

# QUARRY INDUSTRY RESTRUCTURES TO FACE THE FUTURE

THE QUARRYING INDUSTRY HAS, LIKE MOST OTHER INDUSTRIES, BEEN HIT HARD OVER THE PAST FEW YEARS. BUT THE CONSTANT DEMAND FOR QUARRY PRODUCTS AND RESTRUCTURING OF COMPANIES IS HELPING THE SECTOR. ONE OF THE SAVING GRACES OF THE QUARRYING INDUSTRY AND ITS PRODUCTS IS THAT SOCIETY WOULD BE LOST WITHOUT THEM.



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Concrete (next to water the second most used product in the world) is used in construction of every kind, and its main components, aggregates, sand and cement, are in demand. With world

demand for them expected to rise by over 5% until 2015 to some 48 billion tonnes, the future may not be as bleak as it was 3-4 years ago as major quarry operators now position themselves to take advantage of new opportunities.

**The figures represent a slower rate of growth than during the 2005-2010 period, reflecting a moderation in aggregates-intensive non-building construction activity, but it is predicted demand for construction aggregates will show solid gains from 2010 to 2015.**

It may be no surprise that the Asia/Pacific region is expected to show the largest increases as construction rises rapidly, particularly in China and India, with China accounting for half of all new aggregates demand worldwide during the 2010-2015 period. Eastern Europe and the Africa/Middle East region are also expected to

see significant growth in construction aggregates consumption, although demand in developed parts of the world such as the US, Canada, Japan, Western Europe, South Korea and Australia will not be as strong as infrastructures are already well developed.

In the UK, the *British Aggregates Association (BAA)* recently describing current aggregates output as 'bouncing along the bottom', produced statistics including January and February data showing tonnages up 3.4% on the same period in 2011. Assuming a similar pattern in March it arrived at a quarterly output of 38.3 million tonnes. Recent company figures from the big operators have also shown encouraging signs as restructuring and considerable debt reduction plans, including divestments, begin to pay dividends.

Indeed, as part of a cost-cutting exercise more companies are seeking to outsource non-core activities such as maintenance, repair and operations (MRO). Lafarge recently awarded a £100 million ten-year contract to a company to provide a fleet managed service for its heavy mobile equipment at its aggregate and cement sites in North America. It follows a similar £50 million contract awarded in 2011 covering its aggregate and cement sites in the UK.

Outsourcing to companies has helped businesses lower costs. For example, UK-based *ERIKS* can highlight considerable savings' successes, and is able to help operators minimise downtime of equipment by supplying parts right through to maintaining or repairing vital equipment.

While such outsourcing is said to be helping industry, another sign of improvement has come from the UK's largest independent aggregates business, *Breedon Aggregates*, which recently announced a return to underlying profit before tax; made its first bolt-on acquisition (C&G Concrete); acquired 24 million tonnes of additional mineral reserves and in early 2012 acquired Nottingham Readymix.

It is now (like other companies) monitoring developments in respect of the proposed UK joint venture of *Lafarge* and *Tarmac* [Anglo American].

The UK Competition Commission (CC) has decided it will require Anglo American and Lafarge to sell a significant portfolio of their operations, paving the way for entry by a new competitor into the UK cement market, before the proposed construction materials joint venture can go ahead. In February, the CC provisionally ruled that the joint venture could damage competition in certain markets for construction materials.

