

AGGREGATES, CEMENT AND READY-MIX CONCRETE MARKET INVESTIGATION

Summary of response hearing with Titan Cement Company SA held on 4 July 2013

Introduction

1. Titan Cement Company SA (Titan) first commenced operations in the UK almost 30 years ago and while it had a successful business operation in Greece, and had a record of successfully entering new markets and expanding, in the GB market it had struggled somewhat and its operations were still small-scale.
2. Titan attributed its relative lack of success since its entry into the GB market in part to the features identified by the CC in its provisional findings, particularly the structure of the GB market and the behaviour of the larger domestic cement producers.
3. [REDACTED]
4. [REDACTED]

Potential impact of ETS review by the European Commission

5. Titan considered that, should the European Commission decide that cement producers in the EU should start paying for their carbon allowances, cement exporters in EU countries with excess production capacity, such as Greece, Spain and Portugal, would be unable to compete with traders to whom the scheme did not apply (those outside the EU). Such a decision would mean that producers in countries such as Greece, Spain and Portugal would have to shut down a lot of their spare cement production capacity. Such a decision by the Commission would have an impact on competition.
6. [REDACTED] Titan had observed that the partial cessation rule had affected producers in some markets, such as Italy, where domestic consumption had dropped 55 to 60 per cent and producers needed to export cement to sustain the 50 per cent production threshold. Italy did not have ports which allowed it to export very large quantities of cement, so it appeared that Italian cement producers were trying to find ways to increase their exports to ensure that their production met the required 50 per cent threshold.

Importers' market share

7. [REDACTED] Although CRH did have an import terminal near Goole, which it had acquired from Dudman Group and which was near to Titan's terminal, CRH had not commenced importing cement through it. Instead, Titan believed that CRH was currently trying to sell off old stock from Dudman's silos.
8. In addition, Lagan Cement (Lagan) had commenced importing cement; both CRH and Lagan were importing their cement into the UK from the Republic of Ireland through Liverpool. Titan said that it was too early to assess the impact CRH and Lagan were having on the market.

Divestiture of cement plants

9. Titan believed that there was a danger of unintended consequences in the divestiture of cement plants as divestitures could lead to local hotspots of competition. It was concerned that any new entrant would find itself competing strongly with the former incumbent for market share in the surrounding area. This type of intense localized competition could negatively affect other market participants in the area, such as cement importers, which were challenged by the peculiarities inherent in the importing business.
10. [✂]
11. While divestitures of cement plants might promote competition between cement producers, they could potentially weaken competition from cement importers which might struggle to compete in a region where a divestiture had occurred.
12. [✂]
13. [✂]

Divestiture of RMX plants

14. The divestiture of RMX plants could potentially have a positive effect on Titan's business depending on where the plants were located and depending on the number of plants divested. However, Titan suggested that cement producers which were required to divest RMX plants would probably compete for business from independent RMX operators in order to make up for the loss of production taken by their former RMX plants.
15. [✂]
16. [✂]
17. The risk for a cement importer that acquired a ready-mix business was that, in doing so, it was effectively signalling to its current customers that it was now also a competitor. Therefore, any potential purchaser of RMX plants which also produced cement would have to evaluate the potential harm such integration might cause by alienating its existing customers. [✂]

Creation of a cement buying group or groups

18. It would be difficult to assess the impact that cement buying groups might have as it was almost impossible to predict how such groups might behave once they were set up. Also Titan considered that it would be difficult to justify limiting the sales options of cement producers by restricting them to only selling to buying groups or requiring them to sell a specific percentage of their production to such groups.

Structural measures to address the adverse effect on competition in relation to GGBS/GBS production in GB

19. Titan was unable to comment on remedies relating to GGBS as it was not involved in this aspect of the market, either in GB or in any of the other countries where it operated.

Prohibition on GB cement producers sending generalized cement price announcement letters to their customers

20. Titan understood the thinking behind the CC's proposals to require suppliers to send individualized letters to their customers and was content with such a remedy, but pointed out that there would need to be clear rules on what was permissible and what was not, and in any case suppliers still had to be able to communicate their pricing policy to their customers.

Restriction of MPA, BIS and carbon emission data

21. Titan was not a member of the Mineral Products Association (MPA). The only data that Titan saw was reproduced data about the size of the total UK market.
22. Titan only used this data to provide general information in its internal presentations on the total consumption of countries such as the UK, France or Italy. Such data was of limited competitive use to Titan and did not help in terms of its sales.
23. Titan did not submit any data to third parties in relation to its cement imports into GB. For this reason, Titan did not object to any remedy which might seek to delay the publication of data by the MPA.
24. Likewise, Titan did not make use of BIS data as it was not broken down company by company; rather it was a generic figure and only of interest in terms of gauging the level of consumption in the UK.
25. Titan did not regard carbon emission data to be of any commercial value as it was essentially historical. The data was only used in assessing how national plans allocated CO₂ rights.
26. Titan said that there was some benefit in terms of the transparency of the EU Emissions Trading System scheme for competitors in that it gave them visibility of how rights had been allocated.

Other possible remedies and relevant customer benefits

27. Titan did not see how the forced divestiture of import terminals by the majors could benefit other competitors. It believed that there was sufficient availability of ports in the UK for importers and there was no real constraint on the use of ports.
28. Titan thought that the divestiture of a grinding station was not a particularly practical remedy. For instance, a producer could choose to close down small operations in order to move to a more efficient plant at a different location, but nevertheless retain the grinding station in the original location so as to supply clinker to it and retain market presence. Titan felt that forcing a producer to divest a grinding station would be an unwarranted interference with the GB producer's legitimate ability to structure its business in a cost-efficient way.
29. Titan did not consider that proposals to require the major cement producers to conduct an open tendering process when they needed to buy cement would make the overall cement market more competitive. In theory this proposal seemed fine but in practice it could alert other competitors to the fact that the producer concerned was struggling to supply its customers through its regular channels.