



DETERMINATION OF MERGER NOTIFICATION M/19/018- CONNOLLY MOTOR/HYUNDAI GALWAY

Section 21 of the Competition Act 2002

Proposed acquisition by Kevin Connolly Motor Group Limited, through Connolly Bros. Car Sales (Ballybrit) Limited of certain assets of Langtonville Limited.

Dated 08 August 2019

Introduction

1. On 02 July 2019, 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 whereby Kevin Connolly Motor Group Limited (“Connolly Motors”), through its wholly-owned subsidiary Connolly Bros. Car Sales (Ballybrit) Limited (“Connolly Motors Ballybrit”), would acquire sole control of certain assets, constituting a business of a car dealership and repair centre trading as *Hyundai Galway* (the “Target Assets”) from Langtonville Limited (the “Seller”) (the “Proposed Transaction”).

The Proposed Transaction

2. The Target Assets comprise the vehicle stock, the parts stock, the Ballybrit plant¹, the Oranmore plant², the business information and the records, and the Seller’s rights against third parties.
3. The Proposed Transaction is to be implemented pursuant to an asset transfer agreement (the “ATA”) dated 27 June 2019 between the Seller, Hyundai Cars Ireland Unlimited Company (“Hyundai Ireland”) and Connolly Motors Ballybrit. Pursuant to the ATA, Connolly Motors will acquire ownership and, thus, sole control of the Target Assets.

¹ All plant, equipment, machinery and computers situated at Racecourse Road, Ballybrit, County Galway, at which the car dealership and repair centre business has been conducted by the Seller.

² All plant, equipment, machinery and computers situated at Unit 5 Westlink Commercial Park, Oranmore, County Galway, at which the car dealership and repair centre business has been conducted by the Seller.



The Undertakings Involved

The Acquirer

4. Connolly Motors, a private company limited by shares and incorporated in the State, is involved in the retail sale of new and pre-owned passenger cars and light commercial vehicles in the State.
5. Connolly Motors operates seven motor dealerships and repair centres at each of its locations in counties Galway, Mayo and Sligo. As shown in Table 1 below, both the motor dealerships and repair centres are operated as authorised dealerships and repair centres by three motor vehicle brands, being *Audi*, *Mercedes-Benz* and *Volkswagen*.

Company Name	Dealership Location	Activity
Kevin Connolly Car Sales Limited	Ballina, County Mayo	<i>Volkswagen</i> Main Dealer
Kevin Connolly Car Sales (Sligo) Limited	Carraroe, County Sligo	<i>Volkswagen</i> Main Dealer
Connolly Bros. Car Sales Limited	Ballina, County Mayo	<i>Audi</i> Main Dealer
Connolly Bros. Car Sales (Sligo) Limited	Collooney, County Sligo	<i>Audi</i> Main Dealer
Connolly Bros. Car Sales (Galway) Limited	Ballybrit, County Galway	<i>Audi</i> Main Dealer
Connolly Bros. Car Sales (North West) Limited	Collooney, County Sligo	<i>Mercedes-Benz</i> Main Dealer
Connolly Bros Car Sales (Mid West) Limited	Ballybrit, County Galway	<i>Mercedes-Benz</i> Main Dealer

6. Connolly Motors also owns a used car 'supermarket' at Ballina, County Mayo and operates two crash repair centres.
7. For the financial year ending 31 December 2018, Connolly Motors' worldwide turnover was approximately €[...]million, all of which was generated in the State.

The Seller

8. The Seller is a wholly-owned direct subsidiary of [...]. [...] has common shareholders with Hyundai Ireland, which is the sole distributor of *Hyundai* new passenger cars and light commercial vehicles in the State.



9. The Seller does not operate any other business other than the Target Assets and other necessary assets,³ which constitute the business of *Hyundai Galway*.
10. For the financial year ending 31 December 2018, the Seller's worldwide turnover was approximately €[...] million, all of which was generated in the State.

Target Assets

11. The Target Assets comprise a portion of the assets necessary to operate the business of *Hyundai Galway*, i.e., the *Hyundai* motor dealership located at Racecourse Road, Ballybrit, County Galway and a repair centre located at Westlink Business Park, Oranmore, County Galway.
12. *Hyundai Galway* is the only *Hyundai* dealership in County Galway. There are no other authorised *Hyundai* dealerships in County Galway, and the nearest geographical *Hyundai* dealerships are in Ballina, County Mayo; Limerick city; Mullingar, County Westmeath and Tullamore, County Offaly.
13. For the financial year ending 31 October 2018, the turnover of the Target Assets was approximately €[...] million, all of which was generated in the State.

