

*Case No IV/M.741 -
Ford / Mazda*

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**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 24/05/1996

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 24.05.1996

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

Subject : Case No IV/M. 741 - FORD/MAZDA

Your Notification of **17.04.1996** pursuant to Article 4 of Council Regulation No 4064/89

1. On 17.04.1996 the Commission received a notification of a proposed concentration pursuant to article 4 of Council Regulation (EEC) no. 4064/89 by which FORD MOTOR COMPANY acquires within the meaning of article 3(1)b of the Merger Regulation sole control of the whole of MAZDA MOTOR CORPORATION by way of acquisition of shares and contract of management.

I The parties

2. FORD MOTOR COMPANY (FORD) is a US corporation active in the manufacture, distribution and leasing of automotive vehicles and the provision of financial services to purchasers of automotive vehicles.
3. MAZDA MOTOR CORPORATION (MAZDA) is a Japanese company active in the manufacture and distribution of automotive vehicles and the provision of financial services to purchasers of automotive vehicles.

II Concentration

4. In 1979 FORD and MAZDA entered into an agreement under which FORD acquired a 24.5% shareholding in Mazda. The 1979 agreement between FORD and MAZDA also included provisions concerning the development of mutual supply arrangements and technical cooperation including the establishment of joint operations to sell vehicles in Japan and manufacture vehicles in the United States. Although the 1979 agreement established strong cooperation ties between the two undertakings including FORD's being represented since 1993 on MAZDA's Board of Directors by 7 out of a total of 43 members the two companies maintained their respective operational autonomies.
5. In April 1996, by an amendment to the original 1979 agreement the already existing links between FORD and MAZDA were reinforced:
 - FORD increased its shareholding to 33.4% [.....]⁽¹⁾
 - FORD will have the right to nominate the president of MAZDA who presides over and directs the meetings of the Executive Committee. The Executive Committee effectively manages the business of the company.
 - [.....]⁽¹⁾.
6. The operation is therefore a concentration within the meaning of article 3(1) of the Merger Regulation since FORD will acquire the possibility of exercising decisive influence on the business conduct of MAZDA.

III Community Dimension

7. The aggregate worldwide turnover of FORD (109.3 billion ECU) and MAZDA (20.9 billion ECU) exceeded, in 1995, 5 billion ECU. The aggregate Community-wide turnover of each of the two undertakings amounted the same year to more than 250 million ECU and the two companies did not achieve more than two thirds of their aggregate Community-wide turnover within one and the same Member State. Therefore, the concentration has a Community dimension.

⁽¹⁾ DELETED BUSINESS SECRETS - The omitted part of the first and third indent of paragraph 5 contains a detailed description of the rights held by FORD concerning the business conduct of MAZDA.

IV Compatibility with the Common Market

A. Relevant Product Markets

8. The concentration affects the markets for passenger cars and commercial vehicles.

Passenger cars

9. The passenger car market has traditionally been segmented on the basis of a number of objective criteria like engine size or length of car. In the car price surveys carried out by the Commission a segmentation is used which corresponds to a large extent to the one generally used in the industry⁽²⁾.
10. FORD also uses a segmentation for marketing purposes which largely corresponds to the segmentation applied by the Commission with the major exception that the multi purpose/sports category presented by the Commission is further broken down by FORD in three different categories (S class, M class and J class) as becomes apparent from the following listing concerning FORD's segmentation:

| | | | |
|-----------|---|------------------|----------|
| A class | = | Mini | vehicles |
| B class | = | Super-Mini | " |
| C class | = | Lower Medium | " |
| C/D class | = | Upper Medium | " |
| D/E class | = | Executive | " |
| S class | = | Sports Coupé | " |
| M class | = | Multi-purpose | " |
| J class | = | Sports Utilities | " |

11. The boundaries between segments are blurred by factors other than size or length of car. These factors include price, image and the amount of extra accessories. Also, the tendency to offer more and more options like ABS, airbags, central locking etc. in small cars further dilutes the traditional segmentation. On the other hand the traditional segmentation is generally used by the industry and it still seems to be regarded as an important indicator for the positioning of a car in the market place. In particular some differences still exist in price, technology or engineering requirements between the top and bottom end of the car market. In the end it can however be left open whether, for the purposes of the competitive analysis, the car market should be considered as one product market. Even on the basis of the narrowest market definition, the concentration will not lead to the creation or strengthening of a dominant position, as explained below.

Commercial Vehicles

12. FORD and MAZDA only sell in the Community commercial vehicles under 5 tons. Traditionally FORD has split its commercial vehicles into two different segments: The Light Commercial Vehicles (LCV) segment which includes vehicles under 1.8 tons and the Medium (MCV) segment for vehicles comprised between 1.8 and 3.5 tons. Although the main intended use of this type of vehicle is for commercial or collective services it

⁽²⁾ See case no IV/M. 416 - BMW/ROVER

can also be used for private, family purposes in some countries, for instance in the USA or in Scandinavia. However, in general, this type of vehicle is bought for commercial services and also for collective and governmental services as for example local deliveries to shops and businesses, courier and parcel delivery services, mobile workshops and service vans, as well as fire, police and ambulance services.

