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PUBLIC VERSION

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

Faurecia SE
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Subject: **Case M.10488 - FAURECIA / HELLA**
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004[1] and Article 57 of the Agreement on the European Economic Area[2]

Dear Sir or Madam,

(1) On 10 December 2021, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Faurecia SE ("Faurecia", France) intends to acquire within the meaning of Article 3(1)(b) of the Merger Regulation sole control of the whole of HELLA GmbH & Co. KGaA ("Hella" or "Target", Germany) by way of a purchase of shares and of a public bid announced on 27 September 2021 (the "Transaction"). Faurecia is designated as the "Notifying Party" and together with Hella as the "Parties."

1 OJ L 24, 29.1.2004, p. 1 (the 'Merger Regulation'). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ('TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

2 OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

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1. THE PARTIES

(2) Faurecia is mainly active in the development, manufacture, and supply of components for passenger cars and light commercial vehicles sector. Its four main business areas are seating, interiors, clean mobility (including solutions to reduce emissions and improve energy efficiency and acoustic performance), and electronics (in-vehicle infotainment, human machine interfaces and connectivity). Faurecia is active globally with industrial sites and customers in Europe, North and South America, Africa, and Asia.

(3) Hella is an automotive parts supplier based in Germany. Hella is mainly active in the development and production of automotive parts, in particular lighting and electronic products. Hella also has two joint ventures, HBPO (a joint venture with Plastic Omnium), active in assembly of bumpers, cockpits and centre consoles and BHTC (a joint venture with Mahle), active in climate control systems and information displays.

2. THE CONCENTRATION

(4) The concentration consists of the acquisition of sole control by Faurecia over the Target through the purchase of 60% of the Target's shares and by way of a public bid announced on 27 September 2021. According to the Share Purchase Agreement, dated 14 August 2021 ("SPA"), the Hueck and Röpke family members would sell to Faurecia all 60% of Hella's shares that they own to implement the Transaction. In parallel, Faurecia launched a public tender offer in cash for all remaining shares of Hella. The offer was run between 27 September and 11 November 2021. As a result of this public offer, Faurecia will hold 79.5% of the shares in Hella upon completion of the Transaction and thus sole control within the meaning of the Merger Regulation.

(5) In light of the above, the Transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

3. UNION DIMENSION

(6) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 2 500 million (Faurecia: EUR 14 654 million, Target: EUR […]) and a combined aggregate turnover in excess of EUR 100 million in France (Faurecia: EUR […], Target: EUR […]), Germany (Faurecia: EUR […], Target: […]) and Spain (Faurecia: EUR […], Target: EUR […]). Each of the undertakings concerned have a turnover in excess of EUR 25 million in these three Member States. The notified operation therefore has an EU dimension.

4. MARKET DEFINITION

(7) The Parties are both active as car parts manufacturers for passenger and light commercial vehicles. The Transaction gives rise to three horizontally affected

markets concerning centre console assembly, cockpit assembly and interior lighting.[3] Faurecia via its subsidiary SAS provides the assembly of interior modules to light vehicle and light commercial vehicle OEMs and manufacturers and supplies stand-alone interior modules such as instrument panels and centre consoles.[4] Through its 33% controlling stake in HBPO, Hella is indirectly active in the markets for the assembly of front-end modules and has limited activity in the assembly of interior modules to light vehicle and light commercial vehicle OEMs. Unlike Faurecia, HBPO does not manufacture and supply stand-alone interior modules.[5] The bulk of Hella's business concerns lighting (mainly exterior lighting, but also interior lighting). Faurecia is not active in exterior lighting and while Faurecia's activities in interior lighting were discontinued in mid-2019, it still had residual sales in 2020 and 2021.[6]

4.1. Centre console assembly

4.1.1. Product market

(8) Cockpits and centre consoles are composed of a number of pre-assembled components that are delivered to OEMs as a single unit. A centre console is a module installed in the middle of the front of the vehicle, beginning in the cockpit, continuing beneath it, and merging with the transmission tunnel which runs between the driver and passenger seats. Centre consoles are used as a surface for instrumentation controls and tend to comprise a variety of storage compartments.[7]

4.1.1.1. The Commission's previous practice

(9) The Commission has previously defined centre console assembly services as a separate market.[8]

