

***Case No COMP/M.2629 -  
FLEXTRONICS /  
XEROX***

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: 12/11/2001

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 12-11-2001

SG (2001) D/292109

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

Dear Sir/Madam,

**Subject: Case No COMP/M.2629 FLEXTRONICS / XEROX  
Notification of 11.10.2001 pursuant to Article 4 of Council Regulation  
No 4064/89<sup>1</sup>**

1. On 11.10.2001, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the undertaking Flextronics International Ltd., Singapore, ("Flextronics") acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the manufacturing and assembly of the Xerox Office Business segment ("the target business") of Xerox Corporation, USA, ("Xerox") by way of purchase of assets.
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.

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<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).

## **I. THE PARTIES**

3. Flextronics is a Singapore company providing electronic manufacturing services (EMS) to original equipment manufacturers (OEMs) in the high-tech industries, mainly computers and telecommunications.
4. Xerox is a US company active as a supplier of document management products, consumables, service, rental, finances and document outsourcing services.

## **II. THE OPERATION**

5. The operations consists of a “master purchase agreement” of 1 October 2001, by which Xerox will permanently transfer to Flextronics all assets used by “the target business”, including plant, equipment, tooling and inventory located at the facilities. The activities of “the target business” being sold to Flextronics comprises manufacturing and assembly of digital black-and-white printers with optional copy, fax and scanning functionality, certain end-of-life analogue copiers and solid ink colour printers.

## **III. CONCENTRATION**

6. The notified operation constitutes an acquisition of sole control by Flextronics over “the target business” and, therefore, a concentration within the meaning of Article 3(1)b of the Merger Regulation.

## **IV. COMMUNITY DIMENSION**

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>2</sup> (Flextronics: 13.3 billion, the target business: [...] billion). Each of Flextronics and “the target business” has 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. COMPATIBILITY WITH THE COMMON MARKET**

### **(1) Relevant product market**

#### *Electronic manufacturing services (EMS)*

8. 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

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<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.

the capability to supply different electronics products primarily to the consumer electronics, telecommunications, computer, medical, and automotive industries.

9. 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.

## **(2) Relevant geographic market**

### *Electronic manufacturing services (EMS)*

10. The notifying parties state that the relevant geographic market is at least the EEA. This has been confirmed by the market investigation which showed that the relevant geographic market appears to be at least EEA-wide if not world-wide.
11. It is not necessary to further delineate the relevant geographic markets because, in all alternative geographic market definitions considered, effective competition would not be significantly impeded in the EEA or in any substantial part of that area.

## **(3) Competitive assessment**

### *Electronic manufacturing services (EMS)*

12. If EMS were considered to form one single product market, Flextronics's post-merger market share would be around [10-20]% ([10-20]% Flextronics + [0-10]% the target business) world-wide. In the EEA, Flextronics's post-merger market share would be around [10-20]% ([10-20]% Flextronics + <[0-10]% the target business).
13. As the acquisition of the Business concerns exclusively EMS to manufacturers of peripheral equipment products<sup>3</sup>, the parties have provided market share information on this narrower basis. Accordingly, world-wide and excluding captive production<sup>4</sup>, their combined market share would be approximately [20-30]% ([0-10]% Flextronics + [20-30]% the target business). In the EEA, and on the basis on these narrow premises, their post-merger market share would be [20-30]% ([0-10]% Flextronics + [20-30]% the target business). Despite these high figures the transaction does not raise competition concerns. The customers of EMS providers are generally large OEMs (such as Canon, Lexmark, Ricoh and Oce), 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]% both world-wide and in the EEA.
14. It must also be borne in mind that Flextronics faces a number of significant competitors providing EMS in relation to peripheral equipment products on the world-wide and on the EEA market, such as for instance Solectron, Sanmina, Omni Electronics, Jabil Circuit and Manufacturer's Services Ltd ("MSL").

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<sup>3</sup> The product segment of electronics peripherals includes copiers, printers, multi-function devices, fax machines, scanning devices, modems, and paper handling devices.

<sup>4</sup> With captive production means internal production within OEMs.

## **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