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***Case No COMP/M.7182 - VISTEON CORPORATION/  
AUTOMOTIVE ELECTRONICS BUSINESS OF  
JOHNSON CONTROLS***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 16/05/2014



## EUROPEAN COMMISSION

Brussels, 16.5.2014  
C(2014) 3393 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 Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE

### To the notifying party

Dear Sir/Madam,

**Subject: Case No COMP/M.7182 – VISTEON CORPORATION /  
AUTOMOTIVE ELECTRONICS BUSINESS OF JOHNSON  
CONTROLS  
Commission decision pursuant to Article 6(1)(b) of Council Regulation  
No 139/2004<sup>1</sup>**

- (1) On 04.04.2014 the European Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004<sup>2</sup> by which the US-based company Visteon Corporation ("Visteon") acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control of the whole of the Automotive Electronics Business (the "Target") which is currently held and controlled by Johnson Controls, Inc. ("JCI", USA), by way of purchase of assets and stocks.
- (2) Visteon, JCI and the Target are hereinafter referred to 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.

<sup>2</sup> OJ L 24, 29.1.2004, p. 1 (the "Merger Regulation").

## 1. THE PARTIES

- (3) **Visteon** is a global supplier of climate, electronics and interiors systems, modules and components to automotive original equipment manufacturers (“OEMs”), active in North America, the EU and Asia. Visteon’s electronics portfolio includes driver information components and systems (instrument clusters, information displays, infotainment and connectivity) and body electronics (electronic climate controls, body controllers, access control systems, and automotive lighting).
- (4) **JCI** is a global diversified technology and industrial company that operates in three major areas: (i) building efficiency: supply of integrated heating, ventilating and air conditioning systems, building management systems, controls, security and mechanical equipment, and provision of technical services, energy management consulting and operations of real estate portfolios for the non-residential buildings market; (ii) automotive experience: supply of automotive seating, overhead systems, door and instrument panels, floor consoles, and interior electronics; and (iii) power solutions: supply of lead-acid automotive batteries and advanced batteries for hybrid and electric vehicles.
- (5) **The Target**, currently part of JCI, provides automotive OEMs with driver information (instrument clusters, information displays, connectivity systems and specialty products) and body electronics products. It comprises subsidiaries, manufacturing facilities, R&D centres, application and technical centres, related tangible and intangible assets, employees, etc. in a number of countries, including France, Germany, Slovakia, Brazil, China, Macedonia, Mexico, Tunisia, and the United States.

## 2. THE OPERATION

- (6) Pursuant to a Purchase Agreement dated from 12 January 2014 between Visteon and JCI, Visteon will acquire 100% of the assets and stocks, all rights, titles and interests in the Target.
- (7) The proposed transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## 3. EU DIMENSION

- (8) The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 000 million (Visteon: 5,337.0 million EUR in 2012; Target: [...] million EUR in 2013). Each of them has an EU-wide turnover in excess of EUR 250 million (Visteon: [...] million EUR in 2012; Target: [...] million EUR in 2013). Neither company achieves more than two-thirds of its aggregate EU-wide turnover within the same Member State.
- (9) The notified operation therefore has an EU dimension within the meaning of Article 1(2) of the Merger Regulation.

#### **4. PRODUCT AND GEOGRAPHIC MARKET DEFINITIONS**

- (10) Automotive electronics are electrically-generated systems used in vehicles and can be classified in the following main product categories: (i) driver information electronics; (ii) body electronics; (iii) safety electronics; (iv) powertrain control electronics; and (v) chassis electronics.
- (11) The Parties manufacture and supply driver information and body electronics to automotive OEMs for light vehicles. In particular, both Parties are active in driver information, including instrument clusters, information displays and connectivity systems, as well as in body electronics for light vehicles, including body controllers and access control systems.

##### **4.1. Product market definition**

- (12) In its previous decisions, the Commission concluded that the sale electronic components to Original Equipment Manufacturers (OEMs) and their authorized dealers (Original Equipment Services - "OES") constitutes a market separate from the supply of components to the independent aftermarket.<sup>3</sup> The Commission also concluded that the supply of automotive parts for light vehicles constitutes a separate product category from the supply of the same product to heavy vehicle manufacturers.<sup>4</sup>
- (13) The Parties do not dispute such findings. As such, the supply of automotive parts to OEMs of light vehicles will be considered a separate market in the present decision.
- (14) In past decisions, the Commission has also considered, but has ultimately left the question open, whether there may be a widely defined market comprising automotive components modules and systems, or separate markets for "modules"<sup>5</sup> and "systems".<sup>6</sup>
- (15) In their submission, the Parties claim that there is no need to distinguish between components, modules and systems. From a supply-side perspective, most components' manufacturers are vertically integrated and therefore able to produce and supply individual components, as well as modules and systems of such components tailored to their customer OEMs needs and product designs. From a demand-side perspective, OEMs not only source modules but also source individual components separately.

