

Case No COMP/M.6640 - DELPHI / FCI MVL

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

Article 6(1)(b) NON-OPPOSITION
Date: 27/07/2012

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PUBLIC VERSION

MERGER PROCEDURE

To the notifying party

Dear Sir/Madam,

**Subject: Case No COMP/M.6640 - Delphi/ FCI MVL
Commission decision pursuant to Article 6(1)(b) of Council Regulation
No 139/2004¹**

1. On 22 June 2012, the European Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004² by which the undertaking Delphi Holding Luxembourg Sarl (Luxembourg), which is ultimately controlled by Delphi Automotive Plc ("Delphi", Jersey), acquire within the meaning of Article 3(1)(b) of the Merger Regulation sole control of the Motorized Vehicles Business of FCI S.A. ("FCI MVL", France) by way of purchase of shares.

I. THE PARTIES

2. Delphi is a global vehicle components manufacturer. Its product offering includes inter alia connectors for automotive applications and products incorporating automotive connectors.
3. FCI MVL is a specialised manufacturer of connectors for automotive applications.

II. THE OPERATION AND THE CONCENTRATION

4. The transaction concerns the acquisition of sole control, through the acquisition of all shares, of FCI Automotive Holding SAS by Delphi Holding Luxembourg Sarl.

¹ OJ L 24, 29.1.2004, p. 1. 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.

² OJ L 24, 29.1.2004, p. 1 (the "Merger Regulation").

5. The transaction is a concentration within the meaning of Article 3(4) of the Merger Regulation.

III. EU DIMENSION

6. The undertakings concerned had in 2011 a combined aggregate world-wide turnover of more than EUR 5 000 million³ (Delphi: EUR 11,523.7 million and FCI MVL: EUR 692.3 million). They had in 2011 a Union-wide turnover in excess of EUR 250 million (Delphi: [...] EUR million and FCI MVL: EUR [...] million) and did not achieve more than two-thirds of their EU turnover in one and the same Member State. The notified operation therefore has a Union dimension.

IV. RELEVANT MARKETS

7. The parties' activities overlap in automotive connectors. Both parties manufacture connectors for automotive wiring harnesses and connectors for automotive electronic devices and both parties sell small volumes of connectors for high-power applications. No overlap arises with regard to "SRS connectors", which are sold only by FCI MVL⁴.
8. The transaction also gives rise to vertical relationships between FCI MVL's activity in the supply of connectors (upstream) with Delphi's activity downstream in: i) wiring harnesses; ii) steering column modules; iii) diesel injectors; iv) diesel engine control units and v) body control modules.

IV.1. HORIZONTAL OVERLAPS

IV.1.A Product market definition

Connectors

9. Connection devices are electronic contacts enclosed in plastic/metal housings, consisting of a plug (male part) and a receptive contact (female part). Typically, the connection device (plug) or the connection device housing is connected directly to the electric aggregate, while the contact or the contact housing is connected to the supply cable/wire.

Automotive connectors

10. Connection devices for the automotive industry differ from connection devices for other applications in that they must comply with special requirements regarding their ability to distribute different power levels and their resistance to pressure, vibrations and corrosion.

EDS connectors

11. EDS connectors are used for connecting wiring harnesses to electrical devices in a car (e.g. a radio) or for connecting different wires. In the first case the EDS

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 [...].

connector is the female part of a connection system which allows the wiring harness to be connected to the male part built into the electrical device (the male part being an ECU connector). In the second case, wires are connected by a male and a female EDS connector each of which is mounted on a wire or set of wires. EDS connectors typically consist of a terminal (the electronic contact) and a housing (made of plastic or metal). Wiring harness manufacturers usually source the two components separately and assemble them during the wiring harness production process. The specifications of housings are standardized to a large extent, which allows harness makers to source terminals and housings from different suppliers. However, for approximately 70% of the EDS connectors used in the EEA, the terminal and housing for a connector are sourced from the same supplier.

