

***Case No COMP/M.3969 -
SOCIETE GENERALE /
FORD LEASE-
BUSINESS PARTNER***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 22/11/2005

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 22.11.2005

SG-Greffe(2005) D/206277

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 party

Dear Sir/Madam,

Subject: Case No COMP/M.3969 - Société Générale / Ford Lease-Business Partner Notification of 13 October 2005 pursuant to Article 4 of Council Regulation No 139/2004¹

1. On 13.10.2005, 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 the undertaking Group Société Générale (“SG”, France) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of several business assets (jointly, “Ford Lease Business Partner”) ultimately owned by Ford Motor Company by way of purchase of assets.
2. After examination of the notification, the Commission has concluded that the operation falls within the scope of the Merger Regulation and does not raise serious doubts as to its compatibility with the common market and the EEA agreement.

I. THE PARTIES

3. SG is a French full-service bank of international dimension. It has business activities in three main areas: retail banking, asset management and investment banking. SG has subsidiaries and/or branches in most Member States of the European Community. It is active in the fleet management services through its specialised division operation under the ALD name.
4. Ford Lease Business Partner comprises business assets in the full fleet leasing and management product services market in Italy, Spain, Denmark, France, Germany, Belgium, the Netherlands and Finland. These business assets are/have been ultimately owned by Ford Motor Company.

¹ OJ L 24, 29.1.2004 p. 1.

II. CONCENTRATION WITH A COMMUNITY DIMENSION

5. The notified operation consists in the acquisition by SG of various business assets in the fleet leasing and management market ultimately owned by the Ford Motor Company. Pursuant to separate bid proceedings organised on a country-by-country basis, Ford Lease Business Partner business assets have been sold to SG in Italy (April 2004), Spain (October 2004), Denmark (December 2004), France (May 2005), Germany (August 2005) and Belgium (September 2005). Additionally, the parties have signed a letter of intent for the transfer of business assets in Finland and the Netherlands (10 October 2005). The Italian transaction was already notified to the Italian competition authority and cleared in April 2004. The French transaction was also already notified to the French competition authority and received clearance in August 2005.
6. With these transactions SG acquires control of several business assets (constituting parts of the same undertaking) within the meaning of Article 3(1)(b) of the Merger Regulation.
7. According to Article 5(2) of the Merger Regulation, when several transactions for the acquisition of different parts of one undertaking occur in a two-year period between the same parties, they shall be treated as one and the same concentration arising on the date of the last transaction. The acquisition of the different business assets belonging to the Ford group should therefore be considered as a single concentration taking place in October 2005.
8. This concentration has a Community dimension, as the turnover thresholds of Article 1(2) are met. As a matter of fact, the parties have a combined worldwide turnover of more than €5 billion² (€47.9 billion for SG, [...] million for Ford Lease Business Partner), their individual Community-wide turnover exceeds €250 million ([...] billion for SG, [...] million for Ford Lease Business Partner) and there is no Member State in which they achieve more than two thirds of their Community-wide turnover.

III. RELEVANT MARKETS

9. According to the notifying party, the product market concerned by the proposed transaction is the overall market of full fleet leasing and management services. The notifying party submits that these services are typically provided to customers (companies and corporations) which want to outsource most of their vehicle fleet requirements. Full fleet management services may include *inter alia* purchasing and researching of insurance, damage repair and maintenance, fuel cards processes and road assistance.
10. In previous decisions the Commission has not excluded the possibility of a market segmentation of the full fleet leasing and management services market into (i) fleet services backed by an operating lease (“funded” fleet management services) and (ii) fleet services without an operating lease component, where client maintains ownership of the fleet of vehicles (“unfunded” fleet management services).³ The notifying party

² 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).

³ See COMP/M.2329 Société Générale/Deufin, COMP/M. 2540 Fidis/Sei JV and COMP/M. 3029 Société Générale/AIHL Europe.

does not agree with this further segmentation, but has provided market information for these two narrower markets.

11. The notifying party submits that a European-wide market for full fleet leasing and management services is emerging since major operators do business throughout the EU. It however acknowledges that due to cultural factors (e.g. language) and different national regulatory tax and duty environments, the market is still national in scope. This is in line with Commission past decisions.⁴
12. In the present case it is not necessary to further delineate the relevant product and geographic market because, irrespective of market definition, effective competition would not be significantly impeded in the EEA or any substantial part of it.

