

Completed acquisition by Ampco-Pittsburgh Corporation of Åkers

Decision on relevant merger situation and substantial lessening of competition

ME/6583/15

The CMA's decision on reference under section 22(1) of the Enterprise Act 2002 given on 11 March 2016. Full text of the decision published on 6 April 2016.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.

SUMMARY

1. On 3 March 2016, Ampco-Pittsburgh Corporation (**Ampco**) acquired Åkers AB and certain of its affiliate companies (the **Acquired Business**) (the **Merger**). The acquisition excluded Åkers AB's operations in France (including manufacturing plants at Thionville and Berlaimont) and Belgium (including a plant at Liège), which were carved out prior to completion of the Merger (the **Carved-Out Business**). The Acquired Business and the Carved-Out Business are together referred to as **Åkers**, and Ampco and Åkers are together referred to as the **Parties**.
2. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that the Parties have ceased to be distinct and that the share of supply test is met. The four-month period for a decision has not yet expired. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
3. The Parties both supply mill rolls (a machinery input in the production of steel and other non-ferrous metals) in the United Kingdom (**UK**) primarily to steel mill customers. Mill rolls can be manufactured using either the cast or forged method, and are involved in the production process used to shape the metal product.

4. The Parties overlap in the supply of a number of types of both cast and forged mill rolls, specifically: (i) cast work rolls; (ii) cast section rolls; (iii) forged work rolls; (iv) forged back-up rolls; (v) forged narrow strip rolls; and (vi) forged section rolls. Based on evidence concerning demand- and supply-side substitution, the CMA used these six categories of mill roll as the product frames of reference.
5. In terms of geographic scope, the CMA focused its assessment of the Merger on the EU as the geographic frame of reference, but also included those non-EU suppliers that currently sell mill rolls into the EU, since these suppliers have proven to be able to supply into the EU. The CMA assessed the relative strengths of the constraint exerted by these EU and non-EU suppliers in its competitive assessment.
6. Shortly after the Merger had been agreed between the Parties but before the Merger completed, the Carved-Out Business was placed in administration with the possible consequence that it would exit the market. Based on the evidence received in this case, the CMA assessed the impact of the Merger not against these pre-Merger conditions, but against a counterfactual in which, absent the Merger, Åkers (or another trade buyer) would have retained and continued to operate the Carved-Out Business.
7. The CMA investigated whether the Merger would give rise to horizontal unilateral effects (ie a loss of competition to supply UK customers) in the supply of one or more categories of mill rolls, using evidence obtained from the Parties (shares of supply, internal documents) and views from third parties on how closely the Parties competed and on remaining competitors. Given that the competitive assessment for each of the frames of reference was materially similar, the results of the CMA's investigation into all frames of reference have been combined. The evidence the CMA received demonstrated that:
 - (a) there was a significant level of competitive interaction between the Parties in Europe, although there was some differentiation between the two (such as the location of manufacturing facilities), and the level of competitive interaction between the Parties varied to some extent between product types. As such, the Merger may result in the loss of a material constraint between the Parties;
 - (b) following the Merger, there will remain sufficient competition from alternative suppliers to replace any lost constraint. UK customers accounting for most of the Parties' UK revenues were of the view that there were several suitable alternative suppliers in each of the mill roll

categories. While one small UK customer had concerns about the Merger, it had not explored all its supply options.

8. Accordingly, the CMA believes that the Merger does not give rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects.
9. The Merger will therefore **not be referred** under section 22(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

Parties

10. Ampco is a United States public company and is a supplier of engineered products and air/liquid processing systems. It supplies cast and forged mill rolls through its subsidiaries United Electric Steel Corporation (**UES Corp**) and United Electric Steel Limited (**UES UK**). UES Corp has manufacturing facilities in the United States while UES UK has a manufacturing plant in the UK (Ampco's only manufacturing facility in the EU). The worldwide turnover of Ampco in 2014 was approximately £166 million and approximately £[~~] in the UK.~~
11. Åkers is a Swedish private company and is a supplier of cast and forged mill rolls. Åkers has manufacturing facilities in the EU (Sweden and Slovenia) and the United States. Before completion of the Merger, Åkers also had manufacturing plants in France and Belgium, but these were not acquired as part of the Merger. The worldwide turnover of Åkers in 2014 was approximately £146 million and approximately £[~~] in the UK.~~

Transaction

12. On 3 March 2016, Ampco acquired the entire issued share capital of Åkers AB. The acquisition excluded the Carved-Out Business.
13. As part of the consideration for the transaction, Altor Fund II (**Altor**), the ultimate owner of Åkers before completion of the Merger, acquired shares worth approximately 14.5% of the post-completion issued share capital of Ampco, and the right to appoint a director to Ampco's board of directors.

