

***Case No COMP/M.2116 -  
FLEXTRONICS /  
ITALDATA***

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: 25/09/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 25.09.2000 \* 106987  
SG(2000)D/

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 Sir/Madam,

**Subject: Case No COMP/M.2116 Flextronics/Italdata**

Notification of 24.08.2000 pursuant to Article 4 of Council Regulation No 4064/89

1. On 24 August 2000 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which Flextronics International Ltd. ("Flextronics") acquires within the meaning of Article 3(1)b of the Council Regulation the hardware manufacturing unit (the "Business") of Italdata S.p.A. ("Italdata").
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**

3. Flextronics, registered in Singapore, is a global undertaking in the electronics industry with a network of operating companies in the Americas, Asia and Europe. Flextronics is a provider of "electronics manufacturing services" to original equipment manufacturers in the telecommunications, networking, consumer electronics, computer, and medical device industries. Its main activity is printed circuit board assembly. Flextronics also provides related services, such as product assembly and testing.
4. The Business to be acquired is part of Italdata which is registered in Italy and owned by Siemens Nixdorf Informations Systeme AG, Telecom Italia S.p.A. and Siemens Informatica S.p.A. Italdata manufactures hardware and develops software solutions and

services. The acquired business is the hardware manufacturing unit of Italdata. Its activities concern almost exclusively the manufacturing of personal computers. As a minor part of its business, it manufactures for example printed circuit boards for computers.

## **II. THE OPERATION**

5. Flextronics intends to acquire the Business through a newly established Italian holding company or through the ultimate parent company of the Flextronics group. As a first step, Italdata will contribute the Business to Itadue S.r.l., a newly established company under Italian law that is wholly owned by Italdata. As a second step, Flextronics will acquire all shares in Itadue S.r.l.

## **III. CONCENTRATION**

6. Flextronics will acquire sole control over the Business. The proposed transaction is therefore a concentration within the meaning of Article 3(1)b of Council Regulation (EEC) No 4064/89.

## **IV. COMMUNITY DIMENSION**

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>1</sup> (Flextronics 5.56 billion, the Business [...]). Each of Flextronics and the Business have a Community-wide turnover in excess of EUR 250 million (Flextronics[...], the Business [...]), 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.

## **V. COMPETITIVE ASSESSMENT**

### **A. Relevant product market**

8. The notifying party submits that the relevant product market is the market for electronics manufacturing services (“EMS”) to be offered to original equipment manufacturers (“OEMs”). EMS relate primarily to the assembly of printed circuit boards (“PCB”), mainly in the consumer electronics, telecommunications, computer, medical, and automotive industries. According to the notifying party, EMS providers can easily switch their production from one industry to another. The notifying party therefore does not consider it appropriate to subdivide the EMS market into specific product segments.
9. The Commission has earlier examined the market for EMS in the case *Celestica/IBM (EMS)*<sup>2</sup>. The product market definition was left open in that case, but the market investigation carried out did not seem to fully support the existence of one single product market for EMS. The market investigation in *Celestica/IBM (EMS)* confirmed

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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.

<sup>2</sup> Case No COMP/M.1841, 25.2.2000.

that switching capacity from one product category to another might be possible, but not without a major investment.

10. Also for the purposes of this decision, it is not necessary to further delineate the product market, as even on the basis of the narrowest definition, the concentration does not raise serious doubts as to its compatibility with the common market.

#### **B. Relevant geographic market**

11. The notifying party takes the view that the geographic scope of EMS for OEMs is world-wide, because customers source their supplies globally and transport costs as well as customs duties are low. In *Celestica/IBM (EMS)*, the geographic market definition could be left open as well, but it was, however, concluded in the decision that the geographic market would appear to be at least EEA-wide. This conclusion was based on such factors as low transport costs relative to price, the similar customer preferences and the absence of local barriers to entry.
12. Also for the purposes of this decision, it is not necessary to further delineate the geographic market, as even on the basis of an EEA-wide market, the concentration does not raise serious doubts as to its compatibility with the common market.

#### **C. Assessment**

13. If EMS were considered to form one single product market, Flextronics' world-wide sales correspond to a market share of [5-10%]. The proposed acquisition would only lead to a minimal increase of its market share by less than 0.5%. If market share calculations were based on an EEA wide market, Flextronics' market share of [5-15%] would be increased by [less than 2%]. It must also be noted that the market share indicated for the Business mainly contains captive sales to its present parents, which according to the notifying party would not continue after a transitory period of [...] following the acquisition.
14. As the acquisition of the Business concerns almost exclusively the market segment for EMS to the computer industry, the combined market share of the parties is somewhat higher in this particular product segment. World-wide the combined market share would be [5-10 %], whereas in the EEA it would amount to [15-20 %] if the captive sales of the Business are taken as market share.
15. The existence of a number of strong competitors ensures significant competition in the market for EMS. World-wide, Flextronics would become approximately the fourth largest EMS provider after companies such as Solectron (11%), SCI (9%) and Celestica (7%). In the EEA, Flextronics would secure its position as number one with its [10-20 %] market share, but SCI [5-10 %], Celestica [5-10 %] and Solectron [5-10 %] also hold important market positions. As regards more specifically the computer segment within the EEA, for example Fullerton ([5-15 %] in computers and [10-20 %] in personal computers) holds a strong position.
16. For the analysis of this case, it must also be taken into account that the customers of EMS providers are generally OEMs, which are sophisticated buyers with considerable buying power (such as Nokia, Ericsson, Philips, Cisco Systems and Hewlett Packard). OEMs also tend to work with several EMS providers in parallel, even for the same products.

## **VI. CONCLUSION**

17. 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,  
Mario MONTI