



# News Release

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## TAMINCO/AIR PRODUCTS INQUIRY

### Statement of issues

The Competition Commission (CC) has today published an issues statement as part of its inquiry into the anticipated acquisition by Taminco NV (Taminco) of the European methylamines and derivatives business from Air Products (Chemicals) Teesside Ltd and Air Products And Chemicals Inc (together Air Products).

The inquiry was referred by the Office of Fair Trading (OFT) on 16 July 2004. The CC is considering whether the anticipated acquisition may be expected to result in a substantial lessening of competition within the market or markets for the supply of methylamines and methylamine derivatives, including the supply of alkylalkanolamines.

Taminco and Air Products (the parties) are two major suppliers of methylamines and methylamine derivatives in the UK. Methylamines are the chemical building blocks for derivative products. Methylamine derivatives are used in the manufacture of various industrial applications including: fabric softeners; gas and water treatment products; brightening agents; speciality coatings; animal feed supplements; and acrylic fibres.

The issues statement follows the initial process of gathering information, views and evidence and identifies clearly for all interested parties the specific questions and areas the inquiry will be examining. This will form the basis for hearings with Taminco, Air Products and other interested parties.

The full issues statement is attached at the end of this release and raises issues concerning:

- (a) definition of the relevant markets;
- (b) the counterfactual—what would happen in the absence of the merger;
- (c) assessment of the competitive issues of the merger; and
- (d) any customer benefits that might arise from the merger.

If the inquiry Group considers that the merger may be expected to result overall 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. Any customer benefits may be taken into account in determining remedies.

The issues statement should not be seen as implying that the Group has identified any competition concerns—it has yet to reach any conclusions. The purpose of making the statement of issues public is to inform all interested parties and give them an opportunity to raise any further points with the CC. Information about the reference is available on the CC's web site—[www.competition-commission.org.uk/inquiries/current/taminco/index.htm](http://www.competition-commission.org.uk/inquiries/current/taminco/index.htm). Anyone wishing to comment on any of the issues set out below is requested to do so by 21 September 2004 in writing to:

Inquiry Secretary  
Taminco/Air Products  
Victoria House  
Southampton Row  
London  
WC1B 4AD

or by email to: [T-AP.public@competition-commission.gsi.gov.uk](mailto:T-AP.public@competition-commission.gsi.gov.uk).

The CC is required to publish its final report by 30 December 2004.

The CC will now continue to gather evidence in this inquiry and will publish its provisional findings according to the administrative timetable available on the CC's web site.

#### **Notes for editors**

1. The Enterprise Act 2002 empowers the OFT to refer to the CC completed or proposed mergers for investigation and report which create or enhance a 25 per cent share of supply in the UK (or a substantial part thereof) or where the UK turnover associated with the enterprise being acquired is over £70 million.
2. The CC has a 24-week period in which it is required to publish its report, which may be extended by no more than eight weeks if it considers that there are special reasons why the report cannot be published within that period.
3. The members of the inquiry Group are: Christopher Clarke (Chairman); Robert Bertram; Richard Holroyd; and Professor David Parker.
4. Further information can be obtained from the CC's web site at: [www.competition-commission.org.uk/inquiries/current/taminco/index.htm](http://www.competition-commission.org.uk/inquiries/current/taminco/index.htm).
5. Enquiries should be directed to Francis Royle, Press Officer, 020 7271 0242 or Rory Taylor on 020 7271 0488/[rory.taylor@competition-commission.gsi.gov.uk](mailto:rory.taylor@competition-commission.gsi.gov.uk).
6. The text of the OFT's referral of this case can be found on the OFT web site at [www.of.gov.uk](http://www.of.gov.uk).

## Issues statement

### Market definition

1. The Group is exploring the appropriate definition of the economic markets affected by the proposed merger, in particular:

#### Methylamines

- (a) Whether monomethylamine (MMA), dimethylamine (DMA) and trimethylamine (TMA) all belong to the same relevant product market and whether the relevant market is wider than these three chemicals;
- (b) Whether the geographic aspect of the relevant market(s) is part, or the whole, of the EEA, or wider.

#### Methylamine derivatives

##### *Dimethylformamide (DMF)*

- (a) Whether the relevant product market is for DMF or wider than DMF;
- (b) Whether the geographic aspect of the relevant market is part, or the whole, of the EEA, or wider.

