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

FLETCHER PACIFIC STEEL (FIJI)

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Promoting Competition in the Fiji Markets

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1.0 INTRODUCTION

- 1.1 The Fiji Commerce Commission ("Commission") released the final determination on the wholesale rebar price of Grade 300 and Grade 500 on 29 June 2011 authorising a 3.49% decrease for Fletcher Pacific Steel (Fiji) ("FPSF"), a Division of Fletcher Building Limited to be effective until 30 September 2011. This determination was made after an extensive independent audit of the operations and finances of FPSF.
- 1.2 On 08 July 2011, the Commission informed FPSF that it will provide four (4) months to put in place measures to remove the inefficiencies that the Commission established through its audit in order to have a price which is commensurate with a competitive market price. The Commission also notified FPSF that the Commission will review prices of steel after four months which will take into account improvements in efficiencies that FPSF was required to undertake.
- 1.3 On 01 October 2011, the Commission formally notified FPSF that the authorized prices for steel will expire on 8 November 2011. Subsequently on 09 November 2011, the authorized prices were extended till further notice allowing FPSF to undertake improvements and to make a detailed submission.
- 1.4 On 22 November 2011, a face to face meeting was held with FPSF representatives to discuss the audit report. All issues pertaining to the findings in the audit report was discussed and justifications provided by then Commission on its findings.
- 1.5 On 16 December 2011, FPSF wrote a letter to the Commission, acknowledging that it accepts the findings of the Commission and is undertaking measures to improve its internal control processes and operational efficiencies. The letter also provided indications of FPSF's appreciation of the Commission's audit concerns and compliance.
- 1.6 On 28 December 2011, the Commission requested FPSF to make a formal submission for a price review of Ex-Factory Grade 300 and Grade 500 rebar price. This request for submission was further to the email dated 18 December 2011 from the Commission Chair to enable the Commission to review the price by January 2012. FPSF was initially given time till 15 January, 2011 to make its submission to the Commission.
- 1.7 On 28 December 2011, FPSF had indicated that they are closed till 15 January and operations will resume on 16 January 2012 and as such submission formalities will be made thereafter.
- 1.8 On 23 January 2012, the Commission followed up with FPSF informing that the deadline has lapsed and the Commission has not yet received any aforesaid correspondence. The Commission requested for submission before the close of business 25 January, 2011.
- 1.9 On 25 January 2012, the Commission received a new submission from FPSF with the following information:
 - (i) Billet landed cost sheet from June 2011 to January 2012;
 - (ii) Conversion cost data from January 2011 to December 2011;
 - (iii) Monthly Profit & Loss statement and Balance Sheet from June 2011 to December 2011; and
 - (iv) Major additions or disposal to Fixed Asset Register;
- 1.10 On 26 January 2012, FPSF provided the following additional information in detail:

- (i) Restructure Plan for Fiji Rolling Mill 2011;
- (ii) Business cost increase for 2012; and
- (iii) Email correspondence on options for the billet shearing machine.

1.11 On 27 January 2012, the Commission requested for additional information to perform the necessary projections and computations and the same was received by 31 January 2012.

- (i) Management report from May 2011 to December 2011;
- (ii) Forecasted productions for the 6 months from February 2012;
- (iii) Fixed Asset Register as at December 2011;
- (iv) Material landed cost worksheet; and
- (v) General ledger listing from May 2011 till December 2011 and indication for any post audit adjustment.

1.12 On 01 February 2012, the Commission sought clarification on the information provided for further analysis and computation of the financials.

1.13 On 07 February 2012, the Commission had a meeting with FPSF's representative and discussed draft determination, computation in detail and proposed prices for finished product.

1.14 Based on the submission made by FPSF and its independent research and computation, the Commission has made this determination.

2.0 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 11th day of November 2012.

3.0 PRICE DETERMINATION

The Commission after undertaking a detailed analysis of the submission from FPSF and its independent investigation, benchmarking and computations, has determined the following wholesale rebar price, representing a 4.28% decrease.

The authorised final price is effective from 20 February 2012.

Rebar Grade	Types	Current Ex-Factory Wholesale Price (F/F)	Increase/(Decrease) from current prices (F/F)	Commission's Authorised Price (F/F)
Grade 300	Plain/Deformed	1,993.23	(85.38)	\$1,907.85
Grade 500	Plain/Deformed	2,062.94	(88.37)	\$1,974.57

Moving forward FPSF will be required to submit to the Commission landed cost for raw material for all shipment procured within five (5) working days from the day of clearance.

4.0 Market Monitoring

The Commission will closely monitor the market to ensure that the retail sector provides a symmetric response to the changes and movements in the wholesale sector. Failure of the operators to make corresponding changes in the retail sector will be a clear indication that market is not working as expected should there be all necessary conditions for a competitive market.

Traders are reminded that all hardware items in Fiji, including steel and cement are under Price Control at Ex-Factory, Wholesale and Retail level. The Price Control Order defines hardware items as all supplies that are used for the construction of buildings in Fiji except for those that are already subject to price control orders under the Commerce Control Decree 2010.

Commissioners:

		
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Chairman	Commissioner	Commissioner
13/02/2012	13/02/2012	13/02/2012

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