

and form in which they have complied with the order.

IN THE MATTER OF
ALLIED CHEMICAL CORPORATION, ET AL.

ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION AND SEC. 7 OF THE
CLAYTON ACT

Docket 8767. Complaint, Aug. 26, 1968—Decision, Apr. 29, 1970

Order requiring a major manufacturer and distributor (Allied) of chemical products, including synthetic fibers, and a Mount Clemens, Mich., manufacturer (Robbins) of automotive safety seat belts, to divest themselves of all their assets used in the manufacture of seat belt webbing, and that for a period of 10 years they purchase 80 percent of their United States requirements of webbing from suppliers other than Allied.

COMPLAINT

The Federal Trade Commission, having reason to believe that the above-named respondents have violated the provisions of Section 7 of the Clayton Act (15 U.S.C. Sec. 18) and Section 5 of the Federal Trade Commission Act (15 U.S.C. Sec. 45), issues this complaint, stating its charges as follows:

I. Definitions

1. For purposes of this complaint, the following definitions are applicable:

(a) Fiber—any tough substance composed of thread-like material whether of animal, vegetable, mineral, or man-made origin, especially substances capable of being spun or woven;

(b) Yarn—a number of fibers twisted together and used in the manufacture of webbing;

(c) Webbing—a narrow fabric material with bound edges, woven from yarn, which is joined with a buckle to form an automotive safety seat belt assembly; and

(d) Automotive Safety Seat Belt—a lap-type belt, shoulder harness, or similar restraining device.

II. The Respondents

A. *Allied Chemical Corporation*

2. Respondent, Allied Chemical Corporation (“Allied”), is a corporation organized and existing under the laws of the State of New York, with its principal office and place of business at 61 Broadway, New York, New York.

3. In 1967, Allied was approximately the 64th largest industrial corporation in the United States in terms of annual sales with over \$1.2 billion, approximately the 39th largest in terms of assets with over \$1.6 billion, and had retained earnings of over \$412 million.

4. Together with its consolidated subsidiaries, Allied is the Nation’s seventh largest chemical company in terms of sales. Its major products include fibers and plastics, synthetic organic chemicals, chlorine, alkalies, and chromium chemicals.

5. In 1967, Allied’s sales of fibers and plastics amounted to over \$235 million and accounted for 19 percent of Allied’s total sales volume. Allied produces nylon fibers for a wide range of textile markets: heavy and medium denier yarns for seat belts, tire cord, carpeting, upholstery, cordage, and industrial fabrics; and fine deniers for hosiery and all types of wearing apparel.

6. Allied is one of only three companies, supplying yarn to producers of automotive safety seat belt webbing. In 1967, Allied’s sales of yarn to such producers amounted to over \$3.8 million.

7. At all times relevant herein, Allied has sold and shipped products in interstate commerce throughout the United States and engaged in “commerce” within the meaning of the Clayton and Federal Trade Commission Acts.

B. *Jim Robbins Seat Belt Co.*

8. Respondent, Jim Robbins Seat Belt Co. (“Robbins”), is a corporation organized and existing under the laws of the State of Delaware with its principal office and place of business at 130 Stephenson Highway, Troy, Michigan. Robbins was formed on June 10, 1966, as an equally-owned joint venture between Allied and Jim Robbins

Company ("J. R. Co."). It was organized for the sole purpose of taking over the automotive safety seat belt business formerly conducted by J. R. Co., which business included certain webbing manufacturing assets acquired by J. R. Co. in early 1965.

9. J. R. Co., the predecessor in interest to respondent Robbins, entered the seat belt business in 1962 through the acquisition of the assets of Auto-Crat, Inc., a company which was then engaged in the manufacture of automotive safety seat belts ("seat belts").

10. In 1965, J. R. Co. sold approximately 10.3 million seat belts, valued at \$23.5 million, to automobile manufacturers. It was one of the two largest companies in the industry, each of which accounted for approximately 33.1 percent of all such sales during 1965.

11. Allied acquired J. R. Co.'s 50 percent interest in the new corporation on July 28, 1967. Since that time, Allied has operated Robbins as a wholly-owned subsidiary.

12. In 1967, Robbins sold approximately 14.4 million seat belts valued at approximately \$34.2 million to automobile manufacturers. Its market share increased to 33.6 percent, making it the dominant company in the market with sales approximately 52 percent greater than those of its nearest competitor.

13. At all times relevant herein, Jim Robbins Seat Belt Co. and its predecessor in interest, Jim Robbins Company, have sold and shipped products in interstate commerce throughout the United States and engaged in "commerce" within the meaning of the Clayton and Federal Trade Commission Acts.

III. The Nature of Trade and Commerce

A. The Seat Belt Industry

14. Prior to January 1, 1964, the manufacture and sale of seat belts was a relatively low volume business made up of a number of small firms selling seat belts almost exclusively to the aftermarket; i.e., for installation as accessories on used automobiles or on new automobiles after purchase.

15. In response to certain state legislation, domestic automobile manufacturers made two lap-type seat belts standard equipment on all automobiles produced after January 1, 1964. This safety requirement has since been broadened so that, with the exception of convertibles, all six-passenger 1968 model automobiles must be equipped with six lap-type belts and two shoulder harnesses. This has created a very substantial and rapidly expanding market—the manufacture and sale of seat belts to automobile manufacturers ("seat belt industry"). Conversely, the aftermarket is quickly being eliminated. It

is estimated that aftermarket sales accounted for less than 5 percent of total domestic seat belt sales in 1967.

16. In 1963, shipments of all seat belts, whether sold to the aftermarket or to automobile manufacturers, amounted to less than 11.5 million belts valued at under \$34 million. However, in 1965, sales to automobile manufacturers, alone, amounted to over 29.0 million seat belts valued at over \$70 million. In 1967, such sales had risen to over 40 million seat belts valued at over \$101 million, a dollar increase of more than 150 percent since 1965 and almost 250 percent since 1963.

17. The rapid rise of sales to automobile manufacturers has drastically altered the structure of the seat belt industry. In 1963, at least 22 concerns were engaged in the manufacture and sale of seat belts. However, of this number, only six have been able to establish significant relationships with the four major domestic automobile manufacturers and the one foreign manufacturer selling a significant number of automobiles in the United States. In 1967, these six companies accounted for all domestic seat belt sales to automobile manufacturers.

18. Since virtually all domestic seat belt sales are now made to only five customers—General Motors Corporation, Ford Motor Company, Chrysler Corporation, American Motors Corporation, and Volkswagen of America, Inc., the problem of establishing a customer-supplier relationship presents a very substantial barrier to entry into the seat belt industry.

19. The seat belt industry is highly concentrated. Of the six companies in the market, the top two accounted for 55.7 percent of total sales in 1967, while the top four accounted for 82.7 percent.

20. Robbins is the only seat belt manufacturer which is integrated backward into webbing, the primary raw material used in the production of seat belts.

B. The Webbing Industry

21. Prior to March 10, 1965, the webbing industry was composed of six principal producers ("webbers") each of which bought nylon yarn from one or more of three available suppliers and sold finished webbing to seat belt manufacturers.

22. On March 10, 1965, J. R. Co. acquired the webbing manufacturing assets of one of these webbers, Everlastik, Inc., a division of Chelsea Industries, Inc. ("Everlastik"), leaving five non-integrated webbers in the industry. Four of these webbers are small companies with total annual sales ranging from \$9 million to \$15 million. The

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other webber is Burlington Ribbons, a division of Burlington Industries, Inc.

