

**REFERENCE RELATING TO THE ANTICIPATED ACQUISITION BY KNAUF
INSULATION LIMITED OF SUPERGLASS INSULATION LIMITED**

**Notice of Possible Remedies under Rule 11 of the
Competition Commission Rules of Procedure**

Introduction

1. On 17 June 2004, the Office of Fair Trading, in exercise of its duty under section 33 of the Enterprise Act 2002 (the Act) and its power under section 36(5) of the Act, referred to the Competition Commission (CC) the anticipated acquisition by Knauf Insulation Limited (Knauf) of Superglass Insulation Limited (Superglass).
2. In its provisional findings on the reference notified to Knauf and Superglass (the main parties) on 7 October 2004, the CC inquiry group (the Group) concluded provisionally that the anticipated acquisition, if carried into effect by the main parties, would result in the creation of a relevant merger situation; and that the creation of that situation might be expected to result in a substantial lessening of competition (SLC) in the markets for the supply of glass wool rolls for loft insulation and glass and stone blowing wool for cavity wall insulation in Great Britain.
3. This notice sets out the actions which the Group considers might be taken by the CC, including any recommendations it might make for action on the part of others, for the purpose of remedying the substantial lessening of competition and any resulting adverse effects identified in the provisional findings and invites comments on possible remedies (see note (i)).

Possible remedies on which views are sought

4. The Group invites views on prohibition of the proposed merger transaction as an appropriate remedy for the expected SLC in this case. The Group is not, at this stage, outlining other remedies for discussion as there appear to be significant issues of effectiveness, cost or proportionality affecting other possible remedy options.
5. Notwithstanding the above concerns, the Group remains willing to consider any practical alternative remedies to prohibition—structural or behavioural—that the main parties or other persons would like to propose which they consider would address the expected SLC effectively.
6. At this stage, the Group considers it unlikely that it will recommend that remedial action should be taken by other parties to remedy the SLC.

Criteria

7. In choosing appropriate remedial action, the Group will have regard to the need to achieve as comprehensive a solution as is reasonable and practicable to remedy the SLC and any adverse effects resulting from it. When deciding what is an appropriate remedy, the Group will consider the effectiveness of different possible remedies and their associated costs and will have regard to the principle of proportionality. Between two remedies which the Group considers equally effective, it will choose that which imposes the least cost or restriction.

Relevant customer benefits

8. The Group will also have regard to the effects of any remedial action on any relevant customer benefits within the meaning of Section 30 of the Act arising from the merger situation. Such benefits might comprise lower prices, higher quality or greater choice

of goods or services or greater innovation in relation to such goods and services.

The Group welcomes views on the nature, scale and likelihood of such benefits.

Next steps

9. The main parties are requested to provide any views in writing, including any alternative remedies they wish the Group to consider, by 29 October 2004 (see note (i)).

10. A copy of this notice will be posted on the CC's web site. Other interested parties are requested to provide any views in writing, including any alternative remedies they wish the Group to consider, by 29 October 2004 (see note (ii)).

Diane Coyle
On behalf of the Group
7 October 2004

Notes

- (i) This notice of possible actions to remedy the SLC and any resulting adverse effects is given having regard to the Group's provisional findings notified to the main parties on 7 October 2004. The main parties have until 29 October 2004 to respond to those provisional findings. In the light of any responses by the main parties, or by other interested or affected third parties, the Group's findings may alter, in which case the Group may consider other possible remedies, if appropriate.

- (ii) As noted in the 'Knauf/Superglass' inquiry Administrative Timetable published on the CC's web site, the final deadline for all parties' submissions and responses is 5 November 2004.