

# 7 Views of other parties

## Contents

	<i>Page</i>
Introduction.....	98
Suppliers .....	98
Allibert Equipment Ltd.....	98
Arca Systems Limited.....	99
Mailbox Mouldings International Limited.....	101
Customers .....	103
British Bakeries Ltd.....	103
Chep Global Automotive Services.....	104
Hays Asset Control Solutions.....	104
Marks & Spencer plc.....	105
Polimoon Ltd.....	105
D S Smith Plc.....	105
Utz Group.....	106
Waitrose Ltd.....	106
World Duty Free Europe Ltd.....	106

## **Introduction**

7.1. In this chapter we summarize the evidence put to us by third parties in written and oral evidence.

## **Suppliers**

### ***Allibert Equipment Ltd***

7.2. Allibert said that it was a wholly-owned subsidiary of Myers Industries, which was based in the USA. Buckhorn was also owned by Myers Industries and had a presence in the UK as a specialist importer of products manufactured in the USA. The two companies that had recently been brought together currently employed around 120 staff, and their UK sales of RTP were worth about £15 million, which Allibert estimated equated to a market share of between 15 and 18 per cent. It had been manufacturing in the UK since 1972; it also had plants in France and Spain. It designed and manufactured plastic containers and pallets for materials storage, handling and distribution. Allibert also manufactured bulk storage tanks, intermediate bulk containers and spill control products for the handling and storage of hazardous liquids.

7.3. Allibert said that it had seen little or no growth in its business over the last five years or so. This was mainly because of new entrants coming into the market and the declining price of raw materials; taking 1990 as the benchmark, the company said that it was now producing probably 25 to 30 per cent more product for the same level of turnover. About 55 per cent of the products it sold in the UK were supplied from its Gloucester plant, with the remainder either being manufactured in its sister plants in France and Spain or occasionally produced under contract by a British generalist manufacturer. The market for Allibert's container range covered a wide range of industries, namely: automotive, agriculture and food (including supermarkets and bakery), general manufacturing, retail (non-supermarket) and fishing. This spread of activity across many different sectors meant that it was able to protect its business from downturns when they occurred in a particular sector. Each market segment had its own special requirements, for example certain products in the food industry were distributed under frozen conditions, so different types of plastic were required to meet this need.

7.4. Allibert said that because of the nature of the products, their size and the transport costs involved, new entrants ideally needed to have a manufacturing base in the market in which they operated. Allibert stated that it brought in bulky industrial products, mainly from France, and that this was a strategic decision within the group because of the cost of the moulding machines. The moulding machines used in the manufacture of large products required significant investment and could cost anything up to £2 million each.

7.5. Allibert said that it would be uneconomical to transport products from Spain in the UK because of the costs involved; and in any case, the products that it manufactured there were virtually the same as those it manufactured in the UK.

7.6. On the question of substitutability, Allibert did not think that wooden or cardboard packaging were substitutes for plastic. For example, plastic pallets cost six or seven times more than the wooden equivalent, but the plastic versions lasted for ten to fifteen years, whereas wooden pallets had a very short life span by comparison, and most cardboard packaging was discarded after only one trip.

7.7. Allibert said that the future growth of the materials handling business in the UK would be driven by environmental regulation. The Environment Agency was proposing targets for reprocessing and recycling for all companies to ensure that they met certain requirements. Major companies were now seeking solutions to the high cost of waste disposal by turning to plastic RTP, and Allibert saw this as an opportunity for the future.

7.8. Allibert said that it was continually developing new products, usually two or three every year. It was important for it to find niche market opportunities, otherwise the company would not grow. Allibert believed that its ability to handle warehousing (and possibly even distribution, in partnership with a transport company) was the way in which it might eventually develop a significant proportion of its business. Allibert told us that it was developing a new range of packaging that would make use of a

microchip implant, which would enable it to be logged electronically and so enable a container's progress to be tracked. The new process had been patented, and Allibert said that it hoped to be able to increase its market share by introducing this new microchip technology into its next range of RTP. The ability to defend patents was important in RTP production since they gave a crucial time advantage to the manufacturer concerned.