Jurisdiction

14. As a result of the Merger, the enterprises of the Acquired Business and Ampco have ceased to be distinct.

15. The UK turnover of the Acquired Business for 2014 was approximately £[~~8~~]. Accordingly, the turnover test in section 23(1)(b) of the Act is not met.
16. The Parties estimated that their combined share in the supply of cast work rolls in the UK is [40-50]% to [50-60]% by volume (increment [5-10]% to [10-20]%).¹ This estimate is consistent with internal documents provided by the Parties. The CMA therefore believes that the share of supply test in section 23 of the Act is met.
17. The Merger completed on 3 March 2016. The four-month deadline for a decision under section 24 of the Act is therefore 3 July 2016.
18. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
19. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 25 January 2016 and the statutory 40 working day deadline for a decision is therefore 18 March 2016.
20. The CMA also considered whether Altor has gained material influence over Ampco such that Altor and Ampco have ceased to be distinct. As set out above, Altor acquired approximately 14.5% of the post-completion issued share capital of Ampco and the right to appoint a director to Ampco's board of directors. Altor's only activities in the sector in which the Parties overlap is through the Carved-Out Business that it has retained, although the Carved-Out Business has been under the control of a court-appointed administrator since it was placed into administration on 3 December 2015. However, the CMA did not find it necessary to conclude on this issue since any overlaps between the Carved-Out Business and Ampco are already addressed in the competitive assessment of Ampco's acquisition of Åkers (due to the counterfactual assessment below).

Counterfactual

21. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For completed mergers the CMA generally adopts the pre-Merger conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it believes that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is

¹ Parties' estimate of their shares of supply in 2015, Merger Notice, Table 2.

a realistic prospect of a counterfactual that is more competitive than these conditions.²

22. The Parties submitted that the Merger should be assessed against a counterfactual involving the conditions of competition immediately prior to completion of the Merger. As set out above, this would involve the Carved-Out Business having been placed into administration, which took place one day after the Merger had been agreed by the Parties. Documents seen by the CMA indicate that the administrator has six months from 3 December 2015 to find a buyer and sell the Carved-Out Business and, failing that, the Carved-Out Business will be liquidated.
23. However, the Parties' internal documents suggest that, absent the Merger, Åkers would either (i) have retained and continued to operate the entire Carved-Out Business, or (ii) have retained and continued to operate the Berlaimont and Liège plants and sold the Thionville plant to a third party trade buyer. The following documentary evidence is of most relevance:
 - (a) [REDACTED];³
 - (b) [REDACTED].⁴ [REDACTED].⁵ [REDACTED];
 - (c) [REDACTED].
24. In summary, the evidence indicates that, absent the Merger, Åkers had the intention to at least retain the Berlaimont and Liège plants (and may possibly have retained the Thionville plant), and that the plan to place the Carved-Out Business into administration crystallised only when the transaction structure for the sale of Åkers was decided between Ampco and Altor.
25. Therefore, on a cautious basis, the CMA assessed the impact of the Merger against a counterfactual in which Åkers, absent the Merger, would have retained and continued to operate the entire Carved-Out Business. Since no competition concerns arose on this most conservative basis (see below), the CMA did not consider it necessary to conclude which of the two possible counterfactual scenarios outlined above in paragraph 23 was appropriate.

² *Merger Assessment Guidelines* (OFT1254/CC2), September 2010, from paragraph 4.3.5. The *Merger Assessment Guidelines* have been adopted by the CMA (see *Mergers: Guidance on the CMA's jurisdiction and procedure* (CMA2), January 2014, Annex D).

