

The Registrar  
Market Structure Group  
Commerce Commission  
PO Box 2351  
**Wellington**

Pursuant to section 66(1) of the Commerce Act 1986 notice is hereby given seeking **clearance** of a proposed business acquisition.

## **PART I: TRANSACTION DETAILS**

### **1 The Business Acquisition**

1.1 The business acquisition for which **clearance** is sought:

- a. The crane hire business ("**Business**") of Boyd Crane Hire Limited ("**Boyd Cranes**");
- b. The cranes used in the Business, as owned by Boyd Cranes and David Thomas Boyd, John McWhirter Boyd and Catherine Jean Grant Boyd as trustees of the Willowbank Trust ("**Trust**");
- c. All items of plant and equipment used in connection with the Business ("**Assets**");
- d. Boyd Cranes' interest as lessee in the property at 3 Glenda Drive, Frankton, Queenstown;
- e. All intellectual property of the Business; and
- f. All goodwill of the Business.

1.2 **By who:** Verticon Group Limited of Melbourne, Australia or nominee ("**Verticon**").

1.3 **Agreement:** The Agreement for the Sale and Purchase of the Assets and the Business by Verticon is attached as **Appendix 1**.

### **2 The Person Giving Notice**

2.1 This notice is given by:

- Verticon Group Limited  
Level 4  
564 St Kilda Road  
Melbourne  
Victoria 3004  
Australia  
  
Attention: Andrew Torrington  
  
Phone: +61 3 9522 5704
  
- Legal Counsel  
  
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Private Bag 9203  
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### 3. Confidentiality

- 3.1 Verticon does not request a confidentiality order.

### 4. Details of the Participants

- 4.1 For the purposes of this notice the term "**participant**" means:
- a. Verticon ("**the acquirer**");
  - b. Boyd Cranes (as the owner of some of the Assets and the Business); and
  - c. The Trust (as the owner of some of the Assets and the holder of 99% of the shares in Boyd Cranes).

#### Contact Details of the Participants

- 4.2 The contact details of the participants are as follows:
- **Verticon:** The contact details for Verticon are as specified in paragraph 2.
  - **Boyd Cranes:** The contact details of Boyd Cranes are as follows:  
  
Boyd Crane Hire Limited  
98 Glenda Drive  
Frankton  
Queenstown  
  
Attention: John Boyd, Director  
  
Phone: (03) 4423 926

Fax: (03) 4423 923  
 Mobile: (027) 229 5553

- **The Trust:** The contact details of the Trust are as follows:

The Willowbank Trust  
 98 Glenda Drive  
 Frankton  
 Queenstown

Attention: David Boyd, Trustee  
 Phone: (03) 4423 926  
 Fax: (03) 4423 923

## 5. Who is Interconnected to or Associated with each Participant

### 5.1 Verticon Group/Associates

- Verticon is a publicly listed company in Australia. Verticon owns 100% of the shares of the following companies:
  - **Fire Up Cranes & Rigging Pty Ltd (ACN 080 979 031):** which is involved in the business of crane and hoist hire;
  - **Fire Up Hire Pty Ltd (ACN 103 009 114)** which is involved in the business of crane and hoist hire;
  - **Verticon Neon Street Pty Limited (ACN 119 072 552):** which is involved in the business of property investments.
  - **Verticon Group Limited:** which is registered in New Zealand as an overseas company under company number 1644027; and
  - **Verticon New Zealand Limited:** which is a New Zealand registered company with company number 1712298 and carries on the business of supplying crane and hoist hire services throughout New Zealand.
- Verticon is not a subsidiary of any other company and no other company holds shares in Verticon.

### 5.2 Boyd Crane Group/Associates

- Boyd Cranes does not have any subsidiaries or hold shares in any other company. However, Boyd Cranes is associated with the following companies in the following manner:

Company	Association
Aspiring Cranes Limited	<ul style="list-style-type: none"> <li>▪ John Duncan Boyd is a director</li> <li>▪ David Thomas Boyd is a shareholder (as a trustee of the Trust)</li> </ul>
Otago Crane Hire Limited	<ul style="list-style-type: none"> <li>▪ John Duncan Boyd is the sole director</li> </ul>

	and shareholder
Otago Crane Holdings Limited	<ul style="list-style-type: none"> <li>▪ John Duncan Boyd is the sole director and shareholder</li> </ul>

### 5.3 The Trust Group/Associates

The Trust owns 99% of the shares in Boyd Cranes and, we understand, intends to continue to do so after the proposed acquisition. The Trust is associated with Aspiring Cranes Limited by virtue of the fact that it holds 33% of the shares in that company.

