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***Case No COMP/M.6876 - SUMITOMO ELECTRIC
INDUSTRIES/ ANVIS GROUP***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 24/05/2013

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EUROPEAN COMMISSION

Brussels, 24.5.2013
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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sir/Madam,

**Subject: Case No COMP/M.6876 – Sumitomo Electric Industries/ Anvis Group
Commission decision pursuant to Article 6(1)(b) of Council Regulation
No 139/2004¹**

- (1) On 16 April 2013, the European Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which Tokai Rubber Industries, Ltd. ("TRI", Japan), controlled by Sumitomo Electric Industries Ltd. ("SEI", Japan) acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control over Anvis Group GmbH ("Anvis", Germany) by way of a purchase of shares. TRI and Anvis are hereafter referred to as the 'Parties'.

1. THE PARTIES AND THE OPERATION

- (2) TRI is active in the manufacture and sales of automotive components including anti-vibration rubber, hoses, IT-related components and a range of other industrial materials. TRI mainly focuses its business on Japan and Asia and has [...] sales in the EEA, [...] made by a TRI subsidiary in Poland, i.e. TRI Poland Sp. z.o.o. TRI Poland manufactures anti-vibration systems for [...]. TRI is controlled by SEI, a Japanese conglomerate, which owns 50.7% of the voting shares in TRI. SEI is active in Asia, America, Europe and Japan in a number of areas including: information and communication, electronics, automotive, industrial materials, environment and energy.

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.

- (3) Anvis is a developer and manufacturer of anti-vibration systems, including chassis components, engine mounts, exhaust system hangers as well as decoupling elements and mass dampers.
- (4) Pursuant to a Sale and Purchase Agreement ("SPA") signed on 28 January 2013, TRI will acquire 100% of the shares in Anvis.
- (5) The proposed transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

2. EU DIMENSION

- (6) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million. Each of them has an EU-wide turnover in excess of EUR 250 million, but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension within the meaning of Article 1(2) of the Merger Regulation.

3. COMPETITIVE ASSESSMENT

- (7) The proposed transaction primarily concerns anti-vibration systems ("AVS"), including components, for the automotive industry, as both parties are mainly active in the manufacture and sale of these products, even if their geographical focus is different. In addition, the Parties also supply AVS for the railway industry and for industrial applications.

Relevant product and geographic markets

- (8) AVS products are used to cushion or eliminate the vibration of moving systems, such as engines, chassis and exhaust systems, in order to increase the comfort and safety of the passenger and reduce the engine and driving noise in the passenger compartment. The product's know-how is in particular vested in the rubber mix, in the bonding solution between the rubber and the metal parts of the system, and in the geometric design of the anti-vibration parts.
- (9) The Parties suggest product and geographic markets in line with previous Commission decisions² and submit that the precise delineation of the product and geographic markets can be left open as it does not affect the competitive assessment of the transaction.
- (10) With regard to the product market, based on the Commission's decisional practice³, the products belonging to the anti-vibration system (AVS) are commonly subdivided by end-application in the following segments: (a) Production and sale of AVS for the automotive industry; (b) Production and sale of AVS for the railway industry; (c) Production and sale of AVS for industrial applications.

2 Case No. COMP/M.6339, Freudenberg & Co / Trelleborg / JV; Case No. COMP/M.1907, Woco / Michelin; Case No. COMP/M.3436, Continental / Phoenix; Case No. COMP/M.1778, Freudenberg / Phoenix.

3 Case No. COMP/M.6339, Freudenberg & Co / Trelleborg / JV; Case No. COMP/M.1907, Woco / Michelin; Case No. COMP/M.3436, Continental / Phoenix; Case No. COMP/M.1778, Freudenberg / Phoenix.

- (11) With regard to the production and sale of AVS for the automotive industry, the Commission has also examined additional potential sub-segments of these three AVS product markets⁴ (see table below), but has ultimately left open the precise market definition. In particular, the Commission considered a possible further distinction of the AVS market by: (i) individual product categories or components due to differences in product characteristics, design and intended use; (ii) type of application between conventional AVS ("conventional bush and mount") and hydraulic mounts, based on differences in prices, manufacturing techniques and performances; (iii) fields of application, namely a distinction between AVS for passenger cars and commercial vehicles, due to differences relating to design characteristics and the price of the products; (iv) distribution channels with respect to the customer structure, namely sales to Original Equipment Manufacturers (OEM) and to Original Equipment Suppliers (OES) on the one side and to the Independent After Market (IAM) on the other side.
- (12) With regard to the geographic market the Commission has previously defined the markets for the production and sale of AVS (and its possible submarkets) as at least EEA-wide with the exception of the market for the production and sale of AVS for the automotive industry in the IAM distribution channel which was defined as regional or national.
- (13) Based on the previous Commission decision-making practice the markets would be delineated as follows:

