

***Case No COMP/M.5061 -
RENAULT / RUSSIAN
TECHNOLOGIES /
AVTOVAZ***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 08/04/2008

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 08-IV-2008
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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 Sir/Madam,

**Subject: Case No COMP/M.5061 – Renault / Russian Technologies / AvtoVaz
Notification of 29 February 2008 pursuant to Article 4 of Council
Regulation No 139/2004¹**

1. On 29 February 2008 the Commission received a notification of a proposed concentration pursuant to Art. 4 of Council Regulation (EC) No 139/2004 by which the undertaking Renault s.a.s. ("Renault", France, controlled by Renault SA (France)) and Rosoboronexport/Russian Technologies ("Russian Technologies", Russia) acquire within the meaning of Article 3(1)(b) of the Council Regulation joint control of the undertaking AvtoVaz (Russia) by way of agreement.

I. THE PARTIES

2. Renault is a French-based diversified automotive group which produces passenger, commercial and light commercial vehicles. It is also active in the production of tractors, farm machinery and construction equipment as well as the design and production of spare parts and accessories used in connection with the manufacture and operation of vehicles.
3. At present, Rosoboronexport, a Russian-based entity controlled by the Russian Federation, acts as the sole Russian state intermediary agency for export and import of military and dual-purpose products, technologies and services. Under the current reorganisation of Rosoboronexport a newly created Russian state corporation, Russian Technologies, will absorb the current assets of Rosoboronexport.

¹ OJ L 24, 29.1.2004 p. 1.

4. AvtoVaz is a Russian based car manufacturer currently owned by Troika Capital Partners, Renault and Rosobornexport. AvtoVaz is specialized in the design, production and marketing of passenger cars and light commercial vehicles sold under the brand Lada. The vast majority of its sales are concentrated in the Russian Federation and other CIS² countries.

II. THE PROPOSED TRANSACTION

5. On 29/02/08 Renault, who prior to the transaction acquired 25% of the voting shares and 25% of the preferred non-voting shares of AvtoVaz, signed non-legally binding Principles of Cooperation which set out principles for the strategic partnership between Renault and AvtoVaz, pursuant to which Renault will acquire joint control over AvtoVaz in two steps.
6. In a first step, AvtoVaz will be restructured. During this step, AvtoVaz will appoint a new Chief Operating Officer ("COO") and certain senior managers in the field of engineering, purchasing, product development planning and cost control. Based on an informal understanding between the parties [...].³
7. In a second step, the parties will enter into legally binding agreements concerning the corporate governance of AvtoVaz and the cooperation between Renault and AvtoVaz. The minority shareholding will be adjusted so that it will represent 25% of the ordinary shares, plus one ordinary share and 25% of the preferred shares, plus one preferred share of AvtoVaz after restructuring. The principles of joint control will be laid down in a Shareholders' Agreement. The Shareholders' Agreement will provide that [...].

III. CONCENTRATION

8. Since Renault and Russian Technologies will acquire joint control over AvtoVaz, the transaction constitutes a concentration within the meaning of Article 3 (1) EC Merger Regulation.

IV. COMMUNITY DIMENSION

9. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (Renault: EUR 40 682 million, Rosoboronexport / Russian Technologies: EUR [...] million, AvtoVaz: EUR [...] million) and the aggregate Community-wide turnover of each of at least two of the undertakings is more than EUR 250 million (Renault: EUR [...] million, AvtoVaz: EUR [...] million). At least one of the parties, [...], does not achieve more than two-thirds of its Community-wide turnover in one and the same Member State. The notified operation has a Community dimension within the meaning of Article 1(2) of EC Merger Regulation.

² Commonwealth of Independent States.

³ [...]

V. COMPETITIVE ASSESSMENT

10. Both Renault and AvtoVaz are active in the manufacture and sale of passenger cars and Light Commercial Vehicles (LCV).

1. RELEVANT PRODUCT MARKETS

The manufacture and supply of passenger cars and Light Commercial Vehicles ("LCVs")

11. In previous decisions, the Commission has left it open as to whether the market for all passenger cars can be considered the relevant product market, or whether it might be appropriate to subdivide this market in several segments. As regards commercial vehicles, the Commission has commonly considered LCVs as a separate product market.⁴ The exact market definitions for passenger cars and commercial vehicles can be left open in this case too. Even under the narrowest market definitions possible – distinct product markets for mini cars, small cars, medium cars, large cars, executive cars, luxury cars, sport coupes, multi purpose vehicles and sports utility vehicles on the one hand and LCVs on the other hand – the transaction does not give rise to serious doubts as to its compatibility with the Common Market.

Wholesale and retail distribution of passenger cars and LCVs

12. In previous decisions, the Commission has distinguished between the wholesale and retail distribution of motor vehicles.⁵ At the wholesale level, distributors or importers distribute vehicles to dealers, which later retail the vehicles to final customers. The Commission has also distinguished between the distribution of passenger cars and commercial vehicles. In the present case, the exact market definition can also be left open.

2. RELEVANT GEOGRAPHIC MARKETS

The manufacture and supply of passenger cars and LCVs

13. The parties submit that the relevant geographic market for the manufacture and supply of passenger cars is at least EEA-wide. In all previous decisions concerning the manufacture and supply of passenger cars, the Commission either considered the relevant geographic market still to be national in scope or – while discussing several factors which may point into the direction of an EEA-wide scope – finally could leave open the precise definition of geographical scope of the market.
14. In the present case, the exact definition of the relevant geographic market again can be left open since in all the alternative geographic market definitions considered, the transaction does not raise serious doubts as to its compatibility with the common market.

⁴ Case M.2832, GENERAL MOTORS / DAEWOO MOTORS.