7.9. Allibert said that start-up costs in the industry were high. For example, to install an average mould for manufacturing could cost between £400,000 and £550,000. The investment required to produce just one product could be in the region of £1 million.

7.10. Allibert owned in excess of 90 per cent of its manufacturing moulds; the remainder were owned by a few of its customers. Invariably, these moulds had been designed by Allibert, and it therefore retained some intellectual property interest in them.

7.11. Allibert was concerned that the new enlarged Linpac/Paxton group would have complete dominance in the marketplace and would enjoy a monopoly position in a number of market sectors, including pharmaceuticals, supermarket logistics and the baking and automotive industries. This would mean that the merged group would be able to take customers away from Allibert, or even put it out of business. This could eventually lead to the merged group raising its prices. If the price of raw materials were to increase, Allibert believed that the merged group would have a purchasing advantage over its competitors. Allibert said that it was now trading profitably, and it would not wish to lose the small edge that it currently had by having to defend its market shares in the various sectors where it operated. These were relatively small, and its customers were well known to others within the industry.

7.12. Allibert was concerned that, following the acquisition of Paxton by Linpac, both companies still appeared to be operating independently of each other and tendering for orders as two separate enterprises; this was a matter of serious concern to Allibert since many large customers were known to dual source and were likely to approach Linpac and Paxton as if they were separate entities.

7.13. Allibert said that it could see no benefits that were likely to result from the merger. It was most concerned that the marketplace should remain competitive.

### ***Arca Systems Limited***

7.14. Arca Systems Limited (Arca) said that it was the UK Division of Arca Systems International AB, a portfolio company of Industri Kapital, with its Head Office in Sweden. Arca Systems International AB had manufacturing locations in Sweden, Finland, Germany, Spain and France, and sales organizations in every European country. Group turnover was in the region of €200 million. It estimated its annual UK sales to be around £10 million. Arca did not have a manufacturing base in the UK so most of the RTP sold to UK customers was made in Sweden, Germany, France and Spain, although around £[ ] million was produced in this country by subcontractors. Arca said that it subcontracted production to manufacturers in the UK when there were particular reasons for doing so. These might relate to special advantages from manufacturing close to the customer's premises, the transport costs involved in conventional importing or the fact that there might be unusual features of the job which made it more cost effective to subcontract than to buy equipment. Moulds, which could cost between £100,000 and £500,000, could be shipped to the subcontractor under a loan agreement for the duration of the contract.

7.15. Arca claimed that the acquisition of Paxton by Linpac would have a serious adverse effect on competition in the market for materials handling products in the UK. Arca competed actively with both companies in every area of its business, that is, in the manufacture of plastic boxes used to transport products found in the retail, automotive and materials handling industries. [

*Details omitted. See note on page iv.*

] Had Arca acquired Paxton, the combined company would have provided good competition for Linpac rather than the current situation where Linpac dominated the market.

7.16. Arca said that its business operations were primarily in developing, producing, marketing and selling plastic boxes for materials handling and goods distribution in the automotive assembly, retail, beverage and agricultural sectors. Volumes varied by country. The bulk of UK operations, however, were in retail and assembly—that is, those areas in which it competed directly with Linpac and Paxton.

7.17. Arca said that the market for its products was determined primarily within each individual country, notwithstanding the source of actual goods to be transported. Generally, Europe had standardized production in metric unit sizes; the USA continued to use imperial. The major difference between the UK and the rest of Europe lay in the size of orders relative to the transport costs involved. Purchasing decisions were made locally. Distribution costs, particularly for products designed for use within a factory, were high.

7.18. Arca said that in its view the relevant market as far as the current inquiry was concerned was the UK. The packaging market would evolve further over time as businesses were discouraged from using cardboard, wood and metal, and moved into plastic, which was an environmentally sound alternative and made greater use of recycling. As the transportation of goods and products in plastic containers progressively increased, the importance of the UK distribution industry itself would grow.

