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## Rio Chinalco deal hits first hurdle with ACCC scrutiny

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Business Day reported that the first of many mile posts has come up for Rio Tinto and its USD 19.5 billion compact with China's Chinalco the closing date for submissions on anti-competition concerns to the Australian Competition and Consumer Commission.

Submissions from interested parties were due by the close of business and will be used by the ACCC in its review of the Rio Chinalco deal under section 50 of the Trade Practices Act.

Section 50 prohibits acquisitions that have the effect, or would be likely to have the effect, of substantially lessening competition in a market. The ACCC has previously set a proposed date of March 25th for an announcement of its findings. While Rio/Chinalco needs to clear the ACCC on competition issues, the biggest hurdle remains clearance from federal Treasurer Mr Wayne Swan on broader national interest grounds.

There have been suggestions out of the Rio/Chinalco camp that the ACCC is likely to wave through the deal on the basis that it gave the OK for the since abandoned BHP Billiton takeover bid for Rio. But industry soundings suggest that while ACCC clearance is likely, the commission will nevertheless be subjecting the application to intense scrutiny. The reason for that was the political heat surrounding the deal because of Chinalco's state owned consumer owner status. Areas of potential concern in the Rio/Chinalco deal include bauxite-alumina supplies and price-setting implications for Pilbara iron ore.

Clear passage for the deal would raise questions about the likelihood of Chinalco subsidiary Chalco proceeding with a bauxite-alumina project as is hoped for by the Queensland Government.

The ACCC will also be looking to satisfy itself that China does not intend using the compact with Rio as a method to assume pricing power over iron ore supplies. Meanwhile, there has been some push-back in the London market to Rio's suggestion earlier this week that investors were warming to its deal with Chinalco.

(Sourced from Business Day)

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