



EUROPEAN COMMISSION  
DG Competition

***Case M.7748 - MAGNA /  
GETRAG***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 17/12/2015

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## EUROPEAN COMMISSION

Brussels, 17.12.2015  
C(2015) 9659 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 M.7748 – MAGNA / GETRAG  
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004<sup>1</sup> and Article 57 of the Agreement on the European Economic Area<sup>2</sup>**

(1) On 12 November 2015, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Magna International Inc. ('Magna', Canada) acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control of GETRAG Getriebe- und Zahnradfabrik Hermann Hagenmeyer GmbH & Cie KG ('GETRAG', Germany) by way of a purchase of shares.<sup>3</sup> Magna is referred to as the 'Notifying Party' and Magna and GETRAG are collectively referred to as the 'Parties'.

### **1. THE PARTIES**

(2) Magna is a publicly listed company that is active globally in the manufacture and supply of a wide range of automotive components to original equipment manufacturers ('OEMs') of vehicles. These components relate to various parts of the vehicle, including body, chassis, exterior, seating, powertrain, electronics, vision, and closure and roof systems.

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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 1, 3.1.1994, p.3 ("the EEA Agreement").

<sup>3</sup> Publication in the Official Journal of the European Union No C 390, 24.11.2015, p. 24.

- (3) GETRAG specialises in the manufacture and supply, at a global level, of transmission systems to OEMs of passenger cars, light commercial vehicles and motorcycles. Part of this transmissions business is carried out through joint venture companies that GETRAG has established with, respectively, Ford, Dongfeng and Jiangling.<sup>4</sup> GETRAG itself also provides related after sales services.

## **2. THE OPERATION**

- (4) The proposed transaction involves the indirect acquisition by Magna of all limited partnership interests in GETRAG as well as the entire equity interest and legal position in GETRAG's sole general partner. Post-closing of the proposed transaction, Magna will therefore indirectly hold all shares in GETRAG and exercise sole control over the latter.

## **3. THE CONCENTRATION**

- (5) The proposed transaction involves the indirect acquisition of sole control of the whole of GETRAG by Magna and it therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **4. EU DIMENSION**

- (6) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million<sup>5</sup> [Magna: EUR 28 248 million; GETRAG: EUR [...]]. Each of them has an EU-wide turnover in excess of EUR 250 million [Magna: EUR 10 453 million; GETRAG: EUR [...]], 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.

## **5. COMPETITIVE ASSESSMENT**

### **5.1. Relevant product and geographic market definitions**

- (7) At a horizontal level, the proposed transaction gives rise to affected markets<sup>6</sup> in relation to the manufacture and OEM supply of *complete* drive train assemblies for full-electric and hybrid-electric light vehicles ('eDrive systems') as well as in relation to the manufacture and OEM supply of its various sub-systems.
- (8) At a vertical level, the proposed transaction gives rise to affected markets in relation to Magna's activities involving the manufacture and supply of transmission oil pumps for light vehicles (upstream) and GETRAG's activities involving the

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<sup>4</sup> The activities of the joint venture companies have been taken into account by the Notifying Party in its competitive assessment of the present matter. Also, there is no risk of spill-over effects as the Notifying Party has confirmed that no overlaps exist within the EEA between Magna, as purchaser of GETRAG's jointly controlling stake, and each of Ford, Dongfeng and Jiangling in relation to the activities carried out by the joint venture companies.

<sup>5</sup> Turnover calculated in accordance with Article 5 of the Merger Regulation.

<sup>6</sup> As defined by section 6 of Regulation (EC) No 802/2004 implementing Council Regulation (EC) No 139/2004 on the control of concentrations between undertakings as amended by Commission Implementing Regulation (EU) No 1269/2013 of 5 December 2013 (OJ L 336, 14.12.2013, p. 1-36)

manufacture and OEM supply of automatic transmissions for light vehicles (downstream).

