

COMMERCE COMMISSION

Decision No. 596

Determination pursuant to the Commerce Act 1986 in the matter of an application for clearance of a business acquisition involving:

OWENS CORNING

and

COMPAGNIE DE SAINT GOBAIN

The Commission: David Caygill
Donal Curtin
Anita Mazzoleni

Summary of Application: The acquisition by Owens Corning to acquire the glass fibre reinforcement business of Compagnie de Saint Gobain.

Determination: Pursuant to section 66(3)(a) of the Commerce Act 1986, the Commission determines to give clearance to the proposed acquisition.

Date of Determination: 20 December 2006

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EXECUTIVE SUMMARY

1. A notice pursuant to s 66(1) of the Commerce Act 1986 (the Act) was registered on 17 November 2006. The Notice sought clearance by Owens Corning (Owens Corning, or the Applicant), or a wholly-owned subsidiary of Owens Corning, to acquire the glass fibre reinforcement business of Compagnie de Saint Gobain (Saint Gobain). Clearance was sought for the acquisition only to the extent it would affect a market in New Zealand.
2. In New Zealand, Owens Corning and Saint Gobain are the main suppliers of glass fibre reinforcement products although, more recently, Asia-based manufacturers have been increasing their presence in the industry. The Commission cleared the proposed acquisition primarily because of constraint imposed by these existing competitors and their ability to increase their supply to the relevant markets.
3. The Commission considers that the relevant markets are the national markets for the manufacture/importation and distribution of:
 - assembled rovings (the assembled rovings market); and
 - chopped strand mat fibres (the CSM market).
4. The Commission considers that the likely counterfactual would be the status quo, with Saint Gobain and Owens Corning continuing to supply the relevant markets.
5. In respect to both the assembled rovings market and the CSM market, the Commission considers that, post-acquisition, existing competition is likely to provide significant constraint on the combined entity. Existing competitors are unlikely to be hindered in their activities in the factual scenario and could increase their supply, if given an incentive to do so.
6. Therefore, the Commission considers that the proposed acquisition will not have, or would not be likely to have, the effect of substantially lessening competition in any of the relevant markets.

THE PROPOSAL

1. A notice pursuant to s 66(1) of the Commerce Act 1986 (the Act) was registered on 17 November 2006. The Notice sought clearance by Owens Corning (Owens Corning, or the Applicant), or a wholly-owned subsidiary of Owens Corning, to acquire the glass fibre reinforcement business of Compagnie de Saint Gobain (Saint Gobain). Clearance was sought for the acquisition only to the extent it would affect a market in New Zealand.

PROCEDURE

2. Section 66(3) of the Act requires the Commission either to clear or to decline to clear the acquisition referred to in a s 66(1) notice within 10 working days, unless the Commission and the person who gave notice agree to a longer period. An extension of time was agreed between the Commission and the Applicant. Accordingly, a decision on the Application was required by 22 December 2006.
3. The Applicant sought confidentiality for specific aspects of the Application. A confidentiality order was made in respect of the information for up to 20 working days from the Commission's determination notice. When that order expires, the provisions of the Official Information Act 1982 will apply.
4. The Commission's approach to analysing the proposed acquisition is based on principles set out in the Commission's Mergers and Acquisitions Guidelines.¹

STATUTORY FRAMEWORK

5. Under s 66 of the Act, the Commission is required to consider whether the proposal will have, or would be likely to have, the effect of substantially lessening competition in a market. If the Commission is satisfied that the proposal is not likely to substantially lessen competition then it is required to grant clearance to the application. Conversely, if the Commission is not satisfied it must decline. The standard of proof that the Commission must apply in making its determination is the civil standard of the balance of probabilities.²
6. The substantial lessening of competition test was considered in *Air New Zealand & Qantas v Commerce Commission*, where the Court held:

We accept that an absence of market power would suggest there had been no substantial lessening of competition in a market but do not see this as a reason to forsake an analysis of the counterfactual as well as the factual. A comparative judgment is implied by the statutory test which now focuses on a possible change along the spectrum of market power rather than on whether or not a particular position on that spectrum, i.e. dominance has been attained. We consider, therefore, that a study of likely outcomes, with and without the proposed Alliance, provides a more rigorous framework for the comparative analysis required and is likely to lead to a more informed assessment of competitive conditions than would be permitted if the inquiry were limited to the existence or otherwise of market power in the factual.³

¹ Commerce Commission, *Mergers and Acquisitions Guidelines*, January 2004.