ECU connectors

12. ECU connectors are male connection devices since they are integrated directly into the electronic control unit. Unlike EDS connectors, which are supplied to harness makers, ECU connectors are supplied to device manufacturers such as Valeo, Bosch and Continental, which incorporate them into their devices. These devices are subsequently connected to the wiring harness of the vehicle on the OEM's vehicle assembly line. Manufacturers always buy complete ECU connectors that comprise both the terminal and housing and thus can be incorporated directly into the device.

SRS connection devices

13. Safety Restraint Systems (SRS) such as airbags require special connection systems. A standard connection between the wiring harness and the airbag comprises (i) a retainer and (ii) an SRS (or "squib") connector. The retainer is a circular part that is installed in the ignitor of the airbag. It is supplied to airbag manufacturers and thus is an ECU connector. The SRS connector is the female part of the connection system. It is delivered to wiring harness manufacturers, which integrate it into wiring harnesses, and thus is an EDS connector. Like ECU connectors, SRS connectors are sold as complete connectors (comprising both the terminal and the housing). Since SRS connectors and retainers are part of a motor vehicle's safety system, they must be tested and approved by relevant authorities. The development of these parts is therefore more time consuming than for other types of connectors.

HP connectors

14. HP connectors are used for high voltage (400-600V) and high power in-car interconnections and for recharging batteries of electric and hybrid vehicles. Since HP connectors must be able to handle high voltage streams, their technical specifications differ from those of other connectors. As the volumes of electric and hybrid vehicles are still low, HP connectors are significantly more expensive than other types of connectors. However, prices are expected to decline with the anticipated increase of volumes.
15. In a recent decision⁵, the Commission left open whether there is a single market for connectors, or whether this market needs to be further segmented according to end-uses (e.g., industrial applications, automotive transportation, non-automotive transportation, aerospace and defence applications).

⁵ COMP/M.6470 – TE/Deutsch, paragraphs 18 and 19.

16. Furthermore, in a precedent decision⁶, the Commission analysed a possible segmentation of the market in sales to original equipment manufacturers (OEMs) and sales to independent after-market (IAM) customers.
17. Delphi submits that connectors for all applications should be part of a single relevant product market. As the Commission noted, “*a large degree of supply-side substitutability across (most) end-uses exists as from a technical perspective, materials and processes are relatively similar.*”⁷ Thus, according to Delphi, all major connector suppliers manufacture connectors for several, if not all, applications.
18. Delphi also claims that connectors for passenger cars/LV and for trucks/HCV are part of the same market because: i) many connectors are suitable for both passenger cars/LV and trucks/HCV; ii) even though some connectors are designed specifically for HCV, switching production from connectors for LV to connectors designed specifically for HCV is not much more expensive than switching between different types of connectors for LV or HCV; iii) almost all manufacturers of connection devices in the EU produce connectors for both vehicle categories or have the capabilities to do so.
19. Delphi considers that the relevant product market should comprise connectors for *all automotive applications*, including EDS, ECU, SRS and HP connectors. This is primarily because all except one major supplier of connection devices supply connectors for all major types of automotive applications. In addition, there is significant supply-side substitutability between different types of automotive connectors. Like in other markets for automotive components, the existence of supply-side substitutability depends primarily on a manufacturer’s technical capability to develop and produce other types of products. Due to the long lead time between the award of a supply contract and the start of production (typically two to three years for connectors for a new car model and one year in case of an existing model), manufacturers have enough time to adapt their production equipment. Given that similar technologies are used for all major types of connectors, manufacturers of one type of connectors are able to expand their activities to other types of connectors with limited investment and within a relatively short period.
20. Delphi submits that this is also the case with regard to *SRS connection devices*. The safety requirements for SRS connection products and the need to obtain regulatory approvals make a switch of production to SRS connection devices more difficult and require a slightly higher investment than a switch to the production of other types of connection devices. However, the production of SRS connection devices does not require specific technology and the necessary production equipment is freely available from third party suppliers⁸. Furthermore, the capital expenditure for a

⁶ IV/M.1462 - TRW / LUCAS VARIETY, paragraph 11.

