

***Case No COMP/M.4346 -
NTN / SNR***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 27/03/2007

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 27/03/2007

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

To the notifying party

Dear Sir/Madam,

**Subject: Case No. COMP/M.4346 - NTN / SNR
Notification of 22/02/2007 pursuant to Article 4 of Council Regulation
No 139/2004**

1. On 22/02/2007, 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 139/2004¹ by which the undertaking NTN Corporation (“NTN”, Japan) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the undertaking SNR Roulements (“SNR”, France), which is fully controlled by the French undertaking Renault SAS (“Renault”), by way of purchase of shares.

I. THE PARTIES

2. NTN is active in the production of bearings for industrial, aeronautical and automotive applications worldwide. NTN is also active in the production of constant velocity joints (a component for automotive drive trains) and in the development of precision equipment.
3. SNR manufactures bearings for industrial, aeronautical and automotive applications, mainly for the European market. SNR is a 100% subsidiary of car manufacturer Renault.

¹ OJ L 24, 29.1.2004 p. 1

II. THE OPERATION

4. NTN will purchase a controlling stake of 51% of the shares of SNR within the period of one year. The acquisition of shares will take place in two steps.
5. In the first step, NTN will acquire 35% of the share capital of SNR. This acquisition will take place at the latest before 31 March 2007. Throughout the first step, NTN will not be in a position to exercise control over SNR which will remain exclusively controlled by Renault, despite the fact that NTN will have full ownership of the shares upon transfer.
6. In the second step, NTN will acquire another 16% of SNR's shares so that the resulting shareholding ratio of NTN will be 51% of the share capital and voting rights of SNR. This acquisition will take place within the first quarter of 2008 at the latest.
7. Taking into account (i.) that NTN will acquire 51% of the shares and voting rights of SNR within one year; (ii.) that following this acquisition NTN will appoint [...] Directors out of [...] on the board of Directors and (iii.) that all decisions relating to SNR are approved by simple majority, completion of step two will confer sole control over SNR by NTN.
8. Consequently, the proposed transaction constitutes a concentration within the meaning of Article 3 of the EC Merger Regulation.

III. COMMUNITY DIMENSION

9. The concentration does not have a Community dimension within the meaning of Article 1 of the EC Merger Regulation. However, the Commission is competent to review the notified operation pursuant to Article 4 (5) of the EC Merger Regulation. On 26/01/2007 the Commission received a referral request by means of a reasoned submission pursuant to Article 4 (5) of the EC Merger Regulation. No EU Member State or EEA country competent to examine the concentration under its national competition law (namely Austria, France, Germany, Italy, Poland and Slovenia) expressed its disagreement as regards the requested referral. Consequently, the transaction is deemed to have a Community dimension pursuant to Article 4 (5) of the EC Merger Regulation.

IV. ASSESSMENT

A. Relevant product market

10. The envisaged transaction concerns the manufacture and sale of bearings for industrial, aeronautical and automotive applications, where both the acquirer and the target company are active. In other areas such as specialty bearings, there is no overlap between the parties' activities. The overlap in bearings for industrial and aeronautical applications is minimal. Therefore, those markets are not affected by this transaction.

11. In the INA/FAG decision² the Commission has identified a separate market for automotive bearings. In the INA/FAG decision as well as in the TIMKEN/TORRINGTON³ decision the market for automotive bearings was further sub-segmented into automotive bearings supplied to OEM/OES⁴ and automotive bearings supplied to the IAM (independent aftermarket).
12. The parties have submitted, taking into account the development of the market structure since the INA/FAG case that these product markets definitions still hold. The application of bearings for the automotive industry requires different technical solutions and technical support. Automotive customers usually buy large quantities but a relatively small number of different parts, whereas other industrial customers purchase smaller numbers of units but a larger variation of parts. This has an impact on the length of the production run, which makes it highly unlikely that a bearing produced for a non-automotive application could be used in the automotive industry.
13. According to the parties, the scope of the relevant product market could even be considered to be narrower. Within the market for automotive bearings, ball bearings (BB), angular contact ball bearings (ACBB), tapered roller bearings (TRB), cylindrical roller bearings (CRB) and needle roller bearings could be distinguished. In that case, only a hypothetical market for ACBB's would be affected by this transaction.
14. Some respondents to the Commission's market investigation indicated nevertheless that the relevant product market should be defined wider than bearings for the automotive industry on supply side considerations. According to those suppliers the main difference between the different categories of end-use of the bearings is load, speed, desired bearing life, operating environment and lubrication. For that reason the selection of a certain bearing will typically take place at the production design stage with particular reference to the performance of the specific end-use product in question.
15. In addition, the Commission has investigated whether the market for angular contact ball bearings (ACBB) constitutes a separate relevant product market. Some customers indicated that they would not substitute an ACBB with another automotive bearing on a lasting price increase of 10%, but other customers indicated that they would. Some customers and competitors pointed out that an ACBB technically could be changed with another automotive bearing and that this would be economical to do on a lasting price increase of 10%.
16. However, for the purpose of this decision the exact product market definitions can be left open as the proposed transaction is unlikely to raise any competitive concerns.

