



TWO BECOME ONE

Mammoet's Marriage of Great Convenience BY MALCOLM RAMSEY

Hheavy-lift specialist Mammoet's confirmation that it is to acquire UK-based breakbulk specialist ALE has certainly set the scene for a new global leader in the heavy-lift segment.

The deal, announced in early July, will create a combined heavy-lift and transport company with about 6,800 employees and some of the largest capacity cranes in the business.

Founded in 1807 in the Netherlands, Mammoet is one of the oldest heavy-lift firms in the world, and is today headquartered in Schiedam, in the outskirts of Rotterdam. Operating a network of about 90 offices and branches worldwide, the group employs about 5,000 staff and delivers a range of project cargo transportation, logistics planning and crane rental services.

ALE in contrast is a relatively small company, employing about 1,800 staff through 40 global branches. Operating as a privately held, family-run business from headquarters in Staffordshire in the UK since 1983, the company has built a strong reputation at the larger end of the heavy-lift market, creating some of the industry's highest capacity cranes as well as a range of transport systems, ballast systems, jacking, barges, skidding systems, auxiliary, and weighing systems. In May, the firm introduced the "world's largest capacity

land-based crane," promising new levels of project efficiencies and safety.

While the deal is pending regulatory approval, Mammoet has been reticent to comment, but Paul van Gelder, Mammoet CEO, has publicly outlined plans to create a "technologically leading player" that will manage a "well-balanced portfolio of activities worldwide."

INDUSTRY THOUGHTS

Speaking to *Breakbulk*, Elisabeth Cosmatos, managing director of industry consultancy Cosmatos Group, highlighted the dominant position a combined entity would take in the sector: "Mammoet and ALE joining forces certainly brings them in the first rank for many years to come, leaving Sarens considerably behind in second position. So, we are faced with a colossal new company with dominant presence around the globe."

Andrew Collister, director of heavy-lift consultancy Techlift, sees the deal as a win-win for Mammoet, increasing client diversity and geographical locations and removing one of their major competitors. While the value of the deal has not been disclosed, Collister estimates that it may be valued "around US\$100 million to US\$150 million."

While on paper the two firms represent a surefire industry leader, the practicalities of any merger at this scale

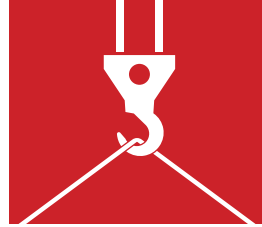
present challenges, and Collister goes on to note the potential for culture clash.

"From our experience in working with both companies over the years, they have cultural differences in terms of their approach to sales, planning and execution. Although ALE has grown significantly in recent years to become a global business, it is still very much family run. Whereas, since the departure of the Van Seumeren family, Mammoet is very much a corporate animal run by an investment organization.

"It will be interesting to see to what extent the ALE business will be integrated within the Mammoet organization, as there are a number of markets and geographical locations where both organizations already have a strong presence."

With little detail from Mammoet or ALE on the future shape of any combined operating company, the potential for disruption remains unclear, and uncertainty over the nature of project delivery in the short-term may create issues.

"As the heavy-lift and transport industry often requires long lead time commitment by clients for the hire of ultra-heavy cranes and multiple axle lines, there will be uncertainty for major EPCM [engineering, procurement and construction management]



customers when it comes to planning, tenders and upcoming projects, as to how and by whom they will be managed and resourced,” Collister said.

CONSOLIDATION AND LOCALIZATION

Despite these concerns the difficulties for integration are far from insurmountable, and Doug Ferguson, managing director of construction technology consultancy Lowther-Rolton, predicts that Mammoet will be assisted in the transition thanks to its experience “running global offices, each of which has some individual differences, while maintaining an effective brand and level of quality.” However, he warned that such a major consolidation could make the market somewhat uncompetitive until another player moves into the space.

Cosmatos sees the consolidation inevitably creating cost savings which could lead to a decrease of mobilization costs, given the global coverage and the introduction of innovative techniques, both of which could push the heavy-lift industry a step further.

Despite these advantages, job cuts are likely, as the majority of future activity is predicted to focus around global breakbulk hotspots and hubs where both firms already have a strong foothold.

“We think it will be inevitable that there will be job losses if the two businesses are completely integrated,” Collister said. “There are overlaps in geographical locations and head office support. We may also see a downsizing of their combined equipment fleet.”

Given the unprecedented scale of the proposed merger, economies of scale are likely to play in Mammoet’s favor, but as the nature of mega-breakbulk handling becomes increasingly specialized, the need for localization of services is likely to be paramount.

“Although this seems to be a rather successful strategic move for both companies, especially for ALE considering the forthcoming Brexit, there is concern if the merger brings more advantages to the customers compared to losing alternative choices and competing power,” Cosmatos said.

Lack of competition in the marketplace is also a driving concern for Collister: “Effectively we will have only two global heavy-lift and transport companies, with Mammoet becoming nearly twice the size of its nearest competitor.” However, he added, this could force clients to look further afield than the “big two” and the industry may start to see the development and expansion of regional heavy-lift and transport contractors.

But with market rates at record lows in some segments, the trend towards further consolidation in the breakbulk sector seems likely to continue for the mid-term, driven by the wider construction and engineering

industry. Takeovers and mergers between the likes of AMEC and Wood Group, Technip and FMC, along with Jacobs and Worley Parsons may have proved inspirational for the ALE and Mammoet tie-up.

In a parting comment, Collister said that he expects that this shift could bring unexpected opportunities, and he will not be alone in monitoring the reaction of the larger regional heavy-lift and transport companies and, of course, Sarens. **BB**

Based in the UK, Malcolm Ramsay has a background in business analysis and technology writing, with an emphasis on transportation and ports.



ALE (top) has built a strong reputation at the larger end of the heavy-lift market, while Mammoet delivers a range of project cargo transportation, logistics planning and crane rental services. CREDIT: ALE, MAMMOET.