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 Where possible the information omitted has been replaced by ranges of figures or a general description.

American Axle & Manufacturing Holdings, Inc.
One Dauch Drive
48211-1198 – Detroit
Michigan
United States

Subject: Case M.11981 – AAM / DOWLAIS
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 27 August 2025, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which American Axle & Manufacturing Holdings, Inc ('AAM' or 'Notifying Party', United States) will acquire sole control over the whole of Dowlais Group plc

([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').

('Dowlais', United Kingdom) ('Transaction'). ([3]) AAM and Dowlais are designated hereinafter as the 'Parties'.

1. THE PARTIES

(2) **AAM**, whose shares are traded on the New York Stock Exchange, is a global automotive and mobility supplier notably active in the manufacture and supply of automotive systems and components, including driveline products and a broad range of metal components.

(3) **Dowlais**, whose shares are traded on the London Stock Exchange, is a global engineering group focused on the automotive sector. It is namely active, through its GKN Automotive business unit ('GKN', United Kingdom), in the manufacture and supply of automotive systems and components, including driveline products. Dowlais is also active in the supply of metal components and powder metal.

2. THE CONCENTRATION

(4) The Transaction consists of AAM's acquisition of 100% of the issued and to be issued ordinary share capital of Dowlais through a public bid under UK public takeover rules on the London Stock Exchange announced on 29 January 2025. The Transaction will be implemented by way of a court-sanctioned scheme of arrangement.

(5) The Transaction therefore consists of AAM's acquisition of sole control over Dowlais.

3. UNION DIMENSION

(6) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (AAM: EUR 5 715 million in 2024; Dowlais: EUR 5 477 million in 2024). ([4]) Each of them has a Union-wide turnover in excess of EUR 250 million (AAM: EUR […] million in 2024; Dowlais: EUR […] million in 2024), but each does not achieve more than two-thirds of its aggregate Union-wide turnover within one and the same Member State. The notified operation therefore has a Union dimension pursuant to Article 1(2) of the Merger Regulation.

4. MARKET DEFINITION

4.1. Overview of the supply of automotive driveline components

(7) The Parties' activities primarily overlap in the manufacture and supply to automotive Original Equipment Manufacturers ('OEMs') of driveline products for light vehicles.

(8) Driveline products are made from a variety of automotive components, including metal components. Driveline products may be assembled by (i) driveline suppliers, who either source individual automotive metal components from third-party suppliers or from their own internal production of automotive metal

([3]) OJ C, C/2025/4925, 4.9.2025.
([4]) Turnover calculated in accordance with Article 5 of the Merger Regulation.

components (vertically integrated driveline suppliers) or (ii) directly by OEMs. Once assembled, the driveline product is subsequently sent for assembly into a vehicle's driveline system. ([5])

(9) Neither of the Parties assembles driveline systems; instead, they sell various driveline products directly to OEMs, i.e., they are Tier-1 driveline product suppliers.

(10) The automotive driveline – or drivetrain – encompasses all the components responsible for transferring power from the engine (or electric motor) and transmission to the wheels of a vehicle. At its core, this system includes a combination of products such as driveshafts, differentials, joints, and axles. The interplay among these parts ensures that torque is effectively delivered to the drive wheels, whether the vehicle is accelerating in a straight line or manoeuvring through turns. ([6])

(11) Different driveline architectures use distinct configurations of these products. In vehicles powered by combustion engines, in a typical front-wheel drive ('FWD') layout with a front-mounted engine, the engine sends power to the front wheels through a transaxle. By contrast, rear-wheel drive ('RWD') typically locates the engine towards the front of the vehicle and uses a separate transmission that sends power through a propshaft to the rear differential and axle assembly. ([7])

(12) The driveline architecture also differs between all-wheel drive ('AWD') and four-wheel drive ('4WD'), depending on whether they are designed for on-road performance (AWD) or for more demanding off-road applications (4WD). ([8])

(13) 4WD vehicles have a longitudinal engine orientation. AWD vehicles may have a transverse or longitudinal engine layout, though most AWD vehicles have a transverse engine layout. ([9])

4.2. FDUs, PTUs, and RDMs

(14) The Parties' activities overlap, and possible affected markets arise more specifically with regard to the manufacture and supply of the following driveline products: (i) Front Drive Units ('FDU'), (ii) Power Transfer Units ('PTU'), and (iii) Rear Drive Modules ('RDM').

(a) An FDU is used in 4WD vehicles which have their primary drive power in the rear. FDUs direct power from the rear of the vehicle to the front of the vehicle when 4WD mode is engaged. FDUs vary in size and durability based on the vehicle architecture, size, and purpose of the vehicle. FDUs are only used in 4WD vehicles (which, in turn, are only produced with longitudinal engine layouts).

(b) A PTU is used in FWD AWD vehicles to direct power to the RDM via a propshaft. It is attached to a vehicle's transmission. The PTU will commonly include a disconnect system, which allows the AWD vehicle to switch between directing power to both the front and rear wheels and

([5]) Form CO, paragraph 6.18.
([6]) Form CO, paragraph 6.4.
([7]) Form CO, paragraph 6.5.
([8]) Form CO, paragraph 6.7.
([9]) A vehicle's engine may have a longitudinal or transverse layout. For longitudinal installations, the engine is positioned front-to-back (lengthwise). In contrast, for transverse installations, the engine is sideways (left to right). Form CO, paragraphs 6.89, 6.98, and 6.110.

directing power solely to the front wheels. PTUs are only used in AWD vehicles which have a transverse engine layout.

(c) An RDM connects to the vehicle's propshaft and transmits power to the rear wheels. RDMs are secondary rear axles found in AWD vehicles (which typically have transverse rather than longitudinal layouts) and are used where it is only necessary to put some of the engine's torque through the back wheels. RDMs are used in AWD vehicles with either a transverse or longitudinal engine layout. ([10])

(15) These components are typically integrated into the driveline systems of internal combustion engine ('ICE') vehicles. Depending on the specific vehicle's design, they may also be used in certain hybrid vehicles. By contrast, FDUs, PTUs, and RDMs are not used in full electric vehicles ('EV'), which instead include electronic drive units. ([11])

4.2.1. Product market definition

4.2.1.1. Commission's decisional practice

(16) In previous decisions, the Commission has considered the markets for the manufacture and supply of components for the automotive industry on a product-by-product basis, thereby identifying separate product markets for each individual component. ([12])

(17) As regards PTUs, the Commission has, in a previous decision, assessed whether it was appropriate to define an overall market for hypoid-geared drive units, including PTUs, final drive units, rigid axles, and transaxles. The market investigation in that case revealed lack of demand-side substitutability, limited supply-side substitutability, and significant price differences between the different types of hypoid-geared drive units. In addition, the market investigation was inconclusive as to whether the PTU market should be further segmented according to technical specifications (including torque and the presence or not of a disconnect system). ([13]) In the same decision, the Commission concluded that PTUs are not substitutable with transfer cases, ([14]) as they are not interchangeable from a technical and economic point of view. ([15]) Ultimately, the precise product market definition with regard to hypoid-geared drive units was left open and the Commission assessed the concentration's effects on a market for PTUs only, without any additional segmentations. ([16])

(18) The Commission has not previously assessed the product market definition of FDUs and RDMs.

