

***Case No COMP/M.6339 -  
FREUDENBERG & CO /  
TRELLEBORG / JV***

Only the English text is available and authentic.

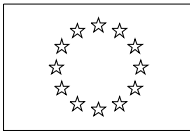
**REGULATION (EC) No 139/2004  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION

Date: 14/05/2012

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EUROPEAN COMMISSION

Brussels, 14.5.2012

C(2012) 3280 final

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 Where possible the information omitted has been replaced by ranges of figures or a

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

**To the notifying parties:**

Dear Sir/Madam,

**Subject: Case No COMP/M.6339-FREUDENBERG & CO / TRELLEBORG / JV  
Commission decision pursuant to Article 6(1)(b) of Council Regulation  
No 139/2004<sup>1</sup>**

1. On 2 April 2012, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Freudenberg & Co. KG ("Freudenberg") and Trelleborg AB (publ) ("Trelleborg") acquire within the meaning of Articles 3(1)(b) and 3(4) of the Merger Regulation joint control of a newly created company, Trelleborg Vibracoustic (the "JV"). Freudenberg and Trelleborg are designated hereinafter as the "Parties".

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<sup>1</sup> OJ L 24, 29.1.2004, p. 1 ("the Merger Regulation"). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ("TFEU") has introduced certain changes, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this decision.

## **I. THE PARTIES**

2. Freudenberg is a German limited partnership (Kommanditgesellschaft). It mainly supplies intermediate products for further processing or manufactures final goods. Freudenberg develops and produces seals, anti-vibration systems, filters, nonwovens, release agents, speciality lubricants and mechatronics products. More than one-third of Freudenberg's sales are to the automotive industry.
3. Trelleborg is a Swedish stock corporation (Aktiebolag). The company is engaged *inter alia* in the manufacture of anti-vibration systems for automotive and industrial applications, products and solutions for noise suppression in vehicles, wheel systems, industrial fluid systems and engineered solutions based on polymer materials.

## **II. THE OPERATION**

4. On 31 January 2012, Freudenberg and Trelleborg signed an agreement (the "Agreement") to combine their respective activities in the field of automotive anti-vibration systems in the JV. The JV will develop, manufacture and sell anti-vibration systems for automobiles, in particular passenger cars, light and heavy trucks and buses.

(a) Joint control

5. Pursuant to the Agreement, the Parties will each hold 50% of the shares in the JV, corresponding to 50% of the voting rights. The JV will be run by a Management Board, which will in turn be controlled by a Supervisory Board. Freudenberg and Trelleborg will be equally represented at the level of both boards. The JV will therefore be jointly controlled by Freudenberg and Trelleborg.

(b) Full-functionality

6. The JV will take over the full market presence of the Parties in the business of anti-vibration systems for automobiles and will be independently active in the development, manufacture and sale of anti-vibration products and systems for automobiles.
7. The JV will be run by a Management Board with full responsibility for its day-to-day operations. The JV's business activities will include all elements necessary for self-standing operations, including R&D, production, logistics, marketing, sales, finance and administration. The JV will also have access to sufficient resources including finance, staff, and assets in order to conduct its business activities within the area provided for in the Agreement.
8. In view of the above, the notified operation is a concentration within the meaning of Articles 3(1)(b) and 3(4) of the Merger Regulation.

## **III. EU DIMENSION**

9. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million.<sup>2</sup> Each of them has an EU-wide turnover in excess of EUR 250 million and both do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.

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<sup>2</sup> Turnover calculated in accordance with Article 5 of the Merger Regulation.

10. The notified operation therefore has an EU dimension pursuant to Article 1(2) of the Merger Regulation.

#### **IV. COMPETITIVE ASSESSMENT**

11. The proposed transaction gives rise to horizontal overlaps between the activities of the Parties in the supply of anti-vibration systems for automobiles.

- (a) Relevant product markets

12. The Parties are both active in the supply of anti-vibration systems for automobiles (including passenger cars, light and heavy trucks and buses).

13. In previous decisions, the Commission considered a possible further distinction of the anti-vibration systems market according to individual product categories: (i) suspension systems (ii) engine mountings (or engine mounts); (iii) decoupling; (iv) mass dampers; and (v) exhaust systems/hangers.<sup>3</sup> The Commission ultimately left open the precise relevant product market definition in those cases.

14. In those previous decisions, the Commission also considered a possible distinction between, on the one hand, sales to original equipment manufacturers (OEM) and original equipment suppliers (OES), and on the other hand sales to the independent after-market (IAM). However, that question was ultimately left open.

15. In the present case, the Parties submit that, for the purposes of market definition, one single market for anti-vibration systems exists because of significant supply-side substitutability between different product categories. The Parties have identified six such product categories: (i) chassis and suspension mounts and bushes, (ii) engine mounts, (iii) torsional vibration dampers (TVD), (iv) exhaust hangers, (v) air springs and (vi) micro-cellular polyurethane (MCU) bumpers.

