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***Case No COMP/M.6063 -  
ITOCHU / SPEEDY***

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: 12/05/2011

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Brussels, 12.05.2011

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PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

**To the notifying party:**

Dear Sir/Madam,

**Subject: Case No COMP/M.6063 – Itochu/Speedy  
Commission decision pursuant to Article 6(1)(b) of Council Regulation  
No 139/2004<sup>1</sup>**

1. On 01.04.2011, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertaking Itochu Corporation ("Itochu", Japan) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of the undertaking Speedy 1 Limited ("Speedy", United Kingdom) by way of purchase of shares.<sup>2</sup> Itochu is designated hereinafter as the "notifying party".

**I. THE PARTIES**

2. Itochu, the ultimate parent company of Itochu Group, is a Japanese holding company of a global network of subsidiaries and associated companies, which together, are engaged in a broad range of industries, inter alia, automotive repair and replacement services and wholesale supply of replacement tyres for vehicles in a number of European countries.
3. Speedy is the holding company of Kwik-Fit Group Limited ("Kwik-Fit") which is mainly active in automotive repair and replacement services, in the United Kingdom, the Netherlands and France.

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<sup>1</sup> OJ L 24, 29.1.2004, p. 1 ("the Merger Regulation"). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ("TFEU") has introduced certain changes, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this decision.

<sup>2</sup> Publication in the Official Journal of the European Union No C 114, 12.04.2011, p.13.

## II. THE OPERATION AND THE CONCENTRATION

4. On 01.03.2011 Itochu and PAI Partners signed a Put Option Agreement according to which [...] Itochu Corporation, will acquire 100% of [...] Speedy.
5. The proposed transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## III. EU DIMENSION

6. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million<sup>3</sup> [Itochu EUR 26 052 million; Speedy EUR 1 020 million]. Each of them has an EU-wide turnover in excess of EUR 250 million [...], but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension.

## IV. COMPETITIVE ASSESSMENT

7. The transaction will give rise to horizontal overlaps since both parties are active in the markets for (a) (light) repair and maintenance of automotive vehicles in the UK and (b) the wholesale supply of replacement tyres in the EEA. In addition, there are also a small number of markets where there is a vertical relationship. Itochu is active on the UK (EEA) upstream markets for (i) the wholesale supply of replacement tyres and (ii) the wholesale supply of automotive spare parts (more specifically the market for the wholesale supply of aftermarket spare parts) whilst Speedy is active on the downstream UK market for (light) repair and maintenance of automotive vehicles.

### IV.1. Relevant product markets

#### IV.1.1. *Repair and maintenance of automotive vehicles*

8. In previous decisions<sup>4</sup>, the Commission did not reach a conclusion as to whether the market for repair and maintenance services of automotive vehicles needs to be further subdivided into a separate submarket for (i) light repair and maintenance services; and (ii) complex repair and maintenance services.
9. In both *Ford/Kwik-Fit*<sup>5</sup> and *Feu Vert/Carrefour/Autocenter Delauto*<sup>6</sup>, the Commission recognised the possibility of a narrower product market than the overall repair and maintenance of automotive vehicles, but left the product market definition open as no

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<sup>3</sup> Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C95, 16.04.2008, p1).

<sup>4</sup> See e.g. Case IV/M.1526 *Ford/Kwik-Fit*; Case COMP/M.2087 *Feu Vert/Carrefour/Autocenter Delauto*; and Case COMP/M.2948 *CVC/Kwik-Fit*.

<sup>5</sup> Case COMP/M.1526 *Ford/Kwik-Fit*.

<sup>6</sup> Case COMP/M.2087 *Feu Vert/Carrefour/Autocenter Delauto*.

concerns would arise under any alternative. Similarly, in *CVC/Kwik-Fit*<sup>7</sup>, the Commission recognised that a narrower market of the light repair and maintenance of motor vehicles could be distinguished from the overall market of repair and maintenance of motor vehicles because of the distinct characteristics of the light repair and maintenance of motor vehicles (i.e. fast-fit services, limited range of repairs, lower prices).<sup>8</sup> However, the question was ultimately left open.

10. For the purposes of the present decision, in any event, the precise scope of the market can be left open given that the notified transaction does not threaten to impede effective competition under any possible market definition.

