

***Case No COMP/M.5977 -
FAURECIA/ PLASTAL***

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

Article 6(1)(b) NON-OPPOSITION
Date: 30/09/2010

***In electronic form on the EUR-Lex website under
document number 32010M5977***



EUROPEAN COMMISSION

Brussels, 30.09.2010

SG-Greffe(2010) 14863, 14864
C(2010) 6914

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 parties:

Dear Sir/Madam,

**Subject: Case No COMP/M.5977 – FAURECIA/ PLASTAL
Notification of 17.02.2010 pursuant to Article 4 of Council Regulation
No 139/2004¹**

I. INTRODUCTION

1. On 26 August 2010, the Commission received a notification of a proposed concentration by which the undertaking Faurecia Exteriors GmbH (Germany), a subsidiary of Faurecia S.A. ("Faurecia", France) controlled by Peugeot Citroën SA ("PSA", France), acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control of the whole of the undertaking Plastal GmbH ("Plastal Germany") by purchase of assets and of the whole of the undertaking Plastal Spain S.A.U. ("Plastal Spain", together with Plastal Germany "Plastal") by way of purchase of shares.²

¹ OJ L 24, 29.1.2004 p. 1. With effect from 1 December 2009, Articles 81 and 82 of the EC Treaty have become Articles 101 and, 102, respectively, of the Treaty on the Functioning of the European Union ("TFEU"). The two sets of provisions are, in substance, identical. The TFEU introduced certain changes in terminology, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this Decision.

² Faurecia and Plastal are jointly referred to as "the Parties".

II. THE PARTIES

2. Faurecia, a French company, is a global supplier of automotive equipment, in particular vehicle seating, interiors, front ends and exhaust systems. It is controlled by the car manufacturer PSA.
3. Plastal Germany and Plastal Spain have six plants in Germany and four plants in Spain respectively and are part of the Plastal Group, which is active in the engineering, production and supply of thermoplastic engineered plastic components for the automotive industry, in particular of bumpers and front-end carriers. Plastal Group is currently in insolvency procedure. Other parts of the Plastal Group are not part of the transaction.

III. CONCENTRATION AND EU DIMENSION

4. On 3 February 2010, Faurecia entered into a sales and purchase agreement with the insolvency administrator of Plastal Germany to acquire the business and all operating assets of Plastal Germany from the Plastal Group. The transaction was cleared by the Commission on 24 March 2010 (COMP/M.5799).
5. In addition, Faurecia entered into an Option Agreement with the Plastal Group regarding all shares in Plastal Spain and in Plastal S.A.S. ("Plastal France") which were held by Plastal Germany. Faurecia exercised the call option for Plastal Spain on 29 June 2010.³
6. According to Art. 5(2) second sub-paragraph of the Merger Regulation, two or more transactions which take place within a two-year period between the same persons or undertakings shall be treated as one and the same concentration arising on the date of the last transaction. The acquisition of Plastal Germany and of Plastal Spain by Faurecia falls under this provision.
7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion (Faurecia: EUR 12.0 billion, Plastal: EUR [...]), the EU-wide turnover of each undertaking concerned is more than EUR 250 million (Faurecia: EUR [...], Plastal: EUR [...]), and Faurecia does not achieve more than two-thirds of its EU-wide turnover within one and the same Member State. The concentration therefore has a EU dimension pursuant to Art. 1 (2) of the Merger Regulation.
8. In the light of the above, the proposed transaction constitutes a concentration within the meaning of Art. 3(1)(b) of the Merger Regulation.

IV. COMPETITIVE ASSESSMENT

1. Relevant product markets

9. With regard to car components, the Commission has established in previous cases a distinction between systems and components for light vehicles, on the one hand, and systems and components for heavy vehicles, on the other hand.⁴ Furthermore, the markets

³ Faurecia's option to also acquire Plastal's businesses in France has expired in the meantime. Therefore, the notified transaction does not include the abovementioned businesses of Plastal France.