7.19. Arca said that returnable transit packaging was still a relatively small part of the total transit packaging industry. The rate of change from other forms of packaging into plastic was determined by a customer's willingness and ability to invest in that change. Once the decision was taken, manufacturing processes tended to be automated at various stages, and production geared around the new form of packaging. At that stage, substitutability between packaging types was very limited.

7.20. Plastic containers would stand the test of time; for this reason supplier loyalty from customers was high. Seasonal fluctuations in demand for containers were being met through container pools and a growth in the number of pool operators. Arca thought that few, if any, of the major UK retailers owned their own plastic containers.

7.21. Arca said that the merger of Linpac with Paxton would continue to have an adverse effect on competition in the future because elements of competition had been removed from the market. Both companies had produced not dissimilar products which could be mutually compatible in use. While they remained wholly separate, customers could seek competitive prices from both. With the effective removal of this choice, the opportunity existed to exert further market power and raise prices. While it would be technically possible for Arca to match developments by Linpac and Paxton, and to design and develop mutually compatible containers, the costs involved would be likely to make its product more expensive than the original.

7.22. Arca said that many companies had tended to source containers from both Linpac and Paxton, and had continued to do so after the merger, without appreciating that these were now the same organization. The market was disparate. Buyers were numerous; nor were they likely to be highly placed within a company. From a manufacturer's perspective, getting access to such individuals or alerting them to the potential for change was very difficult. The situation was made even more difficult by the fact that the merged organization's presence in the marketplace had now effectively doubled.

7.23. Arca said that it was difficult to break into the plastic RTP market. Customers generally did not do very much research before buying. Linpac and Paxton were widely known as manufacturers and both would tend to be short-listed for orders in ignorance of the fact that they were now the same company. Also, the market was still relatively small, but had considerable growth potential. Typically, new customers would make an initial small purchase of containers, but with the probability of making a repeat order. With some businesses, the value of their RTP purchases was considerable and over time the size of their stockholding of containers had increased significantly. Design and the retention of IPRs reduced the opportunity for some of the major players to introduce a change of supplier. It was important, therefore, to get into this market.

7.24. Arca said that injection-moulding set-up costs and individual machines cost up to half a million pounds and that these costs were significant barriers to entry. Building costs, labour and design costs and the cost of borrowing were also potential barriers that had to be taken into account before a decision to establish a manufacturing plant was taken. In addition, a clear demonstration of contractually-based orders would be needed to support a decision to manufacture. Arca said that its aim was to sell a range of products, because invariably customers wanted a portfolio of different items, and it was important to be able to demonstrate that it was able to meet all their needs. Arca accordingly imported a variety of types of RTP into the UK and could increase the quantity of products it brought in if required, and could also adapt the range of products to meet specific UK requirements.

7.25. Arca said that there were a number of reasons why it did not source more of its manufacturing in the UK. In particular, those products that it produced in large quantities were technically very difficult to manufacture, and involved complicated and large machinery, which was not readily available in the UK. It also had concerns about the ability of some manufacturers to provide the standards of quality that it as a business required. And it was concerned about the protection of IPRs, as these could potentially give it an advantage in the marketplace for a period of up to 18 months or so.

7.26. Arca said that it could not compete on price with UK producers such as Linpac and Paxton with regard to standard products, because of the cost of importing these goods. High-value products on the other hand, such as foldable and nestable boxes, could be imported profitably from Arca's production facilities in other European countries.

7.27. As regards ownership of moulds, Arca said that the major buyers operated in different ways. Some owned their own moulds as a safeguard against being held to ransom by a single manufacturer, while others invested in a mould so that they could tie in some exclusivity for themselves in respect of a particular product.

7.28. Arca believed that the industry would grow in line with environmental legislation and the cost of disposal of non-reusable materials. It was likely that smaller users would play a greater part in the future growth of the industry through pooling arrangements or buying products in their own right.