³ Merger Notice, Annex 24, [REDACTED].

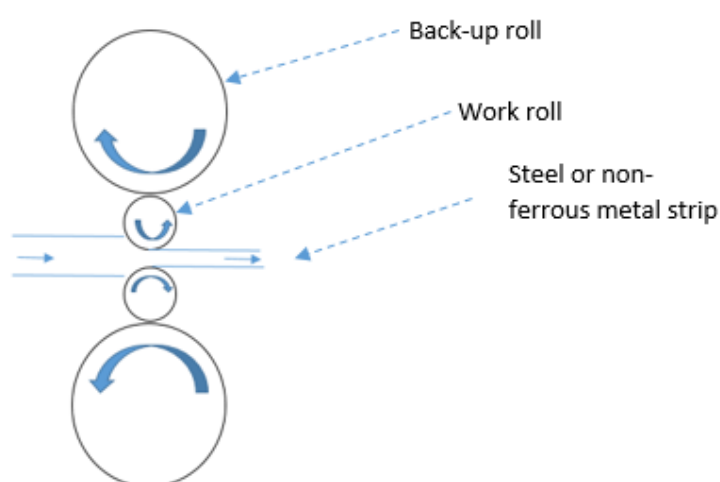
⁴ Merger Notice, Annex 27, [REDACTED].

⁵ Merger Notice, Annex 26, [REDACTED].

Background

26. According to the Parties' submission and information from third parties, mill rolls are used to shape steel (and non-ferrous metals) to produce flat and structural products. Different types of mill rolls serve different functions in the production process and are used to make different products. Work rolls come into direct contact with the steel strip, while back-up rolls apply pressure and weight to work rolls (see Figure 1). Section rolls are used to produce long objects such as rails. Plate mill rolls are large rolls used to produce thick sheet metal. Cluster rolls, on the other hand, roll very thin sheets. Narrow strip rolls are used to cold roll narrow strips of metal.

Figure 1: A simple mill stand set up



Source: CMA, based on information obtained from the Parties and third parties.

27. An important distinction between mill rolls is whether they are made via casting or forging. Within a steel mill, cast rolls are generally used for rolling heated metal (hot rolling) because of their heat resistant properties. Forged rolls are denser and more often used to roll cold steel (cold rolling). By contrast, aluminium (and other non-ferrous metal) mills predominantly use forged rolls for both hot and cold rolling.
28. Every mill roll is made to order to meet specific customer requirements and may vary by size, dimension and alloy composition. The approximate lifespan of a mill roll varies according to its type and purpose, from as little as six months to as much as twenty years.
29. Demand for mill rolls derives primarily from demand for steel and steel products. In recent years the global supply of steel has expanded much faster than global steel demand. As a result, some UK steel mills have now closed and UK demand for mill rolls has fallen.

Frame of reference

30. The CMA considers that market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merger parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.⁶

Product scope

31. The Parties submitted that they overlap only in the supply of cast work rolls, since that is the only product each of Ampco and the Acquired Business (ie excluding the Carved-Out Business) have recently supplied to UK customers.
32. The CMA's approach to identifying overlaps differed to that of the Parties for the following reasons:
- (a) First, the CMA believes that there is a realistic prospect that the Carved-Out Business will exit the market at the conclusion of the administration process and that this exit is a consequence of the Merger (see paragraphs 21 to 25 above). As such, although Ampco is not acquiring the Carved-Out Business, there is a realistic prospect that the Merger has caused the loss of the constraint provided by the Carved-Out Business. Therefore, on a cautious basis, overlaps between the Carved-Out Business and Ampco have been taken into account in the assessment.
 - (b) Second, the Parties excluded overlaps where one Party had supplied a category of mill roll to a UK customer and the other had supplied the same category to customers outside of the UK. Since the CMA has employed a wider frame of reference than the UK, including constraints from suppliers located outside the EU (see paragraphs 46 and 47 below), the CMA has included such overlaps, as the Party that had supplied a given type of mill roll outside of the UK could potentially have competed to supply this type of mill roll to customers in the UK.
33. On the above basis, the CMA identified that the Parties overlap in the supply of the following categories of mill roll: (i) cast work rolls; (ii) cast section rolls;

⁶ [Merger Assessment Guidelines](#), paragraph 5.2.2.