Table 1: AVS market definition		
	PRODUCT MARKET	GEOGRAPHIC MARKET
Production and sale of AVS for the automotive industry		
By individual product category	(i) engine mounts, (ii) chassis and suspension mounts and bushes, (iii) decoupling, (iv) exhaust systems/hangers, (v) mass dampers	At least EEA-wide
by type of application	i) conventional, (ii) hydraulic use	
by field of application	(i) passenger car, (ii) commercial vehicle	
by distribution channel	(i) OEM (Original Equipment Manufacturers)/ OES (Original Equipment Suppliers) (ii) IAM (Independent After Market)	(i) at least EEA-wide (ii) regional/national
Production and sale of AVS for the railway industry		
By function	(i) air springs for rail vehicles (ii) primary suspensions (iii) secondary suspensions	At least EEA-wide
Production and sale of AVS for the industrial applications		
	(i) refined expansion joints (ii) unrefined expansion joints	At least EEA-wide.

- (14) For the purpose of the present case, the exact market definition may be left open as competition concerns do not arise under any alternative market definition retained.

Competitive assessment

- (15) The Parties' activities overlap in the markets for the production and sale of AVS.

⁴ The Commission also distinguished between AVS using (i) air springs and (ii) other antivibration systems comprised of rubber-metal parts (Case No. COMP/M.3436, Continental / Phoenix, paras. 46 and 73). [...], therefore the assessment focuses on the AVS made out of rubber-metal parts.

- (16) On the basis of the narrowest possible market definition (i.e. considering each possible segment of the relevant product markets on an EEA-wide geographic scope), the transaction does not lead to any affected market⁵.
- (17) Only on the basis of a broader world-wide geographic market definition, the proposed acquisition gives rise to 4 horizontally affected markets. The Parties' combined market share could exceed 15% however remain within [20-30]% in the following segments of the AVS market for the automotive industry: (1) engine mounts, (2) chassis and suspension mounts and bushes, (3) hydraulic AVS and (4) AVS for passenger cars (see table below).

Table 2: World-wide estimates related to AVS components for the automotive industry (OEM/OES channel) ⁶ , 2011											
		ANVIS	TRI	combined market share	Trelleborg	ZF Boge	Contitech	Toyo	Tenneco	Paulstra	Others
Subsegmentation by component	chassis and suspension mounts and bushes	[0-5]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[5-10]%	[5-10]%	[5-10]%	[5-10]%	[20-30]%
	engines mountings	[0-5]%	[10-20]%	[20-30]%	[10-20]%	[10-20]%	[5-10]%	[5-10]%	[5-10]%	[5-10]%	[20-30]%
Subsegmentation by type of application	hydraulic	[0-5]%	[10-20]%	[20-30]%	[10-20]%	[10-20]%	[5-10]%	[10-20]%	[0-5]%	[5-10]%	[30-40]%
Subsegmentation by field of application	passenger cars	[0-5]%	[10-20]%	[10-20]%	[10-20]-[20-30]%	[10-20]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[30-40]-[40-50]%

Source: Parties' best estimates

- (18) In each of the affected market, the transaction would in any case only lead to a marginal increase in market shares. Furthermore in each affected market, a number of significant competitors will continue to exert a significant competitive pressure on the Parties.
- (19) Furthermore, the geographical and business focus of Anvis and TRI is different. While Anvis is mainly active in the EEA, with [...] activity in the rest of the world, TRI focuses its business on Japan and has [...] sales in the EEA. These [...] sales in the EEA are [...] made by TRI's Polish subsidiary which manufactures AVS for the European market. [...].
- (20) The difference in business focus is further reflected in Anvis' and TRI's different customer base. Anvis supplies mostly European car manufacturers. In Asia, TRI is mainly active for Asian and in particular Japanese car manufacturers. Regarding Europe, TRI, through its Polish European subsidiary TRI supplies [...].

⁵ Under an EEA-wide geographic scope of the market, the combined market share of the Parties would not exceed [10-20]% in any possible relevant market segment.

⁶ The parties do not overlap in the IAM segment [...].

- (21) Moreover, it should be considered that post transaction the parties will continue to face strong buyer power from internationally operating car manufacturers who impose strong pricing pressure on their suppliers and generally avoid any dependence on the supply chain by implementing dual sourcing strategies. This argument is also supported by the recent market investigation conducted in M.6639 – Freudenberg & Co./Trelleborg/JV, a case in the same sector⁷. 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.
- (22) Finally, the proposed acquisition would not give rise to any vertical relationships between the Parties' activities as each party does not operate in any product market which is upstream or downstream of a product market in which the other party operates.
- (23) In view of the foregoing, the Commission considers that the transaction does not raise serious doubts as to its compatibility with the internal market in relation to the markets for AVS.

4. CONCLUSION

- (24) For the above reasons, the European 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)
Michel BARNIER
Member of the Commission

⁷ Case COMP/M.6339 Freudenberg & Co./Trelleborg/JV, Commission decision of 14.5.2013, para 33.