
Completed acquisition by Ainscough Crane Hire Limited of
Nationwide Crane Hire Limited

The OFT's decision on reference under section 22(1) given on 12 June 2007.
Full text of decision published 20 June 2007.

PARTIES

1. **Ainscough Crane Hire Limited** (Ainscough) offers crane hire, contract lifting and ancillary services throughout the UK.¹ It has 470 cranes and operates from 24 regional depots and one national depot (in Leyland, Lancashire).
2. **Nationwide Crane Hire Limited** (Crane Services) trades as Crane Services Leeds and offers crane hire from its fleet of 35 cranes as well as ancillary lifting services. In the year to February 2007, Crane Services' turnover (all generated in the UK) was around £10 million.

TRANSACTION

3. On 28 February 2007 Ainscough acquired the entire issued share capital of Crane Services.
4. The statutory deadline for the OFT to announce a decision in this case is 27 June, and the OFT's administrative target date is 12 June.

JURISDICTION

5. As a result of this transaction Ainscough and Crane Services have ceased to be distinct. The share of supply test in section 23 of the Enterprise Act

¹ Ancillary services include undertaking a risk assessment and a detailed method of the work required.

2002 (the Act) is met in respect of the hire of heavy mobile cranes within the UK.²

6. The OFT therefore believes that it is or may be the case that a relevant merger situation has been created.

FRAME OF REFERENCE

7. The parties overlap in the provision of cranes for hire. There are many light cranes (that is, those below 200 tonnes) in the UK – around 2,900 and Ainscough’s share of supply in these is very low. Therefore, these are not considered in this case. Rather, the OFT has focused on the hiring of heavy cranes – that is, cranes of 200 tonnes or more.

Product market

Hiring and sub-hiring

8. The parties submitted that there might be two separate but interrelated product markets: one for ‘winning’ work (in which crane hire companies compete with each other to provide crane hire services to customers); and one for ‘doing work’ (in which crane hire companies carry out work for customers by using either their own cranes or cranes that have been sub-hired from other crane hire companies). The parties provided evidence of firms bidding for work involving heavy cranes and subsequently sub-hiring some or all of the cranes from third parties. This practice of sub-hiring was confirmed by third parties.
9. Sub-hiring cranes is undoubtedly prevalent within the industry. However, evidence from the parties and third parties suggest that prices to the end customer do not change as a result of the crane being supplied directly or sub-hired. The OFT has therefore examined this merger in regard to the provision of cranes for hire regardless of whether the crane supplied is owned by the company supplying it.

² Heavy mobile cranes are taken to be mobile cranes with a lifting capacity of 200 tonnes or more.

Segmenting by size of crane

10. The parties overlap in the supply of heavy mobile cranes between 200 and 500 tonnes. As starting point, the narrowest reasonable product frame of reference might be a single size of crane.
11. Evidence provided by the parties and third parties strongly suggest that such a definition is too narrow and that cranes of different sizes are often used to carry out the same type of work (that is, they are demand-side substitutes).
12. Evidence supplied by the parties and one third party show that cranes often carry out work which is lighter than the jobs for which they are built. For example, 500 tonne cranes regularly carry out work which requires a capacity of anywhere between 200 and 500 tonnes, and 1000 tonne cranes regularly carry out work which requires a capacity of anywhere between 500 and 1000 tonnes. The parties also submitted that smaller cranes are used to carry out the work of larger cranes by adjusting the counterweight on the crane. Third parties confirmed this with the OFT although one third party said that in order to carry out the work of a larger crane the crane must be fitted with extra equipment such as a back mast, which not all cranes have.
13. The OFT has not been able to fully test the parties' proposition that there is a complete chain of substitution linking all sizes of heavy mobile cranes between 200 and 1000 tonnes.³ Although the evidence supplied by the parties and third parties suggests the appropriate product market is wider than the supply of a single size of crane, the OFT has taken a cautious approach, and analysed the merger on the basis that each size of crane can be substituted by a crane up to 100 tonnes larger. What is more, the OFT has analysed this merger under the further cautious basis that substitution is only one way. That is, larger cranes can do the work of smaller cranes but not vice versa.

