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Case No IV/M.261 - VOLVO / LEX

Only the English text is available and authentic.

REGULATION (EEC) No 4064/89
MERGER PROCEDURE

Article 6(1)(b) NON-OPPOSITION
Date: 03.09.1992

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COMMISSION
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PUBLIC VERSION

MERGER PROCEDURE -
ARTICLE 6(1)b DECISION

Registered with advice of delivery

1. Notifying party

2. Notifying party

Dear Sirs,

Subject: Case N° IV/M261 - VOLVO/LEX (2)
Notification of 12.08.1992 pursuant to Article 4 of Council Regulation N° 4064/89.

1. This case concerns the purchase by the Volvo Car Corporation (Volvo), through its wholly-owned Irish subsidiary Volvo Car Ireland Ltd, of the operating assets of Vocs Ireland Ltd, the independent importer and distributor of Volvo passenger cars in Ireland. Vocs Ireland Ltd is a wholly-owned subsidiary of Lex Service Plc (Lex). This operation follows a previous acquisition by Volvo of the operating assets of Volvo Concessionaires, in the UK, also a subsidiary of Lex (see case n° IV/M224 - Volvo/Lex (1)). Since the two transactions occur within a two-year period, Article 5(2) second paragraph applies, and they have to be treated as one and the same concentration arising on the date of the last transaction.

2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation 4064/89 (the Regulation) and does not raise serious doubts as to its compatibility with the common market.

I. THE PARTIES AND THE AGREEMENT

3. Volvo Car Corporation is the subsidiary of the Volvo Group which develops, manufactures and markets, directly and through more than 40 operating subsidiaries Volvo passenger cars and related components and spare parts all over the world.

Lex Service Plc is a UK holding company whose main activities include automotive distribution and leasing as well as the distribution of electronic components and computer products.

4. Under an asset purchase agreement Volvo will acquire all of Vocs Car Ireland Ltd's operating assets in Ireland.

II. CONCENTRATION

5. The proposed operation is a concentration within the meaning of Article 3(1) of the Regulation in that Volvo has acquired direct control of the operating assets of Volvo Concessionaires Limited, and has the project to acquire Vocs Ireland Limited, thereby becoming directly responsible for the importation, marketing and distribution of Volvo passenger cars in the Irish market.

III. COMMUNITY DIMENSION

6. The operation has a community dimension as the combined aggregate worldwide turnover of all the undertakings concerned is more than 5,000 million Ecu (11,129 million Ecu), the aggregate Community-wide turnover of each undertaking is more than 250 million Ecu (Volvo Group: 3,765 million Ecu; Volvo Concessionaires + Vocs Ireland Ltd: 784 + 20 million Ecu) and they do not achieve more than two-thirds of their community-wide turnover within one and the same Member State.

IV. COMPATIBILITY WITH THE COMMON MARKET

7. The product market concerned consists of the distribution of passenger cars and related accessories and spare parts. Vehicle distribution is usually undertaken through a pyramidal structure whereby manufacturers supply importers/distributors who in turn supply dealers and subdealers. A recent survey made by EUROMOTOR Reports Research shows a growing trend in Europe towards manufacturers acquiring control of importers/distributors. This choice is explained by a number of reasons, for example:

   - to gain complete control over all aspects of marketing, sales and financial management;
   - to improve coherence between headquarters and local or national priorities;
   - to bring manufacturing and distribution margins within the control of a single organization; and
   - to maintain a competitive global and strategic pricing policy.

8. Although importers/distributors are typically given exclusive rights with regard to a Member State it is not necessary to decide whether, for the distribution of passenger cars, there is a community-wide market or a national market since even if one considers national markets, the proposed operation does not raise serious doubts as to its compatibility with the common market. Volvo's share of the Irish passenger car market was only 2% by value in 1991, and only 3% in the UK. Its share of the EC market was, for the same year, less than 2% and its highest market share within an EC Member State was in the Netherlands and amounted to only 4.3%.

V. CONCLUSION

9. There is no horizontal overlap between the activities of the parties and the proposed concentration will not give rise to any increment in market shares. The main economic effect will be the increase in value added by the Volvo Group through vertical integration of its activities in the UK and the Irish market, which does not give rise to any competitive concerns. Volvo Concessionaires and Vocs Ireland Ltd distribution networks were only available for Volvo Cars prior to the transaction and will remain so following their acquisition by Volvo.

10. For the above reasons the Commission has decided not to oppose the notified concentration and to declare it compatible with the common market. This decision is adopted in application of Article 6(1)b of Council Regulation N° 4064/89.

For the Commission,