

***Case No COMP/M.1563 -  
FORD / PLASTIC  
OMNIUM***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 28/06/1999

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## COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 28.06.1999

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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**

Dear Sirs,

**Subject: Case No IV/M.1563 – FORD/PLASTIC OMNIUM**

Notification of 25 May 1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 25 May 1999, the Commission received a notification of a proposed concentration pursuant to Article 4 of the Council Regulation (EEC) No 4064/89 (Merger Regulation) by which the undertaking Ford Motor Company (“Ford”) intends to acquire sole control of the automotive interior plastic component business of the French group Compagnie Plastic Omnium.
2. After an 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**

3. Ford is a US company, which is involved in the manufacture and distribution of automotive vehicles, the provision of financial services and the leasing of vehicles through credit subsidiaries and the car rental business. Ford is also active in the supply of automotive components and systems to the automotive manufacturing industry (Visteon Automotive Systems).

Compagnie Plastic Omnium is a French company operating in the field of automotive exterior and interior plastic components, automotive fuel systems, wheeled bins, containers, street furniture and plastic parts and devices for the medical and pharmaceutical industry.

### **II. THE OPERATION**

4. The notified operation involves the acquisition by Ford through its division Visteon Automotive Systems of the sole control of the three national operating companies of Compagnie Plastic Omnium in the field of automotive interior plastic components in France, Spain and Italy. The companies concerned are Plastic Omnium Auto Interiors SA, Plastic Omnium Industrial SA and Plastic Omnium Auto Interiors s.P.a. (together referred as “Plastic Omnium”).

### **III. CONCENTRATION**

5. The acquisition by Ford of Plastic Omnium is a concentration within the meaning of Article 3(1) (b) of the Merger Regulation.

### **IV. COMMUNITY DIMENSION**

6. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion (EUR [...] million for Ford plc in 1998 and EUR [...] million for Plastic Omnium in 1998)<sup>1</sup>. Each of Ford and Plastic Omnium have a Community-wide turnover in excess of EUR 250 million (EUR [...] million for Ford in 1998 and EUR [...] million for Plastic Omnium in 1998), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension. It does not constitute a co-operation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

### **V. COMPETITIVE ASSESSMENT**

#### A. Relevant product market

7. The economic sector involved in the concentration is the automotive components sector and, more specifically, the automotive interior plastic components sector.
8. Automotive components are manufactured by suppliers to the automotive industry as well as by car manufacturers themselves. Ford is active in the manufacture and supply of automotive components to the automotive industry through its division Visteon Automotive Systems. In Europe, Ford is present in the automotive interior plastic component sector through Ford Werke AG in Germany and Ford Motor Company Enfield plant in the United Kingdom. At present, automotive interior plastic components manufactured by Ford are used entirely for its own car manufacturing but the company intends to make Visteon a supplier to other car manufacturers also as regards automotive interior plastic components. Plastic Omnium is only active in the manufacture of automotive interior plastic components.
9. A competitive overlap exists, however, between the activities of Ford and Plastic Omnium in respect of the automotive interior plastic components sector as regards instrument panels, consoles, door trim panels and other interior trims.

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<sup>1</sup> 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.

10. The question of whether these segments belong to a single product market of automotive interior plastic components or form separate product markets can finally be left open in the present case, as even pursuant to the narrower definition of the relevant market the concentration does not give rise competition concerns.

*(i) Instrument panels*

11. Instrument panel is the part of the interior of a vehicle extended from door to door and located directly in front of the driver, which contains the primary gauges and controls for operating the vehicle.

*(ii) Consoles*

12. Console is the part of the interior of a vehicle that covers the floor of the interior sheet metal that extends between the front and rear seats and from the instrument panel to the rear seat and can contain controls for operating the vehicle.

*(iii) Door trim panels*

13. Door trim panel is the part of the interior of the vehicle that covers the door opening interior sheet metal, that extends on the sides of a vehicle from the instrument panel to the rear seat and can contain controls for operating the vehicle.

*(iv) Other interior trims*

14. Other interior trims include garnish and/or finishing vehicle interior moldings made from a variety of plastic resins that can be covered in cloth or vinyl.

**B. Relevant geographic market**

15. The notifying party has taken the view that the relevant geographic market with respect to the markets of instrument panels, consoles, door trim panels and other interior trims is world-wide or at least EEA-wide in scope. According to the parties, transportation costs within the EEA are not significant and proximity of the production location of suppliers to the car manufacturer has become increasingly irrelevant. There are no specific obstacles to intra-EEA trade. In fact, intra-EEA trade is extensive and similar conditions of competition as well as prices apply in this area.
16. One of the arguments of the notifying party underlining the world-wide scope of the relevant market is the global organisation of bids in the automotive industry. Manufacturers of automotive components participate to bids organised by car manufacturers. Consequently, automotive interior plastic components are built to order and shipped to car manufacturers' plants. As bids organised in this manner are generally world-wide, the geographic market must be considered world-wide as well. This shows, among other factors, that car manufacturers tend to source their purchases according to global procurement policies. However, it is not necessary in the present case to define the markets precisely, because the transaction does not raise competition concerns under the Merger Regulation.