4.1.1.2. The Notifying Party's view

(10) The Notifying Party submits that the assembly of interior modules constitutes a separate service market, distinct from the market for the supply of the constituent interior modules. This is because OEMs issue separate RFQs and enter into separate agreements with specialized service providers for the supply of the components and for the assembly of modules. Therefore, the Notifying Party argues that both from a supply and a demand perspective, the assembly of modules is an activity that is separate and non-substitutable with the manufacturing of the components.[9]

(11) The Notifying Party also submits that the markets include both third party (merchant) assembly services and the OEM's in-house assembly. As a vast majority of OEMs assemble centre consoles in-house, they do not need external third parties' services. In-house assembly services constitute the strongest competitive constraint on the activities of third party providers. The Notifying Party argues that the third-

3 The Transaction also gives rise to various vertical links, but none of these give rise to affected markets.
4 See Form CO, paragraph 218.
5 See Form CO, paragraph 219.
6 See Form CO, paragraphs 96-98.
7 See Form CO, paragraph 214.
8 See Case M.9730 - *FCA / PSA*, paragraph 1727.
9 See Form CO, paragraph 221.

party merchant will install near or at the OEM's assembly plant after being engaged by the OEM and will leave this assembly plant after completing the production.[10]

4.1.1.3. The Commission's assessment

(12) In the market investigation, the majority of competitors active in centre console assembly and customers agreed that the assembly of centre consoles constitutes a separate product market. This is because the centre console as a whole has to fulfil technical specifications. For example, one competitor noted that: *"Interior centre consoles are typically sourced separately by OEMs from other automotive interior products so should be considered a separate product market."*[11] The majority of competitors and customers in the market investigation agreed that the market for assembly of interior centre consoles should not be further segmented.[12]

(13) As regards the question of whether the market for centre console assembly comprises of both in-house OEM assembly services and the merchant market, the results of the market investigations indicated that while some OEM customers carry out in-house assembly exclusively, others carry out both in-house assembly and also outsource to third parties.[13] Some, but not all, competitors considered OEMs to be their closest competitor in centre console assembly services.[14]

(14) The Commission considers that for the purposes of this decision, the exact product market definition for centre console assembly can be left open as the proposed Transaction does not raise serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible market definition. The Commission will therefore assess the effects of the proposed Transaction on the basis of (i) a product market for centre console assembly comprising of both third-party assembly services and OEM in-house assembly; and (ii) separate product markets for third-party centre console assembly services and OEM in-house centre console assembly services.

4.1.2. Geographic market

4.1.2.1. The Commission's previous practice

(15) The Commission has previously left the question open whether the geographic market for centre console assembly is EEA-wide or global in scope.[15]

4.1.2.2. The Notifying Party's view

(16) The Notifying Party considers the relevant market for the centre-console assembly to be at least EEA-wide in scope. The Notifying Party argues, in support of its statement, that: (i) OEMs address its RFQs to assembly providers across the EEA, regardless of whether they are already operationally close to the relevant OEM's

10 See Form CO, paragraph 223.

11 See reply to question 5 of questionnaire to competitors.

12 See replies to question 6 of questionnaire to competitors; see replies to question 6 of questionnaire to customers.

13 See replies to question 17 of questionnaire to customers.

14 See replies to question 17 and 18 of questionnaire to competitors.

15 See Case M.9730 - *FCA / PSA*, paragraphs 1730 *et seq*.

plant; (ii) setting up a facility in the vicinity of the relevant OEM's plant does not require particular investment or time[16]; (iii) the providers usually have production facilities, and supply OEMs, in several EEA Member States; (iv) transport costs are insignificant within the EEA, while customs tariffs and other trade barriers are irrelevant and (v) the lack of a significant price difference within the EEA as the OEMs usually produce their automobiles with regard to their platforms and these are equipped with identical products (so-called common parts principle).[17]

4.1.2.3. The Commission's assessment

(17) In the market investigation, a significant majority of both customers and competitors agreed that customers source automotive components globally.[18] Most of the competitors' plants supply their customers from plants located both inside and outside the EEA.[19] However, market participants also highlighted that depending on the particular circumstances, an OEM might have a more differentiated sourcing strategy. For example, one competitor noted that: "*Sometimes customers source automotive components for one unique geographical region not being EEA, such as NAFTA, India or China. In other cases, OEMs produce same car in different production places for different markets, and they may chose one unique supplier for one product to deliver in global basis, or several suppliers located in different regions.*"[20] However, concerning the assembly of centre consoles, both competitors and customers also highlighted that a location close to the OEMs is necessary regarding the just in time-character of assembly services.[21]

(18) The Commission considers that for the purposes of this decision, the exact geographic market definition can be left open as to whether the geographic market definition is EEA-wide, or global, as the proposed Transaction does not raise serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible market definition.