23. The know-how and technology involved in converting yarn to finished webbing is highly sophisticated and presents a substantial barrier to entry into the industry. Increasingly rigid webbing specifications are imposed by both the Federal Government and the automobile manufacturers.

24. The webbing industry, as a whole, is rapidly expanding. Total sales increased from approximately \$14 million in 1965 to about \$19.5 million in 1966, and to over \$20.7 million in 1967. However, sales of the five non-integrated webbers decreased from approximately \$16.8 million in 1966 to approximately \$15.8 million in 1967.

C. The Yarn Industry

25. Nylon yarn is the basic raw material used in the production of webbing. Only three companies—Allied, E. I. duPont de Nemours & Co., Inc., and American Enka Company—supply such yarn to the webbing industry.

26. In 1965, Allied accounted for under 7 percent of all yarn sold to webbers in the merchant market and supplied under 13 percent of all yarn used in the manufacture of webbing during that year. In 1967, two years after Allied's initial acquisition of an interest in Robbins, it accounted for over 11 percent of merchant sales of yarn and over 30 percent of all yarn used in the manufacture of webbing.

IV. The Acquisitions

A. Seat Belts

27. Pursuant to a contract ("the Agreement") dated December 29, 1965, Allied entered into an arrangement with Mr. J. M. Robbins, J. R. Co., and Robbins Land Company ("Land Co."), both Michigan corporations controlled by Mr. Robbins, whereby Allied acquired certain assets utilized in the manufacture of seat belts. In consideration for \$20,000,000 Allied acquired:

(a) All of Land Co.'s right, title, and interest in and to the land and buildings comprising certain plants used in the manufacture of seat belts, said plants being located at Mt. Clemens, Michigan, and at Rochester, Michigan; and

(b) Certain patents and patent applications relating to the manufacture of seat belts, along with all rights under licenses thereunder, and goodwill, owned by J. R. Co. and/or Mr. J. M. Robbins, individually.

28. The Agreement further provided for the organization of a new Delaware corporation, Robbins. Robbins was formed to take over the automotive safety seat belt business formerly conducted by Mr. Robbins and the companies which he controlled. The new corporation had authorized capital of \$2,000,000, consisting of 20,000 shares of common stock with a par value of \$100 per share. In addition, a loan of \$10,000,000 was arranged for the new corporation.

29. After closing the transaction whereby Allied acquired the assets described in Paragraph 27, *supra*, it transferred those assets to Robbins in return for 50 percent of the latter's authorized common stock and its note in the amount of \$10,000,000. The note was immediately satisfied with the \$10,000,000 borrowed by the new corporation. Thus, Allied acquired a 50 percent stock interest in Robbins for \$10,000,000.

30. J. R. Co. transferred certain machinery, equipment, molds, dies, tools, furniture, and fixtures used in manufacturing automotive safety seat belts together with \$3,157,000 in working capital (consisting of inventory, prepaid expenses, and cash), all contracts with suppliers and purchase orders from customers related to the seat belt business, and its interest as lessee under a certain lease covering plant space at Knoxville, Tennessee, to the new corporation in exchange for 50 percent of the latter's authorized stock. No receivables were transferred to the new corporation, nor did it assume any liabilities except those which arose subsequent to the closing under the contracts and purchase orders mentioned above and under the land contracts transferred to the new corporation by Allied.

31. The Agreement was consummated on January 10, 1966. In essence, the transactions described in Paragraphs 27, 28, 29, and 30, *supra*, carried out pursuant to the Agreement, resulted in Allied's acquisition of a 50 percent interest in the automotive safety seat belt business carried on by Mr. Robbins and the companies which he controlled.

32. Paragraph 11(A)(v) of the Agreement provided that, in the event of the death of Mr. Robbins, "Allied shall have the option . . . to purchase all the stock of the new corporation [Robbins] then held by J. R. Co., by Robbins' [Mr. J. M. Robbins'] estate, or any corporation controlled by it, at a total price of \$10,000,000 increased by one-half the accumulated earned surplus of the new corporation to the date of death or decreased by one-half of any surplus deficit of the new corporation at such date as reflected on the books of the new corporation." Mr. J. M. Robbins was killed in a plane crash on September 26, 1966. Allied exercised its option and, on July 28,

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1967, acquired the remaining 50 percent interest in Robbins for approximately \$10,800,000.

33. In 1965, the year prior to the formation of Robbins and prior to Allied's acquisition of any interest in the seat belt business conducted by J. R. Co., the latter company sold 10.3 million seat belts valued at \$23.5 million to the two largest automobile manufacturers in the United States, such sales accounting for 99 percent of J. R. Co.'s seat belt business. J. R. Co. was one of the two largest seat belt manufacturers in the industry, each of which accounted for 331 percent of all seat belts sold to automobile manufacturers in 1965.

34. During 1966, the year prior to Allied's acquisition of the remaining 50 percent interest in the joint venture, Robbins had sales of 13.8 million belts valued at \$29.8 million. As was the case with J. R. Co. during 1965, 99 percent of Robbins' sales were made to the nation's two largest automobile manufacturers. Its market share, however, declined 29.5 percent of all seat belts sold to automobile manufacturers.

B. Webbing

35. On March 10, 1965, J. R. Co. acquired the inventory, machinery, equipment of one of its webbing suppliers, Everlastik. These assets, valued at \$325,000, consisted of 16 looms and associated equipment, along with an inventory of yarn and finished webbing.

36. Prior to the acquisition, Everlastik had been one of the six principal webbers in the United States, buying its yarn from Allied and selling approximately \$2-3 million of finished webbing to the seat belt industry.

37. Shortly after its acquisition, but not as part of the acquisition agreement, J. R. Co. enticed certain personnel with webbing expertise away from Everlastik.

38. In 1966, Robbins strengthened this integrated position by acquiring 14 webbing looms from Comfort-Craft, Inc., of Hialeah, Florida. The purchase price was approximately \$420,000.

V. Violations Charged

A. Violations of Section 7 of the Clayton Act

39. The effect of respondents' acquisition of the seat belt business of J. R. Co., as described in Paragraphs 27 through 32, *supra*, has been, or may be, substantially to lessen competition or to tend to

create a monopoly in the manufacture and sale, in the United States, of seat belts to automobile manufacturers, webbing to seat belt manufacturers, and yarn to webbers in the following ways, among others:

(a) Robbins has, or will have, decisive competitive advantages over non-integrated producers of seat belts and webbing to the detriment of actual and potential competition;

(b) Non-integrated producers of webbing have been, or may be, deprived of a substantial customer or potential customer to the detriment of actual and potential competition;

(c) Allied's position in the manufacture and sale of yarn to webbers has been, or may be, substantially increased, to the detriment of actual and potential competition, in that the existence of Robbins' purchasing power may induce actual and potential suppliers of Robbins to purchase yarn from Allied.

(d) Allied's position in the manufacture and sale of yarn to webbers has been, or may be, substantially increased, to the detriment of actual and potential competition, through the use of Robbins' purchasing power in such a manner as to influence or attempt to influence webbers to purchase Allied's yarn by withdrawing or threatening to withdraw Robbins' patronage or by otherwise manipulating Robbins' webbing purchases;

(e) Additional acquisitions and mergers in the seat belt and webbing industries have been, or may be, precipitated to the detriment of actual and potential competition;

(f) Actual and potential competition in the seat belt, webbing, and yarn industries has been, or may be, substantially lessened because barriers to entry have been, or may be, substantially increased; and

(g) Already high concentration levels in the seat belt, webbing, and yarn industries may be substantially increased and the possibility of deconcentration lessened.

