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M.7174 - FEDERAL-MOGUL CORPORATION/ HONEYWELL FRICTION MATERIALS

SECTION 1.2

Description of the concentration

Federal-Mogul Corporation, Michigan, USA, intends to acquire sole control over a portion of the friction materials business, including the European friction materials business, of Honeywell International Inc., New Jersey, USA, by way of share and asset purchase. Federal-Mogul Corporation's rationale for the proposed transaction is to broaden its brake friction material portfolio and manufacturing footprint, and to expand and diversify its customer base. In addition, Federal-Mogul Corporation's combination with a portion of Honeywell International Inc.'s friction materials business will allow it to realise significant synergies that will, in turn, enable it to compete more effectively in a highly competitive marketplace, including by investing in cutting-edge manufacturing technology.

The proposed transaction affects certain markets for brake friction materials for automotive and rail applications.

- In line with the precedent approach of the European Commission in previous cases in the automotive sector, the marketplace for the supply of brake friction materials for automotive applications can be broadly segmented between brake pads (for disc brakes) and brake linings (for drum brakes), between light and commercial vehicles, and between customers on the independent aftermarket and customers in original equipment manufacturing and original equipment service sector. On the basis of this approach and on an EEA-wide basis, the proposed transaction will affect the markets for brake pads for light vehicles sold to original equipment manufacturers and suppliers in the original equipment service sector, and for brake pads for commercial vehicles sold in the independent aftermarket and to original equipment manufacturers and suppliers in the original equipment service sector.
- In rail, the proposed transaction will affect the markets for organic brake pads and organic brake blocks.

In light of the highly competitive marketplace, characterised by sophisticated buyers, complex tender processes, rivals with significantly different business models, and the likely expansion of foreign suppliers, the parties to the proposed transaction do not consider that the merger will lead to any significant impediment to effective competition and should be found compatible with the internal market.