



EUROPEAN COMMISSION
DG Competition

Case M.8963 - EUROCAR / BONALDI

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 01/08/2018

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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, 01.08.2018
C(2018) 5306 final

PUBLIC VERSION

To the Notifying Party

**Subject: Case M.8963 – EUROCAR / BONALDI
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 Sir or Madam,

- (1) On 28 June 2018, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Eurocar Italia S.r.l. ("Eurocar"), controlled by Volkswagen AG ("VW", Germany) acquires sole control over the whole of Bonaldi Motori S.p.A. and Bonaldi Tech S.p.A. (together, "Bonaldi", Italy), within the meaning of Article 3(1)(b) of the Merger Regulation, by way of a purchase of shares (the "Proposed Transaction").³ Eurocar and Bonaldi are designated hereinafter as the 'Parties'.

1. THE PARTIES

- (2) Eurocar is active in the retail distribution of new and used passenger cars and light commercial vehicles of VW brands in Italy, related repair activities and the sale of original equipment ("OE") spare parts. The main regional focus is Friuli Venezia Giulia in North-Eastern Italy and Tuscany in Central Italy.

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 235, 06.07.2018, p. 8.

- (3) Bonaldi is active in the retail distribution of new and used passenger cars and light commercial vehicles of VW brands in Italy, related repair activities and the sale of OE spare parts. The main regional focus is Lombardia in North-Western Italy.

2. THE CONCENTRATION

- (4) Pursuant to a share sale and purchase agreement signed on 1 June 2018, Eurocar will acquire shares representing 100% of the total voting rights of Bonaldi. Bonaldi will therefore be solely controlled by Eurocar.
- (5) The Proposed Transaction therefore constitutes a concentration pursuant to Article 3(1)(b) of the Merger Regulation.

3. EU DIMENSION

- (6) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (VW: EUR 230 682 million; Bonaldi: EUR [...]).⁴ Each of them has an EU-wide turnover in excess of EUR 250 million (VW: EUR [...]; Bonaldi: 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 pursuant to Article 1(2) of the Merger Regulation.

4. MARKET DEFINITION

- (7) The Parties' activities horizontally overlap in a number of markets in Italy, namely (i) retail distribution of new passenger cars; (ii) retail distribution of new light commercial vehicles ("LCVs")⁵; (iii) retail distribution of used motor vehicles⁶; (iv) retail distribution of OE spare parts for passenger cars and LCVs⁷; (v) retail distribution of non-OE spare parts for passenger cars and LCVs⁸; and (vi) car repair and maintenance of motor vehicles⁹. However, the only market affected by the Proposed Transaction is the retail distribution of VW-branded OE spare parts for passenger cars and LCVs.
- (8) The Proposed Transaction also gives rise to four vertical relationships in Italy, namely: (i) wholesale distribution of new passenger cars and retail distribution of new passenger cars; (ii) wholesale distribution of LCVs and retail distribution of LCVs; (iii) wholesale distribution of used motor vehicles and retail distribution of used motor vehicles; and (iv) wholesale distribution of OE spare parts for

⁴ Turnover calculated in accordance with Article 5 of the Merger Regulation.

⁵ Cases COMP/M.7747 – *PGA/MSA*; COMP/M.5061 – *Renault/Russian Technologies/AvtoVaz*; COMP/M.2832 – *General Motors/Daewoo Motors*.

⁶ Case COMP/M.6958 – *Cd&R/We Buy Any Car*.

⁷ Cases COMP/M.5709 – *Volkswagen/MAHAG*; COMP/M.5250 – *Porsche/Volkswagen*; COMP/M.3198 – *VW-Audi/VW-Audi Sales Centres*

⁸ *Idem*.

⁹ Cases COMP/M.6063 – *Itochu/Speedy*; COMP/M.2948 – *CVC/Kwik-Fit*; COMP/M.2087 – *Feu Vert/Carrefour/Autocenter Delauto*.

passenger cars and LCVs and retail distribution of OE spare parts for passenger cars and LCVs. However, only one of those vertical relationships involves affected markets: VW is active on the upstream market for the wholesale distribution of VW-branded OE spare parts for passenger cars and LCVs and Bonaldi is active on the downstream market for the retail of such parts.

4.1. *Product market definition*

4.1.1. Wholesale distribution of OE spare parts for passenger cars and LCVs

- (9) In its previous decisional practice, the Commission found that there are separate markets for the wholesale distribution of OE spare parts and of non-OE spare parts. In particular, according to the Commission, the wholesale distribution of OE spare parts is brand-specific; therefore the relevant product markets are determined by the brand of the OE spare parts which are distributed.¹⁰ The Commission further considered a distinction of the market between categories of vehicles, i.e. light vehicles (passenger cars and LCVs) and heavy vehicles¹¹, but without any sub-distinction by product.¹²
- (10) The Notifying Party does not contest the above market definition, which will be retained for the purposes of this case. In any event, there is no need to close the market definition as the Proposed Transaction will not lead to serious doubts under any alternative market definition.

