



GUERNSEY COMPETITION
& REGULATORY AUTHORITY

CONCRETE & AGGREGATES MARKET STUDY

Why this market study was commissioned

The construction sector plays a critical role in Guernsey's economy. It contributes to the quality of life of all islanders by building places we all need, like schools, hospitals and housing. That's why the cost of construction matters to us all. Concrete and aggregates sit at the very start of the construction supply chain, so when prices are high here, the effects are felt everywhere, from housing affordability to the cost of public infrastructure.

In April 2025, the Committee for Economic Development formally asked the GCRA to carry out an examination of prices of concrete and aggregates in Guernsey, and those terms of reference have guided this study. This report responds to that request and is informed by interviews with key stakeholders and evidence.

This market study was presented to the Committee for Economic Development on 24 February 2026.

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Foreword

The terms of reference for this market study are focussed on the supply of concrete and aggregates in Guernsey. Prices of these key inputs for the construction sector are found to be very high and there is a high level of profitability found in a key part of the supply chain. There is however no persuasive evidence that the conduct of market players in the supply of these materials is at such a level that they amount to a breach of the competition law. Structural factors and sector wide behavioural issues are instead the main contributors to steadily worsening outcomes for consumers, businesses and the taxpayer (who ultimately pays for government construction projects).

A way forward to improve market conditions is therefore not singular or simple but since the importance of construction materials to the economy likely far exceeds the contribution recorded under total economic activity,^[1] decisive and sustained intervention is needed to improve how well it works.

A reason why intervention is needed is because the imbalance of power between suppliers and consumers is skewed strongly towards suppliers. When consumers must in essence vie with each other to secure the services of suppliers instead of suppliers competing with each other for business, not only does the market fail to work as well as it could, ultimately, the supply chain becomes more fragile and market self-correction less likely. The most obvious consequence is that prices are not held in check by competition and rise to a level where households, businesses, or government, increasingly defer or cannot afford construction work, so the ultimate source of demand falls away and the sector's contribution to the economy contracts. The immediate loss from a drop off in demand for building work is the reduction in consumer spending, which is consistent with the degree of anxiety expressed by some in the building community interviewed for this study. What is less obvious but arguably even more significant for government policy makers, is that foregone construction spending not only harms the construction sector itself, it makes it more likely that investment declines as households spend less or investment is diverted away from the local economy to other jurisdictions, business expansion decisions get deferred, recruitment off the back of business expansion is shelved, and business location choices are altered.

The States of Guernsey, we suggest, has a key role to play not only as a policy maker freeing up market supply constraints in land, labour and competition but also as a significant buyer of construction services^[2]. States capital expenditure alone, of which construction comprises a large part, averaged £35m over the past five years, and a small improvement to the cost of construction materials and construction services can therefore reduce the burden on taxpayers substantively.

While there is no simple or short-term solution such as a sanction against specific behaviour, our enquiries have identified several ways that a difference can be made by the States intervening in its capacity as a legislator, policy maker, and large consumer. It is in a unique position where it can play an active role in altering the supply landscape to the benefit of the economy as a whole.



Michael Byrne
CHIEF EXECUTIVE, GCRA

[1] As set out in the Terms of Reference for this market study, the construction sector generates approximately 4.5% of Guernsey's GVA.

[2] The Competition (Guernsey) Ordinance, 2012, s.23.

Background

In 2024, the Committee for Economic Development (the **Committee**) expressed concerns to the GCRA about the costs of certain inputs - namely aggregates and concrete - relied on by the construction industry in Guernsey. These higher costs might in turn contribute to negative outcomes for Guernsey such as limited housing supply and higher housing costs, business investment deferred or scaled back, increased cost of living and reduced ability of the States of Guernsey to invest in essential construction projects. The Committee asked the GCRA to undertake a piece of preliminary analysis to determine whether these concerns had a basis.

The GCRA conducted informal interviews with seven stakeholders and carried out desk research to gain an initial understanding of the sector and the problems that stakeholders considered were occurring. GCRA officers also undertook a site visit to the Ronez concrete batching plants at St. Sampson to gain a better understanding of the supply and production processes involved, and how the supply chain works.

The GCRA's preliminary analysis was that there were reasonable grounds to believe that the prices of aggregate products and (in particular) concrete in Guernsey are significantly higher than the prices for comparable products in the UK.

The Committee then made a formal request in April 2025^[3] to the GCRA to carry out the first phase of a market study, focussed on price setting in the affected markets and with the following terms of reference:

To understand whether the costs of concrete (and aggregate products) in Guernsey are too high and, if they are, whether there are structural reasons for that, we would need as a first step to carry out an analysis of Ronez's costs and prices. This will allow us to determine:

- What Ronez's input costs are.
- What margin it is making on the products it sells in Guernsey
- Whether there are structural issues (transport costs; labour costs; other) that are contributing to price levels and, if so, to what extent.
- Whether the prices it is charging are excessive (exceed cost plus a reasonable margin).

The GCRA sent Ronez formal information requests^[4] and a number of follow-up questions, all of which were fully replied to by Ronez. Frontier Economics were engaged to carry out an analysis of the data provided to enable the questions above to be addressed. The conclusions are set out in the following paragraphs of this report.

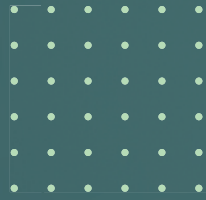
In addition to addressing the questions outlined in the above terms of reference, the GCRA has considered potential steps that the States of Guernsey could take in order to reduce the impact of some of the issues identified. These are set out at the end of this report. The GCRA looks forward to supporting the States of Guernsey in considering these potential remedies.

The GCRA wishes to record its thanks to all stakeholders who provided information to support this market study.

[3] The Competition (Guernsey) Ordinance, 2012, s.22(2).

[4] The Competition (Guernsey) Ordinance, 2012, s.23.