##### *Choline Chloride*<sup>1</sup>

- (a) Whether the relevant product market is for Choline Chloride or wider than Choline Chloride;
- (b) Whether the geographic aspect of the relevant market is part, or the whole, of the EEA, or wider.

##### *Alkylalkanolamines (AAAs)*

- (a) Whether monomethylethanolamine, methyldiethanolamine and dimethylamin-oethanol all belong to the same relevant product market;
- (b) Whether the geographic aspect of the relevant market(s) is part, or the whole, of the EEA, or wider.

### Counterfactual

2. The Group is exploring what would be likely to occur in the absence of the merger (the counterfactual), including whether the pre-merger situation is the appropriate counterfactual. Particular issues include:
3. Whether the Air Products facility at Billingham would be likely to cease operation and, if so, when this would be expected to occur, in the absence of the merger; and

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<sup>1</sup>Also known as Vitamin B4.

4. What would be likely to happen to the tolling arrangements for the production of AAAs in Europe in the absence of the merger.

### **Assessment of the competitive effects of the merger**

5. Against this background, the Group is exploring the possible competitive effects of the merger within each of the markets identified (the relevant markets) in particular:
  - (a) whether there are identifiable trends in the development of the relevant markets which might significantly affect competition in the foreseeable future;
  - (b) the current level and nature of competition between Air Products and Taminco (the parties);
  - (c) the current level and nature of competition between the parties and their competitors in the relevant markets;
  - (d) for both methylamines and their derivatives the current production capacities of the principal producers and their ability and incentives (taking account of cost) to expand this capacity;
  - (e) for each of the product/geographic markets, the extent to which international trade (including international swap arrangements) occurs and the extent to which it constrains and can be expected to constrain the behaviour of market participants;
  - (f) whether there are significant barriers to entry or expansion in each of the relevant markets due to the minimum efficient scale of plants, access to raw materials, availability of suitable sites or access to intellectual property;
  - (g) whether, and to what extent, it is commercially viable to manufacture AAAs without on-site or piped supplies of methylamines;
  - (h) whether, and to what extent, it is commercially viable to manufacture AAAs using methylamines supplied by third parties;
  - (i) whether customers can and whether they do switch freely between suppliers for methylamines and their derivatives or whether there are factors that inhibit switching;
  - (j) whether any potential lessening of competition might be offset by the buying power of customers;
  - (k) in the event that it were considered likely that the Billingham facility would close in the absence of the merger, whether the acquisition of Air Products' business (which would include the transfer of contracts and customer lists) by Taminco would lead to a less competitive outcome than if the business were not transferred; possible reasons for a less competitive outcome may include Taminco obtaining a more favourable market position as a result of the merger;
  - (l) in the event that it were considered likely that the Billingham facility would close in the absence of the merger, whether the acquisition of Air Products' business by Taminco would lead to a less competitive outcome than if the business were purchased by a third party;

- (m) what would be likely to occur in the longer term to the tolling arrangements for the production of AAAs following the merger, taking into account factors such as the location of the facility, the economics of production and the contractual terms;
- (n) in the case of the AAAs manufactured under tolling arrangements, whether the merger would lead to a less competitive outcome than would be expected to arise under the appropriate counterfactual, possibly due to a reduction in the number of competitors or, if the number of competitors compared to the counterfactual is the same, due to Taminco obtaining a stronger market position as a result of the merger;
- (o) whether the merger would be likely to create or increase market power in any market and lead to a rise in prices, a reduction in service, support or choice for some or all customers or a reduction in innovation (non-coordinated effects);
- (p) whether the merger would be likely to lead to or increase the likelihood of coordination between Taminco and other suppliers, so as to lead to a rise in prices or reduction in service for some or all customers (coordinated effects); and
- (q) whether, taking account of all of the above, the proposed merger may be expected to result overall in a substantial lessening of competition in the UK or a part of the UK, or in any other market.

## **Remedies**

6. Should the Group conclude that the proposed merger may be expected to result overall 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.

## **Relevant customer benefits**

7. In deciding the question of remedies, should this be necessary, the Group may have regard to any relevant customer benefits. The Group therefore wishes 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 Group is interested in whether the merger would be likely to lead to lower prices, better quality, or greater choice of services.