³ A chain of substitution can occur if the hire of a 600 tonne crane exerts a competitive pressure on the hire of a 500 tonne crane (because of customer switching in response to a price change), which in turn exerts a competitive pressure on the hire of a 400 tonne crane (and so on). Therefore, by virtue of the links in the chain, the hire of a 600 tonne crane may exert some competitive pressure on the hire of say a 200 tonne crane even though it may be rare for customers to switch to a 600 tonne crane from a 200 tonne crane, or vice versa. However, that all the cranes available may be substitutes by virtue of individual links in the chain does not necessarily mean that the whole chain is the relevant product market. The further the chain moves away from the focal point (e.g. a 600 tonne crane) the weaker is the competitive constraint. See the OFT guidance 'Understanding competition law: Market definition' OFT403, December 2004, paragraph 3.11.

Geographic market

14. The parties submitted that the geographic market for heavy mobile cranes is at least as wide as the UK and may in fact be broader than the UK since some cranes are brought in from Continental Europe. Ainscough provides cranes throughout the country from a single depot near Wigan, while Crane Services supplies all cranes above 200 tonnes from a single depot near Leeds. The parties told us that cranes based at these depots do not return to the depot between jobs but travel directly from job to job, receiving servicing and repairs on site.
15. The parties supplied details of the location of the past 15 jobs associated with each of the parties' cranes of 500 tonnes and heavier. The data confirm that each crane operates in various parts of the country and also that they move from job to job without returning to a depot. The data also show that the distances travelled between jobs varies between a few miles and over 200 miles, even for jobs lasting only a few days.
16. The majority of third parties supported the view that the geographic frame of reference is at least as wide as the UK, although one told the OFT that it only operated in Scotland and Northern Ireland.

Constraints from outside the UK

17. The parties submitted that some of its main competitors bring in cranes from Continental Europe to compete for business in the UK. The OFT received a response from one of these competitors which confirmed that it uses cranes from the Netherlands and Belgium in the UK.
18. A further third party told the OFT that none of its very heavy cranes (500 tonnes and over) were permanently based in the UK but rather were used in the UK, Ireland, France and other EU areas. The same third party also said that Danish and German wind turbine manufacturers often bring their preferred crane suppliers with them when erecting turbines in the UK, due to familiarity with these suppliers and for cost reasons.

Conclusions on geographic market

19. The OFT has not considered it necessary to conclude on the geographic market in this case. Accordingly, the OFT has decided to take a cautious approach and has therefore considered this merger on the basis of the whole of the UK.

HORIZONTAL ISSUES

Non-coordinated effects

20. Because there is no readily available source of data on crane hire by revenue or even by the number of jobs, the parties and third parties supplied data to the OFT on the number of cranes, by size, operating in the UK. Given sub-hiring of cranes, shares of supply by job may be more informative than shares of supply by number of cranes which, arguably, may overstate the parties' position in the supply of crane hire to end users.
21. In any case, from the data on the number of cranes the OFT has estimated that Ainscough now controls around 30 per cent of total mobile heavy cranes (increment 12 per cent). By size of crane, Ainscough's most significant holdings of cranes are 40 per cent for 400 tonnes cranes (increment around 20 per cent), 32 per cent for 300 tonne cranes (increment around 15 per cent) and 35 per cent (increment around 15 per cent) for 500 tonne cranes.⁴
22. Ainscough's main competitors include Sarens (20 per cent of 500 tonne cranes), Baldwins Crane Hire (Baldwins, around 10 per cent each of 500, 400 and 300 tonne cranes) and Mammoet (10 per cent each of 500 and 400 tonne cranes). Windhoist has a 14 per cent share of 400 tonne cranes although it currently only supplies cranes for hire in Scotland and Northern Ireland.
23. It is important to note that the overall number of heavy cranes is low. For example, there are only three 400 tonne cranes in the UK, two 450 tonne cranes, seventeen 500 tonne cranes and three 600 tonne cranes.

