AGGREGATES, CEMENT AND READY-MIX CONCRETE MARKET INVESTIGATION

Market background

Company profiles of the medium-tier independents: Breedon Aggregates, Brett Group, CPV (Southern Cement and Dragon Alfa), Dudman Group, Leiths, Marshalls, Sherburn, Thomas Armstrong, Titan and Premier Cement

Introduction

1. This working paper sets out the company profiles of some of the medium-tier independent operators[1] (medium-tier independents) engaged in one, or a combination, of the following activities: the production of aggregates or ready-mixed concrete (RMX) in Great Britain, or the importation of cement into Great Britain (the Relevant GB Operations).

2. Table 1 sets out a summary snapshot of the ten medium-tier independents covered in this paper.

[1] We broadly classified an independent operator as being 'medium-tier' if it one of its Relevant GB Operations met one of our minimum annual production criteria of: *(a)* 1 Mt for aggregates; or *(b)* 100,000m^3 for RMX. These thresholds were determined based on the top ten largest aggregates or RMX producers (excluding the five Majors) based on BDS 2009 data. In relation to cement importers, we approached all cement importers operating in Great Britain. The cement importers covered in this paper reflect those which have engaged with the CC through hearings and/or by providing responses to our information requests.

TABLE 1 **Snapshot summary of the medium-tier independents covered in this paper**

*Operator and 2011 GB market shares**	*Ultimate parent company, country of incorporation and market capitalization (December 2012)*	*Relevant GB Operations*	*Relevant GB Operations: FY11 gross revenues (unless stated otherwise)*
Breedon Aggregates • Aggs: 3.0% • RMX: 2.0%	• Breedon Aggregates • UK • Market cap: £140m	• 26 aggregates quarries • 40 RMX plants	• Aggregates: £[✂]m • RMX: £[✂]m
Brett Group • Aggs: 1.0% • RMX: 2.0%	• Brett Group • UK • Not listed	• 32 aggregates quarries & wharves • 20 RMX plants • 1 cement import terminal (used for GGBS)	• Aggregates: £42m • RMX: £30m • Cement: N/A
CPV (Southern Cement and Dragon Alfa) • Cement: N/A	• CPV • Spain • Market cap: €100m	• 2 cement import terminals	• Cement: £[✂]m
Dudman Group • Aggs: 0.5% • RMX: 0.5% • Cement: N/A	• Dudman Holdings Ltd • UK • Not listed	• 10 aggregates quarries • 6 RMX plants • [✂] cement import terminals (4 active)	• Aggregates: £[✂]m • RMX: £[✂]m • Cement: £[✂]m
Leiths • Aggs: 0.5% • RMX: 0.5%	• Leiths • UK • Not listed	• 15 aggregates quarries in Scotland • 6 RMX plants in Scotland	FY11 external net revenues only: • Aggregates: £[✂]m • RMX: £[✂]m
Marshalls • Aggs: 1.0% • RMX: N/A	• Marshalls • UK • Market cap: £200m	• 10 aggregates quarries • 1 RMX plant in Wales	• Aggregates: £[✂]m • RMX: £[✂]m
Sherburn • Aggs: 0.5% • RMX: 0.5% • Cement: N/A	• Sherburn • UK • Not listed	• 5 aggregates quarries • 5 RMX plants • 1 cement import terminal	• Aggregates: N/A • RMX: N/A • Cement: N/A
Thomas Armstrong • Aggs: 0.5% • Cement: N/A	• Thomas Armstrong • UK • Not listed	• 7 aggregates quarries • 1 cement import terminal	• Aggregates: £14m • Cement: £3m
Titan • Cement: N/A	• Titan Cement Group • Greece • Market cap: €1bn	• 1 cement import terminal	• Cement: £9m
Premier Cement • Cement: N/A	• CRH Group • Ireland • Market cap: €10bn	• 1 cement import terminal	• Cement: £[✂]m

Source: Various (see respective company profiles in the main body of this paper).

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*Market shares equal to, or greater than, 0.3% have been rounded to the nearest 0.5%. Market shares equal to, or less than, 0.2%, have been rounded up to 0.5%. Market shares are based on the following sources: *(a)* Aggregates: table titled 'Summary outputs and shares of aggregates companies – GB (Exc. Marine)' (p169) from BDS report *Estimated market shares of pits, quarries and marine wharves in Great Britain (2011)* (July 2012). Only land-won primary aggregates (ie excluding marine aggregates) are taken into account; and *(b)* RMX: table of market shares of RMX companies in Great Britain (p54) of BDS report *Estimated market shares of ready mixed concrete companies in Great Britain (2011)* (July 2012). Market shares of the RMX market include onsite batching, eg volumetric trucks.

Notes:

1. N/A = not available.
2. Market capitalization figures are based on December 2012 figures.

3. References to a medium-tier independent's financial year end (regardless of the month in which the financial year end falls) have been denoted by 'FY' followed by

the relevant year, eg the financial years ended 31 March 2011 or 31 December 2011 will both be denoted by FY11.

4. We set out below the detailed company profiles of each of the ten medium–tier independents covered in this paper.

Breedon Aggregates

Relevant GB Operations: aggregates and RMX

Company overview

5. Breedon Aggregates Ltd (Breedon Aggregates) is listed on the Alternative Investment Market (AIM) on the London Stock Exchange with a current market capitalization of around £140 million.[2] It is the largest independent heavy building materials producer in the UK behind the five Majors, employing over 800 people and operating 26 aggregates quarries, 40 RMX plants and 18 asphalt plants across central England, East Anglia and eastern England, and in the North and North-West of Scotland.[3] Breedon Aggregates also provides contracting services for civil works and road surfacing.