² *Foodstuffs (Wellington) Cooperative Society Limited v Commerce Commission* (1992) 4 TCLR 713-722.

³ *Air New Zealand & Qantas Airways Ltd v Commerce Commission*, unreported HC Auckland, CIV 2003 404 6590, Hansen J and K M Vautier, Para 42.

7. In determining whether there is a change along the spectrum which is significant the Commission must identify a real lessening of competition that is not minimal.⁴ Competition must be lessened in a considerable and sustainable way. For the purposes of its analysis the Commission is of the view that a lessening of competition and creation, enhancement or facilitation of the exercise of market power may be taken as being equivalent.
8. When the impact of market power is expected to be predominantly upon price, for the lessening, or likely lessening, of competition to be regarded as substantial, the anticipated price increase relative to what would otherwise have occurred in the market has to be both material and ordinarily able to be sustained for a period of at least two years or such other time frame as may be appropriate in any given case.
9. Similarly, when the impact of market power is felt in terms of the non-price dimensions of competition such as reduced services, quality or innovation, for there to be a substantial lessening, or likely substantial lessening of competition, these also have to be both material and ordinarily sustainable for at least two years or such other time frame as may be appropriate.

ANALYTICAL FRAMEWORK

10. The Commission applies a consistent analytical framework to all its clearance decisions. The first step the Commission takes is to determine the relevant market or markets. As acquisitions considered under s 66 are prospective, the Commission uses a forward-looking type of analysis to assess whether a lessening of competition is likely in the defined market(s). Hence, an important subsequent step is to establish the appropriate hypothetical future with and without scenarios, defined as the situations expected:
 - with the acquisition in question (the factual); and
 - in the absence of the acquisition (the counterfactual).
11. The impact of the acquisition on competition is then viewed as the prospective difference in the extent of competition in the market between those two scenarios. The Commission analyses the extent of competition in each relevant market for both the factual and the counterfactual scenarios, in terms of:
 - existing competition;
 - potential competition; and
 - other competition factors, such as the countervailing market power of buyers or suppliers.

THE PARTIES

Owens Corning

12. Owens Corning is an international manufacturer of building products, based in the United States. In particular, Owens Corning manufactures home building materials such as insulation products, roofing tiles, glass fibre reinforcements

⁴ See *Fisher & Paykel Limited v Commerce Commission* (1996) 2 NZLR 731, 758 and also *Port Nelson Limited v Commerce Commission* (1996) 3 NZLR 554.

and composite fabric materials. Owens Corning is most widely known for its Pink Fiberglas insulation products and corporate mascot, “The Pink Panther”.

13. Owens Corning has a number of manufacturing plants located in North America, Latin America, Europe and Asia. Currently, Owens Corning does not manufacture any of its products in New Zealand. Typically, its products are supplied to customers in New Zealand through third-party distributors.

Compagnie de Saint Gobain

14. Saint Gobain is an international manufacturer and distributor of building products, based in France. Saint Gobain supplies glass, glass fibre reinforcements and composite fabric materials as well as numerous other construction materials and home renovating products.
15. Saint Gobain has a number of manufacturing plants located worldwide. As with Owens Corning, it does not manufacture any of its products in New Zealand. Historically, these products have been supplied to customers in New Zealand through a third party distributor. However, in September 2006 Saint Gobain began supplying its glass fibre reinforcement products directly through an Australian-based subsidiary.

OTHER RELEVANT PARTIES

Manufacturers

16. Currently, there are no domestic manufacturers of glass fibre reinforcements. In addition to Owens Corning and Saint Gobain, a number of other glass fibre reinforcement manufacturers also supply their products into New Zealand. Typically, these manufacturers supply end-customers through a local distributor. These other manufacturers include:
 - Central Glass Co., Limited (Central Glass), based in Japan;
 - Taiwan Glass Industry Corporation (Taiwan Glass), based in Taiwan;
 - Nitto Boseki Co., Limited, based in Japan;
 - Nippon Electric Glass Co., Limited, based in Japan;
 - Jushi Group Co., Limited (Jushi), based in China;
 - Binani Industries Limited (Binani), based in India; and
 - Chongqing Polycomp International Corporation, based in China.

