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Case No COMP/M.1783 - ZF GOTHA / GRAZIANO TRASMISSIONI / JV

Only the English text is available and authentic.

REGULATION (EEC) No 4064/89
MERGER PROCEDURE

Article 6(1)(b) NON-OPPOSITION
Date: 04/09/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 4.09.2000
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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 COMP/M. 1783 – ZF Gotha/Graziano Trasmissioni/JV
Notification of 26.5.2000 pursuant to Article 4 of Council Regulation No 4064/89

1. The notification concerns a proposed concentration by which the German based ZF Gotha and the Italian Graziano Trasmissioni (GT) intend to establish a joint venture under the name "ZF Graziano Materials Handling Components GmbH (ZGM)". The purpose of the proposed merger is to combine the parents´ activities in the field of transmission units for lift truck vehicles in order to provide a comprehensive product line to the lift truck industry.

2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of application of Council Regulation No. 4064/89[1] (the "Merger Regulation") 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

3. ZF Gotha, a 100% subsidiary of ZF Friedrichshafen AG, Germany, is engaged in the business of developing, manufacturing and selling transmissions and components of transmissions for lift truck vehicles, with the focus of drive units for electric trucks, drive systems for electric trucks and special transmissions.

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[1] OJ L 395, 30.12.1989 p.1; corrigendum OJ 257 of 21.9.1990, p. 13, last amended by Regulation (EC) No 1310/97 (OJ 180, 9.7.1997, p.1, corrigendum OJ L 40, 13.2.1998, p.17)

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GT, a 100% subsidiary of Saurer AG, Switzerland, is engaged in the business of developing, manufacturing and selling transmissions and components of transmissions for lift truck vehicles, with the focus of powershift transmissions, transaxles systems and driveaxles for electrical or internal combustion engine.

ZGM will combine the transmission businesses of ZF Gotha and GT.

II. THE OPERATION

4. Within a start-up phase of 12 months after the closing date the parties to the concentration will transfer to ZGM the assets or equipment necessary for the appropriate running of the transmission business, thus comprising assembly lines, skilled work force, intellectual property rights, research and development facilities, marketing and after sales service activities by shifting the relevant sales workforce a.o Within the start-up phase ZGM will utilise parts of function and facilities of ZF Gotha and GT regarding the development, manufacturing and distribution of the products of ZGM. At the end of the transition period ZF Gotha and GT will no longer have the resources necessary to assembly and market independently the products transferred to ZGM.

III. CONCENTRATION

5. The operation involves the acquisition of joint control by ZF Gotha and GT over ZGM. ZGM will be managed by a group of two managing directors and one General operation Manager as well as by an advisory board of directors, which will be responsible for key matters affecting the strategic, commercial and financial operation of ZGM. The advisory board shall consist of two directors being appointed respectively by each of the parties. Key matters that affect the strategic, commercial and financial operation of ZGM have to be approved by the board.

ZGM will perform on a lasting basis all the functions of an autonomous economic entity, as it will take over from the parent companies all necessary resources to develop, produce and market transmission units.

IV. COMMUNITY DIMENSION

6. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion[2] (ZF Friedrichshafen : EUR 5,179 million; Saurer AG : EUR 1,084.21 million). Each of the parties has a Community-wide turnover in excess of EUR 250 million (ZF Friedrichshafen: EUR […]; Saurer AG: EUR[…]), 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

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[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.

Product-market-definition

7. The present operation concerns the market for transmission units for lift truck vehicles. The parties suggest a subdivision of the relevant product market in analogy to the classification of the lift truck vehicle classes, ranging from class I to class IV/V, which correspond to the following products:

   Class I : Electric Motor Rider Trucks
   Class II :Electric Motor Narrow Aisle Trucks
   Class III :Electric Motor Hand Trucks
   Class IV/V: Internal Combustion Engine Trucks

   The bulk of the vehicles allocated to classes I to III perform lifting capacities up to 2 not more than 5 tons, whereas vehicles of class IV and V amount to 40 tons lifting capacity.

8. The differences between the classes result from the different performance, construction and field of use of the single lift truck vehicle. However, the market test revealed that it is important that the supplier of transmission units can provide the full range of products, as most of the customers also produce the full range of lift truck vehicles. Consequently, the major producers of transmission units for lift truck vehicles are able to produce transmission units for all classes. In addition, the basic parts of most types of transmission units can be procured from outside suppliers and are in assembly lines that can be easily adjusted to alternative types of transmission units. Thus, switching costs are not too burdensome, amounting to around EUR […]

9. However, the market definition can be left open, as - in any event - the operation does not create or strengthen a dominant position.

Geographic market-definition

10. The product market for transmission units for lift truck vehicles is at least EU-wide, as such products are requested and shipped at least within in the area of the EU. This is confirmed by the result of the market test. The majority of the consulted customers submitted that it is not essential that the supplier be located in the country where the respective customer is situated. Consequently after sale service is not a key issue in the relevant business.

Effects of the proposed operation

11. On a EU-wide-market for the full range of transmission units for lift truck vehicles with an estimated market volume totalling EUR […] the common market shares amount to between 40% and 45%.

12. Other major competitors, being able to offer the full range of products, are Dana Spicer Clark Hürth, (approximately […]%), and Carraro, Italy, (approximately […]%). Both companies are part of large concerns, thus being backed by considerable financial resources. Medium sized, but nevertheless powerful, are Kordel (approximately […]%) and Röchling (both Germany). There are also a number of smaller competitors in the market, which have relevant know how and thus would thus also be able to produce the full product line, if required by customers.

13. Moreover, the demand side is able to exercise purchasing power. The orignial equipment manufacturing (OEM) market has seen a major concentration, with few players (i.e. Linde, Toyota-BT, Jungheinrich, MCF, Clark, Nacco, Nissan, TCM and Komatsu), controlling almost 90% of a worldwide market. Their European assembly locations are concentrated in Germany and Italy.

14. Thus, the powerful companies on the demand side are able to influence the market position of their suppliers by deliberately allocating respectively splitting their demand. By this means, they are even in the position to promote a supplier, which has not been a full-liner to date or to help establishing a new-comer. Particularly Linde has submitted to the Commission that it is its policy to procure from different suppliers in order to avoid monopolies.

15. If the market is subdivided according to the classification of the lift truck vehicles stated above overlaps occur only in Italy and only for transmission units for lift truck vehicles of class I and IV/V. The overlap with ZF Gotha is due to […] customer of GT in Italy, namely the directly neighbouring production site of Linde/FIAT. Linde/Fiat also accounts for [25-35 %] of GT´s total turnover in the field of transmission units. Alternative producers exist for these categories of transmission systems in Italy, which also produce the whole range of products as well as others which own the necessary know how to develop transmission units for all kinds of lift truck.

16. For these reasons the Commission has concluded that the operation does not create or strengthen a dominant position in the common market.

VI. CONCLUSION

17 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,

Mario MONTI
Member of the Commission