6. For FY11, Breedon Aggregates generated total consolidated revenues of £168.9 million and underlying earnings before interest, tax, depreciation and amortization (EBITDA) of £17.1 million,[4] with roughly equal revenue and EBITDA contributions from each of its English and Scottish operations.

7. Breedon Aggregates is the ultimate parent company of its primary English and Scottish trading subsidiaries: Breedon Aggregates England Ltd and Breedon Aggregates Scotland Ltd. A separate subsidiary, Breedon Group Services Ltd,

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[2] www.londonstockexchange.com (4 December 2012).
[3] Site numbers are accurate as at 31 December 2011.
[4] Underlying EBITDA is stated before redundancy, reorganization and acquisition related costs, as well as before changes in the fair value of financial instruments and gains on bargain purchase. Source: Breedon Aggregates FY11 Annual Accounts.

employs all 800 employees and recharges each trading subsidiary. Breedon Aggregates' board is led by Chairman Peter Tom (a former CEO and later Chairman of Aggregate Industries plc), and CEO Simon Vivian (a former CEO of Hanson plc's European Building Materials division and a former CEO of Mowlem plc).[5] Below group level, its English and Scottish operations each have their own Chief Executive and management team based in Breedon-on-the-Hill (East Midlands) and Dundee (Scotland) respectively.[6]

8. Breedon Aggregates was first set up in June 2008 as an AIM-listed special purpose vehicle to pursue a 'buy-and-build' strategy in the UK, European and US heavy building materials sectors. It commenced operations in September 2010 when it acquired Breedon Holdings Ltd which had, in March 2009, acquired out of administration Ennstone plc's aggregates, RMX, asphalt and contracting operations in England and Scotland.[7] This was followed by its acquisitions of the trade and assets of C&G Concrete Ltd,[8] a Lincolnshire-based RMX and aggregates producer, in July 2011;[9] and Nottingham Ready Mix Ltd,[10] an RMX producer in the Nottingham area, in January 2012.[11]

9. Breedon Aggregates continues to pursue its 'buy-and-build' strategy in relation to 'aggregates related businesses',[12] and in April 2012, announced a proposed placing of £15 million to fund future acquisitions. In May 2012, Breedon Aggregates

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[5] www.marwyn.com.
[6] Breedon Aggregates FY11 Annual Report.
[7] [✂] Ennstone plc was put into administration in March 2009, when its English and Scottish operations were sold to Breedon Holdings Ltd for £[✂], and its Polish operations were sold to Lafarge Group. Ennstone plc also had operations in the USA which were not part of this administration process.
[8] Breedon Aggregates said that the trade and assets of C&G Concrete Ltd gave its English RMX operations: *(a)* 'critical mass'; *(b)* linked its businesses in East Anglia and the East Midlands; and *(c)* created, for the first time, an internal source of sand and gravel. Source: Breedon Aggregates FY11 Annual Report.
[9] C&G Concrete Ltd operated 12 RMX plants and three sand and gravel quarries with around 24 Mt of reserves and resources. Breedon Aggregates acquired the trade and assets of C&G Concrete Ltd out of administration for a cash consideration of £10.8 million. Sources: Breedon Aggregates FY11 Annual Report and Breedon Aggregates FY11 Annual results (press release 6 March 2012)
[10] The consideration for Nottingham Ready Mix Ltd was around £1 million based on total acquisitions of £11.7 million, of which C&G Concrete Ltd accounted for around £10.8 million. Source: www.breedonaggregates.com
[11] Breedon Aggregates FY11 Annual Report.
[12] Breedon Aggregates FY11 Annual Report.

reaffirmed its interest in acquiring some of the assets which will be divested as part of the Anglo-Lafarge Joint Venture (JV) formation,[13] but subsequently withdrew from the sale process in respect of a large proportion of the assets. In July 2012, Breedon Aggregates acquired the trade and assets of Speyside Sand & Gravel Quarries Ltd, including its quarry at Rothes Glen near Elgin, with around 1 Mt of sand and gravel reserves.[14]

Aggregates operations

10. By the end of FY11, Breedon Aggregates held around 200 Mt of aggregates reserves and resources, of which over half were consented,[15] and sold around 4 Mt of aggregates (40 per cent of which was produced by just two of its quarries in England). Its aggregates product range includes crushed rock (crushed limestone, granite and basalt), sand and gravel, and some specialist aggregates (including agricultural lime and a product called Breedon Golden Amber).[16] Breedon Aggregates told us that it supplied aggregates to external customers and down-stream to its own RMX and asphalt operations. Of its 26 aggregates quarries: *(a)* 20 are for crushed rock and six are for sand and gravel; and *(b)* nine are in England and 17 are in Scotland.[17] In FY11, its aggregates operations generated total gross revenues of around £[✂] million.

RMX operations

11. During FY11, Breedon Aggregates produced and sold around 400,000m^3 of RMX out of its 39 RMX plants, of which 17 are in England and 22 in Scotland.[18] The RMX operations produce RMX and mortar and also have a Minimix operation (launched in

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[13] www.breedonaggregates.com.
[14] The acquisition was made by Breedon Aggregates' trading subsidiary, Breedon Aggregates Scotland Ltd. Source: www.breedonaggregates.com
[15] Breedon Aggregates FY11 Annual results (press release 6 March 2012).
[16] www.breedonaggregates.com.
[17] Breedon Aggregates FY11 Annual Report.
[18] Breedon Aggregates FY11 Annual results (press release 6 March 2012)

April 2012) to serve smaller volume customers.[19] Breedon Aggregates told us that it supplied RMX to external customers and downstream to its own contracting service operations. In FY11, its RMX operations generated total gross revenues of around £[✂] million.

