Competition Commission
Victoria House
Southampton Row
London
WC1B 4AD

Dear Sir or Madam,

ANGLO AMERICAN (TARMAC) / LAFARGE MERGER INQUIRY

With reference the proposed merger Anglo American (Tarmac) and Lafarge we comment as follows:

[✂] The trade is limited to Deep-Sea ports on the east coast of the UK and trade is limited to areas with few sources of natural hard stone aggregates available or planning restrictions allowing for supplies by sea only e.g. the outlet supplied sits within a port. The areas traded are discussed individually below. It is clear in this trading pattern and with the significant reduction in independent ready mix concrete and asphalt manufacturers throughout the UK this market is rapidly changing. The main factor hindering trade is the reliance of the smaller suppliers for raw materials that can be supplied and packaging of these. With packaging we mean e.g. supply of cement at rebated rates only if sand and gravels are supplied as well. [✂] does not have any internally controlled fixed outlets (ready mix batching / asphalt) and thus relies on third party sales and thus are restricted in what where we can make such deals. The National companies do not worry about geographical boundaries in this trade. With this in mind please see item 3 below.

Trading relationship

[✂] have the current trading relationship with Lafarge and Tarmac in the regions we operate

[✂]

This area is largely an area where both parties have a surplus of marine dredged sand of material and no hard-stone. With the current dredging areas being deprived of gravel, dredging areas are sand rich, there is a greater transparency in this market however we are under pressure to take sand to be allowed to sell aggregates. Please see point 3 below. In this area, largely due to its size, there is still a vibrant independent market however this will be affected by the dredging side of the company, please see point 4 below.

[✂]

[✂] Tarmacs interests are limited to asphalt manufacture and only marginally within the trading region. In our view the merger will have no adverse effect in the market for [✂].

Humberside

Tarmac operates the only asphalt plant in the area and Lafarge's ready mix concrete interests have been mothballed however these plants could be re-opened. However even with this we do not believe the proposed merger would have an adverse affect on the market in this area.

Tyne / Wearside

[✂] we feel the market being excessively controlled by the big five.

Lafarge used to have a facility for importation of sea-dredged , this closed late 2009, however they retain an interest in the area. The reminder of the market is largely controlled by the 'big five' – it is our belief that this area would be further constricted by the merger as Tarmac would gain access to cement to strengthen their ready mix business, supported by the marine division. A major player in the asphalt market, on the contracting side, would exit. In view of the importation of sea-dredged material and Tarmac's quarry interests in the area, it is our understating that the market is largely controlled with the intra company trading agreements in place and that this keeps an unnatural balance in the market that hinders competition. This is evident with the lack of independent trading companies. We are sure that companies like Northumberland Roads, North East Concrete and Sherburn Stone will shed further light on this.

To conclude this section;

The combined companies will, in most of the geographical areas where [✂] operate, not have any major adverse effect. This stated the synergies of the two will make a formidable company and we list, below, four areas where we believe such a company will distort competition.

[✂]. [✂].

1. Essex. Geographically described as an area from the Thames in the south in the south to the border with Norfolk in the North, the 'A12 corridor'. The combined company that will have significant market share through Tarmac's sand and gravel pits at Colchester. Lafarge's operations listed as railhead at Chelmsford, sand and gravel pits at Chelmsford and Colchester and the Marine Wharf at Thurrock.

2. We understand from an earlier due diligence of the Foster Yeoman business bought by Aggregates Industries in 2007/8 that Tarmac holds a significant interest at Glensanda Quarry (Scotland). We understand this to be ownership of parts of the available reserves held in the quarry. Material from this quarry is all exported and brought into the Isle of Grain (Kent). We cannot comment on how this deal is structured but it has been confirmed that it sits as a balance sheet in Tarmac's books. Such deal will leave possible undue internal connections between Lafarge/Tarmac and one of its main competitors, Aggregates Industries. Even if this resource cannot be used at this time it will be a stake that will offer possibilities where AI can exert pressure in the way of internal trading agreements.

3. Inter-company trading between the five large companies (Lafarge, Tarmac , AI, Hanson and Cemex). They all operate a highly complex structure of Joint Ventures (e.g. Midland Quarry Products – Hanson / Tarmac) and commodities trading deals.

JV's – these are not an issue in the areas where we operate however they offer an insight into the businesses and cost of commodities they need to buy from external sources, e.g. bitumen.

Commodity trading deals – this is a slightly more complex area and, in our view, an area where the five companies have most to gain from a merger between the two. It works as follows e.g. Tarmac will agree to purchase 100,000t from AI in an area where they have few resources. In return AI agrees to purchase a similar volume of material from Tarmac, often in a different geographical region. Such agreements are not limited to sand / aggregates but includes asphalt, cement and ready mix concrete.

Evidence of this through e-mail correspondence with Tarmac can be provided.

4. Marine Dredging, Lafarge have close ties and co-operation with Westminster Dredging Company (Fareham). Although they largely operate on the South Coast Westminster Dredging have dredging licences elsewhere that may be become more viable with a merger with Tarmac (UMA). This both have an effect on the dredging market but may also have an effect on the Environment Agency's beach maintenance program, this should be an issue to be discussed with Dredging International and Van Oord (contact details can be given).

   Considering the wharves held by Lafarge and Tarmac on the south side of the Thames in particular the combined company would have significant market share that need to be looked at. As we are not members of the trade association (MPA) we cannot comment on actual trading volumes in this area.

We appreciate that the above is a broad statement of how we see the business operate and it is clear to us that even at present, in certain areas, trade is being restricted by the dominance of the main suppliers within the construction industry. However we are not certain to what extend this will be affected by the proposed merger as it seem to be other areas such as internal trading between all the 'big five' that effectively hinders an open market situation. This added with the vertical integration of the big five – manufacture of raw materials (aggregates and cement) and the manufacture of bitumen products (asphalt) and ready mix concrete – and how they do trades between them that is the main restrictive factor.

Yours Faithfully,

[✂]
Managing Director
[✂]