

CLARIANT/KILFROST MERGER INQUIRY

Summary of hearing with ADDCON on 11 March 2016

Background and expansion

1. ADDCON said that it had [REDACTED] people working in two production facilities. One was in [REDACTED] and another site was in [REDACTED]. The company was privately owned. ADDCON currently supplied type I aircraft de-/anti-icing fluids (ADF) to two German airports. In addition to ADF, ADDCON also produced runway de-icer as well as food products, feed additives and oil-drilling fluids. ADDCON's total turnover ranged from [REDACTED] depending on weather. ADDCON said [REDACTED].
2. ADDCON told us that it had developed and received approval for a type I ADF product [REDACTED].
3. ADDCON told us that [REDACTED] a 'local' inventory of a concentrate and to blend final ADF product at or close to the site of delivery [REDACTED].
4. ADDCON said that it [REDACTED] logistics providers.
5. ADDCON said that the cost of setting up a network [REDACTED] was very high. This was a significant barrier for new players.
6. ADDCON noted that [REDACTED], a supplier would be expected to have the infrastructure in place prior to bidding – meaning that it would be possible to make the investment without subsequently winning any business.
7. ADDCON said it would need to [REDACTED] to meet the requirements for supply of type I, type II and type IV ADF.
8. ADDCON noted that a third party blending service provider would typically be prepared to invest, but there would be an expectation that a long-term agreement for the service would be in place. [REDACTED]
9. ADDCON said that an ADF supplier would also need to have [REDACTED] cost for one [REDACTED] was about [REDACTED] per month/[REDACTED] per day.
10. ADDCON told us that competition was more intense in type I fluid because of the larger number of suppliers. However, for types II and IV, customers

expected experience and a proven record over two or three seasons was needed.

11. ADDCON told us that ADF prices tended not to fluctuate with the monopropylene glycol (MPG) price in the short term. Contracts were negotiated in the summer, [REDACTED].

Entry into ADF supply in the UK

12. ADDCON said [REDACTED] entry in the UK would be [REDACTED].
13. ADDCON told us that there were no particular conditions for the UK [REDACTED]. [REDACTED] that entry on the basis of supplying type I only was not viable – customers wanted the ‘full portfolio’.
14. ADDCON told us that, hypothetically, a supplier would probably look to supply [REDACTED] tonnes of ADF to a client in a season and [REDACTED] of that volume would be held at the airport in advance [REDACTED], with the remainder supplied as and when weather conditions made it necessary. [REDACTED]
15. ADDCON told us that investments in infrastructure in the UK would be worthwhile if [REDACTED].

Impact of the merger

16. ADDCON said that a supplier’s strength in the market gave it greater scope to shape the industry standards. [REDACTED]
17. [REDACTED]