12. Breedon Aggregates told us that its RMX operations predominantly sourced their aggregates internally, except in limited cases where: purchasing aggregates from third party suppliers: *(a)* represented the 'most economical source of supply'; or *(b)* was required to as a 'condition of the lease or licence to occupy'.

Brett Group

Relevant GB Operations: aggregates, RMX and cement imports

Company overview

13. Robert Brett & Sons Ltd (Brett Group) is the ultimate parent company for its two primary trading subsidiaries, Brett Aggregates Ltd (based in Faversham, Kent) and Brett Concrete Ltd (based in Aylesford, Kent). Brett Group is an independent producer of aggregates and RMX covering the South-East, including London, and hard landscaping products, eg concrete paving blocks. It also imports GGBS for use in its own downstream operations.

Aggregates operations

14. Brett Group told us that it produced both land-won and marine sand and gravel, as well as recycled aggregates, and operated 32 aggregates quarries and wharves in London, the South-East and the East of England. Brett Group is the UK's largest independent producer of sand and gravel.[20] It told us that it did not produce any crushed rock, and instead sourced crushed rock from Continental Europe, Scotland

[19] Breedon Aggregates FY11 Annual results (press release 6 March 2012) and www.breedonaggregates.com.
[20] www.brett.co.uk.

and the Republic of Ireland. It also told us that it sourced secondary aggregates from the UK and Continental Europe. In FY11, its aggregates operations generated total gross revenues of around £40 million.

15. In relation to marine aggregates, Brett Group operates in: *(a)* the Thames Estuary through Britannia Aggregates Ltd, a JV with RW Aggregates Ltd (a 50:50 JV between Lafarge and Boskalis Westminster Ltd), in which Brett Group holds a 50 per cent stake; and *(b)* the North Sea and English Channel through Volker Dredging Ltd, a 50:50 JV with Van Oord UK Ltd.[21]

16. Brett Group told us that it also had the following aggregates JVs with the Majors:

   (a) *Brett Hall Aggregates Ltd:* a 50:50 JV with Cemex to process and sell marine aggregates;

   (b) *Brett Lafarge Ltd:* a 50:50 JV with Lafarge for primary aggregates production; and

   (c) *Shepperton Aggregates (an unincorporated JV):* a 50:50 JV with Tarmac for primary aggregates production.

17. Brett Group added that it also had around a 25 per cent shareholding in a JV called Reservoir Aggregates Ltd with Cemex, Hanson and other parties, which was no longer trading; and a 50:50 JV with Cemex called West London Aggregates Ltd, which had never traded.

Cement import operations

18. Brett Group told us that it did not import any CEM I cement and instead used its one cement import terminal in Ridham dock in Sittingbourne, Kent, to import around 55 Kt

[21] www.brett.co.uk.

of GGBS each year, which was then blended with CEM I. It estimated that its cement import terminal had total capacity of around 110 Kt of GGBS.[22]

19. Brett Group told us that GGBS and CEM I cement accounted for 30 and 70 per cent of its total 'cementitious' requirement respectively, and that it only imported GGBS for its own internal consumption. In relation to CEM I cement, it sources this from Lafarge, for which it has in place [✂] supply contracts.

RMX operations

20. As at October 2011, Brett Group told us that it operated 20 RMX plants in the South-East [✂], but did not operate any volumetric trucks. It said that its entire aggregates requirement for its downstream RMX operations was self-supplied. In FY11, its RMX operations generated total gross revenues of around £30 million.

CPV (Southern Cement and Dragon Alfa)

Relevant GB Operations: cement imports

Company overview

21. Cementos Portland Valderrivas SA (CPV) is headquartered in Madrid and is a listed Spanish multinational heavy building materials producer of cement, aggregates, RMX, concrete products and mortar,[23] with a current market capitalization of around €100 million.[24] In FY11, CPV generated total consolidated revenues of €686.5 million.[25]

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[22] Total capacity estimate based on Brett Group's estimate that 55 Kt represented 50 per cent capacity utilization at its cement import terminal. [✂]
[23] www.valderrivas.es
[24] www.bloomberg.com (4 December 2012).
[25] www.valderrivas.es.

22. CPV operates two cement import terminals in the UK, which imported around 380 Kt of cement during FY11 through its two UK subsidiaries:[26] Southern Cement Ltd (Southern Cement) and Dragon Alfa Cement Ltd (Dragon Alfa).

Cement import operations

23. Southern Cement and Dragon Alfa only import CEM I bulk cement. Dragon Alfa transports its cement via road using its own fleet of bulk tanks.[27] In FY11, Southern Cement and Dragon Alfa together generated total gross revenues of around £[✄] million.

24. Southern Cement and Dragon Alfa typically imported cement into the UK from Cementos Alfa and Cementos Lemona in northern Spain whenever there was excess capacity at its Spanish cement works, but would also import from Portugal and Germany if cement demand in Spain was high. Since 2008, the downturn in the Spanish cement market resulted in there being good availability of cement from Spain.