40. The acquisition of the seat belt business of J. R. Co. by respondents, as alleged above, constitutes a violation of Section 7 of the Clayton Act (15 U.S.C. Sec. 18).

*B. Violation of Section 5 of
The Federal Trade Commission Act.*

41. Respondent Allied, respondent Robbins, and Robbins' predecessor in interest, J. R. Co., have carried out a program of acquisition

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and expansion, the cumulative effect of which is, and has been, to lessen, restrain, and eliminate competition in the manufacture and sale, in the United States, of seat belts to automobile manufacturers, webbing to seat belt manufacturers, and yarn to webbers. Such program consists of the following:

(a) Acquisition by J. R. Co. of one of its webbing suppliers, as described in Paragraphs 35 through 36, *supra*;

(b) Formation of a joint enterprise, Robbins, for the manufacture and sale of seat belts, as described in Paragraphs 27 through 31, *supra*;

(c) Acquisition by Robbins of additional webbing assets, as described in Paragraph 38, *supra*;

(d) Acquisition by Allied of J. R. Co.'s remaining interest in Robbins, as described in Paragraph 32, *supra*; and

(e) Expansion of the acquired webbing facilities so that those facilities, which supplied only 18.2 percent of Robbins' webbing requirements in 1965, supplied 73.2 percent of such requirements in 1967.

42. The acts and practices of respondents pursuant to the program described in Paragraph 41, *supra*, have had and do have the effect of hindering, lessening, restricting, restraining, destroying, and eliminating competition in the manufacture and sale, in the United States, of seat belts to automobile manufacturers and webbing to seat belt manufacturers; have had and do have a tendency to hinder competition unduly or to create and maintain in respondents a monopoly; have foreclosed markets and access to markets to competitors and/or potential competitors in the manufacture and sale of webbing; are to the prejudice of the public and of the competitors of respondents; and constitute an unfair method of competition and an unfair act and practice within the intent and meaning of Section 5 of the Federal Trade Commission Act.

Mr. Joseph J. O'Malley, Mr. William P. Tedards, and Mr. Arthur L. Herold supporting the complaint.

Mr. John W. Barnum, Mr. Robert S. Rifkind, and Mr. Philip P. Berelson for respondents, *Cravath, Swaine & Moore*, New York, N.Y.

INITIAL DECISION BY EDGAR A. BUTTLE, HEARING EXAMINER

MARCH 5, 1970

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PRELIMINARY STATEMENT

The Federal Trade Commission, on August 26, 1968, issued its complaint in this proceeding charging respondents Allied Chemical Corporation and Jim Robbins Seat Belt Co. with violating Section 5 of the Federal Trade Commission Act and Section 7 of the Clayton Act. The complaint alleges that respondents have carried out a series of acts and practices, the cumulative effect of which has been to restrain competition in the domestic manufacture and sale of automotive seat belts, automobile seat belt webbing, and seat belt yarn, thereby violating Section 5 of the Federal Trade Commission Act. The complaint further alleges that respondents' acquisition of the automotive seat belt business formerly carried on by the Jim Robbins Company (hereinafter referred to as the "subject acquisition") constitutes, in itself, a violation of Section 7 of the Clayton Act, in that it may substantially lessen competition and tend to create a monopoly in each of the above-mentioned lines of commerce.

An answer was filed on October 15, 1968. Between that date and March 27, 1969, six pre-hearing conferences were held and respondents had substantial discovery including copies of all of complaint counsels' proposed documentary evidence, list of witnesses, allocation of each of the foregoing to the allegations of the complaint, and a

list of all persons interviewed by the Commission's staff. Similar material was provided by respondents to complaint counsel.

Presentation of the case-in-chief began in Washington, D.C., on August 4, 1969, and concluded on August 27, 1969.

Respondents' case began on September 9, 1969, in New York, New York. On September 10, 1969, respondents moved to strike certain exhibits and testimony which had been admitted in support of the case-in-chief and further moved to dismiss the complaint. Respondents submitted memoranda in support of these motions, and counsel supporting the complaint submitted memoranda in response to each motion. On September 10, 1969, the hearing examiner heard oral argument on the motions and, on September 12, 1969, the examiner denied both motions.

Presentation of respondents' case continued in New York City until September 19, 1969. Respondents' case resumed in Chesterfield, Virginia, on September 24, 1969, and concluded in Washington, D.C., on September 25, 1969. Counsel supporting the complaint presented rebuttal in Washington, D.C., on October 20-21, 1969, and respondents presented surrebuttal on October 27-28, 1969. The record was closed on October 28, 1969. The Commission extended the time of the hearing examiner to render an initial decision until March 12, 1970, in view of a contemplated stipulation of findings of fact, conclusions of law and order by the parties herein (see Commission order dated December 10, 1969).

Pursuant to Section 3.46 of the Commission's Rules of Practice for Adjudicative Proceedings, counsel supporting the complaint and counsel for respondents submitted the following stipulated findings of fact, conclusions of law, and order in the above-captioned matter. Respondents participated in this submission solely for the purpose of terminating this proceeding on the basis of the proposed order and stipulated to the within findings of fact and conclusions of law solely for the purpose of this proceeding. Counsel supporting the complaint and respondents agreed that the stipulation of findings of fact and conclusions of law and the consent to entry of the proposed order shall be deemed null and void in the event that any of the findings of fact, conclusions of law or provisions of the proposed order are modified without the consent of the parties or in the event that the proposed order shall not become final. The aforesaid stipulation was executed by counsel supporting the complaint and counsel for respondents on February 26, 1970, at a post-hearing conference on that date in the presence of the hearing examiner.

Upon a careful and considered review thereof the hearing examiner is of the opinion that the stipulation as executed is accurately

supported by the findings herein and is consistent with the evidence adduced as set forth in the transcript record. Accordingly, the hearing examiner renders the findings of fact, conclusions of law and order hereinafter set forth.

FINDINGS OF FACT

I

The Respondents

A. *Allied Chemical Corporation*

1. Respondent, Allied Chemical Corporation (hereinafter referred to as "Allied"), is a corporation organized and existing under the laws of the State of New York, with its principal office and place of business at 61 Broadway New York, New York 10006. (Complaint, par. 2 and Answer.)

2. In 1967, Allied was the 64th largest industrial corporation in the United States in terms of annual sales with over \$1.2 billion, the 39th largest in terms of assets with over \$1.6 billion, and had retained earnings of over \$412 million. (Complaint, par. 3, and Answer, par. 3; CX 1.)

3. Allied sells fibers and plastics, synthetic organic chemicals, chlorine, alkalis, and chromium chemicals. (Complaint, par. 4, and Answer, par. 4.)

4. In 1967, Allied's sales of fibers and plastics amounted to over \$235 million and accounted for 19 percent of Allied's total sales volume. Allied produces nylon fibers for a wide range of textile markets: heavy and medium denier yarns for seat belts, tire cord, carpeting, upholstery, cordage, and industrial fabrics; and fine deniers for hosiery and all types of wearing apparel. (Complaint, par. 5 and Answer.)

5. In 1967, Allied was a major supplier of yarn to producers of automobile safety seat belt webbing. Allied's sales of yarn to such producers amounted to over \$3.8 million. (Complaint, par. 6, and Answer, par. 5, CX 10A; CX 14(a); Brokaw, Tr. 1149; 1150-57.)

