

***Case No COMP/M.2037 -
BNP PARIBAS / PHH***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 28/07/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 28. 07. 2000

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 Madam/Sir,

Subject: Case No COMP/M.2037 – BNP Paribas/PHH

Notification of 03/07/2000 pursuant to Article 4 of Council Regulation No 4064/89

1. On 03/07/2000, the Commission received a notification of a proposed concentration arising from the acquisition of the PHH Europe Companies (“PHH”) by BNP-Paribas.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation and does not raise serious doubts as to its compatibility with the common market and with the EEA agreement.

I. THE PARTIES

3. BNP Paribas is a multinational banking group. It provides domestic and international retail banking services, specialised financial services, corporate and investment banking, private banking, securities services, insurance and real estate services, and private equity and investment services. Through its wholly-owned subsidiary Arval Service Lease S.A. (“Arval”), BNP-Paribas provides vehicle management services in Belgium, France, Italy, Luxembourg, the Netherlands, Poland, Portugal, Spain, Switzerland and the UK. The majority of its activities takes place in France.
4. The PHH Europe Companies are wholly owned subsidiaries of Avis Group Holdings Inc (“Avis”). They provide vehicle management services and are active in Austria, Germany, Ireland, Switzerland and the UK. The bulk of their activities takes place in the UK. Avis has no other presence in Europe.

II. THE OPERATION

5. Pursuant to the Acquisition, BNP Paribas will acquire sole control (80%) of a joint venture with Avis that will own the PHH Europe Companies, with a view to merging the PHH Europe Companies with Arval's European operations within one year. This acquisition is a concentration for the purposes of Article 3 of the ECMR. The merging of the PHH Europe Companies with Arval's European operations following the Acquisition will imply no change of control.
6. The transaction, by which BNP-Paribas intends to acquire sole control of the whole of PHH, is a concentration within the meaning of article 3(1) (b) of the Merger Regulation.

III. COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion¹. Each of BNP-Paribas and PHH have a Community-wide turnover in excess of EUR 250 million (BNP-Paribas []; PHH []), 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.

IV. COMPETITIVE ASSESSMENT

Relevant product market

8. The Parties submit that the product market should be defined as the overall market for vehicle management services that involves the management of motor vehicles on behalf of corporate clients for fixed fees, which are generally paid on a monthly basis. Vehicle management services covers a wide range of activities, ranging from the simple provision of a method of payment for corporate cars and vans through financial leasing and contract hire², to the complete outsourcing to an external supplier of a company's fleet requirements.
9. The market investigation confirmed the product definition proposed by the parties. However, for the purposes of this decision, it is not necessary to define the relevant product markets since irrespective of the precise definition to be adopted, the assessment of the notified concentration would not change.

Relevant geographic market

10. In accordance with previous decisions³, the notifying party considers that the relevant geographic markets are national. For the purposes of this decision it is not necessary to

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.

² Contract hire (or operating leasing) involves the management of the fleet under lease, as well as bearing the risks of ownership. Financial leasing generally involves the provision of finance to the lessee, with the lessor bearing none of the risks of ownership. In previous cases in this sector it has not proved necessary to decide whether operating leasing constitutes a distinct market from that of financial leasing.

³ IV/M234-GEC/AVIS Lease, IV/M.664-GRS Holding and COMP/M. 1947 ABN Amro Lease holdings/ Dial group.

define the relevant geographic markets, since irrespective of the precise definition to be adopted, the assessment of the notified concentration would not change.

Assessment

11. BNP and PHH activities are essentially geographically complementary and the parties do not have any overlapping activities other than in the UK. Their combined share of the UK vehicle management services market amounts to [5-15%] (BNP [<5%] and PHH [5-15%]). Numerous competitors are active on this market, including Lease Plan/Dial ([5-15%]), GE Capital ([<10%]), Lex ([<10%]) or Velo ([<10%]). On the basis of the narrowest possible market definition, namely the supply of contract hire for cars and light vans, the parties' combined market share in the UK are below [<10%]⁴.
12. Therefore, 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 of that area.

V. CONCLUSION

13. 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,

⁴ In the finance lease segment of the vehicle services market in the UK, PHH' share amounted to around [30-40%]. However, BNP Paribas is not present on this segment.