



DETERMINATION OF MERGER NOTIFICATION M/07/043 -

One51/Hegarty/A1/Galway Metal

Section 21 of the Competition Act 2002

Proposed acquisition by Cashford Limited of Hegarty Metals Processors (International) Limited, A1 Metal Recycling Limited and Galway Metal Company Limited

Dated 06/09/07

Introduction

1. On 10 August 2007 the Competition Authority ("the Authority"), in accordance with section 18(1)(a) of the Competition Act, 2002 ("the Act") was notified, on a mandatory basis, of a proposed acquisition by Cashford Limited ("Cashford") of Hegarty Metals Processors (International) Limited ("Hegarty"), A1 Metal Recycling Limited ("A1") and Galway Metal Company Limited ("Galway").

The Undertakings Involved

The Acquirer

2. Cashford is a newly incorporated a new company for the purposes of this transaction and is a wholly owned subsidiary of One Fifty One plc ("One51"). Cashford will acquire the entire issued share capital of each of the targets in paragraph 1 above.
3. One51 is a holding company whose subsidiaries are engaged in a wide range of activities both in the Republic of Ireland and overseas. The principal activities of One51 in the State are listed in Table 1.

Table 1:Activities of One51 in the State

Name of Subsidiary	Activity
Cullen Environmental Services	Recycling & Treatment of Hazardous Waste
Enplast Ltd	Manufacturer of Poylproplene Sheeting
Irish Pride Bakeries	Food Production & Distribution
Premier Proteins (2000) Ltd	Rendering/Animal Waste
Protech Performance Plastics Ltd,	Injection Moulding
Returnbatt Ltd.	Recycling & Treatment of Batteries
Rilta Environmental Ltd.	Recycling & Treatment of Hazardous Waste
Soils Environmental Services Ltd.	Recycling & Treatment of Hazardous Waste
TechRec Ireland Ltd	Electronic Recycling
Thormac Engineering Ltd.	Plastic injection moulding
Renore Limited	Joint Venture Vehicle for 50% owner of Greenore Port
NTR plc	Investment vehicle for toll road.

Source: One51

4. One51 has subsidiaries in the UK which are involved in scrap metal and end of life vehicle recycling, respectively, these are:

- Andrew & Mark Smith Metals Limited ("Smiths"); and,

- Reclamet Limited (“Reclamet”).
5. For the financial year ending 31 December 2006 One51 had a turnover of [.] in the State and a worldwide turnover of [.]¹.

The Targets

(A) Hegarty

6. Hegarty Metals Holding Limited is the Holding Company of the Hegarty Group. Hegarty Metals Holding Limited has four subsidiaries:
- Hegarty Metal Processors Limited;
 - Hegarty Metals Manufacturing Limited;
 - J S Metals Limited; and,
 - Munster Metal Company Limited.
7. The scrap metal business of Hegarty Metals Processors Limited has recently been transferred to Hegarty, one of the three targets. Post-merger Hegarty Metals Holding Limited will continue to trade through Hegarty Metals Processors Limited via its galvanizing business of Shannonside Galvanising.² For the period between 1 July 2006 and 19 May 2007 Hegarty Metals Processors Limited had a turnover of approximately [.]

(B) A1

8. A1 is a scrap metal company owned by Martin Ward and Thomas Ward located in county Laois. For the nine months ended 31 May 2007 A1 had a turnover of approximately [.]

(C) Galway

9. Galway is a wholly owned subsidiary of Galway Metal Holdings Limited which undertakes the scrap metal activities of Galway Metal Holdings Limited. Post transaction Galway Metal Holdings Limited will continue to trade principally in relation to the operation of its current property assets. For the nine months ended 30 June 2007 Galway had a turnover of approximately [.]

Analysis

10. There is no horizontal or vertical overlap between One51 and the targets in the State.³ The targets are involved in the collection, processing and sale of scrap metal and are known as metal merchants. The acquisition will result in three metal merchants in the State coming under common control.

