

EN

***Case No COMP/M.6714 -
U-SHIN / VALEO CAM***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 06/02/2013

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

To the notifying party

Dear Sir/Madam,

**Subject: Case No COMP/M.6714 – U-Shin / Valeo "CAM"
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004¹**

1. On 21 December 2012, the Commission received a notification of a proposed concentration pursuant to Article 4 and following a referral pursuant to Article 4(5) of the Merger Regulation by which U-Shin Ltd. ("U-Shin", Japan) acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control of Valeo SA's Comfort Access Mechanisms business ("CAM", France), by way of purchase of shares (U-Shin and CAM are designated hereinafter as the "notifying parties" or "parties to the proposed transaction").

(1) THE PARTIES AND THE OPERATION

2. U-Shin is active in the design, development, manufacture and sale of system devices and control machines for the automotive sector, industrial machinery and home security units.
3. CAM is a business unit of Valeo, a company active in the manufacture and distribution of automotive parts. CAM forms part of Valeo's Comfort and Driving Assistance business group. CAM is active in the manufacture and distribution of products that facilitate vehicle access and prevent unauthorised vehicle use.
4. U-Shin intends to acquire sole control over CAM by way of a purchase of shares. As a result of the transaction, CAM would ultimately become a wholly-owned subsidiary of U-Shin. It follows that the proposed transaction is a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

¹ 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.

(2) EU DIMENSION

5. The notified concentration does not have a Union dimension but was notifiable in Spain, Slovenia and Slovakia. The parties have requested the Commission to examine the proposed concentration pursuant to Article 4(5) of the Merger Regulation. All three Member States competent to examine the concentration have expressed their agreement to the request for referral. Thus, the Commission decided to examine the concentration since the legal requirements for a referral were met.

(3) RELEVANT PRODUCT AND GEOGRAPHIC MARKETS

A. Product markets

i. Automotive components in general

6. In previous cases involving the manufacture and supply of automotive components, the Commission has considered whether there may be widely defined markets for automotive components or rather separate markets for automobile "systems", that is assemblies of individual components and more complex modules that fulfil a certain function in the vehicle such as the steering system, engine, transmission, braking systems, etc.² It has decided that it could leave the question open. At the upstream level, the Commission has also left the question open whether modules, that is "a number of preassembled components which are delivered to the OEM as one single unit"³ or each individual component⁴ might form separate product markets. Indeed, from a demand-side perspective, given that each component is manufactured to perform a highly specific and precise function within a complex machine, one component could potentially not be a substitute for another. Such markets would be upstream of the hypothetical markets for vehicle modules or systems, although some parts manufacturers may be vertically integrated.
7. As regards supply channels, the Commission has previously determined that the supply of components to original equipment manufacturers ("OEMs")/original equipment suppliers ("OESs") constitutes a market separate from the supply of components to the independent aftermarket⁵. Similarly, the Commission has concluded that the supply of products or systems to OEMs/OESs of light vehicles constitutes a separate product category from the supply of the same product to heavy vehicle manufacturers.⁶
8. The parties submit that a distinction of components between those manufactured for heavy duty vehicles and those manufactured for light vehicles is not appropriate for assessing the proposed transaction. In support of this statement, the parties submit amongst others that the products for heavy duty and light vehicles are based on the same core technology, allowing manufacturers to switch between production for light and heavy vehicle components and vice versa.
9. However, the market investigation has shown that the majority of OEMs/OESs as well as of manufacturers of automotive components consider such distinction justified due to differing (technical) product requirements (such as e.g. torque withstanding capabilities, electrical systems

² COMP/M.6339–Freudenberg & Co/Trelleborg/JV; COMP/M.536 – Torrington/NSK and COMP/M.6083 – Fiat/GM/VM Motori JV.

³ COMP/M.5799 – Faurecia/Plastal.

⁴ COMP/M.4524 – Nematik/Hydro Castings; COMP/M.4500 – Nematik/TK Aluminium "A"; COMP/M.6083 – Fiat/GM/VM Motori JV; COMP/M.1338 – Teksid/Renault; COMP/M.1189 – Teksid/Norsk Hydroproduksjon/Meridian; COMP/M.4456 – Mahle/Dana EPG.

