

AGGREGATES, CEMENT AND READY-MIX CONCRETE MARKET INVESTIGATION

Summary of response hearing with the Department for Business, Innovation & Skills held on 8 July 2013

Background

1. The Department for Business, Innovation & Skills (BIS) had concerns about the Competition Commission's (CC's) proposed remedy in relation to the publication of market data (remedy option C5) BIS explained that it currently published cement market data and that the publication of this data was considered to be useful, particularly in respect of forecasting the performance of the construction sector, so it was concerned about any restrictions on the publication of cement data that this remedy might create. BIS currently published cement market data on a monthly basis. It was noted that in its published response to the Remedies Notice, BIS had stated that purely from a publication standpoint the publication of cement data three months in arrears would not present any difficulties for it.

Market data remedies

2. BIS could not use cement data that was six months old for forecasting construction market performance. BIS officials had done some preliminary work on developing a model for forecasting construction output using data about the production of building materials. If cement was excluded from the building materials included in its model; then the model would be slightly less useful and probably slightly less accurate. BIS had looked at correlations between the sales of a number of building materials, including bricks and cement, and construction market performance. Brick and cement deliveries appeared to be the most reliable predictors of construction output, so BIS did not wish to omit cement from its forecasting model.
3. BIS would have to publish the full details of its model. If it were based upon bricks and cement but only the bricks data was published, it would be possible to calculate the amount of cement from the bricks data. While it might be possible to aggregate cement data with that for other building materials to make it more opaque, BIS stated that this would be complicated as some materials were measured in thousands of tonnes and others in square metres.
4. The model would probably take the form of a regression and BIS would publish its formula. BIS considered that it was possible to develop a model that could predict construction output at least one month ahead and noted that very many parties would be interested in such a model. If BIS did proceed to develop and use the model, it would be committed under the Code of Practice for Official Statistics to publish details of the model including a transparent, clear methodology.
5. BIS currently published all potential model input data on a monthly basis with the exception of ready-mix concrete (RMX) which was published quarterly. If BIS were to publish cement data monthly but three months in arrears, it would be the only such material it would publish that way. BIS considered that cement data published three months in arrears would be useless for forecasting purposes because cement production led output by about a month. BIS said that there would not be a lot of interest in that data. It followed that six-month old data would also be useless to BIS and anyone else trying to develop forecasting models.

6. BIS mentioned that the Construction Products Association and Experian probably used BIS data for forecasting.
7. BIS understood that the Mineral Products Association (MPA) paid Bessler Hendrie to collect the cement production data. The Office for National Statistics (ONS) provided BIS with data on the production of other construction materials, while HM Revenue and Customs provided information about construction material trading (eg imports). The arrangement between Bessler Hendrie and BIS in respect of cement data was therefore unique. It would be possible for cement producers to submit data to BIS direct.
8. If the CC recommended that this remedy be adopted, BIS would immediately cease publication of the next month's cement data and would wait three months before publishing it. BIS noted that it might still be possible for it to receive the cement data on a monthly basis but that it would not publish it for three months. [X] When Bessler Hendrie started collecting the data, it began publishing it one month in arrears whereas previously when BIS had collected the data it had published it three months in arrears. As Bessler Hendrie collected the data monthly and it was published the following month on the MPA website, BIS had decided to follow suit and publish the data the month after collection. It was noted that if the CC's remedy was implemented BIS could still use the monthly cement data it received internally to forecast construction industry performance, but that it would not be able to publish those forecasts.
9. BIS explained that in relation to embargoed National Statistics data, ministers who were involved with a particular and relevant policy could see the data one day before it was published. There were very strict processes in place and ministers had to sign a 'pre-release access agreement' prior to viewing the data. Government bodies such as BIS, the ONS and the Department for Communities and Local Government could share the data but again, this was subject to strict processes and data could only be viewed one day prior to publication. The relevant code was the Code of Practice for Official Statistics. BIS had the authority to embargo data and enforce its embargoes. In respect of freedom of information requests, embargoed data was considered an exception under the Freedom of Information Act. In addition, competition issues would render the data market sensitive and BIS would refuse to disclose it.
10. Data relating to the value of cement imports and exports was compiled and published quarterly by HMRC. BIS would have similar concerns about restrictions on the publication of that data to those it had about the cement production data it currently published. BIS explained that cement manufacturers produced their own estimates of imports because they regarded the HMRC data as questionable.
11. In the case of price index data for cement, BIS noted that the ONS compiled this data and the CC would need to consult the ONS as to how it produced these indices.
12. The development of its forecasting model for the construction industry was the primary reason for BIS's concerns about this remedy as its model showed cement to be a very good indicator for forecasting construction industry performance. It also noted that many other parties used this data for forecasting purposes as well, so BIS was not solely concerned about its ability to develop its model but also about the ability of other parties to use this data. BIS had asked its customers how their businesses would be affected if BIS did not produce the data at all and 67 per cent said it would have a significant or major disruptive effect and 86 per cent said it would have a disruptive effect. It had not asked them what effect a delay in the data's publication would have.

13. BIS noted that the Annual Minerals Raised Inquiry published data in respect of sand and gravel that was 12 months old. Because of the need for more frequent data, BIS commissioned its own survey of sand and gravel production which it published on a quarterly basis.
14. Unlike the MPA, BIS did not publish regional cement data. BIS received PFA data quarterly and GGBS data somewhere between six months and a year in arrears.