

PUBLIC VERSION

COMMERCE ACT 1986: BUSINESS ACQUISITION

SECTION 66: NOTICE SEEKING CLEARANCE

Date: 16 February 2016

The Registrar
Competition Branch
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.

PUBLIC VERSION

Part A: Summary of Application

1. Executive Summary

- 1.1 Fletcher Building Holdings New Zealand Limited (**FBHNZ** or the **Applicant**), or an interconnected body corporate of the Applicant, is seeking clearance to acquire:
- (a) up to 100% of the shares in Higgins Group Holdings Limited (**Higgins**);
 - (b) up to 50% of the shares in Horokiwi Quarries Limited (**HQL**); and/or
 - (c) the assets of Higgins and its interconnected bodies corporate in New Zealand (but excluding the assets related to Higgins' New Zealand ready-mix concrete business and property business),
- (the **Proposed Acquisition**).
- 1.2 Higgins currently owns and operates a ready-mix concrete business and has interests in two JVs that operate separate ready-mix concrete operations. However, Higgins' interests in its ready-mix concrete business and the JVs will be transferred to a new company which will be owned by Higgins' existing shareholders prior to the Proposed Acquisition. Accordingly, FBHNZ will not acquire any interest in Higgins' ready mix concrete business. [].
- 1.3 A related entity of the Applicant, Fletcher Building (Fiji) Limited, will acquire the assets related to Higgins' Fijian operations, in relation to which there is no competitive overlap.
- 1.4 The Applicant is a wholly owned subsidiary of Fletcher Building Limited (**Fletcher Building**), an NZX and ASX listed company primarily involved in the manufacture and distribution of building materials and in residential and commercial construction. Fletcher Building has operations in New Zealand, Australia, Asia, Europe and the USA.
- 1.5 Higgins is a privately held New Zealand company that provides road surfacing and repair, civil construction and infrastructure services in New Zealand and Fiji.
- 1.6 While both Higgins and Fletcher Building are also involved in the manufacture and supply of ready-mix concrete, as set out above, the owners of Higgins will retain this business. Accordingly, no horizontal aggregation arises in relation to ready-mix markets.
- 1.7 There is some overlap in the parties' operations in relation to the manufacture and wholesale supply of aggregates in the North Waikato, Napier, Manawatu-Wanganui, Kapiti, Wellington and Christchurch regions. In each of the relevant areas of overlap a number of competitors will remain, with both the ability and incentive to continue to compete strongly and expand should an opportunity present itself. Furthermore, barriers to entry are such that the threat of new entry and expansion will continue to impose a competitive constraint. In this regard WorkSafe New Zealand recently stated that there could be some 1200 quarry sites in New Zealand.
- 1.8 There is negligible overlap in small scale infrastructure projects. Brian Perry Civil (**BPC**) (a business unit of The Fletcher Construction Company Limited (**FCC**), which is a related entity to the Applicant) specialises in the design and construction of bridges and similar structures. Higgins' involvement in small infrastructure projects is typically limited to maintenance and surfacing of such structures.
- 1.9 Fletcher Building does not compete with Higgins' road surfacing, road maintenance and other civil construction services. The Proposed Acquisition therefore represents an opportunity for Fletcher Building to expand into that space. The major competitors in those areas are Fulton Hogan Limited (**Fulton Hogan**), Downer New Zealand Limited (**Downer**) and HEB Construction Limited (**HEB**).

- 1.10 Higgins currently supplies inputs, such as aggregates, to itself and other firms in the downstream 'contracting' space. Likewise, Fletcher Building also supplies inputs to contractors. Accordingly, a degree of vertical integration will remain (albeit with Fletcher Building, and not Higgins, as the upstream supplier). In addition, Fletcher Building does supply some inputs to the likes of Fulton Hogan, Downer, etc. which Higgins does not, e.g. concrete products, road safety materials and plastic pipes. However, to the extent that the Applicant supplies inputs into this market, such inputs are widely available from alternative suppliers, such that the Proposed Acquisition does not give rise to the incentive or the ability to reduce competition via foreclosure.
- 1.11 For the reasons outlined above, and detailed further in this application, the Proposed Acquisition is therefore not likely to have the effect of substantially lessening competition in any New Zealand market.

Part B: The Parties

1. The Acquiring Party

1.1 The party seeking clearance is **Fletcher Building Holdings New Zealand Limited** or an interconnected body corporate of Fletcher Building Holdings New Zealand Limited.

1.2 Contact details for **the Applicant**:

<i>Address</i>	Fletcher Building Holdings New Zealand Limited 810 Great South Road Penrose, Auckland 1061 New Zealand
<i>Contact person</i>	Louise Hill
<i>Email Address</i>	Louise.Hill@fb.co.nz
<i>Telephone</i>	+64 9 525 9280
<i>Website</i>	www.fbu.com

1.3 Please direct all correspondence and notices for **the Applicant** to:

<i>Address</i>	Bell Gully Barristers and Solicitors PO Box 4199 Auckland 1140
<i>Attention</i>	Torrin Crowther and Glenn Shewan
<i>Email Address</i>	torrin.crowther@bellgully.com glenn.shewan@bellgully.com
<i>Telephone</i>	+64 9 916 8621 +64 9 916 8726

1.4 The Applicant is a wholly owned subsidiary of Fletcher Building, a publically listed company on the NZX and ASX. The Applicant is the New Zealand holding company for the Fletcher Building group in New Zealand and is primarily involved in the manufacture and distribution of building materials and in residential and commercial construction in New Zealand. Fletcher Building and its related companies are also active in Australia, Asia, Europe and the USA. Its operations can be split into building products manufacture (cement, ready-mix concrete, concrete products, aggregates, plastic pipes, fibreglass insulation, aluminium window and door frames, sinkware, plasterboard, roofing, etc.), laminates and panels, distribution (of building products and steel products), and construction.

1.5 Further information about the Fletcher Building group is available at www.fbu.com.

1.6 A corporate structure diagram of the Applicant and its relevant related entities is attached as **Annexure 1A**.

2. **The Transferring Parties**

2.1 The transferring parties are:

- (a) **B F H Investments Limited;**
- (b) **D P H Investments Limited;**
- (c) **M P H Investments Limited;**
- (d) **Daniel Patrick Higgins, Brendon Paul Stewart and John Campbell Stewart** as trustees of the **Brendon Paul Stewart Family Trust**; and
- (e) **Daniel Patrick Higgins and John Campbell Stewart** as trustees of the **John Campbell Stewart Family Trust**, (together, the **Vendors**) which together hold 100% of the share capital of **Higgins Group Holdings Limited**.

2.2 Contact details for the **Vendors**:

<i>Address</i>	Higgins Group Holdings 420 Church Street Palmerston North
<i>Contact person</i>	David Geor, CEO
<i>Email Address</i>	d.geor@higgins.co.nz
<i>Telephone</i>	+64 6 357 1025
<i>Website</i>	www.higgins.co.nz

2.3 Please direct all correspondence and notices for the **Vendors** to:

<i>Address</i>	Chapman Tripp Barristers and Solicitors PO Box 993 Wellington 6140
<i>Attention</i>	Grant David and Sebastian Templeton
<i>Email Address</i>	grant.david@chapmantripp.com sebastian.templeton@chapmantripp.com
<i>Telephone</i>	+64 4 498 4908 +64 4 498 2401

2.4 Higgins is a privately held company with 100% of the shareholdings owned by, or in trust for, members of the Higgins family. It employs over 1200 people throughout New Zealand and Fiji.

2.5 Higgins offers civil construction services and infrastructure products related to road construction, surfacing and maintenance. Its New Zealand operations can be split into the following four divisions.

- (a) *Major infrastructure*: designing and building aspects of major infrastructure projects (wind farms, airport runways and port hardstand container infrastructure) and working in alliance consortiums on major roading projects.
- (b) *Road maintenance*: providing urban and rural road maintenance services.

- (c) *Regional Infrastructure*: designing and building aspects of commercial and residential developments, driveways, local body infrastructure, car parks, and sports infrastructure including surfacing, artificial sports surfaces, minor earthworks and drainage.
 - (d) *Construction product manufacture*: manufacturing and supplying aggregates, concrete, bitumen based products, road signage and bitumen equipment.
- 2.6 Higgins also carries on the business of general construction and civil engineering, infrastructural maintenance, asphalt production and laying and bituminous products and aggregate crushing in Fiji through a related trading trust.
- 2.7 A corporate structure diagram of Higgins and its relevant related entities in New Zealand at the time of the Proposed Acquisition is attached as **Annexure 2A**.

Part C: The Transaction

3. Transaction details

- 3.1 Fletcher Building Holdings New Zealand Limited (**FBHNZ** or the **Applicant**), a wholly owned subsidiary of Fletcher Building, is seeking clearance to acquire:
- (a) up to 100% of the shares in Higgins Group Holdings Limited (**Higgins**);
 - (b) up to 50% of the shares in Horokiwi Quarries Limited (**HQL**); and/or
 - (c) the assets of Higgins and its interconnected bodies corporate in New Zealand (but excluding the assets related to Higgins' New Zealand ready-mix concrete business and property business),
- (the **Proposed Acquisition**).

- 3.2 The Applicant (with Fletcher Building acting as the Applicant's guarantor) has entered into an agreement with the Vendors in relation to the proposed acquisition of the shares in Higgins (the **Sale Agreement**).

- 3.3 [].

- 3.4 Higgins also currently owns and operates a ready-mix concrete business through its wholly owned subsidiary, Higgins Concrete Limited (**HCL**), as well as interests in two JVs (McIlwaine Ready Mix Limited (**McIlwaine**) and Prenters Ready Mixed Concrete Limited (**Prenters**)) which operate separate ready-mix concrete businesses. The Proposed Acquisition is conditional on a restructure of Higgins which includes the amalgamation of HCL with a new company which will be owned by Higgins' existing shareholders. Shares in McIlwaine and Prenters will also be transferred to that company. Accordingly, FBHNZ will not acquire any interest in Higgins' ready mix concrete business.

- 3.5 A related entity of the Applicant, Fletcher Building (Fiji) Limited, will acquire the assets related to Higgins' Fijian operations.

4. Rationale

- 4.1 The Applicant views the Proposed Acquisition as a means to expand its business into road surfacing and maintenance and other civil and infrastructure activities, enabling it to compete directly against large integrated civil contracting companies such as Fulton Hogan and Downer. The Applicant considers that there are a number of synergies with its current construction and infrastructure materials businesses and that the Proposed Acquisition will allow the Applicant a fuller and more extensive service offering on large infrastructure projects.

- 4.2 The Applicant's recent experience in the New Zealand roading market is that large construction projects often require the contractor to undertake maintenance for a period of time after completion of the project. The Applicant is unable to compete for these projects on its own, since it does not have a road maintenance business.

- 4.3 [].

5. Changes to control and structure

- 5.1 A corporate structure diagram showing how the Proposed Acquisition will change the control and structure of ownership of the parties is attached as **Annexure 3**.

6. Ancillary agreements

6.1 The following ancillary agreements are relevant to the Proposed Acquisition.

(a) [].

(b) [].

(c) **Property leases:** The Vendors will retain certain of the properties on which the business being acquired by the Applicant (the **Target Business**) operates. The Applicant will acquire the freehold of the quarry properties, but the remaining properties will remain owned by the Vendors and leased to the Applicant for the purposes of conducting the business.

(d) **Other:** There are other transactional documents, which relate to the transition of the Target Business to Fletcher Building ownership, and separation of the Target Business from Higgins Ready Mix Concrete. These include the trade mark licence agreement, where the Target Business will licence the “Higgins” name to Higgins Ready Mix Concrete, and the transitional services agreement under which the Target Business will provide transitional services to Higgins Ready Mix Concrete to facilitate its separation from the existing Higgins group business.

7. Transaction documents

7.1 A copy of the Sale Agreement is attached as **Annexure 4A** and a copy of the [] is attached as **Annexure 4B**.

7.2 [].

7.3 [].

