

***Case No IV/M.1491 -  
ROBERT BOSCH /  
MAGNETI MARELLI***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION

Date: 25/05/1999

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## THE COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 25.05.1999.

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

Dear Sirs,

**Subject :** Case No IV/M. 1491 - Robert Bosch / Magneti Marelli  
Notification of 19 April 1999 pursuant to Article 4 of Council Regulation  
No 4064/89

1. On 19 April 1999, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89, as amended by Council Regulation (EEC) No 1310/97 ("Merger Regulation"), by which Robert Bosch GmbH ("Bosch") and Magneti Marelli S.p.A. each acquire 50% of a newly created joint venture on automotive lighting technology ("JV").
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation No 4064/89 and does not raise serious doubts as to its compatibility with the common market and the functioning of the EEA agreement.

### I. THE PARTIES

3. Bosch develops, manufactures and markets products in the field of automotive equipment and communication technology, consumer goods and manufactured products (industrial equipment, packaging machines, hydraulic equipment, pneumatic equipment and plastic as well as metal products).
4. Magneti Marelli, which is controlled by Fiat S.p.A, is active in the field of automotive equipment. The Fiat Group is active in the production and marketing of cars, trucks,

agricultural machinery and earth-moving machinery, plane engines, train material, vehicle components, robotic devices and insurance services.

## **II. THE OPERATION**

5. Bosch and Magneti Marelli will each acquire 50% of the shares in the JV and will contribute their world-wide activities in automotive lighting to the JV. The JV will also be the holding company for further companies to be set up by the parties.

## **III. CONCENTRATION**

### JOINT CONTROL

6. Each of Bosch and Magneti Marelli will hold 50% of the shares in the JV. The JV will be managed by the Managing Board and controlled and supervised by the Shareholder Delegation and the Shareholder Meeting, Each of the parties will appoint half of the members of these bodies. Therefore the JV will be jointly controlled by its parent companies.

### AUTONOMOUS FULL FUNCTION UNDERTAKING

7. The JV will develop, produce and market main headlamps (including washing systems and levelling controls), auxiliary front lamps, rear lamps, auxiliary rear lamps and levelling controls. The products manufactured by the JV will be handled by the JV itself with regard to the Original Equipment Manufacturers (OEM) and the Original Equipment Spare Parts' (OES) business. As to the Independent After Market (IAM) the products will be distributed through the parties' own distribution networks. The JV will therefore perform on a lasting basis all the functions of an autonomous economic entity.

## **IV. COMMUNITY DIMENSION**

8. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>1</sup>. Each of them have a Community-wide turnover in excess of EUR 250 million, and 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 within the meaning of Article 1(2) of the Merger Regulation.

## **V. COMPETITIVE ASSESSMENT**

### **Relevant product markets**

9. In conformity with previous Commission decisions a distinction has to be made between products asked for by the OEM/OES and by the IAM. According to the parties the operation gives rise to 4 horizontally affected markets : main headlamps for the OEM/OES and for the IAM and auxiliary front lamps for the OEM/OES and for the

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<sup>1</sup> 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, p. 25). 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.

IAM. The market for levelling controls (which are part of the main head lamp) will be vertically affected by this operation.

10. The parties are of the opinion that in all product markets there is no distinction to be made between products sold for use in cars and products sold for use in trucks. Although the electrical system for heavy vehicles (above 7,5 tons) is often 24 volt driven whereas light vehicles are equipped with a 12 volt system, the construction and the function of the lamps are identical for both groups of products and most competitors (Valeo, Hella, Zizala Lichtsysteme (ZKW) produce main headlamps and auxiliary front lamps for heavy and light vehicles. The car and truck manufacturers therefore choose among the same supply sources.
11. The market investigation has shown that the volume of main headlamps and auxiliary front lamps for light vehicles is 9 times as big as the volume of these products for heavy vehicles. Despite the difference in volume of both segments, the same technology is used by the same producers to manufacture these products for light and heavy vehicles. There is therefore supply-side substitutability. Since main headlamps and auxiliary front lamps are developed in close co-operation with the car and truck manufacturers, there is no need to further sub-divide the market and to distinguish between main headlamps and auxiliary front lamps for light and for heavy vehicles.

