



DETERMINATION OF MERGER NOTIFICATION M/17/015 – AVANACAR (BRIGHTSTONE TRADING)/CITROËN DUBLIN

Section 21 of the Competition Act 2002

Proposed acquisition by Brightstone Trading Limited, through Avanacar Limited, of sole control of certain assets, constituting a Citroën car dealership and aftersales service and repair business, trading as Citroën Dublin at Airside Motor Park, Swords, Co. Dublin

Dated 5 May 2017

Introduction

1. On 29 March 2017, in accordance with section 18(1)(a) of the Competition Act 2002, as amended (“the Act”), the Competition and Consumer Protection Commission (“the Commission”) received a notification of a proposed acquisition (“the Proposed Transaction”) whereby Brightstone Trading Limited (“Brightstone”), through its wholly-owned subsidiary, Avanacar Limited (“Avanacar”) (collectively “the Purchaser Group”), would acquire sole control of certain assets constituting a Citroën car dealership and aftersales service and repair business located at Airside Motor Park, Swords, Co. Dublin (the “Target Business”), from I.M. European Motors Limited.

The Proposed Transaction

2. The Proposed Transaction is to be implemented pursuant to a written proposed asset transfer agreement between I.M. European Motors Limited and Avanacar Limited (the “Agreement”). Notwithstanding the fact that a formal written agreement had not yet been executed at the time of the notification, the Commission considers that the undertakings involved have demonstrated to the Commission a good faith intention to conclude an agreement for the purposes of section 18(1A)(b)(ii) of the Act. Pursuant to the Agreement, it is envisaged that the Purchaser Group would acquire certain assets of I.M. European Motors Limited (“the Vendor”), constituting a Citroën car dealership



and aftersales service and repair business located at Airside Motor Park, Swords, Co. Dublin.

3. The Purchaser Group currently holds the freehold interest in the premises located at Airside Motor Park, Swords, Co. Dublin from which the Target Business operates. The Purchaser Group acquired the freehold interest in the premises in 2016 from an unrelated third party and the Vendor is currently the tenant of the Purchaser Group. As part of the Proposed Transaction, it is proposed that the Vendor will surrender its lease of the premises.
4. The Vendor currently operates as a retailer of Citroën-branded passenger cars and light commercial vehicles through its operation of the Target Business. The Vendor is also the sole distributor for Citroën in the State whereby it distributes Citroën-branded passenger cars and light commercial vehicles to other Citroën dealers in the State. The Vendor will continue to operate its distribution business following implementation of the Proposed Transaction. Following implementation of the Proposed Transaction, it is proposed that the Purchaser Group would enter into a franchise agreement with the Vendor pursuant to which the Purchaser Group will be appointed as an authorised Citroën dealer in North Dublin. It is also envisaged that the Vendor will continue to occupy part of the premises located at Airside Motor Park, pursuant to a licence to be entered into between the Vendor and the Purchaser Group, in order to continue its business of distributing Citroën-branded passenger cars and light commercial vehicles in the State. The Vendor and Purchaser Group will operate their respective businesses separately post the proposed transaction.

The Undertakings Involved

Avanacar

5. Avanacar is a private company limited by shares, incorporated in the State on 22 January 2016, which has its registered address at 305 North Circular Road, Dublin 7. Avanacar is a wholly-owned subsidiary of Brightstone¹ which is the holding company for the

¹ The shareholders in Brightstone are as follows: a 25% interest in Brightstone is held by Flanagan Management & Investments Limited (which itself is owned by Henry Flanagan Emer Hoey, each of whom hold a 50% interest), a 50% interest in Brightstone is held by Damajo Management & Investments Limited (which itself is owned by Matthew Smyth and Joan Smyth, each of whom hold a 50% interest) and a 25% interest in Brightstone is held by



Purchaser Group. The Purchaser Group is a retailer of new and pre-owned passenger cars and light commercial vehicles. It also offers finance options (supplied by third parties) on, and has a range of manufacturer-approved aftersales products and services for, the passenger cars and light commercial vehicles sold by the Purchaser Group.

