

## Anticipated acquisition of W Corbett & Co (Galvanizing) Limited by Joseph Ash Limited

**ME/6518/15**

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 25 June 2015. Full text of the decision published on 6 August 2015.

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. Joseph Ash Limited (**Joseph Ash**) has agreed to acquire W Corbett & Co (Galvanizing) Limited (**Corbett**) (the **Merger**). Joseph Ash and Corbett are together referred to as the **Parties**.
2. The Competition and Markets Authority (**CMA**) considers that the Parties are enterprises which will cease to be distinct as a result of the Merger, that the share of supply test is met and that accordingly arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
3. The Parties overlap in the supply of galvanizing services<sup>1</sup> to external customers in the UK.<sup>2</sup> Given that competition occurs locally, the CMA has assessed the impact of the Merger within a catchment area around the Corbett plant capturing 80% of Corbett's customers, which was estimated to be a radius of 60 miles.<sup>3</sup>
4. The CMA considered a broad range of evidence in its competitive assessment to determine the extent to which the Parties compete closely and the significance of the competitive constraints they face, including: shares of

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<sup>1</sup> A process used to protect metal, principally steel, from corrosion by immersing it in a bath of molten zinc, forming a protective coat of zinc alloy.

<sup>2</sup> Also referred to as the jobbing market.

<sup>3</sup> There is also a vertical aspect as Joseph Ash is part of a wider group of companies, some of which operate downstream of the galvanizing process in the supply of a range of services requiring galvanizing as an input. In light of the concerns arising in respect of horizontal unilateral effects, the CMA did not find it necessary to conclude on this point.

supply; characteristics of different galvanizers' service propositions; customer switching data; competition in the Corbett catchment area as reflected in internal documents; and third party responses to the CMA's market testing. The CMA received a significant number of customer complaints regarding the Merger in response to its market testing.

5. The evidence received by the CMA consistently indicated that the Parties are close competitors and that the constraint from remaining competitors, notwithstanding the competition from the Parties' largest rival Wedge Galvanizing Group (**Wedge**), may not be sufficient to offset the loss of competition resulting from the Merger. In particular, most of the customer complaints received referred to the loss of competition and lack of choice that would remain post-Merger.
6. Based on the evidence it received during its investigation, the CMA considers that countervailing constraints in terms of entry, expansion and buyer power are insufficient to mitigate this loss of competition.
7. The CMA therefore considers that the Merger gives rise to a realistic prospect of a substantial lessening of competition as a result of horizontal unilateral effects in the market for the supply of galvanizing services to external customers within 60 miles of the Corbett plant.
8. The CMA is therefore considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (**the Act**). The Parties have until 2 July 2015 to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 33(1) and 34ZA(2) of the Act.

## ASSESSMENT

### Parties

9. Joseph Ash is a provider of steel finishing services, including galvanizing services, with five plants<sup>4</sup> operating across the UK.
10. The ultimate parent company of Joseph Ash is Hill & Smith Holdings PLC (**H&S Holdings**), the parent company of a group of companies (**H&S Group**) active in the design, manufacture and supply of infrastructure products and galvanizing services to global markets. As well as Joseph Ash, there are a small number of other UK companies owned by H&S Holdings who are also

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<sup>4</sup> Joseph Ash Telford (**JA Telford**), Joseph Ash Bilston (**JA Bilston**), Joseph Ash Walsall (**JA Walsall**), Joseph Ash Chesterfield (**JA Chesterfield**), Joseph Ash Bridgend (**JA Bridgend**). Joseph Ash also used to operate a site in Hereford, which was closed in February 2015.

active in the provision of UK galvanizing services: Medway Galvanising Co Ltd (a subsidiary of Joseph Ash), Birtley Group Limited and Barkers Engineering Ltd (**Barkers**). Joseph Ash and the other H&S Holdings companies active in galvanizing are referred to collectively as Joseph Ash in the analysis that follows unless otherwise specified.

11. The turnover of Joseph Ash in the financial year ending December 2013 was around £33,345,000 in the UK.<sup>i</sup>
12. Corbett is a galvanizer with a single plant in Telford, Shropshire, from which it operates two galvanizing baths. The turnover of Corbett in the financial year ending March 2014 was around £9,798,795 in the UK.
13. An illustrative map of the Parties' and other galvanizing plants in the area round the Corbett galvanizing plant is included in Annex 1.

## **Transaction**

14. The Merger involves the purchase by Joseph Ash of the whole of the issued share capital of Corbett from the existing shareholders. The Merger is conditional on CMA approval at phase 1.

## **Jurisdiction**

15. As a result of the Merger, the enterprises of Joseph Ash and Corbett will cease to be distinct.
16. The Parties overlap in the supply of galvanizing services to external customers. They have an estimated combined share of supply of [60–70]% (with an increment of [10–20]% based on Corbett's share of supply) within a 60-mile catchment area centred on the Corbett plant.
17. The CMA considers that the area covered by a 60-mile radius around the Corbett plant can be reasonably described as a substantial part of the UK, given the sizeable population of the region and that the area includes major towns and cities (Birmingham, Wolverhampton, Walsall, Telford and others). Therefore, the share of supply test in section 23 of the Act is met.
18. The CMA 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.
19. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 28 April 2015 and the statutory 40 working day deadline for a decision is therefore 25 June 2015.

## Counterfactual

20. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers the CMA generally adopts the prevailing 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 considers that, in the absence of the merger, the prospect of the prevailing conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions as between the merging parties.<sup>5</sup>
21. In this case, the CMA received no evidence supporting a different counterfactual, and Joseph Ash and third parties have not put forward arguments in this respect. Therefore, the CMA considers the prevailing conditions of competition to be the relevant counterfactual in this case.

## Frame of reference

22. 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.<sup>6</sup>
23. The Parties overlap in the supply of galvanizing services to external customers.
24. The Office of Fair Trading (**OFT**) considered the supply of galvanizing services in its Hill & Smith/Metnor<sup>7</sup> decision, using as its frame of reference the supply of galvanizing services within the external (jobbing) market on both a local and national level depending on the size of the product to be galvanized. In doing so the OFT also considered whether it was appropriate to

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<sup>5</sup> *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).

<sup>6</sup> *Merger Assessment Guidelines*, paragraph 5.2.2.

<sup>7</sup> ME/2328/06, Anticipated acquisition by Hill & Smith plc of Metnor Galvanizing Limited, OFT, 26 May 2006 (*Hill & Smith/Metnor*).

include in-house supply and other forms of protective coating in the frame of reference.

25. The CMA reconsidered these distinctions for the purposes of its investigation into the Merger. The CMA also considered the extent to which the frame of reference should be segmented by the size of product being galvanized.