**VI. COMPETITIVE ASSESSMENT**

17. According to the notifying party, the aim of the acquisition by Ford of Plastic Omnium is to improve Ford's position as a supplier of automotive components, including automotive interior plastic components, to the automotive industry.
18. Ford and Plastic Omnium have overlapping activities in the markets for automotive interior plastic components in respect of instrument panels, consoles, door trim panels and other interior trims.

*(i) Instrument panels*

19. The notifying party estimates that the total value of the instrument panel market in the EEA amounted to EUR [between 1,200 and 1,300 million] in 1998. The party submits that the envisaged combined market share in the EEA market for instrument panels would amount to [between 10% and 15%]. According to the notifying party, the main competitors of the merged entity would include Faurecia with approximately [between 5% and 10%] share of the market, Johnson Controls Inc./Becker with an approximate 8%, Magna with an approximate [between 5 and 10%] and Sommer Allibert SA with an estimated [between 20% and 25%] share of the market respectively.

*(ii) Consoles*

20. The total value of the consoles market in the EEA was estimated to be EUR [between 250 and 300] million in 1998. As regards consoles, the combined market share of the merged entity would rise to [between 15% and 20%]. The main competitors would include Faurecia with an estimated market share of [between 5% and 10%], Lear with an approximate [between 5 and 10%], Le Profile with an approximate [between 5% and 10%], Sommer Allibert SA with an estimated [between 10% and 15%] and Varta with an estimated [between 5% and 10%] share of the market respectively.

*(iii) Door trim panels*

21. The notifying party submits that the total value of the door trim panels market in the EEA amounted to EUR [between 500 and 600] million in 1998. The combined market shares of the merged entity would increase to [between 5% and 10%]. The main competitors would include Findlay with an approximate [between 5% and 10%], Johnson Controls Inc./Becker with an approximate [between 5% and 10%], Lear with an approximate [between 5% and 10%], Peguform-Werke with an estimated [between 5% and 10%], Sommer Allibert SA with an estimated [between 20% and 25%] and Treves with an approximate [between 5% and 10%] share of the market respectively.

*(iv) Other interior trims*

22. Pursuant to the information submitted by the notifying party, the total value of the market for other trims amounted to EUR [between 2,000 and 2,500] million in 1998. The combined market share following the acquisition is estimated to reach [between 15% and 20%]. The main competitors would include Linpack with an estimated market share of [between 5% and 10%], Magna with an approximate [between 5% and 10%], Megaplast with an estimated [between 5% and 10%], Saturno Trasformazione Materie Plastiche SpA with an approximate [between 10% and 15%] and Sommert Allibert SA with an estimated [between 15% and 20%] market share respectively.
23. In view of the foregoing, it can be concluded that the proposed transaction does not significantly reduce the choice of suppliers of automotive interior plastic components

for car manufacturers taking into account the dynamics of the automotive components sector with car manufacturers' multiple supplier strategy, fiercely competitive bidding processes and resulting price pressure as well as the existence of powerful global competitors. The acquisition would therefore not create or strengthen a dominant position as a result of which competition would be significantly impeded in the EEA or any substantial part of that area.

## VII. ANCILLARY RESTRICTIONS

24. The notifying parties submitted a number of contractual obligations they wish to be declared ancillary to the concentration. These contractual obligations cover non-competition obligation, non-solicit clause, interim service agreements as well as granting of trademark licenses.

### a) Non-compete obligation:

25. Compagnie Plastic Omnium has agreed not to re-enter the automotive interior plastic components business world-wide for a period of five years. This non-compete clause will not, however, affect the current activities of Compagnie Plastic Omnium's Turkish operations.

26. The Commission considers this non-compete clause to be directly related and necessary to the implementation of the concentration, since it is mainly aimed at protecting the goodwill involved. However, the parties were not in a position to sufficiently prove the need to protect the know-how involved in the transaction for a period extending up to five years. Therefore, the non-compete clause is accepted as ancillary only for a period of three years.

### b) Non-solicit clause

27. Compagnie Plastic Omnium has agreed not to solicit (or endeavour to entice away from or discourage from being employed) any employee of Plastic Omnium for a period of 12 months. This period of time is reduced to 6 months in case of resignation of an employee.

### c) Interim service agreement

28. Ford and Compagnie Plastic Omnium will enter into interim service agreements covering issues such as building leases, hardware, software or administrative support. These interim service agreements will expire on 30 March 2000, at the latest.

### d) Trademark licensing

29. Ford has been granted a one-year worldwide royalty-free non-exclusive trademark license on the Plastic Omnium name and logo used for the identification of facilities.

30. Ford has been granted a worldwide royalty-free non-exclusive trademark license on the Plastic Omnium name and logo for products manufactured with existing tooling that imprints that name or logo. The license is granted for the lifetime of the tooling.

31. In so far as the clauses mentioned under b) to d) above are restrictive of competition, they are directly related and necessary to the implementation of the concentration, since they are aimed at guaranteeing the transfer to Ford of the full value of the business acquired.

## **VI. CONCLUSION**

32. 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,