6. Allied, at all times relevant herein, has sold and shipped products in interstate commerce throughout the United States and engaged in "commerce" within the meaning of the Clayton and Federal Trade Commission Acts. (Complaint, par. 7, and Answer.)

B. *Jim Robbins Seat Belt Co.*

7. Respondent, Jim Robbins Seat Belt Co. (hereinafter referred to as "Robbins"), is a corporation organized and existing under the

laws of the State of Delaware with its principal office and place of business located at 322 Cass Avenue, Mount Clemens, Michigan. (Complaint, par. 8, and Answer, par. 6.)

8. Robbins was incorporated on January 7, 1966, as an equally-owned joint venture between Allied and the Jim Robbins Company (hereinafter referred to as "J.R. Co."). The joint venture was created to take over the automotive seat belt business formerly carried on by the J.R. Co. (Complaint, par. 8, and Answer, par. 6; CX 24(b); CX 25(a); CX 26(a); CX 70(b); Stip. 14; CX 70(c); Stip. 15.)

9. Allied acquired J.R. Co.'s 50 percent interest in Robbins on July 28, 1967. Since that time, Allied has operated Robbins as a whollyowned subsidiary. (Complaint, par 11, and Answer.)

10. J.R. Co., a predecessor in interest to respondent Robbins (CX 33), entered the seat belt business in 1962 through the acquisition of certain assets of a company then engaged in the manufacture of automotive safety seat belts. (Complaint, par 9, and Answer, par. 7; CX 35(b).)

11. In 1965, J.R. Co. sold approximately 10.4 million seat belts to automobile manufacturers for an aggregate purchase price of approximately \$23.7 million. (Answer, par. 8.)

12. In 1967, Robbins sold approximately 14.6 million seat belts to automobile manufacturers for an aggregate purchase price of approximately \$34.5 million. (Answer, par. 9; CX 6A.)

13. At all times relevant herein, Robbins and its predecessor in interest, J.R. Co., have sold and shipped products in interstate commerce throughout the United States and engaged in "commerce" within the meaning of the Clayton and Federal Trade Commission Acts. (Complaint, par. 13, and Answer.)

II

Lines of Commerce

A. *Automotive Seat Belts*

14. The automotive seat belt is a type of safety restraining device, manufactured for use in an automobile and designed to protect the wearer in case of an accident. (Pulley, Tr. 652; Neff, Tr. 694.)

15. The main structural components of an automotive seat belt are webbing and hardware; the hardware includes a buckle assembly and metal end fittings. (Pulley, Tr. 634-35.)

16. The automotive seat belt is a safety system that must meet: (1) high minimum standards imposed under federal legislation; and

(2) more rigid specifications imposed by the automobile manufacturers. These standards and specifications govern: (1) the type and construction of the yarn used in the webbing; (2) the type, construction, color and pattern, elongation (stretching), breaking strength, resistance to abrasion (wear), resistance to light degradation, color fastness, color crock, and resistance to staining of the webbing; and (3) the design and construction of the hardware. (Answer, par. 28; Cook, Tr. 1759; Desmarais, Tr. 1855-57; Waterhouse, Tr. 611; Tr. 577-78; RX 11; RX 15; RX 26; RX 85; RX 90; RX 97; RX 99.)

17. Automotive seat belts differ in design and performance from other types of safety belts. Specifications applying to the manufacture of automotive seat belts and components thereof, which are imposed by the Department of Transportation and the automotive manufacturers, exceed those which apply to seat belts used in aircraft, which are imposed by the Federal Aviation Administration. (Rozum, Tr. 421; Pulley, Tr. 650-54; Neff, Tr. 712-17.)

18. Prior to January 1, 1964, automotive seat belts were sold primarily in the aftermarket; that is, for installation as accessories on used automobiles or on new automobiles after purchase. (Complaint, par. 14, and Answer, par. 10; CX 70(a); Stip. 2; Rozum, Tr. 399-400; Pulley, Tr. 628-29.)

19. In 1963, shipments of all seat belts, whether sold to the aftermarket or to automobile manufacturers, amounted to less than 11.6 million belts valued at under \$34.9 million. (CX 36.)

20. In response to certain state legislation, domestic automobile manufacturers made two lap-type seat belts standard equipment on all automobiles produced after January 1, 1964. This safety requirement has since been broadened so that, with the exception of convertibles, all six-passenger automobiles manufactured after January 1, 1968, are required by federal regulations to be equipped with six lap-type belts and two shoulder harnesses. (Complaint, par. 15, and Answer, par. 11; CX 70(a); Stip. 5.)

21. Since January 1, 1964, the domestic manufacture and sale of seat belts to automobile manufacturers has rapidly expanded while aftermarket sales have rapidly declined. By 1967, aftermarket sales had dropped to approximately \$8,000,000, accounted for by eight companies still specializing in the aftermarket. Since 1967, the aftermarket has declined to practically nothing. Answer, par. 28; CX 6A; CX 28(c); Rozum, Tr. 400.)

22. The four leading domestic automobile manufacturers are the only significant purchasers of seat belts manufactured and sold in the United States. (Waterhouse, Tr. 518; Tr. 608-09; CX 28(c).)

In calendar 1967, sales of automotive seat belts to the four leading automobile manufacturers amounted to \$100,030,000, or about 93 percent of the total seat belts sold in that year. (CX 6A.)

23. The domestic automotive seat belt market is highly concentrated, with six companies accounting for all sales by United States manufacturers to the four leading United States automobile manufacturers. A substantial cause of such concentration was the Federal and State government policies requiring installation of seat belts by the automobile manufacturers and imposing, on short notice, high standards for their design and construction. Each of the manufacturers of automobile seat belts, other than Robbins and General Safety corporation, manufactures products unrelated to automotive seat belts. (Rozum, Tr. 400; Tr. 403-05; Waterhouse, Tr. 530-32; Pulley, Tr. 654-55; CX 6A; CX 6.)

24. The manufacture and sale of seat belts to automobile manufacturers is difficult to enter because of the diversity of technology required, the capital which is necessary, and the difficulty of establishing a customer-supplier relationship. (CX 57; CX 28(d).)

25. It is highly unlikely that the automotive seat belt will be displaced by an alternative device in the foreseeable future. (CX 57; Waterhouse, Tr. 547-48; Cook, Tr. 1807-08; Desmarais, Tr. 1851-52.)

B. Automobile Seat Belt Webbing

26. A narrow fabric is a woven fabric under twelve inches wide with finished edges. (Neff, Tr. 684-85.)

27. Automobile seat belt webbing is a specific synthetic narrow fabric approximately two inches wide, which is manufactured in accordance with Federal government and automobile company specifications. (Pulley, Tr. 634; Neff, Tr. 712; Shapiro, Tr. 962; Thompson, Tr. 2356.)

28. Automobile seat belt webbing is one of the primary components of an automotive seat belt and is a substantial factor in the cost of manufacturing such belts. (Rozum, Tr. 405; Waterhouse, Tr. 532; Pulley, Tr. 634-35.) The customers for automobile seat belt webbing are those companies which manufacture automotive seat belts. (Neff, Tr. 707; Tate, Tr. 874-76; Shapiro, Tr. 959-60; CX 94(a); Rose, Tr. 1045-46; CX 59(a); CX 32.)