#### (1) Main headlamps for OEM/OES

12. Main headlamps are only sold as units. These units consist of low beam and high beam light sources that are mounted in series by the car and truck manufacturers. Main headlamps are sold with levelling controls either with or without washing system to clean the lens (washing systems are only sold together with the respective headlamp).

#### (2) Auxiliary front lamps for OEM/OES

13. The most prominent lamps serving auxiliary functions to the main headlamps are fog lamps and spot lamps. Fog lamps are intended to improve road-surface illumination in fog, snow, heavy rain and dust. Spot lamps generate a narrow beam of light with high luminous intensity, enabling the user to illuminate a small area from a substantial distance.

#### (3) Main headlamps for the IAM and (4) auxiliary front lamps for the IAM

14. The main headlamps and auxiliary front lamps sold to the IAM do not differ from the products sold to the OEM/OES. However, as the products are sold to different customers, they have to be considered as a separate product market in accordance with previous Commission decisions.

#### (4) Levelling controls

15. Levelling controls are part of the main headlamp and assure that the light beam's inclination will remain within the dedicated tolerances such that oncoming traffic is not dazzled. Demand for levelling controls only stems from main headlamp producers.

### **Relevant geographic markets**

16. According to the parties the relevant geographic market for the product groups delivered to the OEM/OES is at least the EEA (low transport costs, international purchasing of car

and truck manufacturers), which is in line with previous Commission decisions<sup>2</sup>. This view was confirmed by the market investigation.

17. With regard to the products delivered to the IAM, the parties are of the opinion that the relevant geographic market is as well the EEA. In some previous cases on automotive spare parts the Commission has shown a tendency to consider the relevant geographic markets to be national ones, although in other cases the Commission indicated that it would not necessarily attribute a narrower than an EEA-wide range to markets for automotive spare parts.
18. The market investigation provided some indications that the IAM markets for main head lamps and auxiliary front lamps are national (different market shares in the various EEA States, national distribution chains). However, for the purpose of the present case the definition of the relevant geographic market for the IAM products can be left open since in all alternative definitions considered above, the operation will not lead to the creation or strengthening of a dominant position.

### **Assessment**

19. The market share figures indicated in the following paragraphs are based on the data submitted by the parties. The investigation of the Commission has confirmed these estimates to a large extent.

### **Single dominance**

#### **(1) Main headlamps for the OEM/OES**

20. According to the information provided by the parties the JV would obtain an EEA-wide market share of [20%-30%] (Bosch [10%-20%], Magneti Marelli [<10%]) on the market for main head lamps for the OEM/OES. The main competitors of the JV on this market are Valeo ([40%-50%]) and Hella ([20%-30%]).

The operation will therefore not lead to the creation or strengthening of a dominant position on the market for main headlamps for the OEM/OES.

#### **(2) Auxiliary front lamps for the OEM/OES**

21. On the market for auxiliary front lamps for the OEM/OES the JV would obtain an EEA-wide market share of [30%-40%] (Bosch [10%-20%], Magneti Marelli [10%-20%]). The main competitors of the JV on this market are Valeo ([30%-40%]) and Hella ([20%-30%]).

The operation will therefore not lead to the creation or strengthening of a dominant position on the market for auxiliary front lamps for the OEM/OES.

#### **(3) Main headlamps for the IAM**

22. On this market the parties state that the JV will have a combined EEA-wide market share of [10%-20%] (Bosch [<10%], Magneti Marelli [<10%]). The parties' most important

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<sup>2</sup> E.g. Case N° IV/M. 768 – Lucas/Variety dd. 11/0/1996, Case N° IV/M. 1245 – Valeo/ITT Industries.

competitors, Valeo and Hella have [30%-40%] and [20%-30%] respectively. In all EEA States the JV will have a market share of <20%, except for Italy where the JV will have [30%-40%] (Bosch [<10%], Magneti Marelli [30%-40%]). In Italy, Valeo and Hella have a market share of [20%-30%] and [20-30%] respectively.