Executive summary



- Ronez does not face any on-island competition in the supply of ready-mix concrete (RMX) giving it a high degree of market power.
- There are alternative suppliers of concrete products (such as blocks and pre-cast concrete) although smaller building contractors tend to look to Ronez for all supplies of concrete products and RMX. There are also alternative suppliers of aggregates.
- Ronez's customers were satisfied with the quality of Ronez's services, but it is clear that RMX is a key input for customers in construction works. It would be challenging or impossible for customers to switch away from ready-mix concrete to alternative concrete products.
- Whilst there are significant differences between the prices of building materials charged by Ronez Guernsey and in the UK, there are also clear differences in unit costs between Guernsey and UK (related to shipping, labour costs, economies of scale).
- In order to determine whether Guernsey prices are excessive, a profitability analysis was carried out
- The profitability analysis showed that in the past three years Ronez Channel Islands has earned a Return On Capital Employed above its cost of capital (Ronez's return on capital employed (ROCE) exceeds its weighted average cost of capital (WACC) by [5.0% - 9.99%]).
- In Guernsey, Ronez's operating profit has increased across that period. There have been differences in the rate of increase across services and there have been some fluctuations. But RMX and concrete products have seen a clear rise in operating profit. Profits for aggregates have fluctuated over time
- In light of Ronez's position as a de facto monopolist, this high profitability for RMX and concrete products could be seen as evidence of a structural issue in the market. However, the evidence does not indicate that the competition law is being broken through excessive or unfair pricing
- In the final section of this report, we suggest potential remedies that might address these structural issues.

Competitive landscape

- Ronez is a monopoly supplier of RMX in Guernsey and it is unclear whether a second supplier could feasibly enter the market over the longer term.
- Self-supply of RMX is unlikely to be feasible for the majority of construction companies, who would, in any event be likely to need to procure aggregate (a constituent of concrete) from Ronez.
- There are alternative suppliers of other concrete products, such as blocks, but Ronez retains a cost advantage over these suppliers because it does not have to import those products into Guernsey.
- Ronez does face competition for the supply of aggregates.

Ready-mix concrete (RMX)

Ronez is the only supplier of RMX in Guernsey. It is the owner and operator of the only concrete batching plant in Guernsey and RMX, because it must be used within about two hours of being mixed, cannot be imported. In addition, other concrete products (such as concrete blocks) are not seen by customers as being a substitute for RMX, which is flexible and can be poured into many different moulds, allowing for faster construction and more efficient and less costly construction processes. This puts Ronez into a monopoly position for the supply of RMX.

A report entitled "Constructing the Future", which was prepared for the States of Guernsey in 2002 considered whether it might be feasible for a second supplier of RMX to enter the Guernsey market. It stated that:

It has also been suggested that the States should encourage the establishment of a second ready mixed concrete plant on the Island. Whilst in theory this would provide some form of competition, we believe that the effect would be marginal, unless the States were to permit the opening of a second quarry. It should be noted that the States Works Department have already evaluated this option in detail, and rejected it as being not economically viable. Whilst an enterprise based on the import of sea-dredged aggregates might be economically feasible, considerable space and capital expenditure would be involved in establishing the necessary storage facilities, washing and grading plants etc. It is also unlikely that only two plants would be sufficient to create a truly competitive market without some form of government regulation.

These conclusions were consistent with the views of stakeholders interviewed for this report. The majority of those interviewed stated that lack of scale and lack of consistent throughput of construction projects for a second market player would represent significant barriers to entry. One respondent also queried whether planning restrictions might operate as a barrier to the establishment of a second batching plant or the use of a mobile batching plant.

In principle, self-supply of RMX would be an option. For example, Lagan Construction set up on-site RMX mixing when undertaking construction at Guernsey Airport. However on-site mixing is only likely to be feasible for very high-volume projects, of which there are few in Guernsey. In addition, it is likely that a large construction company self-supplying RMX might need to procure at least some of its aggregates from Ronez (as Lagan did at Guernsey Airport).

Competitive landscape

Concrete products

Ronez is not the sole supplier of concrete products, such as blocks and pre-cast concrete, in Guernsey. Larger construction companies and building materials suppliers may source these materials from elsewhere (e.g. from the UK) although smaller local traders tend to use Ronez for pre-cast concrete and blocks. Ronez retains a cost advantage over alternative suppliers, since it manufactures concrete products on-island rather than having to import them.

Aggregates

There are alternative suppliers of aggregates in Guernsey besides Ronez and aggregates are also imported from the UK. It is therefore less likely that Ronez has market power in respect of the supply of aggregate products in Guernsey.

Conclusion

Ronez does not face any on-island competition in the supply of RMX. In principle, this would give Ronez market power such that it could set prices and terms without reference to its costs or the prices of competitors. This is less likely to be the case for other concrete products and less likely still for aggregates.

As far as non-price terms for the supply of RMX and other concrete products are concerned, there is no evidence that Ronez is imposing terms on its customers that are unfair or exploitative.

Regarding price terms, the GCRA's initial research indicates that prices for concrete in Guernsey are significantly higher than those for comparable products in the UK.

This issue can be traced back at least as far as 2002, with Constructing the Future noting that:

"The single supplier of RMX on the Island is aware that their product is perceived as expensive when compared to the mainland" ^[5] and,

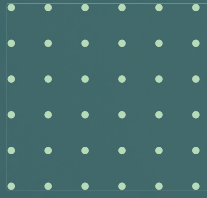
"Concrete prices may be set just slightly above that which could be obtained by importation and it is therefore not worth the extra effort to do it themselves." ^[6]

Because Ronez almost certainly holds market power for the supply of concrete in Guernsey and because initial indications are that prices are high, it is necessary to look further at both pricing and profitability to determine whether prices are excessive.

[5] Constructing the Future, p.38.

[6] Constructing the Future, p.39.