⁷ COMP/M.6470 – TE/Deutsch, paragraph 14.

⁸ Delphi claims that the existence of significant supply-side substitutability between SRS connection devices and other types of connectors is demonstrated by the fact that all main suppliers of connection devices, including Molex and TE Connectivity (formerly: Tyco Electronics), also produce SRS connection devices. The limited activities of Yazaki in this market segment are due to Yazaki’s focus on developing an alternative technical solution where SRS connectors (pigtail) are manufactured by wiring harness makers.

switch to SRS connection devices is only marginally higher than for a switch to other types of connection devices.

21. Delphi also submits that both *terminals and housings* should be treated as part of the overall market for automotive connection devices. Moreover, ECU, SRS and HP connectors are purchased as complete connectors comprising both the terminal and the housing; only the terminals and housings for EDS connectors are typically sourced separately. However, for approximately [>50] % of the EDS connectors used in the EEA, the terminal and housing are sourced from the same supplier. Moreover, all major connector suppliers supply both terminals and housings⁹.
22. Therefore, Delphi submits that the relevant product market should be the market for the supply of automotive connectors for the original equipment of motor vehicles (OEMs).
23. However, for the purpose of the present decision, it is not necessary to conclude on the exact definition of the relevant product market in the absence of competition concerns.

IV.1.B Geographic market definition

Connectors

24. The Commission concluded that the relevant geographic market for sales to OEMs “*is at least EEA-wide and may have evolved towards a worldwide market as manufacturers operate globally, transport costs are low and procurement appears to be increasingly global.*”¹⁰ In previous decisions¹¹ the Commission indicated that sales to after-market customers may have a national scope.
25. Delphi claims that the market for automotive connectors is global because: i) due to the limited weight and size of connection devices, transport costs are not significant; ii) there are extensive cross-border supplies of connection devices and iii) car manufacturers and wiring harness manufacturers typically source connectors centrally on a regional or even global basis.
26. However, for the purpose of the present decision, it is not necessary to conclude on the exact definition of the relevant geographic market in the absence of competition concerns.

⁹ According to the parties, Fahrzeugelektrik Pirna GmbH (FEP), which was acquired by Amphenol in November 2011, was the only sizeable supplier of connection devices that manufactured only housings.

¹⁰ COMP/M.6470 – TE/Deutsch, paragraph 23.

¹¹ IV/M.1462 - TRW / LUCAS VARITY, paragraph 25.

IV.2. VERTICALLY RELATED MARKETS

IV.2.A Product market definitions

Wiring harnesses

27. A wiring harness, or electric and electronic distribution system (“EDS”/“EEDS”), is an assembly of cables and/or wires which transmits informational signals or operating currents. The cables are bound together by clamps, cable ties, cable lacing, sleeves, electrical tape, conduit, a weave of extruded string or a combination thereof. Each wiring harness is specifically adapted to the design and the electronic architecture of the vehicle.
28. In earlier decisions¹² the Commission defined the relevant product market as the market for EEDS. It found that there were indications that the market could be further subdivided into a submarket for automotive EDS (comprising the wiring harness and “passive” components¹³) and a submarket for EDS-associated electronic components such as active junction boxes and active fuses, which bring intelligence to the system.¹⁴ However, it did not reach a definite conclusion on this question.
29. The market investigation in the above case¹⁵ was inconclusive on the distinction between EDS for LVs and HCVs. Delphi submits that wiring harnesses for heavy vehicles (HV) are larger, heavier and therefore also more expensive than wiring harnesses for light vehicles (LV). However, the assembly of wiring harnesses for HV is broadly similar to the assembly of wiring harnesses for LV. Also, all manufacturers of wiring harnesses are in principle able to manufacture wiring harnesses for both vehicle categories and several suppliers do so.