(iii) forged work rolls; (iv) forged back-up rolls; (v) forged narrow strip rolls; and (vi) forged section rolls.

34. Whilst the Parties did not address the frame of reference for each overlap specifically identified by the CMA, their submissions stated that cast section rolls, forged work rolls, forged back up rolls and forged section rolls are in separate markets as there is little demand-side substitutability between the categories of mill rolls.
35. The CMA used as its starting point for identifying the product frames of reference the mill roll categories in which the Parties overlap. The CMA then considered whether:
 - (a) those categories could be further segmented according to the size and/or weight of the mill roll or according to metal that they are used to roll (eg. steel or aluminium); or
 - (b) the frames of reference could be widened by aggregating one or more of the categories.

Segmentation of the mill roll categories

36. The Parties submitted that within each category of mill roll, every mill roll is made to meet specific customer requirements, particularly in relation to size and/or weight. The CMA therefore considered whether the set of suppliers for mill roll categories might vary according to customer requirements for certain size and/or weight parameters, such that the mill roll category frames of reference should be segmented.
37. The Parties said that each supplier of a category of mill rolls can generally supply the majority of customer requirements within it. The Parties highlighted that fewer suppliers can produce the heaviest varieties of mill rolls, but that these account for only a small proportion of customer demand. Åkers indicated that suppliers may be more efficient at producing a specific size of mill roll depending on the size of their equipment.
38. Some internal documents suggested that suppliers are differentiated by the weight/dimension of mill roll that they are able to supply. For instance, [REDACTED]. Some customer comments also suggested that the set of suppliers may be different in some sub-categories. For instance, one UK customer told the CMA that some suppliers are unable to supply the very small mill rolls that it requires.
39. In relation to possible segmentation according to the type of metal the rolled product is made of, some third parties told the CMA that mill rolls used for

aluminium rolling can be different to those used for rolling steel in terms of hardness and surface properties. A competitor said that, although the manufacturing process for mill rolls is similar, rolls for aluminium may require specialist manufacturing techniques.

40. On this occasion, for clarity of analysis, the CMA has addressed any variations in competitive conditions within the mill roll categories in the competitive assessment, rather than narrowing the mill roll category frames of reference.

Aggregation of mill roll categories

41. The CMA also considered whether it would be appropriate to aggregate some of the mill roll categories on the basis of supply-side substitution, ie whether suppliers of one category have the ability and incentive to respond to price changes in other categories by quickly switching their production.⁷
42. The evidence on this issue was mixed. The Parties submitted that, although each mill roll category requires its own equipment, some processes are common to all forged products and some are common to all cast products. Competitors generally indicated that some supply-side substitution may be possible, but also gave examples of where it would require substantial additional investment to switch production.
43. Given the mixed evidence, the CMA decided, on a cautious basis, not to aggregate any of the mill roll categories.

Geographic scope

44. The Parties submitted that the relevant geographic market is global or at least Europe-wide.
45. The Parties said that transport costs depend on the roll's weight and size, and the distance from the roll manufacturing plant to the customer. Ampco estimated its transport costs are (i) between [X]% and [X]% of the total cost for work rolls supplied to UK customers, (ii) around [X]% of the total cost for large back-up rolls and section rolls supplied to UK customers, and (iii) up to [X]% of the total cost for rolls supplied to customers in continental Europe. Åkers estimated its transport costs at [X]% of the total cost of work rolls supplied to UK customers, and between [X]% and [X]% of the total cost of supplying to customers in continental Europe.

⁷ [Merger Assessment Guidelines](#), paragraph 5.2.17.

46. Customers consistently told the CMA that they would be generally willing to source mill rolls from suppliers within the EU.
47. In terms of whether the geographic frame of reference is wider than the EU, approximately half of the UK customers who responded to the CMA's market testing said that they use or would consider using suppliers outside of the EU, and evidence from the Parties suggests that non-EU suppliers import a substantial proportion of forged mill rolls into the EU (see Table 2, below). However, some UK customers expressed a preference for closer suppliers. For example, one UK customer said that it preferred a UK supplier because this allowed it to use the manufacturer's facilities for testing, and several suppliers said that they valued lower delivery times. Evidence from the Parties suggests that non-EU suppliers import only a small proportion of cast mill rolls into the EU (see Table 1, below). This is consistent with the response of a non-EU supplier which said that it is not competitive in the EU due to transport costs.

