

**ANALYSIS OF AGREEMENT CONTAINING CONSENT ORDERS
TO AID PUBLIC COMMENT**

In the Matter of CRH plc, File No. 171-0230, Docket No. C-4653

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 CRH plc’s (“CRH”) proposed acquisition of Ash Grove Cement Company (“Ash Grove”). Under the terms of the proposed Consent Agreement, CRH is required to divest the Trident cement plant and quarry located in Three Forks, Montana to Grupo Cementos de Chihuahua SAB de CV (“GCC”). The Consent Agreement additionally requires CRH to divest two sand-and-gravel plants and one sand-and-gravel pit located in Omaha, Nebraska to Martin Marietta Materials, Inc. (“Martin Marietta”). Last, the Consent Agreement requires CRH to divest two limestone quarries and a hot-mix asphalt plant located in Olathe, Kansas, as well as an additional limestone quarry and hot-mix asphalt plant located in Louisburg, Kansas, to Summit Materials, Inc. (“Summit”).

The Consent Agreement has been placed on the public record for thirty days to solicit comments from interested persons. Comments received during this period will become part of the public record. After thirty 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 an Agreement and Plan of Merger dated September 20, 2017, CRH proposes to acquire 100 percent of the existing voting securities of Ash Grove in a transaction valued at \$3.5 billion. 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, sand and gravel, and crushed limestone. The proposed Consent Agreement will remedy the alleged violations by preserving the competition that would otherwise be eliminated by the proposed acquisition.

THE PARTIES

CRH is a multinational corporation headquartered in Dublin, Ireland that specializes in manufacturing construction products and materials. In North America, CRH operates under the name CRH Americas, Inc. (“CRH Americas”) (formerly Oldcastle, Inc.) in forty-four U.S. states and six Canadian provinces. CRH Americas operates three cement plants, one inland import terminal, and four inland terminals. In addition, CRH Americas operates 419 sand-and-gravel sites, 232 quarries, 315 ready-mix concrete plants, 457 hot-mix asphalt plants, and 26 product packaging facilities. CRH Americas operates a cement plant in Three Forks, Montana, sand-and-gravel operations in Omaha, Nebraska under the subsidiary Mallard Sand & Gravel Co., and a crushed limestone business in Olathe, Kansas under the subsidiary APAC-Kansas.

Ash Grove is a closely held corporation headquartered in Overland Park, Kansas, also specializing in the manufacture of construction products and materials. Ash Grove is the sixth-largest cement manufacturer in North America and the second-largest manufacturer west of the Mississippi River. Ash Grove owns eight cement plants, 23 cement terminals, 10 fly ash terminals, two deep-water import terminals, 52 ready-mix concrete plants, 20 limestone quarries, 25 sand-and-gravel pits, and nine product packaging facilities. Ash Grove has a cement plant in Montana City, Montana, a sand-and-gravel business in Omaha, Nebraska operating under the subsidiary Lyman-Richey Corporation, and a crushed limestone business in Olathe, Kansas that operates under the subsidiary Johnson County Aggregates.

THE RELEVANT PRODUCTS AND STRUCTURE OF THE MARKETS

The transaction raises competition concerns in three relevant product markets: the manufacture and sale of portland cement, sand and gravel, and crushed limestone. In the United States, both parties manufacture and sell portland cement. Users mix portland cement with water and aggregates (crushed stone, sand, or gravel) to form concrete, a fundamental building material that is widely used in residential, commercial, and public infrastructure construction projects. Because portland cement has no close substitutes and the cost of cement usually represents a relatively small portion 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 supply construction-grade sand and gravel, which are alluvial deposits used in concrete, road base, asphalt, construction fill, and other construction products. Because sand and gravel have no close substitutes in the Omaha, Nebraska/Council Bluffs, Iowa market, it is appropriate to treat sand and gravel as a separate relevant market because Omaha customers are unlikely to switch to other products when faced with a small but significant increase in the price of sand and gravel.

Both parties also produce crushed limestone, which is used as an input in cement, concrete, asphalt, metal refining, construction base, and other construction products. Because there are no close substitutes for crushed limestone in the Johnson County, Kansas City market, it is appropriate to treat crushed limestone as a separate relevant market because Johnson County customers are unlikely to switch to other products in the event of a small but significant increase in the price of crushed limestone.