4.2. Cockpit assembly

(19) Depending on the vehicle type, a modern cockpit consists of the instrument panel, steering column, HVAC unit, cable wire harness, ventilation channel, front passenger airbag(s), glove compartment, combined instruments, navigation system, several switches and trim strips and a dashboard. Other technologies (e.g., assistance and infotainment systems) are often integrated into or connected to the cockpit in modern vehicles.[22]

16 Typically, a centre console assembly line will require an investment of […] and preparations commence approximately 15 to 18 months before start of production, see Form CO, paragraph 227.

17 See Form CO, paragraphs 225-227.

18 See replies to question 14 of questionnaire to competitors; see replies to question 14 of questionnaire to customers.

19 See replies to question 15 of questionnaire to competitors.

20 See reply to question 14 of questionnaire to competitors.

21 See replies to questions 14.2 and 15.1 of questionnaire to competitors; see reply to question 14.2 of questionnaire to customers.

22 See Form CO, paragraph 213.

4.2.1. Product market

4.2.1.1. The Commission's previous practice

(20) In previous decisions, the Commission has considered cockpit module assembly services to be a separate product market.[23]

4.2.1.2. The Notifying Party's view

(21) The Notifying Party submits that the assembly of cockpits forms a separate product market distinct to centre-console assembly as OEMs generally issue distinct RFQs for these and cockpit assembly has a more complex nature compared to centre consoles.[24] As with the relevant market for centre console assembly, the Notifying Party is of the opinion that the market includes both third-party assembly services and the OEMs in-house assembly.[25]

4.2.1.3. The Commission's assessment

(22) In the market investigation, a significant majority of both customers and competitors agreed that the cockpit assembly constitutes a separate product market.[26] Due to the high level of complexity, global suppliers must have specific so-called "tier 0.5" capabilities and knowledge. One competitor noted that: *"[The] Assembly of cockpit modules requires unique assets and capabilities, including the effective management of just-in-time (JIT), just-in-sequence (JIS) processes and the associated logistics and IT capabilities, in order to deliver highly complex assemblies to OEM customers with a broadcast window that is typically measured in just a few hours."*[27] In addition, most competitors and customers do not consider that the market for the cockpit assembly should be further segmented. This is because, as one competitor noted, *""Assembly of Cockpit Modules" is a specific business model"* and called as such by OEMs.[28]

(23) As regards the question of whether the market for cockpit assembly comprises of both in-house OEM assembly services and the merchant market, the results of the market investigations indicated that while some OEM customers carry out in-house assembly exclusively, others carry out both in-house assembly and also outsource to third parties.[29] The majority of competitors considered OEMs to be their closest competitor in cockpit assembly services.[30]

(24) The Commission considers that for the purposes of this decision, the exact product market definition for cockpit assembly can be left open as the proposed Transaction does not raise serious doubts as to its compatibility with the internal market or the

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23 See Case M.9730 - *FCA / PSA*, paragraph 1727.

24 See Form CO, paragraph 221.

25 See Form CO, paragraphs 223.

26 See replies to question 7 of questionnaire to competitors; see replies to question 7 of questionnaire to customers.

27 See replies to question 7 of questionnaire to competitors; see replies to question 7 of questionnaire to customers.

28 See replies to question 8 of questionnaire to competitors; see replies to question 8 of questionnaire to customers.

29 See replies to question 22 of questionnaire to customers.

30 See replies to question 23 of questionnaire to competitors

functioning of the EEA Agreement under any plausible market definition. The Commission will therefore assess the effects of the proposed Transaction on the basis of (i) a product market for cockpit assembly comprising of both third-party assembly services and OEM in-house assembly; and (ii) separate product markets for third-party cockpit assembly services and OEM in-house cockpit assembly services.