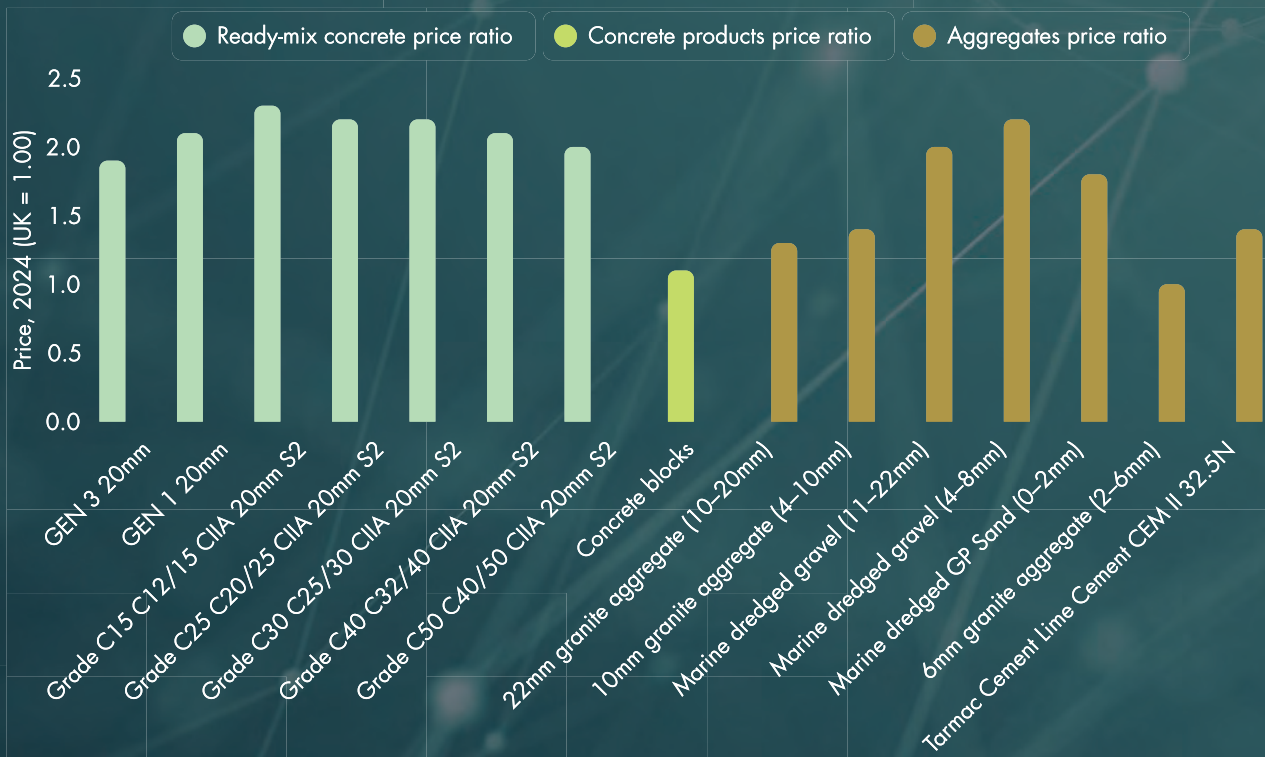
Price comparisons



We found substantial differences in the prices of building materials charged in Guernsey compared to the UK. These price differences have however not grown over time for most building materials. Information provided by Ronez suggested that the price differentials observed could be due to factors related to production costs in Guernsey being higher than those in the UK.

Price differential between Guernsey and the UK

There is a significant price differential between Guernsey and the UK, both for concrete and for aggregate products. Relative to the UK, 8 out of 15 building materials products were at least 100% more expensive in Guernsey than in the UK.^[7]

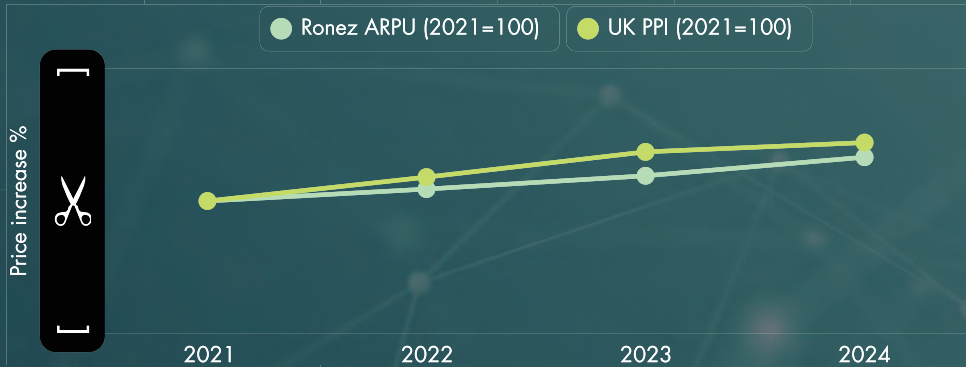


[7] Source: Data comparison across available products. Data from GCRA 'Ratios – Concrete Prices Ronez UK', Guernsey: Constructing the future, April 2002, Table 2.10; Ronez 215mm concrete block list price; UK 215mm concrete block average price for an order of 50 (Source: <https://www.checkatrade.com/blog/cost-guides/concrete-block-calculator/>)

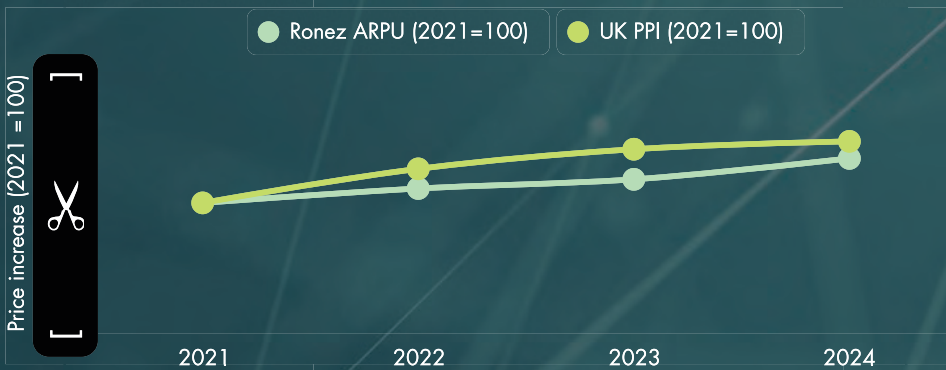
Price comparisons

Between 2021 and 2024, Ronez Guernsey prices (unit revenues) have grown less than UK prices for RMX and concrete products and have tracked upwards for aggregates.^[8]