([10]) Form CO, paragraph 6.9.
([11]) Form CO, paragraph 6.122.
([12]) *E.g.*, cases M.7796 – *LINAMAR/MONTUPET*, paragraphs 15-18 and M.7401 – *BLACKSTONE/ALLIANCE BV/ALLIANCE AUTOMOTIVE GROUP*, paragraph 10.
([13]) Case M.6320 – *GKN/GETRAG COPORATION/GETRAG ALL WHEEL DRIVE*, paragraphs 20-23.
([14]) A transfer case is an automotive part that allows power to be delivered to both axles of a vehicle. Cf. Form CO, paragraph 6.9.
([15]) Case M.3486 – *MAGNA / NEW VENTURE GEAR*, paragraph 23, and case M.6320 – *GKN/GETRAG COPORATION/GETRAG ALL WHEEL DRIVE*, paragraph 21.
([16]) Case M.6320 – *GKN/GETRAG COPORATION/GETRAG ALL WHEEL DRIVE*, paragraphs 28.

4.2.1.2. Notifying Party's views

(19) The Notifying Party considers that the markets for the manufacture and supply of driveline products are more appropriately defined at the level of individual driveline products than at the driveline system level, given the predominance of product-level procurement, that '*competition between different suppliers occurs at the level of individual driveline products*', and the fact that the Parties do not supply driveline systems as standalone solutions. ([17])

(20) The Notifying Party argues that further segmentations are not appropriate. In particular, a segmentation based on the type of vehicle is not deemed necessary because the Parties only overlap with respect to the manufacture and supply of FDUs, PTUs, and RDMs for light vehicles. ([18])

(21) A segmentation based on whether FDUs, PTUs, or RDMs are designed to be used in longitudinal or transverse engine layouts is also unnecessary, in the Notifying Party's opinion. FDUs are only used in 4WD vehicles (which are only produced with longitudinal engine layouts), whereas PTUs are only used in AWD vehicles that have a transverse engine layout. ([19])

(22) As for RDMs, the Notifying Party argues that no segmentation based on whether they will be used in AWD vehicles with transverse or longitudinal engine layouts is necessary because (i) the vast majority of AWD vehicles ([…]) have transverse rather than longitudinal engines, (ii) RDMs in both transverse and longitudinal engine layouts serve the same function (i.e., deliver power to rear wheels), (iii) both types of RDMs have similar designs, and (iv) given the limited technical differences between both types of RDMs, if an opportunity arose, any supplier of RDMs for use in vehicles with a transverse layout would be able to compete for contracts for the supply RDMs for use in vehicles with a longitudinal layout. ([20])

(23) Finally, while the Parties do not specifically submit that the markets for the manufacture and supply of FDUs, PTUs, and RDMs comprise both the merchant market providers (such as themselves) and the OEMs that manufacture these products in-house, they argue that, nonetheless, sales by OEMs necessarily constrain suppliers on the merchant market. ([21])

(24) Ultimately, the Notifying Party submits that the exact product market definition may be left open. ([22])

4.2.1.3. Commission's assessment

(25) The Commission's market investigation in this case confirmed that competition in the markets for the manufacture and supply of driveline products occurs on a product-by-product basis. Virtually all market participants agree that OEMs typically submit requests for quotation ('RFQs') for each driveline product, rather than for the overall driveline system. ([23])

(26) In addition, most market participants who expressed an opinion consider that FDUs, PTUs, and RDMs are not interchangeable, in light of their different

([17]) Form CO, paragraph 6.72-6.73.
([18]) Form CO, paragraph 6.69. Neither of the Parties supplies PTUs, RDMs or FDUs for medium or heavy vehicles.
([19]) Form CO, paragraphs 6.88-6.114.
([20]) Form CO, paragraphs 6.110-6.113.
([21]) Form CO, paragraphs 8.12.
([22]) Form CO, paragraphs 6.71.
([23]) Replies to eRFI 'Customers', Question B.1, and replies to eRFI 'Competitors', Question B.1.

functionalities and modes of use (described in Section 4.2, above), indicating that these may be different product markets. ([24])

4.2.1.3.1. Possible further segmentations of the FDU, PTU, and RDM markets

(27) The Commission's market investigation in this case did not reveal reasons justifying a further segmentation of the markets for FDUs, PTUs, and RDMs. In particular, the market investigation in this case did not yield any indication that a segmentation based on the type of vehicle (e.g., heavy, medium, or light vehicle) is necessary. ([25])

(28) Moreover, a segmentation of these markets based on different technical specifications does not appear warranted. Most OEM and competing suppliers of driveline products who participated in the Commission's market investigation confirmed that from a supply-side substitutability perspective most suppliers are able to meet the technical specifications required by OEMs for their different vehicle programs. ([26])

(29) Finally, a segmentation of the market for the manufacture and supply of RDMs between RDMs for vehicles with either a transverse or longitudinal engine layout does not appear necessary. Most market participants consider that, (i) from a demand-side substitutability perspective, RDMs for use in vehicles with transverse or longitudinal engine layouts serve the same function and have similar designs and, (ii) from a supply-side perspective, a supplier of RDMs used in vehicles with longitudinal engine layouts would be able to easily compete for contracts for the supply of RDMs used in vehicles with transverse engine layouts (and vice-versa). ([27])

4.2.1.3.2. In-house production

(30) In addition, the Commission has assessed whether the markets for the manufacture and supply of FDUs, PTUs, and RDMs comprise only the merchant market providers, or also the OEMs that manufacture these products in-house as actual or at least potential competitors. As part of its assessment, the Commission sought to understand (i) how much of the production is carried out internally by OEMs, (ii) whether OEMs compare the cost of assembling in-house with the cost of outsourcing, (iii) whether it is easy for OEMs to switch from in-house production to outsourcing (and vice-versa), and (iv) whether merchant market suppliers perceive OEMs as competitive threats.

(31) The Parties estimate that in-house supply represented a significant part of the worldwide production in each of the relevant markets: approximately [30-40]%, [40-50]%, and [50-60]% of the worldwide FDU, PTU, and RDM markets in 2024, respectively. ([28])

(32) While most competing suppliers of driveline products who expressed an opinion in response to the Commission's market investigation consider that it is easy for

([24]) Replies to eRFI 'Customers', Questions B.2-B.3, and replies to eRFI 'Competitors', Questions B.2-B.3.

([25]) Replies to eRFI 'Customers' and replies to eRFI 'Competitors'. In addition, none of the Parties supplies FDUs, PTUs, or RDMs for medium or heavy vehicles (Form CO, paragraph 6.69).

([26]) Replies to eRFI 'Customers', Question D.A.5, and replies to eRFI 'Competitors', Question D.A.5.

([27]) Replies to eRFI 'Competitors', Questions B.9-B.12, and replies to eRFI 'Customers', Questions B.8-B.11.

([28]) Form CO, paragraph 6.11.

