

*Case No COMP/M.2358 -  
FLEXTRONICS /  
ERICSSON*

Only the English text is available and authentic.

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

---

Article 6(1)(b) NON-OPPOSITION  
Date: 06/04/2001

*Also available in the CELEX database  
Document No 301M2358*



## COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 06.04.2001

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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. 2358 - FLEXTRONICS/ERICSSON**

Notification of 01.03.2001 pursuant to Article 4 of Council Regulation No 4064/89

1. On 5 March 2001, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No. 4064/89<sup>1</sup> (the "Merger Regulation"), by which the undertaking Flextronics International Ltd (Flextronics) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the mobile handset manufacturing and distribution operations ("the Business") of Telefonaktiebolaget LM Ericsson (Ericsson).
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 or with the functioning of the EEA Agreement.

### I. THE PARTIES

3. Flextronics is a global provider of Electronics Manufacturing Services ("EMS") to Original Equipment Manufacturers ("OEMs") in the telecommunications, networking, consumer electronics, computer, and medical device industries. Its main activity is Printed Circuit Board ("PCB") assembly. Flextronics is a stock company under Singapore law, listed on NASDAQ.
4. Ericsson is a Swedish corporation. It is a supplier in the telecommunications and data communications industry, offering communication solutions for mobile and fixed

---

<sup>1</sup> 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).

networks, as well as consumer products. The Business consists of the manufacturing of Ericsson mobile telephones and accessories.

## **II. THE OPERATION**

5. The concentration consists of the acquisition by Flextronics of the Business by way of purchase of assets.

## **IV. COMMUNITY DIMENSION**

6. The undertakings concerned had a combined aggregate world-wide turnover of more than EUR 5 billion<sup>2</sup> (Flextronics: €[...] billion, the Business, €[...] billion) in 2000. Each of the undertakings concerned had a Community-wide turnover in excess of EUR 250 million in 2000. None of the undertakings concerned achieved more than two-thirds of their aggregate Community-wide turnover within one and the same Member State in 2000. The notified operation therefore has a Community dimension, but does not constitute a co-operation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

## **V. COMPETITIVE ASSESSMENT**

### Relevant product market

7. The parties submit that the relevant product market is the market for EMS provided to OEMs and do not consider it appropriate to subdivide the EMS sector into specific product segments. EMS relates primarily to the assembly of printed circuit boards, mainly in the consumer electronics, telecommunications, computer, medical, and automotive industries. According to the party, EMS providers frequently do and have the capability to supply different electronics products primarily to the consumer electronics, telecommunications, computer, medical, and automotive industries.
8. For the purposes of this decision, it is not necessary to further delineate the relevant product market, because, in all alternative market definitions, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

### Relevant geographic market

9. According to the notification, 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*<sup>3</sup>, the geographic market definition was left open, but the Commission considered that the geographic market for EMS appeared to be at least EEA-wide.

---

<sup>2</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>3</sup> *Decision of 25 February 2000 in case No M. 1841.*

10. For the purposes of this decision, it is not necessary to further delineate the geographic market, because, in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

#### Assessment

11. If EMS were considered to form one single product market, Flextronics's post-merger market share would be [10 – 20] % ([<10] % Flextronics + [<10] % the Business) world-wide. In the EEA, Flextronics's post-merger market share would be [20 – 30] % ([<10] % Flextronics + [10 – 20] % the Business).
12. As the acquisition of the Business concerns exclusively EMS to manufacturers of mobile handsets, the parties have provided market share information on this narrower basis. Accordingly, world-wide and excluding captive production, their combined market share would be approximately [30 – 40] % ([<10] % Flextronics + [30 – 40] % the Business). In the EEA, and on the basis on these narrow premises, their post-merger market share would be [40 – 50] % ([<10] % Flextronics + [30 – 40] % the Business). Despite these high figures the transaction does not raise competition concerns. The customers of EMS providers are generally large OEMs (such as Nokia, Motorola, Siemens, Philips, Cisco Systems and Hewlett Packard), who are sophisticated buyers with significant in-house production capabilities providing them with an effective competitive alternative to outsourcing. Therefore, if captive production were taken into consideration in the calculation of market shares, the parties' post merger combined market shares would be [10 – 20] % worldwide and [10 – 20] % in the EEA.
13. It must also be borne in mind that Flextronics faces a number of significant competitors on the world-wide and on the EEA market for EMS to OEMs, such as for instance Solectron, SCI Systems, Celestica.

#### **VI. CONCLUSION**

14. 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,