## 6 Beneficial Interests

6.1 The Trust is the holder of 99% of the shares in Boyd Cranes. Apart from such interest, we understand that no participant has any beneficial interest in or is beneficially entitled to any shares or other pecuniary interest in any other participant.

## 7 Links between Participants

7.1 The Trust informally hires a number of the Assets to Boyd Cranes for the operation of the Business. John Duncan Boyd is a shareholder and director of Boyd Cranes. Apart from such link, we understand that there are no other links (whether formal or informal including shares, common directorships, formal or informal contracts, arrangements or undertakings) between the participants including, without limitation, interconnected bodies corporate and associates.

## 8 Director's Involvement in the Market

8.1 Andrew Colin Torrington is the company secretary Verticon and a director of Verticon New Zealand Limited.

## 9 Business Activities of each Participant

- **Verticon:** Verticon is an Australian publicly listed company which was incorporated in 2004 to provide outsourced services in the form of tower crane hire, primarily across the high-rise and large commercial building sectors. It is the largest tower crane operator in Australia with over 97 cranes and 44 hoists. Verticon's foundation businesses in Australia are Seca in the Queensland market and Econ in Melbourne. In December 2005, Verticon expanded into New Zealand by acquiring the assets and business of Daniel Smith Industries Limited, through its subsidiary Verticon New Zealand Limited. Verticon New Zealand Limited is located at 315 Flaxton Road, Rangiora, Canterbury and provides crane hire services (including tower crane, crawler crane and mobile crane hire services) and hoist hire services nationwide. As part of its crane and hoist hire services business, Verticon New Zealand Limited also typically supplies an equipment operator.
- **Boyd Cranes:** Boyd Cranes is located at 3 Glenda Drive, Frankton, Queenstown and provides crane hire services (limited to self erecting crane, crawler crane and mobile crane hire services) in the Queenstown Lakes area. Boyd Cranes does not provide tower crane hire services or hoist hire services. As part of its crane hire services business, Boyd Cranes also typically supplies an equipment operator.
- **The Trust:** We understand that the business activities of the Trust are:

- The leasing of certain of the Assets to Boyd Cranes;
- The leasing of the Business premises at 3 Glenda Drive, Frankton, Queenstown to Boyd Cranes; and
- An interest in Aspiring Cranes.

## 10. **Reasons and Intentions of the Proposed Acquisition**

- 10.1 Boyd Cranes is a profitable business. Verticon believes purchasing Boyd Cranes is an opportunity to increase its cashflow. Post acquisition, Verticon intends to operate Boyd Cranes in a manner to which Boyd Cranes currently operates and intends to engage John Duncan Boyd to manage the acquired entity.

## **PART II: IDENTIFICATION OF MARKETS AFFECTED**

### 11. **Horizontal Aggregation**

#### **The Aggregation of Business Activities**

- 11.1 The acquisition of the Assets and the Business by Verticon will not result in any aggregation of business activities as the two companies currently operate in different markets. Boyd Cranes currently operates in the Queenstown Lakes crane hire market, while Verticon New Zealand Limited currently operates nationwide. Boyd Cranes does not intend to operate in either the Queenstown Lakes or the Nationwide crane hire market post acquisition. Verticon defines the market that Boyd Cranes operates in using the following parameters:
- **Product Dimension:** Boyd Cranes supplies self erecting cranes, crawler cranes and mobile cranes. Boyd Cranes does not provide tower cranes or hoists. Boyd Cranes typically supplies an equipment operator with its products. Verticon propose that the relevant product dimension of the market is the supply of crane equipment (including the operator of such equipment).