Conclusion on frame of reference

48. For the reasons set out above, the CMA has considered the impact of the Merger in the supply in the EU (including those non-EU suppliers that currently sell mill rolls into the EU) of:
- (a) cast work rolls;
 - (b) cast section rolls;
 - (c) forged work rolls;
 - (d) forged back-up rolls;
 - (e) forged narrow strip rolls; and
 - (f) forged section rolls.

Competitive assessment

Horizontal unilateral effects

49. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or degrade quality on its own and without needing to coordinate with its rivals.⁸ Horizontal unilateral effects are

⁸ [Merger Assessment Guidelines](#), from paragraph 5.4.1.

more likely when the merger parties are close competitors. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC in relation to unilateral horizontal effects in the above frames of reference.

50. The CMA considered a range of evidence in conducting its competitive assessment, including shares of supply, internal documents provided by the Parties and third party views. The CMA used this evidence to assess both the closeness of competition between the Parties and the extent of the competitive constraints exerted by alternative suppliers that remain post-Merger.
51. Given that the competitive assessment for each of the frames of reference was materially similar, the results of the CMA's investigation into all frames of reference have been presented together, drawing out variations in the competitive interactions between the Parties between certain types of mill rolls where relevant.

Shares of supply

52. The Parties were unable to provide share of supply estimates for each of the six frames of reference. Instead, they estimated a combined share of supply of [20-30]% (increment of [5-10]%) for cast mill rolls and [20-30]% (increment of [10-20]%) for forged mill rolls in the EU (see Tables 1 and 2 below). The Parties' estimates are consistent with their internal documents, but the CMA was otherwise unable to verify the combined shares with other evidence.

Table 1: Parties' share of supply of cast rolls in the EU (including imports) in 2015

<i>Company</i>	<i>Manufacturing region</i>	<i>Estimated EU share</i>
Åkers	EU	[10-20]%
UES UK (ie Ampco)	EU	[5-10]%
Combined		[20-30]%
Walzengießerei Coswig	EU	[10-20]%
Gontermann-Peipers	EU	[10-20]%
Eisenwerk Sulzau-Werfen	EU	[5-10]%
Innse Cilindri	EU	[5-10]%
Walzen Irle	EU	[5-10]%
Karl Buch	EU	[0-5]%
Marichal Ketin	EU	[0-5]%
Valji Store	EU	[0-5]%
Vitkovice	EU	[0-5]%
Sinosteel Xingtai	China	[0-5]%
Villares	South Africa	[0-5]%
Hitachi	Asia Pacific	[0-5]%
United	North Am	[0-5]%
Whemco	North Am	[0-5]%
Nippon Steel	Asia Pacific	[0-5]%
Gongchang	China	[0-5]%
Unknown*	-	≥15%
Total		100%

Source: Parties' submission and internal documents.

*The shares of supply in the Parties' submission and internal documents did not total 100%.

Table 2: Parties' share of supply of forged rolls in the EU (including imports) in 2015

<i>Company</i>	<i>Manufacturing region</i>	<i>Estimated EU share</i>
Åkers	EU	[10-20]%
UES (ie Ampco)	North Am	[10-20]%
Combined		[20-30]%
SFE	EU	[10-20]%
Steinhoff	EU	[5-10]%
Villares	EU	[5-10]%
LHF	North Am	[0-5]%
SFS	North Am	[0-5]%
Hitachi	Asia Pac	[0-5]%
Xingtai	Asia Pac	[0-5]%
Baosteel	Asia Pac	[0-5]%
Xtek	North Am	[0-5]%
Doosan	Asia Pac	[0-5]%
JCFC	Asia Pac	[0-5]%
JSW	Asia Pac	[0-5]%
Unknown*	-	≥27.5%
Total		100%

Source: Parties' submission and internal documents.

*The shares of supply in the Parties' submission and internal documents did not total 100%.

