ANALYSIS OF AGREEMENT CONTAINING CONSENT ORDERS
TO AID PUBLIC COMMENT

In the Matter of Holcim Ltd. and Lafarge S.A., File No. 141-0129

The Federal Trade Commission ("Commission") has accepted, subject to final approval, an Agreement Containing Consent Orders ("Consent Agreement") designed to remedy the anticompetitive effects resulting from the proposed acquisition of Lafarge S.A ("Lafarge") by Holcim Ltd. ("Holcim"). Under the terms of the proposed Consent Agreement, Lafarge is required to divest to Continental Cement Company ("Continental") its Davenport cement plant and quarry located in Buffalo, Iowa along with cement terminals and associated distribution assets in Minneapolis and St. Paul, Minnesota; La Crosse, Wisconsin; Memphis, Tennessee; and Convent and New Orleans, Louisiana. The Consent Agreement also requires Holcim to divest its Skyway slag cement plant located in Chicago, Illinois to Eagle Materials Inc. ("Eagle"), its slag cement plant located in Camden, New Jersey and its terminal near Boston, Massachusetts to Essroc Cement Corporation ("Essroc"), and its cement terminals in Grandville and Elmira, Michigan and Rock Island, Illinois to Buzzi Unicem USA ("Buzzi"). Finally, the Consent Agreement requires Holcim to divest to a buyer or buyers approved by the Commission (1) Holcim's Trident, Montana cement plant and two related terminals in Alberta, Canada, and (2) Holcim's Mississauga cement plant located in Ontario, Canada and related cement terminals in Duluth, Minnesota; Detroit and Dundee, Michigan; Cleveland, Ohio; and Buffalo, New York.

The Consent Agreement has been placed on the public record for 30 days to solicit comments from interested persons. Comments received during this period will become part of the public record. After 30 days, the Commission will again review the Consent Agreement and the comments received, and decide whether it should withdraw from the Consent Agreement, modify it, or make final the Decision and Order ("Order").

THE TRANSACTION

Pursuant to a Combination Agreement dated July 7, 2014, Holcim proposes to acquire 100 percent of the existing shares of Lafarge in a transaction valued at $24.95 billion at that time. The Commission's Complaint alleges that the proposed acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, by substantially lessening competition in certain regional markets in the United States for the manufacture and sale of portland cement and slag cement. The proposed Consent Agreement will remedy the alleged violations by preserving the competition that would otherwise be eliminated by the proposed acquisition.

THE PARTIES

Holcim is a Swiss-based, vertically integrated global building materials company. The company's products include cement, clinker, concrete, lime, and aggregates. In the United States, Holcim currently operates nine portland cement and three slag grinding plants, as well as a large network of distribution assets.

Lafarge is a vertically-integrated global building materials company incorporated in France and headquartered in Paris. Lafarge primarily produces and sells cement, aggregates, and ready-mix concrete. In the United States, Lafarge currently operates six portland cement and three slag cement grinding plants as well as numerous distribution terminals.

THE RELEVANT PRODUCTS AND STRUCTURE OF THE MARKETS

In the United States, both parties manufacture and sell portland cement. Portland cement is an essential ingredient in making concrete, a cheap and versatile building material. Because portland cement has no close substitute and the cost of cement usually represents a relatively small percentage of a project's overall construction costs, few customers are likely to switch to other products in response to a small but significant increase in the price of portland cement.

Both parties also manufacture and sell ground, granulated blast furnace slag ("slag cement"), a specialty cement product with unique characteristics that can serve as a partial substitute for portland cement. Customers add slag cement to portland cement to enhance the physical properties of a concrete mixture. It is appropriate to treat slag cement as a separate relevant product because an insufficient number of purchasers would switch to other products in response to a small but significant increase in the price of slag cement to render such a price increase unprofitable.

The primary purchasers of portland and slag cement are ready-mix concrete firms and producers of concrete products. These customers usually pick up portland and slag cement from a cement company's plant or terminal in trucks. Because portland and slag cement are heavy and relatively cheap commodities, transportation costs limit the distance customers can economically travel to pick up the products. The precise scope of the area that can be served by a particular plant or terminal depends on a number of factors, including the density of the specific region and local transportation costs.

Due to transportation costs, cement markets are local or regional in nature. The relevant geographic markets in which to analyze the effects of the proposed acquisition on portland cement competition are (1) the Minneapolis-St. Paul, Minnesota area; (2) the Duluth, Minnesota area; (3) western Wisconsin; (4) eastern Iowa; (5) the Memphis, Tennessee area; (6) the Baton Rouge, Louisiana area; (7) the New Orleans, Louisiana area; (8) the Detroit, Michigan area; (9) northern Michigan; (10) the Grand Rapids, Michigan area; (11) western Montana; and (12) the Boston, Massachusetts/Providence, Rhode Island area. The proper geographic markets in which to analyze the effects of the proposed transaction on slag cement are (1) the Mid-Atlantic region and (2) the western Great Lakes region.

The relevant markets for portland cement and slag cement are already highly concentrated. For each of the relevant markets, the parties are either the only suppliers in the market, two of only three suppliers, or two of only four suppliers.