16. As regards the distinction between OEM/OES and IAM, the Parties submit that IAM sales form a minor part of an overall market that includes sales both to OEMs/OESs and to the IAM.

17. A majority of respondents to the Commission's investigation considered that each of the six product categories set out in paragraph 15 above may constitute a separate relevant product market, due to differences in the characteristics, design and intended use of each category of products. Respondents also indicated that each vehicle or model of vehicle has a dedicated set of anti-vibration systems which is specifically designed and manufactured for its purposes.

18. Some respondents indicated that while a number of producers are active in the production and supply of more than one category of anti-vibration products, they generally consider it difficult to enter new product segments because of R&D costs, the time required to develop these products and the know-how specifically related to each component. Most producers are however active in the supply of anti-vibration products for more than one model of vehicle.

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<sup>3</sup> Case COMP/M.1778 Freudenberg/Phoenix/JV, decision of 26 January 2000, para 11; and Case COMP/M.1907 Woco/Michelin, decision of 28 April 2000, para 13

19. Some respondents suggested that a further distinction could be drawn between conventional anti-vibration systems ("conventional bush and mount") and hydraulic mounts, based on differences in prices, manufacturing techniques and performances. A conventional bush and mount is obtained by bonding rubber pieces between two metallic inserts or into a cylindrical steel tube while hydraulic mounts are manufactured by adding fluid inside the main rubber spring in order to create a secondary damping effect, by having this fluid moving from one rubber cavity to another.
20. Furthermore, some respondents considered that a distinction could be drawn between anti-vibration systems for passenger cars and commercial vehicles, due to differences relating to design characteristics and the price of the products.
21. Finally, some respondents to the market investigation suggested that the volume and value of IAM sales are insignificant when compared OEM/OES sales, due to the fact that the majority of anti-vibration systems are designed to last for the entire life-time of a vehicle.
22. Since the concentration does not raise serious doubts under any possible approach, the exact product market definition can be left open.

(b) Relevant geographic market definition

23. In previous decisions, the Commission considered the market for anti-vibration systems for automobiles to be at least EEA-wide.<sup>4</sup> The Commission ultimately left open the precise relevant geographic market definition.
24. The vast majority of respondents to the Commission's investigation indicated that the market for anti-vibration systems for automobiles (and possible sub-segments) to be worldwide in scope.
25. Since the concentration does not raise serious doubts under any possible approach, the exact geographic market definition can be left open.

(c) Competitive assessment

*i. Overall market for anti-vibration systems for automobiles*

26. The Parties' combined worldwide share of the market for the supply of anti-vibration systems for automobiles would be [10-20]% (with an increment of [5-10]%). The Parties' combined EEA-wide market share would be [20-30]% (with an increment of [10-20]%).
27. However, even under the narrowest EEA-wide geographic market definition, the JV will continue to face competitive pressure from a significant number of competitors, including ZF Boge (EEA market share of [10-20]%), Contitech (EEA market share of [10-20]%), Paulstra (EEA market share of [5-10]%) and Anvis (EEA market share of [5-10]%).

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<sup>4</sup> Case COMP/M.1778 Freudenberg/Phoenix/JV, decision of 26 January 2000, para 14; Case COMP/M.1907 Woco/Michelin, decision of 28 April 2000, para 14; and Case COMP/M.2603 ZF Friedrichshafen/Mannesmann Sachs, decision of 19 November 2001, para 20.

28. The transaction therefore does not raised serious doubts with regard to a possible overall market for anti-vibration systems for automobiles.

*ii. Narrower market definition according to product categories*

29. The concentration could lead to an affected market at worldwide level in relation to TVD, where the Parties' combined worldwide share of the market would be [10-20]% (with an increment of [0-5]%).

30. At EEA-wide level, the transaction could lead to three affected markets: chassis mounts, engine mounts and TVD. In these markets, the Parties' combined EEA-wide share would be [20-30]% for chassis mounts (with an increment of [10-20]%), [20-30]% for engine mounts (with an increment of [10-20]%) and [40-50]% for TVD (with an increment of [5-10]%).

31. In addition, two customers that responded to the market investigation and currently multi-source from the Parties, claim that the transaction will potentially reduce their choice of suppliers and lead to a price increase.

32. However, the Commission considers that the proposed transaction does not raise serious doubts with respect to any of the above-mentioned markets for anti-vibration systems.

