

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

COMMISSIONERS: Deborah Platt Majoras, Chairman
Pamela Jones Harbour
Jon Leibowitz
William E. Kovacic
J. Thomas Rosch

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In the Matter of)
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OWENS CORNING,)
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a corporation.)
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Docket No. C-4210

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and of the Clayton Act, and by virtue of the authority vested by said Acts, the Federal Trade Commission (the "Commission"), having reason to believe that respondent Owens Corning ("Owens Corning"), a corporation, and Compagnie de Saint Gobain ("Saint Gobain"), a corporation, both subject to the jurisdiction of the Commission, have agreed to an acquisition by Owens Corning of certain fiberglass reinforcements and composite fabrics assets of Saint Gobain 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, and it appearing to the Commission that aCORNINGoc13.5()8.5(a)8.5(d,n)12

II. JURISDICTION

2. Owens Corning is, and at all times relevant herein has been, engaged in commerce as “commerce” is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and is a corporation whose business is in or affects commerce as “commerce” is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

III. THE PROPOSED TRANSACTION

3. Saint Gobain is a French company with its head office in Courbevoie, France. Saint Gobain controls a number of companies in the United States, including, but not limited to, Saint Gobain Vetrotex America, Inc. (“Vetrotex America”) located at 4515 Allendale Rd, Wichita Falls, Texas, 76310. Saint Gobain is a global company engaged in a wide variety of businesses, including the development, manufacture, marketing, and sale of glass fiber reinforcements.

4. Owens Corning and Saint Gobain originally planned to combine their respective glass fiber reinforcement businesses in a new entity to be called Owens Corning Vetrotex Reinforcements (“OCVR”). The new entity was to be owned 60% by Owens Corning and 40% by Saint Gobain.

5. In August 2007, the parties restructured the transaction and entered into an acquisition agreement whereby Owens Corning will acquire Saint Gobain’s glass fiber reinforcements and composite fabric business assets worldwide with several important exclusions. Owens Corning will not acquire Saint Gobain assets of the glass fiber reinforcements business located in the United States. Additionally, certain assets located in Europe will be divested pursuant to an agreement entered into between the parties and the European Commission. Consequently, Saint Gobain’s glass fiber reinforcements business and assets located in the United States will be excluded from the proposed acquisition as well as certain assets located in Europe. However, the proposed acquisition still includes Saint Gobain assets that are located in Europe and used in the design, manufacture, and sale of Continuous Filament Mat (“CFM”), a unique glass fiber reinforcement product.

IV. CONTINUOUS FILAMENT MAT AND RELATED TECHNOLOGY

6. CFM is a unique glass fiber reinforcement product manufactured by melting quarry inputs (combinations of silica, clay, and other materials) in a refractory lined furnace. The resulting molten glass product is drawn through a holed surface called a bushing. The resulting filaments (in the case of standard furnaces), or the resulting spheres, also known as marbles (in the case of marble furnaces), are then diverted to a separate production function which reheats the materials and uses various chemical and physical processes to alter its properties, ultimately tailoring it for a range of end use applications. In contrast to other types of glass fiber reinforcement products, CFM is a non-woven material in which filament or marbles are ultimately converted into a mat using soluble and insoluble binders. Consequently, once the initial filaments or marbles are produced, the downstream production processes and equipment

(on which CFM is produced) are unique to CFM and are not used to produce other types of glass fiber reinforcement products.

V. THE RELEVANT PRODUCT MARKET

7. CFM has distinct performance characteristics and physical properties, including, but not limited to, strength, toughness, and ease of processing in automated manufacturing processes. CFM is used where its properties are important, such as compression molding processes. CFM allows the manufacturer that uses it to cost effectively produce non-electrical laminates, turbine blades, marine products such as boat parts and accessories, as well as a variety of products for which its performance characteristics are desirable and cost effective. Because of the superior performance and cost effectiveness of CFM in the applications in which it is used, consumers of CFM would not switch to other materials in response to a small but significant and non-transitory increase in the price of CFM. More than \$60 million dollars worth of CFM was purchased in the United States last year.

8. Owens Corning and Saint Gobain are leaders in the CFM industry, both in product sales and technology. Owens Corning produces and sells CFM in North America, and was the leading seller of CFM in the United States in 2006. Its focus is on performance products, and it developed a proprietary furnace technology which is used to produce glass fiber filaments or marbles used in the manufacture of glass reinforcement products, including CFM. Saint Gobain is also a leading producer of CFM and a leading developer of glass fiber reinforcement products and related technology. Saint Gobain does not produce CFM in the United States. It develops and produces CFM products in Italy, which it imports to the United States. Owens Corning and Saint Gobain account for more than 90 percent of the CFM sold in North America. The only other substantial supplier is PPG Industries, a firm that accounted for less than 10 percent of the CFM sold in the United States last year.

VI. RELEVANT GEOGRAPHIC MARKET

9. The relevant geographic market within which to analyze the likely effects of the proposed transaction is the design, manufacture, and sale of CFM and related technology in North America, including imports.

VII. CONCENTRATION IN THE RELEVANT MARKET

10. The relevant market would be highly concentrated as a result of the acquisition. Post-acquisition, Respondent would account for more than 90 percent of CFM sales in North America.

VIII. CONDITIONS OF ENTRY

11. Entry into the relevant market would not be timely, likely, or sufficient in magnitude, character, and scope to deter or counteract the anticompetitive effects of the acquisition.

IX. EFFECTS OF THE ACQUISITION

12. The effects of the acquisition, if consummated, may be substantially to lessen competition and 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 FTC Act, as amended, 15 U.S.C. § 45. Specifically, the acquisition would:

- a. Eliminate actual, direct, and substantial competition between Owens Corning and Saint Gobain in the relevant market;
- b. Reduce innovation competition among developers of the relevant product, including the delay of, or redirection of, research and development projects in the relevant product and CFM applications;
- c. Substantially increase the level of concentration in the relevant market and enhance the probability of coordination; and
- d. Increase Respondent's ability to exercise market power unilaterally in the relevant market.

X. VIOLATIONS CHARGED

13. The agreement described in Paragraph 5 constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

14. The transaction described in Paragraph 5, if consummated, would constitute a violation of Section 5 of the FTC 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 fourth day of December, 2007, issues its Complaint against said Respondent.

By the Commission.

Donald S. Clark
Secretary

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