

***Case No COMP/M.2440 -  
SIEMENS / YAZAKI / JV***

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: 06/08/2001

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, **06-08-2001**  
**SG (2001) D/290842**

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 Sir/Madam,

**Subject: Case No COMP/M.2440 – SIEMENS / YAZAKI / JV**  
**Notification of 04.07.2001 pursuant to Article 4 of Council Regulation**  
**No 4064/89<sup>1</sup>**

1. On 04.07.2001 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the undertaking Siemens VDO Automotive AG (“Siemens VDO”) belonging to the Siemens group, and the undertaking Yazaki Corporation (“Yazaki”) acquire within the meaning of Article 3(1)(b) of the Council Regulation joint control of three joint ventures by way of purchase of shares and contract.
2. After the 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 with the functioning of the EEA Agreement.

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<sup>1</sup> 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).

## **I. THE PARTIES**

3. Siemens VDO and Yazaki are both inter alia engaged in the field of development, design, manufacture and sale of electronic-electrical distribution systems (“EEDS”) for passenger vehicles.

## **II. THE OPERATION**

4. The parties intend to combine their respective activities in this field in a joint venture consisting of three companies. Two of them are called “Systems (EEDS) Companies” (“SysComp”), to which Siemens VDO will contribute EEDS-related assets, personnel, know-how and intellectual property rights including patents. One SysComp will be located in proximity to existing customers in Europe [...], whereas the other SysComp will be located in the US in proximity to [...]. The proximity to customers is necessary because optimized EEDS requires close cooperation between the component supplier and the car manufacturer. Since European car models generally vary from US models, separate SysComps have been set up in Europe and the US. The third company, the “Wiring (EDS) Company” (“WirComp”), will manufacture the basic electrical distribution systems (“EDS”) according to the specifications of the respective SysComp and will supply these EDS to the SysComp concerned.
5. Siemens VDO will form the companies. Yazaki will then acquire 50% of the shares of each SysComp and 75% of the shares of the WirComp. [...].
6. Siemens VDO will contribute all its EEDS activities to the proposed Joint Venture and entirely withdraw from this business. It will also contribute all its EDS-activities to the Joint Venture, except those that are part of a joint venture with Volkswagen AG. Certain other EDS-activities of Siemens VDO that will not be contributed to the proposed Joint Venture are in the process of being sold to a third party. This transaction has been cleared by the German Federal Cartel Office. Siemens VDO will only retain its activities regarding the production of electronic components used for EEDS.
7. Yazaki will retain its current EEDS and EDS activities.

## **III. CONCENTRATION**

8. The proposed concentration involves the creation of a full-function joint venture, because it brings about a lasting change in the structure of the undertakings concerned. The proposed Joint Venture will operate on a market, performing the functions normally carried out by undertakings operating on the same market. It will design, develop, produce and market EEDS, i.e. optimized and integrated electronic and electrical distribution systems for OEM car-manufacturers.
9. The proposed Joint Venture will have all the assets required for this purpose. With a staff of at least [200-500] employees (... for each SysComp), the SysComps are set up to design and develop wire harnesses, to engage in system engineering, system architecture and systems integration in close co-operation and geographic proximity to the customer. The SysComps will provide operating and manufacturing planning

support to the WirComp, which will manufacture the wire harnesses according to the specifications of the SysComps for supply to the latter. The WirComp will have approximately 5,000 employees.

10. The SysComps will market and sell the EEDS systems thus designed and produced to independent customers on the market. The Systems Joint Ventures will initially have [...] major independent customers, i.e. [...], and new marketing opportunities will arise when these or other car manufacturers decide to introduce a new car model requiring EEDS.
11. The proposed Joint Venture will also have its own management dedicated to day-to-day operations and access to sufficient resources including finance, staff, and assets in order to conduct on a lasting basis its business activities within the area provided for in the Shareholders' Agreement.
12. By acquiring a stake in the three companies Yazaki will acquire joint control. Each of the Systems (EEDS) Companies which are the core of the transaction, will have a supervisory board consisting of six members, three of which are appointed by each parent. Strategic decisions have to be taken unanimously.
13. Yazaki will have a majority in the supervisory board of the WirComp. However, any decision resulting in an investment or liability of the WirComp of more than [0-5] million USD has to be taken unanimously. This threshold means in practice, it will be met each time a new EEDS for a new model is to be produced by the WirComp. Thus the parent companies will have joint control.

#### **IV. COMMUNITY DIMENSION**

14. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5,000 million<sup>2</sup> in 1999/2000 (Siemens group: EUR 78,396 million; Yazaki: EUR [...] million). Each of them have a Community-wide turnover in excess of EUR 250 million (Siemens group: EUR [...] million, Yazaki: EUR [...] 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.

#### **V. COMPETITIVE ASSESSMENT**

15. The main product market in which the SysComps will be active is the EEDS market. As Yazaki is not active in the EEA there will be no horizontal overlap.
16. The parent companies are active in the upstream components markets to varied extents:

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<sup>2</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.

- Both groups' activities in EDS will be of minor importance in the EEA as Siemens is only active through a joint venture with Volkswagen and the market share of Yazaki is less than 10%. WirComp will not be active in marketing EDS.
  - Siemens will not be active in EDS components and Yazaki's activities in the EEA are only marginal.
  - Siemens is a strong competitor in EEDS related E components in the EEA while Yazaki is not active in this region. However, suppliers of electronic components for other uses can easily switch their production to EEDS related E components.
17. As far as the customers agree the SysComps will use EDS, EDS components and E components of the parent companies. However, customers will choose these components only in view of their competitiveness. So, even if the SysComps are successful in selling EEDS this will not necessarily increase the parties' turnover in these products. Vice versa a customer who is interested in Siemens E components is free to combine these components with EDS of third parties.
  18. All the above mentioned markets seem to be highly concentrated. The parties state that Delphi remains the leading competitor in terms of market shares except the EDS market where Yazaki is the strongest company.
  19. All the above mentioned markets are highly concentrated on the demand side and the present concentration process among automobile manufacturers will further increase the suppliers' dependency on a few buyers.
  20. Thus the concentration does not raise competition concerns.

## **VI. CONCLUSION**

21. 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**  
**Frits BOLKESTEIN**  
**Member of the Commission**