IV. COMPETITIVE ASSESSMENT

13. The present transaction gives rise to overlaps in eight national markets: France, Italy, Spain, Germany, Denmark, Finland, the Netherlands and Belgium.
14. The parties combined market shares are below 15% in most of the national full fleet leasing and management services markets as well as funded and unfunded segments. According to the notifying party's estimates, the present operation would affect only the markets for full fleet leasing and management services in France, Denmark and Finland. If these markets were to be further segmented distinguishing a funded and an unfunded segment, the concentration would affect the funded segment in Denmark and Finland and the unfunded segment in France.

France

15. In France, according to the notifying party's estimates, the parties' combined market share will be 15.6% in the overall full fleet leasing and management services market (SG/ALD 14%, Ford Lease Business Partner 1.6%) and 30.6% in the unfunded segment (SG/ALD 30.5%, Ford Lease Business Partner 0.1%). The increase of market share resulting from the operation is therefore minimal.
16. Additionally, the French market is a highly fragmented market where the parties face strong competition from operators belonging to large groups such as Renault, Volkswagen and Daimler Chrysler (all with market shares in the unfunded segment above 10%). It is also worth noting that SG has decreased its market share in this country since 2003 where the combined entity was reported to have a market share of 33.6% in the unfunded segment⁵.
17. On the basis of the foregoing, the Commission therefore considers that the present concentration does not raise competition concerns in France, irrespective of possible sub-segmentations of the market. The same conclusion was reached by the French competition authority which cleared the case in August 2005.⁶

Denmark

⁴ See COMP/M. 3090 Volkswagen/FOCET/Crescent/LeasePlan/JV.

⁵ See Case No COMP/M. 3029 Société Générale/AIHL Europe.

⁶ See DGCCRF decision in case C2005-79, of 22 August 2005.

18. In Denmark, according to the notifying party's estimates, the parties' combined market share will slightly exceed [20-30%] in both the overall market and in the funded segment. In these two markets, there will be a minimal increase of market share (Ford Lease Business Partner has a market share of [0-5%] in both markets). Moreover, the parties face strong competition from major players such as Nordania Fleet Management ([30-40%]) and Volkswagen ([20-30%]). In addition, there are a number of smaller players with a market share around 5%, who might be able to further expand.
19. On the basis of the above, the Commission therefore considers that the present concentration does not raise competition concerns in Denmark, irrespective of possible sub-segmentations of the market.

Finland

20. In Finland, SG/ALD has a quite strong position, with an estimated market share of [25-35%]. On the contrary, Ford Lease Business Partner has a limited presence with a market share of [0-10%] in the funded segment, while is not active in the unfunded segment.
21. With the present operation SG is acquiring a portfolio of operating lease contracts and the sale of the underlying vehicles belonging to the Ford group. After the merger, the combined entity will continue to face significant competition from large operators already with an important market position, such as Volkswagen ([10-20%]) and Nordea ([10-20%]), and several other operators belonging to international conglomerates or important financial groups, such as General Electric Money ([0-10%]), OKO Bank ([0-10%]) and Sampo Bank ([0-10%]). These competitors would not encounter significant obstacles to further expand their activities and therefore increase their market position.
22. In this regard, it should also be noted that the full fleet leasing and management services market in Finland is not mature yet and it is expected to significantly expand in the next years. In particular, an independent market study of Datamonitor indicates that the Finnish market will likely "show dramatic growth" in next years⁷. In this situation, other large financial institutions, in-house finance companies of car manufacturers or independent specialised leasing companies may enter the market.
23. Additionally, customers are often large corporate companies which may enjoy a certain degree of buyer power. The market test has confirmed that the switching costs for customers are relatively low. Finally, it is worth noting that none of the customers contacted by the Commission has expressed concerns with respect to the present concentration.
24. On the basis of the above, the Commission therefore considers that the present concentration does not raise competition concerns neither in Finland.

V. CONCLUSION

25. 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

⁷ Datamonitor 2004 study on operation leasing.

Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EC) No 139/2004.

For the Commission
Signed
Neelie KROES
Member of the Commission