

*Case No IV/M.872 -  
TRW / MAGNA*

Only the English text is available and authentic.

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

---

Article 6(1)(b) NON-OPPOSITION  
Date: 28/01/1997

*Also available in the CELEX database  
Document No 397M0872*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 28.01.1997

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

Registered letter with advice of  
delivery

To the notifying parties

Dear Sirs,

Subject : Case No IV/M.872 - TRW / MAGNA

Notification of **18.12.1996** pursuant to Article 4 of Council Regulation (EEC) No 4064/89

1. The above mentioned notification concerns the proposed acquisition of 100% of the shares in the German company Magna Automotive Holding (Germany) GmbH, Alzenau ("MAH"), by the US company TRW Inc., Cleveland/Ohio ("TRW"). Furthermore, TRW intends to acquire the shares in MST Automotive of America Inc., Detroit, as well as the Daimler Arkansas Propellant Facility which is to be first acquired by the Magna Group.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of application of Council Regulation (EEC) No 4064/89 ("Merger Regulation")<sup>(1)</sup> and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

## I. THE PARTIES

3. TRW is a global company active in the manufacture and sale of components and systems for the automotive and space & defence industries. With respect to products for the automotive industry TRW mainly produces occupant safety systems, especially driver

---

(1) OJ No L 395 of 30.12.1989; Corrigendum: OJ No L 257 of 21.09.1990, p. 13.

and passenger airbags as well as seat belts, engine valves, power racks, steering gears, suspension components, and vehicle electronics (sensors, power switches, instrument clusters, remote keyless entry systems, and airbag sensors). The group is active via subsidiaries in most of the Member States, however, [...] % of its Community-wide turnover in 1995 was generated in Germany. TRW had a total worldwide turnover of ECU 7,777 million in 1995.

4. MAH is a wholly-owned subsidiary of Magna Investments N.V. which belongs to the Magna Group. In the past MAH has been only a holding company and has not been actively involved as a self operating business in the automotive industry or elsewhere. MAH currently holds a 74.9% equity interest in MST Automotive GmbH Automobil Sicherheitstechnik ("MST") and a 25.1% equity interest in Temic Bayern - Chemie Airbag GmbH ("TBCA"). MST's business consists of the development, production and sale of automotive safety technology, especially the production of steering wheels and airbag modules. TBCA produces inflators for airbag systems and for seat belt retention systems as well as other passenger safety related car parts. Both companies had a total worldwide turnover of ECU [>250] million in 1995, nearly all of it was generated in the Community.

## **II. THE OPERATION**

5. Before the consummation of the notified acquisition MAH will have increased its shareholding in MST from currently 74.9% to 80% and its interest in TBCA from currently 25.1% to 80%. The remaining shares in both companies will be held by Magna Investments N.V. ("Magna"), however, the veto rights related to these interests are not sufficient to establish joint control. The rights of Magna encompass the right to veto [...]. Pursuant to No 22 and No 23 of the Commission Notice on the notion of a concentration under the Merger Regulation (OJ C 385, 31.12.1994, p. 12) these veto rights, both each considered alone and all considered together, are not sufficient to establish joint control between the parties as they are not related to strategic decisions of the joint venture companies.
6. In addition to the acquisition of MAH by TRW, Magna and TRW entered into a Technical Cooperation Agreement in the field of the design, development and testing of future safety systems that integrate the steel framework and interior of a vehicle with the occupant restraint products. However, this cooperation is limited to occupant safety related products and does not extend to other products of TRW or Magna group. Both companies will not be competing in the steering wheels and occupant restraint businesses.

## **III. CONCENTRATION**

7. The acquisition of 100% of the shares in MAH by TRW will constitute a concentration according to Article 3(1)(b) of the Merger Regulation.

#### **IV. COMMUNITY DIMENSION**

8. The combined aggregate worldwide turnover of TRW and MAH group of companies exceeds ECU 5,000 million. Each of the undertakings has a Community-wide turnover in excess of ECU 250 million, but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension according to Article 1(2) of the Merger Regulation.

#### **V. COMPATIBILITY WITH THE COMMON MARKET**

9. MAH through its subsidiaries MST and TBCA produces and sells steering wheels, airbag modules and inflators for airbag systems and for seat belt retention systems to automotive manufacturers in Europe.

