

***Case No IV/M.861 -
TEXTRON / KAUTEX***

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

Article 6(1)(b) NON-OPPOSITION
Date: 18/12/1996

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 18.12.1996

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

Subject: **Case No.IV/M.861 - TEXTRON/KAUTEX**
Notification of 15 November 1996 pursuant to Article 4 of Council Regulation
No 4064/89

1. On 15 November 1996 Textron Inc (USA) notified to the Commission an intended operation whereby Textron acquires within the meaning of article 3(1)(b) of Council Regulation 4064/89 sole control of Kautex Werke Reinold Hagen AG (Germany) (Kautex Werke), Kautex Corporation (Canada) (Kautex Canada), Kautex Mexico SA de CV (Mexico) (Kautex Mexico) and Kautex North America Inc (USA) (Kautex North America)⁽¹⁾ from Kloeckner Mercator Maschinenbau GmbH (Germany) (Kloeckner).

I THE PARTIES

2. Textron operates globally in five business segments - aircraft, automotive components, industrial - principally fastening systems for the automotive and white goods industries⁽²⁾ aerospace and defence components, and financial services.

(1) Kautex Werke, Kautex Canada, Kautex Mexico and Kautex North America are collectively referred to as Kautex.

(2) This segment includes the activities of Valois industries (Valois) acquired by Textron (Commission decision IV/M.721 - Textron/Valois, 20 March 1996).

3. Kautex is engaged in the design, manufacture and distribution of plastic products primarily for the automotive industry but also for other applications such as packaging and parts for the white goods industry.

II THE OPERATION

4. Textron will acquire 99 per cent of the stock of Kautex Germany and as a result control of its European, South American and Asian subsidiaries. By a separate agreement Textron will also acquire the shares of Kautex Canada and of Kautex Mexico and the assets of Kautex North America. Completion of each of these agreements is conditional upon completion of the other. The target companies, which are each directly or indirectly controlled by Kloeckner, will thus each become subject to sole control by Textron. In addition they are all active in the same product markets.
5. All the acquisitions accordingly constitute a single concentration within the meaning of article 3(1)(b) of the Regulation.⁽³⁾

III CONCENTRATION OF COMMUNITY DIMENSION

6. Textron and Kautex have a combined aggregate worldwide turnover in excess of 5000 million ECU (Textron ECU [...] ⁽⁴⁾, Kautex ECU [...] ⁽⁴⁾). They each have a Community-wide turnover in excess of 250 million ECU. They do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same member State.
7. The operation therefore has a Community dimension within the meaning of article 1(1) of the Regulation. It does not qualify for cooperation with the EFTA Surveillance Authority under the EEA Agreement.

IV COMPATIBILITY WITH THE COMMON MARKET

a) **Relevant product markets**

8. Although Kautex also supplies other plastic blow-moulded automotive components and other plastic blow-moulded products, the only blow-moulded products supplied by both Textron and Kautex in the EEA are plastic blow-moulded automotive washer bottles/systems.
9. Plastic blow-moulded automotive bottles/washer systems are components which include the windscreen wash systems, rear window wipe systems and headlamp cleaning systems. There is a relatively high degree of supply-side substitutability between different plastic blow-moulded products (automotive and other), since they can all be produced on a single standard machine, subject only to any necessary changes of the moulds, polyethylene colour and extruder. However, demand-side substitution between automotive bottles/washer systems and other plastic blow-

⁽³⁾ See Commission decision IV/M.409 - ABB/Renault Automation, IV/M.479 - Ingersoll-Rand/MAN

⁽⁴⁾ Deleted for publication

moulded products (automotive and other) is clearly impossible. On the narrowest product market definition possible in the present case - plastic blow-moulded automotive bottles/washer systems - no competition problems arise.

b) Geographical reference markets

10. In earlier decisions⁽⁵⁾ the Commission has considered that the geographic reference market for new automotive components is probably at least Western Europe (EEA). Relevant factors include the facts that suppliers of automotive components are usually active in several countries and that purchasers do not source on a purely national basis. The Commission's enquiries confirm this conclusion in the present case.

c) Competitive assessment

11. In the EEA the parties will have a total share of the market for plastic blow-moulded automotive bottles/washer systems of about [...] ⁽⁶⁾ per cent (Textron [...] ⁽⁷⁾ per cent, Kautex [...] ⁽⁷⁾ per cent).
12. Within the EEA the scope of their activities in this market is largely complementary: Textron is active primarily in the United Kingdom, Kautex primarily in Germany, Belgium, Spain and Portugal. There are overlaps only in the Netherlands and the United Kingdom.
13. In the Netherlands Kautex supplies Nedcar, a production joint venture between Volvo and Mitsubishi under an agreement which relates to a discontinued vehicle series and which expires in 1996; Textron since 1996 supplies the washer bottles/systems to the current series.
14. In the United Kingdom Textron supplies about [...] ⁽⁸⁾ per cent of the requirements of OEMs for washer/bottles systems. Kautex supplies about [...] ⁽⁹⁾ per cent of the market as a result of a contract which expires in September 1997 and which will not be renewed.
15. There are numerous existing or potential suppliers of plastic blow-moulded automotive bottles/washer systems in the EEA. There are no significant barriers to entry to the market and supply-side substitution makes it possible for manufacturers of other plastic blow-moulded automotive components to switch to bottles/washer systems. The most important customers for the products are motor vehicle manufacturers, who exercise considerable countervailing bargaining power.
16. Accordingly the operation leads to no creation or reinforcement of a dominant position.

⁽⁵⁾ eg decisions IV/M.149 - Lucas/Eaton, IV/M.726 - Bosch/Allied Signal

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V ANCILLARY RESTRAINTS

17. Textron has requested that certain restrictions be considered as integral or ancillary to the concentration.
18. Apart from its current activities and subject to standard exceptions for the acquisitions of certain interests the Kloeckner group will not compete with Kautex for [...] ⁽¹⁰⁾ years. It will not solicit current employees of Kautex for [...] ⁽¹¹⁾ years.
19. Kloeckner will ensure that between execution and completion of the acquisition agreement Kautex will carry on business consistently with past practice and will assume no abnormal obligations. The supervisory board, where its consent is required, must consult Textron. Textron must also be consulted before certain other major decisions are taken.
20. Textron is entitle to request Kloeckner to provide non-exclusive computer licences and support services on existing terms until [...] ⁽¹²⁾ .
21. The parties will keep confidential the contents of the agreements relating to the operation.
22. In so far as these provisions contain restrictions they are either integral to the operation, or they are necessary to guarantee the transfer to Textron of the full value of the assets purchased or otherwise directly related to and necessary for the successful implementation of the concentration and can therefore be treated as ancillary to the concentration.

VI CONCLUSION

23. For the foregoing reasons, the proposed concentration does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

. 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 functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation No 4064/89.

For the Commission,

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⁽¹²⁾ Deleted : not later than 31 December 1999