



EUROPEAN COMMISSION
DG Competition

***Case M.8198 - ALLIANCE AUTOMOTIVE GROUP / FPS
DISTRIBUTION***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 28/10/2016

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

To the notifying party

Subject: Case M.8198 - ALLIANCE AUTOMOTIVE GROUP / FPS DISTRIBUTION
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

Dear Sirs,

- (1) On 27 September 2016, the European Commission received notification of a proposed concentration ("Transaction") pursuant to Article 4 of the Merger Regulation by which Alliance Automotive UK, a subsidiary of Alliance Automotive Group ("AAG", UK) acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control of FPS Distribution ("FPS", UK).³ AAG and FPS are collectively referred to as "the Parties."

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 365 4.10.2016 p.30

1. THE PARTIES AND THE CONCENTRATION

- (2) AAG buys light and commercial vehicle spare parts from manufacturers and suppliers which it distributes through its network of distributors (either group-owned or independent) mainly to independent garages.
- (3) AAG is jointly controlled by Alliance Industries Group Sàrl and Blackstone.⁴ One of the companies controlled by Blackstone, Gates Worldwide Limited (“Gates”), is a global diversified industrial company that provides power transmission and fluid power solutions and services. Certain of these products can be used as automotive spare parts.
- (4) FPS is a holding company. Through its three wholly-owned subsidiaries (Ferraris Piston Service Ltd, Apec Ltd and BTN Turbocharger Service Ltd), FPS is active in the supply and wholesale distribution of automotive spare parts in the UK.
- (5) Pursuant to the Transaction, AAG, via its subsidiary Alliance Automotive UK, will acquire 100% of the shares of, and sole control over, FPS.

2. EU DIMENSION

- (6) The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 000 million⁵ (AAG and Blackstone: EUR 57 479 million, FPS: EUR 301 million). Each of them has an EU-wide turnover in excess of EUR 250 million (AAG and Blackstone: EUR [...] million, FPS: [...] million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.
- (7) Therefore, the concentration has an EU dimension within the meaning of Article 1(2) of the Merger Regulation.

3. RELEVANT MARKETS

3.1. Market for the manufacture and supply of automotive parts

- (8) The Commission has in the past defined the relevant product market for the manufacture and supply of automotive spare parts and components on a product-by-product basis.⁶
- (9) The Commission has also further segmented the relevant markets by reference to: (i) the vehicles for which the product is supplied, distinguishing between components and systems for (a) light vehicles (including passenger cars and light commercial vehicles), and (b) heavy commercial vehicles,⁷ and (ii) the distribution

⁴ See case M.7401 – Blackstone / Alliance BV / Alliance Automotive Group.

⁵ Turnover calculated in accordance with Article 5 of the Merger Regulation.

⁶ See e.g. Case COMP/M.7401 - Blackstone/ Alliance BV/ Alliance Automotive Group, paras 10 to 13; Cases COMP/M.4456, Mahle / Dana EPG (connecting rod bearings and pistons rings COMP/M.3972, TRW Automotive / Dalphi Metal Espana (airbags and steering wheels); COMP/M.2535, Sogefi / Filtrauto (filters); COMP/M.2939, JCI / Bosch / VB Autobatterien JV (starter batteries).

⁷ See e.g. Case COMP/M.3789, Johnson controls / Robert Bosch / Delphi SLI.

channel to which the product is supplied, distinguishing between (a) products for original equipment manufacturers ("OEM"), including products for the original equipment services ("OES"), and (b) products sold to the independent aftermarket ("IAM").⁸

- (10) As regards the geographic scope of these markets, the Commission has in the past envisaged a national scope for the IAM market and an EEA-wide scope for the OEM/OES market.⁹
- (11) As the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product and geographic market definition, the precise market definition can be left open.

3.2. Market for the wholesale distribution of automotive spare parts

- (12) The Commission has stated in a number of decisions that the market for the wholesale distribution of automotive components is to be divided by reference to the vehicles for which products are supplied (light vehicles vs. heavy commercial vehicles) but without any sub-segmentation by product. The Commission also considered a distinction by reference to the distribution channel (OEM/OES vs. IAM), but ultimately left open the exact definition of the relevant product market.¹⁰
- (13) As regards the geographic scope of the wholesale distribution markets, the Commission considered in the past that it could be either EEA-wide, national or even regional.¹¹
- (14) As the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product and geographic market definition, the precise market definition can be left open.

