

**ANALYSIS OF AGREEMENT CONTAINING CONSENT ORDERS
TO AID PUBLIC COMMENT**

*In the Matter of Magnesium Elektron
File No. 091-0094*

I. Introduction

The Federal Trade Commission (“Commission”) has accepted, subject to final approval, an Agreement Containing Consent Orders (“Consent Agreement”) from Magnesium Elektron North America, Inc. (“MEL”) to remedy the anticompetitive effects stemming from MEL’s acquisition of Revere Graphics Worldwide, Inc. (“Revere”). Under the terms of the proposed Consent Agreement, MEL is required to sell assets used in the development, manufacture, and sale of magnesium plates for photoengraving to Universal Engraving, Inc. (“Universal Engraving”).

In September 2007, MEL acquired the worldwide assets of Revere for approximately \$15 million. At the time of the acquisition, both parties manufactured and sold magnesium plates for photoengraving. The Commission’s Complaint alleges that the acquisition violates Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the market for magnesium plates for photoengraving.

The proposed Consent Agreement remedies the alleged violation by requiring MEL to provide Universal Engraving with the intellectual property and know-how used to roll and coat magnesium plates for photoengraving applications. In addition, MEL will enter into a supply agreement with Universal Engraving that requires MEL to provide Universal Engraving with magnesium plates for photoengraving until Universal Engraving is able to produce and sell these products on its own. Finally, MEL will enter into a supply agreement with Universal Engraving for chemicals that are used in the magnesium photoengraving process, which Universal Engraving will be able to sell in conjunction with its magnesium plates.

The proposed Consent Agreement has been placed on the public record for thirty days to receive comments by interested persons. Comments received during this period will become part of the public record. After thirty days, the Commission will review the Consent Agreement again and any comments received, and decide whether to withdraw from the proposed Consent Agreement, modify it, or make final the accompanying Decision and Order.

II. The Relevant Market and Market Structure

The relevant market within which to analyze the competitive effects of the acquisition is the worldwide market for magnesium plates for photoengraving. At the time of the acquisition, MEL and Revere were the only manufacturers and sellers of magnesium plate for photoengraving, combining to account for 100 percent of the relevant market.

III. Entry

Entry is not likely to deter or counteract the anticompetitive effects of the acquisition. In order to be suitable for photoengraving applications, magnesium must be rolled and coated to exact and precise specifications. Accordingly, a new entrant would require substantial expertise in order to enter the market. In addition, the market is relatively small, which deters potential entrants from investing in the skill and expertise required for entry.

IV. Effects of the Acquisition

Absent the proposed Consent Agreement, the acquisition would result in further and ongoing competitive harm in the worldwide market for magnesium plates for photoengraving. Prior to the acquisition, MEL and Revere were the only providers of the relevant product. As a result, the acquisition eliminated actual, direct, and substantial competition between MEL and Revere, and resulted in a merger-to-monopoly in the market for magnesium plates for photoengraving.

V. The Consent Agreement

The proposed Consent Agreement remedies the competitive concerns raised by the acquisition by requiring MEL to sell the technology and know-how for manufacturing magnesium plates for photoengraving to Universal Engraving. This divestiture replaces competition that was eliminated as a result of MEL's acquisition of Revere.

Universal Engraving, based in Overland Park, Kansas, is a global leader in the manufacture and sale of products used in the photoengraving process, including brass and copper plates for photoengraving applications. Currently, Universal Engraving does not sell magnesium plates for the photoengraving process. However, under the terms of the proposed Consent Agreement, Universal Engraving will acquire the assets required to compete effectively in that market.

The proposed Consent Agreement also contains several provisions designed to ensure that the divestiture is successful. First, MEL must supply Universal Engraving with magnesium plate now, thereby allowing Universal Engraving to enter the relevant market immediately in competition with MEL. In addition, MEL must provide Universal Engraving with technical assistance related to the manufacture and sale of magnesium plates for photoengraving. Finally, MEL will supply Universal Engraving with chemicals that are used in the photoengraving process, particularly, chemicals that are used to engrave magnesium plates.

If, after the public comment period the Commission determines that Universal Engraving is not an acceptable acquirer of the assets to be divested, or that the manner of the divestitures is not acceptable, MEL must unwind the divestiture and divest the assets within 180 days of the date the Order becomes final to another Commission-approved acquirer. If MEL fails to divest the assets within the 180 days, the Commission may appoint a trustee to divest the relevant assets.

The purpose of this analysis is to facilitate public comment on the proposed Consent Agreement. This analysis is not intended to constitute an official interpretation of the proposed Consent Agreement or to modify its terms in any way.