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3 Case No COMP/M.6538 – Robert Bosch/ SPX' Service Solutions Business, paras. 17 and 21; Case No COMP/M.5799 – Faurecia/ Plastal, paras. 7 and 12; Case COMP/M.3789, Johnson Controls/Robert Bosch/Delphi SLI, para. 8, Case COMP/M.6714, U-Shin/ Valeo CAM, para.7.

4 Case No COMP/M.5799 – Faurecia/ Plastal, para. 7; Case COMP/M.4456, Mahle/Dana EPG, paras. 11-13, Case COMP/M.6714, U-Shin/ Valeo CAM, para. 9.

5 The term modules refers to a number of pre-assembled individual components that fulfil a certain function in the vehicle, and are delivered to the OEMs as a single unit.

6 Case No COMP/M.5799 – Faurecia/ Plastal, para. 8.

- (16) The results of the market investigation were inconclusive on this point. The majority of respondents to the market investigation from the demand side have stated that components and modules constitute different product markets.<sup>7</sup> However, respondents from the supply side confirmed the Parties' claims that components and modules for automotive electronics are part of the same product market.<sup>8</sup>
- (17) In any case, the exact definition of the product market can be left open in this case as the proposed transaction does not raise any competitive concern under any plausible market definition. In previous decisions in the area of automotive electronics, the Commission has also determined the scope of the product markets for electronic control units ("ECUs") according to their respective areas of application: e.g. transmission controls, airbag control units, body electronics, central body control units, ECUs for engine management, ECUs for chassis control, ECUs for electronic braking systems and ECUs for electronic parking brakes, etc.
- (18) Since the Parties manufacture and supply driver information and body electronics, the analysis below will focus on these two types of product categories and their possible sub-segments.

#### 4.1.1. Driver information systems

- (19) Within driver information systems, the Parties provide instrument clusters, information displays, infotainment systems and connectivity systems.

##### *Instrument clusters*

- (20) Regarding instrument clusters, the Commission has not previously assessed specifically these products. However, in early decisions the Commission examined the market for instrument panels, and considered that these would constitute a separate product market, ultimately leaving the question open.<sup>9</sup>
- (21) In their submission, the Parties claim that instrument clusters include dashboard-mounted analogue clocks, where both Parties are also active. In particular, the Parties claim that dashboard-mounted analogue clocks are a niche product usually used in high-end vehicles accounts for a *de minimis* fraction of the overall driver information electronics segment, with total global market sales of approximately € [...] in 2013.
- (22) The market investigation yielded mixed results regarding the question whether instrument clusters constitute a separate product market within the broader market for driver information systems. While the replies of the market

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7 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 5.

8 See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 5.

9 An instrument panel is the part of the interior of a vehicle extended from door to door and located directly in front of the driver, which contains the primary gauges and controls for operating the vehicle, including instrument clusters. Instrument panels are usually made of injection-moulded thermoplastics. See e.g. Case No COMP/M.5799 – Faurecia/ Plastal, paras. 11-12.

investigation from the demand side were inconclusive<sup>10</sup> a large majority of respondents from the supply side<sup>11</sup> stated that instrument clusters constitute a separate product market due to the differences in terms of product characteristics, functions, reliability and safety standards vis-à-vis other products within driver information systems. However, some competitors also considered that the different products within driver information systems might start converging in the future.<sup>12</sup>

- (23) In addition, the market investigation results indicated that digital clocks for integration in instrument clusters and analogue clocks for integration in instrument clusters constitute different product markets. The majority of competitors and customers stated that these two products constitute different product markets based on differences in the prices<sup>13</sup> and characteristics of the products.<sup>14</sup>
- (24) However, the precise scope of the market for instrument clusters can be left open in this case as the proposed transaction does not raise any competitive concern under any plausible market definition.

#### *Information displays*

- (25) As to information displays, the Commission has in its previous decisional practice concluded that information displays<sup>15</sup> constitute a separate relevant product market.<sup>16</sup>
- (26) In their submission, the Parties claim that information displays are a separate product market. They also consider that multi-function displays (MFDs)<sup>17</sup> should not be considered as part of the information displays segment.
- (27) The market investigation however yielded inconclusive results with regard to the existence and scope of a market for information displays within the broader market for driver information systems.
- (28) On the one hand, the majority of customers considered that information displays are not a separate product market.<sup>18</sup>

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10 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 6.