#### 5.1.1. *eDrive systems*

- (9) The aforementioned eDrive systems are autonomous powertrains that can either replace, or work in tandem with, a conventional combustion engine (in full-electric and hybrid-electric vehicles respectively). In full-electric vehicles, eDrive systems are the sole power source driving one of the vehicle's axles (front or rear). In hybrid-electric vehicles, eDrive systems drive one of the vehicle's axles while the combustion engine drives the other, thus also allowing for all-wheel drive capabilities. The Commission notes that, currently, eDrive systems are only suited for powering full-electric or hybrid-electric *light* vehicles ('LVs', i.e. passenger cars and light commercial vehicles weighing less than six tonnes).
- (10) The existing eDrive systems consist of the following sub-systems (i.e. smaller assemblies of components): electric motors, power reducers (i.e. the gear box of an eDrive system), power management and control systems (including the inverter), and housings. Although Magna has manufacturing capabilities in relation to all sub-systems of eDrive systems, it does not supply these on an individual basis (i.e. it supplies them exclusively as part of a pre-assembled eDrive system). Oppositely, GETRAG lacks in-house manufacturing capabilities in relation to electric motors, which it sources from third-parties, while it occasionally does supply the mechanical parts of an eDrive system (power reducers, shafts, differentials and housings) to third-party suppliers thereof. Accordingly, the Parties' activities do not overlap at a horizontal level in relation to the manufacture and supply of any of the individual sub-systems of eDrive systems.
- (11) The Commission has previously identified an overall market for the manufacture and supply of complete eDrive systems, noting that the products concerned were not yet in full commercial production although prototypes were already being used (in 2011).<sup>7</sup> Although the market has developed from that moment onwards, it continues to be nascent and growing, with both component suppliers as well as OEMs developing prototypes. It is accordingly difficult to determine at this stage whether, if at all, mass-production will ramp up for either the complete system and/or any of its sub-systems. The Notifying Party agrees with the Commission's prior definition of one overall market for eDrive systems.
- (12) Based on the results of the market investigation carried out as part of the present matter, the Commission considers that potential separate relevant product markets exist both for the OEM supply of complete LV eDrive systems as well as for the OEM supply of its various sub-systems (electric motors, power reducers, power management and control systems, and housings). Indeed, the Commission found that several automotive components suppliers are active in the supply to OEMs of complete LV eDrive systems as well as in the supply to OEMs of the various sub-systems thereof. At the same time, the Commission understands that several OEMs are themselves developing LV eDrive systems capabilities. The precise delineation of the relevant product market(s) can however be left open, given that the proposed transaction is unlikely to give rise to serious doubts as to its compatibility with the internal market under any alternative delineation.

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M.6320 – GKN / GETRAG Corporation / GETRAG All Wheel Drive.

- (13) The Commission previously considered the geographic scope of this possible market for eDrive systems to encompass at least the EEA, in line with its most recent practice in the automotive sector. The Notifying Party agrees with this definition.
- (14) The market investigation carried out as part of the present matter yielded results that support the finding of a market for the OEM supply of LV eDrive systems that is at least EEA-wide, and possibly worldwide, in scope. Indeed, all of the Parties' customers that were contacted during the Commission's market investigation indicated that for their production of vehicles within the EEA they source LV eDrive systems at a global level. The majority of the Parties' competitors in turn mentioned that they supply LV eDrive systems for OEMs' EEA production of vehicles at EEA-level. In this respect, all of the Parties' competitors explained that the whole EEA territory can be covered by each of their EEA manufacturing plants where LV eDrive systems are being produced. The Commission therefore considers that the markets for the manufacture and OEM supply of LV eDrive systems and its various sub-systems are at least EEA-wide in geographic scope.