4.1.2. Retail distribution of OE spare parts for passenger cars and LCVs

- (11) In previous decisions, the Commission has distinguished between the distribution of OE spare parts and non-OE spare parts. As at the wholesale level, the Commission found that the retail distribution of OE spare parts is brand-specific, thus defining the market according to the brand of a given spare part, and distinguished between light vehicles and heavy vehicles.¹³
- (12) The Notifying Party does not contest the above market definition, which will be retained for the purposes of this case. In any event, there is no need to close the market definition as the Proposed Transaction will not lead to serious doubts under any alternative market definition.

¹⁰ Cases COMP/M.6063 – *Itochu/Speedy*; COMP/M.5250 – *Porsche/Volkswagen*; COMP/M.3198 – *VW-Audi/VW-Audi Sales Centres*.

¹¹ Cases COMP/M.8198 – *Alliance Automotive Group/FPS Distribution*; COMP/M.7401 – *Blackstone/Alliance BV/Alliance Automotive Group*; COMP/M.5250 – *Porsche/Volkswagen*.

¹² Case COMP/M.8198 – *Alliance Automotive Group/FPS Distribution*.

¹³ Cases COMP/M.5709 – *VW/MAHAG*; COMP/M.5250 – *Porsche/Volkswagen*; COMP/M.3198 – *VW-Audi/VW-Audi Sales Centres*.

4.2. *Geographic market definition*

4.2.1. Wholesale and retail distribution of OE spare parts for passenger cars and LCVs

- (13) In previous decisions, the Commission has considered that the wholesale distribution of OE and non-OE spare parts could be either EEA-wide or national, but ultimately left open the exact definition.¹⁴
- (14) In previous decisions, the Commission has considered that the retail distribution of OE and non-OE spare parts could be either EEA-wide, national or regional, but ultimately left open the exact definition.¹⁵
- (15) The Notifying Party submits that the exact product market definition can be left open as the Proposed Transaction cannot raise any doubts as to its compatibility with the internal market under any plausible market definition.
- (16) The Commission considers that, in any event, there is no need to close the market definition as the Proposed Transaction will not lead to serious doubts under any alternative market definition.

5. **COMPETITIVE ASSESSMENT**

5.1. *Horizontal non-coordinated effects*

5.1.1. Introduction

- (17) Based on the narrowest possible geographic market, being provinces in Italy, the Parties overlap in relation to the following markets: (i) retail distribution of new passenger cars; (ii) retail distribution of new LCVs; (iii) retail distribution of used motor vehicles; (iv) retail distribution of OE spare parts for passenger cars and LCVs; (v) retail distribution of non-OE spare parts for passenger cars and LCVs; and (vi) car repair and maintenance of motor vehicles.
- (18) Nevertheless, the only market where the Parties have a combined market share of more than 20% is in the retail distribution of OE spare parts for passenger cars and LCVs in the Province of Florence.¹⁶

5.1.2. Retail distribution of OE spare parts for passenger cars and LCVs in the Province of Florence

- (19) In this market, the combined market share of the Parties is [30-40]%. However, the increment brought about by Bonaldi is only [0-5]%.

¹⁴ Cases COMP/M.7401 – *Blackstone/Alliance BV/Alliance Automotive Group*; COMP/M.6718 – *Toyota Tsusho Corporation/CFAO*; COMP/M.5250 – *Porsche/Volkswagen*.

¹⁵ Cases COMP/M.7401 – *Blackstone/Alliance BV/Alliance Automotive Group*; COMP/M.6718 – *Toyota Tsusho Corporation/CFAO*; COMP/M.5250 – *Porsche/Volkswagen*.

¹⁶ This is also confirmed for 2015 and 2016.

Table 1 – Market share for retail distribution of VW-branded OE spare parts for passenger cars and LCVs

2017 ¹⁷	VW	Bonaldi	Combined
Italy	[0-5]%	[0-5]% ¹⁸	[5-10]%
Florence	[30-40]%	[0-5]%	[30-40]%

Source: Form CO

- (20) The Commission considers that, due to the limited market share of Bonaldi, the Proposed Transaction will not materially affect the competitive structure of the market in the Province of Florence.
- (21) The Commission also observes that customers will retain a sufficient number of alternative suppliers, all with market shares larger than that of Bonaldi. Based on the Notifying Party's estimates, retailers such as Elsauto Centrocar ([5-10]%), C.A. VW Commerciale (circa [5-10]%), Cosinovi Peruzzi (circa [5-10]%), Moreno Sani S.r.l. (circa [0-5]%), Mechetti S.r.l. and Auto Valmugello S.r.l. (both circa [0-5]%) will continue to serve customers on the market.

5.1.3. Conclusion

- (22) Given the minor increment in market share and the existence of many competitors, the Commission considers that the Proposed Transaction does not raise serious doubts as to its compatibility with the internal market as a result of non-coordinated horizontal effects on the market of retail distribution of OE spare parts for passenger cars and LCVs in the Province of Florence.