4.2.2. Geographic market

4.2.2.1. The Commission's previous practice

(25) Previously, the Commission has considered the market for the assembly of cockpits to be at least EEA-wide in scope.[31]

4.2.2.2. The Notifying Party's view

(26) The Notifying Party agrees with these findings.[32]

4.2.2.3. The Commission's assessment

(27) In the market investigation, a significant majority of both customers and competitors agreed that customers source automotive components globally.[33] Most of the competitors' plants supply their customers from plants located both inside and outside the EEA.[34]

(28) The Commission considers that for the purposes of this decision, the exact geographic market definition can be left open as to whether the geographic market definition is EEA-wide, or global, as the proposed Transaction does not raise serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible market definition.

4.3. Interior lighting

(29) Interior lighting includes products used to illuminate the vehicle's passenger compartment, either for functional, ambient or aesthetic purposes. These products can be attached to various parts of the car's interior, including door panels, instruments panels, and centre consoles. Interior lighting products include LED modules and lighting guides, which achieve ambient lighting; lighting bulbs, lights integrated in the driver's overhead console and in the rear seats (overhead lights); and "smart lights".

4.3.1. Product market

4.3.1.1. The Commission's previous practice

(30) The Commission has not previously considered the product market for interior lighting.

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31 See Case M.9730 - *FCA / PSA*, paragraphs 1730 et seq.; Case M.800 – *Siemens / Sommer Allibert*, paragraph 15; Case M.2059 – *Siemens / Dematic / VDO / Sachs*, paragraphs 122-125.

32 See Form CO, paragraph 227.

33 See replies to question 14 of questionnaire to competitors; see replies to question 14 of questionnaire to customers.

34 See replies to question 15 of questionnaire to competitors.

4.3.1.2. The Notifying Party's view

(31) The Notifying Party considers that interior lighting products belong to a separate market than interior car trims and parts; a further sub-segmentation is not necessary. This is because, from a demand-side perspective, OEMs procure interior lighting products (often in packages) separately from car trims and other interior parts.[35]

4.3.1.3. The Commission's assessment

(32) In the market investigation, a significant majority of both competitors and customers agreed on interior lighting constituting a separate product market.[36] This is because different requirements apply to interior and exterior lighting as they fulfil different purposes. In this context, one competitor mentioned: *"Exterior lighting needs to illuminate the road (headlights) and ensure visibility of the car to other road users (head and rear lights) and in different conditions (fog and distance lights) and circumstances (indicators, adaptive curve lights). Interior lights are either comfort lights for reading or while entering the car or (LED) lights spread throughout the car as a design feature or to illuminate e.g. the glove department and as such serve different purposes."*[37] While customers do not consider it appropriate to further sub-segment the interior lighting market,[38] some competitors highlight that there could be a further sub-segmentation by the purpose or the position of the light.[39]

(33) The Commission considers that for the purposes of this decision, the exact product market definition for interior lighting can be left open as the proposed Transaction does not raise serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible market definition.

4.3.2. Geographic market

4.3.2.1. The Commission's previous practice

(34) The Commission has not previously considered the geographic market for interior lighting products.

4.3.2.2. The Notifying Party's view

(35) The Notifying Party submits that the market for interior lighting products is at least EEA-wide and likely even global in scope. This is because of the following reasons: (i) all main competitors of interior lighting products of the Notifying Party operate and supply OEMs globally, (ii) there is no difference in technical standards, customs duties, or any significant regulatory barriers to trade globally, (iii) the products and the manufacturing processes are the same, (iv) transportation costs are low, and the

35 See Form CO, paragraphs 88 *et seq*.

36 See replies to question 9 of questionnaire to competitors; see replies to question 9 of questionnaire to customers.

37 See replies to question 9 of questionnaire to competitors; see replies to question 9 of questionnaire to customers.

38 See replies to question 10 of questionnaire to customers.

39 See replies to question 10 of questionnaire to competitors.

transportation of these components is convenient and (v) worldwide prices of lighting products are roughly equivalent.[40]

4.3.2.3. The Commission's assessment

(36) In the market investigation, some customers and competitors indicated that the geographic market for interior lighting could be global. Due to the small size of lighting products and, thus, low transport costs, a worldwide production and delivery is possible. However, other customers and competitors pointed towards an EEA-wide market, noting that technical requirements of the lighting products differ per region and that some OEMs source only EEA-wide.[41]

(37) The Commission considers that for the purposes of this decision, the exact geographic market definition can be left open as to whether the geographic market definition is EEA-wide, or global, as the proposed Transaction does not raise serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any of those market definitions.

