

Sent: 28 September 2011

To: AngloLafarge

Subject: ANGLO AMERICAN (TARMAC) LAFARGE MERGER INQUIRY

F.A.O. Mr. John Doyle – Inquiry Coordinator

Dear Mr. Doyle,

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Turning now to the proposed merger. It is our view that where commercial power is in the hands of only a few large companies that it is inevitable that market controlling behaviour comes into play. The effect of this can be huge as far as Great Britain Ltd is concerned without necessarily affecting the individual players internally but is more than likely to affect both Great Britain Ltd at the national level and individual companies like ourselves at the more bottom end of the chain.

Of the two players we have little exposure to Anglo American in this area as when they were Tarmac they pulled out of our immediate area some years ago.

Lafarge who recently took over Blue Circle are the predominant supplier of cement in Scotland owning the Dunbar Cement Works and some limited blended cements at Longannet. The other cement players in the Scottish market are Aggregate Industries who import cement through King George V docks in Glasgow from their parent Holcim but will not supply cement to any competitors as we have sought but received no quotes from them. The other potential supplier is Castle Cement and we have asked for prices from them and we generally find they avoid giving a price but on the one occasion they did give us a price, it was the same price as Blue Circle or Lafarge to the penny. The fourth possibility is Seament who import through Leith and are part of Cemex. We have taken prices from Cemex and they are on the face of it more competitive but logistically it is very difficult for us to maintain continuous supply from this source because of our storage capacity at the plant.

We have over the years seen various ways that the large companies control the market. One of the most effective ways that large companies control the market is by controlling the competition or the number of plants in an area. There are many cases of major companies pulling out of a given market but having an arrangement whereby they get exclusivity in another market. This is not on the face of it price fixing but controlling the supply situation to match the demand is effectively the same thing.

Another way of fixing the market is for cement companies to agree with large contractors a rebate structure whereby the rebate is paid to head office and never reaches the individual sales points. The level of these rebates is not visible to the general commercial market but ensures that the market is organised to favour the larger contractors by its very nature.

We ourselves know over a considerable number of years how difficult it is to get a generally competitive price from Blue Circle or its successors Lafarge. Where we have obtained reductions is if we do get information about other suppliers' prices, but only in that case.

It is on the face of itself evident that there are pricing arrangements within Britain already in that the price of cement within Europe is £20 - £30 a tonne less than it is in Britain. Cement is the most expensive part of ready mix mortars or concrete by a long way and is therefore the focus for any form of price fixing.

We therefore are very opposed to the situation where not only is there the existing lack of real competition amongst the cement makers but it is now being extended into producers so that the whole chain from cement production to concrete supply is controlled by a single organisation. This must be discouraged at all costs.

Yours sincerely,

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