⁵ COMP/M.5799 – Faurecia/Plastal; COMP/M.4456 – Mahle/Dana EPG.

⁶ COMP/M.6083 – Fiat/GM/VM Motori JV; COMP/M.1338 – Teksid/Renault; COMP/M.4456 – Mahle/Dana EPG.

used as well as durability), and a differing cost structure due to a significant divergence between volumes of light and heavy vehicles produced.

ii. The parties' activities

10. According to the parties, in the area of vehicle access mechanisms, "systems" would include: (i) door systems comprising a lockset, handles and cables connected to the door handles; (ii) steering systems comprising the shaft, steering wheel, an Electronic Steering Column Lock (ESCL) or Mechanical Steering Column Lock (MSCL) and other components; and (iii) tail-gate or boot-latch systems comprising the boot, latches, hook and connecting and activating cables. The parties are, however, neither active in the supply of these systems nor do they manufacture all the components required for these systems. They only manufacture and supply (certain of) the components for such systems.
11. In addition, the Commission has previously defined a relevant product market for entry systems, encompassing security devices and remote keyless entry systems.⁷ Referring to Commission precedents⁸, the parties submit that the relevant product markets in this case are comprised of individual car components used as part of "vehicle access mechanisms".⁹ According to the parties, the components making up entry systems differ from components that are collectively referred to as "vehicle access mechanisms". In support of this delineation, the parties submit that following the proposed acquisition of CAM by U-Shin, Valeo will retain all its activities in the entry systems sector, with U-Shin currently not supplying entry systems at all. Accordingly, the parties submit that vehicle access mechanisms may be broken down into product markets for: (i) latches, (ii) locksets, (iii) handles, (iv) power closure systems (PCSs), and (v) Electronic Steering Column Locks (ESCLs). The parties state that each of these products perform a specific function and are not substitutable from a demand side perspective.
12. The parties' activities overlap in particular in the manufacture and sale to OEM/OES customers of: (i) latches for light vehicles; (ii) handles for light vehicles; (iii) locks, MSCLs, sold separately or together as locksets, for light vehicles; and (iv) ESCLs for light vehicles.¹⁰
13. Thus, the Commission's investigation in this case focused on the manufacture and supply of individual components.

iii. Locks, Mechanical Steering Column Locks (MSCLs) and locksets

14. The notifying party submits that the market for vehicle access mechanisms may be broken down into, amongst other, a separate product market comprising locksets. Locksets are made up of the hardware and components that comprise the locking or latching mechanism that can usually be found on a door or other hinged object but can also include sliding doors and dividers. The components of a lockset can consist of mortised or cylindrical mechanisms. A lock is used to secure the doors (and boot) of the vehicle whilst a Mechanical Steering Column Lock ("MSCL") is used to lock/unlock the steering column of the vehicle. The same primary components are used in the manufacture of both of these components. The parties submit that both categories of locking mechanisms form part of the market for locksets and that MSCLs and locks are typically sold as a lockset and only occasionally separately.

⁷ COMP/M.1462 – TRW / Lucas Varity.

⁸ COMP/M.912 – Siemens / Huf.

⁹ Paragraph 6.8, footnote 3, of the Form CO, citing COMP/M.912 – Siemens / Huf.

¹⁰ The proposed transaction does not give rise to any vertical relationships.

15. Locksets should, in the notifying party's view be understood as encompassing separate manufacturing and sales activities for locks, MSCLs as well as integrated products comprising the aforementioned two products.
16. The Commission has previously considered a separate market for complete locking systems. The parties submit however that the components making up these "entry systems" are different from the components collectively making up "vehicle access mechanisms". Also, the Commission has previously indicated that a number of criteria exist that would indicate that separate product markets for individual components may have to be considered, while at the same time explaining that an emerging market for complete locking systems could exist. The Commission, however, ultimately decided that it was not necessary to further delineate the product markets.¹¹
17. The market investigation was inconclusive regarding the necessity of considering locks and MSCLs as separate product markets or integrated into one product market for locksets, although the predominant tendency in the market is to supply locksets.
18. From the demand side, the market investigation provided indications that locks and MSCLs are both bought separately as well as combined, in the form of an integrated lockset. One OEM however indicated that for locks and MSCLs on the one hand and for locksets on the other hand "*there is competition and they may be considered different products*". The suppliers of automotive components expressed the view that locks and MSCLs can be sold both separately or as part of an integrated lockset, however indicating that this depends on OEM/OES' requirements.

iv. Electronic Steering Column Locks (ESCLs)

19. An ESCL is an anti-theft device that is fitted to the steering column, usually below the steering wheel. The lock is combined with the ignition switch and engaged and disengaged either by a mechanical ignition key or electronically from the vehicle's electronic control unit.