8. International effects

8.1 No other competition agencies will be notified of the Proposed Acquisition.

Part D: The Relevant Markets

9. Overlapping products and services

- 9.1 Higgins is primarily involved in road surfacing and repair and roading related aspects of civil construction and infrastructure services. While representing a small part of its business, Higgins also has operations in the production and wholesale/retail supply of aggregate products.¹
- 9.2 Winstone Aggregates (**Winstone**), a business unit of FCIL (which is a related entity to the Applicant), operates 18 quarries nationwide from which it manufactures and supplies a full range of aggregates.² FCIL also owns a 50% share in two joint ventures that operate quarries in Rodney (Rodney Aggregates Supplies Limited) and Rangitikei (Rangitikei Aggregates Limited (**RAL**)) and a one third share in a joint venture that operates a quarry in Oamaru (Oamaru Shingle Supplies Limited).
- 9.3 Higgins operates 16 quarries from which it manufactures and supplies aggregates and has access to approximately 20 additional sites from which it extracts and processes aggregate resource from time to time. The majority of these sites are situated in the lower North Island, with the exception of a quarry located in North Waikato and another located outside of Christchurch.³ Higgins also has a 50% share in Horokiwi Quarries Limited (**HQL**) which operates the Horokiwi quarry in Wellington.
- 9.4 The parties both undertake, in the broadest sense, construction services. However, the Applicant considers that there is minimal (if any) relevant overlap of their construction activities since Higgins' focus is on construction and maintenance of roads as well as other "horizontal" surfaces such as airport runways, port container handling yards, car parks etc.. Higgins is not involved in the construction of "vertical" structures (such as bridges, tunnels etc.) except as it relates to the roading, surfacing and maintenance of those structures. The Applicant's focus is on large structural projects, and particularly the infrastructure part of these projects, such as constructing bridges and tunnels and building the infrastructure on which the road surface is laid. Unlike Higgins, the Applicant is not involved in road surfacing, road maintenance, bitumen supply, asphalt manufacturing or manufacture of road signs.
- 9.5 While BPC (a business unit of FCC) is involved in small infrastructure projects, it specialises in the design and construction of bridges and similar structures. It also designs and builds small industrial plants, marine structures and a range of ground improvement works, including piling and other foundation activities, as well as performing large diameter drainage and piped drainage installation works. By contrast, Higgins' involvement in small infrastructure projects is focused on the maintenance and surfacing of such structures. It is not involved in designing or constructing structures, including piling and drainage installation works, except where this is directly related to its road construction or surfacing work, e.g. some marginal, small diameter drainage works. Accordingly, there is no relevant overlap in relation to the small infrastructure services of BPC and Higgins and the two parties would not see each other as competitors in any New Zealand market.
- 9.6 Accordingly, civil construction and such activities are not discussed further in the application. Further information can be provided if the Commission would like.
- 9.7 [].

10. Aggregates Industry overview

- 10.1 Aggregates are any hard, inert, construction material such as crushed or extracted rock, gravel, sand or other material. Aggregates are extracted from quarries, river beds or beaches and sorted according to particle size or crushed to the desired size. The most common base rock input into aggregate production in New Zealand is greywacke or basalt.

¹ While Higgins is also involved in the manufacture and supply of wholesale/retail supply ready-mix concrete, the Vendors will retain this business.

² Further information about Winstone is available on its website: www.winstoneaggregates.co.nz.

³ Further information about Higgins' aggregates operations is available on its website: www.higgins.co.nz.

- 10.2 In relation to land based quarries, base rock is extracted from quarries using motor scrapers and hydraulic excavators and dump trucks. The quarry face is generally drilled and blasted to fracture and break up the rock. Hydraulic excavators are typically used to load the broken rock onto dump trucks, although small quarries may employ less sophisticated machinery. In some quarries (including many Wellington quarries) the rock may be naturally fractured so that blasting is not necessary. The rock is extracted by ripping and blading with a bulldozer or by digging with a bulldozer and hydraulic excavator.
- 10.3 River bed, beach gravel and sand deposits are generally excavated directly by hydraulic excavator or loader tractors. Terrace deposits usually require stripping and may need ripping with a bulldozer before removal by a loader or hydraulic excavator.
- 10.4 The extracted rock is usually transported to a processing plant (resource consents generally do not allow processing on the river). For large and medium operations, processing plants are generally fixed (often on-site). Mobile or temporary plants may be used for sand and gravel operations, small quarries or short-term construction projects.
- 10.5 Aggregate processing usually involves crushing and screening to produce a variety of different products of different particle size, suited for specific uses. The most common uses are for mixing with cement to form concrete or mortar, or used alone for railway ballast, road building or other construction. The level of processing required to produce each type of aggregate typically correlates to the value of the aggregate (i.e. the more processing required to produce a certain type of aggregate, the higher the cost).
- 10.6 There is a range of ways that aggregates are sold. Generally, large volumes are sold on the back of large construction projects. Tenderers will request pricing for certain volumes with particular specifications. Quarries compete to offer the volume in the timeframe required at the lowest price. In addition, aggregate sales are often internal, with many contractors and ready-mix concrete suppliers owning their own quarry resources.

11. Industry trends

- 11.1 According to a 2013 report from the Aggregate & Quarry Association of New Zealand (**AQA**), the aggregate industry in New Zealand is very fragmented with an estimated 600 quarries either in a mothballed condition, or comprise small scale operations on farms or in forestry units where product is consumed internally. The AQA reported that around 200-300 of these quarries are actively involved in supplying aggregates on a regular day to day basis.⁴ However, it is likely that the number of quarries in New Zealand is significantly higher. WorkSafe New Zealand recently stated that while it has received lawful notification of 402 quarries, it considers there could be up to 1200 quarry sites around New Zealand.⁵
- 11.2 The AQA has also reported that it is generally accepted that approximately 65% of aggregates quarried in New Zealand are used in roading construction, 25% in other construction and the remainder in other end uses.⁶
- 11.3 There has been recent M&A activity in the New Zealand aggregates space with Fulton Hogan's acquisition of the quarries of Bruce Buchanan Limited in Wairarapa and of Warren Fowler Quarries Limited in Auckland. Furthermore, the Applicant understands that Perry Resources (2008) Limited (**Perry**) is negotiating the sale of its hard rock quarries in the upper North Island to Fulton Hogan and its dedicated sand quarries to another entity.
- 11.4 There is also evidence of recent attempts by firms to enter or expand in aggregates markets. The Applicant understands that an entity with the initials "SOL" has recently applied for consents to quarry in Christchurch. The Parties understand that "SOL" may be associated with Peter Dormer of Dormer Construction Limited, a large construction company based in Christchurch. The Applicant also understands that an entity trading as CPM Contracting in Napier (which has

⁴ AQA Submission on "Residential Construction Sector: Market Study Paper" (11 June 2013) at 5.2.9.

⁵ <http://www.stuff.co.nz/business/76102905/irresponsible-operators-tarnishing-new-zealand-quarry-industrys-reputation>

⁶ AQA Submission on "Residential Construction Sector: Market Study Paper" (11 June 2013) at 5.2.2.

already established an asphalt plant in Hastings) is trying to establish a new land based quarry in Maraekakaho (near Hastings) and is seeking customers for its proposed new operation.

- 11.5 Markets for aggregates are heavily dependent on population density and resulting demand for building and highway construction. Accordingly, aggregate demand is driven by population growth, GDP and most importantly, given the proportion of aggregates used in roading construction, investment by the government, regional, municipal or private sources.

12. Market Definition

- 12.1 The Commission has previously considered aggregates markets in *Decision 513*⁷ (being in relation to the acquisition by Holcim (New Zealand) Limited of a minority shareholding in Atlas Resources Limited). In that decision the applicant was of the view that there were three product levels based on the degree of processing; the highest product level (and the highest price) being road sealing chip, the next level being concrete aggregate, and the lowest being roading base course. The Commission noted that there are several types of aggregates with varying characteristics but also considered that there is a high degree of supply side substitutability between aggregate products, as all are produced from the same base rock (either basalt or greywacke) and producers could switch between producing different sizes of aggregate simply by changing processing methods (although this may require some additional processing machinery).
- 12.2 Despite this finding, the Commission considered that the transaction in *Decision 513* could be suitably assessed using a product market for aggregates used in the manufacture of ready-mixed concrete. However, the Commission did not make a definitive decision on product definition.
- 12.3 The parties agree that there is a high degree of supply-side substitutability in aggregates supply and that output varies according to demand for the relevant product. That high degree of supply side sustainability is well illustrated by the following examples of the variation of overall outputs from some of Higgins' quarries over time:
- (a) at its Bulls quarry, the percentage of total production accounted for by basecourse has ranged between []% and []%, concrete aggregates between []% and []% and seal chip between []% and []%; and
 - (b) at its Te Matai quarry the variation has been []% to []% for basecourse; []% to []% for seal chip and []% to []% for concrete aggregates.
- 12.4 Such variations are by no means unusual across New Zealand quarries, due to differing demand over time within the regional market serviced by the particular quarry. Put simply, the quarry's output is arranged so far as practical to service current local demand.
- 12.5 Furthermore, not only would attempts to estimate share of aggregate sales by aggregate type vary substantially depending on the period chosen, the volatile nature of the aggregate mix is such that the parties do not believe they could estimate shares on that basis with any degree of accuracy. That said, the Applicant appreciates the Commission will want to understand the competition dynamics associated with the different types of aggregate and so is happy to engage with the Commission as to how best to achieve this, notwithstanding the issues described above.
- 12.6 The Commission has also separately considered dedicated sand quarries.⁸ In *Decision 696* the Commission concluded that for the purposes of its analysis the relevant market was for the extraction and wholesale supply of sand in the Northland region. This market included washed, windblown and sea sand. While dedicated sand quarries were considered separately in *Decision 696*, the extraction and processing of a resource inevitably results in the collection and/or production of sand as a by-product, and so all quarries' output will include a proportion of sand.

⁷ *Holcim (New Zealand) Limited & Atlas Resources Limited*, 20 November 2003.

⁸ *Tomarata Sand limited & Coastal Resources Limited*, 25 June 2010.

- 12.7 The Applicant has two quarries in the areas of overlap specifically for the purpose of extracting sand.⁹ Higgins on the other hand does not have any dedicated sand extraction quarries. Higgins produces a limited amount of sand as a by-product. It has previously manufactured a small amount of “natural sand” from its Awapuni quarry, but this quarry has been largely disestablished. Accordingly, specific sand markets are not considered further in this application. []
- 12.8 The Applicant considers that because of the high degree of supply side substitutability identified by the Commission previously, the proper product market is all aggregates manufactured from either basalt or greywacke.
- 12.9 Where relevant, the Applicant comments on particular types of aggregates.
- 12.10 In terms of geographic scope, the Commission has previously identified regional markets. As aggregates are not perishable, the geographic scope of the market will depend on the ability to transport product economically. In this regard, a relevant consideration is the ability of sellers to competitively transport aggregates over a substantial distance where they are able to obtain backhaul loads. (Indeed, a number of stock feed transport suppliers, particularly in the North Island, are active in transporting backhaul aggregate loads at “marginal” pricing.)
- 12.11 Transport can either be provided by third party contractors or, more commonly, by an aggregate supplier with its own vehicle fleet. Aggregate supply is often priced on a delivered basis. There are a number of variables which impact transport distances, including the availability of back haul capacity, etc. Further, because different aggregate types have different values (for example, sealing chip will have a higher value than base course) there can be variations in the distance that each aggregate type will be transported. As a broad generalisation, the Applicant would expect the majority of base course deliveries would be made within around a [] radius of a quarry, while for concrete aggregates and sealing chip, this could extend to around []. Per km costs of transporting aggregate can vary. For example, Winstone Aggregates’ costs for a truck and trailer unit, carrying 27 tonnes, are around [] per hour. This is incurred on both the outward and homeward journeys and for loading times which average around [] at the quarry and [] at the customer location. Accordingly, costs can vary depending on terrain and traffic (Auckland traffic congestion is such that on average the cost of delivery in, say, Manawatu or Napier would be lower per/km than Auckland). In general terms, the Applicant would expect a delivery [] away to take around [] including loading/unloading and return time. Costs can decrease where back loading opportunities are available.
- 12.12 In *Decision 513* the Commission considered the relevant geographic scope was the greater Auckland metropolitan region, extending from Pukekohe in the south to Silverdale in the north, a distance of some 85km by road, and one which is broadly consistent with the distances (in km radius) outlined in paragraph 12.11 above.
- 12.13 The following regions have been identified as areas of geographic overlap between the parties’ aggregates operations:
- (a) North Waikato (the area north of Hamilton and south of Auckland);
 - (b) Napier;
 - (c) Manawatu-Wanganui;
 - (d) Kapiti;
 - (e) Wellington; and
 - (f) Christchurch.
- 12.14 The locations of the Winstone and Higgins quarries in these regions are set out in **Annexure 5A**.

⁹ Pukekawa in North Waikato and Awatoto in Napier.

12.15 While, to be conservative, we set out our competition analysis by reference to these regions, the actual geographic market will likely be wider. For example, many of the Manawatu suppliers supply product down into the Kapiti region, while suppliers from the Wairarapa are known to supply Wellington. Further details are provided below in relation to each region.

13. Sales revenues and volumes

13.1 The tables below set out the sales revenues and volumes of aggregate products (including captive sales) for both the Parties and their joint ventures in each of the areas of overlap. These volumes include sand.