¹ Cashford did not generate any turnover in this period.

² JS metals Limited and Munster Metal Company Limited are non trading companies and are not subject to this transaction.

³ With respect to scrap metal recycling One51 has two subsidiaries (see paragraph 4 above) engaged in the scrap metal and end of life vehicle recycling in the UK. These firms have no Irish customers and according to the parties have a negligible market share in the scrap metal market in the UK.

11. Scrap metal is essentially a waste product; the bulk of scrap metal comes from industry. Scrap metal is categorised into two main types:
 - Ferrous: iron and steel. End of Life Vehicles (“ELVs”)⁴ also fall into this category. According to the parties approximately 80-90% of scrap metal (in tonnes) in the State is ferrous metal; and,
 - Non-ferrous: copper, aluminium, stainless steel etc. Non-ferrous metal, which accounts for approximately 10% of total scrap metal, is exported directly by merchants and/or exported through larger metal merchants.
12. Scrap metal is collected, processed and sold on to end consumers where it is melted and used to manufacture new metal products.
13. The market is characterised by a large number of companies engaged in the collection and processing of scrap metal. The parties list over 20 metal merchants in the State and five in Northern Ireland.
14. Hammond Lane (which is part of Clearway Disposals Ltd⁵) is the largest metal merchant in the State. The parties estimate that Hammond Lane has approximately 35% of the market in the State. Other significant players in the scrap metal market include Cork Metal Company, Erin Recycling, Molloy Scrap Metal and Cummins Metals.
15. Currently Hegarty has 14.4% market share, A1 has 5.5% and Galway has 5%. These figures include current sales to one another and so allowing for double counting it is likely that the combined market share post-merger will be less than 25%.
16. Metal merchants may obtain supplies of scrap metal from anywhere on the island of Ireland. All firms are engaged in the processing of scrap to some extent; however some to a greater extent than others. Processing of scrap involves cutting, baling, and, where necessary, shredding the scrap. Smaller merchants export scrap metal directly and/or sell scrap metal to larger metal merchants for further processing and/or exportation.
17. There are no significant final customers for scrap metal in the State. The majority of processed scrap metal is sold outside the State to end customers. According to the EPA *National Waste Report* in 2004 97.8% of the waste arising from scrap metal including ELVs was exported.⁶ Spain, Portugal and the UK were the principal destinations for scrap metal; other destinations included Belgium, Holland and China.
18. The export of ferrous metal is generally managed by the companies engaged in shredding. According to the parties and market participants approximately 40-50% of ferrous metal requires shredding. Currently there are two companies engaged in shredding in the State – Hegarty in Limerick and Hammond Lane in Dublin and Cork. There is also a shredding facility in Belfast, operated by Clearway. While a number of metal merchants directly export ferrous metal it is recognised that shredding is an important process for the export of ferrous, particularly

⁴ ELVS refers to motor vehicles which have reached the end of their life.

⁵ Clearway disposal Ltd, is the largest scrap metal company in Northern Ireland. They also own 100% of Hammond Lane Metal Company based in Dublin, Athlone and Cork.

⁶ EPA, *National Waste Report 2004*. This is available at:

<http://www.epa.ie/downloads/pubs/waste/>

for smaller merchants. However the merger will not affect either the structure or competitive dynamics of shredding facilities in the State.

19. The Authority considers in light of the large number of competitors in the State, the ability for metal merchants to export directly, the unchanged structure of shredding facilities and the fact that the downstream market for scrap metal is wider than the State, the proposed transaction does not raise competition concerns in the State.

Ancillary Restraints

20. The Authority also reviewed restrictive arrangements agreed by the parties in the Share Purchase Agreement. The Authority considers that these arrangements are consistent with its approach in respect of ancillary restraints in mergers.

Determination

The Competition Authority, in accordance with Section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Cashford Limited of Hegarty Metals Processors (International) Limited, A1 Metal Recycling Limited and Galway Metal Company Limited will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr. Paul K Gorecki

Member of the Competition Authority