- **Geographic Dimension:** Boyd Cranes operates the Business from 3 Glenda Drive, Queenstown. Verticon proposes that the geographic market for the supply of crane equipment is the Queenstown Lakes district for the following reasons:
  - Due to the geographical isolation of Queenstown and the physical barriers provided by its topography, it is difficult and not cost effective to transport crane equipment into Queenstown from areas such as Christchurch, Timaru, Dunedin and Southland. Such additional transport costs make it difficult to compete with crane hire companies located closer to Queenstown; and
  - Boyd Cranes currently provides approximately 70-80% of crane hire business in Queenstown. Providing cranes from the areas surrounding Queenstown (such as Wanaka or Cromwell) involves higher transport costs which limits the ability of other crane hire companies from areas outside of the immediate Queenstown township to be price competitive.
- **Functional Dimension:** The functional level of the market is the provision of crane equipment hire services. Boyd Crane hire does not manufacture, sell or use the crane equipment itself for construction purposes.
- **Temporal Dimension:** The hire period for crane equipment varies depending on the project. However, generally the period of hire for crane equipment will be between 6 months and 2 years. Boyd Cranes typically has a minimum hire period of 4 hours.

## 12. Differentiated Product Markets

- 12.1 There are very few differences in the products offered within the Queenstown Lakes crane hire market. Given the limited competition between crane hire firms in the Queenstown Lakes area, there is currently limited product differentiation in the market.

## 13. Details of Differential Product Markets

- Verticon operates tower, crawler and mobile cranes, along with man and material hoists. Tower cranes have a variety of attributes - they can be electric or diesel, "hammerhead" or "luffing" and come in a variety of capacities. Capacity refers to weight the crane can lift and the various radii. "Luffing" refers to the ability of the boom to be raised and lowered, thus changing the radius. "Hammerheads" are fixed booms that have a trolley that travels along the boom to change the radius. Tower cranes are fixed in position and cannot be moved. Crawler cranes travel on tracks and have a luffing boom made of lattice steel. Boom lengths and configurations vary as does the capacity of the crane. These cranes can be substituted for some jobs where tower cranes can be used. Crawler cranes need to be transported to job site and mobilised. They cannot travel on public access roads, hence transportation can become an issue. Mobile cranes travel on rubber tyres and generally have a hydraulic boom. This boom works like a telescope to change the radius. These cranes cannot move with a load (unlike the crawler cranes). Some mobile cranes can be substituted for crawlers
- As indicated above, each type of crane can be substituted for other types given the right set of job circumstances. The job attributes that determine the crane requirements include: accessibility to site, height of building, other neighbouring developments/buildings, lifting requirements and cost. These attributes will also be influenced by legislative requirements and local environmental conditions.

The most important factor in the hireage of a particular crane is whether the crane can meet the project requirements. Where two different types of cranes can meet the project requirements and are both available, price will generally be the determining factor.

Given the acquired entity will have a mixture of different types of cranes in its fleet, Verticon does not consider that the actions of the acquired entity would be likely to be constrained by the presence of other suppliers in the market.

As crane requirements (being the determinate factor as to the substitutability of one crane for another on a particular job) follow building requirements and trends in a particular market, it is not possible to provide documented evidence of crane substitutability.

#### 14 Vertical Integration

- 14.1 The proposed acquisition will not result in any vertical integration between Verticon and Boyd Cranes. Both Verticon and Boyd Cranes offer crane equipment hire services. Neither Verticon nor Boyd Cranes sell or manufacture crane equipment or use the equipment for their own construction purposes.

#### 15. Past Acquisitions

- 15.1 No participant (or any interconnected body corporate thereof) has notified the Commerce Commission of a proposed acquisition of the assets or shares of a business or shares in the last three years.
- 15.2 In December 2005, Verticon, acting through its subsidiary Verticon New Zealand Limited, acquired the crane and hoist hire assets and business of Daniel Smith Industries Limited.
- 15.3 We understand that neither Boyd Cranes nor the Trust (or any interconnected bodies corporate) have undertaken any acquisitions in the last three years. However, Boyd Cranes and the Trust did sell certain plant, crane equipment and vehicles to Titan Cranes Limited under an agreement for sale and purchase of business assets dated 1 February 2002.

