

# Acquisition by Hanson Quarry Products Europe Limited of Mick George Limited

## SUMMARY

### Overview of the CMA's decision

1. The Competition and Markets Authority (**CMA**) has found that the acquisition by Hanson Quarry Products Europe Limited (**Hanson**) of Mick George Limited (**MGL**), gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in relation to the production and supply of non-specialist aggregates and ready-mix concrete (**RMX**) in several local markets within the UK.
2. Hanson has agreed to acquire the whole of the issued share capital of MGL (the **Merger**). Hanson and MGL (each a Party) are together referred to as the Parties and, for statements referring to the future, as the Merged Entity.
3. As the CMA has found that the Merger gives rise to a realistic prospect of an SLC, the Parties have until 1 December 2023 to offer undertakings in lieu of a reference (**UILs**) to the CMA that will remedy the competition concerns identified. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 33(1) and 34ZA(2) of the Enterprise Act 2002 (the **Act**).

### Who are the businesses and what products/services do they provide?

4. Hanson supplies heavy building materials including cementitious materials, aggregates, asphalt, concrete and other downstream materials to the UK construction sector, with production facilities and customers throughout the UK.
5. MGL supplies non-specialist aggregates and RMX and is a supplier of additional services such as bulk excavation and earthworks, recycling, demolition and environmental removal, skip hire, and waste management services. MGL focusses its activities in the East of England and the East Midlands.
6. The products that the CMA looked at in detail were:

- (a) **Primary non-specialist aggregates:** Aggregates, broadly categorised as sand & gravel or crushed rock, are the granular base materials used in the construction of roads, buildings and other infrastructure. Primary aggregates may be extracted from quarries or pits on land or dredged from the seabed.
- (b) **RMX:** RMX is concrete that is produced in a freshly mixed and unhardened state. RMX is manufactured by mixing highly specific quantities of cement and (if desired) other cementitious products with fine aggregates and coarse aggregates, water and other additives.

### **Why did the CMA review this merger?**

- 7. The CMA has a duty to investigate mergers that could raise competition concerns in the UK where certain jurisdictional tests are met.
- 8. A relevant merger situation is created when, as a result of the transaction, the parties cease to be distinct enterprises and where either (a) the target company generates more than £70 million of turnover in the UK; or (b) the merger results in the parties having a share of supply of goods or services of any description in the UK (or substantial part of the UK) of 25% or more, and the merger results in an increment to the share of supply.
- 9. In December 2022, Hanson and the owners of MGL entered into an agreement for Hanson to purchase 100% of the share capital of MGL. The CMA considers the Parties are each an 'enterprise' within the meaning of section 129 of the Act and that, as a result of the Merger, these enterprises will cease to be distinct for the purposes of sections 23(1)(a) and 26 of the Act. Further, the turnover threshold is met as MGL's turnover is above £70 million.

### **What evidence has the CMA looked at?**

- 10. In assessing this Merger, the CMA considered a wide range of evidence.
- 11. In particular, the CMA received multiple submissions and responses to information and requests from the Parties. This included information about the nature of the Parties' businesses, as well as data on their internal and external sales volumes. The CMA also examined the Parties' own internal documents, which show, for example, their rationale for pursuing the Merger.

12. The CMA spoke to and gathered evidence from the Parties' customers and competitors to understand better the competitive landscape and to get their views on the impact of the Merger. The CMA also collected external sales data from some competitors.