5. COMPETITIVE ASSESSMENT OF HORIZONTAL NON-COORDINATED EFFECTS

5.1. Introduction

(38) The Transaction gives rise to three horizontally affected markets in the EEA: (i) the market for centre console assembly; (ii) the market for cockpit assembly; and (iii) the market for interior lighting.

5.2. The Notifying Party's views

(39) The Notifying Party submits that the Transaction will not result in horizontal competition concerns, given that the Parties are not close competitors (their product portfolio being largely complementary), with the Transaction giving rise only to a very minor increment in their combined market share in the respective affected markets.

(40) Taking each of the affected markets in turn, as regards centre console and cockpit assembly, the Notifying Party considers that these markets encompass both in-house and third party assembly services. The markets are very volatile as OEMs easily switch from in-house assembly to outsourcing and vice versa.[42] On the basis of a combined OEM/third party market in centre console assembly, the Transaction would give rise to a very low market share ([0-5]% at EEA level), with a limited increment ([0-5]% at EEA level) in 2020.[43][44] A combined OEM/third party market in cockpit assembly would also give rise to a low market share ([10-20]% at EEA

40 See Form CO, paragraph 94.

41 See replies to questions 14.2 and 15.1 of questionnaire to competitors; see replies to question 14.2 of questionnaire to customers.

42 See Form CO, paragraph 237.

43 See Form CO, Table 23. Faurecia is only active in centre console assembly in the EEA.

44 Regarding 2018 and 2019, the market shares for centre console assembly including OEM assembly services at EEA level are [0-5]% and [5-10]% respectively with an increment of [0-5]% and [0-5]% respectively, see Form CO, Tables 24-25.

level and [5-10]% at global level), with a limited increment ([0-5]% at EEA level and [0-5]% at global level) in 2020.[45][46] The Notifying Party argues that no concerns would arise either if one were to exclude in-house OEM assembly and consider only a merchant market. In that case, the Transaction would give rise to an increment of [0-5]% for centre console assembly (combined share of [30-40]%) in the EEA in 2020 and an increment of [0-5]% for cockpit assembly (combined share of [40-50]%) in the EEA in 2020. At a global level, the Transaction would give rise to an increment of [0-5]% for cockpit assembly (combined share of [20-30]%) in 2020.[47] [48]

(41) The Parties are not close competitors, as HBPO focuses on the assembly of front-end modules and its activities in assembly of interior modules are ancillary and marginal.[49] The Parties also compete primarily with the OEMs' own assembly capabilities.[50] They also compete with strong assembly services providers in the EEA and globally, including Marelli, Yangfeng, SMP Automotive, IAC, Dräxlmaier.[51]

(42) With regard to interior lighting, the Notifying Party notes that the horizontal overlap between the Parties is immaterial. The Notifying Party discontinued its limited activities in interior lighting in mid-2019, and has since made no marketing efforts and has only residual revenues [expected evolution of sales and purchases] in this segment. Moreover, even if this was considered as a horizontal overlap going forward, the Notifying Party submits that, based on 2020 sales, the Target's EEA estimated market share was [20-30]%, whereas the Notifying Party's estimated market share was [0-5]%. The Notifying Party also does not expect the combined market share in the EEA to exceed 30% in the near future (2021-2024).[52] Post-Transaction, the Notifying Party will thus continue to compete with strong players active in interior lighting (e.g. Grupo Antolin, Dräxlmaier, Kostal, Valeo, Marquardt, and Yangfeng).

5.3. The Commission's assessment

5.3.1. Centre console assembly

(43) The Commission notes that should the market for centre console assembly services comprise of both in-house OEM assembly and the merchant market, the proposed Transaction would not give rise to an affected market, with a combined market share at EEA level of [0-5]%. Even if however there were to be separate product markets

45 See Form CO, Table 23.

46 Regarding 2018 and 2019, the market shares for cockpit assembly including OEM assembly services at EEA level are [10-20]% and [10-20]% respectively with an increment of [0-5]% and [0-5]% respectively, see Form CO, Tables 24-25.

