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EUROPEAN COMMISSION
DG Competition

Case M.7747 - PGA / MSA

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 16/10/2015

***In electronic form on the EUR-Lex website under
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EUROPEAN COMMISSION

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

Brussels, 16/10/2015
C(2015) 7257 final

PUBLIC VERSION

MERGER PROCEDURE

To the notifying party:

Dear Sir/Madam,

Subject: Case M.7747 - PGA/ MSA
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004¹ and Article 57 of the Agreement on the European Economic Area²

- (1) On 11.09.2015, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which PGA Motors SAS of France ("PGA" or "Notifying Party"), ultimately controlled by Volkswagen AG of Germany ("VW"), acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of MSA Groupe SAS of France ("MSA") by way of purchase of shares³. (PGA and MSA are designated hereinafter as the "Parties".)

1. THE PARTIES

- (2) **PGA** is active in the distribution of passenger cars and light commercial vehicles ("LCV") of various manufacturers as well as in the distribution of spare parts and repair services for these vehicles and other vehicle related services in France.

¹ 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.

² OJ L 1, 3.1.1994, p.3 ("the EEA Agreement").

³ Publication in the Official Journal of the European Union No C 310, 19.09.2015, p. 4.

- (3) **VW** is active worldwide in the development, manufacture, marketing and sale of passenger cars, LCV and other vehicles as well as spare parts and vehicle related services.
- (4) **MSA** is active in the distribution of passenger cars and LCV as well as spare parts of various car manufacturers and other vehicle related services in nine *départements* in France.

2. THE OPERATION

- (5) On 30 July 2015 MSA and PGA entered into a share purchase agreement for the acquisition of 80% of the shares in MSA, the remaining 20% being retained by the sellers (a private individual and his family) (the "Transaction").
- (6) PGA has a call option on the shares held by the seller which can be exercised between 1 April 2016 and 30 June 2021.

3. THE CONCENTRATION

- (7) The Transaction will result in the acquisition of sole control over MSA by PGA as the minority shareholding which will be held by the seller following the Transaction will not grant any veto right.
- (8) In light of the foregoing the proposed transaction constitutes a concentration within the meaning of Art. 3(1)(b) of the EU Merger Regulation.

4. EU DIMENSION

- (9) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (VW: EUR 202 458 million, MSA: EUR [...]). Each of them has an EU-wide turnover in excess of EUR 250 million (VW: EUR [...], MSA: EUR [...]), 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 within the meaning of Article 1(2) of the Merger Regulation.

5. MARKET DEFINITION

- (10) The Transaction concerns the distribution of automotive vehicles and related business activities in France. Particularly, although the transaction will give rise to a number of reportable markets it will – depending on the exact geographic market definition – only generate an affected market with regard the retail distribution of new passenger cars and LCV in certain departments ("*départements*") in France.

5.1. Product Market Definition

- (11) In previous decisions the Commission has distinguished between retail and wholesale distribution of new passenger cars.⁴ The Commission has further

⁴ COMP/M.2832 *General Motors / Daewoo Motors*.

distinguished between the (retail) distribution of passenger cars on the one hand and of LCV on the other hand.⁵ The Commission considered that with respect to passenger cars a further segmentation by car type (e.g. mini cars, small or medium cars etc.) is not necessary because vehicle manufacturers usually distribute different car types under the same distribution channel.⁶

- (12) The Parties agree with the above market definition and submit that the segmentation of the product market between passenger cars and LCV is sufficient and any further segmentation, particularly by type of car, would be inappropriate.
- (13) The market investigation broadly confirmed that the market for the retail sales of motor vehicles likely constitutes a distinct product market that is different from the wholesale of motor vehicles, with different competitive dynamics and different players acting on the two plausible markets.
- (14) Also, the market investigation gave strong indications that the retail sales of new motor vehicles (particularly passenger cars) likely constitutes a separate product market from the market for the retail sale of used motor vehicles (particularly passenger cars).
- (15) In any event, the exact market definition can be left open, as under none of the plausible market definitions the Transaction raises serious doubts as to its compatibility with the internal market.

