
Completed acquisition by Ahlstrom Corporation of the consumer wiper business of Fiberweb plc

The OFT's decision on reference under section 22 given on 24 August 2007. Full text of decision published 4 September 2007.

Please note that square brackets indicate text or figures which have been deleted or replaced with a range at the request of the parties for reasons of commercial confidentiality.

PARTIES

1. **Ahlstrom Corporation** (Ahlstrom) is a Finnish company active in the manufacture of a wide range of fibre-based materials.
2. **Fiberweb plc** (Fiberweb) is active in the manufacture and supply of nonwoven roll goods for use in wiper products. It also has a downstream business converting nonwoven roll goods into final wiper end products, which is not part of this transaction. In 2006, the turnover of its consumer wiper business (which has been acquired by Ahlstrom) in the EU was €[] million and €[] (£[]) in the UK.

TRANSACTION

3. Ahlstrom acquired from Fiberweb the entire issued share capital of its consumer wiper business and assets, Fiberweb Holdings SL, (the acquired business).¹ Completion of this transaction occurred on 25 May 2007. The

¹ The description of the acquired business as the consumer wiper business of Fiberweb reflects its pre-merger description within the Fiberweb Group. However the acquired business supplies nonwoven products in roll good form for the production of industrial wipers as well as consumer wipers.

administrative deadline is 4 September 2007 and the statutory deadline expires on 24 September 2007.

JURISDICTION

4. As a result of this transaction Ahlstrom and the acquired business have ceased to be distinct. The parties overlapped in the supply of nonwoven products in roll good form (nonwoven roll goods) for industrial and consumer wipes production and have combined shares of supply in the UK in excess of 25 per cent, so the share of supply test in section 23 of the Enterprise Act 2002 (the Act) is met. The OFT therefore believes that it is or may be the case that a relevant merger situation has been created.

FRAME OF REFERENCE

Introduction

5. The parties overlapped in the manufacture and supply of nonwoven roll goods to 'converter' manufacturers, who produce industrial and consumer wipes.
6. Industrial and consumer wipes are nonwoven products that are produced in two stages: the production of the nonwoven roll good and the conversion of the nonwoven roll good into wipes.
7. The first, the production of the nonwoven roll good, consists of three stages: web formation (arrangement of fibres into a sheet or web), web bonding (consolidating the web to increase its strength, for which a number of technologies can be used) and application of finishing treatments (modifying the properties of the nonwoven fabric to suit customer requirements, such as antistatic, breathable and water repellent). At this stage the nonwoven fabric is placed on to a roll.
8. The second stage involves converting the nonwoven roll good into the finished end wipes. The method of conversion varies depending on the particular end product. Wipes are used in industrial applications (industrial wipes) or used by consumers (such as baby wipes, personal care wipes and home care wipes).

9. The parties are only involved with and therefore overlap in the initial stage, the production of nonwoven roll goods, which they supply to 'converter' manufacturers, who undertake the second stage to produce industrial and consumer wipes.

Product scope

10. The parties submitted that, consistent with the approach adopted in the OFT *Ahlstrom/Orlandi* decision,² the supply of nonwoven roll goods for industrial wipe production and consumer wipe production should be considered separately.
11. In the *Ahlstrom/Orlandi* decision, the OFT observed that there appeared to be some differences in the technology and production line facilities used for the production of nonwoven roll goods for consumer wipes and industrial wipes which may limit supply side switching.
12. The OFT found no evidence in this case to suggest departing from this view. A narrow frame of reference has therefore been adopted for the purposes of the analysis, with the supply of nonwoven roll goods for industrial wipes production and consumer wipes production considered separately.

Geographic market

13. The parties submitted that, in line with *Ahlstrom/Orlandi* decision, the relevant geographic frame of reference for supply of nonwoven roll goods for the production of industrial and consumer wipes is at least EEA-wide. The parties stated that this is based on common product specification, ease of transport throughout Europe, and lack of price differentiation between European countries. This view was supported by third parties.
14. In view of the above, the appropriate geographic frame of reference for nonwoven roll goods for industrial and consumer wipe production is considered to be at least EEA-wide.

² OFT's decision dated 16 May 2007 on the completed acquisition by Ahlstrom Corporation of the spunlace wipes business and assets of Orlandi SpA (the *Ahlstrom/Orlandi* decision).

HORIZONTAL ISSUES

15. Post-merger, the parties estimated that the merged entity's share of supply for nonwoven roll goods for the production of industrial wipes is [0-10] per cent (increment [0-5] per cent) in the EEA.
16. Furthermore, there are a number of competitors present, including Polymer Group, Inc. (PGI) and Jacob Holm & Sons AG (Jacob Holm), who will continue to act as a sufficient competitive constraint on the merged entity's behaviour. Given these factors, the OFT considers that the merger does not give rise to any competition concerns in respect of the supply for nonwoven roll goods for the production of industrial wipes.
17. With regards to the supply of nonwoven roll goods for the production of consumer wipes, the merged entity is the largest supplier with a share of supply of approximately [20-30] per cent (increment of [10-15] per cent) in the EEA. Some UK customers raised concerns about the strength of Ahlstrom's position post-merger.
18. Pre-merger, Ahlstrom had a share of supply of approximately [30-40] per cent, whilst Fiberweb was not present in the UK. Although this transaction results in a loss of a potential competitor, there are a number of large competitors present in the UK, including PGI and Jacob Holm, that supply nonwoven roll goods for the production of consumer wipes. Customers, including those that raised concerns, stated that these are alternative suppliers. These suppliers will act as a strong constraint post-merger.
19. In addition, many of these customers stated that they currently source from between three and five suppliers, and that it is relatively easy to switch between them. One also commented that it regularly switches volumes between suppliers.
20. Given these factors, the OFT considers that this acquisition does not give rise to any competition concerns in the supply of nonwoven roll goods for consumer wipe production.

THIRD PARTY VIEWS

21. The OFT received few responses to its request for comment on this merger. Some customers raised concerns that the merger has strengthened Ahlstrom's position in the supply of nonwoven roll goods. These concerns have been addressed in the competitive analysis above.

ASSESSMENT

22. The parties overlapped in the manufacture and supply of nonwoven roll goods for the production of industrial and consumer wipes.
23. With regards to the supply of nonwoven roll goods for industrial wipe production, the merged entity has a share of supply of [0-10] per cent (increment of [0-5] per cent) in the EEA. Furthermore, there are a number of competitors who will continue to act as a sufficient constraint on the merged entity post-merger, so competition concerns do not arise.
24. For the supply of nonwoven roll goods for consumer wipe production, the merged entity is the largest supplier with a share of supply of approximately [20-30] per cent (increment of [10-15] per cent) in the EEA. However, the presence of a number of relatively large competitors, combined with the relative ease in which customers can switch to alternative suppliers, are considered to pose a sufficient constraint on the merged entity post-merger.
25. Consequently, the OFT does not believe that it is or may be the case that the merger has resulted or may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

DECISION

26. This merger will therefore not be referred to the Competition Commission under section 22(1) of the Act.