5.2. Non-horizontal overlaps

- (23) The Proposed Transaction gives rise to an affected vertical relationship between the upstream market for the wholesale distribution of VW-branded OE spare parts for passenger cars and LCVs, where VW is active, and the downstream market for the retail distribution of such parts where Bonaldi is active.

5.2.1. Market structure

- (24) On the upstream market for the wholesale distribution of VW-branded OE spare parts, VW – the ultimate controlling entity of Eurocar – has a monopoly.
- (25) On the downstream market for the retail sale of VW-branded spare parts, the market shares of Bonaldi are estimated in Table 2.¹⁹

¹⁷ The market shares in 2016 and 2015 are similar to those in 2017.

¹⁸ This includes other subsidiaries of VW, which are two Porsche dealers located, respectively, in Milan (in North-Western Italy) and Padua (in North-Eastern Italy).

¹⁹ Only the provinces where Bonaldi is present are shown. This is also confirmed for 2015 and 2016.

Table 2 – Market share for retail distribution of VW-branded OE spare parts for passenger cars and LCVs

2017 ²⁰	Bonaldi
Bergamo	[40-50]%
Sondrio	[60-70]%
Milan	[5-10]%
Lecco	[5-10]%
Florence	[0-5]% ²¹
Italy	[0-5]%

Source: Form CO

5.2.2. Input foreclosure

- (26) In light of the monopolistic position of VW on the upstream market, inherent in the fact that it is the manufacturer of the vehicles, there is no scope for customer foreclosure.
- (27) As to the possibility of input foreclosure, the Commission takes that view that the merged entity, albeit having the ability to foreclose its downstream competitors, will lack the incentive to do so and therefore is unlikely to reduce effective competition.

Ability to foreclose

- (28) As the merged entity enjoys a monopoly on the upstream market, it clearly has the ability to foreclose; hence this will not be discussed further.

Incentive to foreclose

- (29) The Notifying Party claims that the merged entity will lack the incentive to foreclose its downstream competitors as:
- (a) [VW's distribution system is set up in such a way that customers have the possibility to source from different suppliers, also located in different geographic areas]²²;
 - (b) In the province of Bergamo, [Supply sources of spare parts in Bergamo]: it would make no commercial sense for the merged entity to engage in a foreclosure strategy and, should this be the case, downstream competitors could still buy, inter alia, from [other sources in various geographic areas];
 - (c) In the province of Sondrio, [Supply sources of spare parts in Sondrio], which is their free choice. The Notifying Party claims that engaging in

²⁰ The market shares in 2016 and 2015 are similar to those in 2017.

²¹ When combined with VW, the market share becomes 32.9% post-Transaction

²² [Confidential information].

foreclosure behaviour would not constitute a commercially viable or sensible strategy;

- (d) [Independent repair shops have ways to access VW's-branded spare parts], and therefore it has no incentive to engage in a foreclosure strategy.
- (30) The market shares of Bonaldi in Bergamo and Sondrio for the downstream retail distribution of VW-branded OE spare parts are high. However, the Commission understands that the contract in force between the VW group and each of the "service partners" provides [VW's distribution strategy]. In light of this contractual structure, the Commission takes the view that a foreclosure strategy limited to a few specific regions would likely fail as competitors of the merged entity in the geographic markets affected downstream will retain the ability to source spare parts from "service partners" located in other regions (even in neighbouring regions where Bonaldi is not present).
- (31) The information provided by the Parties concerning the sourcing preferences of service partners in the provinces of Bergamo and Sondrio, further support the conclusion that service partners do source from entities other than VW (via VGI). In the province of Florence, the downstream position of the merged entity is [30-40]%, however, the increment brought about by Bonaldi is only [0-5]%. In light of the largely pre-existent vertical relationship and the minimal change in the market structure in 2017, the Commission takes the view that the Transaction will not bring about a change in the incentive to foreclose downstream competitors from access to OE VW branded spare parts.
- (32) The above conclusion is further supported by the low market share of the Parties in the downstream market on a national level (less than [5-10]% combined), which indicates that downstream competitors of the merged entity will continue to have access to a significant number of other suppliers (notably, the remaining [90-100]% of the market as other service partners can also cross sell).
- (33) The market investigation also supported this conclusion. A competitor of Bonaldi in fact indicated that it does not expect to have difficulties in obtaining access to VW-branded OE spare parts. That competitor indicated that it does not expect any change in VW's behaviour on the wholesale market. That respondent further explained that, to his knowledge, where VW is already integrated into the retail level, no such foreclosure has happened in the past.

Overall likely impact on effective competition

- (34) Therefore, in view of the lack of incentive to foreclose downstream competitors, the Commission considers that the Proposed Transaction is unlikely to reduce effective competition in the market for the retail distribution of VW-branded OE spare parts for passenger cars and LCVs in these Italian provinces.

5.2.3. Conclusion

- (35) Given the lack of incentive to foreclose downstream competitors, the Commission considers that the Proposed Transaction does not raise serious doubts as to its compatibility with the internal market as a result of non-horizontal effects.

6. CONCLUSION

- (36) 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