#### *IV.1.2. Wholesale supply of replacement tyres*

11. In the *Michelin/Viborg* decision<sup>9</sup>, the Commission stated that the supply of tyres for new vehicles and the supply of replacement tyres should be distinguished. The notifying party agrees with this distinction.
12. Within the market for the distribution of such replacement tyres, the Commission identified several separate product markets, consisting of car and van tyres, truck and bus tyres, agricultural tyres, earthmoving vehicle tyres and motorised and non-motorised two-wheel vehicle tyres.
13. The notifying party submits that the role played by the tyre manufacturers themselves should be taken into account since they typically supply wholesalers as well as directly the repair and maintenance service providers in competition with the wholesalers. For example, Kwik-Fit currently sources the vast majority [...] of its tyre requirements directly from the manufacturers themselves. The notifying party estimates that 30-40% of all the replacement tyres used by the repair and maintenance providers are acquired directly from the tyre manufacturers, while the remaining volume is supplied through wholesalers.
14. Sourcing patterns from other wholesalers received during the investigation indeed indicate that there is a single market (subject to tyre-type segmentation) for the wholesale supply of replacement tyres, including both wholesalers and direct supplies by manufacturers. However, the precise scope of the market can, in any event, be left open given that the notified transaction does not threaten to impede effective competition under any possible market definition.

#### *IV.1.3. Wholesale supply of automotive spare parts*

15. Separately from a market for wholesale supply of replacement tyres, a separate market for the wholesale supply of automotive spare parts can be identified.<sup>10</sup> Suppliers in this market include both manufacturers and wholesalers.

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<sup>7</sup> Case COMP/M.2948 *CVC/Kwik-Fit*.

<sup>8</sup> Case COMP/M.2948, paragraph 8.

<sup>9</sup> Case COMP/M.3081.

<sup>10</sup> Case COMP/M.1893 *Butler Capital/CDC/AXA/Finauto/Auto-distribution/Finelist*, paragraph 16.

16. According to previous decisions<sup>11</sup>, the market for the wholesale supply of automotive spare parts can be further segmented according to whether the spare parts are aftermarket spare parts sold by independent wholesalers or original spare parts sold by vehicle manufacturers and their respective supply chains. In the case of original spare parts, these can be further distinguished by car brand.
17. Although the parties believe that the new Motor Vehicles Block Exemption Regulation<sup>12</sup> has had an impact on the market, they submit that at the wholesale level, however, it is still fair to distinguish between the original parts, per car manufacturer, handled by car dealers and the spare parts (often non-branded or manufacturer-branded) handled by the independent wholesalers.
18. Ultimately, the precise scope of the market can be left open, since even under the narrowest product market definition, i.e. the market for the independent wholesale supply of automotive spare parts for the aftermarket, the notified transaction does not threaten to impede effective competition.

#### **IV.2. Relevant geographic markets**

19. In previous decisions<sup>13</sup> that examined the area of repair and maintenance services of automotive vehicles, the Commission while leaving the relevant geographic market definition open indicated that it could be national in scope.
20. In the *Michelin/Viborg* decision,<sup>14</sup> the Commission stated that its market investigation had generally confirmed that the market for the distribution of replacement tyres is national in scope, as competition conditions do not significantly differ within a Member State.
21. The notifying party submits that the relevant market for wholesale supply of automotive spare parts is national in scope, but a sub-national geographic scope is also addressed given that the Commission found - without reaching a final conclusion - that the market could be regional in scope in *Porsche/Volkswagen* and *VW/VW Audi Vertriebszentren*<sup>15</sup>.
22. In any event, the precise scope of the respective relevant geographic markets can be left open given that the notified transaction does not threaten to impede effective competition under any possible market definition.

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<sup>11</sup> Case COMP/M.3198 *VW-Audi/VW-Audi Sales Centres* and Case COMP/M.5250 *Porsche/Volkswagen*.

<sup>12</sup> Commission Regulation (EU) No 461/2010 of 27 May 2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices in the motor vehicle sector (OJ L29, p. 52)

<sup>13</sup> See e.g. Case COMP/M.1526 *Ford/Kwik-Fit*, Case COMP/M.2087 *Feu Vert/Carrefour/Autocenter Delauto*.

<sup>14</sup> Case COMP/M.3081 *Michelin/Viborg*.

<sup>15</sup> Case COMP/M.3198 and Case COMP/M.5250.

### IV.3. Competitive assessment

23. On the basis of the product market definitions discussed above, the notified transaction would give rise to overlaps or to vertical relations in the following potential markets:

#### *Horizontal Overlaps*

- UK market for (light) repair and maintenance of automotive vehicles.
- EEA market for the wholesale supply of replacement tyres.

#### *Vertical Relationships*

- Upstream: UK market for the independent wholesale supply of automotive spare parts for the aftermarket.  
Downstream: UK market for (light) repair and maintenance of automotive vehicles.
- Upstream: UK (or EEA) market for the wholesale supply of replacement tyres.  
Downstream: UK market for (light) repair and maintenance of automotive vehicles.

24. As will be further elaborated below, however, only one of these markets (the final one listed above) amounts to an affected market.

