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Anticipated acquisition by Speedy Hire plc of the tool hire division of Hewden Stuart plc

The OFT's decision on reference under section 33(1) given on 25 July 2007.  
Full text of decision published 1 August 2007.

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**Please note that square brackets indicate figures or text which have been deleted or replaced with a range at the request of the parties for reasons of commercial confidentiality.**

## **PARTIES**

1. **Speedy Hire plc ('Speedy Hire')** is a tool and equipment hire company listed on the London Stock Exchange.
2. **Hewden Hire Centres** is the tool hire business of Hewden Stuart plc, a UK tool and plant hire company, which is itself an indirect subsidiary of Finning International Inc. Hewden Hire Centres' turnover in the UK in the most recent financial year was £89.8 million.

## **TRANSACTION**

3. The parties announced on 14 June 2007 an agreement under which Speedy Hire will acquire the assets of Hewden Hire Centres for £115 million.
4. The Office of Fair Trading's (OFT) statutory deadline for deciding whether to refer the merger to the Competition Commission is 26 July 2007.

## **JURISDICTION**

5. As a result of this transaction Speedy Hire and Hewden Hire Centres will cease to be distinct. The UK turnover of Hewden Hire Centres exceeds £70

million, so the turnover test in section 23(1)(b) of the Enterprise Act 2002 (the Act) is satisfied. The OFT therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

## RELEVANT MARKET

6. Speedy Hire and Hewden Hire Centres overlap in the supply of tool and equipment hire services. Unlike some of their competitors, the merging parties are not active in the hire of heavy plant.<sup>1</sup> The distinction between 'tools', 'equipment' and 'plant' seems to be blurred and the classification of hire products varies between companies and industry commentators.
7. Hired tools and equipment are predominantly used by customers in the construction industry, with other customer groups including building services engineers, utilities and transport industry operators, and DIY enthusiasts.
8. The range of products typically offered for hire by Speedy Hire and Hewden Hire Centres includes:
  - access equipment
  - drilling and breaking tools/equipment
  - concreting and compacting equipment
  - plumbing and pumping tools/equipment
  - carpentry and woodworking tools
  - lighting, welding and power equipment
  - heating, drying and cooling equipment
  - gardening and landscaping tools/equipment
  - cutting and grinding tools
  - cleaning and floor preparation equipment, and
  - other tools/equipment, including surveying tools/equipment and air compressors.

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<sup>1</sup> Such as concrete pumping equipment, cranes, earthmoving equipment, large powered access equipment, crushing plant, road making equipment and tunnelling equipment.

## **Product market**

9. Different tools and equipment are generally not substitutable from a demand-side perspective, as customers will hire products that meet their specific needs.
10. However, different tools and equipment types are substitutable from a supply-side perspective. The principal assets required for a tool and equipment hire operation (that is, premises, staff and stock) are flexible and therefore it is relatively easy for a hire operator to expand its range of products quickly in response to shifts in customer demands. Third party respondents confirmed this to be the case.
11. For that reason, the OFT does not consider it necessary to adopt a narrow frame of reference based on each specific product type. The appropriate frame of reference is therefore tool and equipment hire.

## **Geographic market**

12. The merging parties submit that the tool and equipment hire sector has both national and local characteristics. National competition takes place among the large multi-branch hire operators, each of which has a nationwide network of outlets and tends to advertise at a national level.
13. In addition, customers, notably the smaller ones, have access to local suppliers. The parties submit that smaller customers will usually only be prepared to travel a 15-minute drive time for tool hire, suggesting a 10-mile radius for local markets (or three miles within the M25). This was consistent with the parties' internal local market analysis and with comments by third parties.
14. The impact of the merger will therefore be considered at both local and national (UK) levels.

## **HORIZONTAL ISSUES**

### **Market shares**

15. Data was provided by the parties from various public sources, based on various alternative competitive sets. The resulting variation in share of supply estimates reflects information gaps on the importance of smaller players, and inconsistencies in the distinctions between tools, equipment and plant. However, on any measure the merging parties are the market leaders.
16. Taking into account tools and equipment offered for hire by any type of company, both local and national operators, the parties' combined share of supply is [10-20] per cent (increment [less than 5] per cent). An independent report (the 'AMA report'),<sup>2</sup> which limits its analysis to national tool hire specialists<sup>3</sup> and to a narrower range of products, indicates that the parties' share of supply on this narrower scope is almost 30 per cent (increment 10 per cent).
17. The parties identified a small number of local areas where post-merger there would be limited numbers of competitors present. However, in each locality there would remain at least three other tool and equipment hire companies. No third party raised any type of concerns in relation to competition at a local level.

### **Non-coordinated effects**

18. Speedy Hire and Hewden Hire Centres are two of the largest national tool hire operators, and they both compete for national contracts with major customers. However, after the merger there will remain a number of other significant national players, including tool hire specialists, combined tool and plant hire operators, and builders' merchants businesses.
19. The AMA report indicates that the industry is facing increasing competition from the builders' merchant sector, and notes the significant potential for expansion using existing merchant distribution structures. Also, according

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<sup>2</sup> AMA Research Ltd – 'Tool Hire Specialists Market – UK 2006'; June 2006.

<sup>3</sup> In other words, it excludes companies which are not predominantly active in tool hire, such as construction companies and plant hire companies, as well as smaller tool hire operators including builders' merchants.

to the AMA report, the tool hire sector has been growing, with the major companies expanding organically as well as by acquisition.

20. In relation to competition at a local level, third parties submitted that small players are able to provide genuine competition to individual outlets operated by the national multiples.

### **Barriers to entry**

21. Third parties confirm the parties' submission that barriers to entry are not significant. This is true in particular for local hire operations, while entry on a national basis would naturally require more substantial investment and planning. Third parties said that an existing hire operation can quickly expand the range of tools or equipment available if there are shifts in demand or margins between the different types, and the AMA report notes continuous expansion of the market.

### **THIRD PARTY VIEWS**

22. The OFT received comments from a number of competitors and customers, none of which raised any substantive competition concerns in relation to the merger. In fact, most commentators explicitly agreed that there remains sufficient competition at both national and local levels to meet the requirements of the full range of customer types.

### **ASSESSMENT**

23. Although the parties are both national players, their combined shares of supply are not such as to give rise to competition concerns. There are sufficient national and local players to provide competitive constraints on the merged entity both for national contracts and for local tool and equipment hire needs. Third parties were unconcerned about the merger.
24. Consequently, the OFT does not believe that it is or may be the case that the merger may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

## **DECISION**

25. This merger will therefore not be referred to the Competition Commission under section 33(1) of the Act.