⁴ These figures incorporate cranes up to 100 tonnes larger than the crane size being reported upon.

Therefore, a change of one or two cranes can make a significant difference to the share of supply figures.

Barriers to entry and expansion

24. Most third parties told the OFT that in principle entry and expansion is not difficult. However, there are currently long waiting times (between one and two years) for new large cranes which would delay any entry or expansion. One third party told the OFT that it already has two 500 tonne cranes on order (which once delivered will dilute Ainscough's share in this category to around 30 per cent).
25. However, the parties and a number of third parties said that cranes could easily be obtained on the second hand market. The parties submitted that companies such as Van Adrighem and Hovago buy and sell used cranes on a global basis. Evidence from third parties also confirms the existence of a second hand market. The second hand market not only allows entry via second hand cranes, but since buying a new crane involves a significant investment (according to the parties a new 500 tonne crane with an 84 metre boom costs about £1.8m) it helps to facilitate entry by reducing the risks of entry (in that owners can easily sell their assets in the event that entry is unsuccessful).
26. The OFT is aware of one significant instance of recent entry. Baldwins entered the market in November 2002. It told the OFT that it took just one year to acquire a range of cranes to compete with other suppliers. However, it also argued that a similar strategy would not be possible today due to lack of used cranes available and a two year waiting time for new cranes.
27. Given that the evidence before the OFT suggests that the maximum waiting time for new cranes is at most two years (and some third parties have told the OFT that it is less than two years) entry, or expansion by existing suppliers, would be timely, likely and sufficient to prevent price increases as a result of the merger. Furthermore, since entry would be possible without ownership of heavy cranes (through sub-hiring) the barriers to entry are even lower.

Countervailing buyer power

28. The parties supply a range of customers, some of which may potentially possess a degree of buyer power due to their size, or importance as a customer. However the OFT has not seen sufficient evidence to conclude on the existence or otherwise of countervailing buyer power in this market.

THIRD PARTY VIEWS

29. Most third parties who responded to the OFT questionnaire were not concerned about the merger. Out of five competitors who responded, two were concerned and three were not concerned. The concerns raised were about the size of Ainscough relative to its competitors (particularly in the 500 tonne category), but these concerns were not borne out by the data supplied by the parties and other third parties.
30. Only two customers responded to the OFT's questionnaire with one being concerned. This customer told the OFT that having a broad range of cranes is an important aspect in suppliers competing for some customers, perhaps via framework agreements. The OFT's analysis has shown that other crane hire suppliers are able to offer customers a range of cranes (for example, Sarens, Baldwins and, to some extent, Mammoet). Ainscough had a large range of different crane sizes before the merger (and, in any case, could sub-hire cranes if it did not). The OFT does not consider that the merger has made customers worse off in this regard.
31. In terms of framework agreements, the parties submitted that only around a quarter of Ainscough's heavy crane hire business is carried out under framework agreements, and almost none of Crane Services' work. As such it is not the case that the merger has reduced the options available to customers seeking to enter into framework agreements.

ASSESSMENT

32. Following the merger Ainscough now has around 30 per cent of heavy mobile cranes available for hire in the UK (increment 12 per cent). For some specific sizes of heavy mobile crane where the parties overlap, Ainscough now owns between 30 and 40 per cent. Ainscough continues to face competition from Sarens, Mammoet and Badwins. The OFT is aware of one

competitor who has two 500 tonne cranes on order which, given the low number of cranes overall, will further strengthen the competitive pressure on Ainscough. Further competitive constraint is provided by suppliers bringing in cranes from Continental Europe. On the evidence available to it, the OFT considers that barriers to entry and expansion are low.

33. Consequently, the OFT does not believe that it is or may be the case that the merger has resulted or may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

DECISION

34. This merger will therefore not be referred to the Competition Commission under section 22(1) of the Act.