

***Case No COMP/M.3981 -  
FIVES-LILLE / LANDIS***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 08/12/2005

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 08.12.2005

**SG-Greffe(2005) D/206714**

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 Madam(s) and/or Sir(s),

**Subject: Case No. COMP/M. 3981 – FIVES-LILLES/LANDIS  
Notification of 03/11/2005 pursuant to Article 4 of Council Regulation (EC)  
No.139/2004<sup>1</sup>**

1. On 03/11/2005 the Commission received a notification of a proposed concentration pursuant to Article 4 and following a referral pursuant to Article 4(5) of Council Regulation (EC) No 139/2004 by which Compagnie de Fives-Lille (“FL”, France), ultimately controlled by Barclays Bank plc (UK), acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the assets of Landis Lund (UK) and Landis US (USA) (together “Landis”).
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EC) No. 139/2004 and does not raise serious doubts as to its compatibility with the common market and with the EEA agreement.

**I. THE PARTIES**

3. The business activities of the undertakings concerned are :
  - FL: design, production and sale of equipment mainly for the aluminium, steel, cement, and automotive sectors; FL is also present in other market sectors, such as glass, sugar, power generation and handling systems for industry.

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<sup>1</sup> OJ L 24, 29.1.2004 p. 1

- Landis: design, manufacture and sale of grinding systems including orbital cylindrical, centerless and disc grinder machines for the automotive industry, as well as abrasives.

## **II. THE CONCENTRATION**

4. The transaction will consist in the acquisition of the business assets of Landis. The proposed operation constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **III. COMMUNITY DIMENSION**

5. The case was referred from three national Competition Authorities (Cyprus, Germany, and Spain) to the Commission after the parties requested that the case be reviewed by the Commission pursuant to Article 4(5) of the Merger Regulation. The three national Competition Authorities have approved the referral.

## **IV. COMPETITIVE ASSESSMENT**

### *Relevant product markets*

6. The parties' activities overlap in the segment of grinders for the manufacture of automotive components. Automotive grinders are heavy equipment used by car component manufacturers for precision finishing of surfaces of automotive metal parts, in particular crankshafts and camshafts (both engine components).
7. Different types of grinders exist, among which there are five on which at least one of the parties is active:
  - orbital cylindrical (O.C.) grinders which include crankshaft and camshaft orbital cylindrical grinders
  - outer diametric (O.D.) grinders for transmission shafts and pinions
  - concentric O.D. grinders for camshafts and crankshafts
  - centerless grinders for transmission shafts
  - double-disk grinders for connecting rods.
8. The parties argue that the high degree of supply-side substitutability among grinders indicates a market that could be either the market for automotive tool equipment or the market for grinders in the automotive industry, since, regarding the latter possible market, the manufacture of the various types of automotive grinders requires similar technical and engineering know-how and production capacity, and they can all be assembled in a single plant with the same equipment.
9. A market encompassing grinders for the automotive industry and other applications could also be defined, as several grinder manufacturers, such as Junker, Tachella and Danobat, produce not only different kinds of automotive grinders, but also grinders for the tooling and aerospace industries

10. From the demand-side, the parties submit that each type of automotive grinder can be regarded as a single product market. This market definition has been largely validated by the market investigation.
11. Some third parties have suggested that a market for grinders for camshafts and crankshafts—that is, including O.C. and concentric O.D. grinders—could be defined. However, the parties argue that concentric O.D. grinders and orbital cylindrical grinders for such automotive parts are not substitutable from the demand side. These grinders do not include the same components and functions and perform different actions on different parts of crankshafts and camshafts. Also the typical price of concentric O.D. grinders is EUR [< 500 000] and that of O.C. grinders can reach EUR [>1 000 000].
12. For the present case, however, the question of the exact market definition can remain open, as irrespective of which of the above possible product-market definitions is applicable, the proposed operation does not give rise to competition concerns.

#### Relevant geographical markets

13. The parties submit that the geographical scope for grinders in general and automotive grinders in particular is worldwide. All types of grinders are sold by manufacturers to customers in any part of the world and transportation costs represent less than [0-10%] of the cost of the machines. The Commission's investigation in the present case has broadly confirmed that the market for automotive grinders is worldwide.
14. For the present case, the question whether the market is worldwide or EEA-wide in scope can remain open, as, under either geographic market definition, the proposed operation does not give rise to competition concerns.

#### Assessment

15. There is no or minimal overlap between the parties for all types of automotive grinder with the exception of OC grinders, where market shares were, in 2004, [20-30%] for Landis and [0-10%] for FL (respectively [30-40%] and [0-10%] at the EEA-level). The increment in market shares is therefore relatively insignificant. The largest competitor to the parties is Junker (Germany) with [10-20%] worldwide market share ([20-30%] at the EEA-level). Other competitors include (2004 worldwide market shares in brackets) Emag (Germany, [0-10%]), Schaudt (Germany, [0-10%]), Toyoda (Japan, [10-20%]) and NTC (Japan, [10-20%])<sup>2</sup>.
16. Furthermore, since sales are made through competitive bids organized by automotive and automotive component manufacturers, the market shares of the market participants are volatile. For instance, Landis' market share in Europe shrank from [50-60%] in 2003 to [30-40%] in 2004<sup>3</sup>. The market investigation has confirmed that customers have minimal constraints to switch to a different supplier.
17. Also, not all grinder manufacturers are invited by car manufacturers to tender. By way of example, in 2004, Landis and Fives-Lille submitted respectively <50 and <10 bids in the

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<sup>2</sup> These market shares are estimates of the parties and have been broadly confirmed by the market investigation.

<sup>3</sup> Other example: Junker's market share in the EU: [20-30%] in 2002, [10-20%] in 2003, and [20-30%] in 2004.

EEA and never competed in the same call for bids. Moreover, the customers (i.e. large car manufacturers) have significant buying power, as the Commission has already noted<sup>4</sup>.

18. As regards the possible market of grinders for camshafts and crankshafts, the parties estimate that the market share of Landis is below [ $<50\%$ ]. However, the increment would be minimal as Fives-Lille does not manufacture concentric O.D. grinders. Furthermore all the arguments put forward for the market of O.C. grinders remain valid.
19. In its reply to the market investigation, one competitor expressed the view that the operation might affect competition to the extent that the Fives-Lille Group could use its financial strength to implement an aggressive pricing policy. However, other competitors did not voice any concerns and several customers have welcomed the operation on the ground that it will increase the range of products offered by the parties. Thus, in the absence of any other element substantiating the above-mentioned claim and in view of the outcome of the market investigation, the Commission considers that the alleged financial strength of the Fives-Lille group is unlikely, on its own, to have a detrimental effect on competition.
20. In view of the above, the proposed operation will not impede competition in the Community or in a significant part of it.

## **V. CONCLUSION**

21. For the reasons set out 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 (EC) No. 139/2004.

For the Commission,

*signed*

Neelie KROES  
Member of the Commission

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<sup>4</sup> See case COMP/M.2901 Magna/Donnelly