Figure 1: North Waikato

FY15	Volume (m ³)	Revenue (\$NZ)
Winstone	[]	[]
Higgins	[]	[]

Figure 2: Napier

FY15	Volume (m ³)	Revenue (\$NZ)
Winstone	[]	[]
Higgins	[]	[]

Figure 3: Manawatu-Wanganui

FY15	Volume (m ³)	Revenue (\$NZ)
RAL	[]	[]
Higgins	[]	[]

Figure 4: Kapiti*

FY15	Volume (m ³)	Revenue (\$NZ)
Winstone	[]	[]
Higgins	[]	[]

*Note: 2013/14 volumes used as current M2PP project has temporarily increased volumes

Figure 5: Wellington

FY15	Volume (m ³)	Revenue (\$NZ)
Winstone	[]	[]
HQL	[]	[]

Figure 6: Christchurch

FY15	Volume (m ³)	Revenue (\$NZ)
Winstone	[]	[]

14. Key competitors

- 14.1 Key competitors in the regions of overlap are set out below. Aerial views of key sites in those regions (excluding North Waikato where there is minimal overlap and a number of competitors) are also included for reference. Maps showing the locations of these quarries are provided in **Annexure 5C**.
- 14.2 Factors such as excess capacity, resource life and resource quality tend to be highly commercially sensitive. Accordingly, the Applicant is unable to provide the details for its competitors. However, to its knowledge, it does not expect any of the resources set out below to become constrained within the next five years (in particular taking into account the ability to obtain new river allocations where relevant) and therefore considers them well placed to expand in response to market opportunities.

Fulton Hogan

- 14.3 Fulton Hogan Limited (**Fulton Hogan**) provides civil contracting and construction services throughout New Zealand, Australia and the South Pacific. In the 2015 financial year the Fulton Hogan group reported revenue of NZ\$2.9 billion. In addition to providing contracting services for a variety of large and small construction, infrastructure and roading projects, it has extensive construction materials operations, including the production and supply of asphalt, aggregates, precast concrete products and road signs.
- 14.4 Of relevance to this application, Fulton Hogan operates quarries in Auckland and Christchurch and is a 50% JV partner with Higgins in HQL. It also has a 25% share in RAL which gives it an indirect presence in the Manawatu. Fulton Hogan has also recently acquired the quarries of Bruce Buchanan Limited in Wairarapa and Warren Fowler Quarries Limited in Auckland. The Applicant also understands that Fulton Hogan is negotiating with Perry to purchase its hard rock quarries which are located in the upper North Island.
- 14.5 Aerial views of Fulton Hogan's quarries in Wairarapa (Diversion Road, Featherston and Waiohine) and Christchurch are provided below.

Figure 7: Diversion Road



Figure 8: Featherston



Figure 9: Waiohine



Figure 10: Christchurch



14.6 Further information on Fulton Hogan is available at www.fultonhogan.com.

Holcim

14.7 Holcim New Zealand Limited (**Holcim**) is a subsidiary of LafargeHolcim, a global manufacturer of building materials (primarily cement, aggregates and concrete) which is listed on both the Euronext and Swiss Exchange. LafargeHolcim was founded in mid-2015 as a result of a merger between Lafarge and Holcim. It has operations in 90 countries and has a market capitalisation of around CHF 24.5 billion (roughly NZ\$36.9 billion).

14.8 Holcim is one of New Zealand's two domestic cement manufacturers (along with FCIL). However, it is currently in the process of moving from manufacturing cement locally to importing. Holcim's Westport cement plant will close by the second half of 2016 when new import facilities at Waitemata in Auckland and Timaru are fully operational.

14.9 Holcim owns quarries and sells aggregates in Auckland (Bombay Quarry), Napier (Fernhill) and Wellington (Kiwi Point). Downer owns and operates an asphalt plant located at Holcim's Kiwi Point site.

14.10 Aerial views of Fulton Hogan's Fernhill and Kiwi Point quarries are provided below.

Figure 11: Fernhill



Figure 12: Kiwi Point



14.11 Further information on Holcim is available at www.holcim.co.nz/.

Horokiwi Quarries

- 14.12 HQL is a 50:50 JV between Higgins and Fulton Hogan. A corporate structure diagram for HQL is provided in **Annexure 2B**.
- 14.13 HQL's resources are spread across three sites in Wellington – Fitzroy Bay, Horokiwi and Hutt River with the primary location in Horokiwi located between Wellington and Petone.
- 14.14 HQL is run independently. While some matters are referred to HQL's board (which consists of two directors appointed by each shareholder), its own independent managers are in charge of day to day operations. [].
- 14.15 An aerial view of HQL's Horokiwi quarry is provided below.

Figure 13: Horokiwi



J Swap

- 14.16 J Swap Contractors Limited (**J Swap**) owns and operates 12 quarries in the Waikato and Bay of Plenty regions. This allows them to supply aggregates across the North Island. They are also involved in bulk transport, bulk storage, civil construction and supply of stockfoods across both islands.
- 14.17 J Swap is a family company that began in 1937. Their involvement in multiple fields has given them a well-known name throughout New Zealand, with many long-standing rural customer relationships.
- 14.18 Further information on J Swap is available at www.jswap.co.nz/.

Kaipara

- 14.19 Kaipara Limited (**Kaipara**) is owned by Lachlan Holdings Limited. They operate two large aggregate quarries. Brookby Quarry, located on Kimptons Road, serves the Auckland region. Smythes Quarry on State Highway 2 Maramarua, supplies aggregate to customers in Auckland, Bay of Plenty, Coromandel and Waikato.
- 14.20 Kaipara also operates Pine Harbour Marina, Spinnaker Bay and Drinkrow Industrial Estates.
- 14.21 Further information on Kaipara is available at www.kaipara.co.nz.

Perry Resources

14.22 Perry is part of the Perry Group. It specialises in sand extraction and hard rock quarrying. It operates two hard rock quarries in the Waikato district, which both provide a full range of sub-base and pavement products. It also has sand/pumice quarries in the Waikato, Kaipiki and Auckland regions.

14.23 As set out earlier in this application, the Applicant understands that Perry is negotiating to sell its hard rock quarries to Fulton Hogan and its sand quarries to another entity.

14.24 Further information on Perry is available at www.perryresources.co.nz

Stevenson Resources

14.25 Stevenson Resources Limited is part of the Stevenson Group (**Stevenson**) which is involved in the manufacture and supply of aggregate products. Stevenson owns and operates two quarries located at Drury and Huntly. These quarries service customers in the Auckland and Waikato regions, providing a full range of aggregates.

14.26 Further information on Stevenson Resources is available at www.stevensonresources.co.nz.

Road Metals

14.27 Road Metals Company Limited / Road Metals Holdings Limited (**Road Metals**) is a privately held venture which operates 12 quarries in the Canterbury, North Otago and Otago regions. Three of these quarries, located at Rolleston, Yaldhurst and Waimakariri, service the Christchurch region supplying roading, drainage and concrete aggregates.

14.28 Road Metals also owns Kiwi Concrete Limited (**Kiwi Concrete**), a manufacturer and supplier of ready-mix concrete in Oamaru and Christchurch.

14.29 Aerial views of Road Metal's Yaldhurst and Waimakariri quarries are provided below.

Figure 14: Yaldhurst



Figure 15: Waimakariri



14.30 Further information on Road Metals is available at www.roadmetals.co.nz.

Rangitikei Aggregates

14.31 RAL operates two quarries in the Rangitikei District located north west of Palmerston North: Kakariki and Campion Road. RAL supplies a wide range of concrete aggregates, roading chip and rocky aggregates and it also has a mobile plant available for work within the Rangitikei District.

14.32 FCIL owns a 50% share in RAL. Fulton Hogan and H. W. Richardson Group Limited (associated with Allied Concrete) each have a 25% interest. In terms of governance, FCIL appoints two directors to the board of RAL, while H.W. Richardson and Fulton Hogan each appoint one director. A corporate structure diagram for RAL is provided in **Annexure 1B**.

14.33 RAL operates independently with day to day operations and decision making undertaken by an independent general manager employed by RAL. While the board will receive interim high level updates on operations, it does not have oversight of RAL's general management or decision making.

14.34 Aerial views of RAL's quarries are provided below.

Figure 16: Campion Road



Figure 17: Kakariki Road



Independents

14.35 There are number of other quarries in the relevant areas, including the following.

- (a) **Longburn Shingle** owns and operates a quarry in Palmerston North, producing crushed and washed aggregates from its Walker Road Plant. Longburn Shingle specialises in washed sand and gravel products for road construction, ready mix concrete, driveway construction and large and small civil construction projects.¹⁰



- (b) **B. Bullock (2009) Limited (Bullock)** is a Wanganui based business involved in contracting and earthworks, road construction, timber processing, aggregate production, ready-mix concrete, treated fencing products and property development. Bullocks Concrete & Gravel Ltd operates Bullock's aggregates business which produces a wide range of aggregates including sand, concrete aggregates, sub-base and base course materials, and all grades of roading chip from alluvial gravel sourced from the Rangitikei River.¹¹

¹⁰ For more information see www.longburnshingle.co.nz.

¹¹ For more information see www.bbullocks.com.



- (c) **Hoult Contractors Limited / Hoult Contractors (2003) Limited (Hoult)** is located in Palmerston North where it supplies a variety of aggregates sourced from its quarry based at Forrest Hill Road, Aokautere, and also drawn from river beaches along the Manawatu and Orua rivers. Hoult also supplies a range of civil contracting services.¹²



¹² For more information see www.houltcontractors.co.nz.

- (d) **Blackley Construction Limited (Blackley)** operates a gravel extraction and processing plant on the banks of the Manawatu River at the end of Raukawa Road in the Manawatu Region. Blackley offers a wide range of construction and infrastructure services and manufactures a range of crushed and washed products for large and small projects through its aggregate supply division.¹³



- (e) **Byfords Group Limited (Byfords)** operates a number of quarries in the North Island, including at Toe Toe Road, in the Rangitikei District, from which it produces a wide range of aggregates including basecourse, sealing chip and concrete aggregates.¹⁴



- (f) **Stringfellow Contracts Limited (Stringfellow)** is a civil engineering, roading and infrastructure contracting business in the Wanganui-Manawatu region which owns a 66.6% stake in Byfords. It has overburden stripping and river gravel extraction capability.¹⁵

¹³ For more information see www.blackley.co.nz

¹⁴ For more information see www.byfords.co.nz/.

¹⁵ For more information see www.stringfellows.co.nz/.

- (g) **GM & DM Harrison Co Limited** operates a quarry in Tokomaru, south of Palmerston North.



- (h) **Bulk Spreading Co 1965 Limited** operates a quarry at Mungahao Road, south of Palmerston North.



- (i) **Pratt Quarries Limited (Pratt)** operates a quarry outside of Palmerston North.



- (j) **ZMR Aggregates Limited (ZMR)** operates a quarry on the Rangitikei River.



- (k) **Webb Brothers (Webb)** operates a quarry at Parakawau, south of Levin.



- (l) **Graeme Bagrie Contracts Limited (Waitohu)** operates a quarry on Waitohu Valley Road, near Otaki. It produces a wide range of aggregate for domestic, agricultural and roading use.¹⁶



¹⁶ For more information see www.gbcltd.co.nz/.

- (m) **Esk River Shingle Limited (Esk River Shingle)** operates a quarry on the edge of the Esk River off Eskdale Drive, north of Napier.



- (n) **Quality Roding and Services (Wairoa) Limited (QRS)** operates in Hawke's Bay, north of Napier, specialising in civil construction, infrastructure and roading. QRS is 100% owned by the Wairoa District Council. It currently operates 17 aggregate sites and operates four mobile crushing units from which it produces a range of aggregate types for the purposes of road maintenance and construction.



- (o) **Russell Roads Limited (Russell Roads)** is a roading construction company in the Hawke's Bay which operates a quarry on the Ngaruroro River, west of Napier.¹⁷



¹⁷ For more information see <http://www.russellroads.co.nz/>.

- (p) **The Waldrom Family (Waldrom)** operate a quarry in the Hawke's Bay on the Waipawa River near its intersection with SH50.



- (q) **Brendon Dillon / Mangaroa Metal Company (2006) Limited** operates a quarry in Whitemans Valley near Upper Hutt.



- (r) **Canterbury Aggregates**, a division of Christchurch Ready-Mix Concrete Limited (**Christchurch Ready-Mix**), operates from three quarries and various rivers in the Christchurch region. It produces a full range of aggregates and specialty sands. It also provides mobile on site screening of soils and/or product requiring blending; crushing of aggregates for driveways, roading base course and chip.¹⁸



¹⁸ For more information see www.chch-readymix.co.nz.

