SOLVAY
SOLVAY FLUOROPOLYMERS

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SECRETARY

December 17, 2002

Mr. Donald S. Clark
Secretary
Federal Trade Commission
Bureau of Competition
600 Pennsylvania, N.W.
Room H-172,
Washington, D.C. 20580

RE: FTC File No. 021-0067, Docket No. C-4046

Dear Mr. Clark:

There are several employee related issues (Employment, Pension, and Severance) relating to the integration of Solvay Fluoropolymers, Inc. (SFI) employees into Dyneon LLC after the completion of the acquisition that I feel deserve being brought to the attention of the commission.

The PVDF business in both U.S. and Europe is a specialty business. It is based on working very closely over time with customers to develop applications that use the properties of PVDF to satisfy the customer's requirements.

- Customers usually sole source (i.e. use only one PVDF supplier) due to the trust that is developed in this process which sometimes takes over a year. This trust is developed not between companies, but trust between the key employees of the seller and the buyer.
- The challenge in the U.S. is for Dyneon is to retain key employees. Key SFI employees will play a critical role, because it is those employees who have developed the close relationships with customers. I believe that even Solvay would have a difficult time stealing away SFI customers, because no one at Solvay has these valuable customer relationships.
- The challenge will even be greater in Europe to take loyal customers away from either Solvay or Atofina. This will be a very difficult task that under the best of circumstances, let alone as an off-shore supplier, and there are no short term solutions. It will take key employees that know the business, both in manufacturing products that are top quality to compete where Solvay and Atofina are the incumbents and knowing commercially how to position PVDF at those potential customers.

The commission's objectives will not be met if Dyneon is unsuccessful so Dyneon must play its role in making a commitment to the employees who will be the face of Dyneon at the customer. The agreements and their content is the key to success for all. Employees are the key to the success or failure in the execution of Dyneon's business plan.

<u>Employment</u>

As part of the agreements, SFI employees will be restricted from continuing employment with Solvay or its affiliates for a period of two years. I believe that Dyneon should be asked to provide a 2 year employment guarantee as a) the order prevents employees from gaining employment at Solvay, their previous employer for 2 years, and b) the FTC must have wanted this 2 year period to allow Dyneon to become competitive versus Solvay in a business where the technical skills and customer relationships are extremely important. Retaining business in the US and entering the European market by taking

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business away from Solvay and Atochem is an extremely difficult challenge. Customer loyalty is very strong and hence customers do not switch suppliers easily. It's the current key SFI employees that will make sure that SFI's business is retained, so Dyneon needs them and the employees need a sense of security. The commission should not forget the rights of employees to choose their employer and be fairly compensated in the event that their employment is terminated without cause. The continued employment of the employees would be good for all.

Pension

Under the current agreements SFI employees' pension benefits under the Solvay America plan will be suspended (frozen) at the current level upon completion of the Acquisition. SFI employees will become Dyneon employees and WILL NOT be vested in the Dyneon retirement plan for 5 years. Moreover, the combination of these 2 plans (without vesting in the Dyneon plan) will provide a benefit well short of the benefit that the employees would have earned if they had continued under the Solvay plan for their full career. Dyneon should make a commitment to the employees by vesting the employees from day 1 and the pension should be computed as if there was no break in service. This is normal in acquisitions; it's not as if SFI employees were asking for something extraordinary. If this is not the case then there is no incentive for the employees to stay at Dyneon. Employees could go to another company and receive the same treatment. This could only hurt Dyneon's ability to maintain the current SFI business.

Another piece of the retirement puzzle is retiree medical coverage. Employees will not be eligible for Solvay retiree medical coverage; because the Solvay requirement is that you must retire as an active employee. The Dyneon plan again requires 5 years to vest (no credit for Solvay service) and will fall woefully short of providing adequate medical benefits until Medicare benefits are available for an employee who only works for another 5 or 10 years. This could cost the employee hundreds of dollars per month for private health insurance coverage at some point during their pre-Medicare retirement years.

Therefore, if you combine the shortfall in pension and retiree medical benefits, where are SFI employees supposed to find the additional retirement funds to make up the hundreds of dollars per month (conservatively) to make up this loss? Loyal, long term SFI employees will be forced to shoulder an even greater portion of their retirement income to overcome this shortfall. Dyneon should do the right thing and vest SFI employees with full service credit.

Severance

It appears that Dyneon will only offer 1½ weeks per year of service to those employees that they will not retain, if they would severe SFI employees to cut costs. Although expected in an acquisition, this is discriminatory given past Solvay practice. Some recent examples are as follows:

- When Solvay Interox laid off employees in 1999, affected employees were provided with 3 weeks per year of service.
- When BP/Amoco acquired Solvay Polymers' Polypropylene business in 2001, employees that were not required for the business were provided with 4 weeks per year of service for the first 12 years of service and 2 weeks per year of service for their remaining service.
- Just this year, one of the original Solvay Fluoropolymers employees (on the exclusion list in the order) will receive 2 weeks per year of service.

Therefore, 1½ weeks of severance is inadequate for loyal, long term SFI employees. Two to three weeks of severance would be more customary and consistent with past practice.

Conclusion

I would urge the FTC to pay very close attention to the way that employees are being treated. It will be the employees that will, in the end, be responsible for Dyneon's success or failure. In many respects, loyal, long term employees have no real incentive to remain with Dyneon after the acquisition. They could join another company and wait to be vested for 5 years in that company's retirement plan.

In my view, this could severely disrupt Dyneon's ability to run the business. The loss of key employees could leave a vacuum that Dyneon would have to fill to move forward and be the strong PVDF competitor that the FTC and European Commissions' Merger Task Force have mandated. Its loyal employees that maintain the loyal customer base that SFI has established. It will be loyal employees that will produce the quality products that will spearhead Dyneon's effort to enter the European market. Dyneon should treat the SFI employees that they are acquiring as loyal employees that have earned certain benefits through their years of service.

Sincerely,

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