11 See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 6.

12 See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 6.

13 See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 7.

14 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 7.

15 Electronic devices employed to provide information to the driver either in the form of a primary (such as temperature or speed) or secondary (such as time or radio station) display.

16 Case No. IV/M1462 - TRW/LucasVarity, paras. 11 and 18.

17 MFDs are “smart” displays; they differ from typical monitor (or “dumb”) displays in that they integrate a human-machine interaction interface, “smart” functions and other advanced features. MFDs combine some of the functionalities of a typical monitor display and an infotainment system. While from a consumer’s point of view, there is no difference between a dumb display and an MFD, the two types of displays differ significantly in terms of the software, microprocessor and supporting circuitry they incorporate.

- (29) On the other hand, respondents to the market investigation both from supply and demand side indicated that MFDs could constitute market separate from that of "dumb" information displays. This was due to these two products being neither comparable in terms of characteristics,<sup>19</sup> nor in terms of price,<sup>20</sup> and are not used to meet the same needs.<sup>21</sup>
- (30) However, the precise scope of the market for information displays can be left open in this case as the proposed transaction does not raise any competitive concern under any plausible market definition.

*Infotainment systems*

- (31) While in the past the Commission reflected whether the market for infotainment systems should be distinguished from the markets for the individual components or peripherals that may be included in these systems,<sup>22</sup> in its decisional practice it considered whether infotainment systems would constitute a separate market, ultimately leaving this question open.
- (32) The Parties submit that there is no need to distinguish between infotainment systems and the individual components or peripherals that form these systems. The number and type of peripherals that are included depends on the level of functionality that a given OEM wants to offer. Dividing OEM infotainment systems by the functionalities they provide or the devices they use to provide such functionalities would artificially create a myriad of product markets that would not capture the competition among OEM infotainment system providers to meet the demands of OEMs and consumers for integrated solutions. In any case, the Parties claim that there is no need to define the precise scope of the relevant market for infotainment systems.
- (33) The market investigation both from the supply and demand side largely confirmed that infotainment systems constitute a separate product market.<sup>23</sup> However, the majority of competitors also considered that the different products such as infotainment systems, information displays etc. within driver information systems are starting to converge and might be part of the same product market definition in the future.<sup>24</sup>

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18 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 6.

19 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 9. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 9.

20 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 11. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 11.

21 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 10.

22 Case No COMP/M.4696 - KKR/Harman, paras. 12-14. See also Continental/Siemens VDO, in which it was argued that the components for such systems are procured and sold separately, resulting in competition at the component level and not at the level of the infotainment systems.

23 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 6. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 6.

24 See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 6.

- (34) The precise scope of the market for infotainment systems can be left open in this case as the proposed transaction does not raise any competitive concern under any plausible market definition.

*Connectivity systems*

- (35) As to connectivity systems, the Commission considered in previous decisions whether these constitute a separate product market and also considered the possibility that connectivity systems would be part of the same product market as infotainment systems, ultimately leaving this question open.<sup>25</sup>
- (36) The Parties submit that infotainment and connectivity systems perform different functions within a vehicle. Infotainment systems coordinate and integrate in-vehicle information and entertainment functions and/or devices. Connectivity systems allow the user to connect external devices (e.g. smartphone devices) to the vehicle using Bluetooth or other typically wireless communication technologies.
- (37) The market investigation both from the supply and demand side indicated that connectivity systems constitute a separate product market.<sup>26</sup> However, some competitors also considered that the different products within driver information systems are starting to converge and might be part of the same product market definition in the future.<sup>27</sup>

- (38) The precise scope of the market for infotainment systems can be left open in this case as the proposed transaction does not raise any competitive concern under any plausible market definition.

*Conclusion on the product market definition for driver information systems*

- (39) In the light of the results of the market investigation, the Commission considers that there are indications that, for the purposes of the present case, several products within driver information systems exist, such as infotainment systems and connectivity systems. However, the market investigation showed indications that this segmentation may disappear in the future as these product are already starting to converge.
- (40) The Commission also considers that, for the purposes of the present case, and despite the results of the market investigation being inconclusive, there are indications that instrument clusters constitute a separate product market. In addition, the market investigation indicated that digital clocks for integration in instrument clusters and analogue clocks for integration in instrument clusters could constitute different product markets.
- (41) Finally, despite the results of the market investigation being inconclusive regarding whether information displays constitute a separate product market, the

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25 Case No. COMP/M.4878 - Continental/Siemens VDO, paras. 45-49.

