



## FIJI COMMERCE COMMISSION

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## FINAL DETERMINATION ON EX-FACTORY GRADE 300 AND 500 REBAR PRICE

29 JUNE 2011

### 1. INTRODUCTION

- 1.1 The Fiji Commerce Commission ("Commission") released the final determination on the wholesale rebar price of Grade 300 and Grade 500 on 30 September 2010 authorising a 3.00% increase for Fletcher Pacific Steel (Fiji) ("FPSF"), a Division of Fletcher Building Limited to be effective until 31 December 2010. This increase was granted taking into consideration increase in conversion cost and increase in Scrap price.
- 1.2 On 3 February 2011, the Commission received a new submission from FPSF requesting for an increase in reinforcing bar price.
- 1.3 On 25 February 2011, the Commission released the interim determination on the wholesale rebar price of Grade 300 and 500 authorising a no-change in the current prices. In the determination the Commission notified FPSF that a detailed analysis of the submission, including investigations in the operations of FPSF will be undertaken. This determination was set to expire on 30 April, 2011.
- 1.4 On 2 March 2011, FPSF requested for a review in their rebar price based on the following:
- i. Increase in raw material price due to scrap price movement and;
  - ii. Devaluation of Fijian dollar against New Zealand Dollars.
- 1.5 On 18 March 2011, the Commission authorised an interim increase of 9.5% on the wholesale rebar price for Grade 300 and 500 for be effective until 31 May, 2011 which was further extended till 21 June 2011. As part of the interim increase, the Commission had taken into account the increase in electricity tariff which came into effect from 1 April 2011 and also the strengthening of Fijian dollar against the New Zealand Dollar.
- 1.6 As part of the interim determination on 18 March 2011, the Commission further advised FPSF that in depth investigation into the operations and financials of FPSF will be undertaken before a final determination is released.
- 1.7 This Commission information paper provides a summary of the findings from the investigation into the finances and operations of FPSF and computations on the revised prices for rebar Grade 300 and Grade 500 taking into consideration the submission from FPSF, investigation findings and independent analysis of the Commission.

## 2. LEGAL FRAMEWORK

- 2.1 The Commission is empowered under the **Commerce (Control of Prices for Reinforcement Steel Rods) Order 2007** to control and/or regulate the prices for reinforcement steel rods in Fiji.
- 2.2 Paragraph 2 of the said Order specifically authorises the control and/or regulation of prices for reinforcement steel rods (in all qualities and classes) that are sold in the market are controlled in the following grades: grade 300 deformed and plain, grade 430 deformed and plain and grade 500 plain and deformed.
- 2.3 The Commerce (Control of Prices for Reinforcement Steel Rods) (Amendment) Order 2009 authorises the Commission to regulate and control prices which expires on the 11<sup>th</sup> day of November 2012.

## 3. THE PROCESS

From 13 April to 6 June 2011, the Commission requested information under Section 119 of the Commerce Commission Decree 2010 by means of written and oral requests, email correspondences, phone conversations and through regular visits to FPSF for inspection and verification.

3.1 FPSF furnished the Commission with the following information upon request:

- Detailed monthly profit & loss and balance sheet for the months from February to May 2011;
- General ledger detail from 31 July 2010 to 31 May 2011;
- Management report (Fiji Report) for the months from February to May 2011;
- Monthly financial accounts (summary) for the 9 months ended 31 March 2011;
- Stock listing as of 31 March 2011;
- Landed cost calculation sheets for billet from June 2010 to May 2011 and estimated landed cost for June shipment;
- Staff listing (with position description/remuneration) as of June 2010 & March 2011;
- All correspondences relating to sourcing and quotations (including request for quotations) of billet from 1 April 2010 to 13 April 2011;
- Tax Fixed Asset Register for the year ended 30 June 2009;
- Chargeable Income Tax Schedule for 30 June 2009 and Notice of Income Tax Assessment for the year ended 30 June 2009 and 30 June 2010 for Fletcher Pacific Steel (Fiji) Limited;
- Accounting Fixed Asset Register as of 30 June 2010 and 30 April 2011;
- FEA Monthly readings from January to December 2010;
- Bundling cost supporting source documents;
- Detailed excel worksheet listing of SBB Average Purchase & Sell Price for semi-finished (billet) price from East Asia & China CIF Fiji update till April 2011 (soft copy);
- Invoices for Audit and Accounting fees;
- Payroll details including benefits & allowances for all staff from October 2010 to April 2011;
- Daily time card for all staff for the months of November 2010 to April 2011;
- Salaries deduction summary (FNPF and PAYE) for all staff for the months starting from October 2010 to April 2011;
- Bank statement from July 2010 to April 2011;
- Employment Contract for all management staffs and first five (5) "high rates" and last two (2) "lower rates" employment contract;

- Term deposit details;
- Sale and purchase invoice copies for scrap items;
- Monthly operations reports (Jan 2011 – May 2011);
- Obtained bundling cable/wire sample;
- Additional information was obtained by means of photocopying of invoices, copy of stores inventory recording from stores and finance, copy of requisitions and copy of daily shift production reports.

The Commission had obtained the above mentioned information and explanations which to the best of our knowledge and belief were necessary for the purpose of our investigation.

#### 4. PRICE DETERMINATION

The Commission after undertaking a detailed analysis of the submission from FPSF and its independent investigation and computations, has determined the following wholesale rebar price, representing a 3.49% decrease.

The authorised final price is effective from 1 July 2011 and expires on 30 September 2011.

Re-Bar Grade	Types	Current Ex Factory Wholesale Price (\$/t) (VEP)	Increase/(Decrease) from current prices (\$/t)	Commission's Authorized Price (\$/t)
Grade 300	Plain/Deformed	2,065.30	(72.07)	1,993.23
Grade 500	Plain/Deformed	2,137.53	(74.59)	2,062.94

#### Commissioners:

		
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<b>Chairman</b>	<b>Commissioner</b>	<b>Commissioner</b>
<b>29/06/2011</b>	<b>29/06/2011</b>	<b>29/06/2011</b>

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