OEMs that already produce partly in-house to increase internal manufacture at the end of a vehicle program, most participating OEMs disagreed. ([29])

(33) In any event, most competing suppliers of driveline products who replied to the Commission's investigation consider that OEMs who produce partly or fully in-house are full competitive forces in the market. ([30]) OEMs who expressed an opinion agreed, recognizing that they are either full competitive forces in the markets or, at least, weaker competitive forces compared to Tier-1 suppliers. ([31])

(34) As to the question of whether OEMs conduct make-or-buy studies to decide whether they produce the relevant products internally, the market investigation was inconclusive. ([32])

(35) In light of the market investigation's mixed results, for the purposes of this decision it will be left open whether the relevant product market includes OEMs' in-house production. This is because, even in the most conservative hypothesis – i.e., excluding in-house production from the relevant markets –, the Transaction does not raise serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement.

4.2.1.3.3. Conclusion

(36) For the purposes of the present decision, the exact product market definition as regards the manufacture and supply of driveline products may be left open, given that the Transaction does not raise serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any plausible product market definition. The Commission will assess the effects of the Transaction by reference to the narrowest plausible relevant market definition resulting in affected markets, i.e., the markets for the manufacture and supply of each of (i) FDUs, (ii) PTUs, and (iii) RDMs (all excluding in-house production).

4.2.2. Geographic market definition

4.2.2.1. Commission's decisional practice

(37) In previous decisions, the Commission found that the relevant geographic dimension of the automotive component markets is at least EEA-wide, and in many cases probably global. ([33]) In a recent decision, the Commission considered that the hypoid-geared drive unit markets might be wider than the EEA because procurement by OEMs is usually organized globally, logistics costs are an insignificant part of the overall costs, and no substantial price differences exist between the EEA and other world regions. At the same time, the Commission also found that there is a regional angle to procurement as the market investigation revealed a preference of at least some OEMs for local suppliers. In that case, the Commission has ultimately left open the geographic market delimitation. ([34])

([29]) Replies to eRFI 'Competitors', Question D.C.3, and replies to eRFI 'Customers', Question D.C.4.
([30]) Replies to eRFI 'Competitors', Question D.C.5.
([31]) Replies to eRFI 'Customers', Question D.C.7.
([32]) Replies to eRFI 'Customers', Question D.C.2.
([33]) E.g., cases M.1587 – *DANA / GKN*, paragraphs 16-19; M.3486 - *MAGNA / NEW VENTURE GEAR*, paragraphs 24-28; and M.6320 – *GKN/GETRAG COPORATION/GETRAG ALL WHEEL DRIVE*, paragraphs 29-32.
([34]) Case M.6320 – *GKN/GETRAG COPORATION/GETRAG ALL WHEEL DRIVE*, paragraphs 29-32.

4.2.2.2. Notifying Party's views

(38) The Notifying Party agrees with the past considerations of the Commission and considers that those equally apply to the product markets for the manufacture and supply of FDUs, PTUs, and RDMs. Ultimately, the Notifying Party submits that the exact geographic market definition may be left open. ([35])

4.2.2.3. Commission's assessment

(39) The market investigation provided indications that the geographic markets for the manufacture and supply of FDUs, PTUs, and RDMs might be wider than the EEA. Virtually all the responding OEMs and the Parties' competitors who expressed an opinion consider that competition regarding these components takes place at the worldwide level. ([36]) The responses confirm that OEMs typically open tenders to all suppliers irrespective of the location of their production sites. Most suppliers who expressed an opinion replied that they would consider participating in a tender even if they had no pre-existing facility in the continent of the relevant OEM plant, as exports may in some circumstances be viable. ([37]) Similarly, most OEMs who expressed an opinion assert that, in principle, it is profitable to import FDUs, PTUs, and RDMs into the EEA from other world regions. ([38]) Furthermore, most OEMs consider logistic costs and obstacles, such as tariffs, in the context of their procurement decisions, but these are not regarded as decisive factors when awarding contracts. ([39])

(40) From a forward-looking perspective, OEMs and competitors observe the emerging role of Asian suppliers of driveline products in these markets. By way of example, one European OEM expects that imports of driveline products from other regions of the world into the EEA will increase in the future. ([40]) While some competitors and OEMs indicated that they do observe significant price differences for the concerned driveline products between the EEA and the rest of the world, others do not. ([41])

(41) At the same time, the investigation indicates that a strong regional angle to procurement remains. Most OEMs submitted they eventually select suppliers for FDUs, PTUs, and RDMs who own plants closely located to their own vehicle plants, mostly for cost reasons. ([42]) At least two European OEMs consider that, in principle, it is not profitable to import FDUs, PTUs, and RDMs into the EEA. ([43])

(42) Given the mixed results of the Commission's market investigation, the exact geographic market definition may be left open for purposes of the present decision, given that the Transaction does not raise serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement with respect to the manufacture and supply of FDUs, PTUs, and RDMs under any plausible geographic market definition. The Commission will assess the effects

([35]) Form CO, paragraphs 6.183 and 6.184.
([36]) Replies to eRFI 'Customers', Question C.1, and replies to eRFI 'Competitors', Question C.1.
([37]) Replies to eRFI 'Customers', Questions C.4 and C.5.
([38]) Replies to eRFI 'Customers', Question C.6.
([39]) Replies to eRFI 'Customers', Question C.2.
([40]) Minutes of conference call with customer on 15 July 2025 (non-confidential version), paragraph 11.
([41]) Replies to eRFI 'Competitors', Question C.3; Replies to eRFI 'Customers', Question C.3.
([42]) Replies to eRFI 'Customers', Questions C.6.1 and C.7.
([43]) Replies to eRFI 'Customers', Question C.6.

of the Transaction by reference to the relevant market delimitation resulting in affected markets, i.e., the worldwide level. ([44])

5. COMPETITIVE ASSESSMENT

5.1. Overview of affected markets

(43) The Transaction gives rise to affected markets only on the basis of a possibly relevant worldwide market definition, whereas no affected markets arise on the basis of the other plausible geographic dimension for these markets, i.e., EEA-wide (cf. Section 4.2.2, above). This is due to AAM's overall limited presence in the EEA.

(44) The Parties' activities overlap horizontally in the possible worldwide markets for the manufacture and supply of each of (i) FDUs, (ii) PTUs, and (iii) RDMs (all excluding in-house production). In each of these possible worldwide markets, their combined market share would be at least 20% in 2024 (see Section 5.2.2.2, below), meaning that on the basis of a worldwide market definition these markets would be affected.

(45) The Transaction also results in horizontal overlaps and vertical relationships in other possibly relevant markets. However, none of these give rise to affected markets within the meaning of recital 25(g) of Annex I to Regulation (EU) 2023/914, ([45]) as they meet the conditions for review under point 5 of the Notice on Simplified Treatment. ([46])

(46) Namely, at the EEA-wide level, the Parties' activities overlap (only) in the manufacture and supply of PTUs (and not at all in the manufacture and supply of FDUs or RDMs, which AAM does not sell in the EEA). However, the Parties' combined market share in this possible EEA market for PTUs is below 50% in 2024 and the HHI increment (delta) resulting from the Transaction is below 150 (due to AAM's overall limited presence). Accordingly, this horizontal overlap does not give rise to a possibly relevant affected market, as it meets the conditions for review under point 5(d)(bb) of the Notice on Simplified Treatment.

