

***Case No COMP/M.5570 -
PLATINUM EQUITY
GROUP / DELPHI
CORPORATION***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 05/08/2009

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 5.8.2009

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.5570 – PLATINUM EQUITY GROUP/ DELPHI CORPORATION
Notification of 30 June 2009 pursuant to Article 4 of Council Regulation No 139/2004¹

1. On 30 June 2009, the Commission received a notification of a proposed concentration by which the undertaking Platinum Equity LLC ('Platinum', USA) acquires control of parts of the undertaking Delphi Corporation ('Delphi', USA) by way of purchase of shares and assets.

I. THE PARTIES AND THE OPERATION

2. Platinum is a global firm specializing in the merger, acquisition and operation of companies that provide services and solutions to customers in a broad range of business markets, including information technology, telecommunications, logistics, metals services, manufacturing and distribution.
3. Delphi is a global supplier of mobile electronics and transportation systems engineered for use in the automotive industry, including powertrain, safety, thermal and controls & security systems, electrical/electronic architecture, and in-car entertainment technologies. Delphi supplies products to the major global automotive vehicles manufacturers such as General Motors ('GM'), Ford and Volkswagen. Delphi is the successor to the parts business of GM, having been separated from GM in 1999.

¹ OJ L 24, 29.1.2004 p. 1.

4. Platinum intends to acquire sole control of Delphi's US and non-US business with the exception of: (i) Delphi's global steering business and certain North American sites to be acquired by affiliates of GM; and (ii) certain residual non-core and non-strategic assets and liabilities which will be retained by a reorganised entity, DPH Holdings Co., and which are expected to be divested over time.
5. According to the notified transaction, GM (or its affiliates) will provide US\$ 2 billion for 93.23% of the non-voting class of shares in Delphi. GM will be granted distribution preferences in relation to the profits and the ability to appoint one member to the board of Delphi, but GM will not acquire a controlling interest in Delphi and will not have veto rights over key strategic decisions and/or the business plan. A Master Disposition Agreement has been entered into², according to which Platinum would acquire 100% of the shares with voting rights and the right to appoint six of the seven Board members. Platinum would thus acquire sole control over Delphi.
6. Completion of the proposed transaction is subject to the approval of the US Bankruptcy Court of the Southern District of New York. At the time of the Commission's decision, it is still open who the ultimate acquirer of Delphi will be.
7. Consequently, the proposed transaction constitutes a concentration within the meaning of Art. 3(1)(b) EC Merger Regulation.

II. COMMUNITY DIMENSION

8. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion³ (Platinum: EUR [...], Delphi: EUR 11,893 million). Each of them has a Community-wide turnover in excess of EUR 250 million (Platinum: EUR [...], Delphi: EUR [...]), and 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

9. On 12 June 2009, Platinum acquired Platinum EES, the former Electrical and Electronic Solutions business of Alcoa Inc.⁴ Both Platinum EES and Delphi manufacture and sell automotive electric distribution systems ('EDS'), sometimes also referred to as "wiring harnesses". Furthermore, Platinum's companies are active in a number of vertically related upstream markets (fasteners and the distribution of aluminium, steel and copper processed metals).

² Master Disposition Agreement among Delphi Corporation, GM Components Holdings, LLC, General Motors Corporation, Parnassus Holdings II, LLC an affiliate of Platinum [...] and the other sellers and other buyers party hereto.

³ Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C95, 16.04.2008, p1).

⁴ This transaction was notified and unconditionally approved in Germany, Portugal, Czech Republic, Mexico and Brazil.