29. Automobile seat belt webbing is a distinct product which was developed specifically in response to the demand for automotive seat belts; it is not manufactured for any use other than automotive seat belts and is not used in significant quantities for any other

purpose. (Neff, Tr. 686-87; Tr. 690-93; Rose, Tr. 1049-50; Tr. 1115; Thompson, Tr. 2359.)

30. Automobile seat belt webbing must meet: (1) high minimum standards imposed by federal specifications; and (2) more rigid specifications imposed by the automobile manufacturers. These standards and specifications govern the type, construction, color and pattern, elongation (stretching), breaking strength, resistance to abrasion (wear), resistance to light degradation, color fastness, color crock, and resistance to staining of the webbing. Despite the stringency of the Federal requirements, no automobile seat belt webbing which does not exceed those specifications would be acceptable to an automobile manufacturer. (Complaint, par. 23, and Answer, par. 15; Neff, Tr. 691-93; Waterhouse, Tr. 611; RX 11; RX 26; RX 90; RX 97; RX 98; RX 99.)

31. Because automobile seat belt webbing must be manufactured in accordance with such rigid standards and specifications (see par. 30, *supra*) it differs in significant respects from all other narrow fabrics. (Neff, Tr. 712-14; CX 87-CX 91, in conjunction with Neff, Tr. 732-37; Shapiro, Tr. 962-63; Rose, Tr. 1113; Tr. 1116-17; Pulley, Tr. 651-52; Tr. 671-72; Murray, Tr. 2417-19.)

32. The manufacture of automobile seat belt webbing requires special textile-type skills and an investment which is not easily spread over different end uses. (CX 28(d).)

33. The most difficult element in the manufacture of automobile seat belt webbing is the dyeing process. This process is distinct from all other narrow fabric dyeing processes, and it is the element of the manufacturing process which is most responsible for imparting distinguishing characteristics to automobile seat belt webbing. (Murray, Tr. 2405-06; Tr. 2417-18; Tr. 2418-19.)

34. The sophisticated equipment needed to dye automobile seat belt webbing is expensive and must be manufactured to the specifications of the automobile seat belt webbing producer. (Thompson, Tr. 2392-95; Murray, Tr. 2442.)

35. A seat belt webbing manufacturer must have experienced dyeing people with the technical expertise to dye and supervise the dyeing of automobile seat belt webbing. Such people are hard to obtain. (Neff, Tr. 703-04; Tr. 863-64; Shapiro, Tr. 963-69; Rose, Tr. 1050; Murray, Tr. 2417-19.)

36. The automobile seat belt webbing market is highly concentrated, with only six firms engaged in the manufacture and sale of such webbing. Each of the manufacturers of automobile seat belt

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webbing, other than Robbins, manufactures other types of narrow fabrics. (Neff, Tr. 706-07; Rose, Tr. 1049; CX 10A.)

37. Because of the sophisticated textile expertise involved and the need for experienced personnel and specialized equipment, it would be difficult for potential entrants to enter the automobile seat belt webbing market. (Neff, Tr. 712-15; Rose, Tr. 1050; CX 28(d).)

38. In calendar 1967, Robbins, which accounted for 34.5 percent of all seat belts sold to the four leading domestic automobile manufacturers, used approximately \$6.37 million worth of automobile seat belt webbing. (CX 6A; CX 8A.)

C. Seat Belt Yarn

39. Seat belt yarn is the principal material from which automobile seat belt webbing is manufactured. (Complaint, par. 25, and Answer, par. 16; Neff, Tr. 717.)

40. Seat belt yarn, the construction of which is governed by rigid specifications imposed by the automobile companies, is recognized, both by its producers and by its customers, as a distinct product. The seat belt yarn manufactured by Allied differs in chemical composition from that manufactured by E. I. du Pont de Nemours & Co. ("du Pont"). Brokaw, Tr. 1129-30; Neff, Tr. 715-17; Shapiro, Tr. 963; Thompson, Tr. 2362-63; CX 12(c); CX 13(a); Desmarais, Tr. 1855-57; Fraim, Tr. 1996-98; CX 102(b); RX 15; RX 97(a)-(c); RX 98(a)-(d); RX 99(a)-(b).)

41. At least five companies have experimented with the manufacture of seat belt yarn. Allied, du Pont, and American Enka were the only companies producing it commercially in 1967. (Neff, Tr. 717-18; Rose, Tr. 1111-12; Brokaw, Tr. 1149-50; CX 10A.)

42. Allied and du Pont are the only companies now, engaged in the manufacture and sale of seat belt yarn in the United States. (Brokaw, Tr. 1150.)

43. In 1967 total sales of seat belt yarn by all suppliers amounted to \$12,578,000. (CX 10A.)

III

Acts and Practices Engaged in by Respondents

44. In early 1964, Everlastik, Inc. (hereinafter referred to as "Everlastik"), a whollyowned subsidiary of Chelsea Industries, Inc. (hereinafter referred to as "Chelsea"), became an approved source of automobile seat belt webbing at General Motors Corporation (hereinafter referred to as "GM") and Ford Motor Company (hereinafter referred to as "Ford"). Shortly thereafter, Everlastik ob-

tained a contract to supply J. R. Co. with five million yards of automobile seat belt webbing. (Murray, Tr. 2434; Fraim, Tr. 2003.)

45. In late 1964, David Casty, president of Chelsea, contacted all of the manufacturers of automobile seat belt webbing in an endeavor to sell the automobile seat belt webbing assets of Everlastik. (Fraim, Tr. 1895; Murray, Tr. 2470.)

46. Subsequently, in either December of 1964 or January of 1965, J. R. Co. began to negotiate with Chelsea for the purchase of the automobile seat belt webbing assets of Everlastik. (Fraim, Tr. 2002-03.)

47. In March of 1965, J. R. Co. acquired the machinery, equipment, fixtures, tools, dye formulas, and inventories which were being used by Everlastik in the manufacture of automobile seat belt webbing. The purchase price was \$325,000, which was allocated as follows:

(a) machinery, equipment, fixtures, tools, and dye formulas—\$175,000;

(b) inventories—\$150,000. (CX 18(a); CX 35(b); CX 44(a); CX 70(b); Stip. 13; Murray, Tr. 2436-38.)

Joseph A. Murray, who was executive vice president of a division of Chelsea, was of the opinion that the price at which the Everlastik assets were sold to J. R. Co. was very low because the dyeing equipment was much more valuable than Casty realized. (Murray, Tr. 2469; Tr. 2473.)

48. Findings 33 and 35 are incorporated by reference as an integral part of this finding. During the course of the negotiations leading to the acquisition of Everlastik, Kenneth Wellborne, an expert automobile seat belt webbing dyer and an employer of Everlastik, had been pressured to go to work for J. R. Co. as part of the sale of Everlastik to Robbins. J. R. Co. particularly wanted Wellborne because of his dyeing expertise, which J. R. Co. did not have. After the acquisition, Wellborne and six other Everlastik employees went to work for J. R. Co. (Murray, Tr. 2439-40.)

49. J. R. Co. also engaged the services of Freeman Fraim, a textile expert with a great deal of experience in the manufacture of narrow fabrics, in general, and automobile seat belt webbing, in particular. He was given general supervisory authority over the operation. Fraim had previously been the general manager of Everlastik on a consulting basis. (Fraim, Tr. 1887; Tr. 1938-39.)

50. Prior to J. R. Co.'s acquisition of the Everlastik assets, Everlastik had been purchasing seat belt yarn from Allied, du Pont, and Chemstrand. (Fraim, Tr. 1998.)

