

***Case No COMP/M.1907 -
WOCO / MICHELIN***

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

Article 6(1)(b) NON-OPPOSITION
Date: 28/04/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 28.04.2000

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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. 1907 - WOCO/MICHELIN

Notification of 24.03.2000 pursuant to Article 4 of Council Regulation No 4064/89

1. On 24/03/2000, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89¹ by which the undertakings Woco Franz Joseph Wolf Holding GmbH ("Woco"), belonging to the Woco group, and Michelin Holding (Payy-Bas) B.V. ("Michelin"), belonging to the Michelin group, establish a joint venture ("Woco Michelin AVS"), whereby Woco would take 51% and Michelin 49% of the shares.
2. After examination of the notification, the Commission has concluded that the notified concentration falls within the scope of 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. Woco AVS is a German company that develops, manufactures and distributes anti-vibrations systems for a number of applications on a world-wide basis. It is part of the Woco group that is, inter alia, a primary developer and supplier of rubber-to-metal parts for the automotive industry and the automotive supplies industry. It also manufactures pipes and systems for the construction industry and parts and systems for the household industry.

¹ OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

4. Michelin AVS is part of the Michelin group that is a manufacturer of tyres, run-flat-systems, and other rubber-products. It also manufactures wheels, maps and guides. The business of Michelin AVS is the design, manufacture and sale of anti-vibration solutions for the automotive, railway, marine, and machinery industries. It also produces expansion joints.

II. THE OPERATION

5. The parties intend to establish a joint venture named Woco Michelin AVS that combines the anti-vibration activities of WOCO and Michelin.
6. The proposed concentration is the acquisition of joint control over Woco Michelin AVS by Woco and Michelin.

III. THE CONCENTRATION

7. Woco Michelin AVS will be jointly controlled by its parent companies Woco and Michelin, whereby Woco holds 51% and Michelin 49% of the shares. The joint control will be through the exercise of their voting rights and through the composition of both the board of managers and the supervisory board. The joint venture agreement provides that the board of managers consists of two members and the supervisory board of six members. Although these members are to be elected by shareholders' resolution, each time, however, one half of the members shall be elected upon nomination by Woco and the other half upon nomination by Michelin. It is furthermore provided that a number of important matters, inter alia decisions upon large investments and approval of the business plans, require the prior consent of the supervisory board with a majority of 75%. Thus, the joint venture Woco Michelin AVS will be jointly controlled by Woco and Michelin.
8. The proposed concentration is a full function joint venture that is established to operate for an indefinite duration. All the facilities and finance necessary to operate independently on the market will be transferred to Woco Michelin AVS by its parent companies. Its parent companies are virtually withdrawing from the market on which it is to operate.
9. The proposed operation is a concentration within the meaning of Art. 3 (2) of the merger regulation.

IV. COMMUNITY DIMENSION

10. The undertakings Woco and Michelin have a combined aggregate worldwide turnover in excess of €5,000 million in 1999 (Woco: €381 Mio.; Michelin: €13,763). Each of them has a community wide turnover in excess of €250 Mil. (Woco: [...]; Michelin: [...]). Only Woco achieves more than two-thirds of its aggregate Community-wide turnover within one and the same Member State (Germany). Only Michelin achieves more than two-thirds of its EFTA-wide turnover within one and the same EFTA State (Norway). The notified operation, hence, has a Community dimension according to Art. 1 (2) of the Merger Regulation. It does not constitute a co-operation case under the EEA Agreement.

V. Competitive Assessment

A. Relevant Product Market

11. The businesses of the parties overlap in the area of automotive anti-vibration parts that are combined in the joint venture. In previous decisions the Commission held that the market for automotive anti-vibration parts may be further divided into sub-segments, e.g. for engine mountings, suspension systems, vibratory torque control elements and other vibrating devices.² The final decision was left open since the concentration gave no rise to any competition concerns regardless of the market definitions used.
12. The Commission has found, inter alia in Freudenberg/Phoenix, that with respect to the customer structure in the area of automotive parts, sales to Original Equipment Manufacturers (OEM) and to Original Equipment Suppliers (OES) on the one side and to the Independent After Market (IAM) have to be distinguished in principle. However, the Commission concluded already in Freudenberg/Phoenix that anti-vibration parts are not sold in the Independent After Market.
13. In the present case the parties have identified 5 potential sub-markets, namely suspension systems, engine mountings, decoupling, mass dampers and exhaust systems/hangers. However, Michelin AVS is only active in the area of suspension systems, Woco AVS concentrates on engine mounting, decoupling, mass dampers, and exhaust systems hangers. Since the proposed joint venture will not result in any concerns as to competition, the exact market definitions can be ultimately left open.

B. Relevant Geographical Market

14. The parties consider the market to be at least EEA-wide. This assumption is in line with previous decisions of the Commission in the area of automotive parts. However, in this case the exact definition of the relevant geographical market can be left open as the proposed transaction does not raise any competition concerns in all possible alternative market definitions.

C. Competitive Assessment

15. The joint venture will result in an addition of market shares in the segment of suspension systems, but not in engine mountings, decoupling, mass dampers and exhaust systems/hangers that Michelin ASV is not active in. The following chart sets out the market shares of the parties and the proposed joint venture, respectively, with regard to anti-vibration parts in general and the overlapping sub-segment of suspension systems on an EEA-wide basis.

Market	Woco AVS	Michelin AVS	Joint Venture
Anti-Vibration parts (EU)	EU: [0-10%]	EU: [0-10%]	[5-15%]
Suspension systems	EU: [less than 10%]	EU: [5-15%]	[5-15%]

² Commission Decision COMP/M.1778 (“Freudenberg/Phoenix”)

16. Important competitors of Woco and Michelin such as Freudenberg/Phoenix and BTR/Trelleborg have higher market shares than the proposed joint venture (EEA-wide: 12-26 % and 14-17 %, respectively).
17. Furthermore, the customers of automotive anti-vibration parts are large car manufacturers (some 60-70% of purchases) or large system suppliers such as Valea, Bentler and Bosch.

D. Summary

18. The proposed concentration does not create nor strengthen a dominant position as a result of which effective competition would be significantly impeded in the common market or in a substantial part of.

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,

Mario Monti
Member of the Commission