### PART III: CONSTRAINTS ON MARKET POWER BY EXISTING COMPETITION

#### 16 Existing Competitors

- 16.1 We understand that Aspiring Cranes Limited is the only supplier of competing products in the Queenstown Lakes crane hire market. The ownership details of Aspiring Cranes Limited are as follows:

Supplier	Owner of Supplier	
Aspiring Cranes Limited	John McWhirter Boyd	}
	Catharine Jean Grant Boyd	}
	David Thomas Boyd	}
	(as trustees of the Trust)	
	William Courtenay Rankin	}
	Susanne Merle Rankin	}
	Valmai Lenore Breen	}
	John Charles Breen	}
		33.33%
	33.33%	
	16.66%	

	Checketts McKay Trustees Limited	}	
	Lindsay Charles Breen	}	
	Kendra Anne Breen	}	16.66%
	Checketts McKay Trustees Limited	}	
	Lindsay Charles Breen	}	0.016%
	John Charles Breen	}	

16.2 Verticon does not have access to any information to enable it to estimate Aspiring Cranes Limited's productive capacity. Aspiring Crane Limited's market share in the Queenstown Lakes crane hire market is less than 10%.

16.3 The estimated total size of the Queenstown Lakes crane hire market is NZ\$5,000,000.

### Other Considerations

#### Near Entrants

16.4 There are a number of other firms that could enter the Queenstown Lakes crane hire market quickly (using their existing productive capacity) in response to Boyd Cranes increasing prices or reducing output or quality. These near entrants include:

Near Entrant	Owner
Titan Cranes Limited	Titan Holdings Limited, which is ultimately owned 52.5% by Maxwell Spencer Whiley and 47.5% by John Sydney Carter, Barry Alexandra Wilson and Christopher Dan Williams
New Zealand Crane Hire Limited	New Zealand Group Holdings Limited, which is ultimately owned 50% by Deane Foster Manley and Michael George Cantrick Stephens and 50% by Stephen David Handyside and Brett Hoddle
Auckland Cranes Limited	Waikato Crane Services Limited
Waikato Crane Services Limited	50% by Albert Smith (Industries) Limited, which is ultimately owned by Independent Trustees (Tauranga) Limited (which in turn is owned 20% by Robert Edward Lee, 20% by Laughlin Glenn Keaney, 20% by David Neville Cooke, 20% by Donald Raymond Pilbrow and 20% by Colin Mark Thomas); 41.66% by Tony Howard Gibson; and 8.33% by Paula Annette Gibson

16.5 It is difficult to determine the potential productive capacity of the near entrants. However, companies such as those listed above already have established customer networks and existing equipment, which would assist them to quickly respond to market demands.



### **Importing Constraints**

- 16.6 The importation of cranes from overseas on a one-off basis is not often a viable option. The cost of importation (particularly transport costs) would make it difficult for an importer to compete with domestic suppliers in the short term or on a one off a basis. However, it would be possible for an overseas crane equipment hire firm to expand its operation into New Zealand on a more permanent basis and gradually recover its importation costs over the longer term.

### **Exports**

- 16.7 Crane equipment hire services are not generally exported from New Zealand, although Verticon has done so in the past for large projects. However, such events are rare. We are not aware of Boyd Cranes exporting any crane equipment hire services.

### **Competitiveness of Target Company**

- 16.8 Due to the limited number of competitors in the Queenstown Lakes area, Boyd Cranes has had limited commercial pressure applied to it requiring it to vigorously compete in the Queenstown Lakes crane hire market. Boyd Cranes has been a successful business primarily as a result of the lack of any prolonged, direct competition in the Queenstown Lakes crane hire market.

## **17. Conditions of Expansion**

### **Frontier Entry/Legislative Conditions**

- 17.1 The cost of importing cranes into New Zealand would, in many cases, be a barrier to any existing competitor considering importing such products on a one-off or short term project. Importation may become a viable option if transport costs reduced or if it was done on a large enough scale to negate the costs of shipping.

### **Legislative/Regulatory Conditions**

- 17.2 Where an existing competitor requires additional buildings or premises for equipment storage, they would need to ensure that they have all necessary resource consents under the Resource Management Act 1993 and the Hazardous Substances and New Organisms Act 1996 and that the use of the land is compliant with the regional plan and all associated zoning restrictions.
- 17.3 There are no other significant legislative or regulatory requirements which would constrain the expansion of an existing competitor.