53. The Parties also estimated their combined share of supply of cast work rolls in the UK in 2015 at [40-50]% to [50-60]% by volume, with an increment of [5-10]% to [10-20]% (they were unable to provide an estimate for the EU).
54. Given the uncertainty concerning the share of supply estimates, the CMA carefully considered this evidence in the light of the evidence provided by customers and competitors on the closeness of competition between the Parties and remaining competitive constraints (discussed below). However, the CMA notes that the Parties' combined shares in cast ([20-30]%) and forged ([20-30]%) mill rolls in the EU (including imports) are not sufficiently high to give rise to prima facie concerns. The CMA recognises, however, that the merged entity would be the largest supplier in cast and forged mill rolls, and that combined shares may be higher in particular mill roll categories, as illustrated by the Parties' higher combined share in the UK for cast work rolls.

Closeness of competition

55. The Parties' submission focused on the supply of cast work rolls in the UK, and stated that the Parties are competitors in this category. [✂].
56. The CMA asked customers and competitors whether they considered Ampco and Åkers to be close competitors in the supply of any of the relevant mill roll categories. Four customers indicated that Ampco and Åkers are close competitors in the supply of cast work rolls, forged work rolls and forged back up rolls. A large customer described Ampco and Åkers as close competitors across all six frames of reference, although it added that they are differentiated by the locations of their manufacturing facilities, as Åkers produces forged mill rolls in Europe and cast mill rolls in the US, while the opposite is the case for Ampco. Most customers noted that either they had used both Parties as suppliers or the Parties had both competed for their business.
57. Conversely, several customers who were supplied by one of the Parties did not consider that the Parties were close competitors. Two Ampco customers told us that they had no relationship with Åkers. Two Åkers customers stated that they either had not investigated or had not heard of Ampco. The CMA notes that some of these customers had a low awareness of their supply options in general. One competitor told the CMA that it competed closely with Ampco, but that it had not come across Åkers in the UK, and that Ampco is generally much stronger in the forged segment than Åkers.
58. The CMA also reviewed the Parties' internal documents to assess how closely the Parties competed. These documents generally indicate that the Parties

viewed each other as significant competitors across a broad range of mill roll categories. The following documentary evidence is of most relevance:

(a) An Åkers document refers to Ampco as a key competitor to its French operations. It also lists Ampco as a 'main' competitor [REDACTED].⁹

(b) An Ampco document identifies Åkers as a major competitor [REDACTED]. The same document identifies Åkers as a main European competitor.¹⁰

59. The evidence above indicates that, at a general level, there was a significant level of competitive interaction between the Parties, although there is some differentiation between the two. Evidence also shows that the Parties competed against each other in all six overlap mill roll categories, although this evidence is weakest for cast and forged section rolls. On a cautious basis, the CMA therefore concluded that the Merger may result in a material loss of constraint in each of the six mill roll categories in which the Parties overlap.

Competitive constraints

60. The CMA considered whether there is sufficient competition remaining to constrain Ampco's behaviour post-Merger.

Parties' views

61. The Parties stated that there are many suppliers of mill rolls in each frame of reference. They listed at least five alternative EU-based suppliers (and many non-EU suppliers) for UK customers in all relevant product categories, except for forged section rolls and forged narrow strip rolls (for which they did not consider themselves to be close competitors). The Parties submitted that UK customers can and do source globally, and that excess capacity in the industry would allow competitors to constrain the Parties in the event of a price rise.

Customer views

62. The majority of customers (accounting for [90 to 100]% of Ampco's sales of cast rolls and [80 to 90]% of Ampco's sales of forged rolls in the UK in 2015, and all of Åkers' sales of rolls in the UK in 2015) told the CMA that there are several alternative suppliers available for all of the mill roll categories that they purchase. In particular, two out of three customers which named Ampco and Åkers as close alternatives said that there were a number of other effective

⁹ Åkers, [REDACTED], 28 April 2015.

¹⁰ Merger Notice, Annex 14.1, [REDACTED], September 2015. [REDACTED].

competitors to supply them. Two European customers contacted by the CMA also said that there are a sufficient number of alternative suppliers remaining.