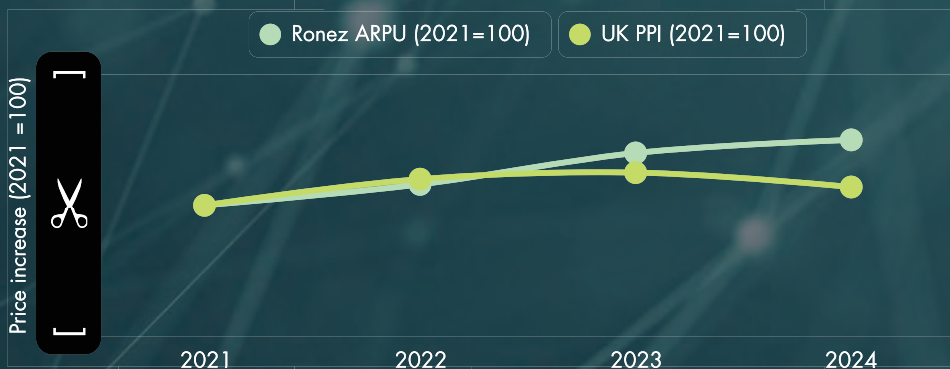
RMX Prices Increases (2021=100)



Concrete products



Aggregates



[8] Source: [1] Data from Ronez: 'Analysis of external ready mixed concrete sales' and 'Analysis of external concrete products sales'. [2] ONS data: UK ready-mixed concrete PPI, UK concrete products PPI and UK gravel, sand, clays and kaolin PPI (used for the 'Aggregates' comparison, 2024 price level calculated based on Jan-Sept data only).

Price comparisons

Possible explanations for price differences

It is important to note that there are differences in cost structures between Guernsey and the UK that might account for price differentials. Unlike a Guernsey based operator, for example, a UK based operator would not face the cost of imports to the same extent. Information provided by Ronez suggested that the price differentials observed could be due to factors such as:

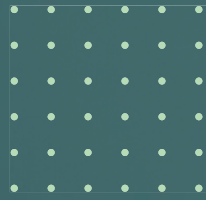
- Economies of scale in the UK due to higher production volumes.
- Higher labour costs in Guernsey relative to the UK.
- The additional shipping cost associated with imported sand, aggregates and cement in Guernsey.
- More support services around a cluster of quarries, reducing the need for direct labour overhead in the UK compared to Guernsey.
- UK RMX suppliers charge for 'extras' such as part loads and return concrete products, which are provided free of charge in Guernsey.

Conclusion

Determining whether prices in Guernsey are "excessive" requires an assessment against costs of production in Guernsey. The following section sets out two sets of analyses:

- Profitability analysis, based on the Return On Capital Employed (ROCE) profitability metric, and
- An analysis of trends in Guernsey unit revenues and unit costs over time (and therefore profit over time).

Profitability analysis



The return earned by Ronez Channel Islands is well above its cost of capital, approaching double what would be expected. Despite how large this is, the difference may not indicate “excessive” pricing on the basis of a competition law test given the threshold for meeting that legal standard. In light of Ronez’s position as a de facto monopolist this high profitability has in all likelihood been possible because of structural issues in the market, which could be a reason for considering a form of policy intervention.

The analysis of profitability as a means of understanding competitive conditions in a market is based on the premise that firms in a competitive market would generally earn no more than a “normal” rate of profit.

Below, we consider profitability through two “lenses”. First, we assess whether ROCE is above WACC. Second, we look at whether Ronez Guernsey’s operating profit has increased over time.

A note on ROCE and WACC

It should be noted that Ronez Limited is a single corporate entity operating in both Jersey and Guernsey. As a consequence, its ordinary course of business reporting does not separate between its activities in Guernsey and Jersey.

This means that a Guernsey only ROCE is not readily available and calculating a Guernsey only ROCE would have required the creation of a separate set of hypothetical accounts for Ronez Guernsey. This would have involved not only separating out straightforward items, such as labour costs, but also calculating the appropriate allocation of the shared overheads and capital employed between jurisdictions.

The question then is whether the ROCE of Ronez Limited, which is a “Channel Islands” ROCE, is a reliable and reasonable proxy for Ronez’s “Guernsey ROCE”, such that it would be disproportionate to attempt to calculate a Guernsey ROCE. The analysis carried out indicates that the Channel Islands ROCE provides a reliable and reasonable proxy for a Guernsey specific ROCE.

This is for two reasons. First, Ronez’s Guernsey specific operating profits and its Channel Islands ROCE showed a similar trend. A Guernsey ROCE is therefore unlikely to materially differ from the Channel Island ROCE and justify the resources to produce a more granular analysis. Second, market conditions in Jersey and Guernsey are broadly similar. While there are differences in prices of products between Jersey and Guernsey, on average across the construction materials considered in this study they are similar. Given the evidence is that Channel Islands ROCE is a reasonable proxy for Guernsey ROCE it would have been disproportionate, and ultimately unnecessary, to create a set of hypothetical accounts for Ronez’s Guernsey operations to attempt to calculate a Guernsey ROCE.

The WACC used in the calculations below is the WACC of Ronez Limited’s parent company, SigmaRoc. This is because a standalone WACC calculation for the Guernsey operations of Ronez Limited only would not be meaningful. The cost of debt is determined by the creditworthiness and financing structure of the entire group, not by that of an individual subsidiary or business unit.

Profitability analysis

Similarly, the cost of equity is assessed at the group level because it reflects the return required by investors who provide capital to the group as a whole. Investors price risk based on the risk profile of the consolidated group, not that of a single subsidiary or business unit within the group.