### **Product scope**

#### *Other forms of protective coatings (or materials)*

26. Joseph Ash submitted that the narrowest plausible market definition should be the supply of galvanizing services to external customers but that wider product markets could include:
- (a) a galvanizing market including in-house galvanizing; or
  - (b) a market for protective coatings for metal or steel.
27. In relation to point (b), Joseph Ash submitted that galvanizing customers may use other forms of protection including paint, metal spraying, or the Magnelis system.<sup>8</sup> Joseph Ash also submitted that customers could also choose to use a material other than basic steel that does not require galvanizing such as: stainless steel; weathering steel; or glass reinforced plastic.
28. The evidence received by the CMA in the course of its investigation does not justify widening the product scope to include other forms of protective coatings. In particular, the CMA notes that:
- (a) Joseph Ash's internal documents indicate that, although galvanizing faces competition from paint systems etc, galvanizing is still regarded by its customers as the preferred option for steel protection;<sup>9</sup> and
  - (b) third party responses did not indicate that other protective coatings or materials were suitable alternatives to galvanizing in response to a 5 to 10% increase in prices.
29. Therefore, based on third party responses, internal documents and consistent with the findings in Hill & Smith/Metnor, the CMA has not widened the product scope beyond the supply of galvanizing services.

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<sup>8</sup> Joseph Ash submitted that the Magnelis system is produced by ArcelorMittal and describe a process similar to galvanizing but using zinc, aluminium and magnesium instead of zinc.

<sup>9</sup> [REDACTED]

### *In-house galvanizing supply*

30. Joseph Ash and some competitors supply galvanizing services in-house as well as to external customers. The Parties only directly overlap in the supply of galvanizing services to external customers as Corbett does not have any in-house requirements (ie they are not vertically integrated).
31. As explained above, Joseph Ash submitted that the relevant frame of reference is the supply of galvanizing to external customers, which is also the frame of reference adopted by the OFT in Hill & Smith/Metnor. However, Joseph Ash also submitted that in-house galvanizers could provide a constraint on suppliers in the jobbing market given that these in-house providers may be incentivised to supply externally to utilise spare capacity or where external supply is more profitable.
32. No customers who responded to the CMA's market testing identified in-house galvanizers as credible alternatives. In addition, it is unclear to what extent companies that currently only provide galvanizing services in-house would be willing to divert in-house supply to serve external customers in response to a 5 to 10% price rise, particularly because a manufacturer may also need to invest in delivery infrastructure to do so.
33. Therefore, on the basis of third party evidence and consistent with the approach of the OFT in Hill & Smith/Metnor, the CMA has not considered it necessary to widen the product scope to include in-house supply for the purposes of this investigation. However, the CMA has considered the impact of in-house supply in its share of supply assessment below.

### *Size of product*

34. Joseph Ash submitted that it is not necessary to segment the product market to differentiate structural galvanizing<sup>10</sup> and spinning services<sup>11</sup> from general galvanizing, as the Parties do not overlap in spinning services and Corbett does not operate a bath large enough for structural steel to be 'single-dipped'.
35. Evidence received by the CMA in the course of its investigation suggests that demand side and supply side conditions differ between galvanizing services for products of different sizes such that the extent of competition between the Parties may vary across products of different sizes.

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<sup>10</sup> Galvanizing of particularly long items (eg over 10 m) is sometimes referred to as structural galvanizing.

<sup>11</sup> Spinning is a galvanizing process used to galvanize very small items whereby items are placed into small baskets before being immersed in zinc and spun in a centrifuge.

36. From a demand-side perspective, the CMA notes that customers have specific requirements regarding the size of object that they need galvanized. In addition, third party responses suggested that some customers may be unwilling to accept double-dipping<sup>12</sup> so that the credible supplier set for these customers will exclude galvanizers with baths too small to 'single dip' the product.
37. From a supply-side perspective, evidence received from third parties suggests that suppliers can easily and quickly switch their production capacity between 'single dip' galvanizing objects of different sizes up to the maximum dimension of their bath. However, a Joseph Ash internal document<sup>13</sup> and a competitor response also suggested that it may not be economically efficient to galvanize smaller objects in a larger bath.
38. Consistent with the approach of the OFT in Hill & Smith/Metnor, the CMA has not segmented the product scope by product size but has considered in the competitive assessment whether the impact of the Merger may be different for different segments. In particular, in considering the relevant competitor set, the CMA has taken into account the Parties' and rivals' bath sizes and has excluded providers who only provide spinning services as the Parties do not overlap in this segment and these providers are unlikely to represent a strong competitive constraint on the Parties post-Merger.

#### *Conclusion on product scope*

39. For the reasons set out above, the CMA has considered the impact of the Merger in the supply of galvanizing services to external customers.

#### ***Geographic scope***

40. Joseph Ash submitted that galvanizing is a national market as galvanizers target customers over a wide radius using delivery services. According to these submissions, galvanizing plants are constrained both by rivals within their catchment areas and by those located outside the catchment area who are willing to compete within this area.
41. As noted above, in Hill & Smith/Metnor, the OFT did not conclude on the geographic scope but assessed the merger against both a local and national frame of reference depending on the length of the object being galvanized. In explaining this approach, the OFT noted that the merging parties had

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<sup>12</sup> This is a process whereby one half of the item is dipped in the molten zinc and the item is then turned around in order for the remainder to be dipped.

<sup>13</sup> [REDACTED]

submitted that steel transportation costs were substantial and that a galvanizer's proximity to its customer base is an important competitive factor. In addition, customers had indicated that they were prepared to source specialist galvanizing services (eg for longer steel parts) from 200 miles away but only 50 to 100 miles away for standard items.

42. In the present case, evidence from Joseph Ash's internal documents and third parties supports the view that plant locations and their distance from customers are a significant factor in competition for the supply of galvanizing services to external customers. In particular, the CMA notes that:
- (a) A significant proportion of customers suggested that a galvanizer's location may have an impact on their ability to meet their requirements in terms of factors such as: cost; turnaround time; delivery frequency and the galvanizer's willingness to compete for their business. In addition, although customers collecting their own orders represented a smaller proportion of customer responses, a number of these customers indicated that plant location was an important factor.
  - (b) Competitor responses indicated that transport costs can account for approximately 5 to 20% of the price paid by customers that receive deliveries. In addition, the majority of competitors responding to the CMA made 80% of their deliveries within 40 to 120 miles.
  - (c) An internal document supplied by Joseph Ash<sup>14</sup> notes that:
    - (i) galvanizing tends not to travel very far;
    - (ii) customers may choose their galvanizer with regard to plant location in relation to their base; and
    - (iii) each UK region is largely served by local plants, which clearly have a cost advantage against any distant interloper.
43. Taking the evidence above into account, the CMA considers that competition occurs locally between galvanizers, with the set of credible suppliers for customers depending on customer's individual requirements and the location of galvanizers that can service those requirements.
44. When assessing local markets, the CMA typically considers a catchment area around an individual site that captures at least 80% of the site's customers to

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<sup>14</sup> [REDACTED]

be a relevant geographic frame of reference for its assessment.<sup>15</sup> In this case, 80% of Corbett's customers are located within approximately 60 miles of its plant in Telford. In addition:

- (a) Joseph Ash submitted that the catchment area for individual Joseph Ash plants is between [X];<sup>16</sup> and
- (b) the majority of customers responding to the CMA's market testing indicated that they would only consider using a galvanizer located within 30 to 60 miles.

