

An investigation into hanson plc



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Hanson PLC is a business concerned in the " extraction and working of stones, clay and sand, minerals & metal ferrous ores" i. The company is the world's largest producer of aggregates and 3rd largest producer of ready-mixed concrete. The group consisting of 117 businesses operates across the globe in countries such as North America, where the company is benefiting from the current population growth in the states of Texas, California, North Carolina and Georgia; in the United Kingdom, here Hanson PLC is expecting to increase turnover due to the governments announcement on major road changes ; across Europe in countries such as Germany, Israel and Spain where they have expanded with the purchase of 2 new quarries; along with Australia, which has seen reductions in turnover after the boom that was bought about with the recent Olympic Games; and Asia. In total the company employ's 26, 900 staff and controls assets totallin 6, 747, 200, 000 which are quoted in not only the UK stock exchange but also the American and Australian stock exchange.

Hanson PLC has continued its expansion programme over the past year but two other major issues affecting the business over the past 6 months have arisen from announcements made by the British Government. The first of these was a decision for a major increase in spending on the road system over the next 10 years named 'Transport 2010' this was to make up for poor spending over previous years on the M2, M27 and Channel tunnel Rail Link. This should increase Hanson PLC's sales in this market of road building materials which has deteriorated over the past few years due to the lack of spending; the new programme will create revenue of 180bn over the next 10 years for the market. This will be important to the success of Hanson PLC's

expansion plan as the UK market make up 90% of the sales made by Hanson Building Materials Europe.

The second announcement made by the British government was the introduction of the Aggregates Levy, which came into force this year and penalises firms for extracting materials like sandstone from quarries, with a charge of £1.60 per tonne. This was brought in by the environmental secretary to reduce the scarring on a landscape which can be seen in places such as Derbyshire. It was expected that this would have significant effects on the market but at present market prices have risen by 4.2%. However this is not to say that the levy is cutting into the profit margin of the company as with increases in inflation the costs of mining are increasing and so with the increase in market price covering the costs of tax Hanson can only either increase their prices or reduce their profit levels in the future in order to cover the costs of inflation. This is a difficult situation as Britain is Hanson PLC's leading market in Europe.

Image 1 illustrates that the share value has fluctuated over the past 2 years but has done so at the same time as the FTSE illustrating it is market specific. The share has a top-resistance level of 540p and until the autumn of 2002 had a low-resistance level of 380p at which point both the FTSE and Hanson PLC shares fell significantly illustrating again that the share is market specific to the FTSE. The fact that the Hanson PLC is market specific can again be seen in Image 2 which shows that the shares almost merge with those of the construction materials market.

The Rt Hon. Lord Baker of Dorking is a member of a wide range of boards in not only non-executive positions but also as chairman for organisations such

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as The Belmont Press Ltd. He brings contacts to Hanson PLC through his role as MP, most recently holding the position of Home Secretary.

Frank Blount also holds roles such as being executive of JI Ventures, Inc and Chairman of Cypress Communications, Inc. He came to the company after its take over of Pioneer International Ltd where he was previously a non-executive director. What is important is his role as a director of Caterpillar Inc. David Hoare also joined Hanson PLC after its takeover of Pioneer International Ltd. David does not only hold directorships at Hanson but is also chairman of ASXSR Ltd and holds board positions at the University of Sydney and the Australian School of Management. Simon Keswick is Director of Jardine Matheson Holdings Ltd, Matheson ; Co Ltd and Jardine Lloyd Thompson Group PLC. He also holds a range of positions as chairman including those at Dairy Farm International, Hongkong Land, Mandarin Oriental and The Fleming Mercantile Investment Trust PLC.

The Baroness Noakes is a non-executive director of Carpetright Plc and a trustee of the Reuters Founders Share Company. She is also a member of the Council of the Institute of Business Ethics. and was formerly director offinanceand corporate information on the NHS Management Executive. She is also a member of both the Takeover Panel and the Private Finance Panel. John Schubert was previously managing director and chief executive of Pioneer International Ltd but became a non-executive director of Hanson after it took over Pioneer International. He also holds the position as director at Qantas Airways Ltd, the Australian Graduate School of Management, and the Great Barrier Reef Research Foundation.

The combined code states the number of independent and capable non-executive directors which should be assigned to each of the committee in a business and on the board. If you look at Appendix 6 the number of non-executive directors is met and so in that sense the board obeys the combined code. However there are several questions about the independency of some of the directors and the effects that they could have on the decision making of the board. The first of these questions is to do with John Schubert and David Hoare who were executive directors of Pioneer International but later became non-executive directors of Hanson PLC when Hanson took over Pioneer.

Therefore the question is about how independent they are as behind the scenes they may have been asked to agree to certain decisions in order to guarantee them a job as both of them are at retirement age! There are further questions asked about the links to industry that Baroness Noakes has with the Takeover Panel as Hanson has just carried out several significant takeovers which may have been affected by her position and those which Frank Blount has with Caterpillar who will be a major supplier of equipment to Hanson PLC.