B. Geographic Markets

13. From a supply side perspective, production in the car industry is international or even global in its outlook. MAZDA, for instance does not have manufacturing facilities in Europe and therefore imports all the vehicles it sells in the Community with the exception of the model 121 car which is produced by FORD under a manufacturing agreement. FORD on the other hand, manufactures locally the overwhelming majority of the vehicles it sells in the Community.
14. Although there is an EU/Japan automobile arrangement which provides for a progressive opening to exports from Japan of five previously restricted national markets within the EU and there are also import duties the parties estimate that these factors have no appreciable effects on imports of MAZDA's cars.
15. Significant improvements have been accomplished within the Community towards a progressive harmonization of the conditions of competition in particular as regards the removal of technical barriers and restrictions concerning distribution systems which combined with other factors such as low transportation costs and the presence of major manufacturers in all Member States may constitute indicators of the existence of a Community wide market. However substantial differences still remain concerning inter alia prices, vehicle taxation, distribution systems and penetration rates of major players within Member States which tend to indicate the contrary.
16. For the purpose of this case, however, the exact definition of the relevant geographic market can be left open because even on the basis of the narrowest market definition, the concentration will not lead to the creation or strengthening of a dominant position (see below).

C Competitive Assessment

1) Passenger Cars

17. In 1995 about 11.9 million passenger cars were sold in the Community. FORD and MAZDA sold within the Community 1.4 million and 166 thousand cars respectively which corresponded to market shares of 11.9% (FORD) and 1.4% (MAZDA) for the same year.
18. At Community level, based on 1995 statistical data, FORD and MAZDA will have a combined market share of 13.3%. The new entity will be the number two player behind the VAG Group with about 16.4%. There will remain other important competitors such as the GM Group (13%), the PSA Group (12%) and RENAULT and FIAT with around 10% each. Therefore, as far as the overall passenger car market at Community level is concerned the concentration will not create or reinforce a dominant position in these markets.

19. The concentration will not have any significance as regards segment A (minicars) where both companies, FORD and MAZDA, are not present and segments D/E (executive class), I (sports utilities) and M (Multipurpose) where either there is no overlap at all or where there is an overlap combined market shares at Community or national level will not exceed 10%.
20. As regards the remaining segments of the Community car market, namely segments B (small cars), C (lower medium), C/D (upper medium) and S (sports) combined market shares at Community level range between 12.5% (segment S) and 16.2% (segment C/D). At national level combined market shares slightly exceeding 25% are attained in three cases only: in the UK for segments C/D (FORD 24.4%, MAZDA 1%) and S (FORD 20.5%, MAZDA 5.9%) and in Denmark for segment S (FORD 1.4%, MAZDA 26.1%).
21. However the combined position of the parties in the markets mentioned above does not mean that the concentration will lead to the creation or reinforcement of a dominant position. Indeed, as regards the UK S segment the GM Group will keep its leading position with more than 35% of the market. The Japanese manufacturers Toyota, Nissan and Honda as well as the German group VW will also keep significant positions in this market with individual market shares comprised between 5 and 10%. In the other two circumstances where combined market shares exceeded 25% namely for segment S in Denmark and segment C/D in the UK there is only a limited overlap as FORD's market share in Denmark for segment S and MAZDA's market share in the UK C/D segment are in both cases below 1.5%. Furthermore, all major European and Japanese manufacturers are present in the UK C/D segment market where for instance the GM Group ranks second with about 17% of market. Finally it has to be noted that the Danish S segment market is a very small one. In 1995 from a total of 150.000 vehicles belonging to the S segment which were sold in the community only about 300 were sold in Denmark, of which 77 by MAZDA and only 4 by FORD.

2) Commercial vehicles

22. In 1995 about 1.5 million commercial vehicles below 3.5 tons were sold within the Community. FORD with about 225 thousand vehicles had a market share of 14.9% while MAZDA with 7,400 vehicles sold had a market share of 0.5% only.
23. On the basis of the two relevant segments which have been identified it can be stated that Mazda's activity in the lower segment, the LCV segment, was insignificant in the Community in 1995 with less than 200 vehicles sold and a market share close to 0%. For the MCV segment MAZDA's sales accounted for about 1% of the total Community market, while FORD has a Community-wide market share of 19.9%.
24. Combined market shares in the MCV segment above 25% are attained in two countries only, namely in the UK with 45.7% (FORD 44.4%, MAZDA 1.3%) and in Ireland with 39.7% (FORD 38.7%, MAZDA 1%). However, in spite of the high combined market shares attained in these two countries the concentration will not lead to the creation or the reinforcement of a dominant position. Indeed, in both countries the increment of market shares is low since MAZDA has only 1.3% and 1% market shares respectively in the UK and Ireland. Furthermore, in both countries the main European and Japanese competitors are present in particular in the Irish market where TOYOTA and NISSAN hold market positions above 20% and 10% respectively. Finally, it has to be noted that in the UK FORD's market share has been declining in the last 3 years falling from 47.4% in 1993 to 45.2% in 1994 and to 44.4% in 1995. This trend is likely to continue in 1996

as market data for the first quarter of 1996 shows that based on the sales for this period FORD's market share is now established around 40% due to intense competition from other manufacturers and in particular from MERCEDES.

25. It has also to be noted that about half of FORD's UK sales within the MCV segment goes to big customers owning large fleets and these customers are very sophisticated buyers with significant bargaining power.

V Conclusion

26. Based on the above findings the Commission has come to the conclusion that the proposed concentration does not raise serious doubts as to its compatibility with the Common Market and the functioning of the EEA Agreement. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation No 4064/89.

For the Commission,