

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

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In the Matter of)	
)	
SOLVAY S.A.,)	Docket No. C-4046
a foreign corporation.)	
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)	

COMPLAINT

The Federal Trade Commission (“Commission”), having reason to believe that Solvay S.A. (“Solvay”) has entered into an agreement to acquire certain voting securities of Ausimont S.p.A. (“Ausimont”), a subsidiary of Italenergia S.p.A. and that the acquisition, if consummated, would result in a violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, and Section 7 of the Clayton Act, 15 U.S.C. § 18, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows:

A. THE RESPONDENT

1. Respondent Solvay S.A. is a corporation organized, existing, and doing business under and by virtue of the laws of Belgium, with its principal office and principal place of business located at Rue du Prince Albert, 33, B-1050, Brussels, Belgium. Solvay, among other things, engages in the worldwide development, manufacture and sale of chemicals, plastics, and pharmaceuticals.

2. At all times relevant herein, Respondent Solvay S.A. has been and is now engaged in commerce, as “commerce” is defined in Section 1 of the Clayton Act, 15 U.S.C. § 12, and is a corporation whose business is in or affecting commerce as “commerce” is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

B. THE PROPOSED ACQUISITION

3. On December 21, 2001, Solvay S.A. entered into a share purchase agreement with Montedison S.p.A. and Longside International S.A. to acquire Ausimont. Montedison S.p.A., which owned eighty percent of Ausimont, is a wholly-owned subsidiary of Italenergia S.p.A.

C. RELEVANT MARKET

4. One relevant line of commerce in which to analyze the effects of Solvay's proposed acquisition of Ausimont is the manufacture and sale of polyvinylidene fluoride ("PVDF"), which includes coatings grades of PVDF and melt-processible grades. Coatings grade PVDF is used in highly durable exterior coatings. Melt-processible PVDF is used in a range of applications, including wire and cable jacketing, fiber optic raceways, chemical processing equipment, and semiconductor manufacturing equipment. There are no economic substitutes for PVDF in the applications in which it is used. That is, a small but significant and non-transitory price increase would not significantly affect the current level of consumption of any of the grades of PVDF in any of the significant end-use applications.

5. A second line of commerce in which to analyze the effects of the acquisition is the manufacture and sale of melt-processible grades of PVDF. These grades have different physical properties than coatings grades of PVDF. There are no economic substitutes for melt-processible PVDF in the applications in which it is used. However, some firms can produce both coatings grades and melt-processible grades in some or all of their equipment, without incurring significant sunk costs.

6. The relevant geographic market in which to analyze the effects of Solvay's proposed acquisition of Ausimont is the world.

D. MARKET STRUCTURE

7. The markets for PVDF and melt-processible PVDF are highly concentrated. Three manufacturers, Solvay, Ausimont, and AtoFina, currently account for approximately ninety percent of world PVDF capacity. All three manufacturers produce melt-processible grades of PVDF, but Solvay does not produce coatings grades.

8. Solvay produces PVDF in the U.S. at a plant in Decatur, Alabama. It also produces PVDF at its plant in Tavaux, France. Ausimont produces PVDF at a plant in Thorofare, New Jersey.

9. The proposed acquisition would increase concentration significantly for all grades of PVDF, as measured by the Herfindahl-Hirschman Index ("HHI"), by more than 1000 points, to over 4300. It would increase the HHI for melt-processible PVDF by several hundred points, to over 5100. In each case the market is already highly concentrated and would be significantly more concentrated as a result of the proposed acquisition.

E. CONDITIONS OF ENTRY

10. *De novo* entry or fringe expansion into the relevant market would require a substantial sunk investment and a significant period of time, such that new entry would be neither timely, likely, nor sufficient to deter or counteract the effects of the acquisition. Further, effective entry would require

vertical integration into VF_2 , which is a necessary raw material to produce PVDF, and which is not widely traded. Entry into VF_2 would also take a long time, and would likely require adding capacity beyond that which is required to support efficient PVDF production.

F. MARKET CHARACTERISTICS FACILITATE COORDINATED INTERACTION

11. The characteristics of the market for PVDF facilitate coordinated interaction among producers. Among such characteristics are:

- a. The market for PVDF is already highly concentrated, and after the acquisition there would only be two significant competitors;
- b. Reliable pricing information is readily available from customers;
- c. PVDF is generally sold in small quantities to numerous customers; and
- d. Pricing does not respond significantly to changing demand and supply conditions.

H. EFFECTS OF THE PROPOSED ACQUISITION

12. The effect of the acquisition may be substantially to lessen competition and to tend to create a monopoly in the relevant market in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways, among others:

- a. It will substantially increase concentration in the market for PVDF;
- b. It will significantly enhance the likelihood of coordinated interaction in the relevant market among the competitors in the manufacture and sale of PVDF;
- c. It will eliminate Ausimont as a growing competitor in melt-processible grades of PVDF, and;
- d. It will lead to higher prices and a reduced level of innovation in PVDF.

I. VIOLATIONS CHARGED

13. The acquisition agreement between Solvay and Montedison S.p.A. and Longside International S.A., as described in paragraph 4, violates Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.

14. The acquisition of Ausimont by Solvay, if consummated, would violate Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this twenty-ninth day of April, 2002, issues its complaint against said Respondent.

By the Commission.

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Donald S. Clark
Secretary