

Brussels, 3 April 2001

Commission clears takeover of ADtranz by Bombardier, subject to commitments.

The European Commission has authorised the takeover of DaimlerChrysler's rail business division ADtranz by Bombardier of Canada, subject to commitments. As initially notified, the operation would have led to the creation of a dominant position on the markets for regional trains and trams in Germany. But the companies offered a number of divestments and other undertakings which will ensure the emergence of a strong competitor in Germany to replace the elimination of competition from ADtranz.

ADtranz (Germany) was created in 1995 through the pooling of the rail business activities of ABB and Daimler-Benz (now called DaimlerChrysler), which acquired sole control in 1999. ADtranz makes rail rolling stock and signalling equipment. Canada's Bombardier is active in the aircraft, rail transportation equipment and recreational product industries.

The acquisition will make Bombardier the world's largest integrated producer of railway equipment, ahead of Alstom of France and Germany's Siemens, the three heavy weights in the rail equipment industry both in Europe and in the rest of the world.

An in-depth investigation into the ADtranz deal confirmed the Commission's concerns about reduction of competition in the markets for regional trains and trams / light rail vehicles in Germany.

But the parties submitted commitments which will result in the development of Stadler Rail, a Swiss company active in Germany, as a strong independent supplier of regional trains and trams / light rail vehicles which will take over to a large extent the current market position of ADtranz. The commitments will also ensure that two independent suppliers of electrical propulsion (Kiepe and ELIN) remain active in both markets, which will allow for future consortia with Stadler and other non-integrated mechanical suppliers. The Commission has, therefore, reached the conclusion that, on the basis of the undertakings submitted by the Parties, the notified concentration will not lead to a dominant position in the German markets for regional trains and trams / light rail vehicles.

It notes, however, that any further concentration in this sector is likely to require very close scrutiny by the competent competition authorities.

Details of the parties' commitments are outlined below:

Regional trains

The German market for regional trains is worth more than € 2 billion a year. Bombardier and ADtranz together accounted for more than half of this market over the 1995-1999 period and would likely become dominant after the merger.

In order to address the Commission's concerns, the parties have offered to grant Stadler, which has a production site in Berlin-Pankow, an exclusive licence in Europe for ADtranz' *Regioshuttle* RS1, a regional train. In addition, Stadler will get full control of the manufacture and marketing of its *Gelenktriebwagen* (GTW), an articulated regional train developed by Stadler but initially built and marketed in Germany by ADtranz. In other words, the parties have essentially offered to divest ADtranz' product portfolio in regional trains currently sold in Germany.

Trams and Light Rail Vehicles (LRVs)

The German tram market represents sales in excess of € 600 million and has four main suppliers. Bombardier and ADtranz together accounted for more than half of this market over the 1995-1999 period and here, too, would be likely to become dominant.

To appease competition concerns, the parties have again offered to grant an exclusive European-wide licence of ADtranz' *Variotram* to Stadler. As a consequence, a fourth player will be (re-)established in the German market for trams with a well established low-floor tram in its product portfolio.

The situation of the independent players in the German market for trams and regional trains

Besides Bombardier/ADtranz, there are three players in the German markets concerned: Germany's Kiepe and Elin of Austria which supply propulsion for trams and regional trains; and Stadler who manufactures the mechanical part of regional trains only. In order to strengthen their position and to ensure their independence of the parties, Bombardier has also given the following undertakings:

Stadler

Bombardier will terminate a joint venture between Stadler and ADtranz, called Stadler Pankow GmbH, by selling the ADtranz's stake to Stadler. During a transition period, Bombardier/ADtranz also commit themselves to guarantee capacity load for the Stadler Pankow facility and to supply certain components to Stadler on current commercial terms. Put together with the other undertakings on the two regional train products RS 1 and GTW, marketed by Stadler, this will turn Stadler into an independent and competitive manufacturer of regional trains.

Kiepe

Bombardier undertakes that for a number of years it will exclusively use traction equipment of the undertaking Kiepe for the worldwide sale of its high-floor trams of the "K 5000" type and the EU-wide sale of tram trains of the *Saarbrücken Vehicle* type. In addition, Bombardier will guarantee a certain turnover with Kiepe for a number of years. This will give Kiepe ample time to find new co-operation partners to replace Bombardier which, because it will become vertically integrated after the acquisition of ADtranz, is likely to drop Kiepe as a supplier of electrical propulsion equipment.

ELIN

Bombardier undertakes to divest its minority stake in ELIN and to continue to co-operate for a certain number of years with ELIN for its *Talent* regional train and for trams of the *Cityrunner Linz* type with regard to electrical propulsion.

These commitments offered by Bombardier will also provide sufficient time for ELIN to find new co-operation partners to replace Bombardier.