### **Industrial/Business Conditions**

- 17.4 Existing competitors may obtain additional cranes and equipment for expansion from domestic or international suppliers. Cranes and equipment are also available from second hand dealers and online internet sites such as Trademe and Trade & Exchange.
- 17.5 A significant business constraint on expansion or entry into any crane hire market is the ability of a firm to fund the initial capital cost of purchasing new or additional crane equipment. Crane equipment is available relatively cheaply from second hand dealers and from online internet sites, which can lessen the initial capital cost of expansion. Existing competitors may also limit their initial capital cost by starting at the lower end of

the market (with small or surplus equipment) and growing their fleet gradually or by purchasing crane equipment in high demand

- 17.6 No such constraints exist in the exit from the Queenstown Lakes crane hire market. There are few sunk costs involved in entry as the second hand market allows participants to sell surplus equipment on exit. The cost of exit is, therefore, relatively low in relation to other industries.

### Other

- 17.7 Another market condition which may limit the ability of a firm to expand or enter the Queenstown Lakes crane hire market is the availability of land on which to store crane equipment not out on hire.
- 17.8 Existing competitors may avoid the potential issue of limited land availability by ensuring cranes are moved from project to project, without ever being required to return to storage. In order to ensure that crane equipment is successfully moved from project to project, it is normal industry practice to offer discounts to the next customer in the chain. This practice alleviates the need for land as a storage base, saves the competitor significant costs in terms of transport and would give the competitor a considerable cost advantage against Boyd Cranes.
- 17.9 Where land for crane equipment storage is required, existing competitors may purchase such land outside of Queenstown where land is more available and of lower value. Storing cranes in towns surrounding Queenstown such as Wanaka or Cromwell would ensure transport costs are still relatively minimal and that cranes could be moved quickly.

### Evidence of Expansion

- 17.10 Examples of Verticon's competitors expanding in the last 5 years include:

Competitor	Owner
Titan Cranes Limited	Titan Holdings Limited, which is ultimately owned 52.5% by Maxwell Spencer Whiley and 47.5% by John Sydney Carter, Barry Alexandra Wilson and Christopher Dan Williams
New Zealand Crane Hire Limited	New Zealand Group Holdings Limited, which is ultimately owned 50% by Deane Foster Manley and Michael George Cantrick Stephens and 50% by Stephen David Handyside and Brett Huddle
Auckland Cranes Limited	Waikato Crane Services Limited
Waikato Crane Services Limited	50% by Albert Smith (Industries) Limited, which is ultimately owned by Independent Trustees (Tauranga) Limited (which in turn is owned 20% by Robert Edward Lee, 20% by Laughlin Glenn Keaney, 20% by David Neville Cooke, 20% by Donald Raymond Pilbrow and 20% by Colin Mark

	Thomas); 41.66% by Tony Howard Gibson; and 8.33% by Paula Annette Gibson
Smith Crane and Construction Limited	37.36% by Timothy Glen Smith; 29.78% by Michael Cooney and Independent Trustees (Tauranga) Limited; 17.23% by Timothy Glen Smith, Anna Eva Smith and HP Hanna & Co. Trustees Limited; 14.04% by John Charles Smith; and other minority shareholders each holding less than 0.5% each.

## 18. Potential to Expand

- 18.1 Verticon suggests that Aspiring Cranes Limited could increase its supply of crane equipment hire services by increasing utilisation of its existing equipment by moving cranes from project to project and limiting storage time, or by purchasing more crane equipment.

## 19. Conditions Which May Influence the Increase of Supply

- 19.1 The most significant consideration that an existing competitor would need to address before expanding is whether it could fund the capital expenditure of purchasing crane equipment. This issue is particularly relevant in relation to large crane equipment, such as tower or crawler cranes, where the capital cost can be relatively high.

## 20. Length of Time to Increase Supply

- 20.1 Where an existing competitor has adequate capital, it would be likely to be able to increase its supply of crane equipment hire services relatively quickly. Most crane equipment can be sourced in a matter of weeks either through retailers, second hand dealers or via the internet from online sites such as TradeMe and Trade & Exchange. Some of the more specialised heavy crane equipment may need to be specifically imported. Delivery of such equipment usually takes at least 6 months from the time of order.