47 See Form CO, paragraph 241; see Form CO, Tables 34, 35, 38.

48 Regarding 2018 and 2019, the market shares for centre console assembly excluding OEM assembly services at EEA level are [30-40]% and [30-40]% respectively with an increment of [0-5]% and [0-5]% respectively, see Form CO, Tables 39-40. The market shares for the cockpit assembly excluding OEM assembly services for 2018 and 2019 at EEA level are [50-60]% and [50-60]% respectively with an increment of [0-5]% and [0-5]% respectively, see Form CO, Tables 36-37.

49 See Form CO, paragraph 244.

50 See Form CO, paragraph 242.

51 See Form CO, paragraph 243.

52 See Form CO, paragraph 100.

for OEM in-house assembly and the merchant market, the Commission considers that the Transaction should not give rise to competition concerns for the following reasons.

(44) The Commission notes that Faurecia (via SAS) is the leading centre console assembly services provider on the merchant market in the EEA, with a market share of [30-40]%. The next largest competitors according to the Parties' market share data are Group SeSe [30-40]% and Dräxlmaier [20-30]%. HBPO is significantly smaller, with a [0-5]% market share and the increment provided by the Transaction is therefore limited (combined share of [30-40]%). A majority of competitors confirmed that the Parties were not close competitors in centre console assembly services.[53] For example, one competitor noted that: "*Hella is a specialist in interior lighting. Faurecia is not a specialist in interior lighting. Faurecia is a specialist in interior components and in interior assembly. Hella is no specialist in this.*"[54] A majority of customers replying to the market investigation did however consider that the Parties are close competitors in this market.[55]

(45) The Commission also notes that there are several alternative assembly providers in the EEA that are able to provide a competitive constraint to the merged entity, including Dräxelmaier, Grupo Sese, Grammer, Yanfeng and Grupo Antolin.[56] A majority of both customers and competitors considered that there are sufficient competitors, besides the Parties, to provide centre console assembly services.[57] In addition, in-house OEM assembly can be considered to provide a competitive constraint to assembly service providers. While some OEMs carry out in-house assembly exclusively, others also outsource assembly services.[58] Several competitors considered OEMs to be their closest competitors.[59]

(46) In view of the above, the Commission concludes that the Transaction does not raise serious doubts as to its compatibility with the internal market and the functioning of the EEA Agreement both in relation to the market for centre console assembly services in the EEA and in relation to a potential separate merchant market for centre console assembly services.

5.3.2. Cockpit assembly

(47) Similarly to centre console assembly services, the Commission notes that should the market for cockpit assembly services comprise of both in-house OEM assembly and the merchant market, the proposed Transaction would not give rise to an affected market, with a combined market share at EEA level of [10-20]%. Even if however there were to be separate product markets for OEM in-house assembly and the merchant market, the Commission considers that the Transaction should not give rise to competition concerns for the following reasons.

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53 See replies to questions 17 and 22 of questionnaire to competitors; see replies to question 21 of questionnaire to customers.

54 See reply to question 22 of questionnaire to competitors.

55 See replies to question 21 of questionnaire to customers.

56 See replies to question 17 of questionnaire to competitors.

57 See replies to question 19 of questionnaire to customers and question 20 of questionnaire to competitors.

58 See replies to question 17 of questionnaire to customers.

59 See replies to question 17 and 18 of questionnaire to competitors.

(48) Faurecia (via SAS) is the leading cockpit assembly service provider on the merchant market in the EEA, with a market share of [40-50]%. The next largest competitors according to the Parties' market share data are IAC [10-20]%, SMP [10-20]%, and Dräxelmaier [5-10]%. HBPO is significantly smaller, with a [0-5]% market share and the increment provided by the Transaction is therefore limited (combined share of [40-50]%). A majority of competitors confirmed that that the Parties were not close competitors in cockpit assembly services.[60] For example, one competitor noted that: "*Faurecia/SAS is the number 1 global (non-OEM) supplier of cockpit module assemblies but Hella is not a significant player in this market*."[61] Another noted that: "*Hella does not assemble Cockpits. They produce Lighting for Cockpits that used to be a different commodity sourced by OEMs as Directed Purchase component of the Cockpit. In these regards, both Parties are not competitors*."[62] A majority of customers replying to the market investigation did however consider that the Parties are close competitors in this market.[63]