New Zealand Distributors

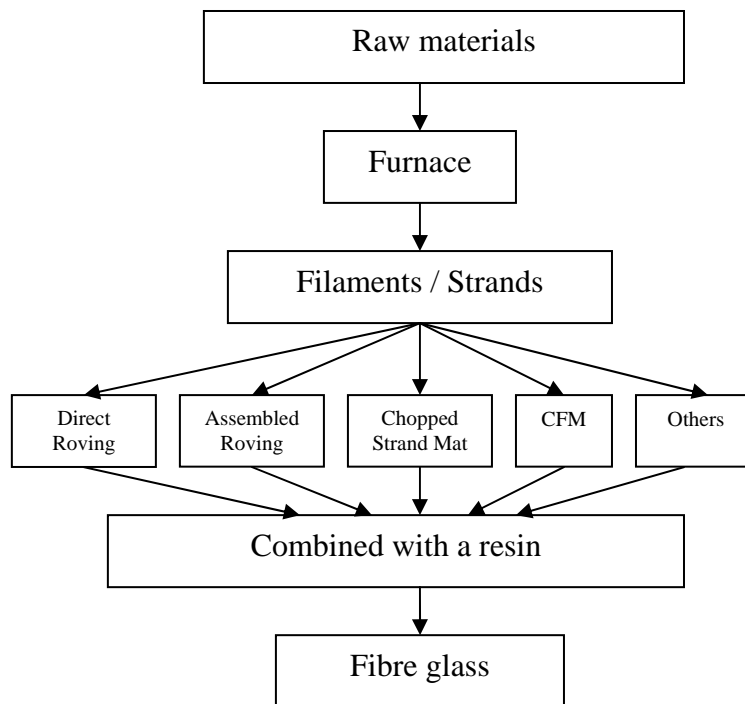
17. In New Zealand, glass fibre reinforcement manufacturers typically use a third-party distributor to supply their products to end-customers. These distributors include:
 - Aurora Glass Fibre (NZ) Limited (Aurora), which distributes a number of products for Owens Corning;
 - Nuplex Industries Limited (Nuplex). Recently, Nuplex began distributing a number of products for Owens Corning (in addition to Aurora) and it previously was the distributor for Saint Gobain;

- Chemiplas NZ Limited (Chemiplas), which is a distributor for Central Glass;
- PJ Hobbs Industries Limited (PJ Hobbs), which is a distributor for Taiwan Glass; and
- NZ Fibreglass Limited (NZ Fibreglass), which is a distributor for Jushi and Binani.

INDUSTRY BACKGROUND

18. Glass fibre reinforcements, such as those manufactured by both Owens Corning and Saint Gobain, are one of the main inputs used in the production of composite materials, which are commonly referred to as 'fibre glass'.
19. Fibre glass is the end result of a number of different processes. Initially, a glass fibre strand or filament is created by melting the same raw materials used to manufacture glass (i.e. silica, limestone, clay etc) in a furnace. The molten glass is then drained through an alloy plate, with numerous small holes, to produce thin glass filaments. These filaments are then treated with a binding agent to produce the desired glass fibre reinforcement. The bound filaments are also referred to as a roving.⁵
20. The proposed acquisition between Owens Corning and Saint Gobain involves the manufacture of glass fibre reinforcements. These reinforcements come in a variety of different forms, including:
 - direct rovings;
 - assembled rovings;
 - chopped strand mat fibres; or
 - continuous filament mat fibres (CFMs).
21. The respective glass fibre reinforcement is then combined with a resin to produce a composite material, which is widely known as 'fibre glass'.
22. The Commission understands that, in New Zealand, assembled rovings are the most popular glass fibre reinforcement product. This is because assembled rovings can be applied to a desired surface relatively quickly and conveniently with the aid of a spray gun, which simultaneously combines the roving and resin in one application.
23. Figure 1 below outlines the manufacturing process for fibre glass.

⁵ A rove is a term used in the textile industry to refer to a fibrous material that has been drawn out and is slightly twisted.

