ACQUISITIONS (MOTOR VEHICLES): THE GM / SAAB CASE

Subject: Acquisitions

Industry: Motor Vehicles

Parties: General Motors Corporation
Saab Automobile AB
Investor AB

Source: Commission Decision, dated 20 June 2000

(Note. In this case, the interest lies mainly in the identification of the product market, discussed in paragraphs 6 to 9, and of the geographical market, discussed in paragraph 14. Ostensibly, the Commission's "segmentation" of the product market is persuasive; but, as the Rover / BMW case showed some years ago, the allocation of specific products to the various segments is more controversial. In the present case, the overall assessment is that competition is lively enough to accommodate the acquisition in question.)

1 On 31.01.2000 the Commission received a notification of the proposed acquisition by the US company, General Motors Corporation ("GM") of the remaining shares of the Swedish company, Saab Automobile AB ("Saab"), a company which it has jointly owned and controlled with Investor AB ("Investor"). The proposed transaction will be carried out through the exercise by GM of the call option, granted to it through a 1996 agreement with Investor, over the 50% shareholding of this latter company.

2 After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Council Regulation No 4064/89 and does not raise serious doubts as to its compatibility with the common market and the functioning of the EEA Agreement.

I. THE PARTIES AND THE OPERATION

3 GM is a leading global manufacturer of motor vehicles. Apart from its activities in the design, manufacture and marketing of vehicles, it also has interests in telecommunications and space, aerospace and defence, financial and insurance services, locomotives, automotive systems, and heavy-duty automatic transmissions. Saab is a manufacturer and distributor of passenger cars.

II. CONCENTRATION

4 GM acquires control of the whole of Saab; thus Saab passes from joint control by GM and Investor to sole control by GM and therefore the transaction constitutes a concentration within Article 3(1)(b) of the Merger Regulation.

III. COMMUNITY DIMENSION

5 GM and Saab have a combined aggregate worldwide turnover of more than 5b. Each of them has a Community-wide turnover in excess of 250m, but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension. It does not constitute a cooperation case under the EEA Agreement, pursuant to Article 57 of that agreement.

IV. COMPETITIVE ASSESSMENT

A. Relevant Product Markets

a) Manufacture and supply of passenger cars

6 In previous decisions concerning the passenger car market, the Commission has held it possible to subdivide this market, on the basis of a number of objective criteria like engine size or length of cars, in several segments which could constitute distinct product markets. However, a final definition was not required, and the exact market definition was left open (for example, in the Ford/Volvo decision of 26.3.1999). The narrowest segmentation previously used by the Commission is the following:

- A: mini cars
- B: small cars
- C: medium cars
- D: large cars
- E: executive cars
- F: luxury cars
- S: sport coupés
- M: multi purpose cars
- J: sport utility cars (including off-road vehicles).

7 The boundaries between segments are blurred by factors other than the size or length of cars. These factors include price, image and the amount of extra accessories. Also, the tendency to offer more options like ABS, airbags, central locking etc. in small cars further dilutes the traditional segmentation. Customers choose their cars using a combination of parameters, such as brand, size, equipment and price. On the other hand, segmentation is generally used by the industry and it still seems to be regarded as an important indicator for the positioning of a car in the market place. In particular, some differences still exist in price, technology and engineering requirements within the market. For the purposes of the competitive analysis of the present case, it is not necessary to delineate further the relevant product market, because in all the alternative market definitions considered, effective competition would not be significantly impeded, as explained below.

b) Wholesale and retail distribution of passenger cars

8 In previous decisions (such as the Inchape/IEP Decision of 26.01.1992, the Commission has distinguished between the wholesale and retail distribution

of motor vehicles. At the wholesale level, distributors or importers distribute vehicles to dealers, which latter retail the vehicles to final customers.

9 The wholesale function is often carried out by subsidiaries of the manufacturers themselves. At the retail level, vehicles are sold to final customers by dealers, who are often independent, although they may be subject to exclusive agreements with manufacturers (under EU Regulation 1475/95).

