Dear Interested Party

Request for submissions: Danfoss' proposed acquisition of Eaton’s hydraulics business

The Australian Competition and Consumer Commission (ACCC) is seeking your views on Danfoss A/S' (Danfoss) proposed acquisition of the hydraulics business of Eaton Corporation plc (Eaton Hydraulics) (the proposed acquisition).

Danfoss and Eaton Hydraulics operate globally and overlap in the supply of hydraulics systems and components to distributors and original equipment manufacturers (OEMs). In particular, they both supply hydraulic valves and hydraulic motors for mobile applications in Australia. Further details regarding the proposed acquisition are at Attachment A.

The ACCC’s investigation is focussed on the impact on competition. In particular, we are seeking your views on:

- how closely Danfoss and Eaton Hydraulics compete in the supply of hydraulics systems and components
- whether prices may increase or service levels may decrease as a result of the proposed acquisition, and
- whether customers of Danfoss and Eaton Hydraulics have access to sufficient alternative suppliers.

Further issues you may wish to address are set out in Attachment B.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the Competition and Consumer Act 2010. Section 50 prohibits mergers and acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by no later than 5pm on 6 August 2020. Responses may be emailed to mergers@accc.gov.au with the title: Submission re: Danfoss / Eaton Hydraulics - attention Elizabeth Elias / Connie Wu. If you would like to arrange a time to discuss the matter with ACCC staff, or have any questions about this letter, please contact Elizabeth Elias on (02) 6243 1104 or Connie Wu on (08) 9325 9637.
Updates regarding the ACCC’s investigation will be available on the ACCC’s Public Mergers Register at (ACCC mergers register).

Confidentiality of submissions

The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the Competition and Consumer Act 2010. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our Informal Merger Review Process Guidelines contain more information on confidentiality.

Yours sincerely

Sheridan de Kruiff
A/g General Manager
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Danfoss

Danfoss is headquartered in Denmark and active globally in the manufacture of components and engineering technologies for refrigeration, air conditioning, heating, motor control and hydraulics for mobile off-road and on-road machinery.

Danfoss’ Australian business is limited to the importation, sale and distribution of mobile hydraulics products from its overseas factories. Danfoss supplies both directly to OEMs and to distributors.

Eaton

Eaton is a diversified industrial manufacturer with corporate headquarters in Ireland and operation headquarters in the USA.

Eaton Hydraulics is the hydraulics business segment of Eaton (excluding its golf grips and filtration businesses). It primarily supplies hydraulics products for mobile (i.e. vehicle) and industrial (i.e. stationary) applications across the industry sectors of mining, agriculture, waste management, construction & earthmoving, truck & bus, material handling and airport equipment.

Eaton Hydraulics supplies both directly to OEMs and to distributors.

Overlap in Australia

Danfoss and Eaton Hydraulics primarily overlap in the supply of hydraulic valves and hydraulic motors for mobile applications. Mobile applications refer to on-road and off-road vehicles designed for mechanised tasks.

Both Danfoss and Eaton Hydraulics import finished hydraulics products into Australia from their overseas manufacturing facilities. The parties both have local facilities where they undertake modification, integration and testing of hydraulics systems or products to customers’ specifications. Danfoss’ facility is in Sydney, and Eaton Hydraulics’ is in Melbourne.
Attachment B

1. Please provide a brief description of your business or organisation.

2. Please outline your interest in the proposed acquisition, including any commercial relationship(s) with Danfoss or Eaton Hydraulics.

Questions for customers (distributors or OEMs)

3. Please identify and describe the types of hydraulics products your company procures in Australia, and identify your current suppliers.

4. Please discuss whether prices may increase or service levels may decrease due to the proposed acquisition, for any hydraulics products you procure in Australia.

5. Please describe how you procure different types of hydraulics products – for example, through tenders or other methods – including the typical duration of contracts, whether contracts are exclusive, and whether the same or different suppliers are used for various components of a hydraulic system.

6. For each hydraulic product you procure in Australia, please identify and describe the key alternative suppliers capable of servicing your needs. In your response, please identify how they compare to Danfoss and Eaton Hydraulics, in relation their product range, pricing, service, innovation or local presence.

7. Please discuss the extent to which you consider Danfoss and Eaton Hydraulics to be close competitors in the supply of hydraulics products. In your response, please consider factors such as the types of products the parties supply, their geographic areas of supply, and their local facilities.

8. Please discuss whether you would have the ability to self-supply or import any of the hydraulics products that you currently acquire from Danfoss or Eaton Hydraulics. Please provide details.

Questions for competitors

9. Please identify the types of hydraulics products you supply in Australia.

10. Please identify your competitors for the supply of each product identified in your response to question 9. Please provide estimated market shares where possible.

11. Please indicate whether you manufacture hydraulics products domestically or import such products from overseas. If it is the latter, please describe the extent to which you carry out design, modification, integration and testing work on hydraulics products within Australia.

12. Please discuss the likelihood of new entry or expansion into the supply of hydraulics products in Australia. In your response, please consider the likely timeframe for entry or expansion and provide details about barriers to entry. Please provide examples of recent entry or expansion where possible.

Other information or competition issues

13. Please provide any additional information or comments that you consider relevant to the ACCC’s consideration of the proposed acquisition.