26 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 6. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 6.

27 See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 6.



market investigation showed indications that "dumb" information displays and MFDs could constitute different product markets.

- (42) In any event, the exact definition of the product markets can be left open in this case as the proposed transaction does not raise any competitive concern under any plausible market definition.

#### 4.1.2. Body electronics

- (43) Body electronics refers generally to electronic control units responsible for monitoring and controlling various electronic accessories in a vehicles' body. Body electronics are usually modular and include a broad variety of applications inside the cabin.
- (44) Within the segment of body electronics, the Parties offer body controllers and access (entry) control systems.
- (45) The Commission has previously concluded that body controllers and entry control systems are separate product markets.<sup>28</sup> The Commission included in the entry control systems segment all mechanisms, which enable access to the vehicle, its operation and its protection from infraction. Such appliances include intrusion sensing devices, alarm controllers, central locking functions, immobilizers and remote keyless entry products.
- (46) The Commission considered in previous decisions that such products are to an increasing extent manufactured and sold as single systems, which combine the different functions into one module.<sup>29</sup>
- (47) The Parties submit that for the purposes of the transaction, a single market comprising all body electronics could be considered, based on supply-side substitutability considerations. From a supply-side perspective, there is a high degree of substitutability between many types of body electronics. Many major automotive components manufacturers operate in more than one product group, and may easily expand production to other body electronics, based on OEM demand and design specifications (e.g., from production of central body controllers to interior controllers, or vice versa). In addition, there is increasing demand for integrated body electronics systems that combine more than one function.

#### *Conclusion on product market definitions for body electronics*

- (48) In the present case, the exact definition of the product market can be left open as the proposed transaction does not raise any competitive concern under any plausible market definition.

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28 Case IV/M.1462 - TWR/Lucas Varity, para. 18. Also, in Continental/Siemens VDO, the Commission's investigation indicated that it was appropriate to consider a separate market at least for central body control units. The Commission, however, left open the precise scope of the product market. See Case No. COMP/M.4878 - Continental/Siemens VDO, paras. 16-17.

29 Case IV/M.1462 - TWR/Lucas Varity, para.6, the Commission considered these products as a single, distinct product market.

## 4.2. Geographic market definition

- (49) Regarding the geographic market definition, in prior decisions concerning automotive electronics components and systems sold to OEM/OES, the Commission defined the relevant geographic market as at least EEA-wide in scope, but left open the question whether the market could be worldwide in scope.<sup>30</sup>
- (50) The Parties submit that the geographic scope of all the relevant products markets at OEM/OES level is worldwide, because: (i) from a demand-side perspective OEMs are global companies, which increasingly source products at worldwide level, tend to set product requirement standards at global level, and follow to a large extent global procurement policies; (ii) from a supply-side perspective, most automotive component manufacturers operate worldwide and tend to serve the entire global demand from a few manufacturing facilities; (iii) prices are negotiated at a global level; (iv) transport costs are not significant; (v) product regulation and safety standards are set at the EEA – and often international – level; (vi) there are no regulatory barriers to cross-border supply across the EEA and even at worldwide-level. The Parties further submit that in any case the precise definition of the geographic markets can be left open, given that the proposed transaction is unlikely to give rise to competition concerns.
- (51) Regarding instrument clusters, the respondents to the market investigation both from the supply and demand side largely confirmed that instrument clusters are supplied and purchased at worldwide level<sup>31</sup> and that their quality and technical characteristics are homogeneous at worldwide level.<sup>32</sup> However the majority of respondents from the supply and demand side also indicated that there are price differences between the EEA and the rest of the world.<sup>33</sup> Regarding transport costs and entry barriers, the respondents from both the supply and the demand side largely confirmed that the market may be limited to the EEA given the transport costs<sup>34</sup> and entry barriers such as import duties.<sup>35</sup>

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30 See e.g., Case No IV/M. 1462 - TRW/LucasVarity, paras. 22-24; Case No COMP/M.4696 - KKR/Harman, para.15-17 (infotainment systems); Case No COMP/M.4878 - Continental/Siemens VDO, para. 50 (connectivity and infotainment systems); Case No COMP/M.5799 – Faurecia/ Plastal (instrument panels) para.15; Case No. IV/M.1245 – Valeo/ITT Industries; Case IV/M.1196 – Johnson Controls/Becker para. 13; and Case IV/M.1368 -Ford/ZF.

