# [Statement by Commissioner Vestager on the proposed acquisition of Alstom by Siemens and the proposed acquisition of Aurubis Rolled Products and Schwermetall by Wieland]

* Check against delivery *

Prohibition decisions are rare, and it’s the first time we announce two prohibition decisions on the same day. The large majority of mergers we review are cleared, either because they don’t pose a problem to competition or because the companies are willing to offer sufficient remedies.

In fact, over the past ten years, the Commission has approved over 3,000 mergers and blocked only seven. Today, we are increasing this number to nine.

The mergers we are prohibiting are Wieland’s takeover of Aurubis’ rolled copper products business and Siemens’ takeover of Alstom’s rail transport business.

These cases concern two different sectors, but our investigations identified serious competition problems in both. We found that the mergers would have led to higher prices, less choice and less innovation. And neither of the companies offered appropriate solutions to resolve the competition problems.

Our goal with EU merger control is to prevent the creation of monopolies or dominant players harming competition and business customers or consumers. This assessment includes balancing the positive and negative effects of a possible deal. Our decisions are based on the rule of law and in-depth economic assessment. They serve the interests of all Member States and their citizens.

***Wieland/Aurubis Rolled Products/Schwermetall***

The first case is Wieland’s takeover of Aurubis’ rolled copper products business.

Rolled copper is used as an input for the manufacture of automotive, electrical or electronics products. For example, it’s used in the production of electrical connectors used in cars, trains and aircraft.

The demand for this type of high quality rolled copper product will increase significantly in the coming years due to the growth of hybrid and electric cars. Electric vehicles require 40 to 80 kilos of copper, while cars powered by a combustion engine require only around 20 kilo of copper. And copper products are also needed for charging stations. You can easily see that this is a market that is growing.

Wieland and Aurubis are two of the three biggest producers of rolled copper products in Europe. The merger also concerned pre-rolled copper strip, which makes rolled copper products. The two companies own a joint venture, called Schwermetall, which makes this very importnat input.

Wieland was already the clear market leader, in particular in high end products for the automotive sector. With the merger, Wieland would have become the dominant player in the market for rolled copper products. It would have had a market share in Europe of over 50%, with only one other competitor with a market share above 10% remaining.

In the beginning of August we opened an in depth investigation to fully assess the effects of the transaction. Our investigation concluded that the merger would have harmed competition and choice in this market and raised rolled copper prices for industrial customers.

Wieland could also have restricted its far smaller competitors in Europe from accessing pre-rolled copper strip. With the merger Wieland would have gained full control over Schwermetall, which is the largest supplier of pre-rolled strip in Europe, with a market share of more than 60%. So Wieland would have been able to raise the costs of these smaller competitors, gain access to confidential information about their inputs and damage their overall competitiveness in European and global markets.

Both the customers in the car and electronics sectors and the smaller competitors, expressed strong concerns to the Commission about the effects of the transaction on their input prices.

The remedies offered by Wieland were not enough to address our competition concerns. In particular, Wieland was not willing to divest Aurubis' stake in Schwermetall. And our concerns with the remedies were shared by market participants.

That is why we have decided to block the deal: Our decision protects customers by preventing the creation of a dominant player in the market, which would have resulted in higher input prices for European industrial customers.

***Siemens/Alstom***

Moving on to Siemens' proposed takeover of Alstom's rail transport business, the Commission opened an in-depth investigation last July to assess this merger.

In some sectors, such as metros and many types of trains, there are strong competitors besides Siemens and Alstom. That is why we did not have competition concerns in these sectors.

However, our investigation showed that the proposed transaction raised serious concerns in two main areas: **signalling systems** and **very high-speed trains.**

When we sit in a train reading the paper or a book or playing with our phone,

**rail signalling systems** are far from our mind, but they are crucial for our safety. Signalling equipment is installed both on-board each train and along the rails to keep the train on the right track. And all these components work together to ensure that trains don’t collide.

In Europe we have developed a common standard for signalling systems called ECTS that allows trains to operate safely across borders. The upgrading of signalling systems across Europe is underway. This is quite an expensive long-term investment for Member States and it requires that equipment is available at competitive prices.

As for very high-speed trains, they are trains that travel at 300 kilometres per hour or more. These types of trains are important for the transition to climate friendly and environmentally sustainable means of transport. Rail companies that need very high-speed trains organise tenders to compare offers from different suppliers. These tenders are relatively rare. Currently in Europe there is one big ongoing tender, HS2 in the UK.

Our investigation showed that the merger would significantly reduce competition in several signalling markets and for very high-speed trains. The merged company would have become, by far, the largest player in Europe and in some signalling markets there would be no competition left. To be clear: it’s fine to be big. But that’s not the issue here. We found that competition from other suppliers would have been insufficient to replace the considerable loss of competition due to the merger. Customers, including train operators and rail infrastructure managers, would have been deprived of a choice of suppliers and products.

The transaction would also have harmed European taxpayers, since national and local governments often finance railway infrastructure. And we want to ensure that the merger would not lead to higher prices for the signalling equipment that keeps the millions of European travellers and commuters who take the train every day safe.

Today, Europe’s railway industry is thriving. It has several champions, chief among them Siemens and Alstom, which are already global companies. In fact, they are the two largest players globally outside China for very high-speed trains. And they are two of the three largest players in signalling – the third being another European company.

But our assessment also covers the future, and we looked in particular at the competition coming from China. We assessed the likelihood of Chinese rail equipment suppliers entering the market. Not in the abstract, but concretely.