#### *5.1.2. Transmission oil pumps*

- (15) The Commission has previously identified a separate relevant product market for the manufacture and OEM supply of transmissions oil pumps (no independent aftermarket exists given that transmission are supposed to last for the entire lifetime of the vehicle). It also considered a distinction based on the weight of the vehicle in which the transmission in question is intended to be included (LVs versus heavy commercial vehicles above six tonnes).
- (16) The market for transmission oil pumps was considered to be EEA-wide in scope.<sup>8</sup>

#### *5.1.3. Transmissions*

- (17) The Commission has previously identified separate relevant product markets for the manufacture and OEM supply of each of manual and automatic transmissions (no independent aftermarket exists given that transmission are supposed to last for the entire lifetime of the vehicle).<sup>9</sup> It also considered a distinction based on the weight of the vehicle in which the transmission in question is intended to be included (LVs versus heavy commercial vehicles above six tonnes).
- (18) The market for transmissions was considered to be EEA-wide in scope.

### **5.2. Horizontal non-coordinated effects**

- (19) According to information provided by the Notifying Party, there are currently several competing automotive component suppliers capable of supplying complete eDrive systems as well as their constituent sub-systems. These companies all have market positions that are equal to, or stronger than, that of the Parties. The competitive structure of the market is set out in more detail in Table 1, below.<sup>10</sup>

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<sup>8</sup> M.7420 – ZF / TRW.

<sup>9</sup> M.7420 – ZF / TRW.

<sup>10</sup> The Notifying Party has confirmed that the Parties' shares of the possible separate relevant markets for the various sub-systems of complete LV eDrive systems are the same as their shares of the market

- (20) The results of the market investigation carried out as part of the present matter support the Notifying Party's claim that several strong, global companies have similar eDrive systems capabilities to those of the Parties. Indeed, several OEM car manufacturers considered ZF Friedrichshafen, GKN and Aisin to be both technically and commercially capable of supplying them. At the same time, none of the Parties' OEM customers perceived either Magna or GETRAG as an indispensable supplier of LV eDrive systems for their production of vehicles in the EEA.<sup>11</sup>
- (21) The abovementioned results of the market investigation support the conclusion that the Parties are not, currently, particularly strong players in the field of eDrive systems, as reflected by their market share estimates set out in Table 1.

Table 1 – eDrive systems

<b>Manufacture and supply of eDrive systems (EEA, volume, excluding OEM in-house production)</b>			
	2014	2013	2012
Magna	[5-10]%	[10-20]%	[0-5]%
GETRAG	[5-10]%	[10-20]%	[5-10]%
<b>Combined</b>	<b>[10-20]%<sup>12</sup></b>	<b>[20-30]%</b>	<b>[5-10]%</b>
Continental	[30-40]%	[30-40]%	[20-30]%
Aichi Kikai	[20-30]%	[10-20]%	-
GKN	[5-10]%	[10-20]%	[20-30]%
Bosch	[5-10]%	[10-20]%	[20-30]%
Tesla	[0-5]%	[0-5]%	-

Source: Form CO

- (22) [...] <sup>13</sup> The Commission notes in this respect that the majority of the Parties' OEM customers contacted during its market investigation considered GETRAG exclusively capable of supplying them with the transmission-related sub-system of LV eDrive systems (i.e. the power reducer), and not with either the electric motor or the power management and control system.<sup>14</sup> The Commission therefore considers that the proposed transaction is rather complementary in nature, as it would add to Magna's existing eDrive sub-systems portfolio.
- (23) At the same time, the Parties' customers that responded to the Commission's market investigation identified numerous players (including ZF Friedrichshafen, GKN, Linamar and Oerlikon Graziano) that would currently have equivalent manufacturing capabilities to GETRAG in relation to power reducers for LV

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for the OEM supply of complete LV eDrive systems. The Commission's competitive assessment of the market for the OEM supply of complete LV eDrive systems therefore equally applies to the possible separate relevant markets for the OEM supply of the various sub-systems thereof.

<sup>11</sup> Questionnaire to customers, questions 15 and 16.

<sup>12</sup> [...]

<sup>13</sup> Form CO, para. 9.