25. Southern Cement and Dragon Alfa considered their UK cement importation business as 'sellers to the independent RMX and precast concrete industry', as well as builders' merchants who purchased significant volumes of its bagged cement, and added that a key 'selling point' for their independent customers was that they did not operate a vertically integrated business model, and therefore did not compete with them in any of the downstream markets in Great Britain. They added that neither Southern Cement nor Dragon Alfa supplied any of the Majors, except Aggregate

[26] Whilst Southern Cement and Dragon Alfa are not 100 per cent owned by CPV, CPV through direct and indirect shareholdings owns the vast majority of their shares. Source: www.valderrivas.es.
[27] Dragon Alfa told us that at one point it owned 12 vehicles, but this has now reduced to five vehicles following cost-cutting measures. Southern Cement does not own its fleet of vehicles.

Industries (supplied only by Dragon Alfa), and that it did not sell to the Majors as cement prices were too low given their large volume purchases.[28]

26. [✂][29] (FOB) [✂].[30,31,32,33,34]

27. Southern Cement and Dragon Alfa told us that their customers increasingly demanded blended cements and therefore the [✂]. However, they added that given the additional investment requirement into facilities, and the high cost of transport, there may not be a sound business case to pursue this option.

28. Below, we set out a brief description of each of Southern Cement and Dragon Alfa.

Southern Cement

29. Southern Cement operates one cement import terminal at the port of Ipswich, which imported around 180 Kt of cement during FY11. Southern Cement told us that as it was a 'deep water' port, it could be operated at any time. The Ipswich terminal had cement handling, storage and packaging facilities. In addition to bulk and bagged cement, the Ipswich terminal also sold mortar and lime.[35] It told us that the Ipswich terminal served customers in the Greater London area, including large RMX producers, and other areas, in particular East Anglia.

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[28] Southern Cement told us that it had previously supplied Tarmac.
[29] We generally refer to FOB prices where the price is based on the seller bearing the costs of transportation of the goods to the export terminal and loading. Therefore, the buyer must bear the costs of marine freight transport, insurance, unloading, and transportation from the import terminal to the final destination. The FOB price of a good will therefore include the seller's costs specified above. Source: International Chamber of Commerce (www.iccwbo.org).
[30] [✂]
[31] [✂]
[32] [✂]
[33] [✂]
[34] [✂]
[35] www.southerncement.co.uk.

Dragon Alfa

30. Dragon Alfa is based in the South-West of England at Sharpness Docks, Gloucestershire,[36] and operates one cement import terminal at Sharpness, which imported around 200 Kt of cement during FY11. As a 'tidal' port, Dragon Alfa told us that this meant that the Sharpness terminal could not be used at all times, and therefore had a depot for storing cement. Dragon Alfa also had an on-site cement packaging facility to serve its bagged cement customers.[37] In addition to bulk and bagged cement, the Sharpness terminal also sold mortars, white cement and lime.[38] It told us that the Sharpness terminal typically served smaller customers, including pre-cast concrete producers and builders' merchants.

Dudman Group

Relevant GB Operations: aggregates, RMX and cement imports

Company overview

31. Dudman Group Ltd (Dudman Group) is headquartered in West Sussex, and is an independent producer of aggregates and RMX, as well as an importer of cement and cementitious materials into Great Britain. Dudman Group employs around [✂] staff, of which around [✂] are engaged in production activities and around [✂] in administrative roles.[39] Dudman Group's immediate and ultimate parent company is Dudman Holdings Ltd, a company incorporated in England and Wales.[40] Dudman Holdings Ltd is wholly owned by one private shareholder.[41]

32. Since 1989, Dudman Group has expanded its operations from recycling and earthworks to agricultural lime in 1993; sand and gravel in 1995 and 1996; cement impor-

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[36] www.dragonalfacement.com.
[37] www.dragonalfacement.com.
[38] www.dragonalfacement.com.
[39] Dudman Group Audited Accounts for FY11.
[40] Dudman Group Audited Accounts for FY11.
[41] www.dudmangroup.co.uk.

tation in 2002; and shipping[42] in 2003. Between 2000 and 2006, Dudman Group opened six RMX plants. As at June 2012, within the relevant markets, Dudman Group operated one crushed rock quarry and nine sand and gravel quarries; six cement import terminals; and six RMX plants.

33. For its financial year ended 31 March 2011, Dudman Group generated total revenues of around £[✂] million. Table 2 shows Dudman Group's gross revenue breakdown by business activity in FY11.

TABLE 2 **Dudman Group's gross revenue breakdown* by business activity, FY11**

	FYE 31.3.2011	
	£m	*%*
Gross revenues†		
Aggregates	[✂]	[✂]
Cement	[✂]	[✂]
RMX	[✂]	[✂]
Recycling and [✂]‡	[✂]	[✂]
Shipping and other	[✂]	[✂]
	[✂]	[✂]

Source: Dudman.

*Figures are approximations and therefore do not completely reconcile with the total figures shown in Dudman Group's FY11 audited accounts.
†Gross revenues [✂].
‡Dudman Group [✂].

34. Dudman Group told us that [✂].

Aggregates operations

35. Dudman Group's aggregates operations comprise:

(a) one crushed rock quarry in Cornwall [✂]; and

(b) nine sand and gravel quarries.

36. Dudman Group's aggregates operations produce around [✂] Mt of primary aggregates and around [✂] Mt of recycled aggregates a year. Of this, around [✂] is used internally by its downstream RMX operations.

[42] [✂]

Cement import operations

37. Dudman Group operates [✂] cement import terminals which not only import cement and cementitious materials, but also aggregates. The following cement import terminals are active: Shoreham (West Sussex), Garston (Merseyside), Howden (East Yorkshire) and Lowestoft (Suffolk). The Garston terminal commenced operations in September 2011. [✂][43]

38. Dudman Group also operates [✂] tanker vessels which transport cement, [✂] by sea. Around [✂] per cent of these transported materials are used internally by Dudman Group.