The state controlled supplier of trains in China, CRRC, has more than 90% of its activities inside China. It has had less success outside its home market, but has sold some metro systems for example in the US. However, no Chinese supplier has ever participated in a signalling tender in Europe or delivered a single very high-speed train outside China. And there is no prospect of Chinese entry in the European market in the foreseeable future.

***Remedies***

Siemens and Alstom could have obtained our approval for the merger if they had proposed appropriate remedies to address our competition concerns.

However, the companies were not willing to propose a clear-cut remedy for either mainline signalling systems or very high-speed trains. We found that the proposed remedies were simply not enough to address our competition concerns.

And we were not the only ones reaching this conclusion. Our findings are shared by market participants, such as customers, competitors, trade unions and industry associations. The feedback we received from them was negative for both signalling systems and very high-speed trains.

As regards signalling equipment, the key concern was the complexity and viability of the remedy package: the companies offered to divest an assorted mix of assets, transferring some, keeping others, and offering licensing arrangements rather than clear-cut asset transfers.

As for very high-speed trains, the divestment package was insufficient because it did not allow for a competitor to develop a competing very high-speed train.

Less than two weeks ago, Siemens and Alstom made changes to their remedy package. This last proposal did not change the fundamental characteristics of the remedies, neither for signalling systems nor for very high-speed trains. It was only a limited improvement, which did not fully address the competition concerns.

Of course, it is up to companies to decide whether to propose the necessary remedies for the deal to be cleared.

Considering the evidence we gathered, more than eight hundred thousand documents, including internal Siemens and Alstom documents, the negative impact of the merger for competition was clear. In the absence of an appropriate remedy package, the Commission today has blocked the merger.

**Competition policy and industrial policy**

These two prohibition cases tell their own story. As always, we have assessed each of them on their own merits, looking at the facts in the affected markets. The cases have also triggered a discussion on the role of competition rules in creating and supporting “European Champions”.

Competition policy ensures that we have open and fair competition in the European Single Market. It keeps our companies on their toes. A company is not going to be competitive abroad if it does not have any competition at home. Unchallenged companies are not likely to be innovative, flexible or efficient also in the global market place.

EU merger control allows companies to grow by acquiring other businesses while at the same time preserving choice, quality, innovation and competitive prices for European customers at all levels of the value chain, be that business customers or final consumers. One of the benefits of the European

Single Market is that we have room for companies to grow very large without having to sacrifice competition.

We keep looking at the precise ways we use our competition rules to achieve these goals. We assess and re-examine our competition rules and processes and we adapt them where needed. For instance, I have launched a reflection on future challenges of digitisation and the way we enforce competition rules with the help of independent experts and public input. The challenges of digitisation concern all sectors of our economy, also manufacturing, trade and transport.

So, competition rules are one of the keys to keep Europe competitive in global markets. We need to combine several tools not only to get the full picture but also the full effect: an effective industrial policy and competition enforcement, together with our international policy instruments. And we must engage in a strategic reflection about how to maintain and advance European competitiveness and autonomy.

At a conference I hosted a few weeks ago here in Brussels on how to shape competition policy in the era of digitisation,Nobel laureate Professor Jean Tirole made several recommendations for a rational, facts-based industrial policy. One of the suggestions was to focus on market failures.

We do that, for example, through our framework for Important Projects of Common European Interest. In December, we approved such a project on microelectronics. This is a key enabling technology for European industry, which will be funded by France, Germany, Italy and the UK. The public funding will unlock additional private investments. Now we know a lot from this practice and hopefully more projects will follow, like the one that is currently being discussed focusing on batteries.

We also need to support research and development, nurturing talent and supporting universities – as in our proposal for the Multiannual Financial Framework. Horizon Europe, under the leadership of my colleague Carlos Moedas, is the most ambitious research and innovation funding programme ever, with a budget of 100 billion euros.

And we need to complete our Single Market, including the Digital Single Market, and invest in infrastructure. We have simplified EU State aid rules exactly to make it easier to invest in these areas.

My colleague, Elżbieta Bieńkowska is working to make sure that Europe’s industries stay global leaders in innovation, digitisation and decarbonisation.

**Ensuring a level playing field and conclusion**

That being said, we must also ensure a global level playing field for European companies.

Control of subsidies is weaker outside the EU and market access does not necessarily go both ways. That is why we work, under the leadership of my colleague Cecilia Malmström, to strengthen the rules of World Trade

Organisation on subsidies, and why we have started a dialogue with China exactly on subsidies.

But changes to the global trade rules are not going to happen overnight. In the meantime we need to use the tools that we have to be able to protect ourselves from unfair competition.

This means taking seriously security implications, for example from foreign State interference as regards information, data and strategic infrastructure. We have a new framework for screening of Foreign Direct Investment that should be in place soon. It is first and foremost up to Member States to use this framework.

We must also make use of the possibility under government procurement rules to look at all relevant criteria and not just the lowest possible price. And to give ourselves the means to ensure equal access and reciprocity in public procurement by adopting the Commission’s proposal on this.

So, there’s a lot to do. Our work will continue to develop our rules and our policies to maintain the competitiveness of the Single Market. Companies must compete on their merits to succeed both at home and abroad.

If companies want to merge and become stronger they can do so, to the extent they are willing to offer remedies that address any potential competition concerns. Just like Siemens and Alstom could have. In their case, our decision today means that Europe still has two rather than one global champions in rail infrastructure.