### *Conclusion on geographic scope*

45. For the reasons set out above, the CMA has considered the impact of the Merger in the supply of galvanizing services to external customers within a 60-mile radius of the Corbett plant (the **Corbett catchment area**). However, the boundaries of the Corbett catchment area have not determined the outcome of the CMA's competitive assessment in any mechanistic way. For instance, the CMA has flexed the boundaries of this catchment area in order to take into account the impact of including/excluding competitors who are relatively close to the boundary and has also taken account of customers' location within this catchment area to test the robustness of its conclusions.

### *Conclusion on frame of reference*

46. For the reasons set out above, the CMA has considered the impact of the Merger in the supply of galvanizing services to external customers in the Corbett catchment area.

## **Competitive assessment**

### *Horizontal unilateral effects*

47. Horizontal unilateral effects may arise when a 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.<sup>17</sup> Horizontal unilateral effects are more likely when the merger parties are close competitors. The CMA assessed whether it is or

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<sup>15</sup> Although this approach is unlikely to capture all aspects of a customer-based assessment, it may nevertheless provide a reasonable representation of the strength of competition within an area and provide a framework on which to assess the impact of the merger. See [Commentary on retail mergers](#), March 2011, (CC2com2/OFT1305) where the basis for this approach was set out.

<sup>16</sup> Excluding the H&S Group galvanizing plants that serve substantial in-house requirements and have narrower catchment areas relating to external customers.

<sup>17</sup> [Merger Assessment Guidelines](#), from paragraph 5.4.1.

may be the case that the Merger may be expected to result in a substantial lessening of competition as a result of horizontal unilateral effects in the supply of galvanizing services in the Corbett catchment area.

48. The CMA considered a broad range of evidence in conducting its competitive assessment of the Merger including: shares of supply; characteristics of different galvanizers' service based on factors indicated as relevant from customer responses; customer switching data; competitor monitoring in internal sales and strategy documents provided by the Parties and by third parties; and third party views on competition in the Corbett catchment area.
49. The CMA used this evidence to assess both the closeness of competition between the Parties (and therefore the extent of the competitive constraint that would be lost by the Merger) and the extent of the competitive constraints exerted by alternative suppliers that would remain post-Merger.

#### *Shares of supply and capacity*

50. The CMA estimated shares of supply on the basis of the following measures:<sup>18</sup>
  - (a) Shares of supply of galvanizing to external customers.
  - (b) Shares of supply of galvanizing in total.
  - (c) Shares of estimated capacity.<sup>19</sup>
51. As can be seen from Table 1 below, the CMA estimates that the Parties have a combined share of the supply of galvanizing to external customers in the Corbett catchment area of [60–70]% (with an increment of [10–20]% based on Corbett's share of supply) based on volumes in 2014.<sup>20</sup>

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<sup>18</sup> The CMA used volumes to calculate shares of supply because it was not able to obtain value figures for all galvanizers located within the Corbett catchment area. Based on the evidence available the CMA does not consider it likely that shares of supply based on value would be significantly different to those based on volume.

<sup>19</sup> The share of supply estimates were also subject to sensitivity analysis, whereby the CMA calculated market shares using different assumptions regarding: (i) the allocation of the now closed JA Hereford's volumes; (ii) use of volumes associated with spin galvanizers; (iii) use of volumes of those galvanizers believed to be principally serving in-house requirements; and (iv) the distance from the Corbett plant. On the basis of this analysis the CMA considers that the Parties' combined share of supply within the Corbett catchment area is, for each of the metrics considered and across a range of different assumptions, around 55 to 65% (increment 10 to 20%).

<sup>20</sup> A small number of volume output estimates were based on 2013 data.

**Table 1: Shares of supply of galvanizing services to external customers by volume in 2014**

<i>Group</i>	<i>Plant</i>	<i>% in Corbett catchment area</i>	
Joseph Ash	JA Bilston	[X]	
	JA Telford	[X]	
	JA Walsall	[X]	
	Barkers	[X]	
	JA Chesterfield	[X]	
	JA Hereford*	[X]	
	Total	[40–50]	
Corbett	Corbett	[10–20]	
	<b>Parties combined</b>	<b>[60–70]</b>	
Wedge	Edward Howell	[0–10]	
	Merseyside	[0–10]	
	Total Wedge	[10–20]	
Others	Hereford	[0–10]	
	Arkininstall	[0–10]	
	Roften	[0–10]	
	Widnes	[0–10]	
	Stoke	[0–10]	
	Shropshire	[0–10]	
	Frank Hand	[0–10]	
	Bird Steven	[0–10]	
	BB Price	[0–10]	
	Brettell	[0–10]	
	W.H.Hill	[0–10]	
	IAE	[0–10]	
		Ifor Williams	[0–10]
	Total	100	100

Source: Third parties and Joseph Ash.

\*JA Hereford closed in February 2015.

52. The shares of supply set out above indicate that Corbett and Joseph Ash are the two largest galvanizers in the Corbett catchment area. The shares of supply also indicate that the Merger will result in the two largest galvanizing groups (Joseph Ash and Wedge) having a 70 to 80% total share within the Corbett catchment area.

53. In addition, the CMA considers that the Parties' combined shares would remain substantial on the basis of shares of supply of all galvanizing (ie including in-house supply)<sup>21</sup> and shares of capacity. These show that the Parties have an estimated share of capacity within the Corbett catchment area of around [60–70]% (increment [10–20]%) and a total share of supply of around [60–70]% (increment of [10–20]%) respectively.

<sup>21</sup> In this context, the CMA notes that while third parties did not indicate that in-house suppliers would provide a credible alternative, the CMA notes that the H&S Group has some plants that have large in-house operations. This may mean that they are a bigger constraint on Corbett for external sales than implied by the H&S Group's external sales alone. In addition, even if they would not switch from in-house to external sales, these plants are also bigger as a result of their in-house operations and therefore potentially more efficient suppliers.

### *Closeness of competition*

54. Joseph Ash submitted that Wedge and Hereford and Shropshire Galvanizers (**Hereford/Shropshire**) are closer competitors to Joseph Ash than Corbett.
55. As explained above, the CMA has considered a wide range of evidence in assessing the closeness of competition between the Parties, including:
  - (a) similarity in the Parties' service proposition;
  - (b) Joseph Ash's and third party views on the significance of the constraint posed by Corbett;
  - (c) information on customer switching; and
  - (d) evidence on competitor monitoring from internal documents.

