CC corrects error in provisional estimate of consumer detriment in cement

The results of our analysis of profitability in cement were presented in paragraphs 7.136 to 7.143 and Appendix 7.7 of the provisional findings. Following publication of the provisional findings, we have reviewed our calculations of profitability and found that, in respect of one cement producer, we had incorrectly identified its other operating items as income from carbon credits.

Although this mis-identification of carbon credit income has no impact on one of our two profitability measures, profitability reflecting all costs incurred, it has had an impact on the results of the profitability based on the continuing costs of supply. We now calculate it to be 12.0 per cent rather than 13.3 per cent averaged over the period 2007 to 2011 and over the four Great Britain cement producers.

We used profitability based on the continuing costs of supply to calculate our estimate of the detriment in paragraph 8.272 and 8.273 of the provisional findings. We have therefore updated this calculation using the revised figures above. Our revised estimate of the detriment based on profitability is approximately £110 million over the period 2007 to 2011.

Over the summer, we will be updating our profitability analysis, and the detriment calculation based thereon, to take account of, among other things, 2012 financial information and comments on the profitability analysis we received in responses to our provisional findings. We plan to publish the results of this further analysis and there will be further opportunities to comment on the updated analysis in due course. We have also recently published (and are consulting on) another estimate of the consumer detriment in cement that uses a cost-based, rather than a profitability-based, approach—this estimate can be found here: www.competition-commission.org.uk/assets/competitioncommission/docs/2012/aggregates-cement-and-ready-mix-concrete/cost_based_approach_to_estimating_detriment.pdf.

1 August 2013