

***Case No COMP/M.1711 -
TYCO / SIEMENS***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 16/11/1999

*Also available in the CELEX database
Document No 399M1711*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 16.11.1999
SG (99) D/9242

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 parties

Dear Sirs,

Subject: Case No COMP/M.1711-TYCO/SIEMENS

Notification of 11.10.99 pursuant to Article 4 of Council Regulation No 4064/89

1. On 11.10.1999, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the undertaking Tyco International Ltd acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the electromechanical components business of Siemens AG by way of purchase of shares and assets.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the 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 AND THE OPERATION

3. Tyco International Ltd ("Tyco") is a global operator in different sectors, namely medical supplies; fire detection and security systems; flow control products; electrical and electronic components; and telephone cable accessories and systems for different applications.

4. Siemens AG (“Siemens”) is a German based global provider of electronic engineering and electronic products and services.
5. Tyco will acquire all the shares of a wholly owned subsidiary of Siemens, Siemens Electromechanical Components GmbH & Co.KG, and of other Siemens indirect subsidiaries active in this sector. Tyco will also acquire the electromechanical components assets of Siemens Holding plc (UK) and of Siemens S.p.A. (Italy).

III THE CONCENTRATION

6. The acquisition by Tyco of sole control over the electromechanical components business of Siemens constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

IV COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion¹(€ 18.860 millions for Tyco and € 771 millions for Siemens business). Each of the undertakings concerned have a Community-wide turnover in excess of EUR 250 million (€[...] millions for Tyco and €[...] millions for Siemens business), 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.

V COMPETITIVE ASSESSMENT

The Relevant Product Markets

8. The only horizontal overlaps in the activities of the parties occurs in the sectors of connectors and sensors.
9. Connectors are used in many different industrial products and applications involving the connection of electric or electronic components. The parties argue that this sector forms a single product market irrespective of the different fields of use. Notwithstanding their view they have provided different possible segmentations according to physical characteristics and to final industrial applications. However it is not necessary to further delineate this market because in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.
10. As to sensors the parties consider that there is no overlap between their respective products as they have totally different characteristics and final applications. However the product market definition can be left open in this case as no competition problem will arise from this operation in this sector.

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.

The Relevant Geographic Market

11. The parties claim that the geographic dimension of the market for the product markets above identifies is at least the EEA as the industries served by the connectors and sensors producers are mainly major international companies which concentrate their production in few sites and pursue a European-wide and often global purchasing policy. Furthermore transport costs are not significant. The market research undertaken by the Commission seems to confirm this view.

Assessment

Connectors

12. Tyco is already market leader on the European connector market with a [15-25] % market share in value in the overall connectors market. After the concentration Tyco's position will increase up to [15-25] % as in real terms the market share increase will only be [0-5] %, as nearly half of the production of Siemens connectors are for captive use, that is they are produced to be used only by Siemens internally in order to be incorporated to its final products.
13. However the parties have provided segmentation according to customer groups² in case that narrower segments had to be considered in this market. Following this analysis the combined position of the parties in the different segments would be as follows: Automotive [20-30] %; telecommunications [15-20] %; computers & peripherals [10-15] %; consumer & household appliances [15-25] %; and industrial electronics & capital goods (including special applications such as medical devices and aerospace industry) [10-15] %. In all these segments Siemens increase on Tyco's existing position will not be significant, namely: [0-5] % in the automotive segment; [0-5] % in the telecommunications segment, [0-3] % in computers segment; and [0-3] % in the industrial electronics segment; with no increase in the consumers & household appliances segment. The market research seems to accept this classification given the different technical characteristics and specific requirements acting in the different segments.
14. The parties' main competitors both in the different segments and in the overall product market hold market shares all below 10 % in value. According to the parties' information main competitors positions in the overall market in the EEA are as follows: FCI [5-15] %; Molex [0-5] %; G&H [0-5] %; Delphi [0-5] %; and Amphenol [0-5] %.
15. If a particular segment had to be analysed, the automotive sector would represent by far the area where the parties will hold a stronger combined position with [20-30] % in the EEA. Main competitors in this segment are FCI ([5-15] %); G&H ([5-15] %); Delphi ([5-15] %); Cinch ([0-5] %); and Molex ([0-5] %). However the operation will only trigger a [0-5] % increase in Tyco's present position in this segment, and the market test has shown that customers have alternative sources of supply. Furthermore customers are mainly OEMs ("Original Equipment Manufacturers") with important countervailing power. They have considerable bargaining power over components

² The division corresponds, in general terms, to that undertaken by the ZVEI(Zentralverband der Elektroindustrie), the trade association of the German electric products industry.

suppliers, in particular they follow a determined multi-sourcing policy and retain several parallel suppliers of connectors, including sometimes the condition that they will only purchase a newly developed connector if the supplier is prepared to license the relevant technology for this connector to a second-source supplier. Therefore no significant competition problem arises in this particular segment.

Sensors

16. The parties submit that their products are different and essentially complementary. Siemens produces industrial and automotive sensors while Tyco's activities are focused in sensors for medical purposes. Tyco also makes automotive sensors, however this product is a newly developed product in the highest technology range (high frequency sensor) which is not substitutable by any other Siemens sensors (low frequency sensors).
17. In the automotive segment Siemens holds a [0-10] % market share, while there is not still a market for the new Tyco's sensor, as they are only selling to a particular car manufacturer. Tyco's market share for medical sensors is below [0-10] %.
18. In view of the foregoing, it appears that the notified operation does not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

V. CONCLUSION

19. 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 by
Mario Monti
Member of the Commission