

***Case No COMP/M.4933 -
EMERSON ELECTRIC
CO / MOTOROLA ECC***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 20/11/2007

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 20-XI-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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.4933 – Emerson Electric Co. / Motorola ECC
Notification of 12 October 2007 pursuant to Article 4 of Council Regulation
(EC) No. 139/2004¹**

- (1) On 12.10.2007 the Commission received a notification of a proposed acquisition by which Emerson Electric Co. (USA) acquires control of the whole of Motorola ECC, the embedded computing division of Motorola Inc. (USA) by way of purchase of assets.

I. THE PARTIES

- (2) Emerson is a diversified global technology company. It designs and supplies technology and engineering services to a wide range of industrial, commercial and consumer markets around the world.
- (3) Motorola ECC is the embedded computing division of Motorola Inc. It provides specialised computers which are built into and control large and complex pieces of equipment in a range of applications such as telephone networks, medical scanners, industrial imaging systems, air traffic control and radar systems, flight simulators and semiconductor wafer processing machines.

¹ OJ L 24, 29.1.2004 p. 1

II. COMMUNITY DIMENSION

- (4) The parties have a combined worldwide turnover exceeding €5 billion. However, Motorola ECC does not have Community-wide turnover exceeding €250 million, as required by Article 1(2) of the ECMR.
- (5) The parties have combined turnover exceeding €100 million in three Member States, namely Sweden, France and the United Kingdom, and in each of these countries, Emerson and Motorola ECC each has a turnover of at least €25 million. The aggregate Community-wide turnover of each undertaking is more than €100 million.
- (6) Neither party achieved more than two thirds of its turnover in a single Member State. The thresholds in Article 1(3) of the ECMR are therefore met.

III. RELEVANT MARKETS

- (7) The notifying parties have submitted that the relevant market can be defined as the global market for embedded computing solutions. This definition includes the embedded computing solutions sold on the merchant market as well as embedded computing systems designed and supplied in-house by downstream companies. Within the market investigation the majority of customers and competitors confirmed that companies active in the market see in-house production as directly competing against embedded computing solutions offered on the merchant market. Most customers have the capacity to produce in-house embedded computing but choose to purchase a part of the embedded computing solutions on the merchant market in order to effectively allocate scarce resources. They engage in a "make or buy" analysis to decide whether to purchase on the market or produce a solution in-house.
- (8) One large customer also indicates that for some technically complex embedded computing solutions, it was occasionally preferable to rely on outsourcing. Similarly, one customer specifically indicated that the relevant market should not include in-house embedded computing solutions. It can also be noted that the smallest customers have less in-house production capacity and as such rely more on the merchant market than the largest customers.
- (9) Nevertheless, in the present case the exact delineation of the market can be left open as even if in-house solutions are excluded and the market definition is limited to merchant market only the concentration is not deemed to raise competition concerns.
- (10) Embedded computers are used in various sectors such as telecommunications, defence, transportation, medical devices and industry. The notifying parties have submitted that the relevant product market should encompass all the different business areas. The market survey indeed confirmed that there is high supply-side substitutability, as solutions supplied to customers in one sector can with minor modifications meet the requirements of customers in different sectors and embedded computing solutions are often bought from non-specialist suppliers. However several embedded computing merchants are specialised in the telecommunication area (ex: Sun). Nevertheless, although the market investigation points toward the existence of a market for embedded computing solutions including all business areas, in the present case the exact delineation of the market

can be left open as even at the narrowest possible definition (market for embedded computing telecommunication solutions only, as, Emerson being only active in the telecommunications sector, the transaction will not result in overlaps in other sectors) the concentration is not deemed to raise competition concerns.

- (11) The notifying parties submit that the geographical scope of the market is global. This has been generally confirmed in the course of the market investigation, although some embedded computing merchants have significantly stronger or weaker market positions in the EEA if compared with North America. In the present case, it can however be assumed that the geographical market is at least EEA-wide as the concentration does not rise any competition issues either considering that the geographical scope is EEA or worldwide.