39. Dudman Group told us that it currently imported around [✂] of cement [✂], a year, and that [✂]. It added that each cement import terminal could receive between [✂] and [✂] of materials at any one time.

40. Dudman Group told us that it sourced cement and cementitious materials from [✂].

41. Dudman Group told us that the price of cement on an FOB basis from Continental Europe was very similar to the ex-works price of cement produced in Great Britain. Therefore, compared with a cement producer in Great Britain, a cement importer would incur an additional £[✂] per tonne in: (a) shipping and handling (ie unloading) the imported cement; and (b) operating the cement import terminal and cement storage. [✂][44]

42. Dudman Group told us that its cement importation business [✂]. Dudman Group added that it could normally supply customers within around [✂] to [✂] miles from its cement import terminals.

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[43] [✂]
[44] [✂]

RMX operations

43. Dudman Group told us that it entered the RMX market [✄].[45]

Leiths

Relevant GB Operations: aggregates and RMX

Company overview

44. Leiths (Scotland) Ltd and its subsidiaries, Joss (Aberdeen) Ltd, Howie Minerals Ltd, and Alexander Ross and Sons Ltd (together Leiths) produce aggregates and RMX, as well as concrete products and asphalt, in addition to providing a number of different services, including surfacing, specialist demolition and civil engineering.[46] All of Leiths' activities are carried out in Scotland.

45. In April 2008, Leiths acquired Howie Minerals Ltd, which was active in the production of crushed rock, limestone products and industrial fillers. In December 2010, Leiths acquired a 60 per cent shareholding in Alexander Ross and Sons Ltd, which operated a single quarry and sand and gravel operations in Inverness.

Aggregates operations

46. Leiths operates 15 aggregates quarries (13 crushed rock quarries and two sand and gravel pits). Leiths also has four specialist aggregates operations, and five recycled aggregates operations, all of which are co-located at its primary aggregates sites which undertake multiple activities. Leiths told us that it processed primary aggregates at its quarries on an 'as required' campaign basis, and therefore used mobile crushing and screening equipment.

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[45] [✄]
[46] Leiths (Scotland) Ltd FY10 audited accounts.

47. Table 3 shows Leiths' external sales volumes and external net revenues (ie based on ex-works prices) for its aggregates operations for FY10 and FY11.

TABLE 3 **Leiths' external aggregates sales volumes and net revenues, FY10 and FY11***

	FYE 31 December 2010			*FYE 31 December 2011*		
	External sales volumes Kt	*External net revenues £'000*	*Average ex-works price £/t*	*External sales volumes Kt*	*External net revenues £'000*	*Average ex-works price £/t*
Crushed rock	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Sand and gravel	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
High purity limestone	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Agricultural lime	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Recycled aggregates	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: Leiths responses to CC Competitor Questionnaire. Figures based on the summation of Leiths' site-by-site data.

*Net revenue values by product not available for previous financial periods.
Note: N/A = not available.

48. We note that Table 3 only shows external sales volumes and revenues and therefore does not show the amount of its own primary aggregates which were used in its downstream RMX, concrete products and asphalt operations.

RMX operations

49. Leiths operates six fixed RMX plants outside the Central Belt in Scotland,[47] which are co-located at the following primary aggregates sites: Torrin, Kishorn, Loch-Hills, Blackhills, Dornie and Mid-Lairgs. The Mid-Lairgs quarry was acquired in 2011 and its RMX plant commenced production in 2012.

50. Leiths told us that its RMX operations sourced all of its aggregates requirements internally, and currently sourced cement from Hanson, using CEM I cement almost exclusively with only very small volumes of PFA used at one of its RMX plants. It said that it collected all its cement using its own tanker fleet. It added that RMX was a 'method of adding value to [Leiths'] own in-house aggregate sources. It would not be profitable to manufacture RMX using [Leiths'] competitors' aggregates'.

[47] The Central Belt is the area in Scotland with the highest population density that lies between the Highlands and the Southern Uplands.

51. Table 4 shows Leiths' external sales volumes and external net revenues (ie based on ex-works prices) for its RMX operations for FY10 and FY11.

TABLE 4 **Leiths' external RMX sales volumes and net revenues, FY10 and FY11***

	FYE 31 December 2010			*FYE 31 December 2011*		
	External sales volumes '000m³	*External net revenues £'000*	*Average ex-works price £/m³*	*External sales volumes '000m³*	*External net revenues £'000*	*Average ex-works price £/m³*
Torrin	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Kishorn	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Loch-Hills	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Blackhills	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Dornie	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Mid-Lairgs	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

Source: Leiths responses to CC Competitor Questionnaire. Figures based on the summation of Leiths' site-by-site data.

*Net revenue values by product not available for previous financial periods.
Note: N/A = not available.

Marshalls

Relevant GB Operations: aggregates and RMX

Company overview

52. Based in Huddersfield, Marshalls plc (Marshalls) is listed on the London Stock Exchange and has a current market capitalization of around £200 million.[48] Its primary activities are in the production, import and supply of high-quality natural stone and concrete hard landscaping, such as paving, walling and street furniture, for the construction, home improvement and landscape markets. It told us that its activities in aggregates and RMX accounted for a relatively small proportion of its total business: its total consolidated revenues for its financial year ended 31 December 2011 was around £334 million, of which around [✂] per cent was accounted for by its aggregates and RMX activities.