(47) Since there are no indications that the Transaction would lead to serious doubts on any of these other markets, these will not be further assessed in this decision. ([47])

5.2. Non-coordinated horizontal effects

(48) The decision will assess the likelihood of the Transaction giving rise to non-coordinated horizontal effects. The legal test for the assessment of non-

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([44]) As explained in Section 5.1, below, the Transaction does not result in affected markets at the EEA level.

([45]) Commission Implementing Regulation (EU) 2023/914 of 20 April 2023 implementing Council Regulation (EC) No 139/2004 on the control of concentrations between undertakings and repealing Commission Regulation (EC) No 802/2004, OJ L 119, 5.5.2023, p. 22.

([46]) Commission Notice on a simplified treatment for certain concentrations under Council Regulation (EC) No 139/2004 on the control of concentrations between undertakings 2023/C 160/01, OJ C 160, 5.5.2023, p. 1.

([47]) In particular, at the EEA-wide level, the Parties' activities overlap in the manufacture and supply of PTUs (but not in the manufacture and supply of FDUs or RDMs). However, the Parties' combined market share in this market is below 50% in 2024 and the HHI increment (delta) resulting from the Transaction is below 150. Accordingly, this horizontal overlap meets the conditions for review under point 5(d)(bb) of the Notice on Simplified Treatment.

coordinated horizontal effects of a concentration is set out in the Merger Regulation and in the Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings ('Horizontal Merger Guidelines'). ([48])

(49) A concentration may significantly impede effective competition in a market by removing important competitive constraints on one or more sellers who consequently have increased market power. ([49]) To assess whether the concentration could result in non-coordinated effects, the Commission considers, namely, the parties' market shares and concentration levels. ([50]) Market shares and concentration levels provide useful first indications of the market structure and competitive importance of the merging parties and their competitors. Several other factors identified in the Horizontal Merger Guidelines are considered, such as whether the Parties are close competitors, whether customers could switch suppliers or promote entry, whether the concentration would eliminate an important competitive force, and countervailing buyer power. ([51])

5.2.1. Notifying Party's views

(50) The Notifying Party argues that the Transaction will not give rise to non-coordinated horizontal effects in the possibly relevant worldwide affected markets for FDUs, PTUs, and RDMs because:

(a) the Parties' combined shares are moderate and, in any event, they should not be taken in isolation because, in bidding markets, market shares are not particularly well suited to depict competition that took place at the moment the contracts were awarded and future competition when the contracts are re-tendered;

(b) post-Transaction, numerous global competitors including ZF, Magna, Dana, and Linamar will remain in the relevant markets;

(c) although the Parties recognise that they are not uniquely close competitors, they submit that they are competitors in markets where product differentiation plays a minimal role;

(d) OEMs, such as General Motors, Ford, and Stellantis, are multinational companies that exert significant buyer power;

(e) most of the Parties' customers in this segment also produce driveline products in-house, which means that merchant driveline suppliers must remain competitive to convince OEMs to continue sourcing from external suppliers; and

([48]) OJ C 31, 5.2.2004, p. 5.

([49]) Horizontal Merger Guidelines, paragraph 24.

([50]) Horizontal Merger Guidelines, paragraphs 17-38. In order to measure concentration levels, the Commission applies the Herfindahl-Hirschman Index ('HHI'). The Commission is unlikely to identify horizontal competition concerns in a market with a post-concentration HHI below 1000. The Commission is also unlikely to identify horizontal competition concerns in a concentration with a post-merger HHI between 1000 and 2000 and a delta below 250, or a merger with a post-merger HHI above 2000 and a delta below 150, except where special circumstances are present. However, HHI levels, in combination with the relevant deltas, are used merely as an initial indicator of the absence of competition concerns and do not give rise to a presumption of either the existence or the absence of such concerns.

([51]) Horizontal Merger Guidelines, paragraphs 28-31, 37-38, and 64-67.

(f) the FDU, PTU, and RDM markets will decline in view of an expected rise of electric vehicle production, with fewer opportunities for sellers of these products, which will lead to fiercer competition. ([52])

5.2.2. Commission's assessment

5.2.2.1. General context of declining markets

(51) EVs contain substantially fewer mechanical components – up to 60% fewer than ICE vehicles. ([53]) As PTUs, FDUs, and RDMs are mostly used in ICE vehicles, their production is directly correlated to the production and sale of ICE vehicles. Since for the past few years there has been a political and industrial shift toward vehicle electrification, the worldwide and EEA demand for conventional driveline systems appears to be undergoing a long-term contraction.

(52) **Figure 1**, below, shows that the total production of ICE vehicles has decreased in the past few years and is expected to continue decreasing until at least 2037. These production figures are a useful proxy for the demand for driveline products, including PTUs, FDUs, and RDMs. As the figure shows, the decline in ICE vehicles dates to at least 2018 due to public and private efforts to curb vehicle emissions and reliance on fossil fuels. Specifically, the production of ICE vehicles decreased during the 2020-2024 period by [10-20]% from […] million to […] million and is expected to further decrease by [40-50]% to […] million in 2029 and […] million by 2037, a further decrease of [50-60]%.

Figure 1: Number of light vehicles produced worldwide (2018-2037)

[…]

Source: Form CO, Figure 9 (based on S&P Light Vehicle Production Forecast data as of January 2025)

(53) As shown above, the total production of ICE vehicles is expected to decrease by [70-80]%, from […] million units in 2024 to […] million units in 2037.

(54) Accordingly, most market participants who expressed an opinion in response to the Commission's market investigation consider that the markets for PTUs, FDUs, and RDMs will continue to decrease in the next 5 years. ([54]) By way of example, one customer predicts that, with the shift to electrification, '*these components will become obsolete'*. ([55]) Several companies who participated in the Commission's market investigation revealed that the number of RFQs for new ICE vehicle programs have been declining in recent years, and that OEMs are mostly launching RFQs for volume extensions of existing products (rather than for the development of new products for new ICE vehicles). ([56]) One competitor explained that *'*[t]*hese are mature, fully invested markets. Due to the electrification shift, OEMs are usually not investing a lot in these products, only*

([52]) Form CO, paragraphs 1.22-1.24, 8.11-8.16, 8.64-8.67, 8.74-8.77, and 10.4.
([53]) Form CO, paragraph 8.16.
([54]) Replies to eRFI 'Customers', Question E.1.
([55]) Replies to eRFI 'Customers', Question E.1.
([56]) Replies to eRFI 'Customers', Question E.1. See also, e.g., minutes of conference call with competitor on 16 June 2025 (non-confidential version), paragraph 18, minutes of conference call with competitor on 11 June 2025 (non-confidential version), paragraph 23, minutes of conference call with competitor on 18 June 2025 (non-confidential version), paragraph 13, minutes of conference call with customer on 22 August 2025 (non-confidential version), paragraph 11, minutes of conference call with customer on 15 July 2025 (non-confidential version), paragraph 17.

keeping the programs that they have already launched and the production lines that they have in place'. ([57])

(55) However, due to political and regulatory uncertainty, most market participants believe that the markets will not disappear in the next 5 years, i.e., suppliers will continue to supply the relevant products – though likely in reduced volumes – in the next 5 years. ([58])

(56) While the declining trend of the markets may reinforce the competitive position of the existing suppliers, as both OEMs and Tier-1 suppliers will try to reduce as much as possible expenditure for these products, this seems to be counterbalanced by other factors, described in the following sections.