The parties submit that, although MSCLs and ESCLs perform the same core function of (un)locking the vehicle steering installation, they should not be considered as forming part of the same product market. ESCLs are more technically advanced than MSCLs, thereby attracting valuable intellectual property. They are produced using different methods and have different prices. In addition, an ESCL does not fit on all steering column modules (as an MSCL does) and requires the car to be fitted with an electrical wiring system which adds approximately 70 % to the total installation cost of an ESCL. The market investigation showed that ESCLs are generally destined for use on high-end vehicles, whereas MSCLs are used on low-end vehicles.

20. Both U-Shin and CAM manufacture and sell ESCLs in the EEA.
21. The majority of respondents consider ESCLs not being interchangeable with MSCLs/locks and/or locksets. In addition, the vast majority of respondents consider that locks/MSCLs/locksets do not compete directly with ESCLs. Also, the market investigation revealed that, in the event of a price increase for MSCLs, customers would not necessarily switch to ESCLs.
22. Both customers and competitors have stated that an MSCL is a mechanical, low cost locking system generally destined for low-end vehicles whereas an ESCL comprises a sophisticated electronic locking system providing 'keyless entry' (or 'passive entry') generally destined for high-end vehicles. Also, the market investigation has shown that prices of ESCLs are significantly

¹¹ COMP/M.912 – Siemens / Huf

higher than those of MSCLs/locksets mainly due to the presence of an electronic control unit¹², which is an essential component of ESCLs, requiring an automated, more costly production process. Finally, one of the parties' competitors indicated that it is not possible for OEMs to switch from ESCLs to MSCLs for a particular vehicle, as end customers are unlikely to accept future generations of the same type of vehicle not being equipped with this 'luxury' access mechanism. Therefore, end customer preference appears to be an indication of the existence of a separate product market comprising the manufacture and sale of ESCLs.

v. Latches and handles

23. A latch is a complex, safety-critical assembly consisting of around fifty key components including precision stampings and mouldings, springs and actuators (both motorised and manual). It is used to secure automotive side doors, sliding doors, tailgates, boot lids and bonnets.
24. Previously¹³ the Commission has left open whether latches should be considered as a part of door modules or a separate product market.
25. Handles are used both on the exterior and interior of a vehicle and for both passenger doors and the boot of the vehicle. The parties do not consider it appropriate to distinguish between the manufacture and supply of interior and respectively exterior handles.

vi. Conclusion on the product market definitions

26. For the purposes of the present decision, the market definitions for the above mentioned products can be left open in the absence of competition concerns.

B. Geographic markets

27. In line with Commission precedents¹⁴, the parties submit that the geographic scope of all the relevant products markets at OEM/OES¹⁵ level is at least EEA-wide given that: i) the parties operate worldwide; ii) OEMs increasingly source products at worldwide level; iii) within the EEA, transport costs are not significant; iv) product regulation and safety standards are set at EEA level; v) there are no obstacles to intra-EEA trade and vi) prices are similar throughout the EEA.
28. To start with the third point, namely transportation costs, the market investigation confirmed that transportation costs within the EEA do not influence the business activities of suppliers of car components, as the vast majority stated that sales prices within the EEA (and outside the EEA), are based on the 'ex works' or 'Free Carrier' (FCA)-principle. It results that transportation costs are not included in the selling price but rather that these are paid for by OEMs/OESs. Accordingly, transportation costs do not seem to restrict the ability of car component manufacturers to supply OEMs across (at least) the EEA. Also, U-Shin has manufacturing facilities only in Hungary and yet supplies components across the EEA. This seems to show that transport costs are not prohibitive..
29. The majority of respondents indicated there are no regulatory barriers to cross-border supply across the EEA and even at worldwide-level. In addition, one OEM indicated that it sets product requirement standards at global level.