Figure 1: The Manufacture of Fibre Glass

24. All glass fibre reinforcement manufacturers provide a variety of different products, although some manufacturers are more specialised in one particular category. New Zealand distributors of glass fibre reinforcements advised the Commission that, internationally, the leading manufacturers of these products have traditionally been Owens Corning and Saint Gobain, as well as PPG Industries.⁶ These manufacturers are based in North America and in Western Europe and have been considered to be the main innovators and developers of glass fibre reinforcements and are recognised as supplying the highest quality products.
25. There are also a number of other glass fibre manufacturers based, primarily, in Asia. The Commission understands that, historically, these Asian manufacturers were considered to supply glass fibre reinforcement products that were perceived to be of lower quality than those of either Owens Corning or Saint Gobain. Industry participants advised the Commission that the main issue with the Asia-based manufacturers' products was inconsistent quality. For example, one batch of product would be of a satisfactory quality while another batch from the same manufacturer would prove to be problematic for the end-customer. In this respect, end-customers have tended to favour the likes of Owens Corning or Saint Gobain.
26. However, industry participants advised the Commission that, over the last ten years, the overall quality and consistency of Asia-based manufacturers has increased significantly. For example, it was noted that their production techniques are now equivalent to those of the traditional suppliers of glass fibre reinforcements. Industry participants advised that, presently, products from

⁶ The Commission understands that PPG Industries, based in the United States, does not currently have a direct presence in New Zealand.

Asia-based manufacturers are, on the whole, technical substitutes for products from either Owens Corning or Saint Gobain.

MARKET DEFINITION

27. The Act defines a market as:

“... a market in New Zealand for goods or services as well as other goods or services that, as a matter of fact and commercial common sense, are substitutable for them.”⁷

28. For the purpose of competition analysis, the internationally accepted approach is to assume the relevant market is the smallest space within which a hypothetical, profit-maximising, sole supplier of a good or service, not constrained by the threat of entry would be able to impose at least a small yet significant and non-transitory increase in price, assuming all other terms of sale remain constant (the SSNIP test). The smallest space in which such market power may be exercised is defined in terms of the dimensions of a market discussed below. The Commission generally considers a SSNIP to involve a five to ten percent increase in price that is sustained for a period of one year.

Product Market

29. The greater the extent to which one good or service is substitutable for another, on either the demand-side or supply-side, the greater the likelihood that they are bought and supplied in the same market.

30. Close substitute products on the demand-side are those between which at least a significant proportion of buyers would switch when given an incentive to do so by a small change in their relative prices.

31. Close substitute products on the supply-side are those between which suppliers can easily shift production, using largely unchanged production facilities and little or no additional investment in sunk costs, when they are given a profit incentive to do so by a small change to their relative prices.

32. The Applicant submitted that, although Owens Corning and Saint Gobain manufacture a number of similar glass fibre reinforcements internationally, only a few of these product categories are supplied into New Zealand.

33. In this respect, the Applicant submitted that the relevant markets are the national market for the acquisition and supply of:

- assembled rovings; and
- chopped strand mat fibres (CSM).⁸

34. Assembled rovings are continuous glass fibres bonded together into strands. Although there are a number of different types of assembled rovings,⁹ the Applicant and other industry participants advised the Commission that, on the

⁷ s 3(1A) of the Commerce Act 1986.

⁸ The Applicant noted that these markets are consistent with those submitted by Owens Corning in other jurisdictions.

⁹ For example, the Applicant submitted that there are centrifugal casting rovings, gun rovings, compression molding rovings and panel rovings.

supply-side, there is a high degree of substitutability between the different types of assembled rovings.

