



News Release

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KNAUF TAKEOVER IS BLOCKED

The Competition Commission (CC) has blocked the proposed acquisition by Knauf Insulation Limited of Superglass Insulation Limited. In its final report published today, the CC has concluded that it would result in a substantial lessening of competition in the markets for the supply of glass wool for use in loft insulation and blowing wool for cavity wall insulation.

This confirms the conclusion of the provisional findings report which was published in October. After considering alternatives, the CC has concluded that the only effective remedy in response to the anti-competitive outcome is to prohibit the merger.

Professor Paul Geroski, Chairman of the CC and the Knauf/Superglass inquiry group, commented:

This merger would remove an independent competitor from a market which is already highly concentrated. In the loft insulation market it would reduce the number of competitors from three to two and give the market leader a market share more than four times that of its nearest rival. In the blowing wool market it would reduce the number of competitors from four to three and give the market leader a market share more than three times that of its nearest rival.

In addition to these large market shares, the merged company would also have a firm grip on the available production capacity, which would enable it to exert a controlling influence over prices in these markets.

Our conclusion is that the merger would be anti-competitive, and would lead to customers paying higher prices. We did consider remedies which might constrain prices or require the merged company to sell off assets but rejected these options for being either impractical, disproportionate or ineffective.

Knauf and Superglass overlap in the manufacture of glass wool insulation, which is used for loft insulation rolls, and for two different types of cavity wall insulation—mineral wool slabs (built into walls during construction) and mineral blowing wool (which can be used to fill the cavity any time after the wall is built). The inquiry group's main areas of concern were the markets for loft insulation rolls and blowing wool.

The full report following the inquiry is available on the CC's web site at:

Notes for editors

1. The inquiry was referred by the Office of Fair Trading (OFT) on 17 June.
2. The Enterprise Act 2002 empowers the OFT to refer to the CC anticipated or completed 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.
3. The Knauf/Superglass inquiry group consists of five members—Paul Geroski (Group Chairman), John Baillie, Diane Coyle, Jeremy Seddon and Stephen Walzer—supported by the CC's staff.
4. Further information can be obtained from the CC's web site at: www.competition-commission.org.uk/inquiries/current/superglass/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.
6. The full text of the OFT's referral of this case can be found on the OFT web site at www.of.gov.uk.