

***Case No COMP/M.2366 -
DENSO / MMC***

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

Article 6(1)(b) NON-OPPOSITION
Date: 27/03/2001

*Also available in the CELEX database
Document No 301M2366*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 27.03.2001

SG(2001)D/287111

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

Subject : Case No COMP/M.2366 - Denso /MMCL

Notification of 26 February 2001 pursuant to Article 4 of Council Regulation No 4064/89¹ (hereafter “the Merger Regulation”)

1. On 26 February 2001, the Commission received the notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the Japanese company Denso Corporation, ultimate parent company of the Denso group, («Denso») acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the Italian company Magneti Marelli Climatizzazione («MMCL») by way of purchase of shares.
2. After examination of 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.

¹ OJ L 395, 30.12.89 p.1; corrigendum OJ L 257 of 21.09.90, p.13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 09.07.97, p.1, corrigendum OJ L 40, 13.02.98, p.17).

I. THE PARTIES

3. Denso is mainly active in the development and production of automobile components (car air conditioners and heaters, radiators, filters, meters, alternators, starters, electrical automotive and electronic control products and fuel management systems). Further activities include transportation equipment, intelligent transport systems, mobile communications products *et al.*
4. MMCL is active in the area of automotive thermal systems *i.e.*, air conditioning units, compressors, condensers, heaters and radiators. It is a 75% indirect subsidiary of Magneti Marelli S.p.A., the parent company to the Italian Magneti Marelli group active in the design and production of a wide range of components for the automotive industry. The Magneti Marelli group is a wholly owned subsidiary of the Fiat Group which is active mainly in automobile and industrial vehicles markets.

II. THE CONCENTRATION

5. The proposed operation consists in the acquisition by Denso of the current 75% shareholding of Magneti Marelli in MMCL. MMCL is currently under the sole control of Magneti Marelli. Denso only owns a non-controlling 25% share in MMCL. As a result of the proposed operation, Denso will acquire sole control in MMCL. Therefore, the notified operation constitutes a concentration within the meaning of Article 3(1) (b) of the Merger Regulation.

III. COMMUNITY DIMENSION

6. The combined aggregate world-wide turnover for the financial year 1999 of the undertakings concerned exceeded EUR 5,000 million (Denso EUR 18.5 billion, MMCL approx. EUR 478 million). The aggregate Community-wide turnover of each of the undertakings concerned exceeded in 1999 EUR 250 million (Denso EUR [...], MMCL approx. EUR [...]). Denso and MMCL do not both achieve more than two thirds of their Community-wide turnover in one and the same Member State. Therefore, the concentration falls within the scope of the Merger Regulation.

IV. COMPETITIVE ASSESSMENT

Relevant product markets

7. The notifying party has identified the following Original Equipment Manufacturers (OEM)/Original Equipment Spare Parts (OES) automotive components markets: HVAC units (Heating, Ventilation and Air Conditioning unit or, in short, air conditioning unit), compressors, condensers, heaters and radiators. HVAC units, compressors and condensers are the main components of air-conditioning systems.
8. The notifying party has also identified Independent After Markets (IAM) for HVAC, condensers, heaters, radiators and compressors.
9. The components in question are not demand-substitutable for either OEM/OES or IAM customers by virtue of their characteristics and intended use and therefore constitute distinct product markets.

Relevant geographic markets

10. According to previous Commission decisions² concerning markets for automotive components, the relevant geographic markets for products delivered to OEM/OES is at least EEA-wide, whilst it appears that the market for IAM sales is national.
11. The facts in the present case show that the markets for the automotive thermal products concerned are at least EEA wide for OEM/OES. There are substantial cross-border sales of HVAC and compressors within the EEA. There are no tariff barriers to cross-border sales within the EEA, or other trade barriers such as local brand names or governmental regulations. Transport costs are relatively low within this area and competitors are active in most Member States where car manufacturing exists. For the products concerned, prices are similar throughout the EEA.
12. For IAM products the geographic market definition can be left open as there is no product overlap between the parties (see below).

Assessment

13. In the EEA –wide markets, for OEM/OES the parties' activities overlap as regards HVAC, condensers, compressors, heaters and radiators. Only the markets for HVACs and compressors are affected markets.
14. In the HVAC market the combined market share of the parties in 1999 was approximately [$<20\%$] in terms of value and [$<16\%$] in terms of volume.
15. In the compressors market the combined market share of the parties in 1999 was approximately [30-40%] in terms of value and [30-40%] in terms of volume. In the compressors market Denso's share was already in 1999 approximately [25-35%] in terms of both value and volume and therefore the increment, represented by the addition of MMCL's share, is relatively low. Furthermore, MMCL only sells and assembles compressors provided by Denso (as finished products or as knocked-down assemblies) and neither develops nor manufactures any compressors itself.³
16. In both affected OEM/OES markets for HVAC and compressors, the new entity will face strong competition from the existing competitors (in 1999, for HVAC: Valeo [30-35%], Behr [25-30%], Visteon [10-15%]; for compressors Sanden [30-35%], Visteon [10-15%], Delphi [10-15%]). As regards compressors specifically, there are significant imports in the EEA mainly originating from Japan, the US and countries of the Far East such as Korea. Customers (typically car manufacturers) command significant purchasing power.
17. In the IAM there is no overlap between the parties' activities, Denso having had some limited sales in compressors in 2000 and MMCL being active in the IAM radiator market through a Portuguese subsidiary.

² For instance, see Case COMP/M.1481 Denso/Magneti Marelli of 26.04.99, Case COMP/M.1491 Bosch/Magneti Marelli of 25.05.99, Case COMP/M.1929 Magneti Marelli/SEIMA, of 29.05.00.

³ In order to avoid double counting, Denso's compressor sales to MMCL (finished and knocked-down assemblies) are not included in Denso's sales.

18. For the above reasons, it appears that the notified operation does not create or strengthen a dominant position in any of the relevant markets, as a result of which effective competition would be significantly impeded in the EEA or in any substantial part thereof.

V. CONCLUSION

19. In the light of the above, 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.

Mario MONTI
Member of the Commission