35. Typically, an assembled roving is applied using a spray gun, which can simultaneously apply the glass fibre filament and resin to a surface, such as a bath or a boat hull. Assembled rovings are most commonly used for large surfaces as it is the most efficient method of application.
36. CSMs are mats that consist of chopped glass fibres bonded together using a binder. CSMs can be used for the same purpose as assembled rovings; however, the method of application is slightly different. The CSM is placed on the desired surface and the resin is then applied to the mat. Alternatively, the CSM may be pre-soaked in resin. CSMs are commonly used for smaller surfaces, or if a customer desires a specific thickness of reinforcement.
37. The Commission received conflicting views on whether customers switch between using either an assembled roving or a CSM for a particular application. Essentially, both products are used to strengthen a particular surface, whether it is a boat hull or a surf board. In addition, both products are made from the same core glass fibre filaments – only the method of application is different. Several participants stated that there is no difference between using an assembled roving or CSM while other customers considered that they would not switch between the different applications. For example, applying an CSM will, typically, provide a greater consistency of reinforcement to the desired surface in comparison to spraying an assembled roving. This is especially critical for hard wearing surfaces such as boat hulls.
38. In this respect, the Commission notes that there are arguments in favour of a wider market including both assembled rovings and CSM, while a narrower approach would favour the Applicant's definitions. The Commission is of the view that the relevant competition effects would be highlighted by defining separate product markets for both assembled rovings and CSM. The Commission notes that if there are no competition concerns in the narrowly defined market, there are unlikely to be any in a more broadly defined market.
39. The Commission notes that, with respect to both assembled rovings and CSM, there is a degree of differentiation between the different manufacturers' products. Some manufacturers are considered to produce higher quality (and more expensive) reinforcements while others produce lower quality products. However, the Commission considers that the extent of this differentiation is unlikely to be sufficient to affect the market definition. Industry participants advised that, presently, Asia-based manufacturers are competing directly with Owens Corning and Saint Gobain with respect to all glass fibre reinforcement products, not only in New Zealand but also in other countries.
40. Accordingly, the Commission considers that for the purposes of assessing the competition implications of the proposed acquisition, the appropriate product markets are:
 - assembled rovings; and
 - chopped strand mat fibres.

Functional Markets

41. The production, distribution and sale of a product typically occurs through a series of functional levels – for example, the manufacturing/import level, the wholesale/distribution level and the retail level. It is often useful to identify the relevant functional level in describing a market, as a proposed business acquisition may affect one horizontal level, but not others. Generally, the Commission will seek to identify separate relevant markets at each functional level affected by an acquisition and assess the impact of the acquisition on each.
42. Owens Corning and Saint Gobain import a range of products into New Zealand, including chopped strand mats and assembled rovings. In September 2006, Saint Gobain ended its distribution arrangement with its New Zealand distributor and now supplies its products directly.
43. Accordingly, the Commission considers that the relevant functional level is the manufacture/importation and distribution of each product.

Geographic Markets

44. The Commission defines the geographic dimension of a market to include all of the relevant, spatially dispersed sources of supply to which buyers would turn should the prices of local sources of supply be raised.
45. All industry participants advised the Commission that there is national pricing for all these products. Accordingly, the Commission is of the view that it is appropriate to define all the relevant markets as being national in extent.

Conclusion on Market Definition

46. The Commission concludes that for the purposes of assessing the competition implications of the proposed acquisition, the relevant markets are the national markets for the manufacture/importation and distribution of:
 - assembled rovings (the assembled rovings market); and
 - chopped strand mat fibres (the CSM market).

COUNTERFACTUAL AND FACTUAL

47. In reaching a conclusion about whether an acquisition is likely to lead to a substantial lessening of competition, the Commission makes a comparative judgment considering the likely outcomes between two hypothetical situations, one with the acquisition (the factual) and one without (the counterfactual).¹⁰ The difference in competition between these two scenarios is then able to be attributed to the impact of the acquisition.

Factual

48. In the factual scenario, Owens Corning would acquire the glass fibre reinforcement business of Saint Gobain. Both Owens Corning and Saint Gobain advised the Commission that their respective glass fibre reinforcement businesses have been declining in recent years as a result of increased competition from manufacturers based in Asia. In this respect, the proposed

¹⁰ *Air New Zealand & Qantas Airways Ltd v Commerce Commission (No 6)*, unreported HC Auckland, CIV 2003 404 6590, Hansen J and K M Vautier, Para 42.

acquisition will help alleviate this decline by creating synergies and potential efficiency gains.

49. Other than the combined entity, a number of other manufacturers, primarily based in Asia, would also supply glass fibre reinforcement products in the relevant New Zealand markets.

