

***Case No COMP/M.1652 -
D'IETEREN / PGSI***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION

Date: 17/11/1999

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 17.11.1999

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

Subject: Case No COMP/M.1652 – D’Ieteren/PGSI

Notification of 14.10.1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 14.10.1999, the Commission received a notification of proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 of the acquisition by the Belgian company, s.a. D’Ieteren n.v. (“D’Ieteren”), of sole control over the South African company, Plate Glass & Shatterprufe Industries Limited (“PGSI”).
2. Following examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

I. The Parties and the Operation

3. D’Ieteren is involved in a range of business activities in the automotive sector, comprising broadly: i) wholesale and retail motor vehicle distribution (Volkswagen, Seat, Skoda, Audi and Porsche), ii) servicing and repair and the supply of spare parts for motor vehicles, iii) short term car rental, and iv) long term car rental and financing. D’Ieteren has practically no activities outside the EU, and within the EU some 70% of its turnover is achieved in Belgium.

4. PGSI is a group involved in the manufacture, distribution, repair and replacement of glass and board products. It has activities in South Africa, Central Africa, the US, Australia, New Zealand and Brazil, as well as in the EU.
5. The transaction consists of a number of steps through which D'Ieteren will acquire sole control of PGSI. D'Ieteren will carry out these steps through a joint venture company, S.A. Dicobel ("Dicobel"), in which it will hold 70% of the shares. The remaining 30% are held by S.A. Copeba Novo ("Copeba"), a Belgian listed holding company. In the Shareholders' Agreement of Dicobel, Copeba's role is stated to be that of "financial partner" and provision is made for a majority representation by D'Ieteren on the Board, whose majority will take the strategic decisions of the company. Dicobel will, in turn, acquire the majority shareholding of each of three companies, i.e. Old Belron Rest of the World, HoldCo Southern Africa and Glass SA, which will between them comprise the PGSI group of companies. Through its majority presence on the Boards of these companies and the arrangements for strategic decision-taking, Dicobel will enjoy sole control over PGSI. Thus D'Ieteren, through its sole control of Dicobel, will have sole control of PGSI.

II. Concentration of a Community Dimension

6. The operation constitutes an acquisition by D'Ieteren of sole control of PGSI, and is, therefore, a concentration within the meaning of Article 3.1.b. of the Merger Regulation.
7. D'Ieteren and PGSI have a combined aggregate worldwide turnover in excess of €2,500 million (D'Ieteren, €2,588 million and PGSI, €2,198 million); in each of three member states their combined aggregate turnover is more than €100 million and the aggregate turnover of each of them in these three member states is more than €25 million; they do not both achieve more than two-thirds of their respective Community-wide turnovers within one and the same member state. The operation has, therefore, a Community dimension.

III. Relevant Markets

Relevant Product Markets

8. The activities of D'Ieteren and PGSI, through its subsidiary, Belron International n.v. overlap in two areas, in themselves vertically related, i.e. i) the supply of automotive glass to the independent aftermarket, consisting of independent car dealerships, garages and bodyshops ("IAM"), which the Commission has already considered to constitute a product market in itself, and ii) the repair and replacement of automotive glass, which would constitute another product market.

Relevant Geographic Markets

9. The IAM market has already been considered of a Community-wide geographic scope by the Commission and this definition is retained in the present case. With regard to the repair and replacement of automotive glass, D'Ieteren submitted that the existence of national distribution networks with national pricing and single (free call) telephone numbers indicated a national geographic scope for this market. Other characteristics, such as different suppliers in different member states and appreciable price differences from one member state to another, can be considered further indicators of a national scope for the market for these services. However, given that the operation does not raise

any serious concerns, either at a national or wider level (D'Ieteren does not have these activities outside of Belgium), the Commission does not need to define the geographic scope of the market for the repair and replacement of automotive glass more precisely in the present case.

IV. Assessment

The supply of automotive glass to the IAM

10. The proposed operation would not give rise to an affected market, in the sense of point III of Section 6 of Form CO for the notification of a concentration, in the supply of automotive glass to the IAM, as the combined market share attained would not reach 15%.

The repair and replacement of automotive glass

11. The repair and replacement of automotive glass would constitute an affected market in Belgium, due to the addition of PGSI/Belron's share of some 39% to D'Ieteren's own share of some 1%. D'Ieteren's activities have been limited to services provided in its own car dealerships situated in the Brussels area, whereas PGSI/Belron operates from a network of 40 branches throughout Belgium, replacing the glass at the branches or at the location chosen by the customers.
12. Although the operation strengthens considerably D'Ieteren's market share, the actual change brought about in the overall structure of supply in the market is very small indeed, given D'Ieteren's very limited share. Furthermore, D'Ieteren has indicated that it will be confronted with competition from a variety of competitors, i.e. i) independent service providers who market as a single source and supply a network assistance of the type provided by PGSI/Belron, which between them enjoy some [5-15%] of the market, ii) independent car dealerships who as a block account for some [25-35%], and iii) bodyshops/garages who make up the remaining [15-25%] or so of the market.
13. The Commission's market investigation did not result in the expression of any significant concerns by the other players with regard to the competitive impact of the operation. In the circumstances and in the light of the factors mentioned above, i.e. the marginal change in market structure and the range of competitors, the Commission considers that the operation will not lead to the creation or strengthening of a dominant position in the repair and replacement of automotive glass in Belgium.

Vertical Aspects

14. PGSI/Belron's activities in repair and replacement of automotive glass in Belgium are downstream of the market for glass supply to the IAM in which D'Ieteren is active. However, given the very limited size (approximately 4%) of D'Ieteren's upstream market share in Belgium, the scope for possible effects of the operation on a vertical plane is considered to be no more than marginal, and the market investigation has not shown any significant concerns on the part of the other players with regard to any vertical effects of the operation.

V. Conclusion

15. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and the EEA Agreement. This decision is adopted in application of Article 6.1.b. of Council Regulation (EEC) No 4064/89.

For the Commission,