- (s) **The Isaac Construction Co Limited (Isaac)** is a privately held venture that operates a quarries in the Christchurch region. Isaac is also a supplier of construction, surfacing, transport and contract management services.¹⁹



- (t) **KB Contracting & Quarries Limited (KBC)** operates two quarries on Miners Road and McLeans Island in Christchurch. KB also provides a variety of civil contracting services.²⁰



- (u) **Harewood Gravels Company Limited (Harewood Gravels)** is a 50:50 joint venture between Isaac and Road Metals. It operates a quarry on Mcleans Island Road in Christchurch.



- (v) **Taggart Earthmoving Limited (Taggart Earthmoving)** operates a quarry in Rangiora, north of Christchurch.²¹

¹⁹ For more information see www.isaac.co.nz.

²⁰ For more information see www.kbc.co.nz.



(w) A range of smaller independents with fixed or mobile plants with rights to extract resources.

14.36 Contact details for the above competitors are attached as **Annexure 5B**.

15. **Trade or industry associations**

15.1 The Applicant and Higgins are both members of the following trade or industry associations relevant to the areas of overlap:

- (a) Aggregate & Quarry Association of New Zealand (**AQA**)
- (b) MinEx Health & Safety Council Incorporated

15.2 Further information and contact details for these associations are attached as **Annexure 6**.

16. **Key customers**

16.1 Contact details for the parties' key customers, and revenue earned in the last financial year, are attached as **Annexure 7**.

17. **Annual reports and financial statements**

17.1 Fletcher Building's most recent Annual Report (year to 30 June 2015) is available online at www.fbu.com/media/45502/FBU-Annual-Report-FINAL.pdf.

17.2 Management accounts for Winstone are provided in **Annexure 8**.

17.3 Higgins does not produce an annual report. Higgins' most recent (year ended 31 October 2014) audited, consolidated financial statements for all business units are provided in **Annexure 9**. Equivalent audited financial statements for the year ended 31 October 2015 can be provided to the Commission on request after 25 February 2016. Higgins' consolidated balance sheet and management accounts up to 31 December 2015, as they are presented to the Higgins board, are provided in **Annexure 10**.

²¹ For more information see www.taggart.net.nz/.

Part E: Competition Assessment

18. Introduction

- 18.1 Higgins' aggregates operations form a small part of its overall business and are primarily aimed at meeting its internal requirements. For the following reasons, the Applicant does not believe that the horizontal overlap gives rise to a substantial lessening of competition.
- (a) The Proposed Acquisition results in no worse than a 4:3 concentration in any of the regions of overlap.
 - (b) Much of Higgins' and Winstone's production (each around []) is used in their respective downstream operations.
 - (c) Key customers for higher value aggregates are major roading and infrastructure providers (e.g. HEB, Downer, Fulton Hogan, etc). These parties have strong countervailing power.
 - (d) Barriers to entry vary somewhat by region, but in various overlap regions there is little issue in terms of accessing suitable resource. Indeed, the number of river and alluvial deposited aggregate provides a comparatively easy entry point into aggregates production, particularly in the Manawatu-Wanganui and Napier regions.
- 18.2 Furthermore, the Proposed Acquisition will not result in a substantial lessening of competition as a result of vertical or conglomerate effects, including because:
- (a) a number of viable alternative suppliers for aggregates, ready-mix concrete and other inputs into roading / infrastructure projects remain and, as a result, the Applicant will not have the ability to foreclose downstream competitors; and
 - (b) aggregates and other inputs supplied by Fletcher Building comprise a small proportion of the total cost of roading and civil construction contracts, meaning the Applicant will lack the incentive to foreclose downstream competitors.

19. Without the Proposed Acquisition

19.1 [].

20. Constraint from existing competitors

- 20.1 In this section we describe the level of competitive constraint which will remain in each of the regions of overlap after the Proposed Acquisition.
- 20.2 Production volume estimates are total output of aggregate products which includes sand for all parties. Unless otherwise stated, market share estimates in this section are based on output for both the Applicant and Higgins for the year to June 2015 (FY15) and the parties' estimates of competitor output.

North Waikato

- 20.3 The North Waikato region is characterised by a number of medium and large quarries operated both by the large national companies and by independent players. There are also a large number of smaller, locally operated, quarries.
- 20.4 Higgins' presence in North Waikato is limited to its Meremere quarry, near Te Kauwhata. Based on estimates for total FY15 output for the North Waikato region ([]), Higgins' Meremere quarry accounts for around only [] and so provides little competitive constraint. [].

20.5 Any horizontal aggregation as a result of the Proposed Acquisition is marginal and there will be little (if any) change to the current state of competition. The Applicant will continue to be constrained by the numerous remaining competitors in the North Waikato region. Accordingly, we do not consider the North Waikato region further in this application.

Christchurch

20.6 The Christchurch region has a highly competitive aggregates market as the entire Canterbury plain is a potential resource. The dominant source of aggregate is greywacke from the Southern Alps which is either directly accessible from rocky outcrops or as alluvial gravel. The region's rivers continuously transport material from the Southern Alps to the Canterbury plains, providing a cheap, accessible and high quality source of aggregate.

20.7 The numerous quarries around Christchurch are concentrated on or near the Waimakariri River and around one third of Christchurch area's local demand is sourced from the river itself. The bulk of total market share is divided between Fulton Hogan, Winstone, Christchurch Ready-Mix, Road Metals and KB Resources. [].

20.8 The following table sets out current market share estimates by volume for total aggregates in the region.

Figure 18: Christchurch region market share estimates²²

Competitors	Production volume (m ³)	Market share (production)	Third party sales by volume (m ³)	Market share (third party sales)
Winstone Aggregates	[]	[]	[]	[]
Higgins	[]	[]	[]	[]
Combined	[]	[]	[]	[]
Fulton Hogan	[]	[]	[]	[]
Christchurch Ready-Mix	[]	[]	[]	[]
Road Metals	[]	[]	[]	[]
KBC	[]	[]	[]	[]
Isaac Construction	[]	[]	[]	[]
Other	[]	[]	[]	[]
Total	[]	[]	[]	[]

20.9 Winstone's Yaldhurst quarry is estimated to account for around [] of total market share in the region by output. Higgins' Selwyn quarry is comparatively small and only accounts for around [] of total aggregate output. Accordingly, the merged parties will account for around only [] of total output for the region (or [] excluding captive sales).

20.10 Strong competition in the region will remain after the Proposed Acquisition driven by the four other large quarry operators (Fulton Hogan, Christchurch Ready-Mix, Road Metals and KB Resources) which supply a full range of aggregates and together account for an estimated [] of the region's output. Furthermore, it is not difficult to acquire the appropriate consents to quarry or remove alluvial gravel from the rivers in the Christchurch region and so the threat of new entry or expansion will provide an ongoing constraint. Indeed, the Applicant understands that an entity with the initials "SOL" has recently applied for consents to quarry in Christchurch (the Parties'

²² Unless otherwise stated, all market share estimates in this application relate to the year ended June 2015, being FB's financial year.

understand that “SOL” may be associated with Peter Dormer of Dormer Construction Limited). Accordingly, we do not consider the Christchurch region further in this application.

Napier

20.11 Resource in the Napier region is abundant as greywacke ranges in the western part of the Hawke’s Bay supply major rivers with high quality aggregate.

20.12 Holcim, Winstone and Higgins operate the three largest operations in the Napier region, all located along the Ngauroro River. Winstone’s Awatoto site is 7km from Napier, located near the mouth of the river. Holcim’s Fernhill site and Higgins’ Roys Hill site are located further up-stream, around 20km and 25km from Napier respectively. These operations together account for [] of aggregate production in the region. Frances Holdings Ltd (currently part of the Higgins Group) also has rights to extract aggregate from a resource at Maraekakaho (about 25km west of Napier), which is being developed as a ski lake. However, this resource does not form part of the Proposed Transaction, with Frances Holdings Limited being retained by the vendor. The Vendor may subcontract extraction rights on a royalty basis.

20.13 The rest of the region is rather fragmented with a long tale of independent operations making up the balance. The number of independent operators reflects the abundance of alluvial gravel available and the ease in which operations may be established.

20.14 Napier quarries also supply some higher value aggregate to Taupo, due to the lack of appropriate resource in that region. [], so there is no overlap in that region.

20.15 The following table sets out current market share estimates by volume for total aggregates in the region.

Figure 19: Napier region market share estimates

Competitors	Production volume (m ³)	Market share (production)	Third party sales by volume (m ³)	Market share (third party sales)
Winstone	[]	[]	[]	[]
Higgins	[]	[]	[]	[]
Combined	[]	[]	[]	[]
Holcim	[]	[]	[]	[]
Fulton Hogan	[]	[]	[]	[]
Waldrom	[]	[]	[]	[]
Esk River Shingle	[]	[]	[]	[]
Russell Roads	[]	[]	[]	[]
Others	[]	[]	[]	[]
Total Independents	[]	[]	[]	[]
Total	[]	[]	[]	[]

* Volume excludes 34k m3 sales from Higgins to Winstone Aggregates which will become captive after the Proposed Acquisition

20.16 []

20.17 Furthermore, the Proposed Acquisition does not result in a substantial lessening of competition [] because:

- (a) adjusting shares for third party sales, and excluding volumes sold by Higgins to Winstone (see footnote to the market share table) gives a combined market share of only around [];

- (b) after the Proposed Acquisition Holcim will remain as a large ([]) of total market production and [] of third party sales) viable alternative supplier of a full range of quality aggregates. [];
- (c) []²³);
- (d) there is a substantial number of independent competitors with access to high quality resources who will be incentivised to vigorously compete against both the larger competitors in order to gain market share;
- (e) there is ample excess gravel available from the Ngaruroro, Tukituki and other rivers in the region. The local council holds resource consents to extract this gravel and will readily provide consent to firms for that purpose. Accordingly, threat of new entry or expansion will provide an ongoing constraint; and
- (f) QRS, which is headquartered in Wairoa and operates a number of quarries, including in Mohaka, could feasibly supply aggregates south to Napier. Indeed, there are already some backhaul volumes from quarries around the Gisborne area which will continue to place downward pressure on prices (these volumes have not been included in the table above).

20.18 Accordingly, the merged entity [] will be constrained by existing competitors and the threat of new entry from exercising any market power in the Napier region.

Manawatu-Wanganui

20.19 The key dynamic in the Manawatu-Wanganui region is the extensive supply of resource available from a variety of rock types, principally greywacke, sourced from both hard rock quarries or as alluvial gravel derived from the ranges in the east and deposited on the flood plains and adjacent terraces to the rivers. This resource is why this region exhibits a very large number of independent operators, as well as very low barriers to entry and expansion.

20.20 Higgins operates six quarries in the region, two along the Rangitikei River near Ohakea, three along the Manawatu River just outside of Palmerston North and one south of Palmerston North near Linton. Together these operations account for around [] of the total aggregate output in the region.

20.21 The Applicant does not operate any quarries in the region, although it has a 50% share of RAL. RAL's operations are located on the Rangitikei River at Kakariki Road and Campion Road.

20.22 Reflecting the abundance and readily accessible supply of aggregates in this region, there are a number of other active participants, including Longburn, Bullock, Hoult, and Blackley.

20.23 The following table sets out current market share estimates by volume for total aggregates in the region.

Figure 20: Manawatu-Wanganui region market share estimates

Competitors	Production volume (m ³)	Market share (production)	Third party sales by volume (m ³)	Market share (third party sales)
RAL	[]	[]	[]	[]
Higgins	[]	[]	[]	[]
Longburn	[]	[]	[]	[]
Bullock	[]	[]	[]	[]
Hoult	[]	[]	[]	[]

²³ [].

Competitors	Production volume (m ³)	Market share (production)	Third party sales by volume (m ³)	Market share (third party sales)
Blackleys	[]	[]	[]	[]
ZMR	[]	[]	[]	[]
Pratt Quarries	[]	[]	[]	[]
Byfords	[]	[]	[]	[]
Other	[]	[]	[]	[]
Total Independents	[]	[]	[]	[]
Total	[]	[]	[]	[]

*Assuming sales to shareholders are treated as captive.

20.24 [].

20.25 Even should RAL and Higgins be treated as one party for competition purposes, there will be no substantial lessening of competition as a result of the Proposed Acquisition as:

- (a) the merged entity's combined share of third party sales is estimated at only [];
- (b) there are a number of independent quarries in the region which it is estimated account for over [] of the region's contestable volume. These quarries would have both the ability and incentive to expand their operations in order to capture further market share;
- (c) barriers to entry and expansion in the Manawatu-Wanganui region are low as there is an abundance of alluvial gravel available; and
- (d) [].