### *Similarity in service proposition*

56. Many customers mentioned the following range of parameters as important when choosing a galvanizer:<sup>22</sup>
  - (a) galvanizer location;
  - (b) facilities (eg bath size);
  - (c) price; and
  - (d) turnaround on orders.
57. Larger customers considered the capability of a plant to process large volumes to be important. Other factors mentioned included the availability of delivery services and quality of galvanizing.<sup>23</sup>
58. On the basis of location, bath length and total output, the Parties appear to be very close competitors. Corbett has two baths, the larger measuring 7.6 m in length and its output was approximately [REDACTED] tonnes of galvanized steel in 2014. JA Telford, JA Walsall and JA Bilston lie within 20 miles of Corbett, and each of these plants has a galvanizing bath 7 m in length or longer. All three of these Joseph Ash plants have a large output which is comparable to Corbett's.<sup>24</sup>

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<sup>22</sup> These factors are similar to those identified in the [REDACTED].

<sup>23</sup> Some of these factors are likely to be interrelated eg location may impact pricing.

<sup>24</sup> [REDACTED]

59. The only rival plant that closely matches the Parties' plants across these parameters is Wedge's Edward Howell plant. This plant is within 20 miles of Corbett, has two baths (one of which is 10.25 m long) and had an output of [REDACTED] tonnes in the last financial year.
60. In addition, over half of the customers within the Corbett catchment area that responded to CMA enquires suggested that the Parties were closest competitors due to considerations such as price, location or a combination of other factors including: cost, quality, turnaround and delivery service.
61. Finally, internal strategic papers and management reports relevant to the Corbett catchment area obtained from a third party (**third party internal documents**) also indicated that the Parties compete more closely with each other than Wedge in terms of turnaround and price.

*Significance of the constraint posed by Corbett*

62. As noted above, the majority of customers that responded to the CMA's market testing indicated that the Parties are close competitors within the Corbett catchment area.
63. Responses from several competitors also indicated that the Parties compete closely. Some competitors indicated that Corbett was a very significant competitive constraint in the supply of galvanizing. Specifically, competitors noted that:
  - (a) Corbett is willing to transport galvanizing further than other suppliers;
  - (b) the Corbett business model is unusual in its high volume and low price focus; and
  - (c) Corbett have historically offered lower prices than, and won customers from, rivals.
64. Joseph Ash's internal documents comment extensively on Corbett (as discussed further below), regularly highlighting the significant competitive constraint posed by Corbett in the supply of galvanizing services. In particular, a Joseph Ash internal document:<sup>25</sup>
  - (a) [REDACTED]
  - (b) [REDACTED]

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<sup>25</sup> [REDACTED]

(i) [REDACTED]

(ii) [REDACTED]

(iii) [REDACTED]

(iv) [REDACTED]

65. Third party internal documents also confirm that Corbett exerts a significant competitive constraint in the supply of galvanizing services in the Corbett catchment area due to its aggressive price strategy.<sup>26</sup>

#### *Switching evidence*

66. Corbett and Joseph Ash provided information on customer switching in 2014 and 2015.<sup>27</sup> Joseph Ash's switching data was based on recollections of individual plant managers for plants in the Corbett catchment area and instances of switching reported in monthly plant sales reports [REDACTED] within the Corbett catchment area.

67. Joseph Ash submitted that its switching data for 2014/15 shows that:

(a) its most significant competitor was Wedge, with [REDACTED] recorded incidents of switching to/from Wedge, [REDACTED] of which involved Wedge plants outside the Corbett catchment area;

(b) [REDACTED] switches were recorded for Hereford/Shropshire, which was the second highest number; and

(c) Corbett only accounted for [REDACTED] switches in this time.

68. However, the CMA considers that the number of instances of switching may not be the most appropriate way of considering the data as it does not take into account the volumes switched (ie whether the instance of switching refers to a small or a large customer). Based on the switching data provided by Joseph Ash, in terms of total volumes switched to/from Joseph Ash in 2014, the most significant proportion of switching was between Joseph Ash and Corbett ([REDACTED]%), followed by Joseph Ash and Hereford/Shropshire ([REDACTED]%), and then Joseph Ash and Wedge ([REDACTED]%).<sup>28</sup>

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<sup>26</sup> [REDACTED]

<sup>27</sup> Joseph Ash excluded switches relating to objects that would be too large to be galvanised in the Corbett bath.

<sup>28</sup> The different results compared to those submitted by Joseph Ash in terms of instances of switching can be explained by switches between the Parties' plants involving a small number of relatively large customers.

69. In addition, the CMA considers that there are a number of other limitations affecting the switching data provided by Joseph Ash and, as such, the results should be interpreted with caution and considered together with all the other evidence. In particular, the CMA notes:
- (a) Joseph Ash switching data is not a complete record of all customers that switched away from JA plants.
  - (b) There is evidence to suggest, both from the Joseph Ash monthly plant sales reports and third party internal documents,<sup>29</sup> that Corbett was less active than usual in the latter half of 2014 and early 2015 in terms of competing for new customers, which corresponds with the timing of the Corbett sale discussions. Therefore, any switching data from late 2014/early 2015 may not accurately reflect Corbett's usual position in the market. On that basis, the CMA analysis based on volumes above only included 2014 data.
  - (c) Switching data may not provide a complete insight into the relative competitive constraints between the Parties because a customer could use the threat of switching to negotiate a better deal without actually switching.
70. Corbett's switching data was also limited as Corbett was unable to identify in the majority of instances where a particular customer had switched from or to. In addition, Corbett's customer data only included switches over 25 tonnes. For these reasons, the Corbett switching data has not been relied on in this assessment.
71. The CMA also separately asked customers whether they had switched or threatened to switch in the last five years. These responses show, consistent with the CMA's analysis based on volumes, that there were significantly more self-reported instances of switching or (threatening to switch) between the Parties than to any other galvanizer among the respondents to CMA enquiries.
72. Overall, the CMA considers that the switching data, together with the responses from customers, suggests that a significant proportion of customers switched (or threatened to switch) from one of the Parties to the other and (at least among the respondents to the CMA's investigation) more than to any other galvanizer. In addition, the switching data suggests that competition may be strongest between Corbett and the JA Telford plant.

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<sup>29</sup> [REDACTED]

### *Competitor monitoring in internal documents*

73. In addition to analysing the extent of switching recorded in the plant sales reports, Joseph Ash also analysed [redacted] plant sales reports [redacted] to identify the extent to which different competitors were tracked. Joseph Ash submitted that this represents an accurate indication of the plants which compete within the Corbett catchment area and particularly, the extent to which different operators will target specific customers to encourage them to switch.
74. Joseph Ash's analysis is summarised at Table 2 below.

**Table 2: Instances of references to other galvanizers in Joseph Ash plant sales reports**

<b>Galvanizer</b>	<b>Number of Appearances</b>
Wedge	[redacted]
Corbett	[redacted]
Hereford/Shropshire	[redacted]
Stoke/Widnes	[redacted]
Arkininstall	[redacted]

Source: Joseph Ash.