⁴ See, e.g., Case COMP/M.4456, Mahle/Dana EPG.

for automotive components were further divided into products for original equipment manufacturers (OEMs), including products for the original equipment services (OES) businesses, and replacement parts sold to the independent aftermarket (IAM).⁵

10. Faurecia and Plastal are both suppliers of components for light vehicles, including passenger cars and light utility vehicles (as opposed to the markets for heavy vehicle equipment, where only Plastal maintains a minor activity) to OEMs and OES businesses. Neither party is active in the markets for replacement parts sold to the independent aftermarkets. The horizontal overlaps thus only relate to the markets for components for light vehicles sold to OEMs/OES businesses.
11. The parties have suggested a further segmentation between modules and components. According to them, a module in the automotive sector could be defined as composition of a number of already preassembled components which are delivered to the OEM as one single unit. The interest to supply complete modules rather than single components seems to have increased over the last ten years due to the OEMs' strong interest in weight and quality improvements, in reduction of the complexity of the components and of the assembly process as well as in reducing diversification.
12. The Commission's market investigation, however, has confirmed that OEMs do not only source modules, but source as well individual components separately.
13. As regards components, on an EEA level, the following component markets are affected: (i) *bumpers*, (ii) *front-end carriers*, and (iii) *instrument panels*.
14. *Bumpers* and *front-end carriers* form part of front-end modules. *Bumpers*, which are made of plastic materials, are designed to allow the car to sustain an impact without damage to the vehicle's frame or safety systems and usually include, as components, bumper energy absorbers, radiator grilles, fog lamps and parking assistance sensors. *Front-end carriers* are the underlying structure for the whole front-end module⁶ and are made of thermoplastic material, composites or metal/plastic hybrids.
15. Not all suppliers of automotive components offer complete (front-end) modules. Among the parties, only Faurecia produces front end modules. Furthermore, according to the replies in the market investigation, bumpers and front end carriers form part of separate product markets, rather than being part of a broader front end module market.
16. *Instrument panels*, in turn, form part of cockpit modules⁷. An instrument panel is the part of the interior of a vehicle extended from door to door and located directly in front of the driver, which contains the primary gauges and controls for operating the vehicle⁸. Instrument panels are usually made of injection-moulded thermoplastics.
17. For the assessment of this case, it is however not necessary to conclude on the exact product market definition for the above mentioned vehicle modules and components,

⁵ See, e.g., Case COMP/M.3789, Johnson Controls/Robert Bosch/Delphi SLI.

⁶ A pre-assembled combination of components such as lamps, fans and bumper systems which is fastened on the front of the chassis of the vehicle.

⁷ A combination made out of a dashboard and a number of sub-modules like wiring and electronic devices, instruments, car audio and information/communication and heating and climate systems.

⁸ See Case COMP/M.1563 – Ford/Plastic Omnium.

since, irrespective of the product market delineation followed, the concentration does not raise serious doubts as to its compatibility with the internal market.

2. Relevant geographic markets

18. In line with the Commission's decisions⁹ in past cases concerning the markets for automotive components, the Parties submit that the geographic scope of all possible relevant product markets is at least EEA-wide.
19. Essentially, all OEMs and customers of the Parties concerned are large corporations, which do business worldwide and maintain a large number of production plants all over the world. If an OEM decides to produce a new vehicle model, it usually asks suppliers to participate in a tender for the respective automotive components on a worldwide basis. OEMs prefer however a production of components at a location nearby the vehicle production plant(s) to ensure that there is a steady flow of components to be delivered to the production site. OEMs usually expect in such case that the supplier builds up a production site, if no facility already exists for the required component.
20. Respondents within the market investigation have largely confirmed that the geographic scope for the automotive component markets and in particular bumpers, front end carriers and instrument panels is EEA-wide, although some respondents consider these markets to be worldwide. Thus, the relevant geographic scope for the automotive components considered in the present transaction is considered to be at least EEA-wide.

3. Competitive assessment

3.1 Horizontal effects

21. The horizontal overlaps between the Parties only relate to *components* for light vehicles sold to OEMs/OES businesses. Since Plastal does not offer any modules at all, the proposed transaction will not lead to horizontal overlaps in potential markets for front-end *modules*, door *modules* and/or cockpit *modules*. At an EEA level, the proposed transaction leads to horizontally affected markets in (i) bumpers, (ii) front end carriers and (iii) instrument panels. The transaction would not lead to affected markets on the basis of worldwide markets.
22. For *bumpers*, excluding the captive sales of Faurecia to PSA, the parties' combined market share is [10-20]%. The merged entity would face competition in particular by Plastic Omnium ([10-20]%), Magna ([10-20]%) and Peguform ([10-20]%).

