

***Case No COMP/M.1723 -
ILLINOIS TOOL
WORKS / PREMARK***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 17/11/1999

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 17.11.1999

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Subject: Case No IV/M. 1723-ILLINOIS TOOL WORKS/ PREMARK

Notification of 13.10.1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 13.10.1999 the Commission received the notification of a proposed operation by which the Illinois Tool Works Inc. ("ITW") will acquire 100% of the capital stock of Premark International, Inc. ("Premark"), to the effect that ITW will acquire sole control over Premark.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No. 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

I. THE PARTIES AND THE OPERATION

3. Illinois Tool Works Inc. ("ITW") is a publicly owned company incorporated under the laws of the State of Delaware, U.S.A., a group of companies comprising 400 specialised business operations in 36 countries. It is active in engineered components and produces short lead-time components and fasteners, such as welding equipment, plastic and metal fasteners, and specialty products such as adhesives, resealable packaging and electronics packaging. In addition it manufactures Specialty Systems such as longer lead-time machinery and related consumables, such as packaging systems and strapping machinery and equipment for industrial spray coating and other applications. It is active in Leasing and Investing in assets and equipment
4. Premark International, Inc. ("Premark") is a publicly owned company incorporated under the laws of Delaware, U.S.A. and is the head of Premark Group. Premark is engaged in design, manufacture, distribution and service of commercial Food Equipment such as equipment for warewashing, refrigerating, cooking, baking, weighing, wrapping and preparing of food. It is also producing decorative surfacing

products, such as laminates and solid surfacing products, contact adhesives, wood and laminate mouldings and wall and floor tiles. It designs, manufactures and sells small household electric appliances, cookware, water distillers and fitness equipment.

II. CONCENTRATION

5. The acquisition by ITW of all share capital in Premark results in acquisition of sole control over Premark, who will become a fully owned subsidiary of ITW; therefore the operation constitutes a concentration within the meaning of Article 3(1)(b) of Council Regulation (EEC) No. 4064/89.

III. CONCENTRATION OF A COMMUNITY DIMENSION

6. The combined aggregate world-wide turnover of the undertakings concerned is more than EUR¹ 5,000 million. [ITW: € 5,326 and Premark: € 2,583]. The aggregate Community-wide turnover of at least two of the undertakings is more than EUR 250 million [ITW: € [...] million and Premark: € [...] million] and the undertakings concerned do not attain more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. Hence the concentration has a Community-wide dimension.

IV. COMPETITIVE ASSESSMENT

A. Relevant Product Markets

7. The Parties to the operation are both industrial businesses of a rather conglomerate nature with a wide range of products mainly sold by them to industrial or commercial customers, like (for ITW) distributors, building material markets, (automotive) equipment manufacturers, publishing houses and (for Premark) hotels, restaurants and institutional customers, supermarkets, furniture manufacturers, home and building and other retailers. The Parties have considered all their business activities either directly or indirectly controlled by them and under the qualifications mentioned hereafter, consider that with relation to the EEA market, none of these are present on a product market on which the other Party is active nor on any EEA market that is upstream or downstream of a market in which the other Party is active. Anyway, according to the Parties, any such overlaps do not give rise to horizontal or vertical overlaps or links resulting in aggregate market shares over 15% on any product market within the EEA.
8. The only product markets where the Parties consider minor potential overlaps of activities are in the product markets for Stretch Film Wrapping Systems and Solid Surface Adhesives.

¹ Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

Stretch Film Wrapping Systems.

9. ITW manufactures steel strapping, plastic strapping, stretch film packaging and tape packaging systems under the Signode Protective Packaging Systems brand and Mima Horizontal Series brand. Premark manufactures stretch film wrapping and labelling assembly lines for food processing under the Hobart Wrapping Systems brand. The Parties however consider that these activities do not belong to the same product market, because their respective packaging systems machinery serve different uses and differ radically in terms of size, cost, specifications and mode of operation. Where ITW's machinery is used in packaging large hard objects such as large pallets used for commercial, industrial or construction purposes (Signode brand) and for packaging construction products like windows, doors and textiles and other building components (including metal components) (Mima brand), Premark's Hobart assembly lines are used for weighing, wrapping, and labelling small food products, primarily meat. ITW's machinery is mainly sold to large manufacturers who package their products to ship them to other manufacturers, distributors or retailers. Premark's machinery is mainly sold to food retailers (supermarkets).
10. Since these machines are fundamentally different in design, function, power and size, they can be considered not to be interchangeable in use and, at least from a demand point of view, as not being substitutable. However, even if these machines would be considered to constitute one product market, for the purpose of this case it is not necessary to decide on the precise definition of the product market, since based on any alternative market definition, the proposed operation would not lead to the creation or strengthening of a dominant position.

Solid Surface Adhesives.

11. Solid surface adhesives are used in the assembly of acrylic and polyester surface worktops, which are used e.g. in kitchen, bathroom and commercial worktops. ITW supplies very limited quantities of adhesives within the EEA, while Premark makes also very small sales of adhesives in the EEA. For the purpose of this case, it is not necessary to decide on the precise definition of the relevant product market, since based on any alternative market definition, the proposed operation would not lead to the creation or strengthening of a dominant position.

B. Relevant Geographic Markets.

Stretch Film Wrapping Systems .

12. The notifying Party is of the opinion that the relevant geographic market is EEA-wide. This would be in line with the Commission Decision in the case TKS/ITW Signode, which dealt with the product market for steel and plastic strapping machinery.² In that Decision the Commission held that packaging films (stretch and shrink films) do not form part of the strapping market. However, in the present case it is not necessary to define the geographic market precisely since based on any alternative market definition, the transaction does not raise competition concerns under the Merger Regulation.

Solid Surface Adhesives.

² Case No IV/M. 970-TKS/ITW Signode Titan, decision of 6 May, 1998, OJ L 316/33

13. The notifying Party takes the view that the relevant geographic scope for this product is EEA-wide. However, in the present case it is not necessary to define the geographic market precisely since under any alternative market definition, the transaction does not raise competition concerns under the Merger Regulation.

C. Competitive Assessment.

Stretch Film Wrapping Systems.

14. Even if the stretch film wrapping machinery marketed by the Parties could be considered to belong to the same product market, the aggregate market shares of [0-10%] within the EEA would not lead to affected markets (ITW: [0-5%] and Premark: [0-5%]). On a national basis, [...] the markets where the parties' activities overlap would be Germany, where ITW has [...] [0-5%] and Premark has [...] [0-5%], resulting in an aggregate share of [0-10%], and France, where ITW has [0-10%] and Premark [...] [0-5%], an aggregate market share of [...] [less than 10%]. (Market shares are the parties' best estimates). In view of these small markets shares and of the number and size of competitors, as well as the size of the customers, it cannot be concluded that, even on the basis of a wider product market definition and on the basis of restricted geographic markets, the operation would give rise to competition concerns. From this it can be concluded that the proposed operation would not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the common market or the EEA market or any substantial part thereof.

Solid Surface Adhesives.

15. The overlapping activities of the Parties in the EEA market for solid surface adhesives are very limited in that they both make very small sales in the UK market, which, according to the Parties' estimates, represent an aggregate market share of [0-5%]. From this it can be concluded that the proposed operation would not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the common market or the EEA market or any substantial part thereof.

V. CONCLUSION

16. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1) (b) of Council Regulation (EEC) No. 4064/89.

For the Commission,