

COFECE-058-2017

COFECE Resolved not to Authorize the Concentration between Rea and Xignux's Magnet Wire Manufacturing Businesses

- *The operation would merge the main and third-largest competitors in the production and distribution of magnet wire in North America.*
- *The company resulting from the concentration would have a significant market share in terms of sales that could facilitate an increase in prices, with no other competitors to counteract this price hike.*

Mexico City, December 12, 2017.- The Federal Economic Competition Commission's (COFECE or Commission) Board of Commissioners decided not to authorize the joint venture between *Rea Magnet Wire Company (Rea)* and *Xignux's* magnet wire production and distribution businesses because the resulting economic agent would be in a position of power that would negatively affect free market access and the competition process.

Magnet wire is used as input for a wide variety of products such as motors for heating and air conditioning units, electrical appliances and automobiles, among others. It uses copper or aluminum as the conductive metal and it comes in different forms (thickness, shape and coating), according to its industrial use.

Rea is a US company with two subsidiaries in Mexico (*Rea Holdings* and *Rea Trading*), dedicated to the production of magnet and non-ferrous wire. *Xignux* is a Mexican company with four business divisions: cables and electrical conductors, transformers, infrastructure and food. Specifically, *Viakable*, through *Magnekom* (with which the notified operation would be carried out), controls the division of cables and electrical conductors of *Xignux*.

The concentration notified by these companies is a joint venture of their operations in Mexico and the United States.

In reviewing the notified transaction, COFECE found that it would merge the first and the third-largest companies, *Rea* and *Xignux*, in the production and distribution of magnet wire in North America; accumulating a significant market share in terms of sales, in a context of high barriers to entry and stable participation among current competitors over recent years.

COFECE's analysis also found, in the case of possible price increases resulting from the new company, that:

- i) Other competitors from the North American region would not be able to generate effective competitive pressure to prevent price increases; and
- ii) Customers of magnet wire could not substitute their acquisitions with imports from other regions, such as Asia, because this would imply increases in transport costs, and greater delivery times and logistics risks.

Due to the above and to avoid negative effects on competition, COFECE's Board of Commissioners decided not to authorize the transaction, considering COFECE's fundamental responsibility to sanction or block concentrations that may generate risks or anticompetitive conducts.

Once the parties have been notified, the law grants economic agents the right to go before the Judiciary to review the legality of COFECE's actions.

Things you need to know about competition: [Merger Notification Thresholds](#) *and* [Requirements to Notify a Concentration](#)

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The Federal Economic Competition Commission is entrusted with safeguarding competition and free market access. Through these, it contributes to consumer welfare and the efficient functioning of the markets. Through its work, it seeks better conditions for consumers, greater output and better services and a “level playing field” for companies.