## 21. Constraint by a Competitive Response from Existing Suppliers

- 21.1 A competitive response from existing suppliers would constrain the acquired entity in the following ways:
- a. If the acquired entity were to increase its hire charges, it is anticipated that customers would search for cheaper alternatives. This demand would be likely to encourage other crane hire suppliers to enter the Queenstown Lakes market and be able to price competitively. The high costs of transporting crane equipment into Queenstown (ie: the acquired entity's cost advantage) would be offset against the price increase from the acquired entity - allowing competitors based outside of the Queenstown Lakes area to enter the Queenstown Lakes crane hire market and win work; and
  - b. Once a competitor gains entry into the Queenstown Lakes crane hire market it could use the industry practice of moving crane equipment from project to project

from areas in and around Queenstown, offering discounts to each customer in the chain. This practice would have the combined effects of reducing the competitors transport and storage costs and giving the competitor a price advantage to win work. Competitors may also supply crane equipment of a type, make, standard or specification or operators which are superior to those offered by Boyd Cranes. Competitors may also be able to supply customers with cranes when the cranes are not otherwise available from Boyd Cranes, saving customers financial loss from the delays.

## 22. **Constraint due to the Conduct of Existing Competitors**

- 22.1 If existing competitors chose to compete more aggressively in the Queenstown Lakes crane hire market following the proposed acquisition, they could effectively constrain the acquired entity by ensuring the acquired entity remains price competitive and also makes sure cranes are available as and when cranes are needed.

## 23. **Coordinated Market Power**

- 23.1 Each competitor in the Queenstown Lakes crane hire market has a vested interest in maximising the amount of equipment it has out on hire at any one time, in order to maximise recovery of its capital expenditure. For this reason, there would be limited value in Boyd Cranes or the acquired entity co-ordinating price arrangements with its competitors as it would effectively lose a significant part of the market advantage it had over its competitors (ie: lower transport costs), and potentially reduce its ability to recover its capital costs as quickly as possible.

## 24. **Monitoring and Enforcement of Coordinated Market Power**

- 24.1 Verticon is not aware of any characteristics of the Queenstown Lakes crane hire market that would either facilitate or impede the monitoring and enforcement of coordinated behaviour by market participants post acquisition.

## 25. **Evidence of Coordination**

- 25.1 Verticon is not aware of any history or evidence of price coordination, price matching or price following by market participants in the Queenstown lakes crane hire market.

## 26. **Why the Acquisition Will Not Increase the Risk of Coordinated Behaviour**

- 26.1 The proposed acquisition will not increase the risk of coordinated behaviour as the market incentives to obtain a sufficient return on capital investment as discussed in clause 23.1 will remain the same post acquisition.

## **PART IV: CONSTRAINTS ON MARKET POWER BY POTENTIAL COMPETITION**

### 27. **Conditions of Entry**

- 27.1 The following conditions may affect the ability of new firms to enter the Queenstown Lakes crane hire market:

- **Importing Constraints:** Transporting crane equipment for one-off or short term projects is unlikely to be cost effective. However, as discussed in paragraphs 17.8 and 21.1b a new entrant may establish itself in the market long term by transporting of cranes equipment into Queenstown then moving the crane equipment from project to project. Such practice would allow the initial transport costs to be gradually recovered in a way that would still enable the new firm to price competitively;
- **Legislative Regulatory Requirements:** As discussed in paragraph 17.2, any new competitor would have to comply with the Resource Management Act 1993 and Hazardous Substances and New Organisms Act 1996 in setting up and operating its business. There are no other significant regulatory or legislative constraints that may affect the ability of new firms to enter the Queenstown Lakes crane hire market.
- **Industrial/ Business Constraints:** The only business conditions that may affect the ability of a new firm to enter the Queenstown Lakes crane hire market is the access to capital and the availability of land for storage purposes. However, these conditions may be dealt with by a new entrant in the same way as an existing competitor and as discussed in paragraphs 17.4 to 17.9 (inclusive).
- **Other:** As long as the crane equipment hire industry remains profitable is highly likely that international companies may enter the market. For example, Singapore's Tat Hong Holdings Limited has recently announced that they are seeking an acquisition in the Australian crane hire market of a value up to S\$30 million. In this respect, Verticon notes that Tat Hong Holdings Limited listed its 70 percent owned subsidiary Tutt Bryant Group on the Australian Stock exchange in December 2005.

