

Financial performance of the four main brick manufacturers

Introduction

1. This appendix considers the financial performance of the four main brick manufacturers in the UK. It addresses the following areas:
 - (a) Baggeridge's financial position and forecast performance. This is necessary as part of our analysis of the counterfactual—to consider whether it would have 'failed'.
 - (b) The four companies' financial performance. If there are high profits in the UK brick market this might be an indicator of coordination.
 - (c) The level of symmetry between the costs of the brick manufacturers and data on plant level profitability (based on gross margins).

Financial performance/profitability

Data sources

2. Baggeridge, Ibstock, and Wienerberger have provided statutory accounts for their businesses which we have used to create the detailed financial information in the following sections. The following points are relevant in considering these three companies' financial data:
 - (a) The turnover shown for Baggeridge and Wienerberger is net of rebates and discounts and includes income received for haulage. Ibstock's turnover is not net of rebates.
 - (b) Where prior years have been restated, these figures have been used.
 - (c) Wienerberger includes haulage within cost of sales; Ibstock and Baggeridge include haulage within their distribution costs. Distribution also relates to costs at head office such as advertising, sales and marketing.
3. Hanson does not produce separate accounts for its brick operation. The data we show in this appendix are taken from Hanson's management accounts which only provide headline revenue and profit figures for the brick operation. This is discussed further in paragraphs 37 et seq.

Baggeridge

4. Set out in Table 1 is a summary of Baggeridge's financial performance in the six years ended 30 September 2006.

TABLE 1 Baggeridge summary financial information

	£'000					
	2001	2002	Year ended 30 September		2005	2006
			2003	2004		
Turnover	41,815	45,957	51,338	52,827	50,721	54,954
Cost of sales	-29,104	-34,429	-37,092	-36,683	-37,554	-42,553
Gross profit	12,711	11,528	14,246	16,144	13,167	12,401
Distribution	-5,806	-6,334	-6,080	-6,242	-5,867	-6,640
Administration	-1,632	-1,614	-1,744	-1,847	-1,857	-1,694
Other	-	-	-	-	22	-23
Operating profit (PBIT*)	5,273	3,580	6,422	8,055	5,465	4,044
Interest	-461	-387	-260	-51	-259	-239
PBT†	4,812	3,193	6,162	8,004	5,206	3,805
Tax	-1,503	-1,021	-1,913	-2,486	-1,607	-1,170
PAT‡ (or net profit)	<u>3,309</u>	<u>2,172</u>	<u>4,249</u>	<u>5,518</u>	<u>3,599</u>	<u>2,635</u>
Net assets	52,078	54,202	56,956	60,260	54,881	54,692
Total assets less current liabilities	<u>61,542</u>	<u>60,912</u>	<u>62,836</u>	<u>66,034</u>	<u>69,131</u>	<u>68,753</u>
						<i>per cent</i>
Operating profit/total asset less current liabilities	9	6	10	12	8	6
PBT/net assets	9	6	11	13	9	7
PBT/turnover	12	7	12	15	10	7
Gross profit/turnover	30	25	28	31	26	23

Source: Baggeridge Statutory Accounts, Preliminary announcement (2006).

*Profit before interest and tax.

†Profit before tax.

‡Profit after tax.

Notes:

1. These figures include Corium and Landsource.

2. Transaction costs in 2006 of £396,000 have been excluded.

3. IFRS was adopted from 1 October 2004.

4. Return on asset ratios are on average assets (except for 2001).

5. Although Baggeridge is currently debt-free, it has small interest costs. These include charges in respect of finance leases and hire purchase agreements and interest on bank borrowings during the period (due to a debt profile which changes on a daily basis).
6. A part of Baggeridge's revenue and profit is derived from Landsource, [X]. Corium is also included in the figures above (revenue of £[X] in 2006). [X].
7. The long-term liabilities are predominantly retirement benefits and deferred tax liabilities (in 2006 these amounted to 53 and 45 per cent respectively).
8. In the year ended 30 September 2006 depreciation amounted to £3.6 million, and capital expenditure amounted to £1.4 million.

9. Baggeridge has made lower profits and lower margins during 2005 and 2006 than in earlier years. The decrease from 2004 to 2005 reflects a drop in revenue (Baggeridge noted that in 2005 there was a 'substantial cooling in demand') as well as increasing costs. The decrease from 2005 to 2006 reflects an increase in costs despite some recovery in volumes: Baggeridge noted the 'exceptional price volatility in the natural gas market and abnormally high energy costs'.
10. Baggeridge's historical financial information indicates that it has not been in any financial difficulties:
 - (a) It has made a profit in each of the last six years.
 - (b) It had net assets of £55 million as at 30 September 2006 and no debt.

