

*Case No IV/M.1207 -
DANA / ECHLIN*

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**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 06/07/1998

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 6.07.1998

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sirs,

Subject: Case No IV/M.1207 - DANA/ECHLIN

Notification of 3.6.1998 pursuant to Article 4 of Council Regulation N/ 4064/89

1. On 3.6.1998, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which Dana Corporation ("Dana") will acquire sole control over Echlin Inc. ("Echlin") by way of public bid announced on 3.5.1998.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

I. THE PARTIES

3. Dana is a publicly listed company in the USA, which is active in the manufacture of components and systems for vehicle and industrial manufacturers. Dana also provides financial leasing services. The company operates plants in the USA, South America, Asia, and in several EU Member States, especially in Germany, France and the UK.
4. Echlin, a publicly listed company in USA, is a producer of automotive parts, in particular brake, engine, power transmission, and steering and suspension products. The company operates plants in the USA, Canada, Asia and in several EU Member States, in particular in the UK and Germany.

II. THE OPERATION

5. The operation is a stock-for-stock transaction where Echlin shareholders will receive Dana shares in return of their Echlin shares. The proposed transaction will

result in Dana acquiring the sole control of Echlin within the meaning of article 3(1)(b) of the Merger Regulation.

III. COMMUNITY DIMENSION

6. Dana and Echlin have a combined aggregate world-wide turnover in excess of ECU 5,000 million (Dana ECU 7.3 million, Echlin ECU 3.2 million). Each of them has a Community-wide turnover in excess of ECU 250 million (Dana ECU 959 million, Echlin ECU [...]¹), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension in the meaning of article 1(2) of the Merger Regulation.

IV. COMPATIBILITY WITH THE COMMON MARKET

Relevant product market

7. The parties submit that both companies manufacture and sell a wide range of automotive components. Dana is also active in the area of industrial components and offers financial leasing services.
8. The parties submit that two different segments in the automotive sector exist, the original equipment manufacturer (“OE”) segment and the aftermarket. According to the parties these markets are traditionally viewed as distinct markets due to a different customer base and resulting different demand structure. In previous decisions², the Commission made a distinction between the OE-market and the aftermarket for automotive components.
9. From the suppliers’ standpoint, the market is a uniform one, since vehicle manufacturers in Europe are all supplied under uniform conditions and at uniform prices. By contrast, the price for demand from wholesalers and repair shops, which are independent of the vehicle manufacturers, is formed on the independent aftermarket. The manufacturers of automotive components are faced with different potential buyers on the two markets. While the vehicle manufacturers, on account of their small number and their knowledge of the suppliers’ cost structures, enjoy a certain degree of buyer concentration of power, the same does not apply to the same extent to potential buyers on the aftermarket. Since the potential buyers and the conditions of competition are distinct, sales for the OE-market and sales on the aftermarket constitute two separate markets. This view has been confirmed by comments received from third parties.
10. Furthermore, the parties submit that components produced for the automotive sector are distinct from components manufactured for the industrial sector. Automotive components are used in vehicles such as cars, light, medium and heavy trucks, and sport utility vehicles. On the other hand, components for the industrial sector are used in off-highway vehicles, such as construction site machines, agricultural machines, and stationary equipment applications, such as industrial machinery. For the purpose of this

¹ Deleted for publication

² see e.g. IV/M.726 - Bosch/Allied Signal, IV/M.360 - Arvin/Sogefi, IV/M.337 - Knorr-Bremse/Allied Signal, IV/M.134 - Mannesmann/Boge

case, however, the question whether components produced for the industrial sector are distinct from the product market of automotive components can be left open since effective competition would not be significantly impeded in the EEA or any substantial part of it.

11. According to the parties, financial leasing services are primarily the supply of money or financing, mainly for the customers. For the purpose of this case, however, the product market can be considered as a whole, irrespective of the existence of various sectors in the financial leasing services.

Relevant geographic market

12. According to the parties, the relevant geographic market for automotive and industrial components can be considered as at least EEA-wide, and possibly even global for some of the automotive product markets. In previous decisions³, the Commission considered that the relevant geographic market in the automotive sector is at least EEA-wide.
13. As for financial leasing services, the parties consider the geographic market a world-wide market. Dana competes against numerous and various types of financial institutions such as banks and leasing institutions. Many of them operate on a global basis and are represented through their subsidiaries in the U.S., Asia, and Europe. In any event, for the purpose of this case it is not necessary to further delineate the geographic market, since, in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

V. ASSESSMENT

14. Both parties manufacture a wide range of automotive products, but the product range of Dana and Echlin is essentially of complementary nature. Furthermore, Dana traditionally sells its products to manufacturers whereas Echlin is mainly active in the aftermarket. Dana's product range covers e.g. mechanical power transmission components, joints and shafts and engine parts. Dana achieves a market share of significantly less than 15%, of which more than three quarters has been generated by OE-market sales. On the contrary, Echlin's product range covers *inter alia* clutches, pumps, and filters for vehicles. Echlin's market share is approximately [<10]⁴%, of which approximately nine tenth contributes from sales to the aftermarket. In view of the fact that both parties face many actual competitors in the EEA which manufacture automotive components, the proposed operation would not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the common market or any substantial part of it.
15. Echlin is considered the market leader in the EEA only in clutch actuation products, and holds an estimated market share of [50-70]%. By contrast, Echlin provides these products to car manufactures. Dana is, however, not active at all in this product

³ see e.g. IV/M.149 - Lucas/Eatron, IV/M.666 - Johnson Controls/Roth Freres, IV/M.686 - Nokia/Autoliv, IV/M.726 - Bosch/Allied Signal

⁴ Market shares considered as business secrets have been replaced by ranges in square brackets [].

category. It is, therefore, unlikely that the proposed concentration would create or strengthen a dominant position for clutch actuation products in the EEA.

16. The only product category in which the parties' activities overlap is the manufacture of filters. The combined market share, however, is less than [<10] % in the EEA.
17. As for financial leasing services, only Dana has activities in this sector but achieves no remarkable market share.

VI. CONCLUSION

18. For the above reasons the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No. 4064/89.

For the Commission