

***Case No IV/M.1456 -
DURA / ADWEST***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 11/03/1999

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 11.03.1999

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

Dear Sirs,

Subject: Case No IV/M.1456 – DURA/ADWEST

Notification of 11.02.1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 11.02.1999, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which Dura Automotive Systems, Inc., (Dura), controlled by Onex Corporation (Onex), acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of Adwest Automotive Plc (Adwest) by way of public bid announced on 26.01.1999.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89¹ and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

I. THE PARTIES' ACTIVITIES AND THE OPERATION

3. Dura is a designer and manufacturer of driver control systems and engineered mechanical components for the global automotive industry. Adwest supplies automotive systems and components to major automobile manufacturers. Its product range is split into two divisions: driver controls and engine controls.
4. On the 26th January, 1999, the Boards of Dura and Adwest announced that they had agreed the terms of a recommended final cash offer to be made on behalf of a wholly-owned subsidiary of Dura, to acquire the whole of the issued and to be issued capital of

¹ O.J.L 395, p.1; corrected version O.J. L 257 of 21.09.1990, p.13; as last amended by Regulation (EC) No. 1310/97, O.J. L 180 of 09.07.1997, p.1; corrigendum in O.J. L 40 of 13.02.1998, p.17

Adwest. The notified concentration constitutes an acquisition of sole control within the meaning of Article 3(1) of the Merger Regulation.

II. COMMUNITY DIMENSION

1. Dura and Adwest have a combined aggregate worldwide turnover in excess of € 5,000 million (Dura, € 7,145 million; and Adwest, € 374 million). Each of them has a Community-wide turnover in excess of € 250 million (Dura, € 1,002 million; and Adwest, € 324 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, but does not constitute a cooperation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

III. THE RELEVANT MARKETS

A. Relevant product markets

6. Dura and Adwest supply components mainly to original equipment manufacturers (OEM) and suppliers (OES). The parties make no distinction between supply to OEM and OES as the two are supplied on the same terms and conditions. The only two products where both parties are active in the EEA are cables and parking/hand brake levers.

Automotive cables

7. Automotive cables are a low technology product, used in various parts of an automobile as a means of transmitting mechanical force to operate and control a mechanism (e.g. activation of parking brake and transmission shift). Cables are designed and manufactured in accordance to specific customers' requirements. The manufacturing skills, equipment and technology are basically identical for all applications.
8. The parties assume that one of the relevant product markets is automotive wire cables. This market is taken to include supply for passenger cars and light commercial vehicles. However, the parties consider that this is a narrow definition given the allegedly high degree of demand-side substitutability between cables and other forms of connections, such as rods. There is a high degree of supply-side substitutability as not only component manufacturers, but in general cable manufacturers, are able to make any type of cable easily to meet a given customer's specifications.

Parking brakes

9. The parties consider that the other relevant product market is that for parking brake levers. Parking brake levers are a low technology product. For component suppliers already satisfying the OEMs' specifications entry into such a market can be effected quickly and at low cost. Moreover, a number of OEM self source parking brake, by including in-house production around 24% of total market demand is met by the OEM internally.
10. However, it is not necessary to further delineate the relevant product markets because, in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

B. Relevant geographic market

11. The parties are of the opinion that the relevant geographic market is at least the EEA, namely, for the following reasons: OEM operate through centralised purchasing departments sourcing from suppliers on the basis of quality and price, rather than location; transportation costs are low (approximately 5%) compared to product value; and there are no barriers to intra-EU trade. This position is line with the position taken by the Commission in other decisions concerning the automotive component sector (see Case IV/M.1207 Dana/Echlin).

IV. ASSESSMENT

Automotive cables

12. The parties would achieve a combined market share of [around 35%] in the EEA and become the market leader. The next largest players are Ficosa [with a market share of between 6-17%], Sefi/Sila [with a market share of between 6-17%], Kuster [with a market share of between 6-17%], Castellon and Gills [with a market share of between 6-17%]. As for the generality of automotive components, automotive cables are supplied to OEM following a competitive tender procedure. OEM are large companies enjoying a strong bargaining position in these sectors. Therefore, despite these relatively high market shares the parties pricing behaviour would be constrained by a number of significant competitors. Moreover, given the high degree of supply-side substitutability in the cables sector, the parties could be subject to competitive pressure from other cable manufacturers and from OEM which could easily start self-sourcing cables if they so wished.

Parking brakes

13. The parties' combined market share would be approximately [between 20-25%] in the EEA. The combined entity would be the leader also in this market. The largest competitors would be EPI [with a market share of between 9-16%], Ficosa [with a market share of between 9-16%], Sefi/Sefila [with a market share of between 9-16%] and Batz [with a market share of between 9-16%]. For the same reasons set out above for automotive cables, the transaction should not create or strengthen a dominant position in the common market.

V. CONCLUSION

14. 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