

***Case No COMP/M.3517 -  
CVC / PERMIRA / AA***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 27/08/2004

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 27-VIII-2004

SG-Greffe(2004) D203782/203783

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 parties

Dear Sirs,

**Subject: Case No COMP/M.3517 – CVC / Permira / AA  
Notification of 23.07.2004 pursuant to Article 4 of Council Regulation  
No 139/2004<sup>1</sup>**

1. On 23.07.2004, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 (“the Merger Regulation”) by which CVC Capital Partners Luxembourg SA (“CVC”, Luxembourg) and Permira Holdings Limited (“Permira”, UK) acquire within the meaning of Article 3(1)(b) of the Council Regulation joint control of the undertaking AA Corporation (“AA”, UK) by way of purchase of shares and assets.

## **I. THE PARTIES**

2. The AA is active primarily in the provision of breakdown/roadside assistance services and financial services (primarily insurance brokerage services, personal loans, and credit card services (which are classed as consumer credit activities)) in the UK and Ireland. In addition, the AA offers some car repair and maintenance services and other motoring services<sup>2</sup> in its service centres, and operates car driving schools and provides car data checks. The AA is also active in the publication of travel guides and maps.

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<sup>1</sup> OJ L 24, 29.1.2004 p. 1.

<sup>2</sup> Other motoring services offered by the AA include providing traffic data and temporary road signs.

3. **CVC** and its affiliates provide investment management advice to and manage investments on behalf of investment funds.
4. **Permira** is a private equity fund, which focuses on pan-European investments.

## **II. THE OPERATION**

5. The AA is presently owned by GB Gas Holdings Limited (“GB Gas Holdings”), which is a wholly owned subsidiary of Centrica plc. CVC and Permira propose to acquire joint control over the AA via a newly incorporated special purpose company Beta Top Co Limited (“Beta Top Co”). In addition, Beta Top Co will purchase from Centrica certain business assets which are used exclusively by the AA.
6. Following the transaction, the AA will be 100% controlled by Beta Top Co, which in turn will be jointly controlled by CVC and Permira. Each of CVC and Permira will hold a 50% share in Beta Top Co’s capital. Furthermore, according to a Shareholders’ Agreement, CVC and Permira will have an equal number of directors at the board of Beta Top Co (2) and shall unanimously appoint the chairman of the board. CVC and Permira will have veto rights over the appointment and removal of directors other than those that they are entitled to appoint, the chairman of the board and senior employees. Specific consent is also required from both CVC and Permira with respect to the management of the AA, in particular regarding the approval of the annual budget.
7. The operation therefore consists in the acquisition of joint control by CVC and Permira over the AA.

## **III. CONCENTRATION**

8. Based on the above, the notified transaction is a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **IV. COMMUNITY DIMENSION**

9. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion (CVC: EUR [...]; Permira: EUR [...]; the AA: EUR [...])<sup>3</sup>. Each of CVC, Permira and the AA has a Community-wide turnover in excess of EUR 250 million (CVC: EUR [...]; Permira: EUR [...]; the AA: EUR [...]), 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.

## **V. COMPETITIVE ASSESSMENT**

10. The parties have overlapping activities in six areas. However, only in two of these do the parties' combined market shares exceed 15%: a) with respect to the provision of breakdown, roadside assistance and related services; and b) with respect to car data

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<sup>3</sup> 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.

check services. For the remaining markets (repair and maintenance of motor vehicles at services centres; whole sale supply of car spare parts; non-life insurances, and consumer credit services) the overlapping activities of the parties remain below 15% even on the narrowest possible market definitions considered.

11. In addition, the transaction brings about a vertical overlap of activities in relation to one of CVC's portfolio companies, Halfords, which amongst other things is a wholesale supplier of automotive spare parts to the AA.

**(a) Breakdown, road assistance and related services**

*Product market*

12. The parties have submitted that there is a separate market for the provision of breakdown, roadside assistance and related services. On this market, the AA is vertically integrated and provides itself the policy element of the breakdown cover, the retail element by selling the policies, and the breakdown assistance at the roadside. The CVC is active through its subsidiary Kwik-Fit, who as an intermediary sells policies on behalf of a third party provider, [...].
13. There is no previous Commission decision defining the markets in this sector. However, in 1999, the UK Monopolies and Merger Commission published a report ("the MMC report") on this issue. Although it distinguishes between direct sales of services by a breakdown organisation such as the AA, and indirect sales, through intermediary schemes,<sup>4</sup> such as the one of Kwik-Fit,<sup>5</sup> the MMC report concludes that the supply of insured breakdown services for light vehicles constitutes a single economic market.<sup>6</sup> For the purpose of the present case, the exact definition of the product market can be left open because in all alternative market definitions, effective competition will not be impeded as a result of the transaction.