B. Relevant geographic market

17. The parties have submitted that, in line with the Commission in the INA/FAG decision, the markets for automotive bearings supplied to OEM/OES are worldwide in scope.⁵

² Commission Decision of 18 October 2001, Case COMP/M.2608 - *INA/FAG*.

³ Commission Decision of 23 January 2003, Case COMP/M.3011 - *TIMKEN/TORRINGTON*.

⁴ OEM = Original Equipment Manufacturer; OES: Original Equipment Supplier.

⁵ Commission Decision of 18 October 2001, Case COMP/M.2608 - *INA/FAG*.

The parties point to the facts that the supply is characterised by the presence of large players operating at a worldwide scale, prices and quality of all substantial players are largely compared on the global market, transport costs are low (less than 5% of the total cost of the product) and proximity of suppliers is not a decisive factor since demand in this sector comes from companies which are operating at a worldwide level.⁶

18. As far as the market for automotive bearings sold to the IAM is concerned, the Commission left open in the INA/FAG⁷ decision as well as in the TIMKEN/TORRINGTON⁸ decision whether the geographic scope of the IAM might be considered to be national or EEA-wide⁹. The parties consider that the reasons put forward by the Commission in order to justify an EEA-wide market are still valid. In addition they also point towards an internationalisation of the market (clients in the IAM also tend to source worldwide which is facilitated by low transport costs) which would justify a worldwide market.
19. The market investigation has largely confirmed that bearings for automotive applications for both OEM/OES and IAM are sourced globally. Car manufacturers have indicated to request for quotations and to source their bearings for their production facilities located in the EEA from South America, Asia and Europe. Transport costs, which account for around 4% of the total purchase price, are relatively low. Competitors have indicated to ship substantial volumes of their production around the world. Competitors have also indicated to the Commission during the market investigation that they experience an increasing competition from Asia.
20. However, it is not necessary to conclude on the geographical market definitions for the purpose of this decision, because the proposed transaction is not likely to raise any competitive concerns.

C. Competitive assessment

21. The parties' combined market shares on the markets for automotive bearings sold to OEM/OES and IAM, and regardless whether these markets are considered to be worldwide or EEA-wide, are below 15%.
22. Only if a distinction is made within the different categories of bearings for the automotive industry (i.e. within the category of ball bearings, BB and ACBB, and, within the category of roller bearings, TRB, CRB as well as needle roller bearings) the segment for ACBB's would be affected, although the market investigation yielded no indications for competition concerns.
23. For the ACBB's sold to OES/OEM at worldwide level, the parties combined market share is between [10-20%] (value) and [15-25%] (volume). On these markets the parties

⁶ The share of imports into the EU was at 15.1 % in 2005 and the level of exports out of the EEA amounted to 25%.

⁷ Commission Decision of 18 October 2001, Case COMP/M.2608 – *INA/FAG*.

⁸ Commission Decision of 23 January 2003, Case COMP/M.3011 – *TIMKEN/TORRINGTON*.

⁹ Commission Decision of 18 October 2001, Case COMP/M.2608 – *INA/FAG*; Commission Decision of 23 January 2003, Case COMP/M.3011 – *TIMKEN/TORRINGTON*.

are facing competition inter alia from SKF (the market leader with a market share of approximately [15-25%]), NSK and INA/FAG (both undertakings have a market share of approximately [10-20%]).

24. For the ACCB's sold to the IAM, the combined market share of the Parties at EEA level would be below 15% and the increment would be minimal since the market share of NTN is below [0-5%]. In addition, parties point to the presence of strong competitors, current market leaders SKF (market share around [30-40%]) and INA/FAG (market share around [30-40%]), on this market. At the national level, the transaction does not affect competition since in the countries in which SNR's market share on the market for ACBBs for the IAM is above 15%, there is no overlap between the Parties. The market investigation confirmed that neither SNR nor TNT has a particular strong position in the relevant bearing markets. Although SNR holds a patent for a specific automotive bearing technology ([...])¹⁰ in Europe, this patent is not a constraint for other competitors to be active on the market since SNR has licensed this patent to NTN on a non-exclusive basis. Moreover, in Europe, SNR licenses [...] to other competitors, namely [...].
25. Furthermore, competitors and many customers indicated that it is possible to source all types of automotive bearings from other suppliers than NTN and SNR. Indeed, many customers obtain their bearings from multiple sources. Some customers indicated that they will have one supplier less or would have to resource, but even in those cases this would not have a significant impact on competition. Some customers indicated that they could only source specific types of bearings from SNF and NTN, but that the operation would nonetheless not give rise to anti-competitive effects.
26. On this basis the Commission concludes that the proposed transaction does not significantly impede effective competition in the common market.

V. CONCLUSION

27. 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 (EC) No 139/2004.

For the Commission
signed
Neelie KROES
Member of the Commission

¹⁰ SNR holds the [...] patent. This patent expires in 2013 for France and in 2014 for all other countries. The function of this [...].