## 28. Potential New Entrants

28.1 The following New Zealand and Australian companies do not currently supply the Queenstown Lakes crane hire market, but could supply the market by:

- a. Investing in new production facilities;
- b. Diverting product to Queenstown; or
- c. Expanding existing facilities.

Company	Owner	Entry By
Titan Cranes Limited	Titan Holdings Limited, which is ultimately owned 52.5% by Maxwell Spencer Whiley and 47.5% by John Sydney Carter, Barry Alexandra Wilson and Christopher Dan Williams	Diverting product to Queenstown Lakes District/ Expanding existing facilities
New Zealand Crane Hire Limited	New Zealand Group Holdings Limited, which is ultimately owned 50% by Deane Foster Manley and Michael George Cantrick Stephens and 50% by Stephen David	Diverting product to Queenstown Lakes District/ Expanding existing facilities

	Handyside and Brett Hoddle	
Auckland Cranes Limited	Waikato Crane Services Limited	Diverting product to Queenstown Lakes District/ Expanding existing facilities
Waikato Crane Services Limited	50% by Albert Smith (Industries) Limited, which is ultimately owned by Independent Trustees (Tauranga) Limited (which in turn is owned 20% by Robert Edward Lee, 20% by Laughlin Glenn Keaney, 20% by David Neville Cooke, 20% by Donald Raymond Pilbrow and 20% by Colin Mark Thomas); 41.66% by Tony Howard Gibson; and 8.33% by Paula Annette Gibson	Diverting product to Queenstown Lakes District/ Expanding existing facilities
Tutt Bryant Group Limited (Australia)	Tat Hong Holdings Limited (Singapore)	De novo entry or purchase of existing business
Smith Crane and Construction	37.36% by Timothy Glen Smith; 29.78% by Michael Cooney and Independent Trustees (Tauranga) Limited; 17.23% by Timothy Glen Smith, Anna Eva Smith and HP Hanna & Co. Trustees Limited; 14.04% by John Charles Smith; and other minority shareholders each holding less than 0.5% each.	Diverting product to Queenstown Lakes District/ Expanding existing facilities
Boom Logistics	<b>Company listed on the Australian Stock Exchange</b>	Purchase of existing business

## 29. Conditions Most Influential to Entry

- 29.1 The most significant constraint on a new competitor entering the market would be the initial capital outlay of any new crane equipment needed. A new competitor may limit their initial capital cost by starting at the lower end of the market (with small or surplus equipment) and growing their fleet gradually or by purchasing crane equipment in high demand. Such entry could result in the entrant competing effectively on a job by job basis.
- 29.2 A new entrant may need to establish an appropriate storage site. However, if a new entrant utilised the industry practice of moving cranes from project to project and/ or based their storage site outside of Queenstown township, land needed for such storage site may be less of a constraint to entry.

### **Timelines**

- 29.3 Depending on the size of the business of the new entrant and their requirement for storage, a new entrant could enter the market within one month or take as long as 6-12 months (where resource consents were required for a storage site). It would be possible to enter the market even quicker than this by storing a crane at any number of yards in the area or by winning work where the crane was permanently on site.

### **Likelihood of Entry**

- 29.4 Verticon is unable to assess whether it would be profitable for a new entrant to enter the market at pre-acquisition prices as the cost of entry would very much depend on the size of the business planned by new entrant, what equipment was required to set up such business and whether a storage site was required. The ongoing residential and commercial developments in the Queenstown Lakes area suggest that demand for crane hire will remain strong in the near future, hence encouraging new entrants.

### **Threat of Entry**

- 29.5 Given the limited nature of competition in the Queenstown Lakes crane hire market currently, the threat of entry of a new entrant is likely to cause the acquired entity to price competitively and ensure its service quality continues to be of a high standard, so as not to encourage new entrants.