51. After J. R. Co. acquired Everlastik's assets, Allied became their sole supplier of seat belt yarn. (Fraim, Tr. 1999.)

52. By May of 1965, J. R. Co. had moved the Everlastik assets to Mt. Clemens, Michigan. (Fraim, Tr. 1939-40.)

53. Between May of 1965 and early September of 1965, J. R. Co. attempted to reestablish the acquired operation as a going concern in the manufacture of automobile seat belt webbing. However, J. R. Co. had a "tremendous amount of problems" with the operation and was unable to get the business running. (Thompson, Tr. 2351.)

54. During the July-September 1965 period, J. R. Co. had serious trouble with Allied's seat belt yarn. The breaking strength was so close to the minimum allowable that everybody, including Fraim, was alarmed. On September 6, 1965, Fraim composed a letter advising J. R. Co. to switch to du Pont yarn. (Fraim, Tr. 2023-2024; 2025; Tr. 2028-29.)

55. In September 1965, Allied assigned Robert Thompson, an Allied textile fibers expert, to J. R. Co.'s automobile seat belt webbing manufacturing operation. Within a week thereafter, Fraim was dismissed. (Thompson, Tr. 2350; Tr. 2352; Tr. 2353.)

56. At the time Allied sent Robert Thompson to J. R. Co., the Mt. Clemens plant was in poor condition and the situation was "chaotic." The employees were untrained and didn't know what they were doing. (Thompson, Tr. 2351.)

57. Mr. Thompson was given full responsibility for the entire automobile seat belt webbing manufacturing operation of J. R. Co. He had two supervisors working under him and had the authority to take additional people from the Allied organization. At his request, approximately seven Allied employees worked in the J. R. Co. operation. Thompson remained on the Allied payroll and maintained an office in New York, to which he returned occasionally. His immediate supervisor was Warren McHugh, supervisor of industrial market development for Allied. (Thompson, Tr. 2351; Tr. 2352; Tr. 2354.)

58. It is unusual for suppliers to lend the degree of assistance to customers that Allied lent to J. R. Co. Thompson is not aware of any other instance in which a supplier took total supervision of a customer's manufacturing operations. (Thompson, Tr. 2354-55.)

59. Prior to being acquired by J. R. Co., Everlastik had an automobile seat belt webbing capacity of 220,000 yards per week. At the time Thompson, at Allied's direction, took over management of J. R. Co.'s seat belt webbing manufacturing operation, the operation was producing only 30,000 yards per week. After five or six

weeks under Thompson's management, J. R. Co.'s webbing capacity had increased to 100,000 yards per week, and after about four months it was up to approximately 55,000 yards per day (Fram, Tr. 1994; Thompson, Tr. 2353-54.)

The Subject Acquisition. (Pars. 60-65.)

60. Within two weeks after Thompson began to manage the automobile seat belt webbing manufacturing operation of J. R. Co., Allied began to investigate the possibility of buying all or part of J. R. Co. (CX 12; CX 13.)

61. As viewed by Allied, one of the primary purposes of such an acquisition would be to assure that J. R. Co. would continue to purchase only Allied seat belt yarn, which, as late as November of 1965, was still unsatisfactory. (CX 12(a); CX 13(a); CX 14(a) & (b); CX 21(a), (b) & (c); CX 24(b) & (c); CX 27; CX 28(e); CX 37(d); CX 45; CX 57; CX 39(a).)

62. In November of 1965, Allied was not yet satisfied with the automobile seat belt webbing business of J. R. Co., despite the rapid expansion which had been achieved since Thompson began to manage the manufacturing operation in early September. Thus, another primary purpose of the proposed acquisition emerged: to provide the acquired company with the additional management and technical guidance necessary to further integrate J. R. Co.'s operations. (CX 23(e); CX 24(b); CX 37(b); CX 39(a).)

63. On December 29, 1965, Allied and J. R. Co. agreed to form a joint venture, Jim Robbins Seat Belt Co. ("Robbins") for the purpose of taking over J. R. Co.'s entire automotive safety seat belt business, including the automobile seat belt webbing manufacturing operation which was already being managed by Thompson. The agreement contemplated that Robbins would be jointly owned and managed by Allied and J. R. Co. (CX 24(b); CX 25(a); CX 26; CX 33; generally, and CX 33(c); Complaint, par. 8, and Answer, par. 6.)

64. Robbins was incorporated on January 7, 1966, and the December 29, 1965, agreement was consummated on January 10, 1966, in accordance with the terms thereof. (CX 70(a): Stip. 3; (CX 70(c): Stip 15; Complaint, par. 31, and Answer, par. 20.)

65. Robbins operated as a joint venture until July 28, 1967, at which time Allied bought out J. R. Co.'s interest in Robbins, pursuant to an option contained in the December 29, 1965, Agreement, which gave Allied the right to buy out the J. R. Co. interest if Mr. Jim Robbins should die. Since that time, Allied has operated Robbins as a wholly-owned subsidiary. (Complaint, par. 11, and Answer.)

66. The formation of the joint venture did not alter the responsibilities of Robert Thompson. He continued to manage the automobile seat belt webbing manufacturing operation and remained on the Allied payroll until April of 1966, at which time he was transferred to the Robbins payroll. (Thompson, Tr. 2355.)

67. In calendar 1965, J. R. Co., with its automobile seat belt webbing manufacturing operation under the management of Thompson from September on, supplied 18.2 percent of its own requirements of such webbing. In calendar 1967, under the joint ownership of Allied and J. R. Co. until July 28, and under the sole ownership of Allied after that, Robbins produced 73.2 percent of its own requirements. (CX 8A; CX 32; CX 59; CX 70(b) : Stip. 9 and Stip. 10.)

IV

The Effects of Respondents' Acts and Practices

A. *Automotive Seat Belt Market*

68. In 1965, J. R. Co. sold approximately 10.4 million seat belts to GM and Ford for an aggregate purchase price of approximately \$23.7 million. (Answer, par 21.) During 1965, J. R. Co. was supplying GM and Ford with approximately 60 percent and 67 percent of their respective requirements (CX 21(b); CX 25(a); CX 26(a); CX 57) and had a "major share" of the dynamic rapidly expanding seat belt market. (CX 21(a) & (b); CX 23(b); CX 37(b) & (d).) Mr. Jim Robbins, the owner of J. R. Co., possessed "proven ability" in dealing with the leading automobile manufacturers and had done a major selling job for his products. (CX 21(b); CX 24(b); CX 26(b).)

69. In 1967, Robbins was the leading company in the automotive seat belt market, accounting for approximately 34.5 percent of total industry sales, while its closest rival, the Hamill Manufacturing Company, accounted for 22.5 percent. (CX 6A; CX 6.) Robbins is the only seat belt company integrated into either webbing or yarn. (CX 70(b); Stip. 12, CX 10A.)

70. Respondents' acts and practices, and the vertically integrated complex resulting therefrom, could place or may have placed the other automotive seat belt companies at a competitive disadvantage because Allied has the power to forego profits at all or any of three different stages of production, thereby altering the selling price of the end product—the automotive seat belt. (Pulley, Tr. 640-41; Tr. 645-47; Tr. 664; Waterhouse, Tr. 544-45; Tr. 550-51; Rozum, Tr.

428-29; Tr. 439; Tr. 491-92; Tate, Tr. 894-97; Tr. 901-02; Rose, Tr. 1052-53.)