<sup>14</sup> Questionnaire to customers, question 14.

eDrive systems.<sup>15</sup> Sufficient alternatives to GETRAG would therefore remain available post-merger to supply competing producers of eDrive systems with power reducers. These customers in addition identified various strong, global players that would, post-merger, be able to effectively compete with the merged entity for the OEM supply of LV eDrive systems. As GETRAG's manufacturing capabilities accordingly do not appear essential to the Parties' eDrive systems competitors, while these capabilities would strengthen Magna's currently limited position in this field, the Commission considers that the proposed transaction is likely pro-competitive. This conclusion seems reflected by the fact that the vast majority of respondents to the Commission's market investigation considered that neither prices nor the intensity of competition for LV eDrive systems would be negatively affected as a result of the proposed transaction.<sup>16</sup>

- (24) Finally, some of the Parties' competitors indicated that, given that eDrive systems may in the future be increasingly used as the automotive industry moves away from fossil fuels, OEM customers could decide to retain in-house manufacturing capabilities for at least one (technically complex) sub-system of eDrive systems, in order to protect their bargaining power vis-à-vis suppliers. Therefore, if a market for complete eDrive systems were to fully develop (i.e. reach mass production), the parties active thereon will likely continue to face significant bargaining power on the part of their OEM customers. The Parties' competitors that were contacted during the Commission's market investigation noted in this respect that it is common practice for OEM customers to initiate price revisions throughout the lifetime of the vehicle platform – including in relation to LV eDrive systems.<sup>17</sup>
- (25) In light of all of the foregoing, the Commission considers that the proposed transaction does not give rise to serious doubts as to its compatibility with the internal market as a result of horizontal non-coordinated effects.

### **5.3. Non-horizontal non-coordinated effects**

- (26) Magna's LV transmission oil pumps constitute an input to LV automatic transmissions, such as those manufactured and supplied by GETRAG. This vertical relationship gives rise to vertically affected markets, given that Magna's share of the relevant upstream market (slightly) exceeded 30% in 2014 (its volume-based market share amounted to [30-40]% in 2014, excluding OEMs in-house production). GETRAG's 2014 share of the market for LV automatic transmissions was limited to [10-20]% (based on volume and excluding OEMs in-house production).
- (27) However, it should be noted at the outset that this vertical relationship is somewhat hypothetical, as GETRAG almost exclusively uses electrically-driven oil pumps in its LV automatic transmissions, which Magna does not manufacture. Magna manufactures exclusively mechanically-drive oil pumps, which are used in a small portion of GETRAG's automatic transmissions. This means that in the event of an attempted foreclosure, the merged entity would have to continue to rely on third-party suppliers of electrically-driven pumps which would make it vulnerable to retaliation, rendering such a scenario unlikely to occur.

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15 Questionnaire to customers, question 17.

16 Questionnaire to competitors, questions 20 and 21; Questionnaire to customers, questions 28 and 29.

17 Questionnaire to competitors, question 15.

- (28) What is more, the merged entity will, post-merger, continue to face significant competitors on the upstream market for the manufacture and supply of transmission oil pumps, which would limit its ability to effectively engage in any input foreclosure strategy. Also, GETRAG's most important competitors for the manufacture and supply of transmissions (ZF Friedrichshafen and Aisin) have in-house manufacturing capabilities for transmission oil pumps and are, therefore, themselves likely capable of countering any attempted input foreclosure by Magna.<sup>18</sup>
- (29) Finally, transmissions are highly complex and critical components of the vehicle, which are often manufactured in-house by the OEMs (e.g. by Volkswagen and Daimler). The demand for transmission components represented by GETRAG, which is already limited, is therefore likely of even less significance for suppliers of transmission components, which could continue to supply certain of these components directly to the OEMs. The proposed transaction is therefore similarly unlikely to give rise to any customer foreclosure concerns.
- (30) Therefore, the Commission considers that the proposed transaction does not give rise to serious doubts as to its compatibility with the internal market as a result of non-horizontal non-coordinated effects.

## **6. CONCLUSION**

- (31) 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 and Article 57 of the EEA Agreement.

*For the Commission*

*(Signed)*  
*Margrethe VESTAGER*  
*Member of the Commission*

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<sup>18</sup> ZF Friedrichshafen, for example, recently acquired TRW Automotive, which was active in the manufacturing of transmission oil pumps; cf. M.7420 – ZF/TRW.