5.2.2.2. Market structures and alternative suppliers

(57) The Parties' combined market shares are high in the worldwide markets for the manufacture and supply of PTUs ([50-60]% in value and [50-60]% in volume), FDUs ([50-60]% in value and [40-50]% in volume), and RDMs ([30-40]% in value and [30-40]% in volume) in 2024, as shown below in **Tables 1, 2, and 3**, respectively. Post-Transaction HHI levels, and the HHI delta, are also high, as described in the following paragraphs for each affected market. However, the Parties face a significant number of competitors in each of these markets.

(58) In the market for the manufacture and supply of PTUs, the post-Transaction HHI level is [3500-4000] and the HHI delta is [1500-2000] (in value). The Parties have a few main competitors, identified in **Table 1**, and a number of other minor rivals. Magna has a market share above [10-20]% and Dana and Univance have market shares above 5%.

Table 1: Market shares – Manufacture and supply of PTUs, excluding in-house production (worldwide, 2024) ([59])

Company	Value (%)	Volume (%)
AAM	[30-40]%	[30-40]%
Dowlais	[20-30]%	[20-30]%
Combined	**[50-60]%**	**[50-60]%**
Magna	[10-20]%	[10-20]%
Univance	[5-10]%	[5-10]%
Dana	[5-10]%	[5-10]%
Linamar	[0-5]%	[0-5]%
ZF	[0-5]%	[0-5]%
Divgi-TTS	[0-5]%	[0-5]%
Akashi-Kikai	[0-5]%	[0-5]%
Hyundai Wia	[0-5]%	[0-5]%
Others	[0-5]%	[0-5]%
Total	**100%**	**100%**

Source: Form CO, Annex 6

([57]) Minutes of conference call with competitor on 16 June 2025 (non-confidential version), paragraph 18

([58]) Replies to eRFI 'Competitors', Question E.4.

([59]) The share data in this table pertains to the sale of PTUs for light vehicles (excluding in-house production) in 2024. Because none of the Parties supply PTUs for medium or heavy vehicles (Form CO, paragraph 6.69), the Parties' combined shares in an overall market for the sale of PTUs (excluding in-house production) would be necessarily lower.

(59) In the market for the manufacture and supply of FDUs, the post-Transaction HHI level is [3000-3500] and the HHI delta is [800-900] (in value). The Parties have a few main competitors, identified in **Table 2**, and a number of other minor rivals. ZF and Dana are the main competitors, with considerable market shares of [20-30]% and [10-20]%, respectively. All other rivals have market shares below 2%.

Table 2: Market shares – Manufacture and supply of FDUs, excluding in-house production (worldwide, 2024) ([60])

Company	Value (%)	Volume (%)
AAM	[40-50]%	[20-30]%
GKN	[10-20]%	[10-20]%
Combined	**[50-60]%**	**[40-50]%**
ZF	[20-30]%	[20-30]%
Dana	[10-20]%	[10-20]%
Magna	[0-5]%	[0-5]%
Lennartz	[0-5]%	[0-5]%
IGP	[0-5]%	[0-5]%
Linamar	[0-5]%	[0-5]%
Divgi-TTS	[0-5]%	[0-5]%
Asano	[0-5]%	[0-5]%
Others	[5-10]%	[10-20]%
Total	**100%**	**100%**

Source: Form CO, Annex 6 (adjusted to reflect market investigation's results)

(60) In the market for the manufacture and supply of RDMs, the post-Transaction HHI level is [3000-3500] and the HHI delta is [500-600]. The Parties have a few main competitors, identified in **Table 3**, and a number of other minor rivals. Magna and Dana are the main competitors, with considerable market shares of [30-40]% and [10-20]%, respectively. All other rivals have market shares below 5%.

Table 3: Market shares – Manufacture and supply of RDMs, excluding in-house production (worldwide, 2024) ([61])

Company	Value (%)	Volume (%)
AAM	[10-20]%	[10-20]%
GKN	[20-30]%	[20-30]%
Combined	**[30-40]%**	**[30-40]%**
Magna	[30-40]%	[30-40]%
Dana	[10-20]%	[10-20]%
Linamar	[0-5]%	[0-5]%
ZF	[0-5]%	[0-5]%
Akashi-Kikai	[0-5]%	[0-5]%

([60]) The share data in this table pertains to the sale of FDUs for light vehicles (excluding in-house production) in 2024. Because none of the Parties supply FDUs for medium or heavy vehicles (Form CO, paragraph 6.69), the Parties' combined shares in an overall market for the sale of FDUs (excluding in-house production) would be necessarily lower.

([61]) The share data in this table pertains to the sale of RDMs for light vehicles (excluding in-house production) in 2024. Because none of the Parties supply RDMs for medium or heavy vehicles (Form CO, paragraph 6.69), the Parties' combined shares in an overall market for the sale of RDMs (excluding in-house production) would be necessarily lower.

Company	Value (%)	Volume (%)
Divgi-TTS	[0-5]%	[0-5]%
TRANSYS	[0-5]%	[0-5]%
Hitachi Astemo	[0-5]%	[0-5]%
Others	[0-5]%	[0-5]%
Total	**100%**	**100%**

Source: Form CO, Annex 6

(61) Despite the high market shares, on the basis of S&P's forecasts regarding the evolution of the number of ICE vehicles, the Parties estimate that their combined position will shrink significantly to [40-50]% (PTUs), [10-20]% (FDUs), and [30-40]% (RDMs) by 2029, in view of the overall declining trend of the markets and the existence of several credible alternative suppliers. ([62])

(62) In addition, given the way that OEMs procure these driveline components, the market shares shown in **Tables 1-3** measure the volume of each relevant product supplied in a particular year, pertaining to tenders organized by OEMs at different points in time and that were won by the relevant supplier. OEMs typically award supply contracts after organizing competitive procurement tenders that start with an RFQ to potential suppliers. The contracts are usually awarded for the period of production of the vehicle programme, which will span multiple years (i.e., 6-7 years). ([63]) In bidding markets with these characteristics, a supplier's position may be easily contestable (i.e., an operator may lose significant market share by failing to win one bid), if there are credible alternative suppliers in the markets.

(63) As is shown in **Tables 1-3**, above, there are several competitors in the three affected markets, including strong automotive suppliers such as ZF, Magna, and Dana. Competitors also include a long list of smaller suppliers, with manufacturing capabilities across the world and in the EEA.

