
Completed acquisition by Ahlstrom Corporation of the spunlace wiper business and assets of Orlandi SpA

The OFT's decision on reference under section 22 given on 16 May 2007. Full text of decision published 22 May 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. **Orlandi SpA** (Orlandi) is incorporated in Italy and is active in the manufacture and supply of various nonwoven products including wipers in roll good form. The turnover in 2006 for its spunlace wiper business (to be acquired by Ahlstrom) in the EU was €[] and in the UK it was €[].

TRANSACTION

3. On 30 April 2007, Ahlstrom acquired from Orlandi its spunlace wiper business and assets ('the acquired business'). The parties notified the transaction on 27 March 2007. The administrative deadline is 25 May 2007 and the statutory deadline expires on 29 August 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') 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 including spunlacing) 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.

10. The parties also overlapped in the manufacture and supply of nonwoven roll goods for use in certain technical and medical goods applications. The parties submitted that their production for these other uses is negligible and they do not overlap in relation to specific end products.¹ As competition concerns are not considered to arise, whether the productions for these end products are considered together or separately, this overlap will not be considered further.

Product scope

11. The parties contended that the relevant product frame of reference is the supply of nonwoven roll goods for the production of both industrial and consumer wipes.
12. On the supply side, the parties submitted that most of the technologies used in nonwoven roll goods manufacturing are interchangeable and can be used for the production of all types of wipes. They also submitted that converter manufacturers can influence the product characteristics at the converting stage.
13. Competitors confirmed that it is easy to switch the supply of nonwoven roll goods for the different types of consumer wipes, though to a lesser extent between industrial and consumer wipes. They stated that the underlying fabric used in different applications may be identical and product differences are driven by downstream processes (such as different moisteners and packaging), therefore different consumer wipe requirements can be served from the same production lines. However, third parties also stated that the use of spunlace technology (which has been acquired by Ahlstrom from Orlandi) may provide some relative cost and/or quality advantage in the production of consumer wipes.
14. In addition, a third party stated that although nonwoven roll goods for industrial wipes could be produced on the same production lines as those for the production of consumer wipes, currently they are manufactured in smaller scale facilities.

¹ For example, Orlandi supplies nonwoven roll goods for the production of medical plasters and swabs, whilst Ahlstrom produces nonwoven roll goods for bed sheets and surgical tapes.

15. On the demand side the parties noted that, based on previous European Commission cases² for tissue products (which have some similarities in product characteristics and uses with nonwoven roll goods), a distinction could be made according to the end-use application of the nonwoven roll goods (industrial wipes, baby wipes, personal care and home care wipes). However as the parties are not active in converting nonwoven roll goods into wipes, this distinction is not central to the analysis of this merger.
16. Based on the evidence available, there appear 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. A narrower frame of reference has therefore been adopted for the purposes of the analysis in this case, with the supply of nonwoven roll goods for industrial wipe production and consumer wipe production considered separately.

Geographic scope

17. The parties submitted that the relevant geographic frame of reference for supply of nonwoven roll goods is at least EEA-wide based on common product specification, ease of transport throughout Europe, and lack of price differentiation between European countries. This frame of reference has been confirmed by customers.
18. In view of the above, the appropriate geographic frame of reference for nonwoven roll goods is considered to be at least EEA-wide.

HORIZONTAL ISSUES

Nonwoven roll goods for the production of industrial and consumer wipes

19. The parties submitted that, prior to the merger, their product ranges in the EEA and in particular the UK were largely complementary. Ahlstrom mainly supplied nonwoven roll goods for industrial wipes, whilst Orlandi supplied nonwoven roll goods for consumer wipes.

² For example, in Case IV/M.623 *Kimberly-Clark/Scott* (January 1996), and Case COMP/M.2097 *SCA/Metsa Tissue*.

20. Post-acquisition, the merged entity's share of supply for nonwoven roll goods for industrial wipes is [0-10] per cent for the EEA (increment of [less than 2] per cent) and [15-25] per cent for the UK (with no increment). For the production of consumer wipes, its share of supply for the EEA is [10-20] per cent (increment of [less than 5] per cent) and [30-40] per cent for the UK (increment of [less than 2] per cent). The transaction therefore results in a relatively small increment to the merged entity's shares of supply.
21. In addition to the relatively small increment, third parties have confirmed that Ahlstrom and Orlandi were not particularly close competitors. Furthermore, third parties have also identified a number of actual and potential alternative suppliers with European delivery capacity. No customers had concerns about the merger.

THIRD PARTY VIEWS

22. The OFT received very few responses to its request for comment on this merger. All third parties that did respond to the OFT were unconcerned.

ASSESSMENT

23. The parties overlapped in the manufacture and supply of nonwoven roll goods for the production of industrial and consumer wipes and for use in certain technical and medical goods applications. In relation to the manufacture and supply of nonwoven roll goods for use in certain technical and medical goods applications, their production for these uses is negligible and they do not overlap in relation to specific end uses, therefore competition concerns do not arise.
24. The OFT considered the supply of nonwoven roll goods for industrial wipe production separately from that for consumer wipe production. Under each frame of reference the transaction results in a relatively small increment to the merged entity's shares of supply. In addition, third parties suggested that Ahlstrom and Orlandi were not particularly close competitors. These factors, combined with the existing constraint from the remaining competitors, suggest that the merger does not give rise to competitive concerns in respect of the supply of nonwoven roll goods for the production of industrial and consumer wipes.

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.