33. First, even under the narrowest product and geographic market definition, the JV will continue to face competitive pressure from a significant number of strong rivals. Competitors of the JV include ZF Boge in chassis mounts (EEA market share of [20-30]%), Contitech (EEA market share of [10-20]%), Paulstra (EEA market share of [10-20]%) in engine mounts, and Metaldyne and Winkelmann in TVD (EEA market shares of respectively [10-20]% and [10-20]%).

34. Second, the majority of customers and competitors that responded to the market investigation stated that the transaction may lead to important economies of scale and produce benefits for future R&D activities.

35. Third, customers confirmed that alternative suppliers such as Contitech will remain active on all possible markets and sub-segments including engine mounts for trucks<sup>5</sup> and hydraulic engine mounts.<sup>6</sup> These alternative suppliers are able to provide product development and manufacturing services and will continue to constitute a significant competitive constraint on the JV.

36. Fourth, some customers reported that in the past, they have been able to switch between different suppliers during the life-time of a vehicle where, for instance, a supplier terminated production of a given model.

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<sup>5</sup> One of the two customers that responded to the market investigation and currently multi-source from both Parties mentioned the possibility to separately carry out the development of the product and the production, in such a way so as to reduce dependency on a single supplier.

<sup>6</sup> One of the two customers that responded to the market investigation and currently multi-source from both Parties stated that it was in the process of testing hydraulic engine mounts manufactured from a competitor. Subject to the results of the test, it has scheduled to start using this competing product for serial production is scheduled in 2012.

37. Fifth, respondents to the market investigation noted that a number of Asian suppliers have recently entered the market and may continue to do so in the future. Respondents also stated that an increasingly common practice is for a supplier to carry out the development stage of the process with a European or North American producer, and then to transfer at least part of the production phase to an Asian manufacturer after some time.<sup>7</sup>
38. Sixth, respondents to the market investigation suggested that customers generally exercise significant buyer power. For example, before awarding a contract for the development and supply of anti-vibration systems, large car manufacturing companies often obtain quotes from a number of European and non-European companies, allowing them to leverage suppliers against each other in price negotiations. Moreover, large car manufacturers can source different anti-vibration systems from different suppliers, allowing them to retaliate against price increases in a specific product well before the end of the life-time of a specific vehicle. This threat is made more effective by the fact that contracts for different anti-vibration systems normally have different durations and start/end dates.

*iii. Other narrower market definitions*

39. The transaction may give rise to further affected markets if narrower markets anti-vibration systems for passenger cars and commercial vehicles, and for conventional and hydraulic mounts are considered.
40. However, the Commission considers that the proposed transaction does not raise serious doubts with respect to all these possible sub-markets.
41. With regard to the competitive situation if different markets for anti-vibration systems for passenger cars and commercial vehicles are considered, the JV's market shares at EEA-level would be as follows: [30-40]% in overall anti-vibration systems for passenger cars; [10-20]% in overall anti-vibration systems for commercial vehicles; [20-30]% in chassis mounts for passenger cars; [20-30]% in chassis mounts for commercial vehicles; [20-30]% in engine mounts for passenger cars; [20-30]% in engine mounts for commercial vehicles; [40-50]% in TVD for passenger cars; and [10-20]% TVD for commercial vehicles. The market shares of the Parties on these markets would not therefore be significantly different to those on the overall segments by type of anti-vibration system, as set out in paragraphs 29-38 above. Moreover, the Commission's market investigation did not suggest that concerns would arise if different markets for anti-vibration systems for passenger cars and commercial vehicles were considered.
42. As for the competitive situation if the market for anti-vibration systems is sub-divided further into conventional and hydraulic mounts, while the Parties have been unable to provide market share data (since they lack visibility on the type of mounts sold by their competitors), most of their competitors that responded to the market investigation confirmed that they are active in the manufacturing of both types of mounts. Moreover, the results of the market investigation suggested that the Parties' position in any sub-market would not be stronger than on the overall market for both conventional and hydraulic mounts.<sup>8</sup>

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<sup>7</sup> For example, a period of 3 to 4 years was mentioned by one respondent.

<sup>8</sup> As set out in paragraph 31, one of the two customers that responded to the market investigation and currently multi-source from the Parties expressed concerns in relation to hydraulic engine mounts.

43. Finally, and regardless of whether the markets are sub-segmented as set out in paragraphs 41 or 42, the majority of the Parties' competitors are active in all the segments concerned and/or would be able to switch production from one type of anti-vibration system to another in case of a price increase on a hypothetical sub-segment.

## V. CONCLUSION

44. For the above reasons, the Commission considers that the notified operation does not raise serious doubts as to its compatibility with the internal market.

45. It has therefore decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation.

*For the Commission*

*(signed)*  
*Joaquín ALMUNIA*  
*Vice-President*

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However, that customer's concerns were related to the specific relationship that it has with the Parties, rather than to the Parties' position in a possible market for hydraulic engine mounts.