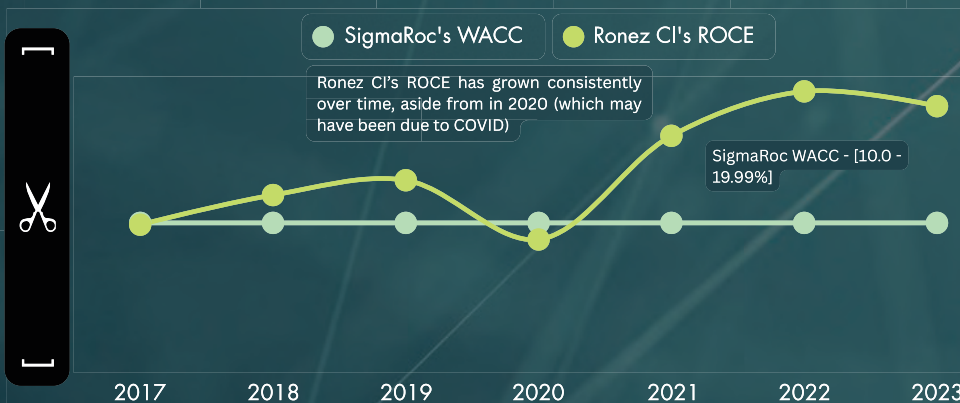
As a result, both components of WACC must be derived from group level financial characteristics, making a subsidiary or business unit level WACC conceptually inappropriate and artificial.

Comparing ROCE to WACC

When considering what would constitute a “normal” rate of profit, a return on capital employed (ROCE) exceeding the weighted average cost of capital (WACC) could support a finding that Ronez is able to price above cost without being constrained by the threat of entry. Charging excessive and unfair prices could also constitute an abuse of a dominant position where ROCE significantly and persistently exceeds WACC.^[10]

Comparing ROCE to WACC in this case, it can be seen that Ronez CI's ROCE rose to [10.0 - 19.99%] in 2021 – 2023 and is above its WACC

Ronez CI vs SigmaRoc ROCE & WACC



As Ronez's capital employed is “flat” over time, the increase in ROCE is given by: (i) increases in operating profit, and (ii) decreases in depreciation expenses (which is driven by assets coming to the end of their asset lives and increases in mineral reserves on both islands).

The chart uses the WACC of Ronez's parent company SigmaRoc as the comparator. SigmaRoc operates in several European markets and therefore this figure reflects the cost of borrowing across all business units (i.e., it reflects the cost of borrowing across competitive markets).

These figures include Ronez's operations in both Channel Islands,

Note: (i) Ronez Guernsey does not calculate its ROCE, and therefore Ronez's Channel Island accounts have been used to estimate a Channel Islands ROCE for Ronez.

[9] When applying the ROCE v. WACC framework, it is important to bear in mind that:

- It is normal for the profitability of a firm to vary over time such that, in some years, its ROCE may exceed its WACC. However, persistently high ROCE could be a cause for concern.
- In practice, a multi-product firm may be unable to attribute revenues, costs and capital employed to individual product / service lines.

In this case, Ronez explained that it is a single corporate entity operating in both Jersey and Guernsey. As a consequence, its ordinary course of business reporting does not separate between: (i) its activities in Guernsey/Jersey, nor (ii) by service line. However, it was able to separate revenues and costs by aggregates/concrete/RMX/Other, which allowed for an analysis of service level profitability.

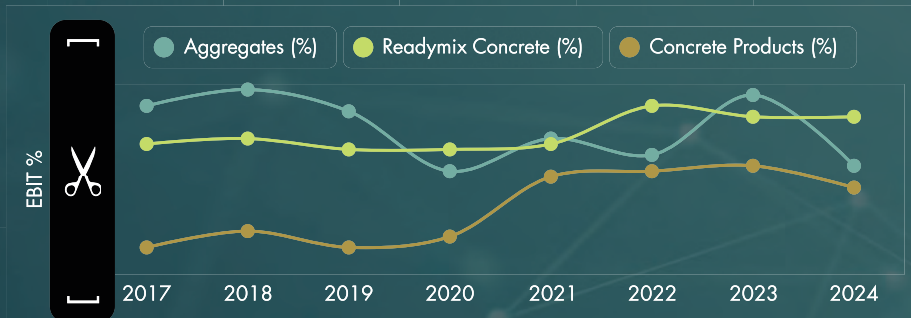
[10] One way in which to test whether prices are excessive and unfair is to apply a two-limb legal test which requires: (1) a significant and persistent difference between ROCE and WACC, and (2) that this difference cannot be justified by reference to the economic value of its products to its customers and/or by reference to the prices of comparators (Case C-27/76 United Brands v. Commission, EU:C:1978:22).

Profitability analysis

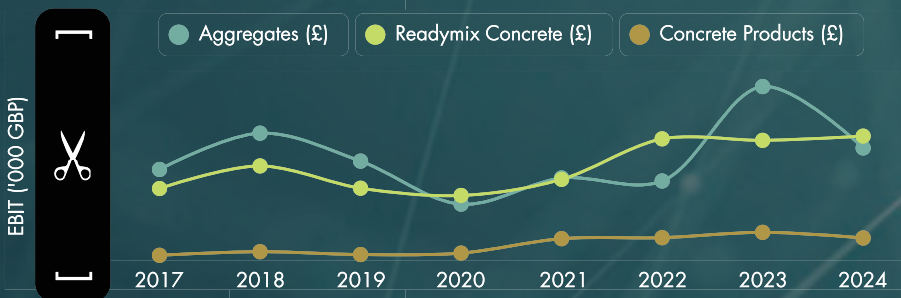
Operating profit over time

As can be seen from the graph below, Ronez Guernsey's operating profit has trended upwards over time for ready-mix and concrete products and has fluctuated for aggregates.