Diesel injectors

30. A diesel injector is a component of a diesel injection system, which also comprises one or more pumps, a pressure regulator and an engine control unit. The fuel is transported from the tank (via fuel lines) and pressurised by one or more fuel pumps and a fuel pressure regulator. When signalled by the engine control unit the injector opens and sprays the pressurised fuel into the engine. Today all diesel injection systems manufactured in Europe use the common rail technology and are referred to as common rail systems.
31. In a previous decision the Commission distinguished between the manufacture of diesel engines and the manufacture of diesel fuel injection systems.¹⁶ Furthermore, it considered that diesel fuel injection systems for different types of engines (light duty, medium duty, heavy duty and heavy industrial applications) may constitute separate markets but ultimately left this question open.¹⁷

¹² COMP/M.4161 -SEI / VWBN, paragraph 6, COMP/M.5570 – Platinum Equity Group/Delphi Corporation, paragraphs 10-16

¹³ This includes for instance passive fuse and relay boxes

¹⁴ COMP/M.5570 – Platinum Equity Group/Delphi Corporation, paragraphs 10

¹⁵ COMP/M.5570 – Platinum Equity Group/Delphi Corporation, paragraphs 16

¹⁶ COMP/M.768 – Lucas/Varity, paragraph 9

¹⁷ COMP/M.1784 – Delphi Automotive Systems / Lucas Diesel, paragraph 6.

32. There is no previous Commission decision concerning injectors for (diesel or gasoline) engines. The Commission analysed the markets for engine control units and concluded that there are separate markets for gasoline engine control units, diesel engine control units for LV and diesel engine control units for HV¹⁸. This may indicate that also other components of diesel injection systems, such as injectors, could form a separate product market and that a distinction could be made between diesel injectors for LV and diesel injectors for HV.
33. Delphi submits that it would be more appropriate to treat diesel *injection systems* for LV as the relevant product market because all components of diesel injection systems for LV are usually sourced from the same manufacturer.

Engine control units for diesel injection systems

34. An engine control unit is one of the key components of an injection system (along with the injector, pumps and pressure regulator). The role of the engine control unit is to regulate the flow of diesel or gasoline as well as the ignition within the injection system.
35. The Commission indicated that engine control units for diesel engines should be distinguished¹⁹ from the overall market for vehicle electronics, leaving however the question open²⁰. The Commission also found that there are separate markets for (i) gasoline engine control units, (ii) diesel engine control units for LV and (iii) diesel engine control units for HV.²¹
36. Delphi submits that it would be more appropriate to treat diesel *injection systems* rather than diesel engine control units as the relevant product market. In particular for LV all components of the diesel injection system are usually sourced from the same manufacturer.

Steering column modules

37. Steering column modules are located behind the steering wheel and comprise a series of commands allowing the driver to control vehicle functions such as the lights, the windscreen wipers and the radio. Since steering column modules interact with the steering wheel airbag system, most steering column modules include SRS connectors.
38. There is no Commission precedent concerning steering column modules. Delphi submits that steering column modules should form a separate product market.

Body control modules

39. Body control modules (“body computers” or “body controllers”) control one or more functions in the vehicle, for example, windscreen wiper intervals or heated rear screen timers. Body controllers process remote control input (signals from sensors and switches) and remotely controlled outputs (signals sent to displays and

¹⁸ COMP/M.4878 – Continental / Siemens VDO, paragraph 18.

¹⁹ COMP/M.4878 – Continental / Siemens VDO, paragraph 12.

²⁰ COMP/M.4878 – Continental / Siemens VDO, paragraph 24.

²¹ COMP/M.4878 – Continental / Siemens VDO, paragraph 18.

actuators). While some²² body control modules integrate ECU-type connectors, others are based on a different design where pins or pin blocks are directly integrated into the body controller rather than relying on a separate connector.