Forecast revenues and profits

11. Set out in Table 2 are the forecast revenues and operating profits of Baggeridge. We have set out the forecast made by Baggeridge for 2007 and also the forecasts made by Wienerberger for the years 2007 to 2009.

TABLE 2 Forecast profits of Baggeridge

		£'000		
		2007	Year ended 31 December 2008	2009
	Year ended 30 September 2007	Wienerberger	Wienerberger	Wienerberger
Source Revenue	Baggeridge (⊗)		(⊗)	
Operating profit				

Source: Data provided by the parties.

12. Both Wienerberger and Baggeridge expected the Baggeridge business to deliver a profit over the next few years. [~~⊗~~].
13. Wienerberger's forecasts for Baggeridge include all of the estimated synergies it expects to arise from the merger.

Valuation of fixed assets

14. As part of our analysis of Baggeridge's returns, we also consider whether its assets are appropriately valued.
15. In 2003, Baggeridge revalued its freehold land and buildings, and in 1999 it revalued its mineral reserves.
16. In its 2005 accounts, Baggeridge set out the new depreciated cost of these two classes of asset and compared this value to what their depreciated cost would have been if they had not been revalued. Both sets of figures are set out in Table 3 (as well as the latest depreciated cost figures—for 2006).

TABLE 3 Fixed asset valuation

					£'000
	<i>Freehold land and buildings</i>	<i>Minerals and other property</i>	<i>Kilns, plant, machinery</i>	<i>Other</i>	<i>Total</i>
Depreciated cost (revalued) 30/9/2005	19,074	13,343	22,178	410	55,005
Depreciated cost at 30/9/2005 (pre-revaluation)	5,723	7,570	–	–	–
Difference	13,351	5,773			
Depreciated cost (revalued) 30/9/2006	18,775	13,093	20,420	406	52,694

Source: Baggeridge statutory accounts.

17. The two revaluations added approximately £19 million to Baggeridge's balance sheet and this revalued amount has not decreased materially since then.
18. The clay reserves that were in Baggeridge's possession at the time of the revaluation in 1999 are at valuation; otherwise they are included at cost. Voids are not valued.
19. Baggeridge told us that [redacted].

Wienerberger

20. Wienerberger was a small import business until its acquisition of TBB and Galileo Brick, at which point it increased in size and also became a UK manufacturer.
21. In considering what is now the Wienerberger business over the last six years (which is an aggregation of the original import business and the various acquired companies) we face a number of issues:
 - (a) Up to and including the year ended 31 March 2002, TBB and Ambion were separate businesses.
 - (b) During the years ended 31 March 2003 and 31 March 2004, TBB included the results of Ambion and was itself consolidated into Galileo Brick. TBB represented the bulk of this consolidated business.
 - (c) For the nine-month period ended 31 December 2004, Galileo did not produce consolidated accounts as its ultimate parent was by then Wienerberger AG.
 - (d) Wienerberger Ltd (which became Wienerberger (UK) Ltd on 13 January 2005) was a separate (and smaller) business in the years ending 31 December 2001—31 December 2004. It ceased trading at the end of 2004.
 - (e) For the 13-month period ended 31 December 2005 the new Wienerberger Ltd (incorporated as Wienerberger (UK) Ltd—a different company to the original Wienerberger Ltd) consolidated TBB/Ambion and Galileo, and the old Wienerberger business.
 - (f) The new Wienerberger Ltd (name changed from Wienerberger (UK) Ltd on 13 January 2005) has a year end of 31 December.

22. Set out in Table 4 is a pro forma aggregation of the summary financial information of these companies for the six years to 31 December 2006 provided by Wienerberger. The data for 2001 to 2004 have been annualized. The 'new' Wienerberger Ltd only acquired the 'old' Wienerberger Ltd and TBB on 1 January 2005 and therefore the 13-month period ended 31 December 2005 only contains results for 12 months of operating activity. The aggregation process is necessarily only an approximation and may be less accurate in the earlier years.

TABLE 4 Wienerberger summary financial information (AGGREGATED)

	2001	Annualized to year end 31 December 2002	31 December 2003	2004	13 months 31 December 2005	£'000 2006
Turnover						
Cost of sales						
Gross profit						
Distribution						
Administration						
Operating profit (PBIT)						
Net interest						
PBT						
Tax						
PAT (or net profit)						
Net Assets						
Total assets less current liabilities						
						<i>per cent</i>
Operating profit/total assets less current liabilities						
PBT/net assets						
PBT/turnover						
Gross profit/turnover						

Source: Annual statutory accounts and forecast for 2006.

