

Mergers: Commission opens in-depth investigation into Knorr-Bremse's proposed takeover of competing brakes manufacturer Haldex

Commissioner Margrethe **Vestager**, in charge of competition policy, said: *"Brakes are a crucial component for the safety of the millions of trucks, trailers and buses that transport goods and passengers across Europe every day. We want to ensure that Knorr-Bremse's takeover of Haldex does not restrict competition for these critical components, which could lead to less innovation, for example in the development of automated driving, or to price increases for vehicle manufacturers, fleet operators and ultimately consumers."*

Knorr-Bremse and Haldex are two of the world's largest manufacturers of commercial vehicle brake systems and components, together with Wabco, with a particularly significant presence in the European Economic Area. Knorr-Bremse announced its public offer for Haldex on 5 September 2016 and eventually outbid the competing offer of ZF Friedrichshafen, another car parts manufacturer.

The Commission's concerns

The Commission's initial investigation has shown that the proposed merger would likely remove a significant competitor from an already very concentrated sector.

The Commission has concerns regarding a number of markets where Knorr-Bremse and Haldex currently compete, such as electronic braking systems (EBS) and air disc brakes for both trucks and trailers, anti-lock braking systems (ABS) for trailers, valves and air treatment systems. These markets have high entry barriers due to the technical and regulatory requirements for safety-critical equipment, as well as the significant research and development efforts required to enter, or expand, in these markets.

At this stage, the Commission is concerned that, following the transaction, the level of the remaining competition would be insufficient to avoid price increases and to meet customer requirements in terms of innovation. In some markets, this may result in having Wabco as the only effective competitor to the merged entity.

The transaction was notified to the Commission on 1 June 2017. The Commission now has 90 working days, until 30 November 2017, to take a decision. The opening of an in-depth inquiry does not prejudice the final result of the investigation.

On 30 June 2017, Knorr-Bremse submitted commitments to address the

Commission's concerns. However, the Commission considered these commitments insufficient to clearly dismiss its serious doubts as to the transaction's compatibility with the EU Merger Regulation. The Commission therefore did not test them with market participants.

Given the worldwide scope of Knorr-Bremse and Haldex' activities, the Commission is cooperating closely with the Department of Justice in the United States.

Companies and products

Knorr-Bremse, headquartered in Germany, is a global manufacturer and supplier of brake systems and components, door systems and other equipment for railway and commercial vehicles. Knorr-Bremse's portfolio for commercial vehicles includes, inter alia, foundation brake products such as air disc brakes and actuators, EBS, ABS, valves, air treatment and driver assistance systems.

Haldex, headquartered in Sweden, is a global manufacturer and supplier of various brake systems and components, as well as air suspension control systems, for commercial vehicles. Its business activities comprise foundation brake products, including slack adjusters, air disc brakes and actuators, EBS, ABS, valves and air treatment components.

Merger control rules and procedures

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the [Merger Regulation](#)) and to prevent concentrations that would significantly impede effective competition in the EEA or any substantial part of it.

The vast majority of notified mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has a total of 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

In addition to the present transaction, there is currently one other on-going phase II merger investigation in the [proposed acquisition of NXP by Qualcomm](#).

More information will be available on the [competition](#) website, in the Commission's [public case register](#) under the case number [M.8222](#).