

**AGGREGATES, CEMENT AND READY-MIX CONCRETE MARKET
INVESTIGATION**

**Working paper summarizing Competition Commission review of internal
documents**

Background

1. In this working paper we summarize a number of internal documents submitted to the Competition Commission by some of the Majors. We have summarized some of the content of paragraphs 6 and 7 in the [Updated Issues Statement](#) (see paragraph 98) [✂].
2. [✂]
3. [✂]
4. [✂]

Structure of this working paper

5. This working paper is structured as follows: [✂].

Emerging issues in the documents

6. We have identified the following general points of interest or themes which emerge from a close reading of the documents, in particular with reference to Theory of Harm 2 (coordinated effects—specifically in relation to cement) and which we wish to pursue in hearings. We are considering whether and if so how any additional processing of the evidence in the documents might be helpful in further understanding their overall significance to our investigation. [✂]
7. The themes include:

- (a) *Pricing strategy.* The documents show monitoring of cement pricing very closely including announcements of price increases. Often, price announcement letters are received by the ready-mix concrete (RMX) division which then onward circulates the letter to colleagues across business lines, including, where relevant, into the company's cement production/sales business line. Customers—including, where relevant, Majors in cross-sale relationships—negotiate discounts and/or rebates from the announced price increases. Once haulage costs are removed as well, these adjusted prices are often referred to as 'net net prices' (ie net of haulage costs and net of discounts/rebates).
- (b) *Verticalization.* The documents indicate that vertical effects are considered as part of cement (where relevant) and RMX pricing and strategy.
- (c) *Imports.* The documents indicate a close monitoring of importers of cement and the costs of importing and reveal awareness of the potential constraint from increased imports. In some instances, unilateral steps are taken to restrict the constraint from individual importers.
- (d) *Cross-sales.* For most of the Majors whose documents we reviewed: The documents show that cross-sales of cement are very common and provide a high degree of transparency of rivals' production capacity including future intentions, as well as rivals' cement pricing. Some links are made in the documents between the price paid for cement from another Major and the price at which cement is sold to that Major (ie an element of reciprocal pricing). [X] The documents, on the face of it, suggest some 'efficiency' justifications for cross-sales, ie that cross-sales occur where a rival's cement (or aggregates) plant(s) are located close to a Major's RMX plant(s) such that logistics (haulage) savings may be made by sourcing from the rival's plant(s) rather than self-supplying. It is also clear that cross-sales allow a degree of leverage in commercial negotiations between the Majors, in respect of cement and RMX.

(e) *Market share.* For most of the Majors whose documents we reviewed: The documents indicate a close monitoring of own market share (on a month-by-month basis and sometimes at a regional basis) and that the preservation of market share appears to be a metric of business performance (in some documents, we see references to maintaining market stability or similar). The documents indicate the monitoring of customers and volumes won/lost and the use of this information to adjust (monthly) estimates of market share on an ongoing basis.

(f) *Senior level business contacts between the Majors.* For most of the Majors whose documents we reviewed: In the context of cross-sales to one another, and through common business forums (eg CEMBUREAU, the European Cement Association), there are senior level business contacts between the Majors which may facilitate transparency in the cement market.

(g) [✂].

[✂]

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