31 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 15. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 16.

32 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 16. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 17.

33 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 19. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 20.

34 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 17. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 18.

35 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 18. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 19.

- (52) As to information displays, the respondents to the market investigation both from the demand and supply side largely confirmed that these products are supplied and purchased at worldwide level;<sup>36</sup> and that their quality and technical characteristics are homogeneous at worldwide level.<sup>37</sup> The investigation was inconclusive as to the extent to which transport costs and entry barriers such as import duties limit the ability to purchase information displays outside the EEA for use into the EEA.<sup>38</sup>
- (53) In the light of the results of the market investigation, the Commission considers that there are indications that, for the purposes of the present case, the geographic market definition for both instrument clusters and information displays is at least EEA-wide, and may be worldwide in scope.<sup>39</sup>
- (54) In any event, the exact definition of the geographic market can be left open in this case as the proposed transaction does not raise any competitive concern under any plausible market definition.

## 5. COMPETITIVE ASSESSMENT

### 5.1 *Horizontal relationships*

- (55) The Parties' activities overlap horizontally on the potential relevant product markets for (i) driver information systems, including the sub segments of instrument clusters; information displays (including and excluding MFDs); connectivity systems; and infotainment systems (including and excluding MFDs) as well as for (ii) body electronics, including the segments of body controllers and access (entry) control systems, as it can be seen from the table below:

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36 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 20. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 22.

37 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 21. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 23.

38 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 22, 23, 24. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 19, 24, 26, 27.

39 The geographic market definition for infotainment systems and connectivity systems was not tested during the market investigation, due to the Parties' combined market shares being below [20-30]% even under the possible narrowest geographic market definition considered by the Commission in the past.

*Table 1 – Horizontal links*

Market/sub-segment	Geographic market	Visteon	Target	Combined (2013)	Affected market
<b>Driver information</b>					
<b>Instrument clusters</b>	EEA	[10-20]%	[10-20]%	[20-30]%	YES
<b>Instrument clusters</b>	Worldwide	[10-20]%	[10-20]%	[20-30]%	YES
<b>Analogue clocks only<sup>40</sup></b>	EEA	[0-5]%	[70-80]%	[70-80]%	YES
<b>Analogue clocks only</b>	Worldwide	[0-5]%	[40-50]%	[40-50]%	YES
<b>Information Displays (including MFDs)</b>	EEA	[10-20]%	[20-30]%	[30-40]%	YES
<b>Information Displays (including MFDs)</b>	Worldwide	[10-20]%	[10-20]%	[20-30]%	YES
<b>Information Displays (excluding MFDs)</b>	Worldwide	[5-10]%	[10-20]%	[10-20]%	
<b>Information Displays (excluding MFDs)</b>	EEA	--	[20-30]%	[20-30]%	
<b>Infotainment Systems</b>	Worldwide	[0-5]%	--	[0-5]%	
<b>Infotainment Systems</b>	EEA	[5-10]%	--	[5-10]%	
<b>Connectivity systems</b>	Worldwide	[5-10]%	[10-20]%	[10-20]%	
<b>Connectivity systems</b>	EEA	[0-5]%	[0-5]%	[5-10]%	
<b>Body electronics</b>					
<b>Body controllers</b>	Worldwide <sup>41</sup>	[0-5]%	[0-5]%	[0-5]%	
<b>Access (entry) control systems</b>	Worldwide <sup>42</sup>	[0-5]%	[0-5]%	[0-5]%	

40 The analogue clock segment was never considered by Commission's precedents. In any case such segment has a very small overall size (only € [...] globally and € [...] in the EEA in 2013).

41 Visteon is not active at EEA level; while the Target has [5-10]% market share.

42 Visteon is not active at EEA level; while the Target has [0-5]% market share.

- (56) From the above, the Parties activities lead to three horizontally affected plausible markets: (i) instrument clusters at EEA and worldwide levels; (ii) information displays (including MFDs) at EEA and worldwide level and (iii) the potential sub-segment comprising analogue clocks at EEA and worldwide levels. Even though the results of the market investigation were inconclusive, the above-mentioned potentially affected markets will be analysed as alternatives below.