Kapiti

20.26 Greywacke is available along the Kapiti region and aggregates can be sourced from either hard rock mines or from alluvial gravel. A number of small quarries located in the region manufacture and supply aggregates. Aggregates are also transported to the region from the Manawatu and from Wellington.

20.27 Winstone has one small operation in the Kapiti region in Otaki (its Waikanae quarry is no longer operating and is now used as a supply yard). [].

20.28 Higgins operates a quarry in Paraparaumu. [].

20.29 The following table sets out market share estimates by volume for total aggregates in the region for the 2013/2014 period (in order to control for temporarily increased volumes as a result of the M2PP project).

Figure 21: Kapiti region market share estimates

Competitors	Production volume (m ³)	Market share (production)	Third party sales by volume (m ³)	Market share (third party sales)
Winstone	[]	[]	[]	[]
Higgins	[]	[]	[]	[]
Combined	[]	[]	[]	[]
Webb	[]	[]	[]	[]
Waitohu	[]	[]	[]	[]
Brendon Dillon	[]	[]	[]	[]

Wairarapa Aggregates (Fulton Hogan)	[]	[]	[]	[]
Other	[]	[]	[]	[]
Total Independents	[]	[]	[]	[]
Total	[]	[]	[]	[]

*Note: 2013/14 volumes used as current M2PP project has temporarily increased volumes.

20.30 The merged entity will account for fewer than [] of third party sales while a number of independents remain, three of which each have volumes not dissimilar to Higgins. After the Proposed Acquisition this group of independents will continue to compete to maintain and grow market share, defeating any attempted price increases. In addition, the availability of aggregates from other regions will continue to place downward pressure on prices.

20.31 There is also opportunity in the region for new entry or expansion, with consents available to source river aggregates from both the Waikanae and Otaki rivers as well as potential scope for land based operations.

Wellington

20.32 Greywacke is the primary source of aggregate in the Wellington region which may be sourced from either hard rock mines or from alluvial gravel. The hard rock resource is large but requires access to the appropriate rock faces while the Wairarapa region to the north east has an abundance of greywacke gravel available, deposited by rivers that drain the Tararua ranges.

20.33 The major quarries in the Wellington region are operated by Holcim at Kiwi Point, HQL at Horokiwi and Winstone at Belmont. Holcim produces a full range of aggregates at Kiwi Point and supplies the Allied / Holcim concrete plants and Downer's asphalt plant, which is located on site. HQL and Winstone also supply a full range of aggregate products. Fulton Hogan operates an asphalt plant at Winstone's Belmont quarry, and Belmont supplies the asphalt plant with the necessary aggregates. Higgins has an asphalt plant located on the Horokiwi quarry, with the Horokiwi quarry supplying asphalt aggregates to the Higgins plant.

20.34 Fulton Hogan operates quarries in the Wairarapa and supplies a small amount of aggregate into Wellington from its Upper Hutt site.

20.35 The following table sets out current market share estimates by volume for total aggregates in the region.

Figure 22: Wellington region market share estimates

Competitors	Production volume (m ³)	Market share (production)	third party sales by volume (m ³)	Market share (third party sales)
Winstone	[]	[]	[]	[]
HQL	[]	[]	[]	[]
Holcim	[]	[]	[]	[]
Brendon Dillon	[]	[]	[]	[]
Other	[]	[]	[]	[]
Total Independents	[]	[]	[]	[]
Total	[]	[]	[]	[]

*Assuming sales to shareholders are treated as captive.

20.36 Higgins' only interest in the Wellington region is via its 50% ownership of HQL. As discussed at paragraph 14.14, HQL is operated independently of Higgins and so it will continue to restrain the Applicant after the Proposed Acquisition.

20.37 Even should Winstone and HQL be treated as one party for competition purposes, there will be no substantial lessening of competition as a result of the Proposed Acquisition. Holcim will remain as a large competitor with an estimated [] of third party sales within the Wellington region through its Kiwi Point quarry. The Applicant understands this quarry to be of high quality and to have significant resource life remaining. The Kiwi Point quarry is also closer to the Wellington CBD than its competitors (located off State Highway 1 south of Johnsonville), which enables it to sell aggregate products at sharp rates. After the Proposed Acquisition Holcim will continue to be an attractive alternative supplier of quality aggregates in the Wellington region.

20.38 Furthermore, as set out earlier in this application, Holcim is a subsidiary of LafargeHolcim, the large and well-resourced manufacturer of aggregates globally. The Applicant expects that Holcim will continue to compete vigorously in the Wellington region to defend its market share. Accordingly, Holcim will provide a strong competitive constraint on the Applicant after the Proposed Acquisition. In addition to Holcim, the merged entity will also be constrained by independent competitors located in the Hutt Valley, Kapiti Coast and Wairarapa which are likely to seek to exploit any opportunity to sell aggregate products into the Wellington region. Indeed, a number of quarries located in the Wairarapa area have recently been acquired by Fulton Hogan. Fulton Hogan currently transports sand down from Wairarapa to Horokiwi and so it is likely that it could do the same for larger aggregates.

20.39 [].

20.40 While there may be limited opportunity around Wellington for land based quarrying, the local council holds resource consents allowing for the removal of alluvial gravel from the Hutt River. The Applicant understands that the local council wants the river cleared for flood protection and so is willing to allow use of these consents. Indeed, HQL already extracts some gravel from the river. As a further example, Downer was recently awarded part of a roading contract for SH58 which connects Porirua with the Hutt Valley. The Applicant understands that Downer will source around [] of roading aggregates required under this contract from the Hutt River under a council held resource consent. [].

20.41 While river extraction has not yet been utilised to any great extent in Wellington due to the relative cost of extraction to the market price of aggregates in the region (resulting from low demand), should prices increase it is likely that river extraction would become more economical and represent an opportunity for new entry or expansion. The Applicant considers that the extent of price rise that would be required would be relatively low, in the region of []. This is demonstrated by the recent example of river extraction noted above.

21. Entry and expansion

Barriers to entry/expansion

21.1 In *Decision 513* the Commission did not consider potential entry on the basis that such consideration was unnecessary because there was sufficient competition remaining from existing competitors.²⁴

21.2 Entry into aggregate markets requires the following.

- (a) **Appropriate resource:** In the relevant regions appropriate resource is readily available. Greywacke is either quarried or extracted from alluvial gravel which is located in and around rivers (of which there are a number in all the relevant areas of overlap). River gravel is most easily and cheaply extracted and unlike many other minerals, river gravel can be considered a renewable resource, in the sense the gravel at the extraction site tends to 'replenish' (hence it is often the case that councils desire frequent extraction to manage rivers and associated water flows). Basalt, on the other hand, is a volcanic rock which is generally quarried and is most common in Northland, Auckland, Waikato, Canterbury and Otago. The wider availability of resource is especially pronounced in the Manawatu-Wanganui, Napier and Christchurch regions.

²⁴ Decision 513 at [264].

- (b) **Land:** Land near or at the appropriate resource is necessary to set up screening and processing operations. For the most part, there is abundant rural land near the alluvial aggregate sources in the relevant areas of overlap.
- (c) **Equipment:** Necessary equipment will be dependent on the type of resource to be extracted. At the most basic, alluvial and river sources can be mined with a hydraulic excavator, loader tractor and trucks and be processed with a mobile plant. Equipment can be readily sourced.
- (d) **Resource consent:** Resource consent under the Resource Management Act is necessary but is generally not difficult to obtain. This process may take only a matter of months in relation to river extraction or several years in the case of land based quarries. The primary driver of both consent timeframes and cost are the form of consultation process (e.g. processes requiring a public hearing can take significantly longer) and the level of opposition (absent appeals, an entirely new land-based quarry could be consented in less than []).

As set out above, local councils often hold the resource consents necessary for river extraction and typically enter into contracts on an annual basis where they allow people to use their consents and extract resources in return for a royalty payment. Councils generally have plenty of rights available which they are willing to provide for the purpose of aggregate extraction as it is in their interests to have the rivers cleared.

The Applicant can provide the following examples of resource consent processes that it has recently undertaken.

- (i) []
- (ii) []

- 21.3 Barriers to entry are lowest in relation to river extraction and it is estimated that a reasonable sized operation could be started with around []. Indeed, there are numerous independent contractors with mobile crushing plants that are able to travel around New Zealand to set up river extraction sites. Accordingly, the threat of new entry or expansion in relation to river extraction represents the biggest area of competitive pressure, primarily because such operations are fairly short term, mobile, and the extraction rights are relatively easy to obtain. Higgins only has around []. Competitors would have the ability to enter into the overlap regions that have available river resources easily should the merged entity attempt to increase the price of aggregates after the Proposed Acquisition.
- 21.4 For river based extraction, rights are granted by the relevant Regional Council. Aggregates extraction is beneficial for the region because it increases the capacity of the river and decreases the likelihood and severity of flooding. Accordingly, the councils will generally have resource consents allowing them to extract a certain volume of aggregate from a river each year. Often there is much more aggregate available to be extracted than aggregate suppliers can find a market for, meaning that extraction rights are easy to come by.
- 21.5 Many of the rights are allocated on an annual basis, although three to five year allocations are also granted by some councils. While historically longer rights have been provided, the councils are tending to offer shorter periods in order to better ensure that the aggregate is extracted to meet flood protection requirements. For example, where a quarry operator has an allocation but has not extracted resource, it is likely to be allocated to another operator at the end of the year.
- 21.6 Councils tend to charge some limited fees for extraction rights, but there is generally not a tender process. By way of example, the Hawkes Bay Regional Council's fees for 2015/2016 consisted of an \$80 application fee and 20 – 80 cents per cubic meter monitoring and access fees (depending on resource quality). Primarily, allocations are simply granted upon application, dependent on availability with incumbents having limited advantage over new applicants.

21.7 It would take between [] for a land based quarry to become fully operational, including obtaining consents, and is estimated to cost in the region of [], depending on the size of the operation (although this cost would be lower for a firm with existing excess plant and equipment).

LET test

21.8 Barriers to entry in all of the relevant geographic regions are not onerous, including having regard to the abundance of alluvial and river aggregate deposits, which require far lower capital investment to quarry than land based mines. The prevalence of small aggregate operations along the rivers in the Napier (Ngaruroro and Tukituki rivers), Wanganui-Manawatu (Rangitikei, Wanganui and Manawatu rivers) and Christchurch (Waimakariri River) regions and surrounding areas is evidence of the ease of new entry. Accordingly, it is likely that a new quarry could be developed along any of these rivers within 2 years should aggregate prices increase and present an opportunity.

21.9 In the Parties' view, quarries do not need to be of a large scale in order to compete effectively. There are many quarries around the country providing the full range of products, from large, integrated suppliers like Fulton Hogan, right down to farmers with a small quarry pit on their property. [].

21.10 The Applicant considers that the most likely candidates for new entry or expansion are existing aggregates companies and large downstream consumers of aggregates, such as rival ready-mix operators or civil and infrastructure contractors. Not only do these companies have secure demand for aggregate products, but many also have some experience in quarrying and aggregate products (e.g. Fulton Hogan).

21.11 Although land based resource in Wellington is not as readily available as it is in the other regions, the Hutt River and Wairarapa region to the north east provides a supply of cheap and easily extractable alluvial greywacke. It is likely that these resources would be exploited and transported to Wellington should prices increase. Fulton Hogan is well placed for expansion with a number of quarries in the Wairarapa as well as a foothold in the Wellington region with one location in Upper Hutt. In addition to existing aggregates companies and large national civil and infrastructure contractors, there are a number of local civil contracting companies (Goodmans, Dixon & Dunlop, Tenga Pickering) that are potential new entrants. Of course, the large international firm, Holcim, is active in Wellington.

22. Countervailing power

22.1 In the Commission's previous decision concerning aggregates markets it did not consider whether buyers in the market held countervailing power.²⁵

22.2 The Applicant considers that key customers, especially for higher value aggregates such as major roading and infrastructure providers ([]^{26,27,28}), have strong countervailing power. Indeed, []. Accordingly, these parties can exercise this countervailing power by switching suppliers or by sponsoring entry or expansion.

23. Vertical effects

23.1 As a result of the Proposed Acquisition, the Applicant will acquire Higgins' roading and civil contracting business. Accordingly, a number of the Applicant's aggregates customers will become its competitors (including Downer, Fulton Hogan, HEB, Leighton). Furthermore, additional vertical integration will occur in relation to a number of other inputs used in roading and civil construction businesses that are also supplied by Fletcher Building, such as:

- (a) concrete products (including ready-mix, pre-cast structures and pipes, etc.);

²⁵ Decision 513 at [264].

