

**COMPLETED ACQUISITION BY ARDAGH INTERNATIONAL HOLDINGS
LIMITED OF REDFEARN GLASS LIMITED**

Statement of issues

The reference

1. Our terms of reference require us to consider the acquisition of Redfearn Glass Limited (formerly Rexam Glass Barnsley Limited) (Redfearn) by Ardagh International Holdings Limited (Ardagh). The inquiry group (the Group) is required to determine:
 - (a) whether a relevant merger situation has been created; and
 - (b) if so, whether the creation of that situation has resulted or may be expected to result in a substantial lessening of competition within any market or markets in the UK.

The issues that the Group intends to consider are:

Market definition

2. The appropriate definition of the economic markets affected by the merger (the relevant markets), and in particular:

Product market

- (a) whether glass containers can be regarded as part of a wider market which includes other forms of packaging (for example, plastic packaging);
- (b) whether the relevant market that contains glass containers includes containers used for cosmetics and pharmaceuticals as well as those used for food and drink;
- (c) whether there are separate markets for different types of glass containers (for example, bottles or jars) for different specifications of product (for example, bottles made from different coloured glass) or for separate end uses (for example, wine and spirits, other beverages and food products); and
- (d) whether the extent of the relevant product market is likely to change materially in the foreseeable future, due to technological change or other factors, and if so, how;

Geographic market

- (e) for each of the relevant product markets, the geographic extent of that market and, in particular, whether the relevant geographic market is Great Britain, the UK, or is larger or smaller.

Competitive conditions

3. The competitive conditions in the relevant markets, and in particular:
 - (a) how and to what extent the merging parties competed prior to the merger;
 - (b) what are the key considerations influencing customers' purchasing behaviour, and in particular how important are:
 - (i) price;
 - (ii) product quality, functionality and other product features;
 - (iii) speed and reliability of supply;
 - (iv) the industry in which the customer operates, the customer's position in the supply chain and its size;
 - (v) the costs and risks associated with switching suppliers;
 - (c) whether, and if so how and to what extent, customers are able to exercise buyer power in the market (and, conversely, whether there are identifiable groups of customers whose bargaining position is particularly weak);
 - (d) what are the roles of wholesalers, merchants and importers and any other intermediaries;
 - (e) what is the impact of the current overall level of available capacity and its utilization on competition in the relevant market;
 - (f) what are the prospects for changes to the overall level of available capacity and its utilization (in particular what might be the consequences of the building of a new plant by Quinn Glass) and what is the likely impact on competition in the relevant market;
 - (g) what are the costs and other implications of mothballing plant or bringing it back into operation;
 - (h) what impact does the need to use proprietary glass making technology have on competition in the market;
 - (i) what impact do environmental or other regulations have on competition now, and what impact might foreseeable future changes in such regulations have on competition;
 - (j) whether there are any discernible market, technological or other trends which might have an impact on competition in the foreseeable future, and what that impact might be;
 - (k) what impact do imports and exports have on competition (and how is that impact influenced by production and transport costs), and what are the prospects and potential implications for competition of changes in the level of imports or exports; and
 - (l) what are the barriers to entry to the market (and in particular what are the costs and benefits of building a new glass container manufacturing plant compared

with importing or buying an existing plant or business), and what is the likelihood and potential impact of entry to the market.

Counterfactual

4. What may have been expected to occur in the absence of the merger (the counterfactual); in particular what is likely to have happened to the Redfearn business had it not been bought by Ardagh.

Competitive effects of the merger

5. Against this background, the possible competitive effects of the merger within each of the relevant markets identified, and in particular:
 - (a) whether the merger may be expected to create or increase market power in any relevant market and lead to a rise in prices, a reduction in service, security of supply, technical support or choice for some or all customers or a reduction in innovation;
 - (b) whether the merger could lead to adverse effects in related markets;
 - (c) whether the merger is likely to make coordination between the suppliers of glass containers in the relevant market(s) more sustainable or more effective post-merger (in the case where it existed prior to the merger) or increase the likelihood of coordination (in the case where it did not exist prior to the merger), so as to lead to a rise in prices, or a reduction in service, technical support or choice for some or all customers or a reduction in innovation (coordinated effects);
 - (d) whether in any of the relevant market(s), any potential lessening of competition might be offset by the buyer power of customers; and
 - (e) whether, taking account of all of the above, the proposed merger may be expected to result in a substantial lessening of competition within any market or markets in the UK or a part of the UK.

Remedies

6. Should the CC conclude that the proposed merger may be expected to result in a substantial lessening of competition, it will consider whether and, if so, what remedies might be appropriate, and will issue a further statement at a later date. Should it be necessary to decide the question of appropriate remedies, the CC may have regard to any relevant customer benefits. The CC would therefore wish to explore whether or not any significant customer benefits might arise as a result of the merger, and if so what these benefits are likely to be. In particular, the CC would be interested in whether the merger would be likely to lead to lower prices, better quality, or a greater choice of services.