



Department of Justice

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The Department of Justice today filed separate civil antitrust suits against the nation's two largest tire manufacturers -- Goodyear and Firestone -- charging that each independently attempted to monopolize the replacement tire market. The suits also charge each made anticompetitive acquisitions of smaller firms.

Attorney General Elliot L. Richardson said the suits, each containing two counts, were filed in U.S. District Court in Cleveland. Both defendants have their principal offices in Akron, Ohio.

Assistant Attorney General Thomas E. Kauper, in charge of the Antitrust Division, said the suits charged that each defendant attempted to monopolize the manufacture and sale of replacement tires in violation of Section 2 of the Sherman Act and that the defendants also violated Section 7 of the Clayton Act by a series of acquisitions of competing tire manufacturers and distributors.

Some of the smaller competitors were acquired after they had been badly damaged by anticompetitive practices of the defendants, he said. No conspiracy between the two companies was charged in either suit.

Mr. Kauper said the suits asked the court, among other things, to order the defendants to divest manufacturing, distributing and retailing facilities in order to dissipate the market power resulting from the alleged violations and to restore competitive conditions in the tire industry.

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The complaint said that the tire manufacturing industry is highly concentrated and that the five major tire companies account for more than 95 percent of the tires sold to vehicle manufacturers as well as more than 80 percent of the replacement tire market. Replacement tires are new tires eventually retailed to consumers.

The replacement tire market involves sales of more than \$2 billion a year, roughly twice the size of the new-vehicle tire market.

The Goodyear Tire and Rubber Company is the largest of the five major tire manufacturers, and has the largest share of the replacement market -- approximately 28 percent. In 1971, total sales of all Goodyear products exceeded \$4 billion, ranking it 19th in sales among U.S. industrial corporations.

The Firestone Tire and Rubber Company is the second largest tire manufacturer, with approximately 25 percent of the replacement market, and 1971 total sales of more than \$2.5 billion, ranking it 34th among industrial corporations.

The three other major tire makers, in order of size, are Uniroyal, Inc.; B.F. Goodrich Company, and General Tire and Rubber Company.

The charges of attempted monopolization against the two companies are based upon a series of independent acts and practices by each defendant.

In 1959, according to the complaints, there was a significant group of 12 independent tire producers, in addition to the five majors.

It is alleged that a new method of retailing tires had developed -- through outlets operating from leased space located in department stores -- which posed a competitive threat to the majors.

The complaint against Goodyear charged that, beginning in 1959, Goodyear substantially lowered prices in order to gain market share at the expense of the smaller competitors. The complaint against Firestone said that the company engaged in the same practice beginning in 1960. These low price levels were allegedly maintained by both companies until 1966 for the purpose of controlling prices and weakening small competitors.

During substantially the same period, both companies foreclosed the smaller tire producers from the significant service station market by arranging "TBA" (tires, batteries, and accessories) sales commission plans with numerous oil companies, the complaint said. Such plans are economically coercive on the service station outlets, the suit said.

The use of the vast purchasing power of each of the defendants as a tool for obtaining business at the expense of smaller tire producers also was cited as part of the attempted monopolization charge contained in both complaints. Such programs of planned "trade relations" or reciprocal dealing -- buying from one's customers -- have been practiced from 1959 until at least 1967, the complaints said.

The Goodyear complaint charged that as part of its attempt to monopolize, the company foreclosed significant outlets to smaller tire companies by acquiring a large number of important wholesale and retail distributors of tires, including Vanderbilt Tire and Rubber Co., the marketing division of Lee Tire and Rubber Company, the G.T. Duke Company, American Auto Stores, Inc., Hicks Rubber Company, and Star Rubber Company.

Goodyear's 1963 acquisition of the manufacturing facilities of the Lee Tire and Rubber Company, which had been a substantial competitor, also was cited as an act of attempted monopolization in violation of the Sherman Act. This series of acquisitions by Goodyear is likewise alleged to have violated Section 7 of the Clayton Act.

The complaint against Firestone charged that the attempted monopolization by that company also included foreclosure of other tire producers from significant outlets by acquiring a large number of important wholesale and retail distributors of tires, including Abel Corp., which had been purchased in 1961 by Mansfield Tire and Rubber Co., and The Bailey Tire Company, a leading tire distributor in the southwest.

In order to insure that Mansfield's manufacturing capacity would be tied to Firestone sales and subject to Firestone's control, Firestone, according to the complaint, entered into a long term requirements contract with Mansfield in 1966.

Firestone's 1961 acquisition of the tire manufacturing facilities and certain brand names and trademarks of the Dayton Rubber Company, and its 1965 acquisition of the business and operating assets of the tire division of the Seiberling Rubber Company, are also alleged to be acts of attempted monopolization in violation of the Sherman Act. The series of acquisitions by Firestone is likewise alleged to have violated Section 7 of the Clayton Act.

Both Goodyear and Firestone are charged with raising tire prices significantly beginning in 1966, after Lee, Seiberling, Dayton, Vanderbilt, and Mansfield had been badly damaged financially and competitively by the defendants' anticompetitive practices and as a result were forced to sell out in whole or in part.

Each complaint said that the effect of the conduct of the named defendant has been to contribute significantly to the financial demise of important distributors and manufacturers and to the subsequent sale of such firms to a major tire company. The Goodyear complaint stated that Goodyear's market share was thereby increased from about 23 percent to about 28 percent, and the Firestone complaint said that company experienced a market share increase from about 15 percent to about 25 percent.

Assistant Attorney General Kauper said that the effects of the alleged violations of the Sherman and Clayton antitrust statutes are that:

-- price competition in the sale and distribution of tires has been suppressed and eliminated;

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-- purchasers of tires have been deprived of free and open competition;

-- the ability of smaller and potential tire manufacturers, distributors, and sellers to compete with the defendants has been reduced and eliminated;

-- barriers to entry into the production of tires have been increased by the foreclosure of the market represented by the acquired distributors;

-- competition among the majors and the minors, and in the tire industry as a whole, has been reduced; and

-- the defendants have been enabled to abuse and increase their dominant positions, to the detriment of the industry and the public interest in competition in the manufacture, sale, and distribution of tires.

He said the complaints seek divestiture of those assets and facilities of each of the two firms which may be necessary to dissipate the effects of alleged violations. Also requested are orders enjoining Goodyear and Firestone from practices having the purpose or effect of continuing, reviving, or renewing any of the violations charged in the complaints.