²⁶ []

²⁷ []

²⁸ []

- (b) road safety materials (e.g. road barriers and light poles); and
- (c) plastic pipes.

23.2 In addition, Fletcher Building has its own downstream ready-mix concrete business (Firth, a division of FCIL). The acquisition of Higgins' aggregates operations will similarly result in some increased vertical integration in respect of the supply of aggregates to downstream ready-mix operations (FCIL is already vertically integrated through aggregates and ready-mix, but the acquisition will give it a larger presence in the aggregates markets).

23.3 However, for the reasons set out below, the Proposed Acquisition will not result in a substantial lessening of competition as the Applicant will have neither the ability nor the incentive to engage in anticompetitive foreclosure (in respect of both input foreclosure and customer foreclosure).

Input foreclosure

23.4 The Applicant will not have the ability to foreclose the inputs for roading/civil construction services or aggregates for ready-mix concrete as it does not have market power in any of the relevant upstream markets. Viable alternatives will remain after the Proposed Acquisition, as set out below.

- (a) **Aggregates:** Higgins' aggregates operations are described in relation to the horizontal analysis above. As set out in that analysis, a number of alternative competitors will remain in each region after the Proposed Acquisition with access to quality resources and with ample capacity throughout New Zealand to supply the Applicant's roading and civil construction competitors (to the extent that they do not currently supply their own requirements through their own vertical integration). Furthermore, due to the abundance of alluvial aggregates available to be extracted from river resources in most regions, it would not be difficult for large consumers of aggregates to source and extract their own aggregates, or at least credibly threaten to do so should FCIL threaten foreclosure.

Currently Higgins supplies all major industry players from all of its quarries from time to time. Usually Higgins does so:

- (i) when those customers are undertaking maintenance work (for example customers have recently needed sealing chip in Masterton, Palmerston North and Hawke's Bay); or
- (ii) when specific construction contracts dictate "best for project" requirements such that the successful tenderer purchases rock from the closest (and therefore likely lowest cost) resource.

In general, it is in the interests of the nearest quarry to work with all such short-term demand as quarries depend heavily on volume to make money. So in essence, it is a rare action for any quarry to refuse supply to any of its direct competitors.

If, post-Acquisition, the Applicant refused to supply a customer, the next nearest operator would quickly take the opportunity. As a fall-back most major construction entities have in-house integrated quarry resources which minimise reliance on quarries and allow them to exercise countervailing market power.

Other materials for roading/civil construction: the other relevant products are also supplied in competitive markets. Higgins' own ready-mix concrete business is not being acquired by the Applicant and so it will remain as an alternative supplier of ready-mix concrete in addition to a number of other national and regional suppliers (including Allied, Stevensons, Holcim and Bridgeman). In relation to pre-cast concrete structures, concrete pipes and plastic pipes, Hynds²⁹ will remain as a significant independent alternative

²⁹ For more information see Hynds' website, <http://www.hynds.co.nz/>.

supplier alongside a range of additional operators. More details on the pipe markets can be found in Commission decisions 719 and 720 in relation to the FB/Crane Group and Waters & Farr JV transactions. The Commission determined that the relevant pipe markets would remain competitive following those transactions and this continues to be the case. Finally, Ingal Civil Products³⁰ is an independent supplier of road safety materials nationally and will remain as an alternative supplier for the Applicant's downstream competitors after the Proposed Acquisition. In any event, the costs of pipes and road safety materials would generally each account for less than [] of the total costs of a roading contract.

- 23.5 Equally, the Proposed Acquisition will not materially increase the *incentive* for the Applicant to foreclose its competitors. Any possible increase in profits in the downstream civil/roading contracting market resulting from foreclosure or raising rivals' costs would be substantially outweighed by lost profit from reduced volumes of inputs sold.
- 23.6 Based on experience in Australia (for which it has available data) the Applicant estimates that the proportion of a roading contract attributable to aggregates is around []. Accordingly, even a significant increase in the price of each input (assuming for the moment it could be achieved) would have limited effect on the cost of the overall project. Accordingly, the loss of volume resulting from attempted foreclosure would cost FCIL substantially more than what it might be able to gain from attempting to foreclose rivals.

Customer foreclosure

- 23.7 Vertical integration will not result in an increased ability or incentive for Fletcher Building to foreclose competing upstream suppliers of aggregates or other inputs into roading/civil construction as:
- (a) Higgins currently supplies around [] of its own aggregates used in relation to its civil/roading construction business so only a limited proportion of Higgins' custom is available for third party supply. Accordingly, FCIL will be able to switch only that limited amount of aggregates purchases away from its aggregates competitors to captive supply. Such switching will not have a material effect on the viability of FCIL's competitors; and
 - (b) in relation to other inputs, other large non-vertically integrated (aside from aggregates in some cases) suppliers of roading and construction services (e.g. Downer, Fulton Hogan, HEB, Leighton) will continue to be free to source inputs from suppliers other than Fletcher Building.

24. Coordinated effects

- 24.1 None of the markets for the manufacture and supply of aggregates show signs of coordinated conduct today. The Proposed Acquisition does not remove any unique market feature that is preventing coordination today or would potentially lead to the emergence of a new market feature which might provide an incentive for coordination in the future.
- 24.2 Indeed, there are a range of factors which indicate that aggregates markets are not vulnerable to coordination, set out as follows.
- (a) Market positions, size and cost structures are not symmetric or even approaching symmetric. In all of the relevant markets a number of independent suppliers of differing size that would be incentivised to compete aggressively to increase market share are present.
 - (b) Firms are unable to readily observe each other's pricing. The price of aggregate products is dependent on a number of factors (including volume and delivery location) and is generally negotiated directly with a customer.

³⁰ For more information see Ingal's website, <http://www.ingalcivil.co.nz/>.

- (c) As set out above, barriers to entry are low and countervailing power is high, indicating that any collusive arrangement would be undermined by new entry, including that driven by customers.

24.3 Accordingly, none of the aggregates markets are susceptible to coordinated effects and the Proposed Acquisition will not change this.

Part H: Confidentiality

25. Reasons for seeking confidentiality

- 25.1 Confidentiality is sought in respect of the information in this application that is highlighted, in bold and contained within square brackets (the **Confidential Information**). Confidentiality is sought for the Confidential Information for the purposes of section 9(2)(b) of the Official Information Act 1982 on the following grounds.
- (a) The Confidential Information is commercially sensitive and valuable information which is confidential to either, or both, the Parties.
 - (b) Disclosure of the Confidential Information would be likely to unreasonably prejudice the commercial position of the Parties.
- 25.2 The Applicant requests that it is notified if the Commission receives any request under the Official Information Act 1982 for the release of any part of the Confidential Information. The Applicant also requests that the Commission seek and consider the Applicant's views as to whether the Confidential Information remains confidential and commercially sensitive before it responds to such requests.

Part I: Declaration

I, _____, have prepared, or supervised the preparation, of this notice seeking clearance.

To the best of my knowledge, I confirm that:

- all information specified by the Commission has been supplied;
- if information has not been supplied, reasons have been included as to why the information has not been supplied;
- all information known to me that is relevant to the consideration of this notice has been supplied; and
- all information supplied is correct as at the date of this notice.

I undertake to advise the Commission immediately of any material change in the circumstances relating to the notice.

I understand that it is an offence under the Commerce Act to attempt to deceive or knowingly mislead the Commission in respect of any matter before the Commission, including in these documents.

I am a director/officer of the company and am duly authorised to submit this notice.

Name and title of person authorised to sign:

Sign: _____

Date: _____

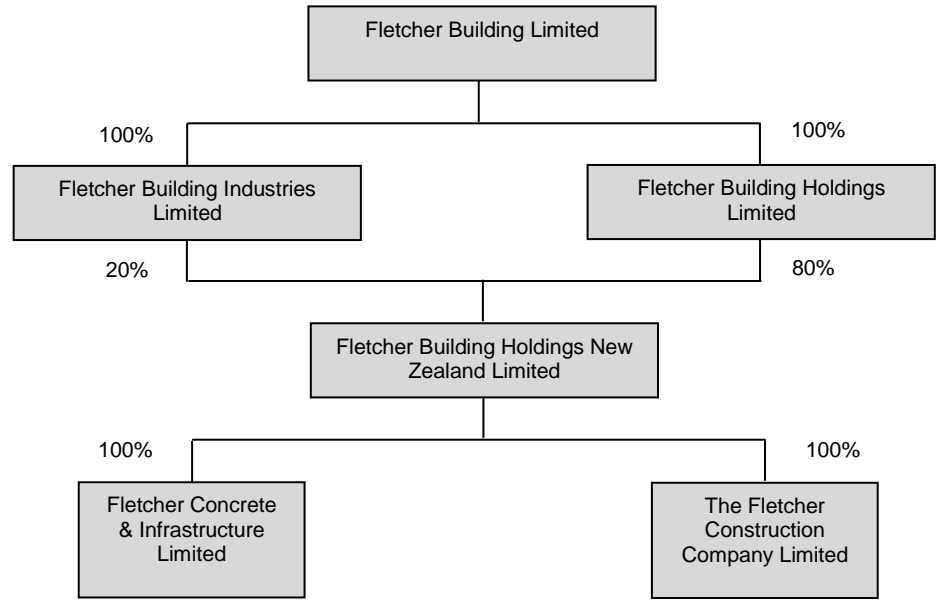
Part J: Annexures

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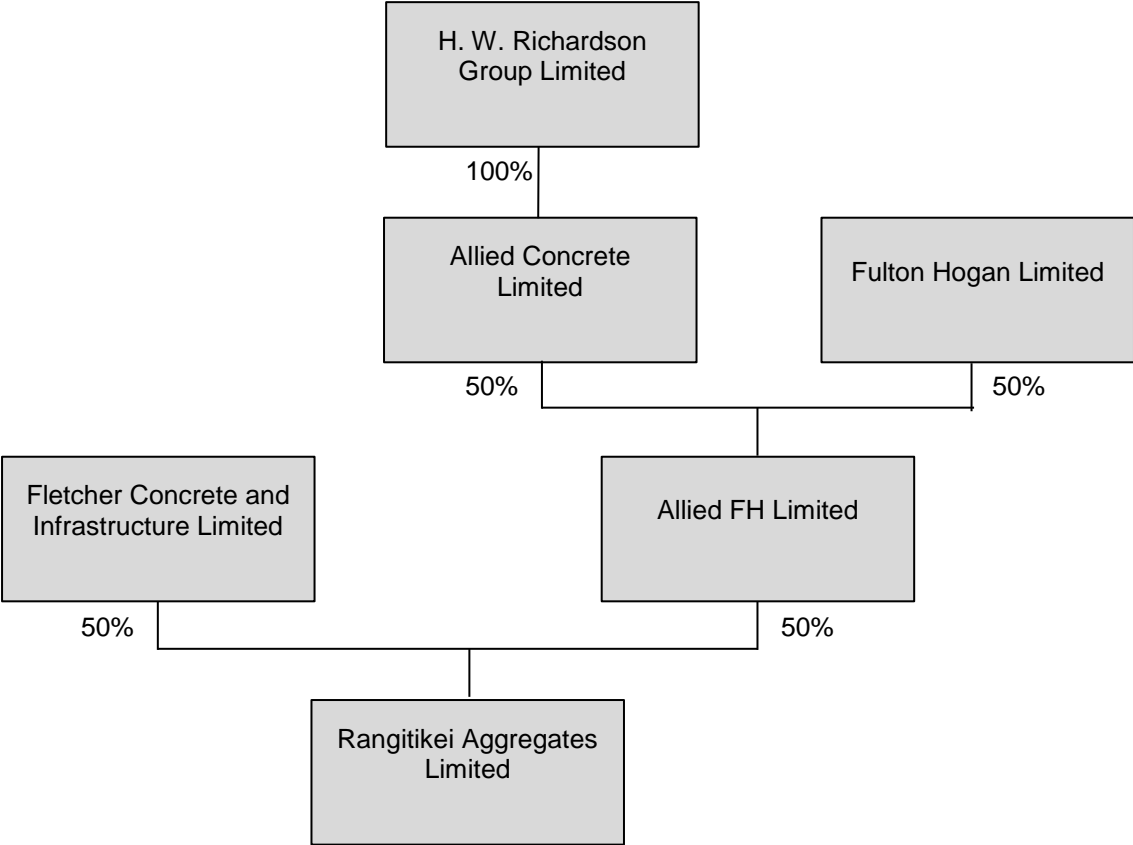
Annexure 1A	Corporate Structure Diagram of the Applicant
Annexure 1B	Corporate Structure Diagram of Rangitikei Aggregates Limited
Annexure 2A	Corporate Structure Diagram of Higgins
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Annexure 6	Trade or Industry Association Contact Details
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Annexure 1A: Corporate Structure Diagram of the Applicant