1. Relevant product market

a. EEDS/EDS

10. Automotive EDS are primarily concerned with the full vehicle wiring system and associated passive components, which serve mere connective purposes. In contrast to these "wiring harnesses", electronic components, such as active junction boxes and active fuses, bring intelligence to the system. The broader area of Automotive EEDS is made up of the EDS combined with these associated electronic components.
11. Delphi produces both automotive EDS and the associated electronic components. In contrast, Platinum EES produces only EDS.
12. The Parties submit that EDS falls within the broader product market of automotive electric and electronic distribution systems ('EEDS'), which includes both (i) EDS and (ii) associated electronic components.
13. In previous decisions, the Commission has not reached a conclusion as to whether the market for EEDS needs to be further subdivided into a separate submarket for automotive EDS and a separate submarket for EEDS-associated electronic components.⁵
14. The market investigation indicated that most automotive customers tend to source EDS separately from the electronic components, although some do joint purchasing. The majority of the market participants also pointed out to significant differences between EDS (which are essentially wires) and the electronic components. However, the market definition can be left open in the present case, since the proposed transaction does not raise competition concerns, under neither product market definition.
15. Both Parties produce EDS for passenger cars/light commercial vehicles ('LVs') as well as trucks ('HCVs'). The Parties do not consider that there would be a market segmentation between EDS for LVs on the one hand and EDS for HCVs on the other. According to the Parties, both the systems and underlying technologies are similar, although HCV systems may require more robust components and larger cable sizes. HCV manufacturers also tend to have more customised harnesses and shorter lead times. On the supply side, the Parties submit that the same capabilities are required for the manufacture of LVs and HCVs, although some suppliers will choose to participate to a greater or lesser extent in the HCV segment. Also, switching from the manufacture of EDS to LVs to EDS to HCVs can readily be done, according to the Parties.
16. The market investigation was not conclusive on the distinction between EDS for LVs and HCVs. Although most participants agreed that the underlying technologies and know-how are essentially similar, some pointed to differences between two groups in terms of voltage, conditions of operations (which are more hostile for HCV in terms of vibration or temperature), or the supply patterns. It also seems that a production switch would require some time. However, the market definition can be left open in the present case, since the proposed transaction does not raise competition concerns, regardless whether EDS would be sub-divided into LVs and HCV segments.

⁵ See Case No COMP/M.4932 – *Leoni/Valeo CSB*, Commission decision of 17.12.2007, Case No COMP/M.4161 – *SEI/VWBN*, Commission decision of 30.03.2006 and Case No COMP/M.2440 – *Siemens/Yazaki/JV*, Commission decision of 06.08.2001.

b. Fasteners and distribution of various processed metals

17. **Fasteners** are mechanical devices whose function is to join together two or more components in a product (e.g. screws, nuts and bolts). Platinum is active in this market via Acument, a business acquired from Textron in 2006.⁶ Fasteners are used by Delphi in most of the automotive components it produces, and there is therefore a vertical link between Acument upstream and the activities of Delphi downstream. In previous decisions, the Commission has distinguished between a number of possible product markets for fasteners.⁷ However, in the present case, the precise definition of the relevant market for fasteners can be left open since the proposed transaction will not raise competition concerns under any product market definition.
18. Ryerson, a Platinum Equity Group company, is active in the **processing and distribution of various processed metals**. Automotive components manufacturers such as Delphi source a large number of aluminium, copper and steel processed metals from metal distributors, many of which are also producers of metals, and there is therefore a vertical link between Acument upstream and the activities of Delphi downstream. A number of possible market delineations for the upstream markets were considered in previous Commission decisions⁸, but the precise market definition can be left open in this case as there are no competition concerns under any alternative.

2. Relevant geographic market

a. EEDS/EDS

19. The Parties submit that the market for automotive components, including the market for EEDS and EDS, is at least EEA-wide, and in many cases probably global. This is in line with previous Commission decisions.⁹ The market investigation broadly supported the view that the relevant geographic market is at least EEA wide. For the purpose of this decision, the exact scope of the geographic market can be left open, as there are no concerns even on a narrower EEA-wide market.

⁶ See Case No COMP/M.4270 – *Platinum Equity/Textron Fastening Systems*, Commission decision of 31.07.2006.

⁷ A distinction has previously been made between the market for aerospace fasteners and low-cost commodity fasteners (See Case No COMP/M.2928 – *Alcoa/Fairchild*, Commission decision of 14.10.2002). The Commission has not reached a conclusion on the question of whether fasteners for the automotive industry and fasteners for non-automotive uses belong in the same product market (see Case No IV/M.721 – *Textron/Valois*, Commission decision of 20.03.1996). Within automotive fasteners, further distinctions could be made into blind rivets, automotive fasteners, automotive fasteners for automotive frame, automotive fasteners for engines, automotive screws and automotive reusable bolts.