75. The CMA also conducted its own analysis across the [redacted] monthly sales reports for 2014. Across both plants, the results were consistent with Table 2 above in terms of ranking based on appearances. However, the CMA notes that Corbett [redacted] was referenced significantly more than Wedge [redacted] or Hereford/Shropshire [redacted] in the [redacted] sales reports and significantly more [redacted] than Hereford/Shropshire [redacted] in the [redacted] sales reports with only Wedge referenced more often [redacted].
76. Third party internal documents show that Joseph Ash and Corbett are the main competitors to Wedge with others named to a more limited degree.
77. The CMA considers that this evidence further indicates that Corbett is a close competitor to Joseph Ash (as well as Wedge) and may be a particularly close competitor for the JA Telford plant.

### *Competitive constraints*

78. The CMA has considered whether, post-Merger, there would be other competitors capable of constraining the combined entity such that the loss of the competitive constraint between the Parties would not lead to a substantial lessening of competition.
79. Joseph Ash named eight significant competitors to the Parties in the relevant local area: Arkininstall Galvanizing (**Arkininstall**); Cardiff Galvanizers (**Cardiff**);

Hereford/Shropshire; Leeds Galvanizing (**Leeds**); Premier Galvanizers (Corby) (**Premier**); Roften Galvanizing (**Roften**); Stoke and Widnes Galvanizing (**Stoke/Widnes**); T&D Galvanizing (**T&D**) and Wedge.

80. As shown in Annex 1, there are 19 galvanizing plants within the Corbett catchment area. H&S Group is the largest supplier with five galvanizing plants. Three suppliers have two plants each: Wedge;<sup>30</sup> Stoke/Widnes; and Hereford/Shropshire. There are eight other operators with one plant each, including Corbett, and two rivals that Joseph Ash referred to as significant operators in their submission: Roften and Arkinstall.
81. Potential suppliers with galvanizing plants situated outside the Corbett catchment area include: Wedge (with five plants nearby); Premier; Cardiff; Leeds; and T&D.
82. The CMA contacted all of the galvanizers identified as significant by Joseph Ash in their submissions and assessed the constraint posed by each of these in terms of: (i) their service proposition;<sup>31</sup> (ii) third party views on their competitiveness; (iii) evidence of customer switching; and (iv) evidence from internal documents.

#### *Wedge*

83. Wedge's plant network includes two plants within the Corbett catchment area, namely Edward Howell and Merseyside Galvanizing. Of these plants, Joseph Ash submitted that Edward Howell is the most significant competitive constraint as:
  - (a) it is the closest plant geographically to the Parties (aside from each other);
  - (b) it operates two baths, the longest of which is over 10 m in length and therefore capable of serving Corbett's entire customer base; and
  - (c) it also offers a 24-hour turnaround.
84. Joseph Ash also highlighted the customer switching and competitor monitoring information it provided and submitted that this evidence indicates that Wedge poses a credible and effective constraint to the Parties.

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<sup>30</sup> This does not include BE Wedge (near Edward Howell), which is principally a spin galvanizer.

<sup>31</sup> The CMA has compared other competitor's service proposition against Corbett's in light of: (i) the CMA's conclusions regarding the similarity of the Parties' propositions above; and (ii) the fact that Corbett represents the merger specific addition to the Joseph Ash business. Therefore, the CMA considers that comparing other suppliers' service proposition against Corbett's provides an insight into the competitive constraints that will be faced by the Parties post-Merger.

85. A significant proportion of customers within the Corbett catchment area which responded to the CMA's market testing referred to Wedge as a credible alternative. Some of these referred specifically to the Edward Howell plant. In addition, as noted by Joseph Ash and explained at paragraphs 67 to 69 and 74 to 75 above, Wedge represented a significant proportion of the switches to/from Joseph Ash and competitor references. However, the CMA notes that Joseph Ash submitted [redacted] examples of switching between [redacted] and Wedge in 2014.
86. In addition, approximately half of the customers which named Wedge as an alternative indicated that they considered Wedge were a [redacted].
87. Third party internal documents also suggest [redacted]. For example, [redacted] sales reports refer to Joseph Ash and Corbett [redacted].<sup>32</sup>
88. In addition, third party internal documents also suggest that [redacted]. For example, [redacted].<sup>33</sup>
89. On the basis of the evidence outlined above, the CMA considers that Wedge currently poses a strong constraint on the Parties in the Corbett catchment area and will continue to do so post-Merger. However, the constraint is unlikely to be as strong as the constraint between the Parties themselves and may be weaker in relation to JA Telford, which appears to compete particularly closely with Corbett.

#### *Hereford/Shropshire*

90. The Hereford plant has a 10 m long bath, is located approximately 40 miles<sup>34</sup> from Corbett's plant and had an output of approximately [redacted] tonnes in the most recent financial year. The Shropshire plant has a 4 m long bath, is located approximately 30 miles from Corbett's plant and had an output of approximately [redacted] tonnes in the most recent financial year.
91. Joseph Ash submitted that Hereford competes closely with the Parties across a variety of customer requirements in terms of frequency, size of order and turnaround in the Midlands. Joseph Ash also submitted that Shropshire's bath is capable of serving a typical load in terms of length of 55% of Corbett's customers but that its ability to internally transfer the work to its sister plant at

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<sup>32</sup> [redacted]

<sup>33</sup> [redacted]

<sup>34</sup> All distances are as the crow flies. The CMA notes that in some circumstances this approach can underestimate the distance between plants as the distances can be longer via the road transport network.

Hereford ensures that it is also able to compete for customers who require a longer bath.

92. Hereford/Shropshire submitted it competes closely with Corbett and Joseph Ash's plants in the Midlands including in the Wolverhampton/Telford areas, with up to [REDACTED] of their work coming from these areas.
93. However, the CMA considers that, in terms of bath size, location and total output, Hereford/Shropshire does not appear to be a close competitor to Corbett.
94. In relation to the Shropshire plant, its bath (4 m) and output is significantly smaller than Corbett. In relation to the Hereford plant, although it has a similar bath size to Corbett (10 m), it is more limited in terms of output and is relatively geographically distant from the Parties. The impact of the greater distance may explain why Hereford is estimated to supply less than [REDACTED] tonnes in the West Midlands area. This was also highlighted in third party internal documents, which noted the reluctance of customers near to the Hereford plant to switch to a competitor geographically much closer to the Corbett plant.<sup>35</sup>
95. In terms of monitoring and switching data, Joseph Ash's internal documents suggest that Hereford/Shropshire's activities are monitored [REDACTED], and they jointly accounted for [REDACTED]% of switches to/from Joseph Ash in 2014 in terms of volume. However, the CMA notes that the Hereford plant only accounted for a very small proportion of these, suggesting that the constraint posed by this plant is weak. In terms of the Shropshire plant, as noted above the plant has a small bath, so even though there is some evidence of switching to/from Joseph Ash it is generally limited in the constraint it can pose on the Parties.
96. Customers responding to the CMA's market testing also did not regard Hereford/Shropshire as strong alternatives to the Parties. In particular:
  - (a) no customers responding to the CMA's market testing regarded Hereford as a credible alternative supplier; and
  - (b) a number of customers commenting on Shropshire [REDACTED].
97. Finally, third party internal documents only mention Hereford/Shropshire very rarely and when they do they make reference to [REDACTED].<sup>36</sup>

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<sup>35</sup> [REDACTED]  
<sup>36</sup> [REDACTED]

98. The CMA therefore considers that, on the basis of the evidence outlined above, Hereford/Shropshire pose a limited constraint on the Parties within the Corbett catchment area.