40. The Commission previously²³ considered *body controllers* without specifically delineating a separate market.

Conclusion on the product markets definition

41. For the purpose of the present decision it is not necessary to conclude on the exact definitions of the relevant product market in the absence of competition concerns.

IV.2.B Geographic market definitions

Wiring harnesses

42. In earlier decisions the Commission has held that, in view of EEA-wide competitive tendering and shipping and the trend for larger OEMs towards the use of global automotive platforms, the geographic scope of the market for automotive components is at least EEA-wide²⁴.

43. Delphi submits that, in view of these elements, the market for wiring harnesses is therefore likely to be wider than national also outside Europe.

Diesel injectors and Engine control units for diesel injection systems

44. The Commission has held that the markets for automotive engines and their components are at least EEA-wide.²⁵ Delphi does not contest this delineation.

Steering column modules

45. There is no Commission precedent concerning steering column modules. Delphi submits that this market, like other automotive OEM markets, is at least EEA-wide.

Body control modules

46. The Commission has previously²⁶ held that automotive electronic products have at least EEA scope. Delphi does not contest this delineation.

Conclusion on the geographic markets definitions

47. For the purpose of the present decision, it is not necessary to conclude on the exact definitions of the relevant geographic market in the absence of competition concerns.

²² Both Delphi and its competitors currently use both designs. However, it is expected that by 2015 the majority of body control modules will no longer comprise connectors.

²³ COMP/M.1462 – TRW / Lucas Varsity, paragraph 18.

²⁴ COMP/M.5617 – GM/Delphi Corporation, paragraphs 20 and 21, COMP/M.4932 – Leoni/Valeo CSB, paragraphs 17 and 18 and COMP/M.4161 – SEI/VWBN, paragraph 7, COMP/M.6083 - FIAT/ GM/ VM MOTORI JV, paragraph 30.

²⁵ COMP/M.768 – Lucas/Varsity, paragraph 12; COMP/M.6083 - FIAT/ GM/ VM MOTORI JV, paragraphs 24-25 and 30.

²⁶ COMP/M.1462 – TRW / Lucas Varsity, paragraph 24.

V. COMPETITIVE ASSESSMENT

V.1 HORIZONTAL OVERLAPS

Connectors

48. The table below shows the parties' EEA market shares in 2011 in the overall market for connectors and its further sub-segmentation (including sales to IAM):

Market (segment)	Delphi	FCI MVL	Combined
Automotive connectors	[0-5]%	[10-20]%	[10-20]%
EDS connectors	[5-10]%	[10-20]%	[10-20]%
ECU connectors	[0-5]%	[10-20]%	[10-20]%
SRS connection devices	-	[30-40]%	[30-40]%
HP connectors	[5-10]%	[10-20]%	[20-30]%
Connectors used in heavy vehicles	[0-5]%	[0-5]%	[0-5]%
Connectors used in light vehicles	[0-5]%	[10-20]%	[20-30]%
HV specific connectors	-	-	-
LV specific connectors	[0-5]%	[10-20]%	[20-30]%

Source: the Parties

49. The above market shares include the sales to the independent after market ("IAM"). If sales to IAM were to be excluded, the Parties' market shares would not be materially different. Both Delphi and FCI MVL sell only very small volumes of connectors to the independent aftermarket. In 2011, FCI MVL's sales to the IAM in the EEA were €[...] million, which represents [0-5]% of its total EEA sales. Delphi estimates that approximately [0-5]% of its (external and internal) connector sales in the EEA (in 2011 approximately €[...] million) are sales to the IAM.
50. As shown in the table, the Parties' combined shares would not exceed [20-30]% in any of the market where the Parties overlap. Further, Delphi and FCI MVL will continue to compete with TE Connectivity (Tyco Electronics) post-transaction, which holds an estimated market share of [40-50]% in the overall market for automotive connectors, as well as with a number of suppliers active in this market, including Yazaki, Lear, Hirschmann, Molex and Kostal. On a worldwide level the Parties' combined share in the market for automotive connector is lower.
51. If the various segments were to be considered, the merged entity would also face competition from strong players. In the EDS segment, the Parties' main competitors in the EEA are the same as in the overall market for automotive connectors. Delphi estimates that TE Connectivity, Yazaki, Lear, Hirschmann and Kostal hold approximately the same market shares as in the overall market.
52. Delphi submits that competition issues are unlikely at horizontal level due to the following elements: (i) OEMs have buyer power as recognized in Commission precedents²⁷; (ii) this is a bidding market thus market shares may be an unreliable proxy for competitive strength²⁸. They fail to reflect how many credible competitors actually participate as bidders and create an effective competitive constraint; and