63. A small number of customers had little awareness of alternative suppliers. However, each of these customers had either a low or irregular mill roll spend, which may indicate a lack of knowledge of alternative suppliers rather than evidence that alternative suppliers are not available. One of these customers explicitly acknowledged that it had not recently researched its supply options and that it might identify further suitable suppliers if it shopped around.
64. Finally, one UK customer producing [redacted] (which considered the Parties to be close competitors in the supply of cast work rolls, forged work rolls and forged back up rolls) expressed concerns that the Merger would reduce its supply options. This concern was also mirrored by a European [redacted] producer in relation to forged work rolls. This customer did however note that there are 'a few' alternatives globally that may supply it (although it had not investigated these). The CMA tested these concerns against other available evidence. In particular, the Parties' internal documents identify a number of other suppliers which compete to supply mill rolls to [redacted] producers. Additionally, in further discussions with the UK customer, it said that it considered Åkers to be a weaker competitor than other suppliers, and its lack of awareness of other suppliers located in the EU showed that it had not explored its supply options.

Internal documents

65. The Parties' internal documents indicated that alternative suppliers will continue to operate across the various categories of mill roll:
- (a) An Åkers document listed 13 suppliers of cast work rolls, [redacted] of which were based in Europe; six suppliers of cast back-up rolls, [redacted] of which was based in Europe; nine suppliers of cast section rolls, [redacted] of which was based in Europe; 12 suppliers of forged work rolls, [redacted] of which were based in Europe; 11 suppliers of forged back-up rolls, [redacted] of which were based in Europe; and five suppliers of forged section rolls, [redacted] of which were based in Europe.¹¹
- (b) An Ampco document listed seven suppliers which competed across all types of cast work rolls in which the Parties competed ([redacted] of which were based in the EU) and nine suppliers of cast back-up rolls ([redacted] of which were based in the EU). It also listed eleven suppliers who competed in

¹¹ Åkers, [redacted], 28 April 2015.

forged work rolls and forged back up rolls ([REDACTED]) of which are based in the EU).¹²

66. Internal documents provided mixed evidence on the strength of competition from Asian suppliers. [REDACTED].¹³

Conclusion on competitive constraints

67. Based on the evidence above, the CMA believes that there is sufficient competition remaining to constrain Ampco's behaviour post-Merger. The only concern raised by customers related to the availability of alternative competitors in the supply of certain mill rolls to [REDACTED] producers. The CMA believes, based on the evidence above, that these concerns reflect a lack of knowledge of alternative suppliers, rather than the actual absence of such suppliers.

Conclusion on horizontal unilateral effects

68. Based on the above evidence, the CMA therefore believes that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply in the EU (including those non-EU suppliers that currently sell mill rolls into the EU) of (i) cast work rolls; (ii) cast section rolls; (iii) forged work rolls; (iv) forged back-up rolls; (v) forged narrow strip rolls; and (vi) forged section rolls.

Barriers to entry and expansion

69. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no substantial lessening of competition. In assessing whether entry or expansion might prevent a substantial lessening of competition, the CMA considers whether such entry or expansion would be timely, likely and sufficient.¹⁴
70. However, the CMA has not had to conclude on barriers to entry or expansion as the Merger does not give rise to competition concerns on any basis.

Third party views

71. The CMA contacted customers and competitors of the Parties. The large majority of customers raised no concerns, and these accounted for most of

¹² Merger Notice, Annex 14.1, [REDACTED], September 2015.

¹³ Merger Notice, Annex 14.1, [REDACTED], September 2015, p42; Merger Notice, Annex 13.1, [REDACTED], November 2014.

¹⁴ [Merger Assessment Guidelines](#), from paragraph 5.8.1.

the Parties' sales in the UK. One UK and one European customer (both active in [X] production) raised a concern about a reduction of available suppliers. However, other evidence did not support this concern. No other third parties raised concerns about the Merger.

72. Third party comments have been taken into account where appropriate in the competitive assessment above.

Decision

73. Consequently, the CMA does not believe that it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC within a market or markets in the United Kingdom.

74. The Merger will therefore **not be referred** under section 22(1) of the Act.

Stephanie Canet
Director, Mergers
Competition and Markets Authority
11 March 2016