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UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

COMMISSIONERS: **William E. Kovacic, Chairman**
Pamela Jones Harbour
Jon Leibowitz
J. Thomas Rosch

In the Matter of **CARLYLE PARTNERS IV, L.P.** **a limited partnership,** **PQ CORPORATION** **a corporation,** **INEOS GROUP LIMITED** **a company, and** **JAMES RATCLIFFE,** **an individual.**	**Docket No. C-4233**

COMPLAINT

The Federal Trade Commission ("Commission"), having reason to believe that Carlyle Partners IV, L.P., has entered into an agreement to acquire certain assets of INEOS Group Limited, and that the acquisition, if consummated, would result in a violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, and Section 7 of the Clayton Act, 15 U.S.C. § 18, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows:

A. THE RESPONDENTS

1. Respondent Carlyle Partners IV, L.P., a limited partnership established under Delaware law, is an investment fund organized and managed by the Carlyle Group, a private investment firm based in the United States which originates, structures, and acts as the lead equity investor in management buyouts, strategic minority equity investments, equity private

placements, consolidations and other strategic investments. Carlyle Group has its principal place of business and offices located at 1001 Pennsylvania Avenue, N.W., Washington, D.C., 20004-2505.

2. Respondent PQ Corporation is a corporation organized, existing and doing business under and by virtue of the laws of Pennsylvania, with its office and principal place of business located at P.O. Box 840, Valley Forge, Pennsylvania, 19482-0840. Carlyle acquired PQ on July 30, 2007, for approximately $1.5 billion. PQ manufactures sodium silicate and sodium silicate derivatives worldwide. PQ owns ten sodium silicate manufacturing facilities in the United States.

3. Respondent INEOS Group Limited is a company organized, existing and doing business under and by virtue of the laws of England and Wales, with its office and principal place of business located at Hawkslease, Chapel Lane, Lyndhurst, Hampshire, S043 7FG, United Kingdom. INEOS Group Limited is a global manufacturer of specialty and intermediate chemicals. INEOS Silicas, a wholly owned business of INEOS Group Limited, manufactures sodium silicate and sodium silicate derivatives worldwide. INEOS Silicas operates one sodium silicate manufacturing facility in the United States, located at Joliet, Illinois.

4. Respondent James Ratcliffe is an individual, with an office and principal place of business located at Hawkslease, Chapel Lane, Lyndhurst, Hampshire, S043 7FG, United Kingdom. James Ratcliffe is the controlling shareholder of INEOS Group Limited.

5. At all times relevant herein, Respondents Carlyle, PQ and INEOS have been and are now engaged in commerce, as "commerce" is defined in Section 1 of the Clayton Act, 15 U.S.C. § 12, and are corporations or partnerships whose business is in or affecting commerce as "commerce" is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

B. THE PROPOSED ACQUISITIONS

6. On October 11, 2007, Carlyle and INEOS entered into an agreement whereby Carlyle will acquire the U.S. silicas assets of INEOS and certain INEOS foreign silicas assets for $292 million in cash, of which $60 million will be allocated to the purchase of the U.S. silicas assets. As partial consideration for the sale, Ratcliffe will also acquire 1,928,295 newly-issued shares of Class B common stock of the combined company, valued at $192.8 million. After the transaction, the new entity will be operated as a joint venture. Carlyle and INEOS will own about 54% and 36% of the combined entity, respectively, with the remaining 10% owned by joint venture management.

C. RELEVANT MARKET

7. The relevant line of commerce in which to analyze the effects of PQ's proposed acquisition of INEOS is the manufacture, marketing and sale of sodium silicate.

8. Sodium silicate is a stable, organic, environmentally friendly compound characterized by large surface area and variable pore sizes. Sodium silicate has a variety of direct uses and is also consumed in the production of downstream silicate derivatives, also referred to as silicas. The two largest direct end uses for sodium silicate are detergents and the pulp and paper industry. Detergents also represent the largest market for downstream sodium silicate derivatives, where sodium silicate is a key raw material in detergent zeolites production.