(64) Most OEMs who participated in the Commission's market investigation confirmed that several suppliers participate in their RFQs. Most OEM respondents who expressed an opinion assert that, on average, 3-5 suppliers replied to the RFQs they launched in the past 5 years. ([64]) In addition, both OEMs and the Parties' competitors take the view that post-Transaction a sufficient number of independent suppliers will remain in the worldwide markets for the manufacture and supply of PTUs, FDUs, and RDMs. ([65]) One customer stated that it is not concerned with the Transaction because '*prices for current programmes are fixed and, for new programmes, there is a sufficient number of alternative suppliers available'*. ([66])

(65) In addition, the market investigation revealed that there is a degree of excess capacity in each of the three relevant markets. Most of the Parties' competitors who expressed an opinion in response to the Commission's market investigation revealed that they have spare capacity, with most currently operating with a utilization rate of 61-80% in each of the three relevant markets. ([67]) This

([62]) Volume market shares provided in Form CO, Annex 35.
([63]) Form CO, paragraph 8.12.
([64]) Replies to eRFI 'Customers', Question D.A.2.1.
([65]) Replies to eRFI 'Customers', Question D.A.2.3 and replies to eRFI 'Competitors', Question D.A.2.3.
([66]) Minutes of conference call with customer on 24 June 2025 (non-confidential version), paragraph 16.
([67]) Replies to eRFI 'Competitors', Question D.E.1.

overcapacity appears to be driven primarily by the transition to EVs, which require fewer mechanical driveline products. ([68])

(66) During the Commission's market investigation, one of the Parties' rivals indicated that several suppliers operate with unused capacity in the relevant markets: '*[Competitor] and other suppliers possess the capacity to upscale their production as needed*'. ([69]) An OEM confirmed this: '*there are enough other competitors, who could still increase their production capacities*'. ([70])

(67) One competitor described its readiness to use its excess capacity in case of a hypothetical price increase by the merged entity as follows: '*With [competitor] operating at 20-30% excess capacity in Europe, it is prepared to expand its production capabilities to meet any potential increases in demand. (…) As far as [competitor] is aware, other competing suppliers would also have significant excess capacity, which they could use to absorb diverging demand (in response to, e.g., a hypothetical price increase by the merged entity)*'. ([71])

(68) Therefore, in response to a hypothetical price increase or an output or quality reduction – which in principle would only be possible at the end of a vehicle program, as contractual terms and conditions cannot be unilaterally changed during ongoing vehicle programs –, it appears likely that affected OEMs would find credible alternative suppliers in the market to whom they could divert demand.

5.2.2.3. Closeness of competition

(69) The Commission considers that the relevant products are not entirely homogeneous. As the Parties indicate in the notification, OEMs typically require driveline suppliers to develop platform-specific designs tailored to their unique vehicle architectures, which must integrate with specific chassis, suspension, and powertrain systems of each OEM's platform. ([72]) Similarly, the Commission's market investigation confirmed that suppliers must meet OEMs' product specifications and technical requirements (which also vary between OEMs, depending on the vehicle being manufactured). ([73])

(70) As to whether the Parties are close competitors, the Commission's market investigation confirmed that, *first*, while there is a certain degree of differentiation between the different suppliers' offerings, most suppliers could, in principle, meet all the different technical specifications of OEMs at any given time. ([74]) For example, one competitor explained that '*In principle, most suppliers are technically capable of meeting OEM specifications. The relevant products have already been developed and industrialized. So, for new entrants, the required*

([68]) Form CO, paragraph 8.15.
([69]) Minutes of conference call with competitor on 18 June 2025 (non-confidential version), paragraph 11.
([70]) Minutes of conference call with customer on 8 July 2025 (non-confidential version), paragraph 18.
([71]) Minutes of conference call with competitor on 11 July 2025 (non-confidential version), paragraph 16.
([72]) Form CO, paragraph 8.58.
([73]) E.g., minutes of conference call with competitor on 18 June 2025 (non-confidential version), paragraph 4, minutes of conference call with competitor on 11 June 2025 (non-confidential version), paragraph 12, and minutes of conference call with customers on 22 August 2025 (non-confidential version), paragraph 10.
([74]) Replies to eRFI 'Customers', Question D.A.5. and replies to eRFI 'Competitors', Question D.A.5.

investment would be substantial. While technically feasible, it is most likely no longer economically viable'. ([75]).

(71) *Second*, the vast majority of respondents to the Commission's market investigation consider that the Parties are close competitors, but that they are not uniquely close competitors in view of the limited differentiation between suppliers. By way of example, one OEM noted that the Parties' offerings '*are generally of similar technological capability*'. ([76])

(72) *Third*, none of the market respondents considers that the products offered by the Parties would be more advanced from a technological standpoint than those of their main competitors. ([77]) In this respect, one OEM submitted that *'[t]hough AAM and GKN have advanced technology, they are no more advanced than products used in the industry by other suppliers*'. ([78]) Most of the market respondents consider that none of the Parties represent an important competitive force on the relevant markets exerting a stronger competitive pressure than what their market shares might suggest. ([79])

(73) *Fourth*, the Commission notes that, despite the bidding data submitted by the Parties having strong limitations, it provides some insights with respect to the competitors participating on tendering processes against each of the Parties. In each of the limited number of tenders for FDUs, PTUs, and RDMs in which AAM participated between 2020-2024, it always faced GKN as a rival alongside other competitors. ([80])

(74) In view of the above, the Commission considers that, on balance, the Parties compete closely in the relevant markets.

5.2.2.4. OEMs' countervailing buyer power

5.2.2.4.1. OEMs' procurement strategies

(75) The Commission's market investigation confirmed that OEM customers of driveline products, such as General Motors, Ford, Stellantis, Renault, BMW, and Volkswagen, are multinational companies with large and sophisticated procurement teams that exert a degree of countervailing buyer power.

(76) Customers typically award supply contracts after organizing competitive procurement tenders that start with an RFQ to potential suppliers. The contracts are usually awarded for the life of the vehicle program, which may span multiple years (i.e., 6-7 years). ([81])

(77) OEMs usually organize several rounds of bidding with several potential suppliers to push prices down. Occasionally, they use forms of 'reverse-auction' to secure optimal pricing, i.e., stating the first (very low) price to the bidding suppliers to see if any of them accepts it. ([82]) Virtually all market participants agree that OEMs are able to optimize prices during negotiations and rounds of bidding in the three

([75]) Replies to eRFI 'Competitors', Question D.A.5.1.
([76]) Replies to eRFI 'Customers', Question D.A.6.
([77]) Replies to eRFI 'Customers', Question D.A.6, and replies to eRFI 'Competitors', Question D.A.6.
([78]) Replies to eRFI 'Competitors', Question D.A.6.1
([79]) Replies to eRFI 'Competitors, Question D.A.7, and replies to eRFI 'Customers', Question D.A.7.
([80]) Form CO, Annex 26.
([81]) Form CO, paragraph 8.12.
([82]) E.g., minutes of conference call with competitor on 18 June 2025 (non-confidential version), paragraph 13, and minutes of conference call with competitor on 11 June 2025 (non-confidential version), paragraph 14.

relevant markets. ([83]) Most OEMs who expressed an opinion admitted they usually require, during tendering processes, information on suppliers' cost and margin structures. ([84]) These characteristics, associated with the significant number of suppliers, create a sufficiently competitive dynamic in the relevant markets.