¹² Or printed circuit board.

¹³ COMP/M.6003 – *Renco Group/Body Systems*, para 16-19.

¹⁴ COMP/M.6003 - *Renco Group/Body Systems*, para 24-27.

¹⁵ U-Shin is not active in the IAM segment in the EEA; therefore there is no overlap at this level.

30. The majority of OEM respondents have furthermore indicated that they consider it important for suppliers of car components to have local production and/or warehousing facilities. However, from the market investigation it does not result that local presence of components suppliers is preferred at less than EEA level, although OEMs seem to favour suppliers with local presence. In this respect, one OEM stated that *"in case the supplier is located outside the EU we at least would require warehousing"*.
31. Furthermore, the market investigation revealed that the majority of OEMs source car components required for their EEA-production/sales from several EEA countries. Moreover, a large proportion of OEMs sources car components from locations outside the EEA (North and South America and South East Asia).
32. However, for purposes of the present decision it can be left open whether the relevant geographic market is either EEA or worldwide in scope, since at neither level there would be competition concerns.

(4) COMPETITIVE ASSESSMENT

Locks, MSCLs, locksets and ESCLs

33. The following table shows the parties' and their main competitors' market shares in the EEA in the horizontally affected markets in 2011 in volume (i.e. number of units sold to OEMs/OESs):

		U-Shin	CAM	Combined entity	Marquardt	Huf	Facea	TRW
Locksets	All vehicles	[0-5]%	[40-50]%	[40-50]%		[20-30]%	[5-10]%	[5-10]%
	Light vehicles	[0-5]%	[40-50]%	[40-50]%		[20-30]%	[5-10]%	[5-10]%
Locks	All vehicles	[0-5]%	[30-40]%	[30-40]%		[30-40]%	[10-20]%	[5-10]%
	Light vehicles	[0-5]%	[30-40]%	[30-40]%		[30-40]%	[10-20]%	[5-10]%
MSCL	All vehicles	[5-10]%	[40-50]%	[50-60]%		[10-20]%		[5-10]%
	Light vehicles	[5-10]%	[40-50]%	[50-60]%		[10-20]%		[10-20]%
ESCL	All vehicles	[0-5]%	[30-40]%	[30-40]%	[30-40]%	[20-30]%		
	Light vehicles	[0-5]%	[30-40]%	[30-40]%	[30-40]%	[20-30]%		

Source: Parties' estimates

34. The transaction will combine the number 1 and number 6 suppliers to OEM/OES customers. On the basis of the parties' 2011 figures, the new entity would have a combined market share in excess of 40 per cent for some components and would in particular have a strong position as for the supply of MSCLs. Huf, Facea and TRW are established players with a broad range of capabilities and products. Marquardt has a strong position for ESCLs. In addition to the players mentioned in the table, there are a number of companies with market shares at or below the 5% mark for each of the segments listed.

35. Also, the table below shows the individual as well as combined EEA-market shares of the parties for the horizontally affected markets in volume (i.e. number of units sold to OEMs/OESs) throughout the period 2009-2011.

		2011			2010			2009		
		U-Shin	CAM	Combined entity	U-Shin	CAM	Combined entity	U-Shin	CAM	Combined entity
Locksets	All vehicles	[0-5]%	[40-50]%	[40-50]%	[5-10]%	[30-40]%	[30-40]%	[5-10]%	[30-40]%	[30-40]%
	Light vehicles	[0-5]%	[40-50]%	[40-50]%	[5-10]%	[30-40]%	[40-50]%	[5-10]%	[40-50]%	[40-50]%
Locks	All vehicles	[0-5]%	[30-40]%	[30-40]%	[0-5]%	[30-40]%	[30-40]%	[0-5]%	[30-40]%	[30-40]%
	Light vehicles	[0-5]%	[30-40]%	[30-40]%	[0-5]%	[30-40]%	[30-40]%	[0-5]%	[30-40]%	[30-40]%
MSCL	All vehicles	[5-10]%	[40-50]%	[50-60]%	[10-20]%	[40-50]%	[50-60]%	[10-20]%	[40-50]%	[60-70]%
	Light vehicles	[5-10]%	[40-50]%	[50-60]%	[10-20]%	[40-50]%	[50-60]%	[10-20]%	[40-50]%	[60-70]%
ESCL	All vehicles	[0-5]%	[30-40]%	[30-40]%	[0-5]%	[30-40]%	[40-50]%	[0-5]%	[40-50]%	[40-50]%
	Light vehicles	[0-5]%	[30-40]%	[30-40]%	[0-5]%	[30-40]%	[40-50]%	[0-5]%	[40-50]%	[40-50]%

