

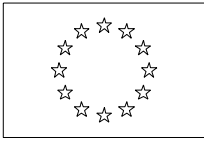
***Case No IV/M.1518 -
LEAR / UNITED
TECHNOLOGIES***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 29/04/1999

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

Brussels, 29.04.1999

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.1518-LEAR/UNITED TECHNOLOGIES

Notification of 26 March 1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 26 March 1999 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) N° 4064/89 ("the Merger Regulation") by which LEAR Corporation will acquire sole control of United Technologies Automotive Inc.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation and does not raise serious doubts as to its compatibility with the common market and the EEA Agreement.

I. THE PARTIES

3. Lear Corporation ("Lear") is a US based company active world-wide in the design, production, assembly and distribution of interior systems and components mainly for the automotive industry.
4. The United Technologies Corporation ("UTC") is a global US based industrial company. The UTC group includes companies like Otis (elevators, escalators, moving walkways and shuttle systems); Pratt & Whitney (commercial and military engines, rocket engines and space propulsion systems; UTC flight systems (flight and fleet control systems and propellers for commercial aircraft and helicopters); TPM (industrial gas turbines); Carrier (heating, ventilation and air conditioning equipment) and UT Automotive (automotive parts and electrical systems)

5. United Technologies Automotive Inc. (“UTA”) is a wholly owned subsidiary of United Technologies Corporation (“UTC”) which operates mainly in three sectors related to the automotive industry: Electrical and electronic distribution systems and components (e.g. fuse boxes, terminal and function boxes, switches and entry systems); electronic motor systems (e.g. engine cooling fans, starter motors) and interior components and systems (such as seat systems, door and interior trim systems, overhead systems ; floor and acoustic systems; instrument panels and others).

II. THE OPERATION

6. The notified operation involves Lear’s acquisition of the share capital of UTA. The Stock and Purchase Agreement was signed on 16 March 1999. On completion of the operation Lear will acquire sole control of UTA which will become a wholly owned subsidiary of Lear.

III. CONCENTRATION

7. The acquisition by Lear of sole control over UTA constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

8. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion¹(€ [...] million for Lear and € [...] million for UTA). Each of the undertakings has a Community-wide turnover in excess of EUR 250 million (€ [...] million for Lear and € [...] million for UTA), 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.

V. COMPETITIVE ASSESSMENT

A. The Relevant Product Market.

9. According to the parties the only area/sector in which overlaps arise in terms of products overlaps are certain interior components and subcomponents for the automotive industry namely: door panels, overhead systems, floor and acoustic systems and instrument panels.
10. Each component is composed of a number of sub-components. When sold separately from the overall product the parties declare that the sales of these subcomponents are not recorded separately(the only exception is sun visors) . Notwithstanding this the parties have provided an analysis of overlaps and estimates of their market shares based on the individual sub-components manufactured, as well as the component into which they are integrated.

¹ 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.