7.29. [

*Details omitted. See note on page iv.*

]

### ***Mailbox Mouldings International Limited***

7.30. Mailbox said that it was owned by The Stamford Group, which had some 330 employees. Its annual UK sales of plastic materials handling containers, including RTP, exceeded £10 million in a Group turnover of about £23 million. Mailbox competed with Linpac across its whole product range. In contrast, serious competition with Paxton was based on a narrower range, largely due to the latter's concentration upon its Maxi-Nest range and products for the bakery industry. Mailbox said that it was unconcerned about the merger. Although the merger would give Linpac/Paxton a very significant combined share of RTP sales particularly in the food retailing and supermarket sector, there was no shortage of potential suppliers who could be used should the buyers of RTP, who exerted considerable market power, so wished.

7.31. Mailbox said that it appeared to have benefited from the Linpac/Paxton merger as buyers preferred a genuinely independent second supplier, and at least one major chain had given it business for RTP for the first time solely for this reason. Other customers had indicated a similar attitude. In general, supermarkets were happy to deal with a limited number of efficient suppliers capable of offering a comprehensive level of service. [

*Details omitted.*

*See note on page iv.*

]

In all, there were eight or nine companies capable of supplying high volumes of RTP, particularly for products specifically designed for a customer's requirements. Indeed, before Tesco settled on the Paxton Maxi-Nest range it invited a dozen organizations to quote for its RTP business, initially stating its intention to use a couple of suppliers before changing its mind and opting for a single supplier. The purchasing power of major retailers had effectively shaped the competitive structure for RTP supplies in recent years allied to the innovative and highly focused marketing effort by Paxton. The major retailers were reluctant to provide long-term commitments that would encourage greater investment in alternative products and tooling by various moulders. Their practice of placing business mainly on an individual order basis had led to a reliance upon existing tooling and consequently a smaller number of available sources. The rapidly growing influence of the service providers might change this attitude.

7.32. Mailbox pointed out the impact of the Design Rights Act 1990 (DRA) on reducing the excessive protection that IPRs had conferred on plastic mouldings manufacturers previously. Three types of protection were now available for RTP products:

- (a) a patent for a novel design of a functional nature;
- (b) registered design protection in very limited circumstances; and
- (c) design right protection for all products for a period of ten years subject to various ‘gateways’, which provided scope for competitive substitutes.

Mailbox said that compared with copyright protection, the DRA should be considered more as a ‘sleeping policeman’ in that it slowed down competitors for probably about 12 months whilst they produced designs that did not infringe the rights of others. This compared with the virtual monopolistic benefit for an established industry standard in the past.

7.33. Mailbox felt that it was relatively easy for a medium-sized operation to become involved in the manufacture of plastic mouldings, and this was demonstrated by the large growth in the number of moulders now manufacturing plastic containers in the UK and Europe. Suitable machines cost as little as £300,000 and tooling costs varied between typically £50,000 and £200,000. Certainly for an investment of around £5 million an organization could enter the market with sufficient capacity and a specialized range of products. Provided that factory space was available, plant could be in place within about nine months, and after completion of design work a tool could be made within six months.

7.34. Mailbox strongly believed that it was a buyer’s market. Since 1988 the nominal price, before allowing for inflation, for a standard RTP used by food retailers had fallen by an estimated 20 per cent. During this period raw material prices had fluctuated but were currently at the lower end of the cost spectrum. Orders were extremely price sensitive with reliability and logistical support mainly determining preferred suppliers.

7.35. From industry sources, Mailbox estimated that there were about 30 million RTPs currently in use in the supermarket sector, with a normal replacement need of about 5 or 6 million a year.

7.36. Some recycling of trays was taking place, but it was not a straightforward option due to high logistical costs, relatively low virgin material costs at present and slower machine output. The attraction of recycling clearly increased in periods of high material costs. Recycling a tray once had virtually no effect on the performance of the replacement, but subsequent recycling might be problematical.

7.37. Mailbox said that bulk orders came from the majors (supermarkets and service providers) with smaller orders being covered by its catalogue and mail order division. There were far less middle-sized orders than in the past due to substantial consolidation of food manufacturers and distributors. Mailbox quoted the example of meat trays for sausage manufacturers. At one time, it supplied trays to six companies, which had subsequently been consolidated into one group.

