

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **September 1, 2006**

OWENS-ILLINOIS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

1-9576

(Commission
File Number)

22-2781933

(IRS Employer
Identification No.)

One Michael Owens Way

Perrysburg, Ohio

(Address of principal executive offices)

43551-2999

(Zip Code)

Registrant's telephone number, including area code **(567) 336-5000**

(Former name or former address, if changed since last report.)

One SeaGate

Toledo, OH 43666

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.05. Costs Associated with Exit or Disposal Activity

On September 1, 2006, Owens-Illinois, Inc. (the "Company") announced its decision to close its Godfrey, Illinois, machine parts manufacturing operation. The press release announcing the closing is filed as exhibit 99.1 hereto and incorporated by reference herein.

The Company expects to record a charge in the third quarter for costs related to the closing including termination benefits, insurance, asset write downs, and other costs typically associated with a plant closing. The amount of such charge cannot be estimated until the Company and the International Association of Machinists and Aerospace Workers conclude negotiations over the effects of the plant closing, as required by the union contract. The Company expects to complete these negotiations, along with the details of the production phase-out, prior to finalizing its earnings for the third quarter.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

By: /s/ Edward C. White _____
Name: Edward C. White
Its: Senior Vice President and
Chief Financial Officer

Exhibit Index

Exhibit 99.1 Owens-Illinois, Inc. press release dated September 1, 2006.

O-I's Glass Machine Manufacturing Focus Shifts; Godfrey Facility to Close

TOLEDO, Ohio, Sept. 1, 2006—Owens-Illinois, Inc. (NYSE: OI) today announced that the Company will close its Godfrey, Ill., machine parts manufacturing operation as part of a broad initiative to reduce working capital and improve system costs.

O-I will outsource its machine parts manufacturing to various third party suppliers. Production at Godfrey is expected to phase out over the next four months.

“We sincerely regret having to make this decision, but it is consistent with our core priorities, enabling the company to be more competitive by reducing its glass container manufacturing costs through lower investment in machines and machine repair parts while improving capital capabilities and realizing cost reductions that will better position the company in the future,” said Ed White, O-I senior vice president and chief financial officer. “O-I will continue to evaluate opportunities to reduce the cost of parts for our proprietary glass forming machines as part of our machine manufacturing strategy.”

O-I representatives met with representatives of the International Association of Machinists and Aerospace Workers, District 9, last month to inform them that the Company was giving serious consideration to outsourcing the operations at Godfrey. Representatives from the Company and the union have met since the initial announcement. The meetings concluded today with a decision being finalized that will result in the closure of the Godfrey facility by the end of the year.

The Godfrey facility opened in 1958 to manufacture and distribute parts used in glass container forming machines. Currently, the 300,000 square foot facility employs 261 people.

About O-I

Millions of times a day, O-I glass containers, healthcare packaging and specialty closure systems deliver many of the world's best-known consumer products to people all around the world. With leading positions in Europe, North America, Asia Pacific and Latin America, O-I provides consumer-preferred products that enable superior taste, purity, visual appeal and value benefits for our customers' products. Established in 1903, the company employs nearly 30,000 people and has more than 100 manufacturing facilities in 23 countries. In 2005, annual revenues were \$7.2 billion. For more information, visit <http://www.o-i.com>.

CONTACT: Kelley Yoder, + 1 567-336-1388.

Copies of O-I news releases are available at the O-I Web site at www.o-i.com; or at www.prnewswire.com.

###