⁸ Case No COMP/M.4628 – *Salzgitter/Vallourec* (i.e. steel, aluminium, copper, coils, sheets, rounds, tubes, hexagons, square and float bars, plates, structurals).

⁹ See for instance Case No COMP/M.4932 – *Leoni/Valeo CSB*, Commission decision of 17.12.2007, Case No COMP/M.4161 – *SEI/VWBN*, Commission decision of 30.03.2006.

b. Fasteners and distribution of various processed metals

20. The Parties submit that the relevant geographic market for automotive fasteners is at least EEA-wide if not global. This is in line with previous Commission decisions.¹⁰ For the purpose of this decision, the geographic scope of the market can be left open as there are no concerns under either alternative.
21. With respect to processed metals, the Parties submit that the relevant geographic markets are at least EEA-wide and potentially wider. This is in line with previous Commission decisions.¹¹ For the purpose of this decision, the geographic scope of the market can be left open as there are no concerns under either alternative.

3. Competitive assessment

a. Horizontal overlap – EEDS/EDS

22. In manufacture and sales of automotive EDS, Delphi has a worldwide market share of [20-30]% and Platinum [0-5]% (combined market shares [20-30]%)¹². In the EEA-wide market for automotive EDS, the Parties have a combined market share of [20-30]% (Delphi [20-30]%, Platinum [0-5]%).¹³ The market shares of the parties and their main competitors for the automotive EDS market are summarized below in Table 1.

Table 1. Market shares for automotive EDS, 2008 (parties' estimates, based on value)

Company	EEA	Worldwide
Delphi	[20-30]%	[20-30]%
Platinum EES	[0-5]%	[0-5]%
Combined	[20-30]%	[20-30]%
Leoni	[20-30]%	[5-10]%
Yazaki	[10-20]%	[20-30]%
Draexelmaier	[5-10]%	[0-5]%
Lear	[5-10]%	[5-10]%
Sumimoto	N/A	[10-20]%

23. In case the market was segmented according to vehicle type, the Parties would in the EEA hold a combined market share of [20-30]% in the LV segment (Delphi [20-30]% and

¹⁰ See Case No IV/M.721 – *Textron/Valois*, Commission decision of 20.03.1996.

¹¹ See for instance Case No COMP/M.4628 – *Salzgitter/Vallourec*, Commission decision of 26.06.2007, Case No IV/M.222 – *Mannesmann/Hoesch*, Commission decision of 12.11.1992, and Case No IV/M.906 – *Mannesmann/Vallourec*, Commission decision of 03.06.1997.

¹² Figures provided by the parties on 10 July 2009.

¹³ On a hypothetical broader EEDS market comprising both EDS and related electronic components, the market shares levels of the parties would not exceed these figures.

Platinum [0-5]%) and of [10-20]% in the HCV segment (Delphi [10-20]% and Platinum [0-5]%). On a worldwide level, the combined market shares would be [20-30]% for LV (Delphi [10-20]% and Platinum [0-5]%) and [10-20]% for HCV (Delphi [10-20]%, Platinum [5-10]%).

24. Today, nine of the top ten global automotive EDS suppliers are already present in the EEA. The combined entity would continue to face competition from competitors with significant market shares, such as Leoni ([20-30]%) but also from Yazaki ([10-20]), Draexelmaier ([5-10]%) and Lear ([5-10]%).
25. The investigation also confirmed that the purchase of automotive EDS is typically made by VMs through a competitive bidding process. Both parties rely on sales to a very limited number of large automotive companies. Automotive VMs questioned in the investigation typically invite multiple suppliers to participate in the tenders (customers mentioned usually around 5, but some up to 8 companies which participate in their tenders). Besides the parties, customers mentioned Leoni, Yazaki, Draexelmaier, Lear, Sumimoto, but also Kromberg+Schubert, Nexans or Elcom as automotive EDS suppliers. Customers generally prefer to multi-source, while some prefer to select only one supplier, particularly for smaller series of vehicles.
26. Although Delphi is an established supplier, Platinum (with a [0-5]% EEA and [0-5]% worldwide market share) is a relatively small player on the market. In fact, several market players indicated that Platinum is not really established in Europe and that its position is perceived as weak. Indeed, customers were asked whether there were any areas of the EDS market where both Delphi and Platinum would be particularly strong and no such area could be identified. Moreover, the investigation clearly confirmed that the parties are not each others' closest competitors. Therefore, the addition of Platinum to Delphi will not significantly change the competitive landscape in the automotive EDS market.
27. A large majority of customers replying to the investigation expressed a neutral, or even positive view on the acquisition. Some customers stated that the acquisition would help creating a financially healthier supplier, while there would remain other alternative competitors to work with. Only one customer¹⁴ expressed a more negative comment, stating that the number of suppliers would be reduced by one, but acknowledging that there will be a number of others. Competitors also did not express any substantiated merger specific concerns.¹⁵
28. On the basis of the above, it is concluded that the transaction does not raise serious doubts with respect to sales of automotive EDS.