7.38. Moulders mainly took bulk RTP business for a contribution to overheads due to the very tight margins. They had to cover marginal costs plus some element of contribution. At ruling market prices available from the majors, it was only the high volume and consistent production runs that afforded any real attraction, and relative shortage of this type of business was likely to dissuade other potential producers from entering this market. Returns on capital had been very poor throughout the plastics industry for several years, and The Stamford Group had recently experienced its most difficult trading period since its formation.

7.39. There was a lot of spare capacity in the UK and Europe, which added to pressure on prices and a continuing rationalization and consolidation had been taking place in the industry over the last few years.

7.40. [

*Details omitted. See note on page iv.*

]

7.41. In Mailbox’s view, folding crates had had a lukewarm reception over the years in the UK, although they were far more widely accepted in Europe. Compared with the Maxi-nest type of container, there was far less likelihood of their success in the UK. Folding containers were much more difficult to handle when empty, confused operatives, and with more moving parts were less durable and more expensive to manufacture.

7.42. Mailbox had pioneered the mail order catalogue for this industry back in 1976 and saw itself as the market leader in this sector, which was aimed at supplying the needs of smaller companies. Due to high tooling costs, products were interchanged between many of the major UK and European manufacturers of plastic containers, and the same products could appear in several quite different catalogues.

7.43. Mailbox had not been approached when McKechnie offered Paxton for sale. It was unlikely that Mailbox would have been interested both because of the scale of the acquisition and its preference for organic growth.

7.44. Mailbox's best estimate of the relative share of the UK market for all plastic moulded containers sold for industrial and commercial use at the present time was as follows:

Mailbox	10 per cent plus
Arca	10 per cent but growing quickly
Allibert	10 per cent plus
Other Major Suppliers	10 per cent plus
Agents/ Distributors	5 per cent
Linpac/Paxton	50 per cent

It was also noted that B&Q and similar outlets sold plastic containers direct to the general public and small companies. These were often manufactured in Europe, Israel and the Far East.

7.45. Mailbox did not consider transport costs to be a major factor in either exporting to or importing from Europe, and Mailbox had been doing both for 30 years. The cost of a full load to Holland added a very small percentage to a Maxi-Nest type product compared with shipping it 200 miles or more in the UK.

7.46. When trays or crates produced by different suppliers had to be interoperable, it was crucial to have strict control over dimensions in order that products did not stick when nested. A similar requirement was necessary even for the same model produced in the same factory from either different moulds or machines. Paxton encountered this problem shortly after introducing its Maxi-Nest range. Subsequently, at least three different manufacturers had produced their own version of this system and all had been proven to work satisfactorily together, although occasional problems did occur.

7.47. Mailbox said that it had chosen to invest heavily in state of the art machinery and equipment to reduce its labour costs but it was necessary to generate high volume levels to derive full benefit from this investment.

## **Customers**

### ***British Bakeries Ltd***

7.48. British Bakeries Ltd (British Bakeries) said that it was a major producer of bread and related products in the UK, and was a major customer of Paxton, which was at present its sole supplier of plastic bread trays.

7.49. British Bakeries said that its current bakery trays were developed in conjunction with Paxton. Consequently, British Bakeries had a licence arrangement with Paxton for the bread trays, which did not allow Paxton to sell these bread trays to any other party in the UK, although there was no restriction on selling them overseas.

7.50. British Bakeries said that its bakery trays were specific to its manufacturing system, and could not be immediately substituted by any other products. It had an agreement with Paxton that for the effective life of the mould, it would buy a minimum specified number of trays. British Bakeries said that its contract with Paxton was based on a fixed formula for pricing, with variations allowed to reflect changes in raw material prices. British Bakeries had looked at the possibility of using other suppliers of bakery trays and had approached various overseas manufacturers for expressions of interest. However, it had remained with Paxton because it provided the most professional service. If, however, at some time in the future, Paxton were to seek to raise its prices without obvious justification or British Bakeries had other concerns, it would not be too difficult to use another supplier.

## ***Chep Global Automotive Services***

7.51. Chep confirmed that it operated as a major logistics service provider across Europe and including the UK, with 5 million plastic containers of various types under its management. It confirmed the view previously given to the OFT that it was unconcerned about the acquisition of Paxton by Linpac. It bought containers in large quantities from a number of different suppliers so was well placed to deal with them.