Notes:

- The years 2001–2004 have been created by Wienerberger for the purposes of this inquiry, Return on asset ratios are on average assets (except for 2001).
- Goodwill relating to the acquisition of the brick business of £21.5 million is included in the balance sheet above.

23. We only have forecast revenue and gross profit data for 2006. Wienerberger told us that: '[redacted]. In particular, the rising cost of energy has decreased gross margins across the industry.'
24. The figures above include results from sales of a small quantity of clay tiles imported by Wienerberger. Separate accounts are not produced, but in 2006 these imported tiles added £[redacted] to the company's turnover.

25. In the 13-month period ended 31 December 2005, Wienerberger charged depreciation and amortisation (included within cost of sales) of £[✂] and made capital expenditure of £[✂].
26. Wienerberger AG published a ROCE (which it defined as net operating profit after tax on capital employed) in 2005 of [✂] per cent and the Wienerberger AG accounts make clear that the performance of its UK operations were [✂] than the group as a whole.
27. All clay reserves are included in the balance sheet. Wienerberger told us that the last valuation of mineral reserves was undertaken in December 2004 and that Wienerberger has no current plans to perform another revaluation.

Ibstock

28. Set out in Table 5 is a summary of Ibstock's financial performance in the six years ended 31 December 2006.

TABLE 5 **Ibstock summary financial information**

						£'000	
	2001	2002	Year ended 31 December		2005	2006	
			2003	2004			
Turnover	161,543	170,845	178,357	183,287	191,589	()	
Cost of sales	-117,121	-127,622	-133,049	-135,955	-143,556		
Gross profit	44,422	43,223	45,308	47,332	48,033		
Distribution	-16,120	-17,175	-17,900	-18,120	-19,001		
Administration	-7,014	-7,490	-7,878	-9,651	-9,261		
Other	1,182	920	1,117	1,612	1,865		
Operating profit (PBIT)	22,470	19,478	20,647	21,173	21,636		
Disposal of tangible assets	1,419	1,437	1,176	-89	2,056		✂
Financial income	-217	-193	-1,803	-1,873	4,876		
PBT	23,672	20,722	20,020	19,211	28,568		
Tax	-8,055	-7,819	-1,544	-9,705	-3,882		
PAT or net profit	<u>15,617</u>	<u>12,903</u>	<u>18,476</u>	<u>9,506</u>	<u>24,686</u>		
Net assets	()					()	
Total assets less current liabilities	✂						
						<i>per cent</i>	
Operating profit/total assets less current liabilities	()					()	
PBT/net assets	✂						
PBT/turnover	15	12	11	10	15	()	
Gross profit/turnover	27	25	25	26	25	()	

Source: Ibstock statutory accounts, management accounts.

Note: Return on asset ratios are on average assets (except for 2001).

29. Ibstock produced consolidated statutory accounts for its business for the years 2001 and 2002: for these years we have used these consolidated accounts.
30. For the years 2003 to 2006 Ibstock only produced consolidated accounts at a higher level (as it was part of a larger group). For these years we have used the statutory company profit and loss accounts (as they contain greater detail than the management accounts and they are more comparable to the other companies). However, we have used the balance sheet from the management accounts.
31. Ibstock told us that all clay reserves were included on the balance sheet, that no value was attached to 'voids' for landfill, and that no fixed assets had been revalued during the six-year period.
32. Some other income is included in the turnover and operating profit figures (including rental and landfill income). The total non-brick operating profit is approximately [%] per cent of the operating profit shown in 2006 (and less in earlier years). [%]
33. Ibstock charged £14 million depreciation in the year ended 31 December 2006, and spent £15 million on capital expenditure.
34. Throughout the six-year period we are considering, Ibstock [%].

Hanson

35. Hanson's UK brick operation has been run as a part of the larger construction materials Hanson business, rather than as a separate entity throughout the period we are considering. Hanson has not produced a balance sheet for the business. In 2001 and 2002, the brick operation was run as Hanson Brick. From 2003, the brick operation has been part of Hanson Building Products.
36. Set out in Table 6 is a summary of Hanson's financial performance for the six years ended 31 December 2006.