Ronez Guernsey EBIT (%)



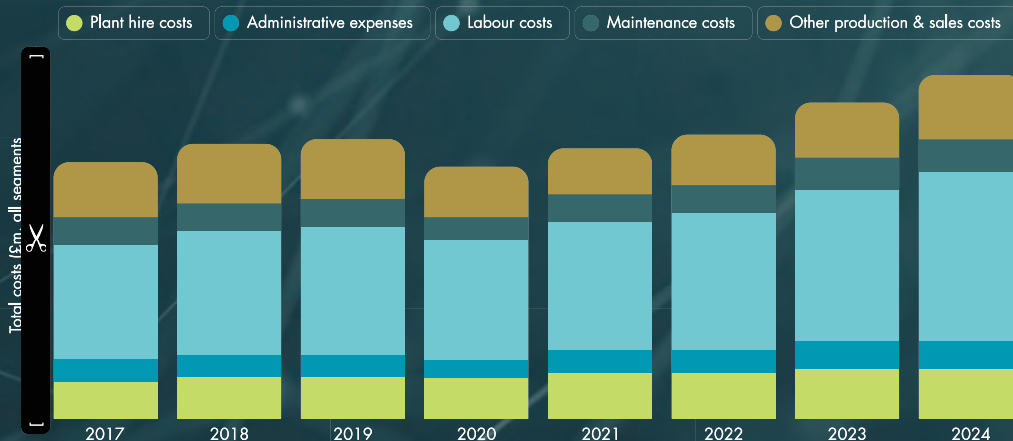
Ronez Guernsey EBIT ('000s GBP)



In Guernsey, all three major product groups have grown their operating profit over time. Ready-mix concrete has the clearest upwards trend in operating profit, from [] between 2021-24.

Ronez's Guernsey operating costs also increased over 2017 - 2024, driven mainly by the increases in production costs of goods sold.

Ronez Guernsey Costs



Production costs of goods sold (which includes shipping costs) had the largest increase between 2021-24, between [] in the range 5 - 19.99%]

In 2024, they accounted for 64% of Ronez's total operating expenses.

Labour costs increased [] in the range 0 - 4.99%] over the same period. They accounted for 20% of costs in 2024.

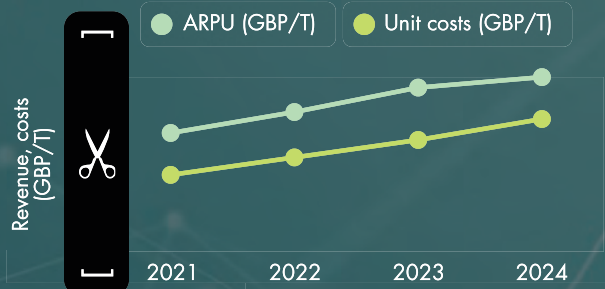
Plant hire costs were the third largest expense, [] in the range 0 - 4.99%] over the same period. They accounted for 9% of costs in 2024.

Profitability analysis

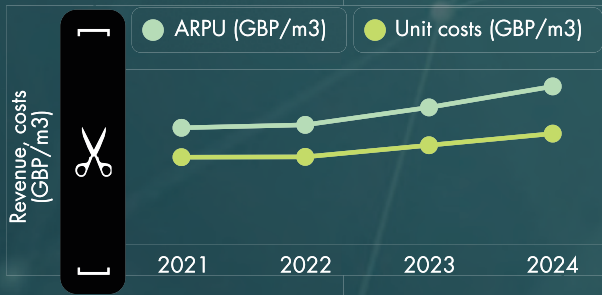
However, while total costs have gone up, the increased profitability in some services is driven by unit prices increasing faster than unit costs.

- Aggregates unit profit fell slightly between 2021 and 2024 [✂ in the range 0 - 4.99%]
- Concrete products unit profit grew between 2021 and 2024 [✂ in the range 10 - 19.99%]
- Ready-mix concrete unit profit grew significantly between 2021 and 2024 [✂ in the range 60 - 69.99%]

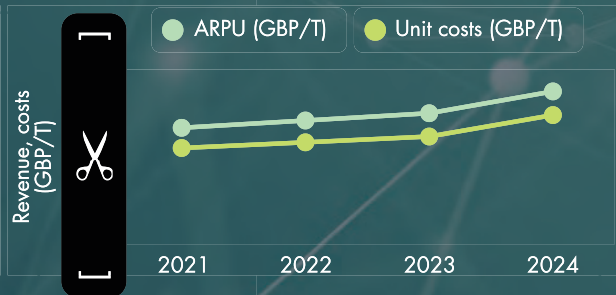
Aggregates



RMX Prices Increases (2021=100)



Concrete products



Profitability analysis

Conclusion

Key findings

The above demonstrates that Ronez CI has earned economic profits at a level that exceeds its WACC and that in Guernsey, Ronez's operating profit has increased. The rate of increase across services is not uniform and there have been some fluctuations but in the supply of RMX and concrete products this trend is plain.

While RMX and concrete products have seen a clear rise in unit profit margin even for the services where Ronez's unit prices have increased faster than its unit costs, Ronez's prices have increased in line with or slower than in UK prices. Furthermore, Ronez's 'high profits' only relate to a relatively short period of time (3 years), which may not be a significant period in a cyclical industry.

Is there evidence of "excessive" pricing?

The difference between ROCE and WACC is unlikely to be significant enough or to have persisted long enough to support a finding that the prices charged by Ronez are excessive under Guernsey competition law.^[11]

Is there evidence of an impediment to effective competition?

Unit price increases can be partly explained by increases in unit costs. However, over the period considered, increases in unit prices contributed to increases in profits. High profitability could be seen as evidence of structural issues in the market, although it is not possible to say whether the increase is transitory or permanent.

[11] The Competition (Guernsey) Ordinance, 2012, s.1 prohibits the imposition of "unfair" selling prices, of which excessive pricing is a type. Excessive pricing cases brought by other competition authorities, notably the CMA in the UK (see, for example, Unfair pricing in respect of the supply of phenytoin sodium capsules in the UK (Case 50908), 21 July 2022) have been characterised by returns of 100% or more.

What unlawful excessive pricing typically looks like

Introduction

Every excessive pricing case turns on its own facts. There is no single percentage increase or profitability threshold that automatically renders pricing unlawful. Competition authorities assess a combination of indicators, including:

- *The magnitude of the price increase;*
- *The speed and pattern of the increase (for example, whether it occurred abruptly or through large step changes);*
- *Whether the increase was linked to rising input or operating costs;*
- *Whether the resulting price delivered a return materially above the firm's cost of capital;*
- *Whether the pricing bore a reasonable relationship to the economic value of the product; and*
- *Whether there is evidence that the business used its position to exploit customers unfairly, restrict supply, or impose unjustified conditions.*

In cases where excessive pricing has been found unlawful, authorities have typically identified extraordinary price increases — often several hundred or several thousand percent — implemented abruptly or without cost justification, and generating returns materially above competitive benchmarks for sustained periods.