The operation will therefore not lead to the creation or strengthening of a dominant position on the market for main headlamps for the IAM.

#### (4) Auxiliary front lamps for the IAM

23. With regard to auxiliary front lamps for the IAM and according to the data provided by the parties, the JV will have an EEA-wide market share of [20%-30%] (Bosch [10%-20%], Magneti Marelli [<10%]), whereas Valeo has [10%-20%] and Hella [20%-30%]. In all EEA States the JV will have a market share of equal to or less than 30% except for Finland ([40%-50%]), Italy ([40%-50%]) and Norway ([30%-40%]). In each of these countries the increment is either very small (Italy) or zero.

The operation will therefore not lead to the creation or strengthening of a dominant position on the market for auxiliary front lamps for the IAM.

#### Vertical links

24. With regard to levelling controls, for which no market related horizontal overlap occurs, Bosch is Magneti Marelli's most important supplier ([...] of its requirements), whereas Magneti Marelli produces [a large amount] of its requirements in-house. The other suppliers of levelling controls on the market are Hella, Valeo and MES.
25. The operation will not be likely to foreclose Bosch's customers for levelling controls, given the fact that there are other important suppliers of levelling controls, nor foreclose Magneti Marelli's suppliers of these products who could for instance sell their levelling controls to Bosch's former customers. After the operation the JV will have a market share of [20%-30%] on the market for levelling controls, given that the current supplies from Bosch to Magneti Marelli will be no longer on the market but captive use of the JV, whereas Bosch now has [50%-60%].

#### **Collective dominance**

26. On the 4 horizontally affected markets, the market structure will be that the strongest players on the EEA market will have a combined market share of 70% to 94%. Therefore, in this decision the issue of joint dominance of these competitors should be considered.
27. In spite of the high post-merger shares of the JV, Valeo and Hella, it seems unlikely that in this particular sector of the industry a situation will appear where these companies exercise jointly a considerable degree of control over the market for the following reasons.

#### OEM/OES markets for main headlamps and auxiliary front lamps

28. Firstly, the buying power at the level of car and truck manufacturers is of significance in the analysis of potential collective dominance. Such customers have an interest in excluding any collusive behaviour of their suppliers. Secondly, the transparency of the OEM/OES markets is limited, since products are developed through a bidding process

where for each individual car and truck type products are designed. This leads to a situation where each product is (slightly) different and different (non-public) prices apply. Thirdly, research and development are important for main headlamps and auxiliary front lamps. Technology in the automotive lighting business develops continuously and is important in order to reduce costs and to improve the performance of the products. Finally, car and truck manufacturers have not expressed concern about the operation and no allegations of oligopolistic behaviour have been voiced. These factors indicate that there is no risk of collusion or parallel behaviour on the OEM/OES markets and that a position of collective dominance is not likely to occur on the OEM/OES markets.

#### IAM markets for main headlamps and auxiliary front lamps

29. There are also important indicators why a situation of oligopolistic dominance would not occur on the IAM markets. Firstly, market shares of the various suppliers are quite different from one Member State to another, so in that sense there is little symmetry in the division of market shares throughout the EEA (for example for main headlamps in Germany the JV has a market share of [10%-20%], whereas Hella has [40%-50%] and Valeo [10%-20%]. In France the JV has a market share of [<10%] compared to [10%-20%] for Hella and [50%-60%] for Valeo). Secondly, market entry into the after market is considerably easier even for firms located outside the EEA (Eastern Europe, Asia) and smaller competitors are able to be successful on the markets for main headlamps and auxiliary front lamps. Finally, competitors and customers have expressed no concern about the operation, neither in respect of single nor in respect of potential joint dominance.
30. In conclusion, notably because of existing and potential competition to the JV, Valeo and Hella from suppliers in and outside the EEA, there are insufficient grounds to conclude that a situation of oligopolistic dominance in the EEA or in the respective EEA countries would result from the operation.

#### **VI. CONCLUSION**

31. 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,