





OFT investigation – Aggregates industry



OFT investigation

“to understand how the aggregates market works and to look at the relationship between how the planning system operates, especially the system of nationally managed aggregates supply, and competition, investment and prices. We will consider whether there are any distortions of competition, especially at the local level and barriers to entry within the sector both for primary and secondary aggregates”



Main issues

- market study
- high barriers to entry
- increasing concentration at the local level
- Govt involvement - national system of control over outputs.
- impact on competition & VFM as the cost of aggregates flows through to infrastructure



Construction Industry

- OFT investigation
- large fines – 10% of global turnover
- 112 companies – all sizes
- endemic uncompetitive behaviour
- OFT resource limits

- appeals
- no proceedings for compensation



Lessons

- estimated impact = 10% extra on costs
- tender lists, partnership relationships
- public sector - duty to protect public money
- public sector is guaranteed income for firms
- Learn from construction investigation

APSE recommendations



- OFT – investigate selection of tenders/contracts annually to ensure firms stick to the law
- firms tendering for public sector work to either sign agreement stating they have not been investigated by the OFT as part of this or any other investigation or stating the extent to which they were investigated.
- any firm named in the report to make a public statement noting the actions they are taking to tackle the points made by the OFT



- industry bodies/OFT/clients to establish procedures to bring inappropriate practices into public domain
- fine income ring fenced for training schemes to address skills gap and promote CSR
- councils encouraged to create voluntary arrangements to recover any costs incurred as a result of collusion, rather than via individual claims
- emphasise to councils that they can protect themselves from private sector collusion by strong in-house provision



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