*Premier*

99. Premier has a 7.6 m long bath, its plant in Corby is located approximately 75 miles from Corbett's plant (and therefore outside the Corbett catchment area) and had an output of approximately [REDACTED] tonnes in the most recent financial year.
100. Joseph Ash submitted that Premier is an effective competitor with a long bath capable of serving all of Corbett's customers. Joseph Ash claimed that Premier has been actively expanding its delivery operations from Corby and offers a 24-hour turnaround on request.
101. The CMA notes that instances of switching and monitoring of Premier are [REDACTED] in the Joseph Ash documents, with Premier only accounting for approximately [REDACTED]% of the volume switched with Joseph Ash in 2014 in the Corbett catchment area. [REDACTED]
102. In addition, although Premier delivers into the East Midlands and was considered a credible option by three customers responding to the CMA's market testing, two other customers provided the CMA with email evidence indicating that [REDACTED].
103. Finally, Premier submitted that they were not active in the West Midlands (corresponding to the west of the Corbett catchment area) and [REDACTED].
104. Therefore, on the basis of the evidence outlined above, the CMA considers that Premier appears to pose a very limited constraint on the Parties and this would only be to the east of the Corbett catchment area.

*Rofden*

105. Rofden has a 9 m long bath, is located approximately 50 miles from Corbett's plant in Telford and had a total output of approximately [REDACTED] tonnes in the most recent financial year. Therefore, although Rofden has a large bath, it is relatively limited in terms of its total output compared to Corbett.
106. In addition, although Rofden deliver throughout North West England and North Wales it does not typically travel beyond [REDACTED].

107. The analysis of internal documents referred to above and switching evidence also suggest Rofthen has a more limited presence in the Corbett catchment area. [REDACTED].
108. Finally, customer responses regarding Rofthen's credibility were also mixed. [REDACTED]
109. The CMA therefore considers, on the basis of the evidence outlined above, that Rofthen exerts little, if any, constraint on the Parties and this is limited to the North West segment of the Corbett catchment area.

### *Stoke/Widnes*

110. The Stoke plant has a 5 m long bath, is located approximately 30 miles from Corbett's plant and had an output of approximately [REDACTED] tonnes in the most recent financial year. The Widnes plant has a 6 m long bath, is located approximately 50 miles from Corbett's plant and had an output of approximately [REDACTED] tonnes in the most recent financial year.
111. Joseph Ash submitted that Stoke/Widnes offer established services in the Corbett catchment area and, based on bath sizes, could serve between [REDACTED]% and [REDACTED]% of a typical load in terms of length for Corbett's customers. It also submitted that both plants have strong delivery operations with 'milk runs'<sup>37</sup> operated from the Stoke plant into the Corbett catchment area.
112. The CMA notes that Stoke/Widnes are not particularly close to Corbett in terms of bath length and total output, and the Widnes plant is relatively distant geographically which may affect their competitiveness.
113. In addition, instances of switching between Joseph Ash and Stoke/Widnes in the Corbett catchment area identified by the Parties or through CMA enquiries were very low and only involved the Stoke plant. In particular, Stoke/Widnes accounted for [REDACTED] of the proportion of switches to/from Joseph Ash in 2014 by volume and none of these related to [REDACTED].
114. Finally, although Stoke/Widnes is referenced on a number of occasions in Joseph Ash's sales reports, no customers who responded to the CMA's market testing named the Widnes plant as a credible alternative. Although one customer told the CMA that the Stoke plant was a credible supplier, two customers told us that [REDACTED] were a concern. Another customer indicated that Stoke may only be a credible supplier for [REDACTED].

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<sup>37</sup> Delivery routes were orders for a number of customers are delivered and picked up.

115. Therefore, the CMA considers that the evidence available indicates that Stoke/Widnes poses a very limited constraint, if any, on the Parties in the Corbett catchment area.

*Leeds*

116. Leeds has a 7 m long bath, is located approximately 90 miles from Corbett's plant and had an output of approximately [REDACTED] tonnes in the most recent financial year. Therefore, Leeds is comparable in terms of bath size to Corbett but very distant geographically.
117. Joseph Ash provided no instances of switching involving Leeds in the Corbett catchment area and no examples of competitor monitoring. Third party internal documents relevant to the Corbett catchment area also made no reference to Leeds. No customers responding to the CMA's enquiries reported switching, or threatening to switch, to them.
118. In addition, customers raised a number of concerns regarding Leeds in terms of [REDACTED] and one larger customer indicated that [REDACTED].
119. Therefore, the CMA considers that Leeds provides very limited, if any, constraint on the Parties in the Corbett catchment area.

*Arkinstall*

120. Arkinstall has a 4 m long bath, is located approximately 25 miles from Corbett and had an output of approximately [REDACTED] tonnes in 2013, although this was prior to their Dudley plant closing.
121. Joseph Ash submitted that Arkinstall is a long established competitor with an unusually deep bath that can offer quick turnaround times and an extensive transport offering.
122. However, the CMA notes that:
- (a) Joseph Ash [REDACTED] Arkinstall winning work from the Parties in the Corbett catchment area;
  - (b) Arkinstall has a very small bath and [REDACTED]; and
  - (c) third party internal documents support the view that Arkinstall is limited in the constraint that it can pose as [REDACTED].<sup>38</sup>

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<sup>38</sup> [REDACTED]

123. Therefore, based on the evidence outlined above, the CMA considers that Arkinstall poses a very limited constraint, if any, on the Parties in the Corbett catchment area.

*Cardiff*

124. Cardiff have a bath of 7 m in length, with an output of approximately [REDACTED] tonnes in 2014. However, it is located 85 miles away from Corbett and well outside the Corbett catchment area.
125. The CMA considers that Cardiff poses only a very limited constraint, if any, within the Corbett catchment area as the CMA has received no evidence of customer switching between Cardiff and the Parties in the Corbett catchment area, and no customers within the Corbett catchment area named Cardiff as a credible alternative. In addition, Cardiff were rarely monitored in Joseph Ash's internal documents.

