

10 June 2013

Inquiry Manager
Aggregates Market Investigation
Competition Commission
Victoria House
Southampton Row
LONDON
WC1B 4AD

e-mailed to: aggregates@cc.gsi.gov.uk

Dear Sir,

**AGGREGATES, CEMENT and READY MIXED CONCRETE MARKET INVESTIGATION
CEMENT ISSUES - SUGGESTED REMEDIES**

1. Thank you for keeping me up to speed on this Investigation. I do not accept the cost to GB consumers you suggest, it seems ludicrously low.
2. My suggested remedies are these:
3. Divestitures are essential. Cementitious producers must be separated from cement users. Divestiture will be much simpler for the cementitious side of these vertically integrated firms, than for their RMX and precast concrete sides.
4. I suggest that each of the Top 3 divest itself of every one of its GB cement, slag and ash interests; these can termed cementitious interests.
5. In respect of the small number of cement, cement clinker grinding, slag and ash plants involved, I suggest that each production plant is acquired by a new player in a manner that ensures any single cement/slag/ash (cementitious) player owns or controls or manages not more than one plant location. In this context one plant location means one cementitious plant location/site, as within each location/site there may be one or more than one kiln and whatever comprises the plant.
6. Distribution centres for bulk cementitious products remote from the production plant should also be relinquished, as they are a big part of the Adverse Effects on Competition. These bulk distribution centres can be rail and/or road and/or sea freight supplied from a production centre in GB or elsewhere.
7. I also suggest that each of these bulk distribution centres are also separated, such that their ownership, control and operations are acquired by new players not being producers of cementitious materials or RMX or precast concrete; and not being involved in the ownership, operations or control of another distribution centre.
8. For the avoidance of doubt, I envisage that the distribution of bagged cement may continue to be direct from some or all cementitious production plant(s) to bagged cement outlets, namely builder's merchants and others. There should be the possibility that bagged cement as well

as bulk cement can be supplied from bulk distribution centres, who should not be discouraged from creating their own bagging plant.

9. Thus the same level of competition can exist in the bagged cementitious market as will exist in the bulk cement market.

10. A substantial proportion of the delivered cost of bulk cementitious material is the cost of transport. Because of the manner in which the Big 3 set ex works prices in relation to delivered prices, it has become impossible to settle on an equitable ex works price compared to delivered price. Thus the overwhelming majority of bulk cementitious material transport is owned, controlled and operated by the producers.

11. This in itself is part of the reason for the Adverse Effects on Competition. To deal with this issue, I suggest the divestment of the delivery element of the supply chain at all levels and all producers.

12. My suggestions therefore provide for a production and distribution chain of independent entities for both bulk and bagged cementitious products. This will provide a reasonable prospect of competition to supply bulk cementitious materials to users including RMX and precast firms, and bagged cementitious materials to builder's merchants and others who are secondary distribution points for bagged products.

13. Why?

14. First, because each geographical production location/site and each distribution centre and their associated transport operations confers a potential monopoly of supply in that locality. Separating ownership, management and control of each will go a long way to making cartel or AEC behaviour less likely.

15. It should be noted that the cement industry has over many decades and in many countries been the subject of investigations seeking to prove cartel and/or AEC behaviour. [✂] should be removed from the cementitious industry. This objective can be achieved indirectly by introduction of the remedies suggested above.

Please acknowledge receipt of this letter.

Yours sincerely

Tony Gilman

F E Gilman