

***Case No IV/M.593 -
VOLVO / HENLYS***

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

Article 6(1)(b) NON-OPPOSITION
Date: 27/06/1995

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 27.6.1995

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sirs,

Subject : Case No IV/M.593 - Volvo/Henlys

Notification of 04.05.1995 pursuant to Article 4 of Council Regulation No 4064/89

1. On 19.5.1995 Volvo Bus Corporation (VBC), belonging to the Volvo Group, and Henlys Group plc. (HG) a company incorporated in England, notified an operation whereby they will acquire joint control of the Canadian company, Prévost Car Inc. (PC).
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of application of Council Regulation No. 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

I. THE PARTIES

3. VBC is the company within the Volvo Group that designs, manufactures and markets both the chassis for buses and coaches and buses and coaches. While mainly a chassis producer, it runs body-building operations in Sweden, Austria and France.
4. HG designs and manufactures bodies for coaches and buses and also sells coaches and buses. Its activities are confined to the U.K., with the exception of the export of a small number of coaches to France.
5. PC manufactures and sells inter-city coaches and luxury bus shells (for conversion into luxury motor homes, special purpose vehicles, etc.) in the U.S. and Canadian markets.

II. THE OPERATION

6. The notified operation will be the second of two transactions aimed at bringing about the concentration. The first transaction, which is not notifiable, will consist of the acquisition by VBC of 100% of the shares in PC. Subsequently, VBC will set up a new, Dutch or Canadian, holding company which will in turn hold all of the acquired shares. The second, and presently notified, transaction will consist of the creation of a joint venture through the subscription by both VBC and HG, to 51% and 49% respectively, of the shares in the said holding company, which will be under their joint control.

III. CONCENTRATION

(a) Joint control

7. VBC and HG are each entitled to nominate three directors to the Board of PC. The Shareholders' Agreement contains a clause to the effect that the unanimous written consent of the directors is required for any of a number of operations to be carried out by PC. In particular, unless such unanimous consent is obtained "the Annual Budget shall not be approved and no material change shall be made to such Budget once approved". Hence PC will be jointly controlled by VBC and HG.

(b) Concentration

8. PC's activities will continue to be focused entirely upon the North American market for coaches and buses. North American and EEA markets for coaches and buses are separate (see below).
9. HG has no presence on the coach and bus market in North America outside its investment in Prévost Car Inc. Likewise, VBC is currently not a participant in the manufacture, distribution or sale of coaches or buses in North America. VBC used to have a manufacturing facility for buses in Virginia (US), but this plant was closed in the middle of the 1980s. Given the separate nature of the North American markets for coaches and buses from those existing in the EEA, the parties' joint control of PC cannot be expected to give rise to any coordination of their competitive behaviour within the EEA.
10. The extent of competition between HG and VBC in EEA markets is in any event of a limited nature. VBC has no coach or bus body building presence in HG's primary market, the UK. VBC is a producer of coach and bus chassis and engines (a market upstream of Henlys) and otherwise undertakes coach and bus body building in Scandinavia, Germany, Austria and France. The only one of these territories in which the parties overlap is France, where HG has a very modest presence in the coach sector of the market.
11. PC possesses all the resources necessary to conduct its business activities on a lasting basis (in terms, inter alia, of staff, premises, goodwill, financing and revenues). It has three plants located in Canada and an established direct sales and marketing network in both Canada and the US. The implementation of the proposed transaction will not change the self-sufficiency of PC. PC's main suppliers are all North American, and it is not intended that their suppliers shall be replaced to any significant extent by VBC or HG over the coming years.

12. In view of the above, PC will constitute a concentrative, full-function, autonomous joint venture in the terms of the Merger Regulation.

IV. COMMUNITY DIMENSION

13. The combined aggregate worldwide turnover of the undertakings concerned is more than 5,000 MECU. Both VBC and HG each have a Community-wide turnover of more than 250 MECU, but do not achieve more than two-thirds of this turnover in one and the same Member State. Therefore the concentration has a Community dimension.

V. COMPATIBILITY

14. North American and EEA markets for coaches and buses are separate. There have been very few exports from the EEA to North America. In order to be able to make any exports, European manufacturers are required to make substantial changes to their products to meet the required North American specifications. There have to date been virtually no imports of buses or coaches from North America to the EEA (a very small number of US buses was imported into the UK in 1994 under the Bluebird mark). The market share is not measurable and it is unclear what further imports will take place. The primary reasons for this are differing technical and performance specifications required by EEA coach and bus customers and the existence of established indigenous suppliers in EEA markets.
15. In view of this, PC, which is not currently active in EEA markets, is unlikely to be so in the future, and the current operation will not result in any increment of the EEA market share of either VBC or HG.

VI. CONCLUSION

16. In view of the above, the proposed concentration does not raise serious doubts as to its compatibility with the Common Market.

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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 functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation No 4064/89.

For the Commission