B. Relevant Geographic Market

a) Manufacture and supply of passenger cars

10 The notifying parties are of the view that the relevant geographic market is at least the EEA.

11 From a supply-side point of view, production in the car industry is international or even global in its outlook (see the Ford/Mazda Decision of 24 May 1996. From a customer point of view, recent years have brought a progressive harmonisation of the competitive environment within the Community with respect to technical barriers, restrictions concerning distribution systems, and the transparency of car pricing. However, differences remain with regard to prices, vehicle taxation, distribution systems and penetration rates of major competitors within the Member States. In the present case, the exact definition of the relevant geographic market can be left open since, in all the alternative geographic market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area, as explained below.

b) Wholesale and retail distribution of passenger cars

12 In previous cases (Inchape, Toyota), the Commission has left open the question, whether the geographical market for these activities is European or national. In the present case it is not necessary to determine the exact geographic market since even in the narrowest geographical market the operation would not raise any serious doubts as to its compatibility with the Common market (see assessment below).

C. Competitive Assessment

13 Since the concentration involves a change from joint control of Saab by GM and Investor to sole control of Saab by GM, there is no new combination or additional overlap in the relevant markets, that is, the manufacture and distribution of passenger cars. However, since it is GM's stated intention to expand Saab's operations, an examination of combined market shares is provided below.

a) Manufacture and supply of passenger cars

14. Unlike GM, which is active in all of the above-mentioned passenger car segments except mini-cars, Saab is active in only three segments, namely large

cars ('D'), sport coupés ('S') and executive cars ('E'). In the overall market for passenger cars at the EEA level, the combined share of GM/Saab will be about [10-15%] (GM [10-15%], Saab [0-5%]; in only one segment, medium cars, will GM/Saab account for more than [10-15%] but, as stated above, Saab is not active in this segment. In only five Member States will GM/Saab's combined marked share reach 15% in any of the individual segments mentioned above:
UK: Large cars [15-20%] (GM [15-20%], Saab [0-5%])
Executive cars [20-25%] (GM [15-20%], Saab [5-10%])
Sweden: Executive cars [20-25%] (GM [0-5%], Saab [20-25%])
Sports coupés [25-30%] (GM [0-5%], Saab [25-30%])
Finland: Sports coupés [15-20%] (GM [5-10%], Saab [10-15%])
Italy: Sports coupés [15-20%] (GM [10-15%], Saab [0-5%])
Netherlands: Executive cars [15-20%] (GM [10-15%], Saab [0-5%]).
In any event GM/Saab will continue to face significant competition in the EEA post-transaction in all segments identified above. The EEA passenger car market is extremely competitive and fragmented, with no single competitor accounting for more than 25% of sales. The Parties estimate competitors' EEA market shares as follows:
Volkswagen/Audi/Seat/Skoda [20-25%], Ford/Volvo/Jaguar [10-15%], Peugeot/Citroen [10-15%], Renault [10-15%], the Fiat group [10-15%], Daimler/Chrysler [5-10%] and BMW/Rover [5-10%]. Each of these competitors continues to invest heavily in research and development, and possess the resources and product offering to continue to constrain GM/Saab competitive freedom post-transaction.

b) Wholesale and retail distribution of passenger cars

15. The proposed transaction will not materially impact on the wholesale and retail distribution of passenger cars. First, GM/Saab's share at wholesale level does not exceed [10-15%] in the EEA or in any Member State thereof, while their estimated EEA share at retail level is less than [0-5%]. Second, neither GM nor Saab are party to any agreements or other arrangements providing for the wholesale or retail distribution of competitive products. Accordingly, since they both distribute at wholesale level overwhelmingly through subsidiaries, their position at wholesale level is primarily a function of their position in the production and supply of passenger cars, which, as indicated above, is not such as to give rise to concerns.

V. CONCLUSION

16 The overlap between the product ranges of GM and Saab is limited. The merger will have no immediate effect on the industry's level of concentration. In particular, there are no indications that the merger will raise entry barriers in the passenger car market or any distinct part of it. Therefore, the proposed concentration will not create or strengthen a dominant position.

17 For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market ... ■