Determination of the Competition Authority

Determination No. M/04/019 of the Competition Authority, dated 22nd April 2004, under Section 21 of the Competition Act 2002

Notification No. M/04/019 - The proposed acquisition by Sarcon (no.159) Limited of Barlo Group plc

Introduction

1. On 2nd April 2004 the Competition Authority, in accordance with Section 18(1) of the Competition Act 2002, was notified, on a mandatory basis, of a proposal whereby Sarcon (no.159) Limited ("Sarcon"), a wholly-owned subsidiary of Quinn Group Limited ("Quinn Group") would acquire Barlo Group plc ("Barlo Group") by way of a public bid - "the proposed acquisition".

The Parties

2. Quinn Group, a Northern Ireland registered company, owns and controls 31 subsidiary companies and operates mainly in Ireland and the UK. Quinn Group's main areas of business are hospitality (public houses and hotels); non-life insurance and finance services; and manufacture and supply of construction materials (cement, tarmac, aerated concrete blocks, concrete roof tiles, pre-stressed concrete, pre-stressed flooring, and general quarry and concrete products), polystyrene insulation and container glass.
3. Barlo Group is an Irish registered company whose separate subsidiary companies manufacture transparent and coloured plastic sheeting, plastic packaging for dairy products (e.g. butter spreads) and domestic and industrial heating radiators, for supply in Ireland, the UK and continental Europe.

Analysis

4. Quinn Group does not intend to integrate any of Barlo Group's subsidiaries into its businesses – post-acquisition, Barlo Group's subsidiaries would continue to operate as separate businesses. For consideration of any possible product overlaps that might result from the proposed acquisition, only certain products of the notifying parties need be considered, as set out below:
   - ***Polystyrene Insulation -*** Quinn LitePac Limited ("Quinn Litepac"), a subsidiary of Quinn Group, manufactures plain board polystyrene thermal insulation. Plain board insulation can be used as a packaging material but its main application is as insulation - sales as a packaging material are minimal and ancillary. There is no significant substitutability between polystyrene insulation and the plastic sheets and polypropylene tubs (packaging materials) manufactured by Barlo Group - they differ in weight, strength, durability and purpose and have distinct end-applications. The different end users/customers of the respective products indicates that they are not substitutable. Also, Quinn LitePac states that it

would incur substantial sunk costs (new plant equipment and changed manufacture processes) in adapting its production facilities to the manufacture of plastic sheet and polypropylene tubs.

- ***Glass* -** Quinn Glass Limited ("Quinn Glass"), a subsidiary of Quinn Group, manufactures coloured container glass for the food and drink sectors (mainly glass bottles). There is no overlap between the glass containers produced by Quinn Group and the plastic containers manufactured by Barlo Group. The polypropylene tubs made by Barlo Group are used almost exclusively for packaging of dairy products (i.e. margarine, dairy spread and butter tubs) and not to package any of the food or drink products that Quinn Group's glass containers are used for.
- ***Transparent and coloured plastic sheets* -** Barlo Group manufactures transparent and coloured plastic sheets for a wide range of uses. Transparent and coloured plastics have distinct uses and are generally not substitutable for one another. Quinn Group does not manufacture plastic sheets. Further, Quinn Glass' products are beverage and food containers - it does not produce sheet glass, nor is its facility capable of manufacturing sheet glass.

5. There is no overlap between the products and services manufactured and supplied by Quinn Group and the products manufactured and supplied by Barlo Group. Further, facilities operated by Quinn Group for manufacture of its plastic and glass products cannot be readily switched to the manufacture of those plastic products of Barlo Group, nor can Barlo Group do so in the reverse. Further, the parties state that there are no plans to integrate their respective production plants. This would not appear to be logistically practical or financially viable. Hence Barlo Group will be absorbed by Quinn Group, but the former's divisions will continue to operate separately.
6. There is nothing to indicate that any portfolio effects would occur as a result of the proposed acquisition. The proposed acquisition would result in a bare transfer of market shares and there is nothing to indicate that any change in concentration in any defined market would occur.
7. Due to the absence of overlap, the relevant product and geographic market(s) have not been defined.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Edward Henneberry
Member of the Competition Authority