IN THE MATTER OF

VOEDISCH BROTHERS, INC., TRADING AS FOUR SEASONS SPORTING GOODS, ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE FEDERAL TRADE COMMISSION ACT

Docket C-1731. Complaint, Apr. 20, 1970—Decision, Apr. 20, 1970

Consent order requiring a Chicago, Ill., distributor of fishing tackle and accessories to cease misrepresenting the country of origin of any product and the strength of its fishing lines, preticketing its merchandise at a deceptively higher price than prevalent in any trade area, making false savings claims, and furnishing others means to deceive purchasers.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Voedisch Brothers, Inc., a corporation, trading as Four Seasons Sporting Goods, and Phillip Teitelbaum, individually and as an officer of said corporation, hereinafter referred to as respondents, have violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof, would be in the public interest, hereby issues its complaint, stating its charges in that respect as follows:

PARAGRAPH 1. Respondent, Voedisch Brothers, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its office and principal place of business located at 1823 Milwaukee Avenue, Chicago, Illinois. Corporate respondent also trades as Four Seasons Sporting Goods.

Respondent, Phillip Teitelbaum, is an officer of the corporate respondent. He formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His address is the same as that of the corporate respondent.

PAR. 2. Respondents are now and for some time last past, have been engaged in the advertising, offering for sale, sale and distribution of rods, reels, hooks, lines, sinkers, and various other items of fishing tackle and accessories to retailers for resale to the purchasing public.

PAR. 3. In the course and conduct of their business, as aforesaid respondents now cause, and for some time last past have caused, their said products, when sold, to be shipped from their place of business in the State of Illinois, to purchasers thereof located in various other States of the United States, and maintain, and at all times mentioned herein have maintained a substantial course of trade in said products in commerce as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business, and at all times mentioned herein, respondents have been and now are in substantial competition in commerce with corporations, firms and individuals engaged in the sale of fishing tackle and fishing accessories of the same general kind and nature as that sold by respondents.

PAR. 5. In the course and conduct of their business respondents have disseminated, and caused the dissemination of certain advertisments concerning said fishing tackle and fishing accessories by various means in commerce as "commerce" is defined in the Federal Trade Commission Act, including but not limited to advertisements by means of bubble packaged display cards which display the articles of merchandise for the purpose of inducing, and which were likely to induce directly or indirectly the purchase of said articles of merchandise; and have disseminated and caused the dissemination of advertisements by various means including those aforesaid, for the purpose of inducing and which were likely to induce directly or indirectly, the purchase of fishing tackle, in commerce as "commerce" is defined by the Federal Trade Commission Act.

PAR. 6. By means of advertisements disseminated as aforesaid, respondents have represented directly or by implication:

1. That certain products including spools of monofilament spinning line offered for sale are ". . . American made . . ." or are manufactured in the United States.

2. That certain spools of monofilament spinning line bearing a FOUR SEASONS label are of a quality and standard of strength described as "8 lb. test"; and

3. That preticketed prices appearing on the label of certain spools of fishing line bearing the FOUR SEASONS label which are visible to the consumer through the bubble package constituting a part of the display package is the regular or customary price at which the article of merchandise sells and that another price printed on the display card, which is substantially less than the former price, is a reduced or discount price representing a substantial savings to the consumer.

Typical and illustrative of said statements and representations, but not all inclusive thereof, are the following:

Description (by stock No.)	Spool price (price appearing on spool label)	Card price (price appearing in upper right-hand corner of display card)
F 340	$0.95	59
F 350	1.05	69

PAR. 7. In truth and in fact:

1. Not all the products represented as being ". . . American made . . ." were manufactured in the United States. Specifically certain products including certain spools of monofilament spinning line were manufactured in Japan.

2. Not all spools of monofilament spinning line meet the standard of strength as represented.

Specifically, certain spools of said spinning line are of a lesser standard of strength, to wit, certain spools of spinning line of a standard of strength described as "6 lb. test" are represented to be of a standard of strength described as "8 lb test."

3. The preticketed price appearing on the FOUR SEASONS label is not respondents' good faith estimate of the actual retail selling price of said products.

Instead, the usual and regular price at which the articles of merchandise are sold is the purported "reduced" or "discount" price which is substantially less than the preticketed price appearing on the label.

Therefore, the statements and representations as set forth in Paragraph Six hereof were, and are, false, misleading and deceptive.

PAR. 8. By the use of the aforesaid statements, representations and practices, respondents place in the hands of retailers and others the means and instrumentalities by and through which they may deceive and mislead the purchasing public as to the country or origin of respondents' products, the quality and characteristics of such products and the usual and regular prices at which such products are sold.

PAR. 9. The use by respondents of the aforesaid false, misleading and deceptive statements, representations and practices has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were, and are, true and into the purchase of substantial quantities of respondents' merchandise by reason of said erroneous and mistaken belief.

PAR. 10. The aforesaid acts and practices of the respondents, as herein alleged, were and are all to the prejudice and injury of the public and of respondents' competitors and constituted, and now constitute, unfair methods of competition in commerce and unfair and deceptive acts and practices in commerce, in violation of Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the above caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Bureau of Deceptive Practices proposed to present to the Commission for its consideration and which, if issued by the Commission would charge respondents with violation of the Federal Trade Commission Act; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondents of all jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in § 2.34(b) of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters its order:

1. Respondent Voedisch Brothers, Inc., is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its office and place of business located at 1823 Milwaukee Avenue, Chicago, Illinois. Corporate respondent also trades as Four Seasons Sporting Goods.

Respondent Phillip Teitelbaum is the president of said corporation and his principal office and place of business is located at the above stated address.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

It is ordered, That respondents, Voedisch Brothers, Inc., a corporation and its officers, trading as Four Seasons Sporting Goods or under any other trade name or names, and Phillip Teitelbaum, individually and as an officer of said corporation, and respondents' agents, representatives and employees, directly or through any corporate or other device in connection with the advertising, offering for sale, sale or distribution of fishing tackle, fishing accessories or any other product in commerce as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Using the term "American made" or any other words, terms or phrases of similar import or meaning to describe or refer to any product not wholly manufactured in the United States; or misrepresenting, in any manner, the country of origin of a product.

2. Representing, directly or by implication, that fishing lines are of a specified strength unless such lines are of the represented strength; or misrepresenting, in any manner, the performance characteristics of any product.

3. Preticketing merchandise with any stated price amount unless (a) it is respondents' bona fide estimate of the actual retail price of the product in the area where respondents do business; (b) it does not appreciably exceed the highest price at which substantial sales of said product are made in said trade area; and (c) unless respondents have conducted a market survey which establishes the validity of said preticketed price and maintain records of such survey for a period of three (3) years.

4. Misrepresenting, in any manner, the prices at which respondents' merchandise are sold at retail, or the savings available to purchasers thereof.

5. Furnishing to others the means and instrumentalities whereby the purchasing public may be misled or deceived as to the matters and things herein prohibited.

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

It is further ordered, That respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

It is further ordered, That the respondents herein shall, within sixty (60) days after service upon them of this order, file with the Commission a report, in writing, setting forth in detail the manner 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

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 receiveables 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,

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

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

CONTENTS

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, alkalies, 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

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 manufacure 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 (Fraim, 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