

## History of entry, expansion and exit

### Introduction

1. This appendix sets out the recent history of entry to and exit from the sheet market. Given the focus of the inquiry on coordinated effects, and the importance of assessing competitive constraints on the larger suppliers, it also sets out the history of expansion by smaller suppliers.
2. We defined the sheet market to include both in-house and third party supply. We therefore looked at entry and expansion into both third party supply (for example, through creating a new sheet feeder or commencing imports of sheet from outside Great Britain) and also in-house supply (for example, through creating a new integrated plant). Conversely, we did not count as entry a situation in which an integrated plant begins to supply sheet to third parties, as we would consider this plant to have already entered the sheet market.

### Entry and exit with sheet feeder plants

3. DS Smith provided the following seven examples of entry<sup>1</sup> with sheet feeder plants over the ten years to 2003:
  - 1994: Modelboard at Preston (Modelboard subsequently acquired by Mondi);
  - 1995: Hargreaves;
  - 1997: Glampak (a subsidiary of Corpack);
  - 1998: Danisco (Kettering sheet feeder subsequently acquired by DS Smith);
  - 1999: Gondardennes entered the UK market with imports from its factory near St Omer, France;
  - 1999: Prowell entered the UK market with imports from its factory in Offenbach, Germany; and
  - 2000: Norwich Corrugated (Norcor) built Jupiter Road plant (Norcor subsequently acquired by Smurfit).
4. Some of these plants (notably Glampak and Kettering) supplied a specialist range of sheet products in contrast, for example, with the Linpac sheet feeder at Louth.
5. DS Smith provided nine examples of exit of sheet feeder plant since 1997 (eight of them since 2001). One related to a reduction in the number of shifts but the other eight appeared to be physical removal or mothballing of plant and equipment.

---

<sup>1</sup>DS Smith provided 13 examples overall, but only seven constituted entry as defined in paragraph 2.

## Entry and exit with integrated plants

6. DS Smith cited five examples of entry with an integrated plant in the last ten years, along with four examples of additional plant built by existing players. Of the five 'entrants', only one (Cepac) represented additional construction, the other four relating to changes of ownership of existing plant. The list of plant built by existing suppliers included expansion by IPC (building an integrated plant at Thrapston, to become a two-site operation) and a new plant being constructed by Rigid for completion in 2004.
7. DS Smith listed 11 examples of the closure of specific integrated plants since 1995. This level of closure was further substantiated by the competitor questionnaire respondents who, between them, closed more than 13 integrated plants since 1998. All appeared to have been closed by the major suppliers.

## Total scale of entry over last ten years

8. We were not able to obtain output data for all of the plants described above. However:
  - in sheet feeding, the three plants subsequently acquired by Mondi, DS Smith and Smurfit together accounted for [X] per cent by volume of all sheet production in 2003, with imports from Gondardennes accounting for a further 1 per cent; and
  - in cases, the integrated plant constructed by Cepac and IPC together accounted for around [X] per cent of sales.

Overall, therefore, at least 10 per cent of the sheet sold or used in Great Britain in 2003 appeared to have been supplied by plants constructed by entrants or smaller existing suppliers in the previous ten years.

TABLE 1 Estimates of volume and market shares for the largest new entrants

<i>Plant/new entrant</i>	<i>Volume (ksm)</i>	<i>% of total sheet volume in 2003</i>
<i>Sheet feeders</i>		
Mondi (Preston)	(	)
Smurfit (Norwich)		
DS Smith (Kettering)		
Gondardennes		
<i>Integrated plant</i>		
Cepac	(	)
IPC Thrapston		

*Source:* New entrants' volumes were drawn from their responses to the competitor questionnaire. Estimate of Gondardennes' volume was drawn from DS Smith's response to the market questionnaire. Percentages were calculated on the estimates of market size provided by DS Smith in its response to the market questionnaire.