### **De Novo Entry**

- 29.6 As discussed above, the capital cost of crane equipment is the biggest constraint to entry into the Queenstown Lakes crane hire market by a new entrant. Assuming the capital costs of setting up business de novo would be greater than expanding an existing business, Verticon considers an entry by a firm already in the crane industry more likely than a firm not in the crane industry. An existing crane hire firm may find entering the market easier, using existing equipment and existing relationships with suppliers and customers.
- 29.7 Verticon estimates that a de novo entrant would take between three and five months to enter the Queenstown Lakes crane hire market, depending on the number of crane assets purchased, whether it required storage and resource consents and how long it took to be successful at tendering for projects.
- 29.8 A de novo entrant would also need to ensure it had appropriate business knowledge and trained staff to properly operate the business. Verticon notes that industry training is available from the Power Crane Association of New Zealand.
- 29.9 Where a de novo entrant did enter the Queenstown Lakes crane hire market, it may compete more effectively with the acquired entity if it began by targeting a specific type of customer or a specific product range.

## **PART V: OTHER POTENTIAL CONSTRAINTS**

- 29.10 Verticon does not intend to increase the acquired entity's inventory of crane equipment by a significant amount post acquisition. Spare parts and other ancillary equipment may be sourced from a range of suppliers in New Zealand and Australia. These would be the same suppliers currently available to Boyd Cranes. Verticon is unable to specify specific suppliers as they will vary greatly depending on the equipment required and cost.

- 29.11 The conduct of those suppliers is unlikely to constrain the activities of the acquired entity any more than they currently constrain Boyd Cranes.

### **Constraints on Market Power by Conduct of Acquirers**

- 29.12 The customers of goods and services of the acquired entity will be the same as those of Boyd Cranes. Verticon has no current plans to significantly increase the size of the acquired entity's business.
- 29.13 Verticon is unable to identify specific customers as they will change from time to time depending on what construction work is being undertaken in the Queenstown Lakes area and which of the acquired entity's tenders have been successful.
- 29.14 The customers of the acquired entity will be price sensitive and will look to ensure they are getting value for money. If the acquired entity increases its prices significantly, customers will look to suppliers outside of the Queenstown Lakes area or new suppliers as an alternative.
- 29.15 Due to the nature of the construction industry, any delays in obtaining the necessary cranes may incur an additional cost to customers. If the acquired entity does not have stock available as and when required, customers will look for alternative suppliers in order to reduce those additional costs. Any significant increase in the construction industry in Queenstown will provide a significant incentive to existing and potential competitors to enter the Queenstown Lakes crane hire market, to service those customers in a timely and cost effective manner. Once in the market these competitors have the opportunity to establish customer relationships and create a presence in the market.
- 29.16 Customers will also be required to ensure their sites operate in accordance with all relevant health and safety regulations. If customers are not satisfied the acquired entity is supplying adequately skilled operators or fully operational and safe equipment, they will seek alternative suppliers.

***The applicant is willing to provide the Commission with any further information that it requires in assessing this application, including information relating to questions that have not been answered at this time. Officers within Verticon may also be made available to provide any particular information or assistance that the Commission might require in considering this application. All enquiries should, however, in the first instance be directed to Geoff Hosking at Hesketh Henry.***



THIS NOTICE is given by Verticon Group Limited

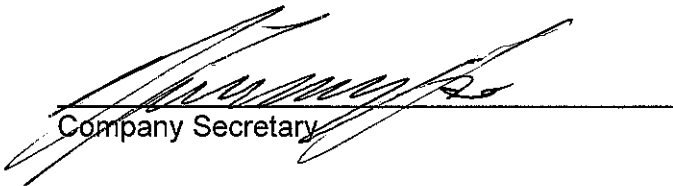
Verticon Group Limited hereby confirms that:

- \* all information specified by the Commission has been supplied;
- \* all information known to the applicant which is relevant to the consideration of this application/notice has been supplied; and
- \* all information supplied is correct as at the date of this application/notice.

Verticon Group Limited undertakes to advise the Commission immediately of any material change in circumstances relating to the application/notice.

Dated this 17<sup>th</sup> day of AUGUST 2006.

Signed on behalf of  
Verticon Group Limited:

  
\_\_\_\_\_  
Company Secretary

I am the company secretary for Verticon Group Limited and am duly authorised to make this application/notice.