²⁷ M.3486 Magna/New Venture Gear, para 44.

²⁸ M. 3148 Siemens/Alstom Gas and Steam Turbines para 35.

(iii) buyers can easily switch²⁹. Switching is facilitated by the fact that many connectors have been standardized to allow their use across various models and platforms and thus have become a commodity product. Even where connectors are designed specifically for certain car models the specifications imposed by OEMs ensure high substitutability between the offerings of competing manufacturers and facilitate switching suppliers. Also, several OEMs ask for an "entrance fee"³⁰ from new connector suppliers to recoup their switching costs.

53. Finally, the Parties estimate that imports in the EEA represent approximately [20-30]% of the total connector sales in the EEA. Unlike for wiring harness, the manufacturing of connectors is not particularly labour-intensive (labour costs represent roughly [20-30]% of the total production costs). However, the costs of the manufacturing tools are relatively important and manufacturers therefore concentrate their production in a limited number of plants from which they supply customers across the world.
54. If the market for IAM were to be considered as a different relevant market, competition concerns are also unlikely to arise from the transaction.
55. Both parties supply the IAM through independent distributors that resell the products (as well as connectors of competing manufacturers) to customers across Europe and beyond. The parties estimate that their combined market share in the IAM for connectors is below [10-20]% both at the EEA level and on a national level. Unlike Delphi and FCI, TE Connectivity and Lear supply significant volumes of connectors to the IAM and the parties estimate that TE Connectivity holds a share of approximately [70-80]% in the IAM for automotive connectors in the EEA. The parties therefore believe that their market shares in the IAM at the EEA level are significantly lower than their market shares in the OE market. Moreover, the parties' IAM sales are not focused on particular EEA countries. They therefore believe that their national market shares in the IAM are similar to their shares at the EEA level.
56. Delphi further submits that it does not know to which customers and in which countries these distributors resell the connectors supplied by Delphi. Therefore, even if Delphi had a high market share in the IAM market in a specific EEA country, it could not enforce its market power since it cannot influence the commercial policy of its distributors.
57. In light of the above, the Commission considers that the notified operation does not raise serious doubts as to its compatibility with the internal market as a result of this horizontal overlap.

²⁹ The Commission noted in *Tyco/Siemens*, para 15 that OEMs always "follow a determined multi-sourcing policy and retain several parallel suppliers of connectors, including sometimes the condition that they will only purchase a newly developed connector if the supplier is prepared to license the relevant technology for this connector to a second-source supplier". This multi-sourcing policy, Delphi submits, has not changed substantially since the Commission's decision, allows car manufacturers to switch business to competing connector suppliers without any difficulty. In COMP/M.6470 – TE/Deutsch, paras 33-34, the Commission suggested that such ease of switching also exists for connectors for commercial vehicles for new designs/ platforms although costly for existing designs.

³⁰ Typically [...] % of the lifetime value of the contract.

V.2 VERTICALLY RELATED MARKETS

58. The only affected vertical relationship due to the transaction would be the link between (i) the potential market of SRS connection devices (upstream), in which FCI MVL has [30-40]% market share in the EEA, and the markets of (ii) wiring harnesses and (iii) steering column modules (downstream), as SRS connection devices can be integrated into these two products.

