

EN

***Case No COMP/M.1763 -
SOLUTIA / VIKING
RESINS***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 17/12/1999

*Also available in the CELEX database
Document No 399M1763*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 17.12.1999

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 COMP/M.1763 – Solutia Inc./Viking Resins Group Holdings B.V.
Statement pursuant to Article 18 of Council Regulation No 4064/89

1. On 16 November 1999, the Commission received a notification of a proposed concentration pursuant to Article 4 of the Council Regulation (EEC) No 4064/89¹, whereby the undertaking Solutia Inc. acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of Viking Resins Group Holdings by way of the purchase of shares.

I. THE PARTIES

2. Solutia is based in the USA and is involved in the development, manufacture and sale of high-performance, chemical products, including acrylic fibres, carpet fibres, industrial nylon fibres, industrial fluids, chemical intermediates, nylon plastics and polymers, phosphorous derivatives, polymer modifiers, synthetic resins, plastic interlayer and high technology film products. In 1998 its global turnover was EUR [...] million of which EUR [...] million was in the EU.

¹ OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

3. Viking is the ultimate holding company of the Vianova Resins Group which is controlled by funds under the management of Morgan Grenfell Private Equity Ltd.. Morgan Grenfell Private Equity Ltd. is 100% owned by Deutsch Bank AG.. Vianova develops, manufactures and sells synthetic resins primarily for coatings applications. Its global turnover in 1998 was EUR [...] million of which EUR [...] million was in the EU.

II. THE OPERATION AND THE CONCENTRATION

4. On 10 November 1999, an agreement was concluded for the sale and purchase of Morgan Grenfell Private Equity Ltd.'s shares and loan stock and cancellation of warrants in Viking Resins Group BV between Solutia and Morgan Grenfell Private Equity, Ltd. and others. The agreement entered into force upon the approval of the majority of Viking's shareholders on 10 November 1999. A minority shareholding is held by senior Viking management, which Solutia seeks to acquire at the closing of the transaction. Solutia will acquire 100% of Morgan Grenfell Private Equity Ltd.'s interest in Viking.
5. The proposed transaction therefore concerns the acquisition of sole control of Viking by Solutia, and is a concentration within the meaning of Article 3 of the Merger Regulation.

III. COMMUNITY DIMENSION

6. The notified transaction does not reach the traditional turnover thresholds set out in Article 1.2 for the Merger Regulation. As the parties combined world-wide turnover was less than EUR 5,000 million.
7. The undertakings, however, have a combined aggregate turnover of more than EUR 2,500 million. In each of at least three Member States the combined turnover of all the undertakings concerned is more than EUR 100 million, where the individual turnover of the undertakings is more than EUR 25 million in each. The Community-wide turnover of each of the undertakings is more than EUR 100 million. The notified operation therefore has a Community dimension under Article 1.3 of the Merger Regulation.

IV. RELEVANT MARKETS

A. Relevant product markets

8. The only products for which the activities of the two parties overlap are amino resins for industrial liquid coatings and amino resins for reinforced rubber.
9. Amino resins are thermosetting polymers produced by the condensation reaction of formaldehyde with amine functional chemicals and with alcohols. There exist a variety of different amino resin formulations, which may be used for the production of industrial liquid coatings, inks, wood and laminate products, paper and textiles, electric circuit boards and reinforced rubber.

10. For each type of application, the chemical base structure of the resin is different, and therefore the manufacturing process also differs. Amino resins which may be used for the production of industrial liquid coatings cannot be substituted by those amino resins which may be used for reinforced rubber. There are therefore indications that there are separate relevant product markets for amino resins for industrial liquid coatings and amino resins for reinforced.
11. However, in the present case it is not necessary to decide whether the markets for amino resins for industrial liquid coatings and amino resins for reinforced rubber constitute separate relevant product markets, since even on the narrowest market definition the operation will not give rise to competition concerns.

B. Relevant geographic market

12. For both products, prices are broadly the same across the whole of the EEA, the transport costs are very low and producers generally supply all of the EEA from a single plant. Whilst there are some imports into Europe of amino resins for industrial liquid coatings and amino resins for reinforced rubber from other parts of the world (including some imports from North America made by Solutia), these imports represent only 5% of total amino resins consumption within the EEA. This would indicate that the relevant geographic market is not wider than the EEA.
14. However in the present case it is not necessary to decide whether the relevant geographic market is the EEA or wider, since even on the narrower definition, no competition problems arise.

V. COMPETITIVE ASSESSMENT

A. Amino resins for industrial liquid coatings

15. On the narrowest market, the market for amino resins for industrial coatings within the EEA, the combined entity would have a market share of [10 - 20 %] (Solutia [0 - 10 %], Vianova [10 - 20 %]). The parties would face a much larger competitor (Cytec) with a market share of [20 - 30 %]. Furthermore, other significant players exist on the relevant market (for example, BASF, McWorther, Resisa and AKZO-Nobel).
16. In their sales of the relevant product, market players face very strong bargaining power from their customers, which are large, global multinationals such as [...].
17. The proposed transaction therefore does not raise any competition concerns on the market for amino resins for industrial liquid coatings.

B. Amino resins for reinforced rubber

18. On the narrowest market, the market for amino resins for reinforced rubber in the EEA, the combined entity would have a market share of [20 – 30 %] (Solutia [0 – 10 %], Vianova [15 – 25 %]). Cytec would again be the main competitor of the combined entity, with a much higher market share of [35 – 45 %]. There are other important competitors on the market, including Ceca, Borden, Chemike Zavody Juraja Dimitrova n.p. and Bayer.
19. Furthermore, the suppliers of amino resins for reinforced rubber face extremely strong bargaining power from their major customers, the tire manufacturers, which account for 90% of the total consumption of amino resins for reinforced rubber. These are large, global multinationals (for example [...]).
20. The proposed transaction does not therefore raise any competition concerns on the market for amino resins for reinforced rubber.

VI CONCLUSION

21. 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,