Aggregates operations

53. During FY11, Marshalls operated ten wholly-owned aggregates quarries: nine in England (seven crushed rock quarries and two sand and gravel pits) and one sand

[48] www.londonstockexchange.com (4 December 2012).

and gravel pit in North Wales, which produced around [✂] of aggregates and generated gross revenues of around £[✂]. It also had minority stakes (25 per cent) in its two aggregates quarries in Grantham (Lincolnshire) and Cheltenham (Gloucestershire).

54. Marshalls told us that it produced generic sand and gravel and crushed rock, which it sold to range of fixed plants, contractors and builders' merchants.

RMX operations

55. Marshalls operates a single RMX plant in Llay, North Wales, which produced around [✂]m^3 of RMX and generated total gross revenues of around £1 million. Marshalls told us that its RMX activities were a part of its Premier Mortars business which had a very small presence in RMX, but primarily produced mortar and screed. Marshalls said that RMX was an 'ancillary product' that extended its ready-mix mortar product offering, and that its RMX was sold to small contractors and farmers in the 'immediate area'.

56. Based on its total aggregates sales of around [✂], around [✂] was used internally throughout Marshalls' business, and the vast majority of sales were external. In relation to cement purchasing for its RMX plant at Llay, Marshalls told us that since 2005, it had sourced all of its cement requirements from Hanson.

Sherburn

Relevant GB Operations: aggregates, RMX and cement imports

Company overview

57. Headquartered in County Durham,[49] Sherburn Minerals Ltd (Sherburn) is an independent producer of aggregates, RMX, concrete products and asphalt, as well as an importer of cement. It also provides road surfacing and waste disposal services.

58. As at May 2012, Sherburn operated five aggregates quarries, five RMX plants, one cement import terminal and one asphalt plant. Sherburn told us that it did not report the financial performance of each of its product divisions separately. Its total consolidated revenues, which includes its contracting operations, for its financial year ended 31 March 2011 was around £13.5 million.

59. Sherburn is the ultimate holding company for its two primary trading subsidiaries:

(a) *Sherburn Stone Co Ltd*, which is engaged in the production of aggregates, asphalt, RMX, concrete products and cement importation, as well as other minor activities including haulage, waste disposal and landfill operations; and

(b) *Sherburn Construction Ltd*, which provides road-surfacing services.

Aggregates operations

60. Sherburn operates four aggregates quarries in the North-East of England, and one in East Cumbria. Sherburn told that us that around 70 per cent of its aggregates production was sold in the North-East. In a 'normal year', it told us that around 75 per cent of its aggregates sales would be made to third-party customers (ie external sales). It said that in the current year, given the market downturn, external sales would only account for around half of its total sales, [✂]. It added that much of the

[49] www.sherburngroup.co.uk.

aggregates used internally were the higher-value, 'single-sized' aggregates, with much of its external sales being in the relatively lower-value aggregates used for sub-base.

61. Sherburn also produces ground agricultural lime, which it exports (around 60 Kt each year).

Cement import operations

62. Sherburn operates one cement import terminal in Blyth, Northumberland, which imports cement for its own internal use and to sell externally. [✄] Sherburn told us that it only imported and sold bulk CEM I cement out of its Blyth terminal, and that it did not import or sell any bagged cement [✄].

63. Sherburn's cement import terminal has an estimated total annual capacity of 125 Kt of cement,[50] but Sherburn said that it could import up to 200 Kt if it had one additional employee and possibly an extra silo for storage. It told us that it imported 25 Kt of bulk CEM I in 2011 (calendar year). A large proportion of its sales volumes was accounted for by internal sales to its downstream operations [✄]. In 2012 (calendar year), it expected to import a similar amount of cement.

64. Sherburn told us that most of its cement customers were located relatively far away from its cement import terminal. It explained that, given that it had RMX operations in the area, other RMX competitors were unwilling to purchase cement from it. It added that it had to price at a discount to the UK cement producers because of: *(a)* customer perception that imported cement would be less reliable in terms of quality and security of supply; and *(b)* customer fears that if the cement importer went out of

[50] Based on Sherburn's cement sales volumes of 25 Kt, which it estimated represented 20 per cent of its cement import terminal's capacity.

business, the UK cement producers would ‘punish’ customers with very high prices for those that had previously purchased imported cement.

65. Sherburn told us that it would never make a loss on haulage charges to its customers, and that its average cost of haulage from its Blyth terminal to customers was around £[✂] per tonne, and that the actual figure depended on the number of deliveries a bulk tanker (with a capacity of 29 tonnes) would make on a given day, eg [✂]. Sherburn added that for logistical reasons, it would be very rare for there to be more than three loads per day.

66. Sherburn told us that the profitability of importing cement was sensitive to the sterling–euro exchange rate and that given the current weakness of sterling, its margin on cement imports was very low, around £[✂] per tonne based on its ex-works sale price of around £[✂] per tonne. It added that it had therefore put in place foreign exchange hedging arrangements to mitigate this risk. It expressed concern that if UK cement prices fell due to the market downturn, it would make cement imports uneconomical.

Background to Sherburn’s cement import terminal

67. Sherburn told us that it built its cement import terminal in 2007 because of the high cement prices being charged by Lafarge, and that its decision to build a cement import terminal to source cement was not out of choice, but to protect itself from paying the ‘artificially high’ cement prices being charged by the domestic cement producers, as well as to discontinue sourcing from the same companies that it was competing against in the RMX market.

68. Sherburn told us that when [✂] which resulted in Sherburn having to source cement from Continental Europe using toad tankers and the ferry from Zeebrugge (Belgium) to Teesside for two months until its own cement import terminal was complete.