Counterfactual

50. The Applicant submitted that it is difficult to predict the likely counterfactual scenario; it noted that, in respect of glass fibre reinforcements, it is unlikely that either Owens Corning or Saint Gobain would continue to operate in their present form in the medium term. The Applicant advised that the glass fibre reinforcement business of both Saint Gobain and itself were under-performing due to an increase in the level of competition from Asia-based manufacturers.
51. However, all industry participants noted the size and scale of both Owens Corning and Saint Gobain and no participant considered that either company would likely exit the relevant markets in the short term. In this respect, the Commission considers that the relevant counterfactual would be the status quo, with Saint Gobain and Owens Corning continuing to supply the relevant glass fibre reinforcement markets.

COMPETITION ANALYSIS

Existing Competition

52. Existing competition occurs between those businesses in the market that already supply the product, and those that could readily do so by adjusting their product-mix (near competitors).
53. An examination of concentration in a market can provide a useful indication of the competitive constraints that market participants may place upon each other, providing there is not significant product differentiation. Moreover, the increase in seller concentration caused by a reduction in the number of competitors in a market by an acquisition is an indicator of the extent to which competition in the market may be lessened.
54. A business acquisition is considered unlikely to substantially lessen competition in a market where, after the proposed acquisition, either of the following situations exist:
- the three-firm concentration ratio (with individual firms' market shares including any interconnected or associated persons) in the relevant market is below 70%, the combined entity (including any interconnected or associated persons) has less than in the order of 40% share; or
 - the three-firm concentration ratio (with individual firms' market shares including any interconnected or associated persons) in the relevant market is above 70%, the market share of the combined entity is less than in the order of 20%.
55. The Commission recognises that concentration is only one of a number of factors to be considered in the assessment of competition in a market. In order to understand the impact of the acquisition on competition, and having identified

the level of concentration in a market, the Commission considers the behaviour of the businesses in the market.

The Assembled Rovings Market

56. The main suppliers in the assembled rovings market are Owens Corning and Saint Gobain with a number of Asia-based manufacturers also supplying the market.
57. Table 1 shows the estimated market shares for the assembled rovings market for the 2005 year.

Table 1: Estimated Market Shares for the Assembled Rovings Market

Manufacturer	Volume (tonnes)	Market Share
Owens Corning	[]	[]
Saint Gobain	[]	[]
<i>Combined entity</i>	<i>[]</i>	<i>[]</i>
Central Glass	[]	[]
Taiwan Glass	[]	[]
Other Manufacturers	[]	[]
Total	[]	100%

Source: Applicant, Statistics New Zealand

58. Table 1 indicates that, post-acquisition, the combined entity would have a market share of [] and the three-firm concentration ratio would be []. This is outside the Commission's safe harbours.
59. The Applicant submitted that it is facing increased competition from other manufacturers in this market, particularly from Asia-based manufacturers. For example, Owens Corning submitted that the primary reason for the proposed acquisition is to create efficiencies so it can effectively respond to the competitive constraint from these competitors.
60. Industry participants also advised the Commission that the supply in this market is increasingly coming from Asia-based manufacturers and that Owens Corning and Saint Gobain no longer have the same standing in this industry as they once had.
61. As previously stated, industry participants noted that quality issues with the Asia-based manufacturers are no longer a significant concern for many customers. For example, the Applicant stated that Chinese imports, for both assembled and direct rovings, have increased from approximately 60 tonnes per year to approximately 350 tonnes per year over the past five years.
62. [] advised that assembled rovings are the main products in its glass fibre reinforcement catalogue but noted that its customers have been switching away from the [] products it distributes. As a result of this switching, its overall turnover has decreased significantly over the last few years.¹¹ [] advised that the main reason for this switching was the higher price of the

¹¹ [

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products it distributes, in comparison to other manufacturers' glass fibre reinforcements.