4. COMPETITIVE ASSESSMENT

4.1. Non-horizontal effects

- (15) The Transaction does not lead to any horizontally affected markets.
- (16) The Transaction leads to three vertically affected markets in the UK: at upstream level the markets for (i) the manufacturing and supply of ribbed belts for light vehicles to the IAM channel in the UK, (ii) the manufacturing and supply of synchronous belts for light vehicles to the IAM channel in the UK, (iii) and supply of synchronous belt kits for light vehicles to the IAM channel in the UK, and at downstream level, the market for wholesale distribution of spare parts to the IAM channel in the UK.

⁸ See e.g. Case COMP/M.4456, Mahle / Dana EPG.

⁹ See e.g. Case COMP/M.4456, Mahle / Dana EPG.

¹⁰ See e.g. Case COMP/M.7401 - Blackstone/ Alliance BV/ Alliance Automotive Group, Case COMP/M.6319, Triton / Europart.

¹¹ See e.g. Case COMP/M.7401 - Blackstone/ Alliance BV/ Alliance Automotive Group, Case COMP/M.6319, Triton / Europart.

- (17) On the downstream market, the Parties' combined market share is below 20%. Gates' market shares on the upstream markets for the manufacturing and supply of ribbed belts, synchronous belts and synchronous belt kits are provided in Table 1 below:

Table 1. Market shares (volume) of Gates and its competitors on the upstream market for the manufacture and supply of automotive spare parts for light vehicles in the UK, 2015

	Ribbed belts	Synchronous belts	Synchronous belt kits
Gates	[50-60]%	[40-50]%	[40-50]%
Dayco	[10-20]%	[30-40]%	[20-30]%
Contitech	[10-20]%	[5-10]%	[0-5]%
Schaeffler/INA	-	-	[10-20]%
Other	[20-30]%	[5-10]%	[5-10]%

Source: Form CO

- (18) The Notifying Party maintains that the Transaction does not raise any competition concerns in relation to the above mentioned products in the UK. The Notifying Party points out that there is an existing vertical relationship between Gates and Ferraris Piston on the markets for ribbed belts, synchronous belts and synchronous belt kits. Their commercial relationship is not exclusive therefore Ferraris Piston can purchase spare parts from Gates' competitors and Gates can supply spare parts to other distributors. According to the Parties this will not change post-Transaction.
- (19) The Commission considers that the Transaction is unlikely to raise serious doubts as to its compatibility with the internal market due to the following reasons:
- (20) First, wholesalers can switch to other suppliers of ribbed belts, synchronous belts and synchronous belt kits. These suppliers include Dayco (ribbed belts: [10-20]%, synchronous belts: [30-40]%, synchronous belt kits: [20-30]%), Contitech (ribbed belts: [10-20]%, synchronous belts: [5-10]%, synchronous belt kits: [0-5]%) and Schaeffler/INA (synchronous belt kits: [10-20]%). All customers who responded to the market investigation confirmed that they currently source from several suppliers.¹²
- (21) Second, ribbed belts, synchronous belts and synchronous belt kits are not essential inputs for the wholesale distribution of spare parts (e.g. together they represent less than [0-5]% of AAG's total spare parts purchases in the UK).
- (22) Third, the Parties would not have an incentive to engage in an input foreclosure strategy given that [Information relating to Gates' and the Parties' margins for the sale of ribbed belts, synchronous belts and synchronous belt kits in the UK.], and that there are a number of alternative suppliers to which downstream competitors can turn in the event of supply restrictions or worsening of commercial terms. Such a strategy would therefore not be profitable.
- (23) Fourth, although some wholesale distributors responding to the Commission's market investigation indicated that in general it might be more difficult to compete with a vertically integrated competitor (due to internal preferential terms), none

¹² See responses to questionnaire, questions 3 and 4.

raised concerns as to possible input foreclosure as regards ribbed belts, synchronous belts and synchronous belt kits.¹³

- (24) As regards customer foreclosure, the Commission considers it very unlikely that the Transaction would confer upon the merged entity the ability to foreclose upstream competitors. Together, AAG and Ferraris Piston have a market share of less than 20% of the downstream wholesale distribution market, therefore, and as confirmed in the market investigation, it accounts for a limited part of the purchases of spare parts for light vehicles in the UK.

5. CONCLUSION

- (25) 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)

Phil HOGAN

Member of the Commission

¹³ The customers in question also pointed out that the Transaction also implies vertical integration between FPS's manufacturing and supply of spare parts, and AAG's wholesale distribution activities. There are no vertically affected markets in this respect, as FPS's market share on all upstream product markets on which it is active is below 30% (and it indeed supplies a limited share of the spare parts purchases of the customers surveyed).