



Bundeskartellamt



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Bundeskartellamt / Construction sector

Bundeskartellamt publishes report on its inquiry into the cement and ready-mix concrete sector

Bonn, 24 July 2017: Today the Bundeskartellamt has published the final report on its inquiry into the cement and ready-mix concrete sector.

Andreas Mundt, President of the Bundeskartellamt: *"The cement and ready-mix concrete industry is highly important for the economy as a whole. In Germany it achieves annual turnovers of more than five billion euros. In the past we have uncovered several cartels and imposed fines in this sector. Our sector inquiry shows, however, that we must also take action to improve the structural conditions in this market in order to stimulate competition. We will therefore continue to focus closely on this sector and will, for example, examine interlocks that raise competition law concerns and, where necessary, break them up."*

The sector inquiry shows that the structural conditions in the cement and ready-mix concrete industry have a dampening effect on competition and encourage parallel conduct with little competition among the suppliers. These structural features include in particular many highly concentrated markets with few suppliers, diverse links between the suppliers and a high degree of market transparency. Furthermore, the markets concerned are stable markets for homogeneous bulk goods where competitive moves by other suppliers offering innovative products are hardly possible.

The detailed analysis carried out by the authority in the context of its examination also shows that there are significant price differences between the individual regional markets. These differences can only partly be explained by different production costs. In some of the particularly high-price

regions either only few companies are active or there are numerous corporate interlocks between the suppliers, which applies to the ready-mix concrete sector in particular.

Even if they have not been subject to merger control, such interlocks can still be in violation of competition law. Since the launch of the sector inquiry at the end of 2013, 24 corporate interlocks that raised competition concerns have already been dissolved by the companies themselves. However, there are still approx. 60 problematic interlocks in the form of joint ventures. As in its rolled asphalt industry case ([see press release of 17. July 2015](#)), the Bundeskartellamt intends to examine these interlocks in divestiture proceedings as soon as possible and, if necessary, to break them up.

In order to make it easier for the companies to assess for themselves whether other forms of cooperation, such as supplier consortia in particular, are admissible, the final report explains the key principles and criteria under competition law. These had also been discussed in detail with the Federal Association of the German Ready-Mixed Concrete Industry (Bundesverband der Deutschen Transportbetonindustrie).

Andreas Mundt, President of the Bundeskartellamt: *"It is now crucial that the problematic joint ventures are not replaced by supplier consortia which have a similarly dampening effect on competition. The purpose of supplier consortia is to enable small companies, which would not be able to fulfil an order by themselves, to participate in larger projects. However, supplier consortia may not be used to eliminate competition between independent, high-performing competitors."*

The sector inquiry also focuses on practices used by the companies to further increase the already high degree of transparency in the market. In the past the Bundeskartellamt has already prohibited several initiatives to set up comprehensive market information systems. According to the results of the sector inquiry it is a widespread practice, at least in the cement sector, to send out generic price increase letters. In these letters the companies announce price increases to all customers, information that is usually also received by their competitors. The Bundeskartellamt has competition concerns about this practice and will therefore inform the companies involved about its legal assessment as soon as possible.

Cement, as an input material in the production of concrete, and ready-mix concrete are used in various areas of the construction industry. The long-distance transport of cement incurs significant costs, and it is not possible to store ready-mix concrete as concrete hardens within only a few hours. For this reason there are a vast number of regional markets for both products throughout Germany, in particular for ready-mix concrete, which are located around the individual production plants.

The [report](#) as well as a "Questions and Answers" [paper](#) (in German) can be downloaded from the Bundeskartellamt's website.

General information on sector inquiries:

The Bundeskartellamt may conduct an investigation into a specific sector of the economy if special circumstances suggest that domestic competition may be restricted or distorted (so-called sector inquiry, Section 32 e German Competition Act, GWB). It should be noted that sector inquiries are not proceedings against specific companies. Proceedings can follow on after a sector inquiry if there is an initial suspicion that competition rules have been violated.