

***Case No COMP/M.1959 -  
MERITOR / ARVIN***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 31/05/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 31.05.2000

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.1959 – Meritor/Arvin**

Notification of 3.5.2000 pursuant to Article 4 of Council Regulation No 4064/89

1. On 3.5.2000, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) 4064/89 by which the undertakings Meritor Automotive Inc. (“Meritor”) and Arvin Industries Inc. (“Arvin”) enter into a full merger.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation and does not raise serious doubts as to its compatibility with the common market and the EEA Agreement.

**I. THE PARTIES**

3. Meritor is a publicly listed company in the USA, which manufactures and supplies a broad range of automotive components and systems to vehicle manufacturers in the original equipment (OE) manufacture market for use in commercial, speciality and light vehicles. It also provides truck and trailer components to manufacturers, dealers and other end-users in the independent aftermarket (IAM). About [>60] % of Meritor’s activities are in North America and [<40] % in Europe. Within the EU it has production facilities in Belgium, France, Germany, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden and the UK.

4. Arvin is a publicly listed company in the USA, which manufactures and supplies automotive exhaust systems, ride control products and automotive filters to original equipment manufacturers and end-users in the aftermarket. It also has a coil coating business, which is independent from the above mentioned automotive related activities. The geographic scope of Arvin's activities is similar to that of Meritor. Its production facilities within the EU are in France, Germany, Italy, the Netherlands, Spain and the UK.

## **II. THE OPERATION**

5. Meritor and Arvin will merge the entirety of their businesses. The operation, therefore, constitutes a concentration in the meaning of Article 3.1(a). The transaction takes the form of an Agreement and Plan of Reorganisation between a wholly owned subsidiary of Meritor ("Newco") and Arvin. It will be carried out in two stages, where, in the first stage, Meritor will merge with Newco, and, in a second stage, Arvin will merge with Newco. Newco will be the only surviving undertaking and will subsequently change its name to ArvinMeritor Inc.

## **III. COMMUNITY DIMENSION**

6. The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 billion<sup>1</sup> (Meritor just below 5 billion and Arvin over 3 billion). Each of the undertakings concerned have a Community-wide turnover well 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.

## **IV. COMPETITIVE ASSESSMENT**

### *A. Relevant product market*

7. The parties submit that two different segments in the automotive sector exist, the OE-market (covering products supplied to original equipment manufacturers and original equipment spare parts suppliers) and the IAM. This view has been supported by comments received from third parties. As the potential buyers and the conditions of competition in the OE-market and the IAM have traditionally been considered as distinct, the Commission has also made a distinction between these two markets in its previous decisions.<sup>2</sup>
8. With the exception of the coil-coating services provided by Arvin alone, all products supplied by Meritor and Arvin fall within the broad vehicle component industry. Meritor currently supplies axle products, brake products, trailer air suspensions,

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<sup>1</sup> 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.

<sup>2</sup> See for example the Commission decisions on cases No IV/M.134 – Mannesmann/Boge, IV/M.726 – Bosch/Allied Signal, IV/M.337 – Knorr-Bremse/Allied Signal, IV/M.0360 – Arvin/Sofegi, IV/M.1342 – Knorr Bremse/Robert Bosch, IV/M.1491 – Robert Bosch/Magneti Marelli, IV/M.1207 – Dana/Echlin and COMP/M.1789 – Ina/Luk.

transmissions and clutches, drive lines, tyre inflation systems, door systems, roof systems, access control products, coil springs, stabiliser bars, torsion bars, shock absorbers and wheel products. Products supplied by Arvin cover exhausts, shock absorbers, struts and mini struts, filters and for example gas lift supports and vacuum actuators. The parties submit that from the customers' perspective, in terms of the products' characteristics or intended use, there is, with one exception, no substitutability between the products supplied by Meritor and Arvin. This view has not been contradicted in the comments received from third parties.

9. According to the notification, the concentration will lead to a small overlap as regards shock absorbers. These products are designed to improve the safety, handling and passenger comfort of the vehicles. Shock absorbers dampen the vertical motion of the wheel as it passes over uneven terrain. Arvin currently manufactures and sells shock absorbers for trucks and trailers both in the OE-market and in the IAM. The activity of Meritor is, however, limited to the resale of shock absorbers for trailers in the aftermarket.
10. It is not necessary to define the relevant product markets in more detail because in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

*B. Relevant geographic market*

11. According to the parties the geographic market for automotive components and systems in the OE- segment is at least EU or EEA-wide since there are no barriers to trade within their territory. The Commission has found in previous decisions that the relevant geographic market for the OE- segment is EEA-wide. The Commission has, however, indicated that the IAM might be national.<sup>3</sup> In this case the parties have pointed out that the IAM is highly fragmented and that there are even very few companies established at national level. In the comments of the third parties it has also been pointed out that there would seem to be a general trend in the manufacturing level of the IAM to move towards a single EU or EEA market. In any case, for the purposes of the assessment of the notified concentration, the geographic definition can be left open since the operation does not raise competition concerns, regardless of the exact scope of the geographic market(s).

*C. Assessment*

12. Both parties manufacture and supply a wide range of automotive parts, but the product ranges of Meritor and Arvin are essentially complementary. The only product category in which the parties activities overlap is the resale of shock absorbers for trailers in the aftermarket, and even this overlap is limited. On a national basis, the concentration will lead to a combined market share in excess of 15 % in one national market - France. However, this is due almost exclusively to Arvin's existing market presence [30-40] %. Meritor's market share is [<5] % in any national market. At the level of the EEA as a whole, Arvin has a [0-10] % market share compared to Meritor's market share, which is stated to be [<5] %.

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<sup>3</sup> See for example the Commission decisions on cases No IV.M.872 – TRW/Magna, IV/M.937 – Lear/Keiper, IV.M.1196 – Johnson Controls/Becker, IV.M.1207 – Dana/Echlin, IV.M.1189 – Teksid/Norsk Hydro,

13. The investigation has not provided any indications that the transaction could cause competition concerns in terms of vertical effects or in relation to the merged entity's ability to supply a wider product range. These conclusions are supported by third parties, who in general believe that the merged entity will remain subject to competition from a number of globally active competitors. According to the notification, the merged entity will become the world's 11<sup>th</sup> largest supplier of automotive components. Both the notification and third parties have also referred to the strong position of customers within the industry. The proposed operation would therefore not create or strengthen a dominant position as a result of which effective competition would significantly be impeded in the common market or any substantial part of it.

## **V. CONCLUSION**

14. 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,