*Geographic market*

14. The parties have submitted that the market for breakdown, roadside assistance and related services is national. The MMC Report concludes that the market for the supply of insured breakdown services for light vehicles is national, on the basis that there are no indications that the market conditions varies as between different parts of the UK. For the purpose of the present case, and given the geographic coverage of the parties' activities, the geographic scope of the market (national or EEA-wide) can be left open.

*Assessment*

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<sup>4</sup> Examples of sales through intermediary schemes are sales by car manufacturers, fleet operations, affinity schemes, financial intermediaries, etc.

<sup>5</sup> Kwik-Fit acting as a broker of [...] sells insurance policies in the UK entitling customers with light vehicles to call upon [...] for roadside assistance and recovery services. [...] in turn uses a network of independent breakdown companies to provide the service. Kwik-Fit does not provide breakdown, roadside assistance services itself.

<sup>6</sup> Cendant Corporation and RAC Holding Limited, February 1999.

15. Whereas the AA provides breakdown, roadside assistance and related services in the UK and in Ireland, CVC (through Kwik-Fit) only sells insurance policies offering such services in the UK. On the UK market for breakdown, roadside assistance and related services as defined by the parties, there is only a minor overlap between the parties' activities. The AA's market share is [30-40]% and the market share of CVC (through Kwik-Fit) is only [0-10]%. If the market were to be further segmented on the basis of a distinction between direct and indirect sales, there would be no overlap between the parties' activities in the direct sales segment (where Kwik-Fit is not active). As for the indirect sales segment, the parties' activities would only insignificantly overlap: the AA would have [30-40]% and CVC (through Kwik-Fit) [0-10]%. The transaction is therefore not likely to give rise to competition concerns on any of the possible markets defined above.

**(b) Car data check services**

*Product market*

16. The parties have submitted that there is a separate market for the provision of car data check services.<sup>7</sup> CVC offers car data check services through its subsidiary Halfords.<sup>8</sup> The AA provides car data check services through a joint venture with [...], which is called [...] (however the services is branded as an AA service). Whereas [...] provides data check services itself, Halfords acts as an intermediary directing customers to a third party provider ([...]). There is no previous Commission decision relating to this activity. For the purposes of the present case, and given the position of the parties, the exact definition of the product market can be left open.

*Geographic market*

17. The parties argue that the market for car data check services is national, since checks are made on cars bearing British number plates and because the data is sources from DVLA/DVLANI, an agency of the UK Department of Transport. There is no Commission decision in this sector. For the purposes of the present case, and given the geographic coverage of the parties' activities, the geographic scope of the market (national or EEA-wide) can be left open.

*Assessment*

18. Both the AA and CVC (through Halfords) provide car data checks services in the UK only. On the UK market for car data checks, the overlap of the parties is minor. Motorfile's market share is [30-40]% and Halfords' [0-10]%. The transaction is therefore not likely to raise competition concerns with respect to car data checks.

**(c) Automotive spare parts -vertical relationship**

*Product market*

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<sup>7</sup> Car data checks is a service which allows the potential purchaser of a used car to trace the history of the vehicle to identify, in particular, whether the car has been stolen, whether it has been scrapped, who the previous owners were and whether there are any mileage discrepancies.

<sup>8</sup> [...].

19. The parties submit that the product market should be defined as embracing all types of automotive spare parts. The question whether there is one single market for the supply of all possible types of automotive spare parts or whether separate markets exist for the supply of different categories of automotive spare parts could be left open in the present case.

*Geographic market*

20. The parties submit that the geographic market for automotive spare parts is national. For the purposes of the present case, and given the position of the parties, the geographic scope of the market (national or EEA-wide) can be left open.

*Assessment*

21. Halfords' main activity is the retail sale of automotive spare parts. Halfords also supplies the AA (but no other company) with automotive spare parts<sup>9</sup> that the AA uses predominantly in its service centres. This commercial relationship arose following the sale by Halfords of its service centres business to the AA in 2001. The sales of automotive spare parts from Halfords to the AA amounted to a total value of £ [...] in 2003. This represents only [5-15]% of the AA's purchases of automotive spare parts and [0-10]% of the total UK market for automotive spare parts. Furthermore, the AA's total purchases of automotive spare parts represent less than [0-10]% of the total sales in the UK. There is no category of automotive spare parts for which the AA accounts for more than [0-10]% of the total UK purchases.
22. Therefore, the transaction will not significantly impede competition on the market for the sale of automotive spare parts.
23. For the reasons stated above, the Commission concludes that the notified transaction does not significantly impede effective competition within the common market or in any substantial part of it.

## **VI. CONCLUSION**

24. 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 (EC) No 139/2004.

For the Commission

Olli REHN  
Member of the Commission

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<sup>9</sup> These spare parts consist essentially in batteries and ignition systems.