ENTRY

Entry into the relevant portland cement and slag cement markets would not be timely, likely, or sufficient in magnitude, character, and scope to deter or counteract the anticompetitive effects of the proposed transaction. The cost to construct a new portland cement plant of sufficient size to be competitive would likely cost over $300 million and take more than five years to permit, design, and construct while the expansion of an existing facility would likely cost hundreds of millions of dollars and take four or more years to complete. Building competitive cement distribution terminals is also difficult and time consuming. It can take more than two years to obtain the necessary permits and complete construction of a competitive terminal in the relevant markets. New entrants into slag cement markets face the additional hurdle of having to obtain a cost-effective source for the raw material. There are few domestic sources for granulated blast furnace slag because there are a limited number of active blast furnaces in the United States. Given the difficulties of entry, it is unlikely that any new entry could be accomplished in a timely manner in the relevant markets to defeat a likely price increase caused by the proposed acquisition.

EFFECTS OF THE ACQUISITION

Unless remedied, the proposed merger would likely result in competitive harm in each of the relevant portland and slag cement markets. The merger would eliminate substantial head-to-head competition between the parties in each of these markets and significantly increase market concentration. For many customers in these markets, the merger would combine the two closest competitors for their business, leaving the merged entity with the power to increase prices to these customers unilaterally. Further, because the merger would reduce the number of significant competitors to, at most, two or three in the relevant markets, it would enhance the likelihood of collusion or coordinated action between the remaining competitors by reducing impediments to reaching common terms of coordination and making it easier to monitor and retaliate against potential deviation from a coordinated scheme.

THE CONSENT AGREEMENT

The proposed Consent Agreement eliminates the competitive concerns raised by Holcim's proposed acquisition of Lafarge by requiring the parties to divest assets in each relevant market. Lafarge is required to divest a cement plant in Buffalo, Iowa and a network of distribution terminals along the Mississippi River in Louisiana, Tennessee, Wisconsin, and Minnesota to Continental. Continental, in turn, will sell its cement terminal located in Bettendorf, Iowa to Lafarge in order to eliminate the competitive overlap that would otherwise be created by its acquisition of Lafarge's Davenport cement plant. Because Lafarge will be able to supply the Bettendorf terminal at a comparable or lower cost than Continental, the transactions contemplated in the Consent Agreement will maintain the competitive status quo in the eastern Iowa market. Holcim is required to divest distribution terminals in Illinois and Michigan to Buzzi. Holcim is further required to divest a terminal in Massachusetts and a slag plant in New Jersey to Essroc and a slag plant in Illinois to Eagle. Each of the identified buyers possesses the experience and capability to become significant competitors in the relevant markets. The parties

must accomplish the divestitures to these buyers within ten days after the proposed acquisition is accomplished.

The Commission's goal in evaluating possible purchasers of divested assets is to maintain the competitive environment that existed prior to the proposed acquisition. If the Commission determines that any of the identified buyers is not an acceptable acquirer, the proposed Order requires the parties to divest the assets to a Commission-approved acquirer within 90 days of the Commission notifying the parties that the proposed acquirer is not acceptable. If the Commission determines that the manner in which any divestiture was accomplished is not acceptable, the Commission may direct the parties, or appoint a divestiture trustee, to effect such modifications as may be necessary to satisfy the requirements of the Order.

Finally, the proposed Consent Agreement requires Holcim to divest to a buyer or buyers approved by the Commission (1) a cement plant in Trident, Montana and two distribution terminals in Alberta, Canada (the "Trident Assets"), and (2) a cement plant in Mississauga, Ontario and cement terminals in Minnesota, Michigan, Ohio, and New York (the "Great Lakes Assets"). The divestiture of the Trident plant would eliminate the proposed merger's potential anticompetitive impact on purchasers of portland cement located in western Montana. The two Alberta terminals distribute cement produced at the Trident plant and are included in the Consent Agreement in order to preserve the viability and marketability of the Trident Assets. Holcim's Mississauga plant supplies portland cement into the United States both directly and via terminals located in Duluth; Detroit; Dundee, Michigan; Cleveland, Ohio; and Buffalo, New York. The divestiture of the Great Lakes Assets would remedy the proposed merger's anticompetitive effects in the Duluth and Detroit areas. The Cleveland and Buffalo terminals are included in the Consent Agreement in order to preserve the viability and marketability of the Great Lakes Assets. The Trident Assets and Great Lakes Assets are also part of a larger group of Holcim assets located in Canada that the Respondents have agreed to divest in order to resolve competitive concerns raised by the Canadian Competition Bureau ("CCB"). Commission staff worked cooperatively with staff from the CCB to ensure that our respective proposed remedies would be consistent and effective.

The proposed Order provides that Holcim must find a buyer (or buyers) for the Trident Assets and the Great Lakes Assets, at no minimum price, that is acceptable to the Commission, no later than 120 days from the date on which the parties consummate the proposed acquisition. The Consent Agreement also contains an Order to Hold Separate and Maintain Assets, which will serve to ensure that these assets are held separate and operated independently from the merged company and protect the viability, marketability, and competitiveness of the divestiture asset packages until the assets are divested to a buyer or buyers approved by the Commission.

To ensure compliance with the proposed Order, the Commission has agreed to appoint an Interim Monitor to ensure that Holcim and Lafarge comply with all of their obligations pursuant to the Consent Agreement and to keep the Commission informed about the status of the transfer of the rights and assets to appropriate purchasers.

The purpose of this analysis is to facilitate public comment on the Consent Agreement, and it is not intended to constitute an official interpretation of the proposed Decision and Order or to modify its terms in any way.