



DETERMINATION OF MERGER NOTIFICATION M/07/072 - CARILLION/McALPINE plc

Section 21 of the Competition Act 2002

Proposed acquisition by Carillion plc of Alfred McAlpine plc

Dated 17/01/08

Introduction

1. On 24 December 2007 the Competition Authority, in accordance with section 18(1)(a) of the Competition Act, 2002 ("the Act") was notified, on a mandatory basis, of a proposal whereby Carillion plc ("Carillion") would acquire the entire issued share capital of Alfred McAlpine plc ("McAlpine").

The Undertakings Involved

The Acquirer

2. Carillion, the acquirer, is a UK-based company active in the provision of integrated solutions for buildings, infrastructure and services. Its main worldwide activities, which are primarily in the United Kingdom, include:
 - **Construction:** in the United Kingdom, Carillion's regional and national building businesses provide building solutions for a wide variety of public and private sector customers, including health, education, utilities, office, retail, residential and mixed-use developments. Carillion also provides a wide range of civil engineering services from maintenance to the development of major projects to clients such as local authorities, the Highways Agency, Ministry of Defence and the UK rail industry. These services are supported by Carillion's TPS division which provides comprehensive planning, engineering and architectural design, and project management services to customers in all of Carillion's markets. In addition, Carillion provides private finance support to its businesses and manages a portfolio of PPP equity investments.
 - **Facilities management:** Carillion provides a full range of facility management services to a wide variety of public and private sector clients.
 - **Fleet Management:** in the United Kingdom, Carillion provides various fleet management services both internally and externally to its customers, including vehicle hire, fleet administration, accident management, and vehicle collection, delivery and disposal.
 - **International:** Carillion is also active in Canada, the Middle East and the Caribbean in construction, infrastructure, maintenance and facilities management services.

In the State, Carillion is involved in the following activities:

- In the construction sector through its acquisition of John Mowlem Construction Limited in 2006. Carillion derived turnover of [] in 2006 from its involvement in the construction of the Dublin Port Tunnel, but is forecast to [] from this project in 2007. Carillion is also involved in marine construction and heavy civil engineering works in the State. Recent projects have included the M1 widening scheme, the construction of the Sean O'Casey pedestrian bridge in Dublin's Docklands, the Moneypoint Civil Works and the Dart Upgrade Civil Works.
- Facilities management via its provision of mechanical and electrical maintenance for buildings in the State. In respect of facilities management, Carillion currently has only two active accounts in the State []. Carillion derived turnover of approximately [] in 2006 from its involvement in the provision of facilities management services in the State.

The Target

3. McAlpine, the target, is also a UK-based company active in the provision of integrated solutions for buildings, infrastructure and services. Its main activities, which are primarily in the United Kingdom, include:
 - **Construction:** McAlpine provides building services in the United Kingdom to local and national government, to commercial developers and to the health, education, retail and leisure sectors. McAlpine also provides civil engineering services to local and national government, including working in partnership with local authorities and the Highways Agency to maintain, renew and upgrade the UK's highways network. Moreover, McAlpine provides maintenance and renewal services to the utilities sector, including gas, water, electricity and telecommunications. McAlpine also manages the development, financing, construction and maintenance of long term assets, including a number of PFI investments which are in the process of being sold.
 - **Facilities management:** McAlpine provides facility management services to a variety of public and private sector clients. These services are complemented by "hard" facilities management services, such as mechanical and electrical engineering, and by consultancy services, such as health and safety compliance, environmental, energy and waste management consultancy.
 - **Slate:** McAlpine supplies slate for aggregates, roofing and architectural (e.g., flooring, cladding, paving etc.) products. McAlpine is currently engaged in the process of a sale of its slate business.
 - **Plant, Fleet & Accommodation Services:** McAlpine provides plant hire, fleet hire and management services, and temporary accommodation units to various industry sectors.

- **IT Services:** McAlpine provides various IT services including: outsourcing, managed services, IT infrastructure services, communication services and professional services.

In the State, McAlpine is involved in the following the activities:

- Since 2002, it has been carrying out infrastructural (*i.e.*, overhead lines) refurbishment work for the ESB. In 2006, McAlpine generated turnover of [] from its contract with the ESB.
- The provision of facilities management services for Bank of Ireland. The five-year contract for the provision of facilities management services to Bank of Ireland commenced on 2 June 2006 and is expected to generate annual turnover of around [].
- The provision of environmental consultancy services – McAlpine’s Enviro environmental consultancy business- which provides waste management consultancy services primarily in respect of waste transfer and recycling stations. In 2006, it generated turnover in the State of [].
- The sale of slate roofing tiles through two Irish distributors: CAPCO (a subsidiary of SIG) and Lagan Buildings Solutions (part of the Lagan Group). In 2006, this business generated turnover of [].

Analysis

4. Although there is significant overlap in the business activities of the parties in the United Kingdom, the overlap in their activities in the State is limited. Both parties have limited activities in the State in the construction and facilities management sectors. In the State, the parties’ activities mainly overlap in the provision of facilities management services. The parties estimate that the merged entity will account for just over [] of the facilities management market in the State.¹
5. The Authority considers that the proposed transaction does not raise competition concerns given the limited overlap in the activities of the parties in the State.

¹ In 2005, the value of construction output in the State was estimated at €29.76 billion. One of the parties estimated that about 15% of this value is attributable to mechanical and electrical engineering related activities.

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 Carillion plc of Alfred McAlpine plc 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