

***Case No COMP/M.4213 -  
CAG / MOTOROLA***

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: 23/06/2006

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 23.06.2006

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

Dear Sir/Madam,

**Subject: Case No. COMP/M.4213 - CAG/Motorola  
Notification of 16/05/2006 pursuant to Article 4 of Council Regulation  
No 139/2004<sup>1</sup>**

1. On 16/05/2006, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which Continental AG (“Continental”, Germany) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of Automotive Communications and Electronic Systems Group (“ACES”, USA, part of the Motorola Group) by way of purchase of assets.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) 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 AND THE TRANSACTION**

3. Continental is a manufacturer of vehicle components, including electronic control units (“ECUs”). ACES is a supplier of ECUs and vehicle communications systems (telematics).  
ECUs monitor, control or manage all or part of the chassis, powertrain or powertrain-related systems or parts which provide passenger comfort, safety or information.

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<sup>1</sup> OJL 24, 29.1.2004 p. 1.

Telematics are automotive communications technologies that combine wireless voice and data to provide location-specific security, information, and in-vehicle entertainment services to drivers and their passengers. Continental does not have any activities in the area of telematics.

## **II. CONCENTRATION**

4. The concentration concerns the acquisition by Continental of sole control of ACES. The proposed transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation

## **III. COMMUNITY DIMENSION**

5. The combined aggregate worldwide turnover of the undertakings concerned is more than €5 billion. The aggregate Community-wide turnover of each of the undertakings concerned is more than € 250 million. Neither of the Parties achieved more than two-thirds of its Community-wide turnover in one and the same Member State. The operation has therefore a Community dimension.

## **IV. ASSESSMENT**

### **a) Relevant product market**

6. The relevant product market could be defined as an overall vehicle electronics systems market, or more narrowly according to application, i.e. a market for transmission ECUs, door zone ECUs, or ECUs use for other purposes. The precise definition can be left open in the present case, in view of the absence of competition problems (see below). There is also a vertically affected market, the market for hydraulic brake boosters, and the upstream market for low and medium pressure brake booster electronic sensors.

### **b) Relevant geographic market**

7. The parties submit that the geographical market in the automotive electronics sector comprises at least the EEA. This assumption is in line with previous decisions of the Commission in the automotive supply sector<sup>2</sup> and also applies here. It also concerns any further segmentations of the automotive electronics sector such as the relevant product markets defined above. Transportation costs within the EEA are not significant and proximity of the production location of suppliers to the vehicle manufacturer has generally become increasingly irrelevant. There are no specific obstacles to intra-EEA trade. In fact, intra-EEA trade is extensive and similar conditions of competition as well as prices apply in this area. Suppliers tend to serve the entire EEA from only a few plants located within the EEA. As regards the demand

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<sup>2</sup> Case No IV/M.1462 – TRW/Lucas Varity, no 24; Case IV/M.1368 – Ford/ZF, no 13.

side, sales are made to vehicle manufacturers which tend to internationalise their purchases with global procurement policies and in many cases have production plants in several EEA countries.

### c) Assessment

8. On a narrow product market definition, there are two horizontally affected markets in the EEA, those for transmission ECUs, (Continental [25-35]% plus ACES [0-10]%, thus combined market share of [25-35]%), and door zone ECUs, (Continental [20-30]% plus ACES [0-10]%, thus combined market share of [20-30]%). Major competitors for transmission ECUs include Bosch and Siemens (EEA shares of 28% and 24% respectively), and, for door zone ECUs, Kostal and Siemens (EEA shares of 20% and 15% respectively). In view of the limited increment in market share, and the existence of strong competitors, the resulting horizontal overlap will not cause competition concerns.
9. In addition there would be a vertically affected market in the EEA under the narrowest product market definitions, i.e. the market for brake boosters, which are manufactured by Continental, and the upstream market for low and medium pressure brake booster electronic sensors, which are manufactured by ACES. However, the concentration does not give rise to foreclosure issues with regard to pressure sensors for brake boosters.
10. In 2005, Continental's EEA market share for brake boosters amounted to about [35-45]%; major competitors in the EEA are Bosch (estimated market share of 30%) and TRW (19%). In 2005 ACES' EEA market share for low and medium pressure sensors amounted to around [0-10]%.
11. ACES faces competition from a number of significantly larger players, both Bosch and Siemens having an estimated EEA market share of 40% each.
12. Post merger, Continentals' competitors in the market for brake boosters will therefore continue to have access to other suppliers of low and medium pressure sensors. Again, Bosch and some other competitors in the market for brake boosters are vertically integrated and therefore do not rely on supply of low and medium pressure sensors from third parties.
13. It should be noted that, as the Commission has concluded in previous decisions in the vehicle components sector, the major vehicle manufacturers have considerable purchasing power and tend to source components through competitive bidding procedures.<sup>3</sup>
14. Moreover, the transaction can be seen in the context of the increasing trend for vehicle manufacturers to transfer engineering and manufacturing to first tier suppliers in order to reduce development and production costs. Again, demand for automotive ECUs is expected to grow more rapidly than the overall automotive industry growth rate. Electronic content per vehicle, as measured by the share of production cost, has grown

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<sup>3</sup> See e.g. Case No. COMP/M.3486 – Magna/New Venture Gear ; case No. Comp/M.2901 – Magna-Donnelly, case no. IV/M.1196 Johnson Controls/Becker.

from 25% in 2000 to 31% in 2005 and is expected to reach 37% in 2010. This growth in the ECU market should encourage development and entry of additional players. In the course of its investigation, the Commission received no complaint from customers or competitors that the transaction would give rise to competition problems.

## V. CONCLUSION

15. 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 139/2004.

For the Commission,  
signed  
Neelie KROES  
Member of the Commission