(78) Market reports, third-party annual reports, and the Parties' own internal documents seem to corroborate the existence of a certain degree of OEMs' countervailing buyer power.

(79) In its 2024 Annual Report, AAM indicates as a risk to its industry the '*continuing pressure from our customers to reduce prices*' as one of key risk factors to its business and financial condition. In this context, AAM notes that '*annual price reductions are a common practice in the automotive industry. Many of our contracts require us to reduce our prices in subsequent years*'. ([85]) Likewise, also Dowlais in its 2024 Annual Report indicates that '[m]*any of our customers are large, demanding organisations with significant purchasing power, who can develop and introduce competitors to put pressure on our pricing'*. ([86])

(80) One external market report indicates that suppliers are mostly price-takers: '[…]'. ([87])

(81) In addition, in its annual report Magna identifies OEMs' pricing pressure as a risk: '*We face ongoing pricing pressure from OEMs, including through: quoting pre-requirements; long-term supply agreements with mutually agreed price reductions over the life of the agreement; non-contractual annual price concession demands; pressure to absorb costs related to product design, engineering and tooling, and/or amortize such costs through the piece price for the product; pressure to assume incremental warranty costs; and OEM refusal to fully offset inflationary price increases. OEMs possess significant leverage over their suppliers due to their purchasing power and the highly competitive nature of the automotive supply industry*'. ([88])

(82) Similarly, in one of its internal documents, Dowlais asserts that '[…]'. ([89])

5.2.2.4.2. Demand concentration

(83) In addition, demand for the relevant products is concentrated. Only four OEMs represent approximately […]%, […]%, and […]% of the overall demand for PTUs, ([90]) FDUs, ([91]) and RDMs ([92]) in 2024, respectively. ([93])

(84) Most of the relevant suppliers, including the Parties, sell at least […]% of their total production of each of the relevant three driveline products to only […] OEM customers. AAM, in particular, sold at least approximately […]% of each of its

([83]) Replies to eRFI 'Customers', Question D.B.1. and replies to eRFI 'Competitors', Question D.B.2.
([84]) Replies to eRFI 'Customers', Question D.B.2.
([85]) AAM's 2024 Annual Report, page 15.
([86]) Dowlais' 2024 Annual Report, page 67.
([87]) BofA Securities, *Global Automotive Supplier Review - Who Makes the Car (of Now and the Next Decade)*, 2020, page 19.
([88]) Magna's 2024 Annual Report, page 27.
([89]) Form CO, Annex 21.2.22, page 81.
([90]) […] (Form CO, Table 27).
([91]) […] (Form CO, Table 33).
([92]) […] (Form CO, Table 38).
([93]) Form CO, Tables 27, 33, and 38.

PTUs, FDUs, and RDMs to only […] customers in 2024. ([94]) Accordingly, in its 2024 annual report, AAM indicates that its overall business is '*significantly dependent on sales to GM, Stellantis and Ford*'. ([95]) […]% of GKN's sales of each of the relevant driveline components were made to only […] customers in 2024. ([96]) In response to the market investigation, one of the Parties' key competitors confirmed it sold 80-100% of each of its PTUs, FDUs, and RDMs to only three customers in 2024. ([97])

(85) A significant concentration of customers and resulting dependency on a small number of major OEMs is identified – and considered a business risk – by one of the Parties' key competitors, Magna, in its 2024 Annual Report: '*As a result of the broad portfolio of parts we supply to our six largest OEM customers, such customers may be able to exert greater leverage over us as compared to our competitors*'. It further notes that '[a]*lthough we supply parts to all major OEMs, a significant majority of our sales are to six customers: General Motors, Daimler, Ford, BMW, Volkswagen and Stellantis*'. ([98])

(86) Because demand for the relevant products is concentrated, suppliers' sales appear to be particularly sensitive to any one customer. This makes it unlikely that, post-Transaction, the Parties would have the incentive to raise the price of the relevant products and risk jeopardizing broader commercial relationships with key customers (especially as these markets are declining).

5.2.2.4.3. In-house production

(87) As described in Section 4.2.1.3.2, above, a significant part of the worldwide production in each of the relevant markets is manufactured by OEMs in-house.

(88) Most of the Parties' competitors who expressed an opinion in response to the Commission's market investigation consider that it is easy for OEMs that already produce partly in-house to increase in-house manufacture at the end of a vehicle program, especially as they have excess capacity. ([99]) One competitor explained that '*several OEMs already produce part of their demand in-house and could, if needed, start producing even more internally. Recently, since the electrification trend has not been picking up as expected, and the need to retain employees in some countries, OEMs have been reclaiming in-house production of these components (trend towards insourcing)*'. ([100])

(89) Another competitor confirmed that, in principle, OEMs could also react to a hypothetical price increase by the merged entity by increasing in-house production: '*In response (...), OEMs would in principle have the option to increase in-house production or divert demand to alternative suppliers ([competitor], for example, has excess capacity)'*. ([101])

([94]) Form CO, Annex 31.
([95]) AAM's 2024 Annual Report, page 12.
([96]) Form CO, Annex 31.
([97]) Replies to eRFI 'Competitors', Question D.B.1.
([98]) Form CO, paragraph 8.34, and Magna's 2024 Annual Report, pages 25 and 27.
([99]) Replies to eRFI 'Competitors', Question D.C.3.
([100]) Minutes of conference call with competitor on 11 July 2025 (non-confidential version), paragraph 12.
([101]) Minutes of conference call with competitors on 18 June 2025 (non-confidential version), paragraph 16.

(90) However, most OEM market participants disagree that they could easily increase in-house production. ([102])

(91) As a result, the market investigation was not conclusive in this respect. However, the market investigation revealed that the mere threat of switching to in-house manufacture is used as a negotiating tactic during tendering processes. Most of the supplier market participants declared that OEMs use this threat regularly. ([103])

(92) In addition, most competitor participants consider that OEMs that produce partly or fully in-house are full competitive forces in the market. OEM participants who expressed an opinion agree, admitting they are either full competitive forces in the markets or, at least, weaker competitive forces compared to Tier-1 suppliers. ([104])

(93) In its 2024 Annual Report, AAM notes that it competes with a '*variety of independent suppliers and distributors, as well as with the in-house operations of certain vertically integrated OEMs*'. It further asserts that '*OEMs and suppliers are developing strategies to reduce costs, and these strategies include supply base consolidation, as well as insourcing, vertical integration, global sourcing by OEMs'*. ([105])

(94) On balance, the Commission concludes that OEMs that produce, at least partly, the relevant products in-house exert a weaker competitive pressure (compared to Tier-1 suppliers) in the relevant markets (despite not being merchant suppliers in the relevant markets), thereby constraining the activities of independent suppliers.