## ***Hays Asset Control Solutions***

7.52. Hays said that it was a division of Hays Logistics UK Ltd, which was owned by Hays plc. Hays was an RTP service provider to food retailers and supermarkets in the UK and the Republic of Ireland. The business was launched in 1996 from within Hays Rentacrate, when opportunities to diversify into the food retail sector from commercial relocation crate hire had been identified. Hays operated from ten sites. Its principal competitors were Chep, Logtek, Ifco and Christian Salvesen.

7.53. Hays said that the use of RTPs had increased significantly in the last ten years because it provided a more cost-effective and environmentally acceptable packaging solution for food producers and retailers than the traditional 'one-trip' packaging made from wood or cardboard. Linpac and Paxton supplied a wide range of RTPs to a number of different sectors. Hays, on the other hand, was essentially a service provider of plastic crates to the food retail and supermarket sector.

7.54. Hays estimated that there were currently about 35 million plastic crates in circulation within the food retail supply chain in the UK, of which Tesco and Sainsbury's probably accounted for over 20 million. Their primary use was in the distribution and in-store merchandising of fresh produce (fruit and vegetables) although retailers also used plastic crates for the transit packaging of meat, dairy products and other chilled foods. The UK market used rigid plastic crates that stacked together when empty, whereas in North America and Continental Europe, crates that folded closed when not in use were used. A key requirement for supply chain efficiency in food retailing in the UK was that all types and makes of plastic crate must be compatible, ie they must be interoperable and stack together both when full and when empty.

7.55. Hays estimated that demand for RTPs in the UK would continue to grow by about 10 per cent a year over the next five years in the food retail sector. This growth would be generated by organic retail volume increases and through the increased use of plastic crates rather than cardboard packaging for food products. In addition to this growth, a further 10 per cent of the existing crate pool would need to be replaced each year as crates reached the end of their effective operational life. Overall, this suggested that approximately 7 million RTPs would be purchased by and for food retailers and supermarkets in the UK in 2002, and by 2007 the UK crate pool would exceed 50 million.

7.56. Hays said that retailers outsourced services relating to RTP management to varying degrees. Services provided by Hays and other providers included: purchasing plastic crates for the retailer's pool; inventory management of the crate pool on a daily basis; delivery of empty crates to food producers, and collection of used crates from distribution centres and retail outlets; and washing, repairing and recycling crates after each use. Appropriate charges for services were levied on the food producers.

7.57. There were a number of RTP manufacturers in the UK, but only three produced plastic crates for the food retail sector, namely Linpac, Paxton and Mailbox. Hays said that in the past ten years Paxton had increased its market share at the expense of the other two manufacturers, following the introduction of its Maxi-Nest range. This was now the most popular food retail crate in the UK and formed the basis for its own pool of supermarket trays although it had also purchased similar products from Linpac and Mailbox. The key to success as a manufacturer was production capacity. Hays observed that there had been no new entrants into the market for retail crate manufacturing in recent years. This was due to the high capital cost of entry (for injection-moulding presses and production tools) and to the restrictive patents held by the existing manufacturers. The challenge for a new entrant seeking access the UK market was to be able to manufacture a new crate which was physically compatible with those currently in use, but which did not infringe the prevailing patent rights.

7.58. Hays said that the traditional alternative one-trip transit packaging products had been made of wood and cardboard. Wooden crates were very rarely used in the UK, and the unit cost of cardboard

packaging was usually significantly higher than that of plastic crates that typically could be used probably 100 times over a five- or seven-year life.

7.59. Hays had concerns regarding the merger because it believed that the newly-combined Linpac/Paxton group would have sufficient capacity to manufacture the entire demand for plastic crates for food retailers in the UK each year. Mailbox, the one remaining competitor, could be forced out of business. This lack of competition as a consequence of the merger could potentially lead to an increase in the price of plastic crates in the future.