11. Door panels. The interior plastic panel of a door whether bare plastic or covered with fabric or other textured material constitutes a door panel. Suppliers generally provide the OEMs (“Original Equipment Manufacturers”) with a complete door panel which is manufactured and sold as a single unit. They usually make all the pieces or sub-components of the panels. Some individual sub-components can be sold separately, such as armrest assemblies, acoustical sound absorption systems or quarter trim assemblies.
12. However the question whether individual subcomponents which can be sold separately constitute different product markets can be left open in the present case, as even on the narrower definition the concentration does not give rise to any competition concerns.
13. Overhead systems (also referred to as headliners or headliner substrates) is the layer of plastic or fiberglass normally covered with fabric or other textured material which lines the interior roof of the car. It normally combines other roof components in the same manner as the door panel such as sound absorption material, coat hooks or sun visors. However, the question of whether these subcomponents constitute different products markets can be left open in the present case, as no overlaps arising would be sufficient to create a competition concern.
14. Sun visors. A sun visor is a barrier used to protect the driver and front seat passenger from harsh sunlight. Sun visors can be sold both as an integral part of an overhead system or as individual components with the exception of a jeep vehicle which does not even have an overhead system. The parties record separate sales for this component. In line with previous Commission’s analysis sun visors are considered as a product market
15. Floor and acoustic systems. The floor and acoustic systems comprise the floor covering, usually a carpet on the surface with other layers of material including acoustic materials, meaning materials to absorb and reduce the level of noise entering the passenger cabin. Acoustic materials can be layers of special fabric but include insulating materials. Suppliers supply as a single unit the floor and acoustic system for a car unit. On the other hand some sub-components are sold separately such as luggage compartment trim products or acoustical sound absorption systems. However, since even on such definitions the combined shares are not high enough to give rise to competition concerns, the question of product market definition can be left open in the present case.
16. Instrument panel systems. An instrument panel or instrument panel system is the interior part of the automobile in which the instruments (speedometer, clock, radio etc..) are included and which is placed in front of the driver and front passenger and through which the steering column fits. As for door panels and headliners it is normally sold as a single integrated unit. However some sub-components like glove boxes and knee bolsters and centre floor consoles are sold individually as they cannot be regarded as standard ones and therefore they are not integrated into the instrument panel. Notwithstanding this, the question of the product market definition for the present case can be left open as even on the narrower definition the concentration does not give rise to competition concerns.
17. Interior trim . Interior trim is a group of components which are decorative elements in the interior of the cabin of the car and which are usually sold as a package or unity (e.g.

² See for example Commission’s decision in case IV/M.1196-Johnson Controls/Becker.

lift gate trim; scuff plates; energy absorption systems; pillar trims and assist handles). On the other hand some of them are sold integral with door panels, floor and acoustic systems and instrument panels. However the question of the product market definition could be left open in this case as the parties overlaps do not give rise to any competition problem in this group of components neither globally nor individually considered.

B. The Relevant Geographic Market

18. The notifying party regards the relevant geographic market as at least European-wide in scope. The notifying party considers that transportation costs for these products and their sub-components from outside the EEA would exceed the cost of the products. This is the reason why UTA is not present in this geographic market as they have no clients in this geographic area. However in this case the assessment is not affected by whether the markets were considered European or global. Accordingly this question can be left open.

C. Assessment

19. Door panels. According to the notifying party the parties' combined share of sales world-wide are [less than 10] %. In the EEA only Lear is active with a share of [less than 10] %.
20. With regard to sub-components seen above, the parties declare that for none of the individual sub-components which can be sold separately from the integral unit their combined share world-wide would be [between 5-10] %. Lear's share is estimated to be [between 5-10] % both at world-wide or at the European level.
21. Overhead systems. According to the parties their combined market share world-wide would be [between 10-15] % (UTA [...] % and Lear [...] %), with only Lear being active in the EEA and holding a share of [...] %.
22. Sun visors. According to the parties sun visors are the only component or sub-components whose sales are recorded separately from those of integral overhead systems. They declare a global combined market-share of [between 5-10] % (UTA's share is less than [...] %). Lear's share in Europe is similar (around [...] %).
23. Floor and acoustic systems. The parties estimate for this product is a combined global share of [between 10-15] % (UTA less than [...] %), with only Lear being active in the EEA with a *de minimis* percentage (less than [...] %)
24. If individual subcomponents of this product were to be considered as separate product markets (that is luggage compartment trims and acoustical sound absorption systems) their combined share does not exceed [less than 15] % at a world-wide level. Only Lear is present in the EEA with a [less than 5] % market share.
25. Instrument panel systems. According to the parties their combined global share is [below 10] %. Lear's market share in the EEA is below [...] %.
26. If individual sub-components of this product were to be considered as separate product markets, the notifying party declares that the parties' share does not exceed than [less than 5] % world-wide, with Lear's presence in Europe around [less than 5] %.

27. Interior trim. Where interior trim sub-components are sold separately, as opposed to part of components such as door panels etc...the parties' combined market share does not exceed [less than 15] % world-wide for any of these products. Lear's presence in the EEA is around [less than 10] %.
28. In view of the foregoing, it appears that the notified operation does not create or strengthen a dominant position as a result of which effective competition as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

VI. CONCLUSION

29. 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,