



Determination of the Competition Authority

Determination No. M/03/002 of the Competition Authority, dated 1 April 2003, under Section 21 of the Competition Act, 2002

Notification No. M/03/002 – BASF Corporation, USA / Honeywell International Inc.

Introduction

1. On 12 February 2003 the Competition Authority, in accordance with Section 18(1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby BASF Corporation USA would acquire the world-wide engineering plastics business (the “Target Business”) of Honeywell International Inc.

The Parties

2. BASF Corporation, USA is a 100% subsidiary of BASF Aktiengesellschaft (“BASF”), a company registered in Germany. BASF Aktiengesellschaft is active worldwide in the production, processing and distribution of all kinds of chemical, chemical technical and metallurgical products, including the production and sale of nylon polymer and compounded engineering plastics.
3. Honeywell International Inc. (“Honeywell”) is an advanced technology company specialising in the areas of aerospace, transportation and power systems, speciality materials and automation and control systems.
4. In general terms, the Target Business is engaged in the production and sale of nylon polymer and compounded engineering plastics. The major assets of the Target Business are located in North America; the rest are in Brazil, South Korea and Germany. The acquisition of the German facility will be achieved through the acquisition of 100% of the shares of Honeywell Polymers GmbH which owns the German plant.

Analysis

Nylon Polymers

5. Nylon polymers are used in the manufacturing of compound plastics and plastic film. Market investigation has shown that the degree of substitutability among nylon polymers depends upon their application and end use - e.g. a polymer designed for use in very low temperatures is not generally considered a substitute for the polymer used in manufacturing plastic film for cooking. Thus the relevant product market(s) could be that for all nylon polymers or for various subsets of nylon polymers.
6. Nylon polymers are supplied to Irish customers through the Irish distributors of a number of large, vertically integrated competitors who manufacture the polymers in central European countries. These competitors are comparable to BASF and Honeywell in terms of their presence and share of the supply of nylon



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polymers in Europe and in Ireland. Honeywell has a smaller presence and share of supply in Europe than most of its competitors. The proposed transaction will not negatively affect Irish customers' access to nylon polymers.

7. Whether the relevant market(s) here are widely or narrowly defined - e.g. (a) all nylon polymers in Europe or (b) nylon polymer 6.6 in Ireland - the effect of the of the proposed transaction will not be to substantially lessen competition in any of these markets in the State.

Compound Engineering Plastics

8. Compound engineering plastics are used by injection moulding firms, and companies with their own injection moulding facilities, to make plastic components for various end uses. Market investigation has shown that the degree of substitutability among compound plastics depends upon their application and end use - e.g. in the automotive industry, there are significant switching costs associated with switching plastics or switching supplier once the component has been quality and safety approved. Furthermore, some compound plastics are made to a secret formula which is the possession of one company and so sometimes there exists no direct substitutes for a particular plastic.
9. In Europe, compounded engineering plastics are produced by a number of large, vertically integrated competitors, who compound the plastics in central European countries, and also by a large number of independent compounders who purchase polymer on the merchant market. The large competitors are comparable to BASF and Honeywell in terms of their presence and share of the supply of compound engineering plastics in Europe and in Ireland. Honeywell has a smaller presence and share of supply in Europe than most of its competitors. Customers of these undertakings generally purchase a number of different plastics. These customers can, in theory, buy each plastic from a separate manufacturer but seem to prefer to get the best deal they can for a group of plastics from one or two companies and then benefit from quantity rebates. The proposed transaction will not negatively affect Irish customers' access to compounded engineering plastics.
10. It is not necessary to make a final determination on whether the relevant product market is that for compound engineering plastics, nylon compound plastics, or other subsets of compound plastics, nor on whether the relevant geographic market is that of Ireland or some wider European market, as the effect of the proposed transaction will not be to substantially lessen competition in any of these markets in the State.



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Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Terry Calvani
Member of the Competition Authority

1 April 2003