#### 5.1.1 Parties' view

- (57) The Parties submit that no competitive concerns will arise for the reasons set out below, which apply to all affected markets.
- (58) First, the automotive components industry is fragmented and highly competitive (while some automotive OEMs maintain in-house productions or sometimes source directly from electronic companies).
- (59) Second, the Parties claim that demand is driven by demand for automotive vehicles and therefore market shares do not reflect the component suppliers' competitive position.
- (60) Third, the Parties submit that the business is characterised by bidding competition where the winning bid relates primarily to the ability of providing products that meet the OEM's specifications at the lowest price. OEMs evaluate the suppliers based on financial viability, product quality, price competitiveness, technical expertise, development capability, product innovation, reliability and timeliness of delivery, etc. In addition, components are generally customized to OEM's specifications and therefore product differentiation is essential in this business.
- (61) Fourth, the Parties claim that OEMs multi-source from different suppliers and that switching is easy, in particular taking into account that OEMs hold a substantial part of the IP related to design and functionalities of the tendered products.
- (62) Finally, the Parties claim that they face significant countervailing buyer power from automotive OEMs such as BMW, Chrysler, Daimler, Ford, General Motors, Honda, Kia, etc. which are global players with large orders that generally dictate the prices to suppliers. They also have significant leverage over the suppliers given the competitiveness of the automotive component supply industry, the limited number of customers for such industry and the excess capacity of such industry. According to the Parties, automotive OEMs are also protected by contractual provisions such as pricing step-downs, no minimum volume requirements, and the option to terminate for convenience. It is also common practice in the industry that OEMs instruct their suppliers to procure components from electronic suppliers at directly negotiated prices. Therefore, the proposed transaction will not affect the contractual protections that are in place with the agreements with the OEMs.
- (63) Regarding the affected markets in particular, the Parties submit that no competitive concerns will arise, as set out below.
- (64) In the segment of instrument clusters, where combined shares are [20-30]% and EEA level, with an increment of [10-20]%, Parties claim that they will continue to face strong competition at EEA level from Continental ([30-40]%), Magneti

Marelli ([10-20]%), Bosch ([5-10]%) and Yazaki ([0-5]%), amongst others.<sup>43</sup> Also, while Visteon's market shares have remained constant, the Target's market shares have declined in the past 3 years.<sup>44</sup>

- (65) Regarding analogue clocks, the Parties submit that they are a niche product representing a very small fraction of total sales within the overall driver information electronics segment, and, more specifically, instrument clusters. The Parties submit that they are an optional, decorative feature chosen in such vehicles that could easily be replaced with digital clocks. More importantly, despite the Target's high shares in this specific product ([40-50] globally, [70-80] in the EEA), Visteon's sales are limited (global sales were € [...] million in 2013, which amount to less than [0-5] market share of the € [...] million global market for analogue clocks<sup>45</sup>). Therefore, Visteon will add only a negligible increment to the Target's position. In addition, the Target faces competition from a number of companies such as Unick ([20-30] globally), Denso ([10-20] globally), Sphere Design ([5-10] globally, [20-30] in the EEA), Paragon ([0-5] globally, [10-20] in the EEA), and Delco ([0-5] globally).
- (66) Regarding information displays, the Parties submit that, if MFDs were excluded, the market would not be affected. Even in a larger market that would include MFDs, the Parties submit that: (i) there is little direct competition between the parties given that Visteon is primarily a supplier of MFDs and the Target of dumb displays only; and (ii) the Parties will continue facing competition from a number of companies such as Continental ([10-20] globally, [20-30] in the EEA), Denso ([10-20] globally, [5-10] in the EEA), Alpine ([10-20] in the EEA), Matsuhita ([5-10] globally), Nippon Seiki ([5-10] globally), and a number of smaller players (together [30-40] globally, [30-40] in the EEA).

### 5.1.2 Results of the market investigation

#### *Competitive landscape*

- (67) First, sales data submitted by competitors tend to indicate that the Parties may have overestimated their market shares on both the market for instrument clusters and information displays, at both EEA and worldwide levels.
- (68) Second, respondents from the market investigation broadly confirmed the Parties' view that the affected markets are fragmented and highly competitive.

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43 At global level Parties competitors are Continental ([20-30] globally); Denso ([10-20] globally); Nippon Seiki ([5-10] globally); Magneti Marelli ([5-10] globally), etc.

44 The Target's share has declined from [10-20] in 2011 to [10-20] in 2012 and [5-10] in 2013 on a global basis. The decline in the EEA is more significant: from [20-30] in 2011 to [20-30] in 2012 and [10-20] in 2013. Target's declining share is due to the loss of [...] platforms over that time period. JCI believes the Target lost the [...] instrument cluster business to [...], and the [...] digital instrument cluster business to [...].