63. [] advised the Commission that many end-customers are cautious about switching to a different manufacturer's assembled rovings, or any other reinforcement product, after they have become familiar with a particular manufacturer's product. However, other industry participants advised that, although some end-customers had a preference for a particular brand, there were minimal barriers for end-customers to switch to alternative suppliers, especially if a customer is given a price incentive to switch.
64. For example, the Commission received a number of examples of customers switching away from the assembled rovings supplied by either Owens Corning or Saint Gobain to other existing competitors. The Commission considers that this would be likely to continue in the factual scenario, if the combined entity attempted to raise prices or reduce quality.
65. Currently, all the existing supply in the assembled roving market is imported into New Zealand. The Applicant submitted that there are no barriers to expansion in this market and existing competitors could use their existing relationships to increase supply.
66. [] advised the Commission that through their existing distribution relationship with their respective manufacturers they have the ability to increase the quantities of glass fibre reinforcements that they currently import. For example, [] advised the Commission that if the combined entity attempted to raise prices, this would be an opportunity for itself, as well as other distributors, to increase its supply to New Zealand customers.
67. The Commission considers that there are no significant barriers for existing competitors to increase their supply to the market, if given an incentive to do so. In addition, no industry participant that the Commission interviewed expressed any concerns with the proposed acquisition. These parties noted that Asia-based manufacturers, such as those identified in the above table, have increased their presence both internationally and in the assembled rovings market in New Zealand.

Conclusion on Existing Competition

68. The Commission considers that, in the factual scenario, existing competition in the assembled rovings market is likely to continue to provide significant constraint on the combined entity. Accordingly, the Commission is satisfied that there is unlikely to be a substantial lessening of competition as a result of the proposed acquisition in the assembled rovings market.

The Chopped Strand Mat Market

69. As with the assembled rovings market, the main suppliers in the CSM market are Owens Corning and Saint Gobain with a number of Asia-based manufacturers also supplying the market.
70. Table 2 shows the estimated market shares for the CSM market for the 2005 year.

Table 2: Estimated Market Shares for the CSM Market

Manufacturer	Volume (tonnes)	Market Share
Owens Corning	[]	[]
Saint Gobain	[]	[]
<i>Combined entity</i>	<i>[]</i>	<i>[]</i>
Taiwan Glass	[]	[]
Central Glass	[]	[]
Other Manufacturers	[]	[]
Total	[]	100%

Source: Applicant, Statistics New Zealand

71. Table 1 indicates that, post-acquisition, the combined entity would have a market share of [] and the three-firm concentration ratio would be []. This is outside the Commission's safe harbours.
72. However, as for the assembled rovings market, industry participants did not express any concerns with the proposed acquisition in respect to the CSM market. The Commission notes that the same manufacturers that are competing in the assembled rovings market are also competing in the CSM market.
73. The Commission understands that, as for the assembled rovings market, there are no significant barriers to expansion for existing competitors in the CSM market. In addition, there are minimal barriers to switching between the different manufacturers' products. In this respect, the Commission considers the competition effects of the proposed acquisition in the CSM market are similar to those in the assembled rovings market discussed above.

Conclusions on Existing Competition

74. The Commission considers that, in the factual scenario, existing competition in the CSM market is likely to continue to provide significant constraint on the combined entity. Accordingly, the Commission is satisfied that there is unlikely to be a substantial lessening of competition as a result of the proposed acquisition in the CSM market.

OVERALL CONCLUSION

75. The Commission considers that the relevant markets are the national markets for the manufacture/importation and distribution of:
- assembled rovings (the assembled rovings market); and
 - chopped strand mat fibres (the CSM market).
76. The Commission considers that the likely counterfactual would be the status quo, with Saint Gobain and Owens Corning continuing to supply the relevant markets.
77. In respect of both the assembled rovings market and the CSM market, the Commission considers that, post-acquisition, existing competition is likely to provide significant constraint on the combined entity. Existing competitors are

unlikely to be hindered in their activities in the factual scenario and could increase their supply, if given an incentive to do so.

78. Therefore, the Commission considers that the proposed acquisition will not have, or would not be likely to have, the effect of substantially lessening competition in any of the relevant markets.

DETERMINATION ON NOTICE OF CLEARANCE

79. Pursuant to section 66(3)(a) of the Commerce Act 1986, the Commission determines to give clearance for the proposed acquisition by Owens Corning, or a wholly-owned subsidiary of Owens Corning, to acquire the glass fibre reinforcement business of Compagnie de Saint Gobain. Clearance is granted for the proposed acquisition only to the extent it would affect a market in New Zealand.

Dated this 20th day of December 2006

David Caygill
Deputy Chair
Commerce Commission