Notes:
• Only relevant entities shown

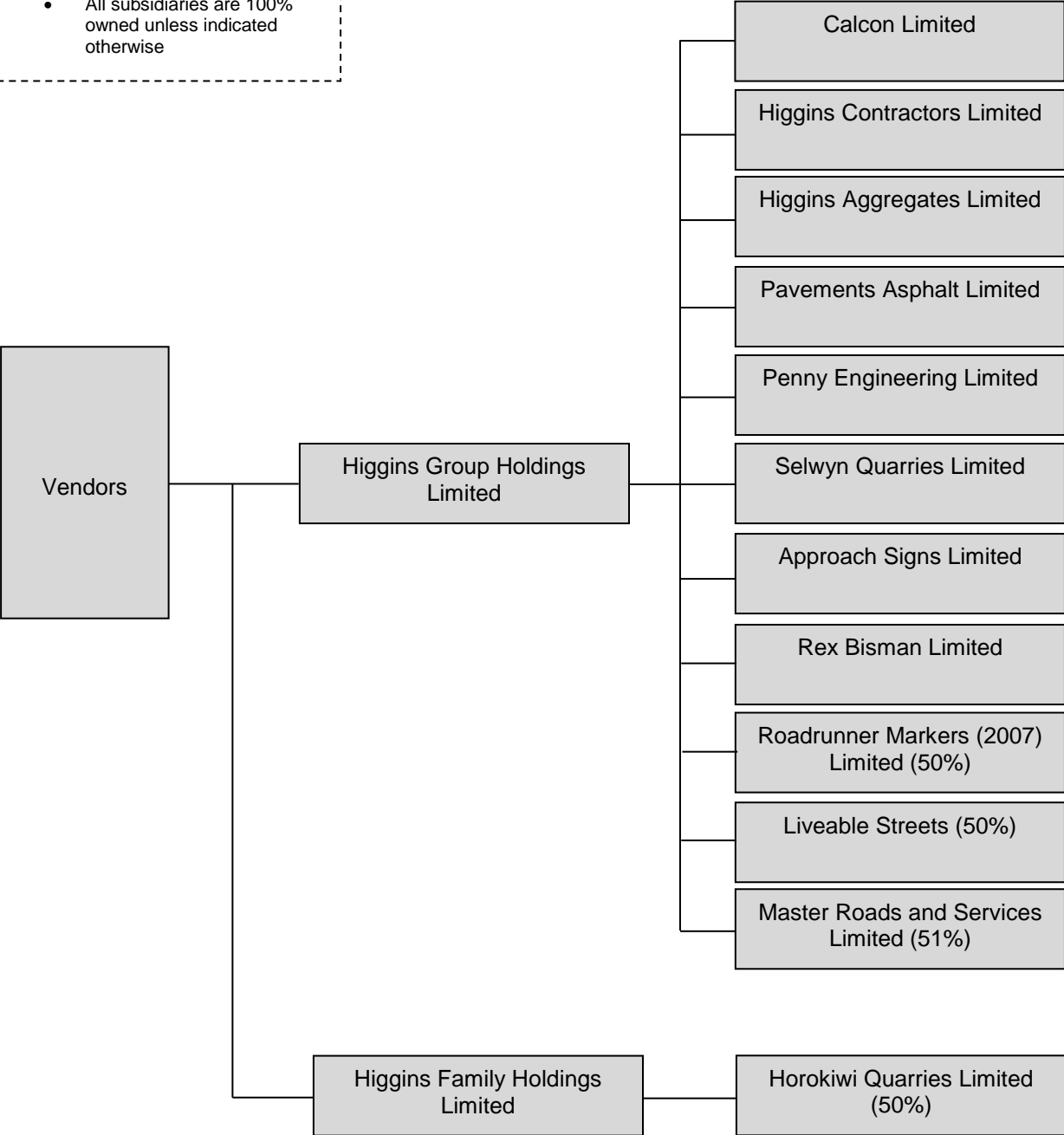


Annexure 1B: Corporate Structure Diagram of Rangitikei Aggregates Limited

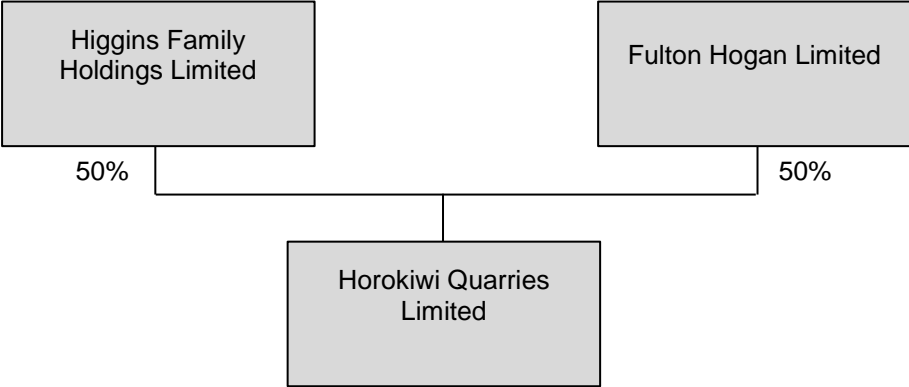


Annexure 2A: Corporate Structure Diagram of Higgins

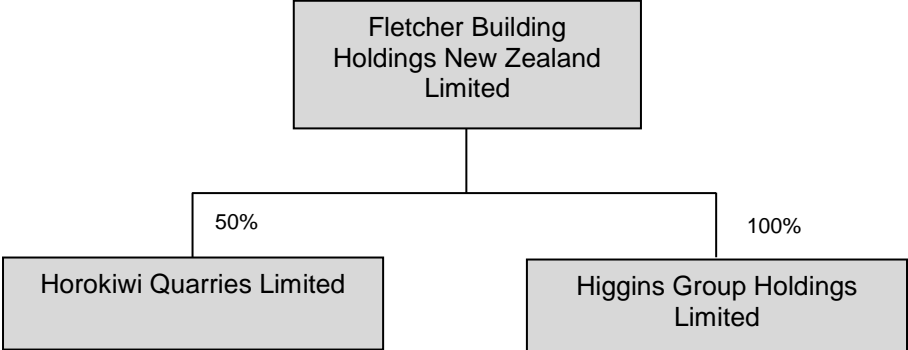
- Notes:
- Only relevant entities shown
 - All subsidiaries are 100% owned unless indicated otherwise



Annexure 2B: Corporate Structure Diagram of Horokiwi Quarries Limited



Annexure 3: Structure after the Proposed Acquisition



Annexure 4A: Sale Agreement (Confidential Annexure)

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Annexure 4B: [] (Confidential Annexure)

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Annexure 4C: [] (Confidential Annexure)

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Annexure 4D: [] (Confidential Annexure)

[]

Annexure 5A: Winstone and Higgins Quarry Locations

The following table sets out the locations of Higgins and Winstone Aggregates active quarry sites in the regions of overlap.

Party	Quarry locations
Winstone Aggregates	<p><i>Christchurch</i></p> <ul style="list-style-type: none"> • Ashworths Beach Road, Leithfield, Christchurch • 233 Old West Coast Rd, Templeton, Mcleans Island 7676 <p><i>Wellington</i></p> <ul style="list-style-type: none"> • Hebden Crescent, Belmont, Lower Hutt, Wellington <p><i>Kapiti</i></p> <ul style="list-style-type: none"> • Main Road, Otaki <p><i>Napier</i></p> <ul style="list-style-type: none"> • Main Road, Awatoto, Napier (aggregates are transported for processing at this site from a number of river extraction sites) <p><i>North Waikato</i></p> <ul style="list-style-type: none"> • Smeeds Quarry Road, Pukekawa • Hunua Gorge Road, Hunua
Higgins	<p><i>Christchurch</i></p> <ul style="list-style-type: none"> • 48 Selwyn Road, Rolleston 7676 <p><i>Kapiti</i></p> <ul style="list-style-type: none"> • Ruahine Street, Paraparaumu 5032 <p><i>Wairarapa</i></p> <ul style="list-style-type: none"> • State Highway 2, Waingawa, Masterton 5791 <p><i>Manawatu-Wanganui</i></p> <ul style="list-style-type: none"> • 167 Kendalls Line, Linton 4474 • Tip Rd, Awapuni, Palmerston North 4412 • 436 Te Matai Road North, Whakarongo, Palmerston North 4470 • Raukawa Road, Ashhurst 4470 • Tangimoana Road, Ohakea 4479 • 354 Mingaroa Road, Halcombe 4779 • Vinegar Hill Road, RD 3, Hunterville 4783 <p><i>Napier</i></p> <ul style="list-style-type: none"> • State Highway 50, Roys Hill, Hastings 4175 <p><i>North Waikato</i></p> <ul style="list-style-type: none"> • 988 Falls Road, Maramarua Forest, Te Kauwhata 3782

Annexure 5B: Competitor Contact Details

Where competitor contact details are known they have been provided. Contact details for remaining competitors have been sourced from publically available information.

The locations of known competitor quarries in the regions of overlap (excluding North Waikato) are also included for reference for the maps included in **Annexure 5C**.

Party	Contact details	Quarry locations
Brendon Dillon	+64 27 446 1510	<i>Wellington</i> <ul style="list-style-type: none"> • Unnamed road, between 230 and 248 Mangaroa Valley Road, Upper Hutt 5371
B. Bullock & Co	Ivan Bullock Director +64 6 345 8569 +64 27 255 5723	<i>Manawatu-Wanganui</i> <ul style="list-style-type: none"> • 17B Bridge Street, Bulls 4894
Blackley	Kevin Blackley Managing Director +64 27 444 5327 kevin.blackley@blackley.co.nz	<i>Manawatu-Wanganui</i> <ul style="list-style-type: none"> • 169 Raukawa Road, Ashhurst 4470
Bulk Spreading Co 1965 Limited	Not available	<i>Manawatu-Wanganui</i> <ul style="list-style-type: none"> • 323-525 Mangahao Road, Shannon 4474
Byfords	Graeme de Rose General Manager +64 27 281 8450 graeme@stringfellows.co.nz	<i>Manawatu-Wanganui</i> <ul style="list-style-type: none"> • 236 Toetoe Road, Mangaweka 4794
Canterbury Aggregates	Brian Grant Managing Director +64 27 240 7250	<i>Christchurch</i> <ul style="list-style-type: none"> • 53 Kettlewell Drive, Christchurch • 10 Empire Rd, Kainga, Belfast 7644 • 808 Main North Rd, Kaiapoi 7644 • Gartys Road, Leithfield 7481
Chris Gommans Contracting	Chris Gommans Director +64 6 329 2016 chris@chrisgommans.co.nz	-
Esk River Shingle	Phillip Nichol Director +64 6 836 6408	<i>Napier</i> 70 Eskdale Drive, Napier 4182
Fulton Hogan	Robert Jones Chief Executive Officer +64 3 357 1400	<i>Christchurch</i> <ul style="list-style-type: none"> • 260 Coutts Island Road, Belfast, Christchurch 8051 • 26 Miners Road, Templeton, Christchurch 7676 • 333 Pound Road, Islington 7676 • 813 Halswell Junction Road, Hornby, Christchurch 8441 <i>Wairarapa</i> <ul style="list-style-type: none"> • 73 Diversion Road, Kahutara 5771 • 406 State Highway 53, South Featherston 5771 • 2734 State Highway 2, Dalefield 5791 • Buchanan Pl, Waingawa,