5.2. Geographic Market Definition

- (16) In previous decisions the Commission has left open whether the market for the retail distribution of new passenger cars and LCV is regional, national or EU-wide in scope. However, it considered a tendency towards a more EU-wide geographic market due to the effect of the block exemption for vertical agreements in the motor vehicle sector.⁷
- (17) The Parties submit that the geographic scope of the market should be at least national. However, in the Parties' view, the exact definition of the geographic scope of the market can be left open.
- (18) The market investigation gave indications that the scope of this market is regional. Competitors to the Parties in fact indicated that the majority of customers are not willing to move to other regions to purchase a new car and that retailers perceive competition on a regional level. Notwithstanding the above, the market investigation also gave indications that the market may be national in scope as prices as well as marketing and promotional campaigns are decided centrally by the car manufacturers.

⁵ COMP/M.2832 *General Motors / Daewoo Motors*, COMP/M.3352 *VW / Hahn + Lang* and COMP/M.3388 *Ford Motor Company / Polar Motor Group*.

⁶ COMP/M.2832 *General Motors / Daewoo Motors*.

⁷ COMP/M.3352 *VW / Hahn + Lang* and COMP/M.3388 *Ford Motor Company / Polar Motor Group*.

- (19) In any event, the exact geographic market definition can be left open, as under none of the plausible market definitions the Transaction raises serious doubts as to its compatibility with the internal market.

6. COMPETITIVE ASSESSMENT

- (20) The Parties' activities horizontally overlap in a number of markets, and particularly: (i) distribution of spare parts, (ii) trading with used passenger cars and LCV, (iii) short term car rental, (iv) car repair and maintenance of automotive vehicles and (v) car insurance brokerage services. However in none of these markets the combined market share of the Parties will exceed 20% under any plausible market definition and in most of these markets increments brought about by the transaction will be minimal. Thus, these markets are not treated any further.
- (21) Finally, the proposed transaction will give rise to a vertical relationship between the upstream production and wholesale of new cars and LCV, where VW is active, and the downstream markets for distribution of new passenger cars and LCV, where MSA is active. However in none of these markets the Parties have a market share in excess of 30% and therefore are not treated any further.
- (22) Both Parties are active – *inter alia* – in the retail sale of new passenger cars in France. If the geographic scope of the market was to be defined as national their combined market share would be [5-10]% with a minimal increment of [0-5]% brought about by MSA.
- (23) If the market for the retail sale of new vehicles was to be defined as regional in scope, the activities of the Parties overlap only in seven *départements* with respect to passenger cars and in three *départements* with respect to LCV. However, in only one of them – Pas-de-Calais (62) – their combined market share exceeds 20% for both passenger cars – with a combined market share of [20-30]% (VW/PGA: [20-30]%; MSA: [0-5]%) – and LCVs, with a combined market share of [30-40]% (VW/PGA: [20-30]%; MSA: [0-5]%).
- (24) On the market for retail sale of new passenger cars in the Pas-de-Calais *département* the Parties will face competition from Groupe Sofida with an estimated market share of around 15% and Groupe Geudet and Groupe Mariscal both with an estimated market share of 5%. All these three competitors have higher market shares than the increment ([0-5]%) resulting from the transaction.
- (25) On the market for retail sale of LCVs in the Pas-de-Calais department the Parties will face competition from two stronger companies, Groupe Sofida with an estimated market share in the range of 40% to 50 % and Groupe Mariscal with an estimated market share in the range of 20% to 30%. In addition Groupe Gueudet is active with estimated market share in the range of 10% to 20%. The market share of all three competitors is higher than the increment ([5-10]%) resulting from the transaction.
- (26) The Parties identified overall at least 37 "main competitors", that is competitors of a certain size and excluding small retailers, of which at least seven are active on a national level: Groupe Gueudet, Groupe Sofida, Groupe Mariscal, Groupe Corteel, Groupe Chabot, Groupe Lempereur and Groupe Tuppin. This finding was also supported by the market investigation.

- (27) Also, customers can freely switch from one retailer to the other and from one brand to the other. When an end customer decides to purchase a new car he has the possibility to freely choose between different manufacturers and between different retailers selling cars of the manufacturer of choice. This is true at local and national level.
- (28) Finally, all the competitors responding to the market investigation indicated that following the Transaction the competitive dynamics will not change substantially on the market for retail sales of new cars and LCV.
- (29) In light of the above and all the available evidence, the Commission considers that the concentration does not give rise to serious doubts as to its compatibility with the internal market as a result of non-coordinated horizontal effects on the markets for the retail sales of new cars and LCV in France and in the Pas-de-Calais department.

7. CONCLUSION

- (30) 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 and Article 57 of the EEA Agreement.

For the Commission
(Signed)
Margrethe VESTAGER
Member of the Commission