## **What did the evidence tell the CMA about the effects on competition of the Merger?**

### *Horizontal unilateral effects in the supply of non-specialist aggregates and RMX*

13. The CMA assessed whether there is a realistic prospect that the Merger will result in an SLC in the production and supply of each of (i) non-specialist aggregates; and (ii) RMX.
14. The CMA considered whether to further segment non-specialist aggregates by product type; ie sand & gravel and crushed rock. Evidence from the Parties and third parties showed that, while there are some applications that require the use of crushed rock, many others could, in theory, use either sand & gravel or crushed rock. The CMA also found that, while both types are widely available and a similar price in some areas, there is limited local availability of crushed rock in some areas (eg in the East of England), where crushed rock is therefore more expensive.
15. To account for these different competitive conditions, the CMA conducted three separate product market analyses in relation to: (a) sand & gravel; (b) crushed rock; and (c) sand & gravel and crushed rock together.
16. The CMA focussed its RMX competitive assessment on the supply of RMX from fixed plants. Evidence from third parties showed that volumetric trucks and mobile plants do not pose a significant constraint in relation to many projects, and the CMA concluded it was not appropriate to include these within its frame of reference (although the CMA also considered to what extent volumetric trucks and mobile plants should be taken into account as an out-of-market constraint).
17. As competition between aggregates and RMX producers takes place at a local level, the CMA first identified the specific areas within which to analyse whether the Merger could give rise to an SLC. This was based on the delineation of catchment areas (based on where 80% of the Parties' external sales occurred, with a 1.5 times uplift) and identification of overlaps between the Parties.

18. The CMA then applied a decision rule in each local area where the Parties overlap to determine whether there was a realistic prospect of an SLC. The CMA found the use of a decision rule to be appropriate in this case because the key parameters of competition at a local level can be reflected within a systematic measure that can be used to assess the impact of the Merger on competition in a clear and consistent basis across all of the local areas in which the Parties overlap. It determined that the Merger would give rise to competition concerns in a local area if the following conditions were met.
19. First, the Merger would result in a material increment to the Parties' combined shares of supply. The threshold for an increment to be considered material was set between 0.5% and 5%, depending on the Parties' combined share in the relevant local area.
20. Second, any of the following conditions also apply in the relevant local area:
  - (a) the Parties have a combined share of supply of at least 35% and there are two or fewer remaining competitors with market share of at least 10% (and, in the case of an aggregate supplier, with sufficient reserves to maintain its level of supply for five years); or
  - (b) the Parties have a combined share of supply of greater than 50%; or
  - (c) there would be only one remaining competitor after the Merger.
21. On this basis, the CMA concluded that there was a realistic prospect of an SLC in (i) 11 local areas in relation to non-specialist aggregates (10 of which also created a realistic prospect of SLC under a sand & gravel analysis); and (ii) 7 local areas in relation to RMX.

*Input foreclosure in the supply of non-specialist aggregates to the producers of RMX*

22. The CMA considered whether the Merged Entity would have the ability or incentive to foreclose providers of RMX from access to non-specialist aggregates. It delineated catchment areas based on 80% of the Parties' external sales of non-specialist aggregates and identified vertical links between the Parties' upstream and downstream sites and considered their market shares.
23. The CMA found that in each area where there was a vertical link, the Merged Entity would not have the ability and/or incentive to pursue an input foreclosure

strategy. This was on the basis of upstream market shares, the amount supplied to customers and downstream market shares.

*Input foreclosure in the supply of non-specialist aggregates to producers of asphalt*

24. The CMA considered whether the Merged Entity would have the ability to foreclose providers of asphalt from access to non-specialist aggregates. The CMA did not identify any vertical links between the Parties in relation to their non-specialist aggregates sites and asphalt sites and therefore concluded that the Merged Entity would not have the ability to foreclose any rival asphalt sites competing with the Parties.

**What happens next?**

25. As a result of these concerns, the CMA believes the Merger gives rise to a realistic prospect of SLC(s) in (i) 11 local areas in relation to non-specialist aggregates (10 of which also created a realistic prospect of SLC under a sand & gravel analysis); and (ii) 7 local areas in relation to RMX.
26. The Parties have until 1 December 2023 to offer an undertaking which might be accepted by the CMA to address the SLC. If no such undertaking is offered, or the CMA decides that any undertaking offered is insufficient to remedy its concerns to the phase 1 standard, then the CMA will refer the Merger for an in-depth phase 2 investigation pursuant to sections 33(1) and 34ZA(2) of the Act.