⁵ Case M.2832, GENERAL MOTORS / DAEWOO MOTORS.

Wholesale and retail distribution of passenger cars and LCVs

15. In previous cases the Commission has left open the question whether the geographical markets for wholesale and retail distribution of passenger cars and LCVs is EEA-wide or national.⁶ The question can be left open in the present case, too.

3. COMPETITIVE ASSESSMENT

The manufacture and supply of passenger cars and LCVs

16. The parties' combined market share for *all passenger cars* at the EEA level is below 15% ([...]%). At the national level in the countries where there is a horizontal overlap, the combined market share is below 15% in all EEA countries with the exception of (i) France (combined market share: [20-30]%) and (ii) Romania (combined market share: [40-50]%). In both countries, the market share of AvtoVaz is small ([below 1]%). AvtoVaz is not present (and therefore there is no horizontal overlap) in the following EEA countries: Cyprus, Ireland, Malta, Norway, Portugal, Slovenia and the UK. In all of the non-overlap EEA countries, Renault's share is less than 25%.
17. The parties' combined market share for *small cars* at the EEA level is slightly above 15% (combined market share: [10-20]%), with AvtoVaz adding only [below 1]% to Renault's pre-existing EEA-wide share. At the national level the combined market share is below 15% with the exception of five countries: (i) Estonia ([20-30]%), (ii) France ([30-40]%), (iii) Latvia ([10-20]%), (iv) Lithuania ([10-20]%) and (v) Spain ([10-20]%). In these five countries, AvtoVaz adds a small ([below 1]%) share to Renault's share with the exception of Latvia, where AvtoVaz's share remains modest ([0-10]%). AvtoVaz is not present (and therefore there is no horizontal overlap) in the following EEA countries: Bulgaria, Cyprus, Czech Republic, Denmark, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, Norway, Portugal, Romania, Slovenia, Sweden and the UK. In all of the non-overlap EEA countries, Renault's share is less than 25%, with the exception of Bulgaria ([30-40]%), Romania ([60-70]%) and Slovenia ([20-30]%).
18. The parties' combined market share for *medium sized cars* at the EEA level is below 15% (combined market share: [10-15]%). At the national level in the individual EEA countries where there is a horizontal overlap the combined market share is below 15% with the exception of France ([20-30]%), where AvtoVaz's share is small ([below 1]%). AvtoVaz is not present (and therefore there is no horizontal overlap) in the following EEA countries: Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Hungary, Iceland, Ireland, Lithuania, Luxembourg, Malta, Norway, Portugal, Romania, Slovak Republic, Slovenia, Sweden and the UK. In all of the non-overlap EEA countries, Renault's share is below 25%.
19. The parties' combined market share for *SUVs* at the EEA level is below 15% (combined market share: [10-15]%). In the individual EEA countries, the combined market share is below 15% with the exception of Bulgaria ([10-20]%), Finland ([10-20]%) and the Slovak Republic ([20-30]%). In Finland and the Slovak Republic, AvtoVaz adds very little to Renault's pre-existing share ([below 1]% in Finland and [0-10]% in the Slovak Republic). In Bulgaria, AvtoVaz' share is [0-10]%. AvtoVaz is not present (and therefore there is no horizontal overlap) in the following EEA countries: Czech

⁶ Case M.2832, GENERAL MOTORS / DAEWOO MOTORS.

Republic, Ireland, Norway, Slovenia and the UK. In all of the non-overlap EEA countries, Renault's share is less than 25%. Neither Renault nor AvtoVaz are active in the SUVs segment in Portugal and there are no SUVs registrations in Cyprus and Malta.

20. The parties' combined market share for *LCV* at the EEA level is [10-20]% in 2007. AvtoVaz will only add [below 1]% to Renault's pre-existing share. In the countries where there is a horizontal overlap, the combined market share is below 15% in all EEA countries with the exception of (i) Belgium (combined firm: [10-20]%), (ii) France (combined firm: [30-40]%) and (iii) Romania (combined firm: [20-30]%). In each of these three countries, the increase in the market share of AvtoVaz is [below 1]% or below. AvtoVaz is not present (and therefore there is no horizontal overlap) in the following EEA countries: Bulgaria, Cyprus, Denmark, Estonia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Norway, Poland, Portugal, Slovak republic, Slovenia, Spain, Sweden, United Kingdom. In all of the non-overlap EEA countries, Renault's share is less than 25%, with the exception of Latvia ([20-30]%), Luxemburg ([30-40]%) and Slovenia ([20-30]%).
21. Competitors confirmed that the transaction will have only minor impacts on the EEA markets. It can thus be concluded that the transaction does not raise serious doubts as to its compatibility with the common market in this respect.

Wholesale and retail distribution of passenger cars and LCVs

22. The parties submit that there is no horizontal overlap between AvtoVaz and Renault in wholesale and retail distribution of passenger cars and LCVs because only AvtoVaz through Delta Motors (Finland) distributes and sells cars from third parties whereas Renault is only active in wholesale/retail distribution with respect to its own brands. The question can be left open as even under the assumption that both parties are active in the same markets the transaction will not lead to horizontally or vertically adverse effects having regard to the parties' low market shares in the relevant markets. Delta Motors' share in wholesale and retail distribution of passenger cars and LCVs in Finland is modest ([0-10]%). Renault's estimated share would be below its [0-10]% market share on the market for the manufacture and supply of passenger cars and its [0-10]% market share on the market for the manufacture and supply of LCV in Finland. The transaction therefore does not raise serious doubts as to its compatibility with the common market in these segments either.

VI. CONCLUSION

23. 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

[signed]

Neelie KROES
Member of the Commission