What unlawful excessive pricing typically looks like

Assessment of Ronez against Excessive Pricing Indicators

Below is a structured assessment of the indicators typically examined in excessive pricing cases.

Magnitude of Price Increase

Pharmaceutical cases:

Price increases of 300% to over 6,000%, in some instances implemented overnight or through very large step changes.

Ronez (2021 baseline = 100):

Ready-Mix Concrete (RMX):
+9% (2022), +10% (2023), +14% (2024)

Cumulative: ~37%

Concrete Products:
+11% (2022), +7% (2023), +16% (2024)

Cumulative: ~38%

Aggregates:
+20% (2022), +20% (2023), +10% (2024)

Cumulative: ~58%

✔ The increases are materially smaller in scale than those relied upon in infringement decisions.

Speed and Pattern of Increase

Unlawful cases:

Abrupt or extreme step-change increases (e.g. 2,000% overnight).

Ronez:

Increases occurred progressively over three years.
The largest single annual increase observed was 20% (aggregates).

✔ No evidence of sudden or extreme price shocks of the type seen in infringement cases.

Link to Underlying Costs

Unlawful cases:

Little or no increase in production costs despite very large price increases.

Ronez:

Evidence of increased input and operating costs over the relevant period.
Price movements occurred during a period of wider cost inflation affecting materials, labour and logistics.

✔ Price increases at least partly attributable to rising unit costs.

What unlawful excessive pricing typically looks like

Assessment of Ronez against Excessive Pricing Indicators (continued)

Rate of Return vs Cost of Capital

Infringement cases:

Returns far in excess of cost of capital, often multiples of competitive benchmarks and sustained over long periods.

Ronez:

ROCE [✂] in the range 10 - 19.99%] versus estimated WACC [✂] in the range 10 - 19.99%]
Differential of approximately [✂] 5 -9.99%] percentage points over a three-year period.

Differential present but not extreme in magnitude or duration.

Duration of Elevated Returns

Infringement cases:

Persistent supra-competitive returns over extended periods (often 5–10+ years).

Ronez:

Elevated ROCE observed over approximately three years.

Relatively short period, particularly in a cyclical and capital-intensive sector.

Evidence of Exploitative Conduct

Unlawful cases:

Evidence of opportunistic de-branding, regulatory arbitrage, threats to withdraw supply, or deliberate imposition of extreme price increases.

Ronez:

No evidence of withdrawal threats, strategic supply restriction, or abrupt price shocks.

No evidence of exploitative conduct of the type typically associated with abuse findings.

Overall Position

When assessed against the indicators typically relied upon in unlawful excessive pricing decisions, the pricing observed in the Guernsey RMX market does not exhibit the characteristics commonly associated with abuse findings.

While profitability exceeds the estimated cost of capital and the market is structurally concentrated, the scale, tempo, and economic context of the price increases differ materially from cases in which competition authorities have found unlawful excessive pricing.

Summary of Conclusions

As explained in the sections above, the return earned by Ronez Channel Islands is well above its cost of capital. This high level of profitability is earned on what may already be high costs of construction materials coming into the Island at source, due to factors such as transport costs.

The impact of large margins high up in the supply chain together with high initial material costs is likely compounded at each stage of the supply chain as margins on margins cause a 'snowball' of costs leading ultimately to end-user prices that are multiples of what appears reasonable or even fair particularly when Guernsey consumers compare prices elsewhere.

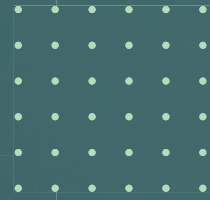
The incentives on a de facto monopoly to deliver for their shareholders naturally and invariably outweigh the interests of consumers. Absent the threat from competitors or potential market entry, and without viable substitutes, what would be normal pressures on existing economic actors to drive costs down and/or sacrifice margins to give consumers a better deal, are too weak. While some buyers with projects of a large enough scale have extracted a better price for construction materials, these are isolated instances in particular circumstances, and we find no evidence to suggest these are filtered through to benefit the rest of the consumer market.

Notwithstanding the above, based on competition law case precedent our review has not found a behaviour or pattern of behaviour that is anti-competitive under Guernsey competition law.

Policy interventions that dampen these risks are instead required. We consider that the States of Guernsey can positively influence market outcomes in this sector in two ways. First, in its capacity as a policy maker, there are regulatory type tools that the States of Guernsey might utilise to improve outcomes. Second, as a customer of the construction sector, the States of Guernsey is also likely to have a uniquely influential position as a large buyer on the Island and if it chooses to can influence market conditions by being a standard setter, ultimately to the benefit of consumers in Guernsey.

Some potential intervention pathways are described, at a high level, in the following section.

Remedies



In our view, and for the reasons explained above, the legal frameworks of economic regulation and competition law are likely to be neither a proportionate nor an effective means to deliver better outcomes given market conditions.

Instead, we suggest below, and at a high level, some potential pathways for intervention by the States of Guernsey that may improve outcomes both in respect of the supply of concrete and aggregates and in the construction sector more broadly. These were flagged as viable improvements by parties interviewed during this study and we have tested these suggestions with practitioners in the sector before including them in these proposals.

Transparency

Greater transparency, particularly around prices, price setting and financial performance can improve outcomes for consumers, for the following reasons:

- It reduces information asymmetries between firms, consumers and regulators and so encourages pricing that better reflects underlying costs and performance.
- It supports effective competition policy, by enabling regulators to assess and detect market power, market abuse and market failure more quickly.
- It enhances the accountability of businesses to government and to consumers in terms of the prices charged.

In a small island economy, transparency measures are likely to be most effective when they are targeted and proportionate, focusing on areas of highest risk and highest spend, rather than applying broad disclosure requirements across the entire sector.