IV. COMPETITIVE ASSESSMENT

Horizontal overlap

- (12) Both Emerson and Motorola ECC supply embedded computing systems to customers mainly in the telecommunications sector. As indicated above, Emerson is only active in the telecommunication sector whereas [...] % of Motorola ECC's revenues stems from telecommunication applications. Emerson is a much smaller player in the supply of embedded computing than Motorola ECC. Worldwide, Emerson's revenue from sales of embedded computing is [...] times smaller than Motorola ECC's (100 M US\$ versus [...] US \$). At EEA level the ratio is as high as [...] ([...] US\$ versus [...] US \$). This difference in size was notably reflected in the market investigation where competitors and customers have indicated that because of the small penetration of Emerson in the market for embedded computing the transaction should not lead to any significant strengthening of Motorola ECC.
- (13) Under the broadest possible market definition suggested by the notifying parties (including in-house & merchant embedded computing systems, in all sectors, at worldwide level), the merged company would have a [0-10] % share in the global market for embedded computing systems. Under an alternative market definition, limiting the relevant market to embedded computing solutions sold by merchant companies, the merged entity would have a [5-15] % market share worldwide ([10-20] % at EEA level).
- (14) Only when narrowing down the product market to merchant embedded computing for telecommunications applications, the market can be qualified as affected, with the parties having a share of [15-25] % worldwide or [25-35] % at EEA level. In both configurations, the original market share of Emerson is largely smaller ([0-10] % worldwide, [0-10] % at EEA level).

Market for merchant embedded computing for Telecommunication – Market shares 2006		
Company	Worldwide	EEA
Emerson	[0-10] %	[0-10] %
Motorola ECC	[10-20] %	[20-30] %
Combined	[10-30] %	[20-40] %

Source: notifying parties

- (15) While the combined entity will be the leading supplier of embedded computing for telecommunications, Sun, RadiSys and Kontron remain strong competitors with [15-

20]%, [5-15]% and [0-10]% respectively worldwide (15-25]%, [5-15]% and [5-15]% at EEA level). Not surprisingly, the largest customers generally have several providers, permanently stimulating competition between providers.

- (16) In addition, most competitors and customers consider that the technical requirements in the Telecommunication area are not particularly specific and observe that most providers of embedded computing products distribute embedded computing in other business areas (defence, medical, etc). Most products designed for other business areas could easily be adapted to fit the needs of Telecommunication operators. Therefore a price increase for embedded computing solutions in the Telecommunication area would incitate other providers of embedded computing products to develop products for this specific market, contributing to maintain a sufficient level of competition.
- (17) With regard to in-house embedded computing, although some specific applications are preferably designed by embedded computing specialists, the largest customers all consider that in-house and outsourced embedded computing solutions are comparable. Therefore in-house embedded computing solutions also contribute to maintain a sufficient level of competition.
- (18) It should be noted that 91% of Emerson turnover is achieved with only [x customers]. Motorola is one of the parties involved in the concentration and as such did not participate in the market investigation. [The others] indicated that they did not expect the merger to raise any competition concern.
- (19) More generally, during the market investigation, customers and competitors have expressed the opinion that the merger would not change the competitive situation in the market for merchant embedded computing for telecommunication. They notably indicated that there are sufficient credible competitors in this market, so that Emerson/Motorola ECC would not be in a position to increase prices or to influence the competitive situation.
- (20) Therefore, even if the narrowest market definition is adopted, the transaction is unlikely to create or strengthen a dominant market position, or otherwise significantly impede competition in the common market or in any EU Member states.

Vertical overlap

- (21) Minor vertical relationships arise between Motorola ECC's embedded computing business and Emerson's activities upstream, in the supply of components for embedded computing systems. These upstream markets are highly fragmented and Emerson has a small share in each (less than 10%). As the parties have a share of less than 25% in the downstream market for embedded computing and the narrower hypothetical market for embedded computing solutions for telecommunications, these vertical relationships do not give rise to any affected markets.

V. CONCLUSION

- (22) 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