TABLE 6 **Hanson summary financial information**

	£'000					
	2001	2002	Year ended 31 December		2005	2006
			2003	2004		
Turnover						
Cost of sales						
Gross contribution						
Operating profit						
Gross contribution/ turnover (%)						

Source: Information provided by Hanson. 2006 is a forecast for the year (made in November 2006).

37. Data for the years 2001 and 2002 have been taken from *Hanson Brick UK Financial Report*, the years 2003 to 2005 from the *Hanson Building Products UK Financial Report*. In these later years no operating profit was given for the brick operation.
38. Hanson's management accounts use a type of standard costing accounting, whereby variances are measured for each of its three divisions ('Trading', 'Distribution' and 'Operations'). Hanson describes the resulting margins as 'somewhat artificial in that they do not reflect cost movements'. We have not shown these above, instead using

what we believe to be the 'true' margins which Hanson actually uses to monitor its overall business performance, although we have less detail.

39. Turnover for 2001 to 2004 is shown delivered, excluding rebates or discounts. Turnover for 2005 is shown ex-works. Turnover for 2006 is shown delivered but allows for rebates. In addition, the treatment of overheads changed between 2002 and 2003 and so the period 2001 to 2002 is not comparable to the period 2003 to 2006..
40. We have not been able to reconcile the figures for Hanson's brick operation with the statutory accounts of the businesses¹ as the accounts do not separate the brick operation from concrete, 'aircrete' and other products.
41. A UBS broker's report dated 17 July 2006 described Hanson's UK bricks result as follows: 'the reduction in the RMI brick sector badly hitting London Brick (Flettons) where volumes declined by c20% flettons into the RMI market carry high margins.'
42. We are unable to determine Hanson's level of profitability in terms of return on assets. However, Hanson's revenue and gross contribution margin has remained broadly stable over the period we are considering.

Background to analysis of profitability

43. While determining the level of profits and whether they are excessive is normal in a market inquiry, it is uncommon in a merger inquiry. The reason we are considering this is as part of our consideration of coordinated effects. The CC merger guidelines (paragraph 3.43) state that: 'Indicators, or ways of distinguishing intense competition and oligopoly pricing, include first, the level of profitability generated by the price levels established. If profits are excessive then this may be an indicator of existing oligopoly pricing.'
44. In practice, the CC has often used a measure of return on assets, typically a return on capital employed (ROCE) figure, as part of its analysis of the level of profitability in a market inquiry. This estimates the level of return the companies generate from their capital base (typically equity and long-term liabilities). There is some disagreement over the precise definition of capital employed: for example whether only long-term debt should be considered or all long-term liabilities. Total assets less current liabilities is a commonly accepted definition of capital employed and in this appendix we are therefore focusing on operating profit² as a percentage of total assets less current liabilities as a suitable measure of ROCE.
45. We would normally compare the ROCE figure to a weighted average cost of capital (WACC) and determine that there are excessive profits for companies which generate a ROCE both substantially and persistently in excess of their WACC.
46. While margin analysis (eg operating profit as a percentage of turnover) may be a useful measure to compare companies within an industry, or plants within a company, it is of less use when comparing one market to another. Comparisons can be made with other industries but there is no obvious comparison (unlike the comparison of ROCE to WACC) to use to judge whether profits are excessive.

¹Principally Hanson Clay Products Limited, Hanson Building Products Limited and Tilmanstone Brick Limited.

²Also referred to in this appendix as profit before interest and tax (PBIT).

Weighted average cost of capital

47. In comparing ROCE to WACC it is important to use the appropriate comparator. WACC can be expressed in real or nominal terms: nominal rates include inflation, real rates do not. As we are using historical accounting data (which are nominal), we use a nominal WACC. WACC figures can also be expressed pre-tax or post-tax. For the purpose of our analysis, we are using a pre-tax ROCE figure and so will consider a pre-tax (nominal) WACC.
48. The companies have provided us with a range of WACC figures:
- (a) Wienerberger AG declared a nominal post-tax WACC of [X] per cent, and a nominal pre-tax WACC of [X] per cent.
 - (b) Baggeridge [X] a nominal post-tax WACC of [X] per cent (given Baggeridge's debt-free position this is also its cost of equity) and an approximate pre-tax WACC of [X] per cent.
 - (c) Hanson uses a nominal WACC of [X] per cent.
 - (d) Ibstock uses a real post-tax WACC of [X] per cent which equates to a nominal pre-tax WACC of approximately [X] per cent.³
49. We may therefore consider an appropriate range of pre-tax nominal WACC to be 8 to 13 per cent.