The primary purchasers of portland cement are ready-mix concrete producers. The primary purchasers of sand and gravel and crushed limestone are producers of ready-mix concrete and hot-mix asphalt. Because these products are heavy and relatively inexpensive commodities, the distance over which they can be trucked economically is limited. As a result, cement and aggregates markets are local or regional in nature, though their precise scope depends on a number of factors, including the traffic density of the specific region and local transportation costs, and available rail lines. For the purposes of analyzing the effects of the proposed acquisition on the portland cement market, the relevant geographic market is the state of Montana. The geographic market in which to analyze the effects of the proposed transaction on sand and gravel is the Omaha, Nebraska/Council Bluffs, Iowa region. The geographic market in which to analyze the effects of the proposed transaction on crushed limestone is the Johnson County, Kansas region.

These relevant markets are already highly concentrated. In Montana, the parties are two of only three suppliers of cement. In the Omaha/Council Bluffs market, the parties are the two leading suppliers of sand and gravel. In the Johnson County, Kansas, the parties are the two largest suppliers of crushed limestone and are located across the street from each other in Olathe, Kansas.

ENTRY

Entry into the relevant portland cement, sand and gravel, and crushed limestone markets would not be timely, likely, or sufficient in magnitude, character, and scope to deter or counteract the anticompetitive effects of the proposed transaction. Entry into the cement market is expensive and slow. The cost to construct a new portland cement plant of sufficient size to be competitive would likely cost over \$500 million and take more than five years. Building a rail terminal, though less difficult and expensive than building a plant, can take more than two years and several million dollars, and is only an option for firms with cement plants in sufficiently close proximity to supply the terminal economically.

New entry into the sand and gravel markets may take more than two years to complete. Sand-and-gravel entrants face significant hurdles because federal and local permits are required before they can commence operation, and the permitting process can exceed two years.

Opening a new quarry to mine and process crushed limestone in Kansas City typically costs \$3 to 4 million and takes approximately five years to accomplish. Additionally, Johnson County has not approved a new quarry site in more than twenty-five years due to municipal opposition.

Given the difficulties of entry in these three relevant markets, entry would not be likely, timely, and sufficient to defeat the likely anticompetitive effects of the proposed transaction in the relevant markets.

EFFECTS OF THE ACQUISITION

Unless remedied, the proposed merger would likely result in competitive harm in each of the relevant portland cement, sand and gravel, and crushed limestone markets. The merger would eliminate 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 their two closest competitors, leaving the merged entity with the power to increase prices to these customers unilaterally. The merger would produce a *de facto* monopoly in the supply of sand and gravel in Omaha, leave only two suppliers of cement in Montana, and consolidate the two largest suppliers of crushed limestone in Johnson County. Further, if consummated without a remedy, the Acquisition would enhance the possibility of higher prices in the Montana cement market through collusion or coordinated action between the remaining two competitors.

THE CONSENT AGREEMENT

The proposed Consent Agreement eliminates the competitive concerns raised by CRH's proposed acquisition of Ash Grove by requiring the parties to divest assets in each relevant market. CRH is required to divest its cement plant in Three Forks, Montana to GCC. GCC is a Mexican multinational corporation and experienced producer of cement, aggregates, and downstream construction materials such as concrete. It owns seven cement plants in the United States, including one in nearby Rapid City, South Dakota, and 21 cement terminals. Because the CRH cement plant in Montana currently sells a significant amount of cement into Canada through two CRH terminals in Alberta, Canada, and GCC does not have a presence in Canada, GCC will have the option to use a portion of the throughput of those CRH terminals for a period of three years. Additionally, CRH has agreed to purchase, at GCC's option, cement produced at the plant for distribution in Canada for up to three years. CRH is required to divest two sand-and-gravel operations and one pit in Omaha, Nebraska to Martin Marietta. CRH is further required to divest a hot-mix asphalt plant and two limestone quarries in Olathe, Kansas, as well as another hot-mix asphalt plant and another limestone quarry in Louisburg, Kansas, to Summit. Each of the identified buyers possesses the experience and capability to replace one of the merging parties as a significant competitor 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.

To ensure compliance with the proposed Order, the Commission has agreed to appoint a Monitor to ensure that CRH and Ash Grove 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 Order or to modify its terms in any way.