##### Relevant Product Market

10. According to the parties TRW does not manufacture steering wheels in Europe. MST does not have market shares in steering wheels in the Community, in the territory of the EFTA states or in any Member State of 25% or more. The parties estimate the market share of MST in the Community in the field of steering wheels to be approx. [15-25] % in 1996. The proposed concentration will not lead to an addition of market shares as TRW does not sell steering wheels in Europe. The other major suppliers of steering wheels in Europe are Autoliv (Isodelta), Breed, and Petri.
11. An airbag system generally consists of two major components - the airbag control electronics with a crash sensor and the airbag module encompassing the casing, the airbag cushion, and the airbag inflator. The inflator consists of an igniter and a solid gas generant (gas generator). As several car manufacturers purchase the airbag control unit and the airbag module separately the market for airbag control electronics is a separate product market (see case IV/M.686 - NOKIA/AUTOLIV, at point 10) and not affected by the present operation. In contrast to that car manufacturers almost always purchase the airbag modules including the inflator. Furthermore most suppliers of airbags manufacture both modules and inflators. On the other hand a few suppliers concentrate either on the manufacture of modules or of inflators. In addition, according to the parties, the car manufacturers in some cases decide which inflator shall be used in the airbag module thereby determining the source of procurement. As there are non-captive sales the manufacture of airbag inflators may be considered as a product market separate from the market for complete airbag modules.
12. Airbags are designed and constructed to protect drivers and passengers in case of an accident. Depending on the location in the vehicle one can distinguish driver airbags, passenger airbags and side impact airbags. All three types of airbags are designed and constructed for different uses and, from a customers point of view, cannot be considered substitutes. Furthermore there are significant price differences between the different types of airbags and the suppliers in Europe have different market shares in each of the categories. However, from a supply side point of view, there are indications that all types of airbags belong to one and the same product market. Airbags are not standardized products, but, rather designed and produced for a specific vehicle platform. Any supplier

must prove that its products meet the occupant performance requirements of vehicle crash dynamic and occupant biomechanics. For this reason all current airbag suppliers have established crash facilities using specially designed crash sleds or test vehicles. Although there are some differences between the test equipment used it seems to be likely that the airbag suppliers are able to switch development and production from one type of airbags to the others. However, the question whether airbag modules and airbag inflators each constitute a single product market or have to be distinguished further can be left open in the last analysis here because even in the narrowest market definition the proposed concentration would not create or strengthen a dominant position (see below).

13. Airbags cannot be replaced by other passenger occupant safety systems like seat belts. Airbags are considered supplementary devices to seat belts in vehicles and operate differently. Vehicles that only have seat belts installed cannot provide the same level of occupant protection as vehicles with seat belts and airbags.

#### Relevant Geographic Market

14. In previous cases (see case No IV/M. 686 - NOKIA/AUTOLIV, case V/M.726 - Bosch/Allied Signal) the Commission has considered the geographical scope of markets for car components as European-wide. Differences in the respective national market shares of component manufacturers will not usually be considered as an indicator for the existence of national markets as this would result from the number of contracts signed with car manufacturers having a European-wide buying policy. Regarding airbags the Commission investigation has found that prices and other conditions of supply are widely homogenous within the EEA.
15. According to the parties there are no significant imports of airbag modules into the EEA. Some components are imported in small volumes. Whereas airbags are required in the U.S. in the Community at present no government regulations exist. However, from October 1998 ECE-94 will define the testing methods and performance characteristics for airbag operation. As airbag testing and approval methodologies are different in the U.S. and in Europe airbags are generally designed and produced for sale in either of these regions. The relevant geographic markets for airbag modules and for airbag inflators are, therefore, EEA-wide.

#### Assessment

16. As far as airbag modules are concerned TRW will considerably increase its market share. In 1996, the parties reached a combined market share of [10-20] % on the market for driver airbags, of [30-40] % on the market for passenger airbags and of [15-25] % on the market for side airbags. After the merger, however, TRW will face strong competition from two other important manufacturers of airbags, the Swedish Autoliv and the German Petri (see table 1 below). The three major suppliers combine almost all sales of airbags in the EEA. However, the fluctuation of market shares over time already indicates effective competition between the three major suppliers of airbag modules. Furthermore it has to be taken into account that airbag modules are technically sophisticated products each developed, designed and produced for a particular vehicle platform. Before granting orders to an airbag producer car manufacturers generally ask for offers from all major suppliers. Prices are usually negotiated between the car manufacturers and the airbag suppliers for the life of a platform. Under these circumstances any uncompetitive