5.2.2.4.4. Leveraging with other markets

(95) In case of a hypothetical price increase or an output or quality reduction post-Transaction in the affected markets, in addition to switching to alternative suppliers of the relevant products or increasing in-house supply, OEMs would in principle have the possibility to leverage their purchasing weight in other markets.

(96) As **Table 4**, below, indicates, the Parties have wider relationships with their main customers, which go beyond the supply of PTUs, FDUs, and RDMs. Other products account for at least approximately […]% of the Parties' combined sales with each of their top six customers.

Table 4: Customers' purchases from the Parties in the affected markets

[…]

Source: Form CO, Table 28

(97) Accordingly, the main OEM customers could have the ability to effectively react to a hypothetical post-Transaction price increase or output or quality reduction. In principle, they would be able to, for example, switch or threaten to switch purchases of other products to other available suppliers.

(98) The hypothesis of leveraging their overall relationship with the merged entity was identified by most OEMs that participated in the Commission's market investigation as a credible reaction to a hypothetical price increase or reduction

([102]) Replies to eRFI 'Customers', Question D.C.4.
([103]) Replies to eRFI 'Competitors', Question D.C.6.
([104]) Replies to eRFI 'Competitors', Question D.C.5, and replies to eRFI 'Customers', Question D.C.7.
([105]) AAM's 2024 Annual Report, pages 5 and 15.

of output or quality in the relevant markets. ([106]) One OEM, for example, confirmed this by asserting that '*OEMs could always leverage the fact that they purchase multiple products from the same suppliers to bring prices down*'. ([107])

5.2.2.4.5. Conclusion

(99) It follows from the above that OEMs are likely to enjoy, in each of the three relevant markets, a degree of countervailing buyer power.

5.2.2.5. No significant impact on the relevant markets according to market participants

(100) Most market participants who expressed an opinion find it unlikely that, post-Transaction, the merged entity would have an incentive to profitably raise prices or reduce output or quality in the relevant markets. ([108])

(101) Most OEM customers who expressed an opinion in response to the Commission's market investigation consider that the Transaction will either have no effect, or at most a limited effect, on price levels, quantities, quality, and innovation in the relevant markets. Most OEMs who expressed an opinion consider that the Transaction will not have a significant impact on their own businesses. ([109])

(102) Virtually all the participating competitors submitted they expect price levels, quantities, quality, and innovation to remain unaffected in the markets post-Transaction, due to the largely complementary nature of the Parties' businesses and the competitive constraints exercised by competitors as well as OEMs. Most participating competitors consider that the Transaction will not have a significant impact on their own businesses. ([110])

5.2.3. Conclusion

(103) Therefore, it is unlikely that, post-Transaction, the merged entity would have the ability or incentives to raise prices or reduce output or quality in the relevant worldwide markets for the manufacture and supply of PTUs, FDUs, and RDMs. On this basis, the Commission concludes that it is unlikely that the Transaction will give rise to non-coordinated horizontal effects leading to a significant impediment to effective competition within the meaning of the Merger Regulation.

5.3. Coordinated horizontal effects

(104) The decision will also assess the likelihood of the Transaction giving rise to coordinated horizontal effects. To assess coordinated effects, the Horizontal Merger Guidelines require proof that the concentration will make coordination more likely, more effective, and more sustainable. The Commission's assessment therefore focuses on the changes in terms of these factors that the transactions will bring about. The Commission's assessment focuses on the following factors: (i) the ability to reach terms of coordination and (ii) whether such coordination would be sustainable, based on an analysis of (a) the ability to monitor deviations from the terms of coordination, (b) the existence of a credible deterrent mechanism if deviation is detected, and (c) the reactions of outsiders, such as current and future competitors not participating in the coordination, as well as

([106]) Replies to eRFI 'Customers', Question D.E.2.
([107]) Minutes of conference call with customer on 11 June 2025 (non-confidential version), paragraph 23.
([108]) Replies to eRFI 'Competitors', Question D.E.1. and replies to eRFI 'Customers', Question D.E.1.
([109]) Replies to eRFI 'Customers', Questions F.1-F.4
([110]) Replies to eRFI 'Competitors', Questions F.1-F.4

customers, not being able to jeopardise the results expected from the coordination. ([111])

(105) The less complex and more stable the economic environment, the easier it is for firms to reach a common understanding on the terms of coordination. It is easier to coordinate among a few players than among many. It is also easier to coordinate on a prince for a single, homogeneous product, than on hundreds of prices in a market with many differentiated products. Similarly, it is easy to coordinate on a price when demand and supply conditions are relatively stable than when they are continuously changing. ([112])

5.3.1. Notifying Party's views

(106) The Notifying Party argues that the Transaction will not give rise to coordinated horizontal effects because: (i) there are many competing suppliers in the relevant markets, (ii) the relevant products are not homogeneous, (iii) RFQs cover large volumes and are infrequent (delaying any possible deterrent mechanism), and (iv) OEMs have buyer countervailing power (making coordination unsuccessful). ([113])

5.3.2. Commission's assessment

(107) As to the question of whether the Parties would have the ability to reach terms of coordination, the Commission notes that, as **Tables 1-3** show, there are several competitors, of varying sizes and customer bases, in the relevant markets, which makes tacit coordination more difficult and less likely.

(108) Even if reaching coordination terms would be possible, it appears unlikely that such coordination would be sustainable because:

(a) Possible deterrent mechanisms would not be sufficiently severe. If a market is characterised by infrequent, large-volume orders, it may be difficult to establish a sufficiently severe deterrent mechanism, since the gain from deviating at the right time may be large, certain and immediate, whereas the losses from being punished may be small and uncertain and only materialise after some time. ([114]) In the relevant markets, RFQs are sizable and infrequent (frequently covering an entire vehicle's program, spanning several years), which would make it difficult for driveline suppliers to sustain tacit collusion (compared to markets characterized by frequent and repeated interactions among market operators). ([115])

(b) The reactions from outsiders, notably OEMs, would make such coordination unsuccessful. ([116]) As described in Section 5.2.2.4, OEMs enjoy a degree of countervailing buyer power in the relevant markets and, in response to tacit collusion, would be able to switch to alternative suppliers (in case the tacit collusion would not involve all the existing worldwide suppliers of driveline products) and/or to leverage their overall relationships with Tier-1 suppliers as a retaliation form (e.g., threatening to switch to other suppliers in markets other than the relevant ones). In

([111]) Horizontal Merger Guidelines, paragraphs 39-57.
([112]) Horizontal Merger Guidelines, paragraph 45.
([113]) Form CO, paragraphs 8.53-8.60.
([114]) Horizontal Merger Guidelines, paragraph 53.
([115]) Form CO, paragraph 8.59.
([116]) Horizontal Merger Guidelines, paragraphs 56-57.

addition, OEMs that already produce in-house (at least partially) might consider expanding in-house production.

(109) Therefore, the Commission concludes that it is unlikely that the Transaction will give rise to coordinated horizontal effects leading to a significant impediment to effective competition within the meaning of the Merger Regulation.

6. CONCLUSION

(110) 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)
Teresa RIBERA
Executive Vice-President