69. In its first year of operation (2007 calendar year), the Blyth terminal imported around 15 Kt of cement. At the time, there was also a shortage of cement in the market and Tarmac was purchasing some cement from Sherburn. Sherburn initially sourced its cement from VVM (a large independent operator which imported clinker from Asia into Belgium, where it produced cement from its grinding station), for around €[✂] per tonne, on an ex-works and FOB basis (whereby VVM bore the cost of loading the cement on to the vessel). Sherburn would then pay around €[✂] to €[✂] per tonne for shipping plus around £1 per tonne for insurance, which resulted in a 'landed price' of around €[✂] per tonne. Sherburn benefited at the time from a favourable exchange rate of around €1.45 to the £.

70. In 2009, sterling fell to around €1.05, and Sherburn renegotiated its ex-works price with VVM to around €[✂] per tonne, and with shipping prices remaining broadly unchanged, its landed price fell to €[✂] per tonne. In December 2011, Sherburn sought a different cement supplier after CRH Group acquired VVM's grinding station in order to secure an outlet for its excess clinker from its Limerick cement works in the Republic of Ireland, to sell on to the markets in Belgium and the Netherlands. Sherburn received quotes from suppliers in Germany [✂], the Republic of Ireland, Northern Ireland, Turkey, Lebanon and Spain (from CPV). Sherburn opted to source cement from CPV (from its works near Bilbao) for an ex-works FOB price in the 'high €[✂] per tonne'. Sherburn told us that whilst this was cheaper than the price it had paid VVM, and was of better quality, its unfavourable currency hedging arrangement (in place from November 2011 to November 2012) reduced some of the lower cost benefit.

RMX operations

71. Sherburn operates RMX plants in Blyth, South Shields, Durham, Hartlepool, and in the south of Darlington, all of which are in the North-East of England. In the 2011 calendar year, Sherburn produced around 60,000m^3 of RMX, which used around 120 Kt of its own aggregates, in its production. Sherburn told us that most aggregates producers entered into RMX production to drive profitability in their aggregates operations, and that RMX production in itself was not a profitable activity.

Thomas Armstrong

Relevant GB Operations: aggregates and cement imports

Company overview

72. Thomas Armstrong (Holdings) Ltd (Thomas Armstrong) is a producer of aggregates, as well as a producer of aggregate and aerated blocks, precast concrete and timber products. It also provides a range of construction and related services. It operates one cement import terminal in Workington, in the North-West of England. In FY11, Thomas Armstrong generated total consolidated revenues of £116.2 million, of which its aggregates operations and cement import operations accounted for £13.7 million (12 per cent) and £2.6 million (2 per cent) respectively.

Aggregates operations

73. Thomas Armstrong produces sand and gravel, limestone, decorative aggregates and recycled aggregates in bulk and bagged form. Its customer base includes builders' merchants, national and local RMX producers and local construction companies. Internally, it supplies to its precast concrete and aggregate block production units.

74. Thomas Armstrong produces sand and gravel at two active sites. It also operates five other sites which purchase aggregates from quarry owners for packaging purposes (these seven sites are based in England and Scotland: one in the North-East and five

in the North-West of England, and one in Scotland). It also operates a secondary aggregates site in the North-West of England.

75. The aggregates operations generate internal sales from the sale of sand and cement to its downstream production activities of aggregate blocks and precast concrete products.

Cement import operations

76. Thomas Armstrong operates one cement import terminal in Workington, which it constructed in March 2008, and only imports CEM I cement. It told us that it had imported from Germany and the Republic of Ireland.

77. It said that it began importing its own cement in 2008 in response to rising prices in the UK, both for cement produced in the UK and for cement which it had been importing. When prices for the cement it was importing at the time increased in line with the price of domestically-produced cement, it considered that prices were being manipulated and that competition between the producers was non-existent.

78. Thomas Armstrong told us that it did not, and did not intend to, compete against the Majors. Instead it imported cement purely for its own internal use, which gave it some independence from the Majors. It said that it did make some small external cement sales, where it supplied: *(a)* a small local RMX producer with cement since it also supplied the company with sand and limestone products; and *(b)* a manufacturer of precast products, also a customer of its sand.

Titan

Relevant GB Operations: cement imports

Company overview

79. Titan Cement Company SA (Titan Cement Group) is a listed Greek multinational producer of heavy building materials, including aggregates, cement, RMX, concrete products and fly ash, with a current market capitalization of around €1 billion.[51] Titan Cement Group has operations in Western Europe, South-Eastern Europe, the Eastern Mediterranean and North America.[52]

80. For its financial year ended 31 December 2011, Titan Cement Group generated total consolidated revenues of €1.1 billion and EBITDA of €242.7 million, of which its operations in Greece and Western Europe (namely the UK, France and Italy) accounted for 25 per cent of revenues and 14 per cent of EBITDA. Titan Cement Group's cement operations in Greece and Western Europe comprise four cement plants, four cement import terminals and one fly ash processing plant.[53]

81. Titan Cement Group's UK operations are carried out by Titan Cement UK Ltd (Titan), which is based in Hull (East Yorkshire), and operates one cement import terminal in the commercial port of Hull. Titan told us that its UK cement import terminal acted as an 'additional outlet' for Titan Cement Group's cement production, supporting its ultimate parent company's supply of cement.