71. Respondents' acts and practices could place or may have placed the smaller automotive seat belt companies at a further disadvantage in that Allied's extensive resources and financial power could be brought to bear on such companies (Rozum, Tr. 450-51; CX 22(c): 3rd paragraph under "Comments"; CX 23(g): 3rd paragraph under "Comments.")

B. Automobile Seat Belt Webbing Market

72. Robbins is the only automobile seat belt webbing company integrated into either seat belts or yarn. (CX 10A; CX 70(b): Stip. 12.)

73. Between 1965 and 1967, Allied and J. R. Co. removed almost three-fourths of the Robbins portion of the automobile seat belt webbing market from open competition. Since J. R. Co. made over a third of the automotive seat belt sales in 1967, the portion so removed from open competition by that time amounted to about twenty-five percent of the entire automobile seat belt webbing market. (CX 6A; CX 8A; CX 32; CX 59; CX 70(b): Stip. 9 and Stip. 10.)

74. The removal of Robbins' business from open competition, as noted in the preceding finding, has had a substantial impact upon competition in the automobile seat belt webbing market; it has created the possibility that some companies may be placed in danger of going out of the automobile seat belt webbing business; and it threatens to trigger a rash of defensive mergers. (Neff, Tr. 712; Tr. 720; Tate, Tr. 876-77; Tr. 882-83; Tr. 904-05; Rose, Tr. 1045-47; CX 8; CX 8A; CX 32; CX 59; CX 60; CX 70(b): Stip. 9 and 10.)

*C. Further Effects in the Automotive Seat Belt and
Automobile Seat Belt Webbing Markets*

75. After learning of some of respondents' acts and practices, Pontonier, Inc. (hereinafter referred to as "Pontonier"), a company that manufactures and sells automotive seat belts, considered the purchase of an automobile seat belt webbing company and carried on negotiations to that effect. (Rozum, Tr. 439-440).

76. If Allied's vertically integrated complex is allowed to stand, Pontonier will probably be forced again to consider acquiring a seat belt webbing manufacturer. (Rozum, Tr. 440.)

77. As a result of the subject acquisition, American Safety Equipment Corporation (hereinafter referred to as "American Safety"), a company that manufactures and sells automotive seat belts, has

considered acquiring an automobile seat belt webbing company. (Waterhouse, Tr. 544.)

78. If Robbins should lower the price of its seat belts by eliminating secondary profits, American Safety would have no other alternative but to "get out of the business." (Waterhouse, Tr. 615.)

79. If the other automotive seat belt manufacturers were to acquire automobile seat belt webbing companies, Irvin Industries, Inc. (hereinafter referred to as "Irvin"), a company that manufactures and sells automotive seat belts, would give "serious consideration" to integrating "in order to remain competitive." (Pulley, Tr. 647).

80. If Irvin were to integrate, it would lean toward acquiring an existing automobile seat belt webbing manufacturer. (Pulley, Tr. 648.)

81. After losing all of its Robbins business subsequent to the subject acquisition, Phoenix Trimming Company (hereinafter referred to as "Phoenix"), an automobile seat belt webbing company, became concerned that it might also lose its largest customer, the Hamill Manufacturing Company (hereinafter referred to as "Hamill"). Hamill was acquired by Firestone Tire & Rubber Company (hereinafter referred to as "Firestone") after the subject acquisition, and Phoenix, with the purpose of protecting itself, went to Firestone to ask if Firestone were interested in acquiring Phoenix (Neff, Tr. 719-20.)

82. If Allied's vertically integrated complex is allowed to stand there is a reasonable probability that additional vertical integration between and among automotive seat belt companies and automobile seat belt webbing companies will occur as a result. (Tate, Tr. 885-86.)

83. Southern Weaving Company (hereinafter referred to as "Southern Weaving"), a company that manufactures and sells automobile seat belt webbing, foresees in respondents' acts and practices the loss of business by its customers, who would be unable to compete with the vertically integrated combine. (Rose, Tr. 1052-53.)

84. If Allied's vertically-integrated complex is allowed to stand, Southern Weaving may either have to leave the automobile seat belt webbing business or align itself with a seat belt yarn manufacturer and an automotive seat belt manufacturer. (Rose, Tr. 1053-54.)

Conclusion

There is a substantial probability that the acts and practices engaged in by respondents will result in a series of defensive mergers and acquisitions combining automotive seat belt companies and automobile seat belt webbing companies.

D. Seat Belt Yarn Market

85. Allied is the only seat belt yarn producer integrated into either automobile seat belt webbing or automotive seat belts. (CX 10A; CX 70(b); Stip. 12.)

86. It was Allied's intent in making the subject acquisition to supply all of the seat belt yarn requirements of the integrated complex (CX 12(c); CX 24(b); CX 27; CX 37(b); CX 39(a); CX 45; CX 57.)

87. By 1967, Allied was supplying all of the seat belt yarn requirements of the integrated complex. (CX 10A.)

CONCLUSIONS OF LAW

1. Allied is a corporation engaged in commerce within the meaning of Section 5 of the Federal Trade Commission Act and Section 7 of the Clayton Act and is subject to the jurisdiction of the Federal Trade Commission.

2. Robbins is a corporation engaged in commerce within the meaning of Section 5 of the Federal Trade Commission Act and Section 7 of the Clayton Act and is subject to the jurisdiction of the Federal Trade Commission.

3. The manufacture and sale, in the United States, of seat belts to automobile manufacturers is a line of commerce within the meaning of Section 5 of the Federal Trade Commission Act and Section 7 of the Clayton Act and is a proper relevant market within which to consider the effects of the subject acquisition and other acts and practices.

4. The manufacture and sale, in the United States, of automobile seat belt webbing is a line of commerce within the meaning of Section 5 of the Federal Trade Commission Act and Section 7 of the Clayton Act and is a proper relevant market within which to consider the effects of the subject acquisition and other acts and practices.

5. The manufacture and sale, in the United States, of seat belt yarn is a line of commerce within the meaning of Section 5 of the Federal Trade Commission Act and Section 7 of the Clayton Act and is a proper relevant market within which to consider the effects of the subject acquisition and other acts and practices.

6. Respondent Allied and respondent Robbins have carried out a program of acquisition and expansion, as set forth in Findings 46-49, 51-55, 57, and 60-67, *supra*, the cumulative effect of which has been to lessen, restrain, and eliminate competition in the manufacture and sale, in the United States, of automobile seat belt webbing

and seat belt yarn and may be to lessen, restrain, and eliminate competition in the manufacture and sale of automotive seat belts.

7. The acts and practices of respondents, viewed as a continuing course of conduct, constitute an unfair method of competition and an unfair act and practice within the intent and meaning of Section 5 of the Federal Trade Commission Act (15 U.S.C. 45) for the reasons set forth in paragraph 6, *supra*.

8. The effect of respondents' acquisition of the automotive seat belt business of J.R. Co., the subject acquisition, has been, or may be, substantially to lessen competition or to tend to create a monopoly in the manufacture and sale, in the United States, of seat belts to automobile manufacturers, automobile seat belt webbing and seat belt yarn in the following ways, among others:

(a) Robbins has, or will have, decisive competitive advantages over non-integrated producers of automotive seat belts and automobile seat belt webbing to the detriment of actual and potential competition;

(b) Non-integrated producers of automobile seat belt webbing and seat belt yarn have been, or may be, deprived of a substantial customer or potential customer to the detriment of actual and potential competition;

(c) Additional acquisitions and mergers in the automotive seat belt and automobile seat belt webbing industries have been, or may be, precipitated to the detriment of actual and potential competition;

(d) Actual and potential competition in the automotive seat belt, automobile seat belt webbing, and seat belt yarn industries has been, or may be, substantially lessened because barriers to entry have been, or may be, substantially increased; and

(e) Already high concentration levels in the automotive seat belt, automobile seat belt webbing, and seat belt yarn industries may be substantially increased and the possibility of deconcentration lessened.