*T&D*

126. The evidence received by the CMA suggests that T&D poses a very limited constraint, if any, within the Corbett catchment area. In particular:
- (a) T&D is located 84 miles from Corbett's plant and well outside of the Corbett catchment area;
  - (b) no customers referred to them as an alternative;
  - (c) there were very limited references to them in the Joseph Ash internal documents; and
  - (d) in the limited instances when they were mentioned in third party internal documents reference was also made to their lack of [REDACTED].<sup>39</sup>

*Conclusion on competitive constraints*

127. The evidence before the CMA shows that Wedge is a significant competitive constraint to the Parties, with other galvanizers each posing a significantly weaker constraint on the Parties. The CMA notes in particular that:
- (a) There is very little evidence of customer switching in 2014 between the Parties' plants on the one hand and seven of the nine galvanizers that Joseph Ash claimed to pose a significant constraint on the other. [REDACTED].

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<sup>39</sup> [REDACTED]

- (b) Internal documents make no or limited reference to T&D, Leeds, Roften and Cardiff.
- (c) Relatively few customers said that other rival galvanizers were credible and some customers raised concerns about these alternatives on the basis of a number of factors including quality, turnaround, and capacity.

128. The CMA therefore concludes that the competitive constraint provided by alternative suppliers post-Merger may be insufficient to offset the loss of competition between the Parties as a result of the Merger.

#### *Conclusion on horizontal unilateral effects*

129. The CMA considers that the Parties are each other's closest competitors and that remaining competitors may be insufficient to offset the loss of competition between the Parties as a result of the Merger. In particular, the evidence indicates that there are currently only three significant players in the Corbett catchment area (the Parties and Wedge) with a tail of alternatives who play a more limited role and could not, either separately or in aggregate, replicate the pre-Merger constraint between the Parties.

130. Accordingly, the CMA believes that the Merger may be expected to result in a substantial lessening of competition in relation to the supply of galvanizing services to external customers in the Corbett catchment area as a result of horizontal unilateral effects.

#### ***Vertical effects***

131. H&S Group operates 11 companies that are active downstream in the supply of services that require galvanizing services. These companies engage in a range of activities, including making highway safety barrier, barriers for car parks, bridge parapets etc.

132. Vertical effects may arise when a merger involves firms at different levels of the supply chain, for example a merger between an upstream supplier and a downstream customer or a downstream competitor of the supplier's customers.

133. Vertical mergers may be competitively benign or even efficiency-enhancing, but in certain circumstances can weaken rivalry, for example when they result in foreclosure of the merged firm's competitors. The CMA only regards such foreclosure to be anti-competitive where it results in a substantial lessening of

competition in the foreclosed market(s), not merely where it disadvantages one or more competitors.<sup>40</sup>

134. In the present case, as several customers raised concerns regarding input foreclosure, the CMA considered whether post-Merger, the H&S Group would have the ability and incentive<sup>41</sup> to either raise the price of galvanizing services to competitors downstream or deny those competitors galvanizing services altogether.
135. In this context, the CMA notes that these vertical concerns are linked to the concerns regarding horizontal unilateral effect concerns discussed above. Accordingly, on the basis of the conclusions reached on the horizontal unilateral effects of the Merger, the CMA has not found it necessary to conclude on whether the Merger gives rise to a realistic prospect of a substantial lessening of competition as a result of vertical effects.

### ***Barriers to entry and expansion***

136. 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.<sup>42</sup>
137. In Hill & Smith/Metnor, the OFT considered that barriers to entry or expansion were surmountable as it found two examples of entry between 1999 and 2006 and an example of expansion through building a second galvanizing bath (Corbett).
138. Joseph Ash were not aware of any new operators entering the supply of galvanizing in the last five years. However, it submitted that existing operators can expand in three ways:
  - (a) by building a new bath;
  - (b) by modifying an existing plant; and
  - (c) by increasing their delivery radius.
139. It provided three examples of galvanizers extending their baths:

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<sup>40</sup> In relation to this theory of harm 'foreclosure' means either foreclosure of a rival or to substantially competitively weaken a rival.

<sup>41</sup> [Merger Assessment Guidelines](#), paragraph 5.6.6.

<sup>42</sup> [Merger Assessment Guidelines](#), from paragraph 5.8.1.

- (a) Wedge increased the size of two baths in recent years – one from 6.7 m to 10.25 m and the other from 9.5 m to 10 m;
  - (b) Joseph Ash Chesterfield increased the length of its bath from 15.4 m to 16.5 m in December 2013; and
  - (c) Joseph Ash also described how it had modified individual plants by, for example, extending loading bay areas and automating processes thereby increasing capacity and improving efficiency.
140. With regard to increasing delivery distance, Joseph Ash submitted that large loads can be delivered over large distances and barriers to establishing new milk runs are insignificant. [✂]
141. In relation to geographic expansion, the CMA investigated how easy it would be to begin supplying galvanizing services to customers who are located relatively far away from their plant when they do not already serve customers in that area.
142. In terms of new entry in the Corbett catchment area, one competitor explained that the ease of entry into a new area (ie where they do not already serve customers) depends on transport costs. Another explained that entry is challenging, as it would be difficult to price competitively and offer a transport service that would satisfy customers' needs (eg frequency of delivery). In general, rival galvanizers indicated that setting up a milk run in the Corbett catchment area is not an attractive proposition because it would be difficult and involve a financial risk.
143. In terms of bath extension, the CMA notes that there are only two examples of bath extensions, one of which related to Joseph Ash and the other to Wedge, which as the CMA has noted above is a strong competitive constraint on the Parties. In addition, the CMA notes that given the presence of spare capacity, the likelihood of suppliers responding to a 5 to 10% price increase by building additional capacity is low.
144. For the reasons set out above, the CMA considers that entry or expansion would not be timely, likely or sufficient to prevent a realistic prospect of a substantial lessening of competition as a result of the Merger.

### ***Countervailing buyer power***

145. Joseph Ash submitted that customers have significant buyer power due to:

- (a) suppliers having high fixed costs and excess capacity. Therefore, they face a strong incentive incentivised to operate at high volume in order to spread the cost of overheads;
  - (b) customers being sophisticated repeat purchasers; and
  - (c) switching between suppliers being easy as customers can contact alternative suppliers for quotes and arrange 'trial dips'.
146. Joseph Ash also submitted that large customers of galvanizing services may view the option of self-supplying to be attractive. It provided two examples of this occurring:
- (a) Ifor Williams constructed its own galvanizing facility in the early 1990s; and
  - (b) David Ritchie Implements Ltd constructed an in-house facility in the late 1990s.
147. In H&S/Metnor, the OFT considered that customers' countervailing buyer power was magnified by low switching costs and the fact that galvanizers operate more efficiently when running with a high utilisation rate. The OFT did not, however, find that building in-house production was an attractive commercial proposition for customers.
148. The CMA notes that there is some spare capacity in the market. However, the existence of spare capacity is not sufficient to address the CMA's concerns as capacity is not the only parameter affecting supply options for customers. In particular, as noted above, locality (due to transport costs) and the size of the bath, limit the alternatives available to consumers even in the presence of spare capacity.
149. In addition, the CMA's competitive analysis has been based on the prevailing competitive dynamics, where spare capacity is prevalent and the majority of customer responses raised concerns. As noted above, a significant number of customers responding to the CMA's market testing in the present case considered that their negotiating position would be significantly weakened by the Merger.
150. Finally, no customers raised the prospect of self-supply in response to a price rise post-Merger.
151. Therefore, the CMA does not consider that customer buyer power is sufficient to prevent the Parties from raising prices or deteriorating service.