82. Titan told us that for a cement importer, it might be beneficial if the parent company supplied the imported cement because the parent company: *(a)* 'may be a more reliable source of supply than an unaffiliated company'; and *(b)* 'may have the

[51] Titan Cement Group has been listed on the Athens Stock Exchange since 1912. Source: www.bloomberg.com (4 December 2012).
[52] www.titan.gr.
[53] www.titan.gr.

flexibility to adjust the price it charges to its subsidiary to reflect a number of factors including varying sea freight costs’.

Relevant GB Operations

83. Titan commenced operations in Great Britain in 1990. Its cement importation activities centre on its one cement import terminal in Hull, which is owned by Associated British Ports and leased to Titan on [✂]. Titan told us that it only imported CEM I bulk cement.

84. [✂][54,55,56]

Cement import operations

85. Titan told us that its cement import terminal could import up to [✂] of cement a year, and imported around 102 Kt of bulk CEM I cement in FY11, 20 per cent down on prior year import volumes of around 127 Kt. All its cement imports from FY07 to FY11 came from Titan Cement Group’s Greek cement operations. In FY11, its cement import operations generated total gross revenues of around £10 million.

86. Titan told us that there was no difference between the quality of cement it imported and cement produced in Great Britain. It considered it likely that the cost of imported cement was, however, higher than the cost of cement produced in the UK as there were additional freight charges associated with transport. It added that it had shipping contracts in place to ensure continuity of supply. As such, it said that it had

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[54] [✂]
[55] [✂]
[56] [✂]

to maintain a balance between the stability of its customer base and meeting its contractual shipping commitments.[57]

87. All of Titan's imported cement is sold externally, primarily to producers of RMX and precast concrete. It told us that its cement import terminal was not rail-linked and did not have a satellite depot, and that the majority of its sales were made to customers within around [✂] miles from its cement import terminal, which it referred to as its 'economic delivery area'. Titan added that transport costs would typically make supplying customers beyond its 'economic delivery area' economically unviable.

Premier Cement

Relevant GB Operations: cement imports

Company overview

88. Premier Cement Ltd (Premier Cement) is a UK cement importer in Northern Ireland and Wales. Premier Cement's ultimate parent company is CRH plc (CRH Group), a listed Irish multinational producer of heavy building materials, which operates in 36 countries. CRH Group is listed on the London, Dublin and New York stock exchanges, with a current market capitalization of around €10 billion.[58] For its financial year ended 31 December 2011, CRH Group generated total consolidated revenues of €18.1 billion and EBITDA of €1.7 billion.[59]

89. CRH Group operates in the UK through its UK holding company, CRH (UK) Ltd (CRH), which wholly owns Premier Cement. In addition to importing cement, CRH also produces and sells heavy building materials in Great Britain, including concrete products and bricks. CRH, however, does not produce any RMX in Great Britain. In FY11, CRH generated total UK gross revenues of £[✂] million.

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[57] Titan told us that the cement it imported was certified in accordance with BS EN 197 Part II.
[58] www.bloomberg.com (4 December 2012).
[59] CRH Group FY11 Annual Report.

90. CRH told us that there were no 'commercial links' between Premier Cement and its other building materials operations in Great Britain, and therefore all Premier Cement's cement sales were made to third-party customers.

91. Premier Cement's cement importation operations in Great Britain commenced in July 2010 when it acquired Dan Morrissey Cement (UK) Ltd, an established cement importer since 1988, which operated a cement import terminal with a depot for storage, and a cement packaging facility at Swansea docks. The consideration for the acquisition was around £7 million.[60] Given the adverse publicity surrounding Dan Morrissey (UK) Ltd's cement supply in 2007, the business was rebranded to Premier Cement. Prior to this acquisition, Premier Cement operated only in Northern Ireland.

92. Premier Cement operates one cement import terminal in Great Britain (ie the Swansea terminal), which has total capacity to import up to [✂] Kt of cement a year. The Swansea terminal is leased from Associated British Ports Ltd. The lease is due to expire in 2024.

Cement import operations

93. In FY11, Premier Cement imported [✂] Kt of cement of which around [✂] Kt were imported into its Swansea cement import terminal, and the remainder into Northern Ireland. Premier Cement also generated total UK gross revenues of £[✂] million, of which £[✂] million was generated by its Swansea cement import terminal. The average delivered price per tonne of cement sold in Great Britain was therefore around £[✂] (which included haulage costs of around £[✂] per tonne). CRH told us that [✂].

[60] Premier Cement completed its acquisition on 24 June 2010. Source: Premier Cement FY10 audited accounts.

94. Premier Cement predominantly imports CEM I bulk cement[61] from the Republic of Ireland into its Swansea terminal for sale to customers in Wales, and the South-West and central England. CRH told us that around 80 per cent of its sales in Great Britain were made to customers within around 100 to 120 miles of the Swansea terminal.

95. Premier Cement sells CEM I cement in both bulk and bagged form,[62] where its bulk cement customers comprise producers of RMX, precast concrete and concrete blocks, and its bagged cement customers comprise builders' merchants, and to a very small extent, precast concrete producers. CRH told us that Premier Cement also imported and sold a small quantity of bagged white cement, hydrated lime and Postmix, which accounted for less than 0.5 per cent of Premier Cement's sales. CRH told us that none of its sales were made to any of the Majors and Premier Cement had not sold cement to any of CRH's group companies in the UK, with all sales being external.

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[61] CEM I cement accounts for almost all of Premier Cement's sales. Premier Cement also imports and sells some white cement (around 60 tonnes of white cement is imported each year in bagged form from Secil Cement in Portugal), which only accounts for 0.1 per cent of its total gross revenues.
[62] Premier Cement has a cement packaging facility at its Swansea cement import terminal.