(49) The Commission also notes that there are several alternative assembly providers in the EEA that are able to provide a competitive constraint to the merged entity, including IAC, Dräxelmaier, SMP, Yanfeng and Grupo Antolin.[64] In addition, in-house OEM assembly can be considered to provide a competitive constraint to assembly service providers. While some OEMs carry out in-house assembly exclusively, others also outsource assembly services.[65] Several competitors considered OEMs to be their closest competitors.[66]

(50) In view of the above, the Commission concludes that the Transaction does not raise serious doubts as to its compatibility with the internal market and the functioning of the EEA Agreement both in relation to the market for cockpit assembly services in the EEA and in relation to a potential separate merchant market for cockpit assembly services.

5.3.3. Interior lighting

(51) The Commission considers that the Parties' activities in interior lighting do not give rise to horizontal concerns.

(52) *First*, interior lighting is not a core business area of either Party. Within the overall lighting segment, […] of the Target's sales pertain to exterior lighting, in which the Notifying Party is not active. Only the remaining […] represents interior lighting sales (of which, approx. EUR […] were generated in 2020 in the EEA). For the Notifying Party, sales in interior lighting are even less prominent: between 2016 and 2019, one of its divisions had very limited activities in interior lighting, and the division was discontinued in 2019. The Notifying Party's residual sales in this area in 2020 and 2021 are a consequence of the bidding nature of these markets (i.e. previously won RFQs), and the Notifying Party [expected evolution of sales and

60 See replies to questions 17 and 27 of questionnaire to competitors; see replies to question 28 of questionnaire to customers.

61 See reply to question 27 of questionnaire to competitors.

62 See reply to question 27 of questionnaire to competitors.

63 See replies to question 26 of questionnaire to customers.

64 See replies to question 17 of questionnaire to competitors.

65 See replies to question 22 of questionnaire to customers.

66 See reply to question 23 of questionnaire to competitors.

purchases][67]. Moreover, the Notifying Party has never manufactured interior lights, it has always purchased them from other suppliers for resale, and its offering does not include overhead and smart lights.[68]

(53) *Second*, the estimated combined market share of the Parties in the EEA was below 30% in 2020, with a negligible increment brought by Faurecia [0-5]%. Moreover, both Parties' market shares have decreased (the Target's market share was [30-40]% in 2019, while it dropped to [20-30]% in 2020; and Faurecia's market share dropped from [0-5]% to [0-5]% between 2019 and 2020). Faurecia's negligible and decreasing market share is in line with the Notifying Party's explanation that interior lighting is a residual business area for its company, with only marginal revenues generated from free-purchases to third-party manufacturers (Faurecia does not, and has never produced, interior lights in-house).

(54) *Third*, respondents to the Commission's market investigation confirmed that Faurecia is not a specialist in interior lighting and that there are sufficient alternative suppliers of interior lights ("*In the absence of Hella, […] has the capability to either produce the products supplied by Hella in-house or source them to another tier 2 supplier*").[69]

(55) *Fourth*, the merged entity will continue to face competitive pressure in the EEA from several alternative large suppliers of interior lights with market shares ranging from 10% to 25% (e.g. Grupo Antolin had a market share of [20-30]% in the EEA in 2020, while a number of other competitors were also present with market shares around 10% respectively - Dräxlmaier, Kostal, Marquardt, and Valeo).

(56) In view of the above, the Commission concludes that the Transaction does not raise serious doubts as to its compatibility with the internal market and the functioning of the EEA Agreement in relation to the market for interior lighting in the EEA.

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67 Unlike directed purchases, with free purchases, the Tier 1 supplier is free to choose its Tier 2 supplier for a specific component and is not directed or limited in his choice by the OEM, see Form CO, paragraph 54.

68 When so directed by an OEM (and only then), Faurecia occasionally also include interior lighting as part of its indoor panels. In 2020, Faurecia purchased […] (directed buys) of interior lighting products for integration in its interior panels globally. Form CO, paragraph 81.

69 See replies to question 28 of questionnaire to competitors. Also customers responding to the market investigation were in line with this, e.g. "*Hella is a key player in this space, however, there are competitors in interior lighting that can also manufacture interior lighting components. With validation, other suppliers could also support our applications*", see replies to question 27.1 of questionnaire to customers.

6. CONCLUSION

(57) 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
Executive Vice-President