| Supplier of bumpers in the EEA | Market share in 2009 by value |
|--------------------------------|-------------------------------|
| Plastal Germany | [10-20]% |
| Plastal Spain | [0-5]% |
| Faurecia | [0-5]% |

⁹ COMP/M.1380 – Siebe/BTR; COMP/M.4043 – Plastal/Dynamit Nobel Kunststoff; COMP/M.4239 – Plastic Omnium /Inopart.

| | |
|----------------|----------|
| Combined | [10-20]% |
| Plastic Omnium | [10-20]% |
| Magna | [10-20]% |
| Peguform | [10-20]% |
| Rehau | [10-20]% |

23. For *front-end carriers*, excluding captive sales of Faurecia to PSA, the parties' combined share would be [20-30]%. The merged entity would face competition in particular by Plastic Omnium / Inaplas ([10-20]%), Expert ([5-10]%) and FP / Aksys ([5-10]%).

| Supplier of front-end carriers in the EEA | Market share in 2009 by value |
|---|-------------------------------|
| Faurecia | [10-20]% |
| Plastal Germany | [5-10]% |
| Plastal Spain | [0-5]% |
| Combined | [20-30]% |
| Plastic Omnium / Inaplas | [10-20]% |
| Expert | [5-10]% |
| FPK / Aksys | [5-10]% |

24. For *instrument panels*, excluding the captive sales of Faurecia to PSA, the Parties' combined share would be [20-30]%. The merged entity would still face competition by a number of competitors, among others by Visteon ([10-20]%), JCI ([5-10]%), IAC ([5-10]%) and Intier ([5-10]%).

| Supplier of instrument panels in the EEA | Market share in 2009 by value |
|--|-------------------------------|
| Faurecia | [20-30]% |
| Plastal Germany | [0-5]% |
| Plastal Spain | [0-5]% |
| Combined | [20-30]% |
| Visteon | [10-20]% |
| JCI | [5-10]% |
| IAC | [5-10]% |
| Intier | [5-10]% |
| Cerberus | [5-10]% |
| Cadence | [0-5]% |
| Others | [0-5]% |

25. The Parties stress among others that they face strong actual competition by the other established players. Moreover, they point to the fact that some OEMs still maintain in-house production and development capabilities. In addition, they claim countervailing buyer power from the car manufacturers.
26. The market investigation carried out by the Commission has largely confirmed that the Parties are not considered being each other's closest competitors for bumpers and instrument panels. Nearly all respondents have identified other companies as the respective closest competitors of the Parties: Plastic Omnium, Peguform, Magna and Rehau in bumpers, HBPO, Magna and Peguform in front end carriers, and IAC, Johnson Control, Magna and Visteon in instrument panels.
27. Considering the presence of strong actual competition, the positioning achieved by the merged entity in the above product markets does not raise competition concerns. The market investigation has confirmed that the competitive structure in these markets will not be significantly altered by this transaction. Moreover, no competitor or customer has raised any specific concerns with regard to the proposed transaction.

3.2 Vertical effects

28. The notifying Party submits that, on the basis of an EEA-wide downstream car market, there are no vertically affected markets, since the market share of PSA – Faurecia's parent company – is less than 25% in the EEA.
29. On the basis of a national segmentation of the markets for the manufacture and supply of passenger cars, according to the Parties, the share of PSA does not exceed 25% on

any such national market, except for France. In France, PSA's market share on an assumed national market for light vehicles amounts to [30-40]%.

30. In the market investigation, no competitor or customer has raised any specific concerns with regard to a possible risk of market foreclosure caused by the proposed transaction.
31. In any event, the increase in market shares upstream in the respective horizontally affected markets will not lead to any anti-competitive vertical effects. Even assuming that PSA would decide only to source from the merged entity, rival upstream suppliers of bumpers, front end carriers and instrument panels would have a sufficiently large customer base both on an EEA-wide market (or wider) and in France. Therefore, it is unlikely that customer foreclosure will result from the proposed transaction. Similarly, given the existence of strong and numerous competitors to the Parties in the markets for car components, no risks of input foreclosure are raised by the concentration.

VI. CONCLUSION

32. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the internal 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)
Joaquín ALMUNIA
Vice-President of the Commission