45 The situation is similar in the EEA, where Visteon's sales for analogue clocks amounted to €[...] million in 2013, which amount to less than [0-5] market share of the €[...] million EEA market.

- (69) In the market for instrument clusters, the majority of respondents from the demand side considered neither Visteon nor the Target as inevitable suppliers in the EEA.<sup>46</sup> Furthermore, the great majority of respondents did not identify the Parties as close competitors.<sup>47</sup>
- (70) In the market for information displays, the great majority of respondents from the demand side considered neither Visteon nor the Target as inevitable suppliers in the EEA.<sup>48</sup> Furthermore, the great majority of respondents did not identify the Parties as close competitors.<sup>49</sup>

*Purchasing patterns*

- (71) The great majority of respondents to the market investigation confirmed that, on all affected markets, sales are made exclusively through bidding processes or tenders.<sup>50</sup> For the remainder of respondents, these bidding processes or tenders are only marginally completed by bilateral agreements.
- (72) Regarding the ease for automotive OEMs to switch suppliers, all respondents from the demand side stated that switching suppliers for both instrument clusters<sup>51</sup> and information displays<sup>52</sup> is difficult. However, the majority of them also confirm that they have sometimes switched suppliers in the past.<sup>53</sup>
- (73) Furthermore, respondents from both the demand and the supply side claim to multisource across their vehicle models.<sup>54</sup>
- (74) The market investigation also confirmed that, even when equity links exist between certain suppliers and OEMs, these do not translate into captive demand. Although it appears that OEMs tend to supply a stable share of their components from manufacturers in which they hold an equity stake,<sup>55</sup> a vast majority of respondents believe that OEMs would switch these supplies to a competitor if quality standards were not met or prices offered by this manufacturer were to permanently increase by 5-10%.<sup>56</sup>

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46 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 49 and 51.

47 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 50 and 52.

48 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 53 and 55.

49 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 54 and 56.

50 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 34. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 41.

51 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 44.

52 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 46.

53 See replies to Commission questionnaire Q2 Customers of 08 April 2014, questions 45 and 47.

54 See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 46. See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 38.

55 See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 35.

56 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 29. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 38.

- (75) The majority of respondents from the demand side typically retain a substantial part of the IP related to design and functionalities of the tendered products,<sup>57</sup> a statement confirmed by respondents from the supply side.<sup>58</sup>

*Buyer power*

- (76) Respondents from the market investigation confirmed the Parties' claim that component manufacturers face significant countervailing buyer power from automotive OEMs.
- (77) Respondents from the supply side confirm they have a limited number of customers. Regarding instrument clusters, the top five customers account for more than 70% of sales for the majority of respondents. Regarding information displays, the majority of respondents have five global customers or less, which are almost exclusively the global automotive OEMs mentioned by the Parties.<sup>59</sup>
- (78) Such countervailing buyer power from automotive OEMs is further reinforced by contractual provisions, which for the majority of respondents from the supply side include pricing step-downs<sup>60</sup>, no minimum volume requirements<sup>61</sup>, and sometimes option to terminate at the OEM's convenience<sup>62</sup>.

*Impact of the transaction*

- (79) No respondents from the supply or demand side have expressed any concerns about the merger. Also, respondents from the demand side largely confirmed that intensity of competition and price levels for instruments clusters will remain the same post-transaction<sup>63</sup> and that for information displays the intensity of competition and price levels will remain the same post-transaction.<sup>64</sup>

5.1.3 Commission's assessment

- (80) The Commission considers that the proposed transaction does not result in competition concerns on any of the potential affected markets of instrument clusters, information displays and analogue clocks.<sup>65</sup>

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57 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 37.

58 See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 44.

59 See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 45.

60 It is always the case for the majority of respondents from the supply side. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 50.

61 For almost all respondents, it is always or sometimes the case. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 50.

62 The great majority of respondents confirmed it is sometimes the case. See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 50.

63 See replies to Commission questionnaire Q2 Customers of 08 April 2014, questions 58 and 59.

64 See replies to Commission questionnaire Q2 Customers of 08 April 2014, question 60.

65 Given that the results of the markets were inconclusive and the market definition is left open in the present case, the Commission has analysed the broader potential product market of instrument clusters



