

***Case No COMP/M.3351 -
ARVIN MERITOR /
VOLVO (ASSETS)***

Only the English text is available and authentic.

**REGULATION (EEC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 01/10/2004

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 01/10/2004

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In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 Sir/Madam,

**Subject: Case No COMP/M.3351 - ArvinMeritor / Volvo (Assets)
Notification of 27/08/2004 pursuant to Article 4 of Council Regulation
No 139/2004¹**

- (1) On 27/08/2004, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which ArvinMeritor Inc. ("ARM", United-States) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the axle production business of the Volvo Group ("APB", France and Sweden), by way of purchase of shares.

¹ OJ L 24, 29.1.2004 p. 1.

I. THE PARTIES

- (2) ARM is a global manufacturer of a broad range of motor vehicle components and systems, with manufacturing facilities in 26 countries around the world. APB manufactures non-driven and driven axles for trucks and buses and foundry products.

II. THE OPERATION

- (3) The operation consists of the acquisition by ARM of sole control over the axles manufacturing business of AB Volvo (“Volvo”), including axle manufacturing assets located at St. Priest, foundry assets located at Vénissieux, both in France and some remaining assets of Volvo used in the production of axles located in Sweden.
- (4) The proposed transaction is part of Volvo’s strategic objective to out-source the production of its non-core components activities, including axles. ARM has been Volvo’s preferred third-party supplier in the past, and therefore, according to the parties, the proposed transaction makes strategic sense for both companies.

III. CONCENTRATION

- (5) ARM will acquire sole control of APB. The transaction is therefore a concentration within the meaning of Article 3(1)(b) of the EC Merger Regulation.

IV. COMMUNITY DIMENSION

- (6) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion². Each of ARM and APB have 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.

V. COMPETITIVE ASSESSMENT

The markets

- (7) The assets being acquired are involved in the production of non-driven axles for Volvo-branded trucks and buses and Renault-branded trucks, driven axles for Renault-branded trucks, and axle housings.

² 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.

- (8) There is no overlap between the parties in relation to the manufacture of non-driven axles or axle housings.
- (9) The parties have identified one affected product market, that for driven axles for trucks of 6 tonnes or more (“6t+ trucks”). The parties assert that such axles differ from non-driven axles in terms of functionality, and from both non-driven axles, and driven axles for light trucks, in terms of design, weight and cost.
- (10) As far as the geographic market is concerned, the parties claim that it is at least EEA-wide, in line with previous Commission decisions in the automotive components sector.³
- (11) The results of the Commission’s investigation have confirmed the parties’ proposition that there is a distinct market for driven axles of 6t+ trucks, and that this market is at least EEA-wide in geographic scope.

Assessment

- (12) In Europe over 70% of total demand for driven axles for 6t+ trucks is met by in-house or “captive” manufacture, that is, by production facilities owned by the truck manufacturers themselves (Iveco, MAN, Scania, DAF, etc). There are only two non-captive suppliers active in Europe, ARM with around 25%, and AA/Albion with around 3% of total production. AA/Albion will remain as an alternative non-captive supplier to ARM post-merger.
- (13) According to the parties, the truck manufacturers have buying power, since ARM faces competition, both actual and potential, from the truck manufacturers themselves, who can choose to source in-house, or by means of supply arrangements with other truck manufacturers.
- (14) In any case, the transferred assets will, over the next few years, be “frozen”, in the sense that Volvo will enter into a long-term supply agreement whereby all of its axle requirements will be met by ARM for the next 5 years. Therefore the acquired APB assets will continue to be dedicated to the satisfaction of Volvo’s requirements, and can only gradually be freed to supply customers other than Volvo. Consequently the proposed transaction will not materially change the competitive conditions in the affected market for the next several years. Again this has been confirmed by the Commission’s investigation.
- (15) Furthermore, the Commission has not received any significant complaints from third parties during the course of its investigation.

Conclusion

³ Case IV/M.872 *TRW/Magna*, Case IV/M.937 *Lear/Keiper*, Case IV/M.1196 *Johnson Controls/Becker*, IV/M.1189 *Teksid/Norsk Hydro*, Case IV/M.1207 *Dana/Ecklin*, Case IV/M.1481 *Denso/Magnetic Marelli*, Case IV/M.1587 *Dana/GKN* and Case IV/M.1789 *INA/LuK*; Case COMP/M.2901 *Magna/Donnelly*.

- (16) For the reasons outlined above, the Commission considers that the notified transaction will not significantly impede competition in the common market or a substantial part of it.

VI. CONCLUSION

- (17) 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 (EC) No 139/2004.

For the Commission

(signed)

Mario MONTI
Member of the Commission