6. The Purchaser Group has five wholly-owned subsidiaries active in the State as follows:
 - i. Tapisan Limited trading as Airside Ford - a Ford motor dealership located at Airside Motor Park, Swords, Co. Dublin.
 - ii. Kitale Limited trading as Ashley Ford - a Ford motor dealership located at North Circular Road, Phibsborough, Dublin 7.
 - iii. Aircom Ford Limited trading as Canavan Ford and Canavan Seat - a Ford and Seat motor dealership located at East Wall Road, Dublin 3.
 - iv. Canalford Limited trading as Rialto Ford - a Ford motor dealership located at Herberton Road, Rialto, Dublin.
 - v. Portside Investments Limited - a property development company and the owner of the premises from which Aircom Ford Limited trades as Canavan Ford.

7. For the financial year ended 31 December 2015, the Purchaser Group's worldwide turnover was approximately €67.7 million, all of which was generated in the State.²

The Vendor

8. The Vendor is a private company limited by shares, incorporated in the State on 2 November 2009, which has its registered office at Airside Motor Park, Swords, Co. Dublin. The Vendor is a wholly-owned subsidiary of International Motors (Ireland) Limited, which in turn is a wholly-owned subsidiary of International Motors Limited,

O'Riordan Management & Investments Limited (which itself is owned by Ciaran O'Riordan and Mary O'Riordan, each of whom hold a 50% interest).

² According to management accounts, for the financial year ended 31 December 2016, turnover for the Purchaser Group was approximately €77.4 million.



which has its registered office at I.M. House, South Drive, Coleshill, Birmingham, B46 1DF, United Kingdom (collectively “the IM Group”).

9. The IM Group has operated in the motor industry in the State since the mid-1980s. It was established as a Citroën distributor/dealer when it acquired that business from Automobiles Citroën S.A. The Vendor is the sole distributor of new Citroën-branded passenger cars and light commercial vehicles in the State which it supplies to other Citroën dealers from the premises located at Airside Motor Park, Swords, Co. Dublin.
10. The Vendor currently operates one retail outlet in the State, namely the Target Business, which principally sells new and demonstration Citroën-branded passenger cars and light commercial vehicles as well as pre-owned (mostly Citroën-branded) passenger cars and light commercial vehicles. From time to time, the Vendor accepts trade-ins of other car brands which it then sells on via the Target Business. The Vendor does not operate any other retail outlet in the State. The Vendor is also active in providing aftersales services, including servicing, supply of parts and maintenance of new and used passenger cars and light commercial vehicles, from the premises located at Airside Motor Park, Swords, Co. Dublin.
11. The Vendor sells Citroën-branded parts as part of its Citroën distribution business and it will continue to do so following implementation of the Proposed Transaction.

The Target Business

12. The Target Business consists of a Citroën dealership which sells both new and pre-owned (mostly Citroën-branded) passenger cars and light commercial vehicles. The Target Business also offers Citroën aftersales services and vehicle repair services from the premises located at Airside Motor Park, Swords, Co. Dublin.
13. For the financial year ended 31 December 2016, Target Business’ turnover was approximately €6.2 million³, all of which was generated in the State.

³ The parties informed the Commission that there are no audited accounts prepared separately for the Target Business as the Target Business forms part only of the entire business undertaken by the Vendor.



Rationale for the Proposed Transaction

14. The notification states:

“The commercial objective sought to be achieved by the Seller by the Proposed Transaction is the continuity of the Target Business as a going concern at the premises owned by the Buyer and occupied by the Seller at Airside Motor Park, Swords, County Dublin and for the protection of the jobs of the staff of the Target Business.

The commercial objective sought to be achieved by the Buyer by the Proposed Transaction is the continuity of the future growth strategy of the Buyer Group as a leading motor sales retailer and aftersales service provider.”

Third Party Submissions

15. No submission was received.

Competitive Analysis

16. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, it is not necessary for the Commission to define the precise markets because doing so will not alter the Commission's assessment of the likely competitive effects of the Proposed Transaction in the State.

Horizontal Overlap

17. There are two potential horizontal overlaps between the activities of the parties within the State:

- i. the sale of new and demonstration passenger cars and light commercial vehicles, including the supply of intermediary financial services, aftersales services and repair services and the sale of parts and accessories for passenger cars and light commercial vehicles (“new passenger cars and light commercial vehicles overlap”); and
- ii. the sale of pre-owned passenger cars and light commercial vehicles.