Potential remedies in relation to transparency might include:

- **Targeted reporting for competition-constrained inputs**

The reporting should be designed to support market monitoring and enforcement without disclosing customer-specific commercially sensitive information. In practical terms this could include:

- average realised prices by product category (not by named customer),
- volumes, capacity and delivery performance (to distinguish genuine capacity constraints from strategic withholding),
- high-level indicators of key cost drivers (cement/aggregates/energy), and
- disclosure of significant intra-group charges (for example quarry to ready-mix), so that input costs and margins can be understood and any competition concerns can be assessed where relevant.

- **Transparent pricing structures and surcharge rules**

Where Ronez, as the single supplier of RMX, has substantial pricing discretion, the States can encourage or require clearer publication of pricing structures and surcharge rules (for example small load charges, waiting time, short notice etc). This can support comparability across projects, improve budgeting, and reduce the scope for arbitrary or opaque price changes

Remedies

Access

Reducing barriers to entry to markets in Guernsey both for labour and for suppliers of construction products and services would increase competition, with a likely beneficial effect for consumers in terms of choice and value. In a small island economy, however, some heavy materials markets will remain structurally concentrated due to scale and logistics. Remedies should therefore focus on reducing dependency on single suppliers and single routes of supply, while keeping entry feasible where it is commercially and logistically realistic.

Importing RMX from off-island is not feasible due to time and logistics constraints.^[12] "Access" remedies for RMX should therefore focus on strengthening resilience and reducing reliance on a single operator, while recognising that alternative on-island supply may only be feasible either on a project-specific basis (as occurred during the 2012 airport works) or, if scale and economics allow, as a longer-term second source of supply to the wider market.^[13] Potential measures include supporting the establishment of additional batching capacity where justified; ensuring planning and land availability can accommodate such capacity; and ensuring that arrangements to import, handle and store key raw materials do not unnecessarily impede a new entrant or a project-specific solution. Given uncertainty over commercial feasibility, government could treat a second supplier as an option to be tested through major capital programmes and forward pipeline planning, rather than as an assumed outcome.

For other construction materials and construction-related services, there is greater scope to broaden participation in the supply chain. The States of Guernsey can support this by widening sourcing options (including from the UK and/or France),^[14] reducing mobilisation barriers for off-island suppliers and specialist contractors and using demand aggregation and forward pipelines to make the Guernsey market more accessible. To be effective, it may be necessary to review whether exclusivity or restrictive arrangements in procurement and supply chains would frustrate switching, new entry or the use of alternative routes of supply.

Labour mobility measures are primarily an island-wide issue and should be considered within wider workforce and migration policy. However, for major construction programmes, targeted and time-limited measures may support delivery and limited contestability, including project-based permissions for scarce trades, streamlined recognition of off-island qualifications and, where justified, temporary accommodation solutions designed as project-specific interventions.^[15]

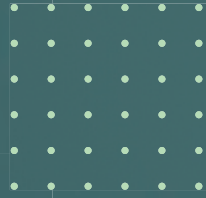
[12] As mentioned above, RMX must be used within about two hours of mixing and so cannot be transported from outside of Guernsey.

[13] Stakeholders expressed different opinions as to the feasibility of this option although we understand that on at least one occasion (other than the construction work at Guernsey airport) a developer actively considered establishing a mobile batching plant to supply a major construction project in Guernsey and that this could be feasible for future large projects, on a project-by-project basis.

[14] We understand that the States of Guernsey has already undertaken some work to assess the viability of importing construction materials from France through St Malo. It is suggested that further work could be undertaken to assess the feasibility of reducing costs in this regard.

[15] Some stakeholders expressed support for the establishment of a "construction village" to provide temporary accommodation for non-local construction workers. This could be for specific projects (for example, the development of Leale's Yard (one of the "super priorities" set out in the Government Work Plan published in December 2025), or to support, for example, wider housing development initiatives or construction projects more generally.

Remedies



Procurement

Procurement can mitigate the effects of concentrated supply by avoiding arrangements that lock the States into dependence on a single supplier and by setting clear expectations on price transparency, delivery performance and continuity of supply for high-risk inputs such as RMX. In most cases the States of Guernsey will contract with a main contractor rather than Ronez itself. Measures therefore need to be implemented through obligations in the main contract that are reflected in the contractor's RMX supply arrangements and, for major programmes, through additional arrangements that give the States limited direct leverage where needed.

Potential measures could include:

- **Specify RMX separately and require supporting evidence**

For major public works, RMX could be priced and managed as a distinct element rather than being absorbed within a single contractor price. The contractor would provide open-book information for the RMX element only (rates, volumes and surcharges etc), supported by supplier invoices and delivery tickets. The main contract would require the contractor to obtain the necessary disclosure and audit cooperation from its RMX supplier, with audit requirements limited to the RMX component.

- **Set the rules for price movements and continuity of supply**

Where market conditions provide limited competitive pressure, the contract could set out how RMX price changes will be treated, including pass-through rules for key input movements (such as cement and energy), a clear definition of allowable cost changes, and limits on discretionary increases. The contract could also set delivery and continuity requirements that the contractor would have to mirror in its RMX supply contract, covering lead times, on-time delivery, peak-period commitments and contingency arrangements, with remedies for non-performance.

- **Use direct arrangements on major programmes where necessary**

For large capital programmes, the States could consider an RMX framework which contractors would use to purchase RMX on pre-agreed prices and conditions, and/or a limited direct agreement with Ronez covering transparency, service standards and audit cooperation, while leaving day-to-day ordering with the main contractor.

- **Provide for project-specific arrangements where appropriate**

For major programmes, the contract could require early materials and production planning so that project-specific batching arrangements can be evaluated where technically and commercially appropriate. Contracting would avoid terms that prevent switching or contingency options, including unnecessary bundling or exclusivity.

- **Use whole-life costing and value engineering**

Whole-life costing and structured value engineering could be used to support value-for-money decisions, alongside (not instead of) the measures above.

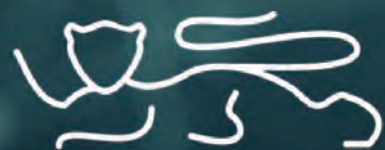
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GUERNSEY COMPETITION
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