59. Delphi's market shares in the vertically linked markets downstream are as follows:

Market (segment)	Delphi market shares in the EEA in 2011
Wiring harnesses	[20-30]%
Steering column modules	[20-30]%

Source: the Parties

60. Delphi submits that the proposed transaction will not give rise to a risk of foreclosure in connection to the vertical relationship with steering column modules. Input foreclosure is unlikely because, even if with its relatively high market share upstream, all purchases of SRS connectors for steering column modules are directed by OEMs. This means that Delphi does not have the possibility to increase its purchases of SRS connectors for steering column modules from FCI MVL without the consent of the OEM. In addition, Delphi estimates that its total purchases of SRS connectors for steering column modules will be approximately €[...] in 2012 (of which it expects to purchase SRS connectors worth €[...] from [...] and €[...] from FCI MVL). These purchases represent only [<1]% of the estimated size of the SRS segment in 2011. If Delphi were to source all SRS connectors for steering column modules from FCI MVL (which it is unable to do, since these are OEM-directed purchases), [...] would lose only [0-5]% of its share of the SRS connectors segment in the EEA. Moreover, Delphi has only [20-30]% share downstream therefore customer foreclosure seems unlikely.

61. As regards the vertical link with wiring harnesses, Delphi submits that input foreclosure would be commercially unreasonable. Already today Delphi supplies very significant volumes of connectors and related components to competing wiring harness manufacturers. In 2011 Delphi's sales of components to competing wiring harness suppliers amounted to €[...] million ([...] accounting for [40-50]% of the turnover, [...] for [20-30]%, [...] for [10-20]% and [...] for [10-20]%). Moreover, Delphi purchases significant volumes of components for wiring harnesses from these companies: in 2011 Delphi's purchased €[...] million worth of components from competitors ([50-60]% from [...], [30-40]% from [...], [0-5]% from [...]) and [5-10]% from [...]). Delphi declares having no reasons and no intention to change this policy. Given that FCI's supplies to Delphi only represent [<20]% of its global sales, a refusal by Delphi to grant competitors access to products of FCI would be extremely damaging for Delphi in view of the significant loss of business that would result from such a policy.

62. Furthermore, due to their detailed insights into their suppliers' costs, OEMs would identify and stop immediately any attempts by Delphi to artificially increase prices or reduce the quality of the FCI MVL products to be used by its competitors. Such behaviour could also harm significantly Delphi's relationship with its most important customers. Moreover, most wiring harness suppliers would be able to retaliate by increasing the prices of their own supplies of components to Delphi.

63. Delphi submits that customer foreclosure is not a viable strategy either. Delphi would not be able to increase its use of FCI MVL connectors to a significant extent without the agreement of the car manufacturers because, for an important part of the wiring harnesses and devices manufactured by Delphi, suppliers are selected directly by car manufacturers. Delphi estimates that roughly [>50]% of its purchases of connectors are directed by OEMs. For approximately [...] % of its total purchases one specific supplier is imposed by the OEM. For an estimated [...] % of its total connector purchases, Delphi must choose between a limited number of products pre-approved by the car manufacturer, which are listed in a “library”.
64. A refusal by Delphi to purchase connectors from a third party supplier or an attempt to purchase them at less favourable conditions would not be tolerated by OEMs. Such refusal may also entail a risk of retaliatory action by OEMs that would significantly harm Delphi’s automotive supply business. In any event, Delphi does not have significant market power in the downstream markets and there would be sufficient alternative buyers to which competing connector suppliers could sell their products.
65. In light of the above, the Commission considers that the notified operation does not raise serious doubts as to its compatibility with the internal market as a result of the above vertical relationships.

VI. CONCLUSION

66. For the above reasons, the Commission has decided to declare the transaction compatible with the internal market and with the functioning of 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