9. The subject acquisition constitutes a violation of Section 7 of the Clayton Act (15 U.S.C. 18) for the reasons set forth in paragraph 8, *supra*.

ORDER

A

It is ordered, That Allied Chemical Corporation, a corporation ("Allied"), and Jim Robbins Seat Belt Co., a corporation ("Robbins"), their successors and assigns, on or before April 30, 1971, shall divest absolutely and in good faith, subject to approval of the Commission, all assets owned or used by Allied or Robbins as of the date

of this order in the manufacture in the United States of webbing for use in automotive safety seat belts ("webbing"). The assets to be divested in accordance with this paragraph A ("the Assets") shall not include any general purpose assets not an integral part of the webbing manufacturing operations (including, but not limited to, fork lift trucks, overhead cranes and similar equipment, real property, building improvements and fixtures) owned by Robbins and located in Mt. Clemens, Michigan. The Assets shall include Robbins' leasehold interest in a plant leased from Comfort-Craft, Inc., located in Hialeah, Florida, subject to any necessary consents to the assignment thereof.

B

It is further ordered, That, pending divestiture, Allied or Robbins shall not make any change in any of the Assets which shall impair its utility for the production of webbing or its market value: *Provided*, That all or some of the Assets may be relocated in connection with their divestiture.

C

It is further ordered, That, for a period of ten (10) years from April 1, 1971, Allied and Robbins shall purchase at least eighty (80) percent of their United States requirements for webbing for use in the manufacture of automotive safety seat belts ("belts") for the 1972 automotive model year and for each automotive model year thereafter from suppliers other than Allied, its affiliates and subsidiaries and shall not purchase more than forty-five (45) percent of their United States webbing requirements for any automotive model year from any one manufacturer of webbing. During this ten-year period, the use of Allied automotive safety seat belt yarn ("yarn") shall not be a prerequisite for supplying Robbins and the relationship of the yarn manufacturer to Robbins shall not be a factor in Robbins' selection of webbing.

D

It is further ordered, That, for a period of ten (10) years from the effective date of this order, neither Allied nor Robbins shall sell, transfer, or otherwise assign any assets used or owned by Allied or Robbins in connection with the manufacture in the United States of belts to any foreign subsidiary, affiliate, or division of Allied: *Provided*, That Allied or Robbins may transfer such assets so long as subsequent to such transfer at least seventy-five (75) percent of the total world-wide production of belts of Allied, its subsidiaries, affil-

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iates and divisions is produced in the United States by Allied or Robbins or such transfer does not result in a decrease of the capacity of Allied or Robbins to produce belts in the United States.

The provisions of the foregoing paragraph will be in applicable to the extent that the belt customers of Allied or its subsidiaries request that an increased proportion of their belt requirements to be supplied by Allied or its subsidiaries be manufactured outside the United States or to the extent that the ability of Allied or Robbins to manufacture belts in the United States is affected by flood, fire, lockout, strike, riot, act of war, embargoes or other import or export restrictions or other similar event requiring an increase of production outside the United States.

E

It is further ordered, That, if the consideration received for the divestiture made pursuant to this order is not entirely cash, nothing in this order shall be deemed to prohibit Allied or Robbins from accepting and enforcing a lien, mortgage, pledge, deed of trust or other security interest for the purpose of securing full payment of the price, with interest and costs, received by Allied or Robbins in connection with the divestiture. If, after divestiture in accordance with the provisions of this order, Allied or Robbins, by enforcement of such security interest, regains direct or indirect ownership or control of any portion of the Assets, said ownership or control shall be redvested subject to the provisions of this order and within such reasonable period of time as the Commission shall approve.

F

It is further ordered, That:

(1) pending the divestiture ordered by Paragraph A of this order, Allied and Robbins shall cease and desist from acquiring, directly or indirectly, through subsidiaries or otherwise, any assets used by any other concern in the manufacture in the United States of yarn, webbing or belts or the stock or share capital of any other concern engaged in such manufacture; and

(2) without regard to any other provision of this order, for a period of ten (10) years from April 30, 1971, Allied and Robbins shall cease and desist from the manufacture in the United States of webbing and from acquiring, directly or indirectly, through subsidiaries or otherwise, without the prior approval of the Federal Trade Commission, any assets used by any other

concern in the manufacture in the United States of yarn, webbing or belts or the stock or share capital of any other concern engaged in such manufacture;

Provided, That nothing in this order shall prevent Allied or Robbins, from acquiring, directly or indirectly, through subsidiaries or otherwise, by purchase, lease, license or otherwise, assets, tangible or intangible, in the normal course of business or patents, trademarks or technology for use in the manufacture, distribution and sale of yarn and belts: *Provided*, That Allied shall notify the Commission of any such acquisition other than purchases of belts, webbing or other component parts or raw materials whenever the consideration therefor exceeds \$200,000 within thirty (30) days of such event: *And provided further*, That nothing herein shall prevent the purchase of any stock or share capital of any concern engaged in the manufacture of yarn or belts for investment by or for any employee benefit plan, charitable trust, or similar entity established by Allied, Robbins, or any of their subsidiaries or affiliates.

G

It is further ordered, That Allied and Robbins shall submit to the Commission (i) within thirty (30) days after having been informed in writing by a person or concern that it has an interest in purchasing the Assets, the name and address of such person or concern, (ii) within ninety (90) days from the date of service of this order and every ninety (90) days thereafter, a report in writing setting forth its efforts and progress in carrying out the divestiture requirements of this order until the Assets have been divested with the approval of the Commission, and (iii) for a period of ten (10) years from the date of divestiture pursuant to this order, on July 1 of each year, a report in writing setting forth their compliance with the provisions of Paragraph C (with respect to the last preceding automotive model year), D and F of this order.

H

It is further ordered, That respondent Allied shall notify the Commission at least thirty (30) days prior to any proposed change in Allied or Robbins which may affect compliance obligations arising out of this order such as dissolution, assignment or sale, resulting in the emergence of a corporate successor, the creation or dissolution of subsidiaries, or any other such change in respondents.

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I

It is further ordered, That Allied shall forthwith distribute a copy of this order to each of its operating divisions and to each concern known by Allied or Robbins to have been a source of webbing approved by United States automobile manufacturers at any time since January 1, 1967.

FINAL ORDER

No appeal from the initial decision of the hearing examiner having been filed, and the Commission having determined that the case should not be placed on its own docket for review and that pursuant to Section 3.51 of the Commission's Rules of Practice (effective July 1, 1967), the initial decision should be adopted and issued as the decision of the Commission:

It is ordered, That the initial decision of the hearing examiner be, and it hereby is, adopted as the decision of the Commission.

It is further ordered, That the time within which respondents shall begin submitting the compliance reports ordered in Paragraphs G and H of the order, as set forth in the initial decision, shall commence with the service of this order upon respondents.

IN THE MATTER OF

STEPHEN J. SHAFFER DOING BUSINESS AS
SHAFFER SPORTSWEAR MFG. CO.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION, THE WOOL PRODUCTS LABELING,