## Third party views

152. The CMA contacted approximately 170 of the Parties' customers. These customers represented a selection of customers from each of the Parties' plants in the Corbett catchment area and two Joseph Ash plants with catchment areas which overlapped with the Corbett catchment area.<sup>43</sup> Of these 41 responded to the CMA's market testing, 33 of which represented customers in the Corbett catchment area. The majority expressed concerns with Merger.<sup>44</sup> Customers raising concerns regarding the Merger, commonly cited a loss of competition between the Parties and the lack of choice that would remain post-Merger. Some customers also raised concerns about the vertical effect of the merger.
153. The CMA also contacted a large number of the Parties' competitors, including all the competitors considered significant by the Parties. Some competitors were also concerned about the Merger. For example, one competitor thought that some customers would have reduced choice, especially of independents that have better customer services, and these customers would have to look further afield.
154. Third party comments have been taken into account where appropriate in the competitive assessment above.

## Conclusion on substantial lessening of competition

155. Based on the evidence set out above, the CMA believes that it is or may be the case that the Merger may be expected to result in a substantial lessening of competition as a result of horizontal unilateral effects in relation to the supply of galvanizing to external customers in the Corbett catchment area.

## Decision

156. Consequently, the CMA believes 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.
157. The CMA therefore considers that it is under a duty to refer under section 33(1) of the Act. However, the duty to refer is not exercised pursuant to section 33(3)(b) whilst the CMA is considering whether to accept undertakings under section 73 of the Act in lieu of a reference. Pursuant to section 73A(1) of the Act, the Parties have until 2 July 2015 to offer an undertaking to the

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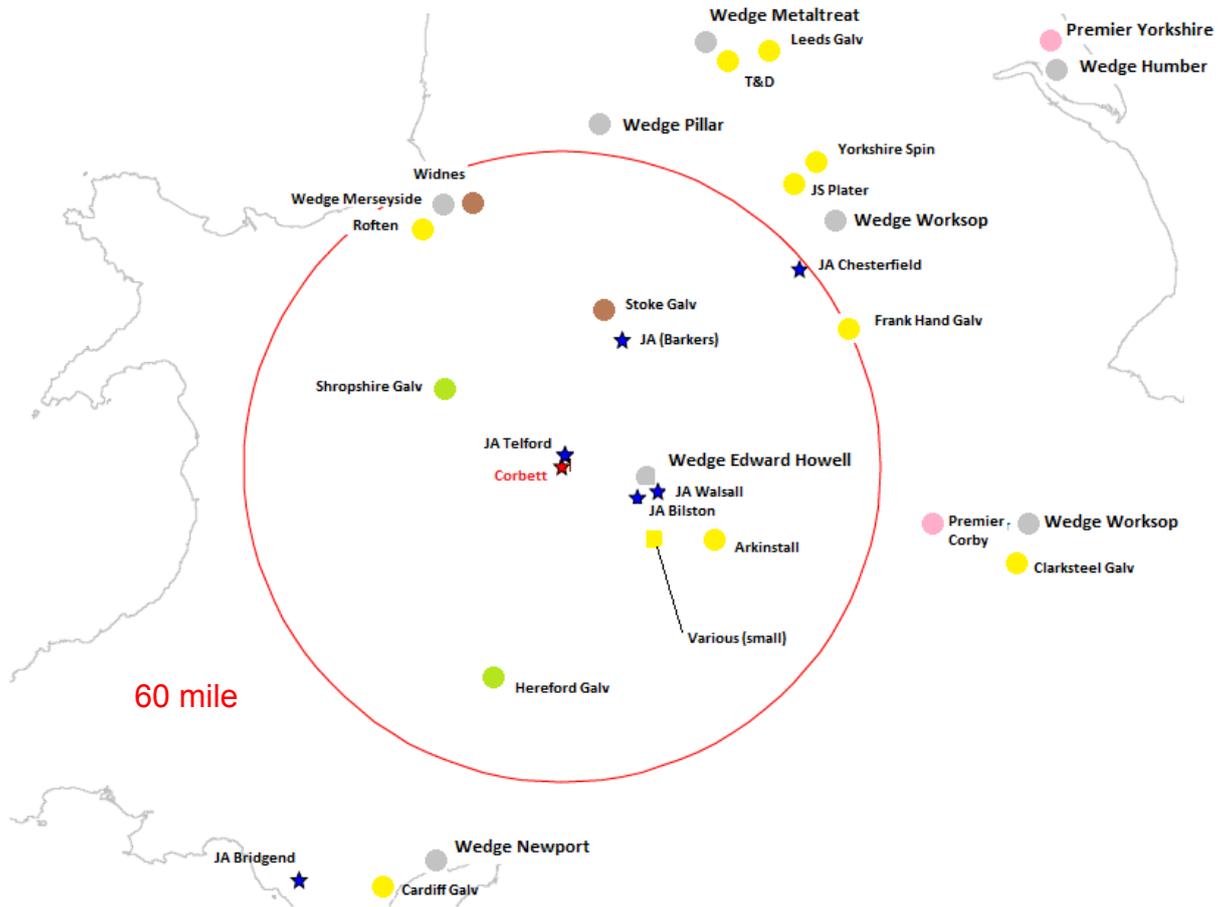
<sup>43</sup> Birtley and JA Bridgend.

<sup>44</sup> 24 out of 41 total responses and 22 out of the 33 responses from customers in the Corbett catchment area.

CMA that might be accepted by the CMA under section 73(2) of the Act. If the Parties do not offer an undertaking by this date, if the Parties indicate before this date that they do not wish to offer an undertaking, or if pursuant to section 73A(2) of the Act the CMA decides by 9 July 2015 that there are no reasonable grounds for believing that it might accept the undertaking offered by the Parties, or a modified version of it, then the CMA will refer the Merger for a phase 2 investigation pursuant to sections 33(1) and 34ZA(2) of the Act.

**Andrea Coscelli**  
**Executive Director, Markets & Mergers**  
**Competition and Markets Authority**  
**25 June 2015**

### Illustrative map



**Notes to map**

- i. Locations shown are approximate
- ii. The JA Hereford plant (now closed) is not shown
- iii. The BE Wedge spin galvanizing plant is not shown
- iv. The IAE and Ifor Williams plants are not shown



<sup>i</sup> The CMA clarifies that this turnover is for Joseph Ash Limited only and does not include the turnover from other H&S Holdings companies active in galvanizing.