36. As a result of this merger, the OEM/OES supply market for locks, MSCLs, locksets and ESCLs will reach a higher level of concentration. However, the parties state that the transaction will not raise significant competition concerns because of the presence of viable alternatives and the OEM's countervailing buying power. The parties also submit that these market shares only reflect the present contracts under which actual supplies are taking place.

37. Automotive component supply contracts are generally awarded by means of tenders. The market investigation has in that respect confirmed previous Commission decisions on the supply of automotive components. Although proven expertise and reputation remain of influence on an OEM's decision to award a supply agreement to a particular component supplier, quotation prices are a key selection factor. As a result of suppliers having to bid for every platform competition, and given the lumpiness of the market, the loss of a single OEM/OES customer can dramatically affect a supplier's market share. For example, the notifying party submits, that due to price competition, CAM lost [...]s ESCL platform [...] to Marquardt in 2010. Also, the parties submit that CAM was, on the basis of the same reason, removed from the list of manufacturers supplying truck handles to [...] and from the list of manufacturers supplying handles to [...].

38. An established supplier can also be replaced for reason of product technology. For instance, CAM's volumes supplied to [...] are likely to decline in the coming years since [...]. As a result, CAM anticipates its share of ESCL sales to decline [...].

In addition, in the coming years, it appears likely that suppliers who have recently been awarded contracts will see their market shares increase significantly. In particular, Huf is likely to see a higher market share resulting from sales to [...] and [...], whilst Shinchang and Tokai Rika, both smaller suppliers, are likely to improve their market positions considerably due to supply contracts

won for respectively [...] and [...].¹⁶ In comparison, apart from ESCLs, U-Shin's market shares by volume have declined over the last three years¹⁷, from [5-10] per cent to [0-5] per cent for the sale of locksets for all vehicles and from [10-20] per cent to [5-10] per cent for MSCL for all vehicles. Sales by value show an even more important decrease. The market shares held by CAM for the sale of locks and ESCL have also declined, from [30-40] to [30-40] per cent for the sale of locks for all vehicles and from [40-50] to [30-40] per cent for the sale of ESCL for all vehicles. At the same time, CAM's market shares for the sale of locksets and MSCL have shown a high volatility, declining from 2009 to 2010, before slightly increasing again over the course of 2011.

39. It can thus be concluded from the above that because of the bidding characteristics of the market and the dynamic supplier selection process that OEMs/OESs organise, market shares are an imperfect proxy for assessing the existence of market power. As confirmed by the OEMs in the market investigation, strong and credible competitors to the merged entity will remain active on the market.

Non-coordinated effects

40. OEMs consider Huf, Facea, TRW and Marquardt to be viable alternatives, capable of meeting their demands. The high volume car manufacturers will generally award supply contracts to different suppliers through bidding procedures. The mentioned competitors have been able to displace CAM and U-Shin for important volumes. Whilst CAM is an important supplier for almost all vehicle access mechanism components, U-Shin has not been able to win significant volumes and has lost important competitions to Huf, Facea, TRW and Marquardt but also to smaller competitors. The fact that a wide array of viable and effective competitors will remain, combined with the awarding of supply agreements through the organisation of tenders, is the main reason why all OEMs considered in the market investigation that the proposed transaction would not have any negative effect on their business. A number of OEMs even expected the merged entity to be capable of offering more competitive prices.¹⁸
41. In addition, the parties submit that the supply of vehicle access mechanisms is subject to strong countervailing buyer power as expressed by (i) the use of multi-sourcing supply strategies by OEMs, (ii) the possibility of OEM sponsored market entry allowing suppliers to enter the market for a particular component, (iii) the 'standard' inclusion into supply agreements of a unilateral right to terminate to the benefit of OEMs, (iv) the 'standard' inclusion into supply agreements of provisions allowing for annual pricing reductions to the benefit of OEMs, (v) OEM in-house capability for manufacturing car components, (vi) the lack of switching costs on the part of OEMs, (vii) OEMs power to demand cross-licensing of patents between suppliers of car components, and (viii) the occurrence of consolidation in the car industry.
42. The parties' competitors unanimously confirmed the existence of OEMs' significant countervailing buyer power, explaining that OEMs employ multi-sourcing strategies whereby suppliers are listed on 'panels' of suitable suppliers following a tender process. Therefore, single