#### *IV.3.1. Horizontal overlaps*

25. Itochu and Speedy are both active on the United Kingdom market for (light) repair and maintenance of automotive vehicles. In 2009, the combined market share on these respective markets was well below 15% on a national level as can be seen in Table 1. No affected markets would arise either if one would alternatively look at sub-national markets based on the different regions in the United Kingdom.

**Table 1: 2009<sup>16</sup> UK market for (light) repair and maintenance of automotive vehicles**  
Source: Form CO

	Total size in EUR million	Itochu market share %	Speedy's market share %	Combined market share %
Overall repair and maintenance	21 643	[0-5]%	[0-5]%	[0-5]%
Light repair and maintenance	11 943	[0-5]%	[0-5]%	[5-10]%

26. Itochu and Speedy's activities in the wholesale supply of replacement tyres do not overlap on a national level. Thus, Table 2 exhibits the combined market share on a hypothetical EEA market for the wholesale supply of replacement tyres. Again the combined market shares are well below 15% and in any event the increment is de minimis.

**Table 2: 2009<sup>17</sup> EEA market for the wholesale supply of replacement tyres by value**

<sup>16</sup> 2010 data are not yet fully available. The parties do not expect the 2010 data to differ appreciably.

<sup>17</sup> 2010 data are not yet fully available. The parties do not expect the 2010 data to differ appreciably.

**Source: Form CO**

	Total size in million EUR	Itochu market share %	Speedy's market share %	Combined market share %
Overall	14 771	[0-5]%	[0-5]%	[0-5]%
Overall (excluding sales by tyre manufacturers)	9 601	[0-5]%	[0-5]%	[0-5]%
Car and van	13 309	[0-5]%	[0-5]%	[0-5]%
Car and van (excluding sales by tyre manufacturers)	8 650	[0-5]%	[0-5]%	[0-5]%

*IV.3.2. Vertical relations*

27. On the upstream market for the independent wholesale supply of automotive spare parts for the aftermarket in the United Kingdom, the notifying party estimates that Itochu holds a very small market share of less than [0-5]% in 2009. This very low market share for Itochu, coupled with low combined shares of the parties at the downstream level (less than [5-10]% see Table 1) do not result in an affected market and clearly indicate that this vertical relationship will not raise any competition concerns.<sup>18</sup>
28. The second vertical relationship between the upstream market for the wholesale supply of replacement tyres and the United Kingdom and the downstream market for (light) repair and maintenance of automotive vehicles results in a technically affected market since Itochu's market share on the upstream market is above 25% in 2009 as depicted in Table 3.

**Table 3: 2009<sup>19</sup> UK market for the wholesale supply of replacement tyres by value**  
**Source: Form CO**

	Total size in million EUR	Itochu market share %
Overall	1 530	[10-20]%
Overall (excluding sales by tyre manufacturers)	994	[20-30]%
Car and van	1 330	[20-30]%
Car and van (excluding sales by tyre manufacturers)	864	[30-40]%

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<sup>18</sup> The situation would not change if one were to define the upstream market narrower than national.

<sup>19</sup> 2010 data are not yet fully available. The parties do not expect the 2010 data to differ appreciably.

29. During the investigation a concern was voiced that post-transaction Itochu is likely to favour Speedy in supplying replacement tyres for cars and vans. While it can not be excluded that Speedy would receive better supply conditions once vertically integrated into Itochu and indeed become more competitive, such a preferred treatment, however, is unlikely to lead to any kind of foreclosure.
30. First, Itochu's market share on the upstream market and therefore its ability to foreclose is limited ([30-40]% excluding sales by tyre manufactures). Notably, other sizeable wholesalers are present on the market. The notifying party estimates that wholesaler like Micheldever Tyres Services Limited or Group Tyre have a market share of [10-20]%, while R&RC Bond Ltd and Stegrades Motor Accessories occupy between [5-15]% of the market (excluding sales by tyre manufacturers).
31. Second, tyre manufacturers are able to supply directly to the downstream market, and indeed, Speedy and its competitors source a sizeable amount ([...] in case of Speedy) of their replacement tyres directly from them. Finally, in relation to customer foreclosure, it should be noted that Speedy only has a very limited presence in the downstream market of [5-10]% and is procuring more than [...] of its replacement tyres from tyre manufacturers or Itochu. Therefore, other wholesalers are unlikely to lose an important source of custom in case Speedy would re-direct its procurement to Itochu post-transaction.
32. Thus, given the presence of alternative replacement tyre wholesalers, the direct supply from tyre manufactures and Speedy's current sourcing pattern, foreclosure is unlikely to arise.

## **V. CONCLUSION**

33. For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation.

*For the Commission*

*(signed)*

*Joaquín ALMUNIA  
Vice-President*