Provisional conclusions on the companies' profitability

50. A summary of the returns we have found for the four principal brick manufacturers is set out in Table 7 (showing operating profit as a percentage of average total assets less current liabilities):

TABLE 7 Summary ROCE data

	<i>per cent</i>					
	2001	2002	2003	2004	2005	2006
Baggeridge						
Wienerberger						
Ibstock						
Hanson						

Source: See previous tables.

51. We have made the following findings on the companies' profitability:
- (a) Wienerberger, Baggeridge and Ibstock have made ROCEs of between [X] per cent and [X] per cent. None of these companies has consistently made a ROCE over [X] per cent in every year. These returns are not substantially higher, and are in many years lower, than the pre-tax nominal WACC of 8 to 13 per cent which we consider appropriate.

³Assuming a tax rate of 30 per cent, and an inflation figure of 2 per cent.

(b) For Hanson we only have margin data. This is not sufficient to allow us to make a finding on its profitability.

52. In using ROCE as a measure of profitability we have considered whether the assets we are using are appropriately valued. All three companies for which we have balance sheets hold their assets at depreciated historical cost modified to include the revaluation of land and buildings (including mineral land). As described above, there are material differences between the valuation policies of the different companies and the timings of the revaluations. Nevertheless, we have found that while it is possible that the balance sheets of these companies may be understated, it is unlikely that they would be materially overstated.
53. We provisionally conclude that companies which together make up a majority of the UK brick market have not made returns on their capital employed which are both substantially and persistently in excess of the WACC which we consider appropriate in this inquiry.

Symmetry of costs

54. We next consider the extent to which the cost bases of the four main competitors are symmetrical, looking at the split of the companies' principal cost lines. There are difficulties in drawing firm conclusions from a comparison of the companies as they have allocated specific costs to certain categories for the purposes of our inquiry and these methods are likely to differ between the different companies.
55. Baggeridge believed that labour and maintenance were semi-variable costs rather than fixed. However it said that 'a large proportion of costs indicated as semi-variable are fixed in the short term'.
56. Wienerberger's view was that it: [✂]
57. 'In addition, Wienerberger regards [✂]'

Company level symmetry

58. Set out in Table 8 are the main costs of the four main brick manufacturers broken down further for the following year ends: Hanson and Wienerberger 31 December 2005, Baggeridge 30 September 2006, and Ibstock 31 December 2006.

TABLE 8 Summary cost structures

	<i>per cent</i>			
	<i>Hanson</i>	<i>Ibstock</i>	<i>Wienerberger</i>	<i>Baggeridge</i>
Payroll	(
Energy				
Materials				
Repairs/maintenance			✂	
Depreciation				
Overheads				
Other				

Source: CC analysis of data provided by the four firms.

59. Baggeridge told us that its energy cost profile might differ from the other companies for the following reasons:

(a) [redacted]

(b) Blue bricks need to be fired in a reduced atmosphere. This method uses more fuel, and is therefore more expensive than the alternative oxidized or 'flash' firing methods used to fire some other sorts of brick.

(c) A significant part of Baggeridge's output ([redacted]) is made using Etruria marl which requires a higher, more fuel-intensive temperature to fire.

60. As discussed earlier, there are substantial difficulties in drawing firm conclusions from these results as the companies have allocated specific costs to certain categories for the purposes of our inquiry. The allocation methods are likely to differ between the different companies. For example, Baggeridge told us that [redacted]. Also, companies with older, less efficient plants may spend proportionately more on labour.

61. We have found little evidence of symmetry between the companies' cost structures.

Plant level symmetry

62. We looked at how marginal costs (using variable costs as a proportion of total costs) and gross margins varied between the four large suppliers and between each of their plants over the period 2002 to 2006.⁴ Table 9 shows variable costs as a proportion of total costs.

TABLE 9 Variable costs as a proportion of total costs*

	per cent				
	2002	2003	2004	2005	2006
<i>Baggeridge</i>					
Min					
Max					
Range					
Overall company					
<i>Wienerberger</i>					
Min					
Max					
Range					
Overall company					
<i>Hanson</i>					
Min					
Max					
Range					
Overall company					
<i>Ibstock</i>					
Min					
Max					
Range					
Overall company					

Source: CC analysis of data provided by the four firms.

*Wienerberger data includes that of predecessors Terca and thebrickbusiness.

Min shows minimum at the plant and max shows maximum at the plant.