7.60. Hays told us that it had responded to the news of the Linpac/Paxton merger by increasing its level of ordering from Mailbox, its third supplier, which had supplied Hays with 15 per cent of its recent orders. This compared with 5 per cent from Linpac and 80 per cent from Paxton, which had met the vast bulk of Hays' recent orders for RTPs. Hays also told us that it was aware of two overseas RTP manufacturers that were interested in setting up production facilities in the UK, and it hoped that one at least of them would do so to provide an alternative source of supply in the UK. It would be willing to award initial orders to a new entrant to encourage this to happen.

7.61. Hays believed that the service provider, Logtek, which was owned by Linpac, now had access to the Maxi-Nest range at internal transfer prices, which could give it an artificial competitive advantage against Hays, Chep and the other service providers.

7.62. As regards possible remedies, Hays highlighted a number of options that the CC should consider. These were: declaring the acquisition null and void; forcing Linpac/Paxton to sell off production capacity to a new entrant; establishing a price control mechanism for plastic crates; and separating the Logtek services business from the combined Linpac/Paxton manufacturing business.

### ***Marks & Spencer plc***

7.63. Marks & Spencer had no concerns about the merger. It said that competition to Linpac/Paxton was currently provided by suppliers such as Allibert, Schaeffer and others. In its view, the merger did not raise any competition concerns. It believed that the acquisition of Paxton by Linpac would probably enhance its ability to compete internationally.

7.64. As far as the production process for RTP was concerned, Marks & Spencer said that for many of the products it used it owned the moulding tool. This meant that it was able to move it from one injection moulder to another should it be unhappy with the price offered.

### ***Polimoon Ltd***

7.65. Polimoon Ltd said that it was a UK subsidiary of the Polimoon Group, which had its headquarters in Norway. The Group also had a sales and warehousing operation based in Basingstoke that sold plastic food trays produced in Europe.

7.66. Polimoon Ltd was based on Deeside and had a production capability there. It concentrated on bulk packaging and containers for hazardous goods, but also regularly produced stacking and non-stacking fish boxes as well as some stacking trays under contract. Until two years ago it had also produced a small number of bottle crates under contract. It could well be interested in producing RTP in quantity if a suitable opportunity presented itself.

### ***D S Smith Plc***

7.67. D S Smith Plc said that it did not wish to put forward any views about the merger. It had almost no presence in the market for the supply of RTP to the retail and supermarket sectors, although it did supply a range of returnable plastic containers to various soft drinks manufacturers and brewers. D S Smith Plc had a large number of packaging interests around the world including a group of plastics and logistics businesses which it operated from 15 main sites in the UK, elsewhere in Europe and the USA.

## ***Utz Group***

7.68. Utz said that it had no comment regarding the merger. It currently had manufacturing plants in Switzerland, Germany and Poland. It had operated a UK subsidiary since 1990 to service the UK and Irish markets.

## ***Waitrose Ltd***

7.69. Waitrose Ltd did not wish to offer a view about the merger. It confirmed that it used both fixed and folding plastic crates in its supermarket business. The folding crates were obtained through an arrangement with Ifco, a logistics service provider predominantly operating in Europe. Ifco maintained a distribution centre in the UK, and the crates it supplied were made in Holland and Germany. The fixed crates were supplied by Hays who were contracted to manage the tray pool.

## ***World Duty Free Europe Ltd***

7.70. World Duty Free Europe Ltd said that while the consolidation of players in any market was likely to remove or stifle true competition, it did not view this particular merger as posing any threat to prices or the availability of products. Although the merger brought together two of the largest manufacturers of RTPs in the UK, there still remained plenty of competition from other European suppliers. Overall, the marketplace was still very competitive, and World Duty Free Europe Ltd also pointed out that Linpac and Paxton operated in slightly different markets. The merger was unlikely to have any detrimental effect on prices, and might, conceivably, make the merged entity a stronger and more efficient organization, better able to compete with foreign competition.

D P B KINGSMILL (*Chairman*)

C CLARKE

H SHOVELTON

C WADDAMS

M R WEBSTER

R FOSTER (*Secretary*)

9 April 2002