

***Case No IV/M.1526 -
FORD / KWIK-FIT***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 31/05/1999

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 31.05.1999
SG(99)D/3927

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 IV/M.1526 – FORD/KWIK-FIT

Notification of 23 April 1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 23 April 1999, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 (“Merger Regulation”) by which Ford Motor Company (‘Ford’) will acquire sole control of Kwik-Fit Holdings plc (Kwik-Fit).
2. After 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 the functioning of the EEA Agreement.

I. THE PARTIES

3. Ford is a US company involved in the manufacture and distribution of automotive vehicles, related financial services and leasing of vehicles.
4. Kwik-Fit is a UK based chain of company-owned or franchised outlets specialised in repair and maintenance of automotive vehicles, in particular tyre, exhaust and brake fittings. The company also provides insurance services and mobile services. In a limited number of its outlets it also provides full-service. It operates approximately 1600 service outlets under the brand names Kwik-Fit, Speedy and Pit-Stop in Belgium, France, Germany, Ireland, Netherlands, Spain, Switzerland and the United Kingdom.

II. THE OPERATION

5. The notified operation concerns the acquisition of sole control of Kwik-Fit by Ford, which will be carried out by way of a recommended cash offer for the entire issued share capital of Kwik-Fit announced by the boards of Ford and Kwik-Fit on 12 April 1999. The offer is subject to the UK City Code on Takeovers and Mergers.

III. CONCENTRATION

6. The acquisition by Ford of sole control of Kwik-Fit constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR [...] ¹ (EUR [...] million for Ford in 1998 and EUR [...] million for Kwik-Fit in 1998-1999). Each of Ford and Kwik-Fit have a Community-wide turnover in excess of EUR 250 million (EUR [...] million for Ford in 1998 and EUR [...] million for Kwik-Fit in 1998-1999), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension. It does not constitute a cooperation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

V. COMPETITIVE ASSESSMENT

A. Relevant Product Market

8. The economic sector involved in the proposed concentration is the sector for repair and maintenance of automotive vehicles. Repair and maintenance services are mainly offered by three categories of operators: dealers of automotive vehicles, whether owned by vehicle manufacturers or franchised dealerships operating their business independently, company chains specialised in repair and maintenance of automotive vehicles (like Kwik-Fit) and individually owned non-franchised independent garages.
9. In view of the distinctive characteristics of Kwik-Fit's operations, namely strong brand name, limited range of repairs (tyres, exhausts, brakes), rapid service and lower price level than in mechanical repairs, it is not excluded that the relevant product market in the present case could be determined more narrowly than the overall market for repair and maintenance of automotive vehicles, for example, as a "light repair and maintenance of automotive vehicles". Such a market could be distinct from services offered by independent garages, whether manufacturers' franchised dealerships or individually owned non-franchised independents. The notifying party submits that light repair and maintenance of automotive vehicles accounts for some 40% of the overall market for repair and maintenance of automotive vehicles.

¹ Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

10. Nevertheless, the exact definition of the relevant product market can be left open in the present case, since even pursuant to the narrower definition of the product market as light repair and maintenance of automotive vehicles, effective competition would not be significantly impeded.

B. Relevant Geographic Market

11. The notifying party considers the relevant geographic market to be national in scope. This appears to be justified, given the homogeneous conditions of competition at national level and lack of significant entry barriers. This is without prejudice to the fact that from the point of view of the consumer the market may still be local.
12. In the present case, the exact definition of the relevant geographic market can be left open, however, since in all the alternative geographic market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area, as explained below.

C. Competitive Assessment

13. Ford and Kwik-Fit have overlapping activities in the market for repair and maintenance of automotive vehicles in Belgium, Germany and the United Kingdom.
14. Ford is present in the repair and maintenance of automotive vehicles through approximately a dozen fully-owned or jointly-owned dealerships and/or body shops in Austria, Belgium, Denmark, Finland, Germany, Norway, Sweden and the United Kingdom. The notifying party submits that such a service is performed by authorised Ford dealers acting as independent businesses. Authorised dealers are free to set their prices and source their parts independently provided that the parts meet the quality of Ford parts. They may also service all makes of vehicles. It is the view of the notifying party that its market share is negligible as other players in this market include members of dealer networks representing other car manufacturers, independent garages and fast-fit chains like Kwik-Fit.
15. The notifying party considers the relevant product market to be the overall market for the repair and maintenance of automotive vehicles. In response to the service offered by a number of fast-fit chains Ford has, however, developed for its authorised dealers the concept of Rapid-Fit (or Rapid Service outside the United Kingdom), which authorised dealers may join on a voluntary basis. The service consists of fast service for tyres, brakes, exhausts and shock absorbers. Rapid-Fit is a brand name, the ownership of which belongs to Ford and the role of the company is limited to providing the authorised dealers with consultant service and marketing material. Some [between 500 and 1000] authorised Ford dealers of a total of 3000 Ford dealers participates in Rapid-Fit. This service offered by Ford to its authorised dealers does not, however, appear to compromise the independent nature of the authorised Ford dealers. Similar service is also provided by other vehicle manufacturers (“Master-Fit” for Opel and Vauxhall dealers and “Renault-Minute” for Renault dealers).
16. Ford is active in an up-stream market for manufacture of automotive parts. However, its market share for supply of such parts remains less than 25% for any automotive part. In addition, it does not manufacture parts used for light repairs and maintenance of automotive vehicles.

17. If the view was taken that the relevant market in the present case is the overall “market for repair and maintenance of automotive vehicles”, as maintained by the notifying party, the combined market shares of the parties would amount to [between 2% and 6%] in the United Kingdom ([less than 5%] for Kwik-Fit and [less than 1%] for Ford), [less than 1%] in Belgium ([less than 1%] for Kwik-Fit and [less than 1%] for Ford) and [less than 1%] in Germany ([less than 1%] for Kwik-Fit and [less than 1%] for Ford).
18. Should a narrower market for “light repair and maintenance of automotive vehicles” to be defined as the relevant market, according to the notifying party, the combined market shares of the parties would amount to approximately [between 10 and 15%] in the United Kingdom ([between 10 and 15%] for Kwik-Fit and [less than 1%] for Ford), [around 1%] in Belgium ([less than 1%] for Kwik-Fit and [less than 1%] for Ford) and [less than 1%] in Germany ([less than 1%] for Kwik-Fit and [less than 1%] for Ford).
19. Although pursuant to the information submitted by the notifying party Kwik-Fit has a strong position in relation to certain maintenance services in Belgium, France, Germany, Ireland, the Netherlands and the United Kingdom, according to the Commission’s investigation there exist significant competitors to Kwik-Fit in the market for light repair and maintenance of automotive vehicles in the United Kingdom (“ATS” and “National Tyres and Autocare”), as well as in the other EU countries (“Euromaster”, “Midas” and “Point S”), even if this market were assessed as a distinct and separate market.
20. In view of the foregoing, it can be concluded that the proposed transaction does not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part thereof.

VI. CONCLUSION

21. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,