oligopolistic parallelism in the airbag manufacturers conduct can be excluded. In addition the market for airbags is strongly growing primarily as a result of a rapidly rising rate of installation. This should be considered as a favourable environment for the smaller European suppliers, e.i. the American companies Allied Signal and Breed as well as the Japanese Takata, to increase their sales volumes and to establish themselves as a reliable source of supply. In view of the strong positions of Autoliv and Petri and of the car manufacturers ability to switch orders between the three major airbag suppliers the proposed operation would not raise doubts as to its compatibility with the common market with respect to airbag modules.

Table 1:  
Market shares - complete airbag modules - in the EEA in 1996 (1995)

Suppliers	driver airbags	passenger airbags	side airbags
TRW	[...] ([...])	[...] ([...])	[...] ([...])
MST/TBCA	[...] ([...])	[...] ([...])	[...] ([...])
<b>Total parties</b>	<b>[&lt; 20] ([&lt; 30])</b>	<b>[&lt; 40] ([&lt; 45])</b>	<b>[&lt; 25] ([&lt; 5])</b>
Autoliv	[< 40] ([< 40])	[< 30] ([< 40])	[> 60] ([< 60])
Petri	[< 25] ([< 30])	[< 20] ([< 15])	[< 20] ([< 45])
Morton	[< 15] ( 0)	[< 10] ([< 5])	0 ( 0)
Allied Signal	[< 10] ([< 5])	[< 10] ([< 5])	0 ( 0)

Source: Information provided by the parties

17. As far as airbag inflators are concerned the parties reached a combined market share of [25-35] %, [30-40] % and of [50-60] % in 1996. After the merger, however, TRW will face strong competition from two other important manufacturers of airbag inflators, Autoliv and Morton (see table 2 below). Through the concentration TBCA, an manufacturer of airbag inflators, will be integrated into the TRW group. It can be expected that TRW will switch its purchases of inflators from Morton to TBCA. This might reduce the ability of TBCA to sell inflators to manufacturers of airbag modules which do not produce inflators themselves, e.i. Petri. However, Morton should be able to supply Petri with the inflators needed. Furthermore, Dynamit Nobel remains active as an alternative supplier for inflators, however, its production has decreased strongly in recent years. In view of the strong positions of Autoliv and Morton the proposed operation would not raise doubts as to its compatibility with the common market with respect to airbag inflators.

Table 2:  
Market shares - airbag inflators - in the EEA in 1996 (1995)

Suppliers	driver airbags	passenger airbags	side airbags
TRW	[...] ([...])	[...] ([...])	[...] ([...])
MST/TBCA	[...] ([...])	[...] ([...])	[...] ([...])
<b>Total parties</b>	<b>[&lt; 35]([&lt; 35])</b>	<b>[&lt; 40] ([&lt; 20])</b>	<b>[&lt; 60] ([&lt; 45])</b>
Autoliv	[< 40] ([< 35])	[< 40] ([< 40])	[< 25] ([< 60])
Morton	[< 30] ([< 30])	[< 20] ([< 30])	[< 20] ( 0)
Allied Signal	[< 10] ([< 5])	[< 10] ([< 5])	0 ( 0)

Source: Information provided by the parties

## **VI. ANCILLARY RESTRAINTS**

18. The notifying parties have requested that the clauses and agreements described below be considered as ancillary to the concentration.
19. Magna International Stanztechnik GmbH, a subsidiary of the Magna group, and MST intend to enter into an license agreement, by means of which Magna International Stanztechnik GmbH grants MST a worldwide exclusive license with indefinite duration to use certain intellectual property which are of substantial significance for MST's business. The licensed products are stamped frames for vehicle steering wheels. To the extent that these clauses include any restriction of competition they may be considered as directly related and necessary to the implementation of the concentration, in order to enable MST to continue its business of designing, manufacturing, and selling vehicle steering wheels.

## **VII. CONCLUSION**

20. It follows from the above that the proposed concentration would not create or strengthen a dominant position as a result of which competition would be significantly impeded in the common market or in a substantial part of it.
21. 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 (EEC) No 4064/89.

For the Commission,