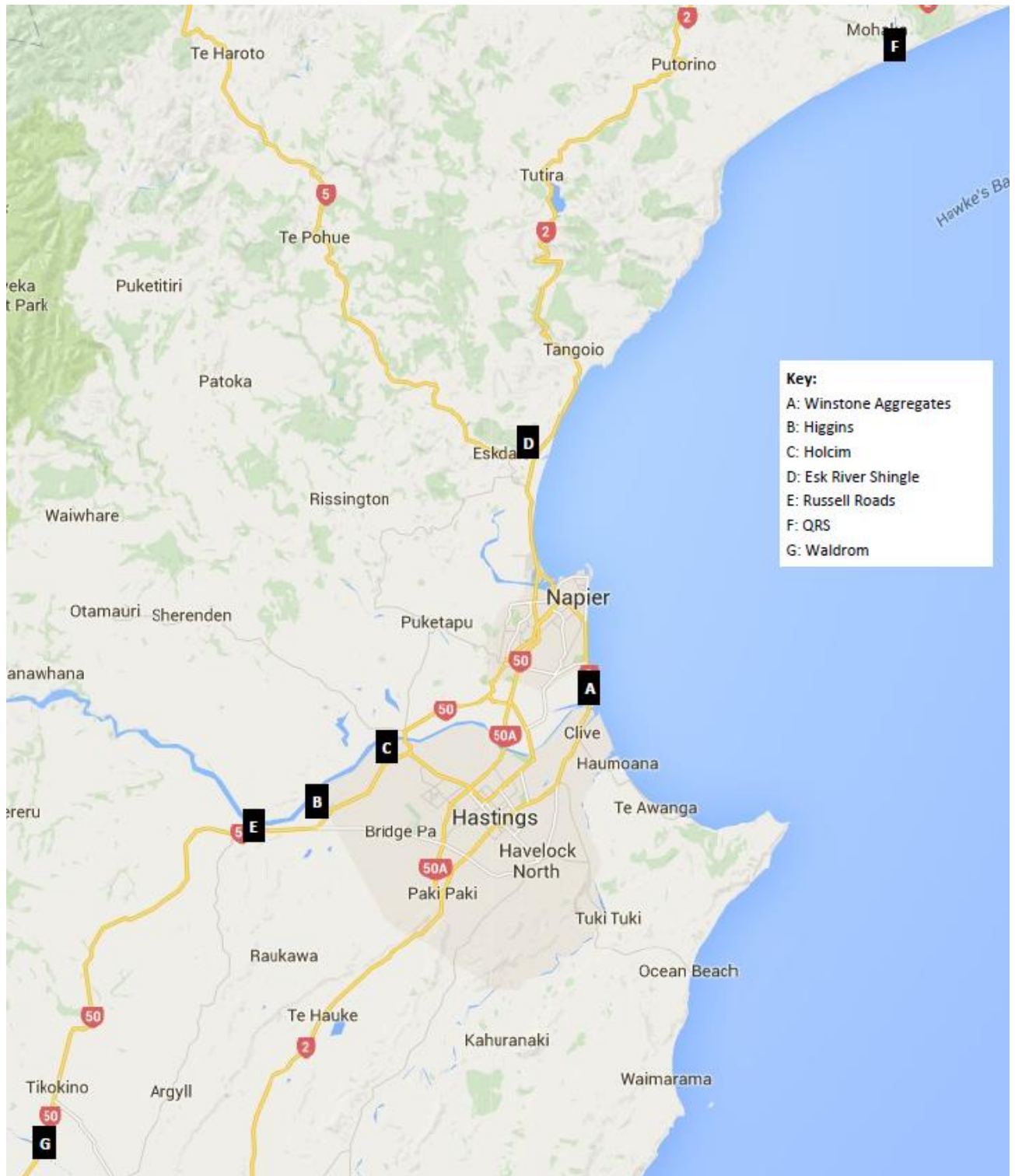
Party	Contact details	Quarry locations
		Masterton 5810
GM & DM Harrison Co Limited	Not available	<i>Manawatu-Wanganui</i> <ul style="list-style-type: none"> 186 Tokomaru East Road, Tokomaru 4474
Graeme Bagrie Contracts Limited (Waitohu)	Head Office +64 6 368 5336 info@gbcltd.co.nz	<i>Kapiti</i> <ul style="list-style-type: none"> 353 Waitohu Valley Rd, Otaki 5581
Harewood Gravels	See contact for Road Metals or Isaac	<i>Christchurch</i> 467 Mcleans Island Road, Mcleans Island, Christchurch 8051
Holcim	Glenda Harvey Country Manager +64 3 339 7500	<i>Wellington</i> <ul style="list-style-type: none"> Ngauranga Gorge Rd, Ngauranga, Wellington 6035 <i>Napier</i> <ul style="list-style-type: none"> 136 Mere Rd, Fernhill 4175
Hoult Contractors	Fred Hoult Owner/Director +64 6 355 5022 +64 27 230 1335 fred@houltcontractors.co.nz	<i>Manawatu-Wanganui</i> <ul style="list-style-type: none"> 12 Forest Hill Road, Aokautere 4471
HQL	Ross Baker General Manager +64 27 442 7228	<i>Wellington</i> <ul style="list-style-type: none"> Fitzroy Bay, Wellington Horokiwi Road (off Hutt Motorway), Petone, Wellington
Isaac	Jeremy Dixon General Manager +64 3 359 9145	<i>Christchurch</i> <ul style="list-style-type: none"> McArthurs Road, Mcleans Island, Christchurch 8051
J Swap	Michael Swap Quarries Manager +64 7 888 8121	-
Kaipara	Allan Drinkrow Director +64 9 536 5152	-
KBC	Kevin Blair Director +64 27 432 3684	<i>Christchurch</i> <ul style="list-style-type: none"> 95 Miners Rd, Christchurch 7676 McLeans Island
Longburn Shingle	Phillip Gordon +64 6 354 6654 pgordon@longburnindustries.co.nz	<i>Manawatu-Wanganui</i> <ul style="list-style-type: none"> Unnamed road, at 152 Walkers Rd, Longburn 4477
Pratt	Malcolm Pratt Director +64 6 329 0728	<i>Manawatu-Wanganui</i> <ul style="list-style-type: none"> 9 Back Road, Aokautere 4471
Perry Resources	Head Office +64 7 829 9602	-
QRS	Head Office +64 6 838 9030 office@qrs.co.nz	<i>Napier</i> <ul style="list-style-type: none"> Mohaka Coach Road, Raupunga 4189
Russell Roads	Head Office +64 6 879 4560 info@russellroads.co.nz	<i>Napier</i> <ul style="list-style-type: none"> 14 Kereru Road, Maraekakaho 4171

Party	Contact details	Quarry locations
RAL	Reg Mason General Manager +64 6 327 8616	<i>Manawatu-Wanganui</i> <ul style="list-style-type: none"> • 247 Kakariki Road, Kakariki • Campion Rd, Tangimoana 4473
Road Metals	Murray Francis Managing Director +64 21 321 311	<i>Christchurch</i> <ul style="list-style-type: none"> • Wards Rd, Rolleston, Selwyn, Christchurch 7677 • 394 W Coast Rd, Templeton, Christchurch 7676 • Haul Rd, Mcleans Island, Christchurch 8051
Stevenson Group	Mark Franklin Chief Executive +64 9 984 8400	-
Stringfellow	Graeme de Rose General Manager +64 27 281 8450 graeme@stringfellows.co.nz	-
Taggart Earthmoving	Paul Taggart Director +64 3 323 7085 paul.taggart@taggart.net.nz	<i>Christchurch</i> <ul style="list-style-type: none"> • Corner Of Cone And River Road, Rangiora 7400
Waldrom	Not available	<i>Napier</i> <ul style="list-style-type: none"> • 958 Highway 50, Ongaonga 4279
Webb	+64 21 423 611	<i>Kapiti</i> <ul style="list-style-type: none"> • Unnamed road, between 561 and 567A State Highway 1, Manakau 5570
ZMR	Marshall Rowe Director +64 27 715 7286 marshallrowe@gmail.com	<i>Manawatu-Wanganui</i> <ul style="list-style-type: none"> • 278 Mcdonell Rd, Ohakea 4479

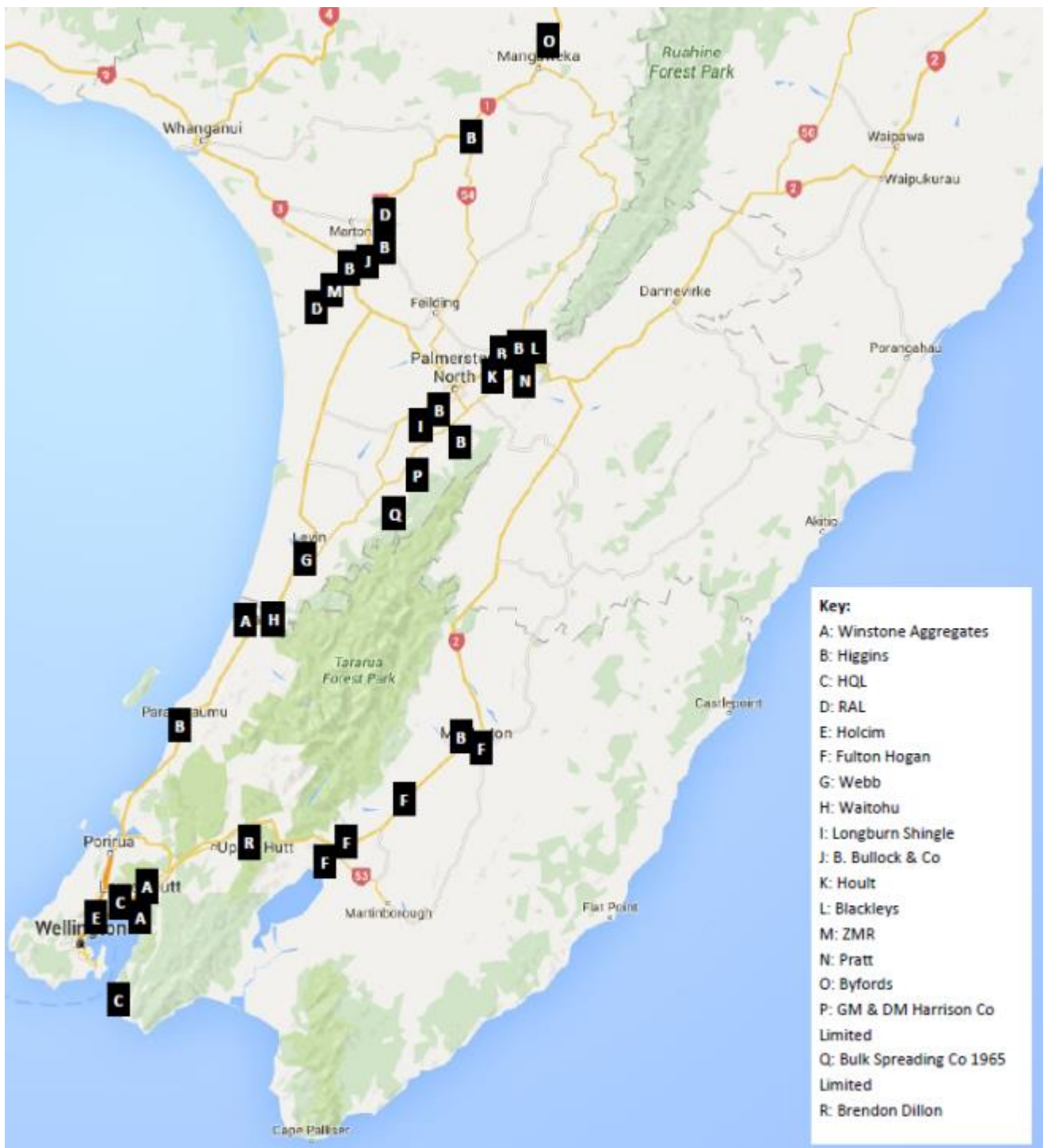
Annexure 5C: Maps of Competitor Quarry Sites

The following maps set out the approximate location of known quarries in the Napier, Manawatu-Wanganui, Kapiti, Wellington and Christchurch regions.

Napier



Wellington, Kapiti and Manawatu-Wanganui



Christchurch



Annexure 6: Trade or Industry Association Contact Details

Aggregate & Quarry Association of New Zealand (AQA)

The AQA is a non-independent industry body that was formed in 1969 by companies involved in extracting and supplying aggregates in New Zealand, in response to the need for an industry group that could represent aggregate suppliers on a range of issues, as well as liaise with regulators and end users of the materials. There are over 50 members of AQA which between them produce 85% of the aggregates and used in New Zealand.

Further information about AQA can be found on its website, www.aqa.org.nz.

MinEx Health & Safety Council Incorporated (MinEx)

MinEx is a national Health & Safety Council for the New Zealand mining and quarry industry. Its primary purpose is to assist the mining and quarry industry to improve its health and safety performance and provide centralised industry representation in matters relating to health and safety.

Further information about MinEx can be found on its website, www.minex.org.nz.

Contact details:

	AQA	MinEx
Name:	Roger Parton (Chief Executive)	Les McCracken (Chief Executive)
Address:	PO Box 32019 Maungaraki Lower Hutt 5050	PO Box 10668 Wellington 6143
Email:	n/a	les@straterra.co.nz
Phone:	+64 4 568 9123 +64 21 301 522	+64 4 473 7361 +64 274 328 926

Annexure 7: Key Customers (Confidential Annexure)

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Annexure 8: Winstone Aggregates Management Accounts (Confidential Annexure)

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Annexure 9: Higgins Audited Financial Statements (Confidential Annexure)

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Annexure 10: Higgins Management Accounts and Balance Sheet (Confidential Annexure)

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