New passenger cars and light commercial vehicles overlap

18. The narrowest potential product market that could be potentially affected by the Proposed Transaction is the sale of new and demonstration Citroën-branded passenger cars and light commercial vehicles, including the supply of intermediary financial services, aftersales services and repair services and the sale of parts and accessories for Citroën-branded passenger cars and light commercial vehicles. As the Purchaser Group does not operate any Citroën dealership in the State, there is no horizontal overlap between the parties in this potential product market in the State. Therefore, the Commission considers that the Proposed Transaction is not likely to lead to any negative horizontal competitive effects in respect of a potential market for the sale of new and demonstration Citroën-branded passenger cars and light commercial vehicles, including the supply of intermediary financial services, aftersales services and repair services and the sale of parts and accessories for Citroën-branded passenger cars and light commercial vehicles in the State.
19. However, even if the relevant product market were to be defined more broadly, to comprise the sale of all new and demonstration passenger cars and light commercial vehicles at the national level⁴, the Commission considers that the Proposed Transaction is not likely to raise any competition concerns in the State. This is because Citroën-branded passenger cars and light commercial vehicles accounted for approximately only 1% of all new and demonstration passenger cars and light commercial vehicles sold in the State in 2016⁵. Also, there is sufficient number of after sales and services providers who will continue to provide a competitive constraint on the Purchaser Group. Therefore, the Commission considers that the Proposed Transaction is not likely to lead to any negative horizontal competitive effects in respect of a potential market for the sale of new and demonstration passenger cars and light commercial vehicles, including

⁴ The Commission's predecessor, the Competition Authority, previously considered that recommended retail list prices for new motor vehicles are normally determined by brand owners on a national basis and circulated to dealers countrywide (M/14/041 – JDM Automotive / Commons Road Cars)

⁵ According SIMI Motorstats - <http://www.beebpeep.ie/stats/>



the supply of intermediary financial services, aftersales services and repair services and the sale of parts and accessories for passenger cars and light commercial vehicles in the State.

The sale of pre-owned passenger cars and light commercial vehicles

20. There is a horizontal overlap between the activities of the parties in the sale of pre-owned passenger cars and light commercial vehicles in the State, although the Commission notes that most, if not all, motor dealerships in the State sell pre-owned passenger cars and light commercial vehicles. A service offered by the Society of the Irish Motor Industry (SIMI), in association with its “Used Car Website” (www.beebbeeep.ie), lists 333 dealers in the State offering pre-owned passenger cars and light commercial vehicles for sale. Even if the relevant geographic market were to be defined more narrowly to comprise the Dublin area, the same services lists 96 dealers located in the Dublin area which offer pre-owned passenger cars and light commercial vehicles for sale.⁶ These dealers, amongst others, will act as a competitive constraint on the merged entity following implementation of the Proposed Transaction.
21. Therefore, the Commission considers that the Proposed Transaction is not likely to lead to any negative horizontal competitive effects in respect of the sale of pre-owned passenger cars and light commercial vehicles either in the State or in the Dublin area.

Vertical Relationship

22. The Vendor operates as the sole distributor of Citroën-branded passenger cars and light commercial vehicles in the State. Currently, it supplies the Target Business Citroën-branded passenger cars and light commercial vehicles and, following implementation of the Proposed Transaction, it will continue to do so. Therefore the Commission

⁶ <http://www.beebbeeep.ie/dealers.html>



considers that the Proposed Transaction will not result in any vertical competition concerns.

Conclusion

23. In light of the above, the Commission considers that the Proposed Transaction will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

24. No ancillary restraints were notified.



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the proposed acquisition, whereby Brightstone Trading Limited, through its wholly-owned subsidiary, Avanacar Limited, would acquire sole control of the business and assets of a Citroën car dealership located at Airside Motor Park, Swords, Co. Dublin from I.M. European Motors Limited, will not be to substantially lessen competition in any market for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Patrick Kenny
Member
Competition and Consumer Protection Commission