread the difficulty in gaining EU clearance for its mega merger.

Mr Andrew Keen at Bernstein Research said that "While the global economic conditions have been cited as a reason by BHP Billiton for not continuing to pursue the deal, we believe that reality is a little more complex. We suspect that anti trust divestments were eventually more challenging than management expected and this proved critical to the decision."

It may be noted that BHP had argued from the start when it announced plans for a bid a year ago that neither competition concerns by global regulators nor a possible downturn would be obstacles to finalizing a deal. Mr Marius Kloppers CEO of BHOB and other officials had continued to affirm as recently as some weeks back that a collapse in metals markets was good for the deal. Mr Kloppers had billed the Rio takeover as a deal for all seasons.

Analysts have said that BHP had probably prepared to offer to sell Rio Tinto's Robe River operation, since it was separate from the most other operations and would not disrupt synergies. Iron ore was not the only issue. The Commission was also concerned about coking coal used in steelmaking and its document noted that the combined firm would have had a monopoly in hard coal.

For more news visit at [www.steelguru.com](http://www.steelguru.com)