

***Case No COMP/M.5488 -
MAGNA/ CADENCE
INNOVATION***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 07/05/2009

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 07/05/2009
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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.5488 - MAGNA/ CADENCE INNOVATION
Notification of 27/03/2009 pursuant to Article 4 of Council Regulation
No 139/2004¹

1. On 27 March 2009, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which the undertaking Magna Presstec AG (Austria), a subsidiary of Magna International INC (Canada, both entities referred to as "Magna") acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the undertaking Cadence Innovation s.r.o. ("Cadence", Czech Republic) by way of purchase of shares. Cadence belongs to Cadence Innovation LLC (USA).

I. THE PARTIES AND THE OPERATION

2. **Magna** is a diversified automotive supplier. Magna designs, develops and manufactures automotive systems, assemblies, modules and components, and engineers and assembles complete vehicles. Its products and services are sold primarily to original equipment manufacturers (OEMs) of cars and light trucks in North America, Europe and Rest of the World (primarily Asia, South America and Africa).
3. **Cadence** is an automotive supplier of design, engineering and manufacturing solutions for automotive interior and exterior components, modules and systems, supplying OEMs in Europe. Cadence Innovation s.r.o. offers manufacturing services for painted bumpers, radiator grill door panels and instrument panels as well as for a variety of injection molded plastic components.

¹ OJ L 24, 29.1.2004 p. 1.

II. COMMUNITY DIMENSION

4. For the year 2007, the undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion² (€17,923 million for Magna and €305 million for Cadence). Each of them have a Community-wide turnover in excess of EUR 250 million ((€7,238 million for Magna and €305 million for Cadence), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.

III. COMPETITIVE ASSESSMENT

5. The parties are both active in the automotive sector where they focus on OEM customers. The markets where the parties are active are the following: (i) instrument panel plastic parts³, (ii) door panels⁴, (iii) front grills⁵ and (iv) plastic front and rear bumpers. However, the market for plastic front and rear bumpers is the only one affected by the transaction.

Market definition

6. The parties submit that there is a separate product market for plastic front and rear bumpers. Bumpers are the main parts of an automotive front and rear end, with smaller devices such as grills, head and fog lamps, lamp wipers or park distance controls being integrated to result in the front or rear “look” of a car, but originally designed to allow the car to sustain an impact without damage to the vehicle's frame or safety systems.
7. The market investigation launched by the Commission has confirmed that there is a separate product market for plastic front and rear bumpers.
8. The Commission has found in a number of previous decisions that the geographic market for automotive components in the OEM market is at least EEA-wide.⁶ This geographical definition has been confirmed by the market investigation conducted by the Commission.

Competitive assessment

9. Both parties are active in the production of plastic front and rear bumpers. Post acquisition, the merged entity will be the first in the market in terms of market shares, i.e [20-30]%.

² Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25).

³ The instrument panel is the control panel located under the windshield of an automobile.

⁴ The door panel is the panel that mounts inside a vehicle's door. This panel is often covered in vinyl or leather or painted to imitate the respective look.

⁵ The grille/grills cover one or various openings in the body of a vehicle to allow air to enter.

⁶ See Case COMP/M.4878 Continental/ Siemens VDO.

MARKET FOR PLASTIC BUMPERS (2008)					
Magna/ Cadence	Polytec	Plastal	Plastic Omnium	Faurecia	Others
[20-30]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[20-30]%

10. However, post acquisition, the increment of market shares, for the acquirer, will be not significant since Magna already has a market share of [10-20]% and many other players are active in the market.
11. The parties submit that the market for automotive components, including plastic front and rear bumpers, is very competitive. The parties also emphasize that customers, i.e car makers, have significant bargaining power. Such arguments are in line with previous Commission decisions.
12. The market investigation has shown that car makers have a large set of suppliers to choose from. In addition, customers of Cadence have expressed the view that barriers to entry are low in this market and they confirmed that the market for automotive components, including the market for plastic front and rear bumpers, is very competitive. In addition, some of Cadence's customers have expressed their satisfaction at this supplier being acquired by a bigger player in the market. Such customers consider that Cadence was too isolated as a relatively small player and now that it will be aggregated with Magna it will be a more reliable partner for a long term supply relationship. In conclusion, the market investigation showed that the impact of this transaction on the market of automotive components will be limited.
13. In view of the above it is concluded that no serious doubts as to its compatibility with the Common Market result from the horizontal overlap between the parties in the EEA market for plastic bumpers.

IV. CONCLUSION

14. 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