¹⁴ One automotive group, but replying via more subsidiaries.

¹⁵ Besides generally neutral feedback from competitors, one competitor feared stronger competition from the combined entity. Another competitor stated the transaction would contribute to further consolidation whereby the merged entity would be a strong player, together with Yazaki and Sumimoto, who can offer integrated EEDS systems comprising both EDS and electronic components. However, the merger does not substantially change this situation as Delphi was already offering both EDS and the electronic components, and Platinum was not producing these related electronic components at all (Platinum was only a relatively minor player active on the EDS market). Hence this concern is not merger-specific. In addition to this claimed negative impact on competition, the competitor was concerned about supplies of some components which it buys from Delphi and which are then combined together with its EDS to form a final EEDS. Again, there is no substantial merger specific change to the current situation, as Platinum is only adding a small market share in EDS, but does not produce these components.

b. Vertical links – fasteners/distribution of various processed metals

29. **In the upstream market for fasteners**, Platinum (through Acument) holds a market share below 15% on any possible market definition on both EEA and worldwide level.¹⁶ According to the Parties, the upstream market is very fragmented, where many other suppliers are active, e.g. Illinois Tool works, Boelhoff, Link Solutions for Industry, Nisco, Black & Decker and Nedschroef. Given these limited market shares, and the presence of numerous alternative suppliers, the proposed transaction will not lead to any risk of input foreclosure.
30. Delphi is not a significant purchaser of the upstream products - its purchase of fasteners constituted less than 1% of total demand, in all possible alternative market definitions for fasteners both on worldwide and EEA-wide levels. Given the limited presence of Delphi in this market, the proposed transaction would not lead to any risk of customer foreclosure.
31. **In the upstream market for various processed metals**, Ryerson has only limited presence in the EEA.¹⁷ According to the parties, Ryerson's market shares globally are below 5% and less than 1 % in the EEA whichever the possible market definition.¹⁸ Given these limited market shares, the proposed transaction will not lead to any risk of input foreclosure.
32. Delphi's purchase of aluminium, steel and copper processed metals during 2008 constituted less than 1 % of total demand for such metals, both on a worldwide basis and on an EEA-wide basis. Given the limited importance of Delphi as a client in this market, the proposed transaction will not lead to any risk of customer foreclosure.
33. Based on the above, the proposed transaction does not raise serious doubts in relation to the vertical links between Delphi and Platinum in the markets for **fasteners and/or** processed metals.

¹⁶ Platinum would have less than 5% on the overall market for fasteners and a market share of [10-20]% in the potential segment of automotive fasteners. Even if the market were to be further segmented into more narrower markets (blind rivets, automotive fasteners, automotive fasteners for automotive frame, automotive fasteners for engines, automotive screws and automotive reusable bolts), Platinum's market share would remain below 15 % in all segments in the EEA-wide and worldwide.

¹⁷ In 2008, Ryerson's US and Canadian subsidiaries made sales worth EUR [...] of processed metals in the [...] EEA [...].

¹⁸ Ryerson assessed its market share based on all possible market definitions by adopting the approach set out by the Commission in Case No COMP/M.4628 – *Salzgitter/Vallourec* (i.e. steel, aluminium, copper, coils, sheets, rounds, tubes, hexagons, square and float bars, plates, structurals).

IV. CONCLUSION

34. For the above reasons, the present concentration does not raise serious doubts as to its compatibility with the Common market. Therefore, 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)
Ján Figel'
Member of the Commission