- (81) The Commission notes that with regard to a possible segmentation between components and modules, the competitive landscape would not materially differ as all large competitors produce both components and modules. If anything, taking into account a narrower market segmentation by components would generally result in lower Parties' market shares due to the existence of manufacturers focused on components only, where the Parties typically produce modules and systems. Therefore, the Commission's competitive assessment below will focus on the relevant potential affected markets within driver information systems.
- (82) First, the Parties' combined market shares remains below [30-40]% for all possible market segments<sup>66</sup>, with the exception of the possible segments of information displays at EEA level and analogue clocks. In any case, the market investigation indicated that the Parties' market shares are below what they have estimated.
- (83) Second, regarding the possible segment for analogue clocks, where the Parties' combined market share is [70-80]%, the increment brought about by the transaction in this possible sub-segment is insignificant and in any case below [0-5]%. In any case, analogue clocks are a niche product with sales amounting to only € [...] in the EEA in 2013. In addition, the merged-entity will continue facing competition from several significant players, including Unick and Denso globally and Sphere Design in the EEA.
- (84) Third, regarding the possible market for information displays (including MFDs), where Parties' combined market share amounts to [30-40]% under the narrowest geographic market definition (EEA-wide) the merged-entity will continue to face strong competitive pressure in the EEA from Continental ([20-30]% market share), Denso ([10-20]%) and small players such as Matsushita ([5-10]%).
- (85) Fourth, the Commission notes that no respondent to the market investigation raised any concern related to the impact of the proposed transaction with respect to any of the three affected markets, namely instrument clusters, information displays and analogue clocks.
- (86) Fifth, all the potentially affected markets are fragmented and highly competitive; Parties are not inevitable suppliers or close competitors; and the sourcing of these products is characterised by bidding or tenders competition, and customers multisource. In addition, switching suppliers of components is easy as it has occurred in the past and also taking into account that OEMs hold a substantial part of the IP related to design and functionalities of the products.
- (87) Finally, the market investigation has confirmed the Parties' claims that they face significant countervailing buyer power from automotive OEMs in the relevant affected markets.
- (88) In light of the above, Commission concludes that the proposed transaction does not raise serious doubts as to its compatibility with the internal market on the

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66 In addition, in the market for instrument clusters, the merged-entity will continue to face strong competitive pressure in the EEA from Continental ([30-40]% market share), Magneti Marelli ([10-20]% market share) and small players such as Bosch ([5-10]%) or Yazaki ([0-5]%).

markets for instrument clusters, infotainment systems and analogue clocks in the EEA and worldwide.

## 5.2 Coordinated effects

### 5.2.1 Parties' view

- (89) The Parties submit that, despite the Commission's past and ongoing antitrust investigations regarding automotive components (in particular with regard to possible bid-rigging and price collusion practices), no coordinated effects derive from the transaction. In particular, the Parties claim that the investigations have not involved any of the Parties nor the products covered by the Proposed Transaction.
- (90) In addition, the Parties submit that the conditions for coordination are not present in this market, as better explained below.
- (91) First, the Parties claim that the market lacks the transparency and the stability of economic environment necessary for coordination as: (i) electronic components and systems are complex differentiated products, customized to OEMs specifications; (ii) the industry is volatile as automotive sales and production are cyclical; (iii) there is a large number of components suppliers and OEMs tend to pursue global procurement policies; (iv) entry is easy; (v) customers, that use competitive bid procedures, do not normally disclose the identity of participants of a tender or the terms offered.
- (92) Second, monitoring deviations is difficult as: (i) there is a significant number of active participants in the market, some of which are not traditional automotive component suppliers; (ii) the economic environment is unstable and the demand highly volatile; and (iii) there is little transparency in the market.
- (93) Third, it is difficult to establish a sufficiently severe deterrent mechanism as: (i) bidding competitions are conducted before the launching of a new OEM program and the business is awarded for the entire life of a program which typically lasts a number of years; (ii) automotive component suppliers lack negotiation power vis-à-vis OEMs.
- (94) Finally, the Parties submit that automotive OEMs have strong countervailing power, and are protected by several contractual provisions and face low switching costs.

### 5.2.2 Results of the market investigation

- (95) The market investigation confirmed that all affected markets lack transparency. During bids, although competitors sometimes know the identity of the other bidders, they more rarely know the features of the winning bid and almost never know the features of all other bids.<sup>67</sup>

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67 See replies to Commission questionnaire Q1 Competitors of 08 April 2014, question 43.

- (96) Furthermore, as previously stated above, the merged-entity will continue to face significant countervailing buyer power from automotive OEMs.

5.2.3 Commission's assessment

- (97) In view of the above, and considering in particular the lack of transparency during tenders and the existence of significant buyer power, the Commission is of the view that the operation entails limited risks of coordinated effects in the contemplated markets.

**6. CONCLUSION**

- (98) 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)  
Joaquín ALMUNIA  
Vice-President*