¹⁶ The parties submit that [...] has switched supplies of ESCLs from Huf to Shinchang. On the basis of the parties' estimates, Shinchang indeed managed to obtain a [0-5] per cent market share of the market for the supply of ESCLs over the course of only two years (2010-2011).

¹⁷ The market share for locks remained constant over the period mentioned, at [0-5] per cent.

¹⁸ One components supplier indicated that it feared the merged entity would have an incentive to terminate certain licensing and cooperation agreements that are currently in force between this respondent and Valeo. However, it appears to be unlikely that said agreements will be terminated because of the proposed acquisition in particular given that the respondent in question itself indicated that a termination would be detrimental to both contracting parties.

sourcing occurs only after the winner has been selected in a tender. In addition, some components suppliers indicate that OEMs use multi-sourcing even after the awarding of the tender. Moreover, even after the tender winner is engaged using a single-sourcing agreement, OEMs can, during the lifetime of a specific vehicle model, readily switch to another supplier on the panel, since usually there are at least 2 suppliers present on these panels. Therefore, OEMs' sourcing practice puts pressure on suppliers of car components.

43. Both OEM respondents and components suppliers have indicated that switching between suppliers of car components for a specific car model (including during the life span of a vehicle model) is, in principle, possible and that it has in fact occurred on a number of occasions.
44. Also, the market investigation provided indications that supply agreements between car component manufacturers and OEMs are at least subject to annual price negotiations, allowing OEMs to gauge competing suppliers' quotation prices. Also, there can be 'annual price reductions', comprising annual, pre-defined, percentage price reductions imposed by OEMs. In any case, the inclusion of such pricing provisions to the benefit of OEMs confirms the existence of a degree of countervailing buyer power for OEMs in this respect.
45. The parties further submit that OEMs frequently require suppliers to enter into licensing agreements with certain of their competitors. The market investigation has indeed revealed such a situation where cross-licensing was a prerequisite for two competing car component suppliers to be awarded a supply agreement with a specific OEM.
46. Furthermore, the market investigation has confirmed that the OEM/OES market remains a buyer market, with significant buyer power that has increased over the years as a result of the consolidation in the car manufacturing market and the OEMs' cross brand sourcing strategy. The car manufacturing industry has experienced significant consolidation in the recent past; for example Fiat's acquisition of Chrysler and Volkswagen's acquisition of a number of lower volume manufacturers such as Porsche. There are also a number of links between remaining manufacturers, for example, Renault has a shareholding in Nissan whilst Nissan has a shareholding in Renault. Furthermore, Renault has recently bought a majority stake in a joint venture controlling the largest Russian car manufacturer, AvtoVAZ. The decreasing number and increasing size of potential customers is likely to put increasing pressure on manufacturers of vehicle access mechanisms, including the parties, by reducing the number of contracts available whilst at the same time increasing the volumes tendered for under each contract.
47. The OEMs feel confident that their buyer power is sufficient to counter this level of concentration. Also from the supply-side, the competitors of the new entity consider that the OEMs will provide opportunities to displace the enlarged CAM/U-Shin entity for certain volumes. The notifying party submits that the vehicle access mechanisms sector is characterised by low barriers to entry and expansion. As such, both market entry and capacity expansion could take place at short notice and at low cost. In addition, there would be no capacity constraints which would limit the ability of manufacturers to expand capacity in the industry.
48. The majority of OEM respondents confirmed that there are no significant barriers to entry on the potential markets for the supply of locks and MSCL, whereas for the potential markets for locksets and ESCLs a majority identified at least one barrier, such as (i) supplier's reputation, (ii) the necessary initial investment, (iii) knowledge of the automotive market, (iv) quality, technical and security standards, and (iv) having know-how in electronics (for ESCLs).
49. According to the parties, car manufacturers may approach potential alternative suppliers to sponsor their entry into the market for a particular component. For example, if a car manufacturer currently uses two different suppliers, that manufacturer may approach a third company not

