



## **Comment on MAN interest in Scania**

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There has been ongoing speculation about the potential for MAN to make a strategic acquisition in order to address concerns about long-term prospects. MAN is not alone in this respect: the global truck industry is on a relentless path of legislation-driven engine improvements that comes with consistently high R&D cost. Those manufacturers with large production volumes are best placed to address this challenge.

MAN's principal problem in the past has thus been a lack of scale (resulting in high unit costs), which it has sought to address in various ways. These include a drive to branch out the production base to Eastern Europe and Asia, as well as collaboration agreements with other manufacturers: on engines, a deal was struck in the US with International; on axles and transmissions, MAN was to pursue a collaboration with Scania, with MAN supplying axles and Scania supplying transmissions. The Scania deal fell through earlier this year, however.

MAN will make an announcement at the IAA show regarding its intentions towards Scania. Below we detail the geography and scale of the two companies, the combination of which would create the largest grouping in Western Europe, leapfrogging both Volvo and DaimlerChrysler.

*“On balance, the acquisition of Scania by MAN would make strategic sense for both companies, offering the economies of scale deemed necessary for long-term survival in the global truck industry.”*

*“It could open up new possibilities in Latin America and Asia for MAN and Scania, respectively, as well as creating potential for collaboration at Euro 6 in Europe.”*

*“As always, in such cases, there could be a risk of some joint market share erosion if the two companies were to merge operations.”*

**Zita Zigan, Head of Commercial Vehicle Forecasting at J.D. Power Automotive Forecasting.**

### Production Volume (2005): Trucks with GVW>6t

Manufacturer	Europe	Latin America	North America
MAN	70.1	0.0	0.0
SCANIA	39.0	14.2	0.5
<b>Total Production</b>	<b>574.1</b>	<b>116.5</b>	<b>623.8</b>

Source: J.D. Power Automotive Forecasting/ACT Research  
 Note: Figures in thousands of units

### Market Share, Western Europe (2005)

Market	DCX	Volvo Group	MAN	SCANIA	MAN/SCANIA?
France	17.0%	44.0%	8.3%	8.1%	16.4%
Germany	42.4%	7.1%	26.4%	4.9%	31.3%
Italy	12.8%	17.7%	8.0%	9.7%	17.7%
Spain	14.4%	30.2%	13.5%	8.6%	22.1%
Sweden	9.0%	46.1%	1.9%	40.4%	42.3%
UK	17.4%	15.9%	8.0%	10.7%	18.7%
Other Western Europe	16.9%	23.7%	17.0%	16.3%	33.3%
<b>Western Europe</b>	<b>22.7%</b>	<b>22.1%</b>	<b>15.0%</b>	<b>9.9%</b>	<b>24.9%</b>

Source: J.D. Power Automotive Forecasting  
 Note: Sales of trucks with GVW > 6t

Taking Volvo's acquisition of Renault Trucks in 2001 as a guide, it appears unlikely that the EU Competition Commission would block the acquisition, wholly or in part, of Scania by MAN, though there may be a small concern regarding a joint Austrian market share in excess of 50% (57% in 2005).

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