Notes:

1. The following plants are excluded: Accrington, Howley Park, Stairfoot, Swillington, Lanes End, Wilnecote and Measham (all Hanson); and Himley for Ibstock.

2. N/A = not available.

⁴2005 for Hanson.

63. Another measure of symmetry is gross margins. Table 10 compares gross margins at a plant level for the period 2002 to 2006.⁵ This shows much greater fluctuation in gross margins at the plant level than at the company level.

TABLE 10 Plant gross margin percentages

	<i>per cent</i>				
	2002	2003	2004	2005	2006
<i>Baggeridge</i>					
Min					
Max					
Range					
Overall company					
<i>Wienerberger</i>					
Min					
Max					
Range					
Overall company					
<i>Hanson</i>					
Min					
Max					
Range					
Overall company					
<i>Ibstock</i>					
Min					
Max					
Range					
Overall company					

Source: CC calculations on data provided by the four firms.

*Hanson forecast.

Notes:

1. Min shows minimum at the plant and max shows maximum at the plant.
2. The following plants are excluded: Accrington, Howley Park, Stairfoot, Swillington, Lanes End, Wilnecote and Measham (all Hanson); and Himley for Ibstock.
3. N/A = not available.

64. Also set out in Table 11 is a comparison of the companies' gross margins at a plant level for the period 2002 to 2006, in this case the absolute margins per thousand bricks are shown:

⁵2005 for Hanson.

TABLE 11 Plant absolute gross margins (£/1,000 bricks)

	2002	2003	2004	2005	2006
<i>Baggeridge</i>					
Min					
Max					
Range					
<i>Wienerberger</i>					
Min					
Max					
Range					
<i>Hanson</i>					
Min					
Max					
Range					
<i>Ibstock</i>					
Min					
Max					
Range					

Source: CC calculations on data provided by the four firms.

*Hanson forecast.

Notes:

1. Min shows minimum at the plant and max shows maximum at the plant.
2. The following plants are excluded: Accrington, Howley Park, Stairfoot, Swillington, Lanes End, Wilnecote and Measham (all Hanson); and Himley for Ibstock.
3. N/A = not available.

65. We also considered the extent of symmetry in costs. Set out in Figure 1 is a comparison of the trend in operating costs (including haulage costs) per thousand bricks produced for each of the four firms between 2001 and 2006.

FIGURE 1

Operating costs for the four firms, 2001 to 2006 (annual moving averages)



Source: CC analysis of data provided by the four firms.

66. The following figures set out further data on the cost symmetry of the individual plants of the four main brick manufacturers' plants, in terms of their gross margin (gross profit/turnover) as a measure of their profitability; and the proportion of costs which are fixed (using the companies' definitions). The plants are ordered by size of revenue.
67. Set out in Figure 2 are Wienerberger's plants for the year ended 30 November 2006 showing the plants' revenue, gross margin and the proportion of its costs which it considers to be fixed.


FIGURE 2

Wienerberger plants



Source: CC analysis of data provided by Wienerberger.

Note: the right hand axis is plant revenue, which is shown by the blue line. The red bar shows gross margin and the yellow bar fixed cost proportion (company estimate).

68. 

69. Set out in Figure 3 are Baggeridge's plants for the year ended 31 October 2006 showing the plants' revenue, gross margin and the proportion of its costs which it considers to be fixed (for the purpose of this chart and to aid comparability Baggeridge's semi-variable costs have been taken to be fixed).

FIGURE 3

Baggeridge



Source: CC analysis of data provided by Baggeridge.

Note: the right hand axis is plant revenue, which is shown by the blue line. The red bar shows gross margin and the yellow bar fixed cost proportion (company estimate).

70. 

71. Set out in Figure 4 are Ibstock's plants for the year ended 31 December 2006 showing for each plant its revenue, gross margin and the proportion of its costs which it considers to be fixed.

FIGURE 4

Ibstock's plants



Source: CC analysis of data provided by Ibstock.

Note: the right hand axis is plant revenue, which is shown by the blue line. The red bar shows gross margin and the yellow bar fixed cost proportion (company estimate).

72. 

73. Set out in Figure 5 are Hanson's plants for the year ended 31 December 2005 showing for each plant its revenue, gross margin and the proportion of its costs which it considers to be fixed.

FIGURE 5

Hanson's plants



Source: CC analysis of data provided by Hanson.

Note: the right hand axis is plant revenue, which is shown by the blue line. The red bar shows gross margin and the yellow bar fixed cost proportion (company estimate). In addition to costs marked as fixed: staff and overheads have been taken to be fixed.

74. 