currently active in the market asking it to design and produce a competing product, thereby providing additional competition. Whilst the market investigation did not confirm this to be standard practice, new entry cannot be excluded, as illustrated by Shinchang entering the market for the supply of locksets in the EEA.

50. It can therefore be concluded that the proposed transaction is unlikely to give rise to any non-coordinated effects in locks, MSCL, locksets and ESCL.

Latches and handles

51. The following table shows the parties' and their main competitors' market shares in latches and handles to OEMs/OESs in 2011 in volume (i.e. number of units sold):

		U-Shin	CAM	Combined entity	Kiekert	Magna	Brose	Inteva	HUF	Witte
Latches	All vehicles	[0-5]%	[10-20]%	[10-20]%	[30-40]%	[10-20]%	[10-20]%	[10-20]%		
	Light vehicles	[0-5]%	[10-20]%	[10-20]%	[30-40]%	[10-20]%	[10-20]%	[10-20]%		
Handles	All vehicles	[0-5]%	[10-20]%	[10-20]%					[20-30]%	[20-30]%
	Light vehicles	[0-5]%	[10-20]%	[10-20]%					[20-30]%	[20-30]%
Exterior handles	All vehicles	[0-5]%	[10-20]%	[10-20]%			[0-5]%		[20-30]%	[30-40]%
	Light vehicles	[0-5]%	[10-20]%	[10-20]%			[0-5]%		[20-30]%	[30-40]%
Interior handles	All vehicles	[0-5]%	[0-5]%	[0-5]%						
	Light vehicles	[0-5]%	[0-5]%	[0-5]%						

Source: Parties' estimates

52. As far as latches and handles are concerned, the proposed transaction only gives rise to affected markets in the potential market for exterior handles. However, the increment is low; therefore the transaction would not change significantly the structure of the market at this level. In addition, strong competitors¹⁹ remain active on each of these markets.

53. Therefore, the proposed transaction does not raise competition concerns as a result of the horizontal overlap in latches and handles.

Coordinated effects

54. The market investigation confirmed that at least five competitors, which have asymmetric positions, will remain active on each of these markets. In addition, the parties submit that a number of them have adopted dynamic and aggressive growth strategies in recent years. The market investigation indeed showed a number of suppliers of components for vehicle access mechanisms being able to obtain new business during the lifespan of a particular vehicle model by offering more competitive prices than the incumbent supplier.

¹⁹ In interior handles the main competitors are Mecaplast, ITW, Bourbon Fabi, FX and Johnsons Controls.

55. The parties further submit that, even where more than one supplier may be supplying the same product to a single car manufacturer, prices paid may be different. In addition, prices would be calculated on the basis of complex pricing mechanisms, comprising annual or bi-annual price negotiations.
56. The market investigation revealed that prices are set at different levels: suppliers that are selected as 'qualified suppliers' following a tender are first requested to provide a quotation price. Next, actual supply agreements are negotiated and concluded between the OEM and the relevant component supplier(s). Finally, such supply agreements are generally subject to annual or bi-annual price negotiations, allowing OEMs to gauge the suppliers' competitiveness. In addition, OEMs indicated having their own product specification requirements. On the basis of the aforementioned characteristics of pricing within the car component manufacturing sector, a price comparison would be difficult.
57. In addition, the buyer power exercised by car manufacturers would furthermore prevent coordinated behaviour between component suppliers.
58. It can therefore be concluded that the proposed transaction is unlikely to give rise to any coordinated effects.
59. It follows that the proposed transaction does not raise serious doubts as to the compatibility with the internal market.

(5) CONCLUSION

60. For the above reasons, the Commission has 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