

***Case No IV/M.1466 -
EATON
CORPORATION /
AEROQUIP-VICKERS***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 31/03/1999

*Also available in the CELEX database
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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 31.03.1999

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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. 1466 – Eaton Corporation / Aeroquip-Vickers

Notification of 1.3.1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 1.3.1999, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89¹ ('the Merger Regulation') by which Eaton Corporation ('Eaton') notified its intention to acquire sole control of Aeroquip-Vickers, Incorporated ('Aeroquip-Vickers'). Both companies are US-based.
2. After examining the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

I. THE PARTIES

3. Eaton is active in the manufacture of electrical and electronic distribution and control equipment, engine components, hydraulic products and defence systems equipment for the aerospace, automotive and other industries on a global scale.
4. Aeroquip-Vickers is engaged in the manufacture and distribution of engineered components for the automotive, industrial and aerospace industries. The products include adapters, fittings, plastic products, hydraulic pumps, controls and filters.

¹ OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

II. THE OPERATION

5. The operation consists of the acquisition by Eaton of sole control over Aeroquip-Vickers within the meaning of Article 3(1)(b) of the Merger Regulation. Aeroquip-Vickers will become a wholly-owned subsidiary of Eaton.

III. COMMUNITY DIMENSION

6. Eaton and Aeroquip-Vickers have a combined aggregate world-wide turnover in excess of EUR 5,000 million² (Eaton EUR 6,669.1 million, Aeroquip-Vickers EUR 1,862.6 million). Each of them has a Community-wide turnover in excess of EUR 250 million (Eaton EUR [...] million, Aeroquip-Vickers EUR [...] 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.

IV. COMPATIBILITY WITH THE COMMON MARKET

7. According to the parties the activities of Eaton and Aeroquip-Vickers are largely complementary. The parties have identified only one product area where the parties' activities overlap in the EU: the manufacture and sale of hydraulic piston pumps for mobile applications. The parties argue, however, that this overlap does not constitute an affected market, since the parties' combined market share is well below 15% at the EEA-wide level.
8. In an earlier decision *IV/M.152 – Volvo/Atlas* the Commission accepted the division of a mobile hydraulic system into separate relevant product markets comprising components such as pumps, motors, valves and cylinders. The parties argue that hydraulic piston pumps can be divided into so called light duty, medium duty and heavy duty piston pumps. The parties produce only medium duty pumps for the European market. The parties have further divided the medium duty pumps into so called closed loop and open loop pumps. All competitors and customers contacted by the Commission have confirmed that switching between light, medium and heavy duty piston pumps is not possible due to technical requirements. They have also confirmed that, for the same reasons, it is not possible to replace closed loop pumps with open loop pumps and vice versa.
9. The Commission concluded in *IV/M.152 – Volvo/Atlas* that the scope of the geographic market for hydraulic components appears to be the Community. Customers and competitors have confirmed in the present case that sourcing takes place at least at the EEA-wide level.
10. It is not, however, necessary to reach a final conclusion of the definition of either the relevant product or geographic markets in the present case, because even on the narrowest market definitions effective competition would not be significantly impeded in the EEA or any substantial part of it. The parties have given their combined market

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.

shares in the narrowly defined product segments of closed loop and open loop hydraulic piston pumps in the EEA as about [less than 5%] and [5-10%] respectively, a market position also confirmed by third parties. There are also a number of other producers in these product segments, in particular Sauer and Rexroth, with considerably higher market shares.

11. Given all the above factors, the Commission concludes that the proposed transaction does not give rise to the creation or strengthening of a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

V. CONCLUSION

12. 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 functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No. 4064/89.

For the Commission