

***Case No COMP/M.1406 -
HYUNDAI / KIA***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 17/03/1999

*Also available in the CELEX database
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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 17.03.1999
SG (99) D/ 2039

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

Subject: Case No IV/M.1406 – HYUNDAI / KIA

Notification of 17 February 1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 17 February 1999, the Commission received a notification of a proposed concentration by which Hyundai Motor Company (“HMC”) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of Kia Motors Corporation (“KMC”) by way of purchase of shares.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Council Regulation No 4064/89 and does not raise serious doubts as to its compatibility with the common market and the functioning of the EEA Agreement.

I. THE PARTIES

3. Both HMC and KMC are Korean motor vehicle manufacturers.

II. CONCENTRATION

4. HMC acquires control of the whole of KMC, and therefore the transaction constitutes a concentration within Article 6(1)(b) of the Merger Regulation.

III. COMMUNITY DIMENSION ¹

5. HMC and KMC have a combined aggregate world-wide turnover in excess of EUR 5,000 million. Each of them has a Community-wide turnover in excess of EUR 250 million 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. It does not constitute a co-operation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

IV. ASSESSMENT

A. Relevant product market

6. The concentration affects the passenger car sector as well as the commercial vehicle sector.
 - a) Passenger cars
7. Passenger cars serve the general purpose of individual transport of passengers on public roads and, unlike commercial vehicles, are not primarily designed for commercial use.
8. The parties define the relevant product market as the market for all passenger cars. They argue that there is no product characteristic or combination of characteristics on which consumer preferences or supplier technologies concentrate sufficiently to define an economically significant product market narrower than the overall passenger car market.
9. In previous decisions concerning the passenger car market, the Commission has held it possible to subdivide this market, on the basis of a number of objective criteria like engine size or length of cars, in several segments which could constitute distinct product markets. However, a final definition was not required, and the exact market definition was left open (Decisions of 14 March 1994, Case no IVM.416 – BM/Rover; Decision of 24 May 1996, Case no IV/M.741-Ford/Mazda; Decision of 22 December 1997, Case no IV/M.1036-Chrysler/Distributors, Decision of 22 July 1998, Case no M.1204-Daimler-Benz/Chrysler. Decision of 6th November 1998, Case no IV/M.1326 – Toyota/Daihatsu). The narrowest segmentation previously used by the Commission is the following:
 - A: mini cars
 - B: small cars
 - C: medium cars
 - D: large cars
 - E: executive cars
 - F: luxury cars
 - S: sport coupés
 - M: multi purpose cars
 - J: sport utility cars (including off-road vehicles)

¹ Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis

10. The boundaries between segments are blurred by factors other than the size or length of cars. These factors include price, image and the amount of extra accessories. Also, the tendency to offer more options like ABS, airbags, central locking etc. in small cars further dilutes the traditional segmentation. Customers choose their cars using a combination of parameters, such as brand, size, equipment and price. On the other hand, segmentation is generally used by the industry and it still seems to be regarded as an important indicator for the positioning of a car in the market place. In particular some differences still exist in price, technology and engineering requirements within the market. For the purposes of the competitive analysis of the present case, it is not necessary to further delineate the relevant product market, because in all the alternative market definitions considered, effective competition would not be significantly impeded, as explained below.

b) Commercial vehicles

11. HMC and KMC only sell in the EU vans under 3.5 tonnes and small buses.

B. Relevant geographic market

12. The notifying parties are of the view that the relevant geographic markets are possibly worldwide. They refer to the fact that most vehicle manufacturers distribute their products in many parts of the world, and the tendency towards globalisation has grown even stronger in the last few years.

13. The parties suggest that even if a smaller geographic market is taken into consideration, it would at least comprise the territory of the EEA. They argue that the market structure in Europe is uniform, each European consumer is able to purchase the same vehicle anywhere in Europe, and the tendency towards cross-border purchases increases if the consumer is able to purchase vehicles for lower prices in other countries.

14. From a supply-side perspective, production in the motor vehicle industry is international or even global in its outlook (Decision of 24 May 1996, Case no IV/M.741-Ford/Mazda). From a customer perspective, the last years have brought a progressive harmonization of the competitive environment within the Community with respect to technical barriers, restrictions concerning distribution systems, and the transparency of pricing. However, differences remain with regard to prices, vehicle taxation, distribution systems and penetration rates of major competitors within Member States. In the present case, the exact definition of the relevant geographic market can be left open since, in all the alternative geographic market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area, as explained below.

C. Competitive Assessment

a) Passenger cars

15. The combined EU market share for all passenger cars of HMC and KMC is [<5]%. The only Member State in which there is an addition of market shares exceeding 15 % for a particular car segment is Greece ([15-20] % of the “medium” segment). HMC has [5-10] % of the EU “sports coupé” market, with shares exceeding 40 % in Greece and Spain, but KMC does not produce a sports coupé.

b) Commercial vehicles

16. The combined EU market share of HMC and KMC for vans under 3.5 tonnes is [<5]%, the highest national share being the Netherlands, with [10-15]%. Their combined EU share of small buses is [<5] %, the highest national share being the Netherlands with [<5]%.

V. CONCLUSION

17. The overlap between the product ranges of HMC and KMC is limited. The merger will only have a limited effect on the industry's level of concentration. In particular, there are no indications that the merger will raise entry barriers in the passenger car market or any distinct part of it. Therefore, the proposed concentration will not create or strengthen a dominant position.
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 EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,
signed K. Van Miert, (Member of the
Commission)