9. At prevailing relative prices, there is no close substitute for sodium silicate in any of its significant uses. As a result, a small but significant and non-transitory increase in the price of sodium silicate would not lead to a significant reduction in consumption of sodium silicate in any of its significant uses.

10. The relevant geographic market in which to analyze the effects of Carlyle's acquisition of PQ is the Midwest United States. Sodium silicate, which is almost always sold in the United States in aqueous solution form that is about 65% water, exhibits strong regional markets because of high transportation costs relative to the value of the product. The effective shipping radius from any given plant is about 300 miles. There are virtually no shipments of sodium silicate into the Midwest United States from outside of that region.

D. MARKET STRUCTURE

11. The Midwest U.S. market for sodium silicate is highly concentrated, with only four competitors. The competitors are PQ Corporation, Occidental Chemical Corporation, INEOS Group Limited, and W.R. Grace & Company. The acquisition would reduce the number of competitors from four to three, and would combine the largest competitor PQ with the third largest competitor INEOS, with 50% and 12% market shares as measured by plant capacity, respectively. The Herfindahl-Hirschman Index in this market would increase by 1181, to 4674.

12. INEOS has one U.S. sodium silicate plant located in Joliet, Illinois.

13. PQ has four U.S. sodium silicate plants within a 300 mile radius of INEOS' Joliet, Illinois, plant, located respectively in Gurnee, Illinois; St. Louis, Missouri; Utica, Illinois; and Jeffersonville, Indiana.

14. Occidental Chemical Corporation has two sodium silicate plants within a 300 mile radius of INEOS' Joliet, Illinois, plant, located respectively in Cincinnati, Ohio, and Chicago, Illinois.

15. W.R. Grace & Company has one sodium silicate plant within a 300 miles radius of INEOS' Joliet plant, located in East Chicago, Indiana.

E. CONDITIONS OF ENTRY

16. *De novo* entry or fringe expansion into the relevant market would require a substantial sunk investment and a significant period of time, such that new entry would be neither timely, likely, nor sufficient.

17. The minimum viable scale for a sodium silicate production facility using prevailing technology is high relative to market size. Construction of such a facility requires a large expenditure. A facility built to produce sodium silicate has no other potential use, and therefore the substantial expenditure required to build the facility would be lost if the entrant subsequently exited the market. Because of the preceding conditions, entry would be unlikely to deter or defeat anticompetitive behavior. In any case, entry would take longer than two years.

F. MARKET CHARACTERISTICS THAT FACILITATE COORDINATED INTERACTION

18. The characteristics of the market for sodium silicate facilitate coordinated interaction among producers, to the detriment of the purchasers of this product. Among such characteristics are:

a. The Midwest U.S. market for sodium silicate is highly concentrated;

b. Sodium silicate is a homogeneous product that is purchased primarily on the basis of price;

c. Reliable pricing information is available from customers, and from PQ, the market leader, due to PQ's practice of publicly announcing price increases; and

d. There is a high level of mutual interdependence among producers.

G. EFFECTS OF THE PROPOSED ACQUISITION

19. The effect of the Acquisition may be substantially to lessen competition and to tend to create a monopoly in the relevant market in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, in the following ways, among others:

a. It will substantially increase concentration in the market for sodium silicate;

b. It will significantly enhance the likelihood of coordinated interaction in the relevant market among the competitors in the manufacture and sale of sodium silicate;

c. It will increase the likelihood that purchasers of sodium silicate in the relevant geographic market will pay higher prices.

H. VIOLATIONS CHARGED

20. The acquisition agreements between Carlyle and INEOS, as described in paragraph 5, violate Section 5 of the FTC Act, as amended, 15 U.S.C.§ 45.

21. The acquisition of INEOS by Carlyle, if consummated, would violate Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this eighteenth day of September, 2008, issues its complaint against said Respondents.

By the Commission,

Donald S. Clark
Secretary

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