Rationale for the Proposed Transaction

14. The parties state in the notification that:

"It is an integral part of the Purchaser's strategy to grow its business, which heretofore has been successfully done organically. The Proposed Transaction has presented an opportunity for the Purchaser to grow its business.

The Seller's commercial objective is to dispose of the Target Assets and ensure that the Target Assets and business of Hyundai Galway continues as a going concern."

Third Party Submissions

15. No submission was received.

³ Other necessary assets are not the subject of the Proposed Transaction, which being a suitable premises for both the motor dealership and the repair centre and the wholesale agreements, which provides non-exclusive authorised *Hyundai* dealerships with respect to dealer and repairer.



Competitive Analysis

Horizontal Overlap

16. There are two areas of horizontal overlap between the activities of the parties within the State:
 - a. the sale of new passenger cars and light commercial vehicles; and
 - b. the sale of pre-owned passenger cars and pre-owned light commercial vehicles.

The sale of new passenger cars and light commercial vehicles

Market Definition

Product Market Definition

17. 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 product markets as, regardless of whether the potential product market is narrow (i.e., the sale of new *Hyundai* passenger cars and light commercial vehicles) or broad (i.e., consisting of the sale of all new passenger cars and light commercial vehicles), the Proposed Transaction is unlikely to raise any competition concerns.
18. For the purpose of assessing whether the Proposed Transaction might result in a substantial lessening of competition, the Commission has analysed its impact by reference to the following potential product markets, namely: (i) the sale of new *Hyundai* passenger cars and light commercial vehicles; and (ii) the sale of all new passenger cars and light commercial vehicles.

Geographic Market Definition

19. Similarly, it is not necessary for the Commission to define the precise relevant geographic markets as, regardless of whether the potential geographic market is narrow (i.e. County Galway) or broad (i.e. the State), the Proposed Transaction is unlikely to raise any competition concerns. However, for the purpose of its assessment, the



Commission assessed the likely impact of the Proposed Transaction with respect to both the State and the narrower geographic market⁴ of County Galway.

Competitive Assessment

20. The Commission assesses below the likely effect of the Proposed Transaction in each of the identified potential markets outlined in paragraph 18 above in turn for both the State and County Galway.
21. If the relevant product market is the sale of new *Hyundai* passenger cars and light commercial vehicles, there is no horizontal overlap between the parties' activities, regardless of whether the relevant geographic market is the State or County Galway. This is because Connolly Motors does not operate any authorised new *Hyundai* passenger cars and light commercial vehicles dealership in the State.
22. If the relevant product market is the sale of all new passenger cars and light commercial vehicles, Table 2 below shows that, based on 2018 figures, the parties' combined estimated market share for the sale of all new passenger cars and light commercial vehicles, was approximately [10-20]% in County Galway and [0-10]% in the State.

Table 2: Estimated market shares of the parties in respect of the potential market for all new passenger cars and light commercial vehicles in the State 2018			
	Connolly Motors	Target Assets	Combined
County Galway	[0-10]%	[0-10]%	[10-20]%
The State	[0-10]%	[0-10]%	[0-10]%

Source: the parties

⁴ See previous Commission decisions in cases M/15/071 JDM Automotive/Karman Auto (available at: <https://www.ccpic.ie/business/wp-content/uploads/sites/3/2017/04/M-15-071-Determination-JDM-Automotive-Karman-Auto.pdf>), M/14/041 JDM Automotive Limited/Commons Road Cars (available at: <https://www.ccpic.ie/business/wp-content/uploads/sites/3/2017/05/M-14-041-JDM-Automotive-Commons-Road-Cars-Determination.pdf>) and M/18/020 Armalou-Spirit Ford/Lillis O'Donnell (available at: <https://www.ccpic.ie/business/wp-content/uploads/sites/3/2018/02/M.18.020-Public-Determination.pdf>) for a similar approach.



23. In respect of the potential market for all new passenger cars and light commercial vehicles in the State, the parties estimated increase in market share following implementation of the Proposed Transaction is minimal [0-10]%. Figures published by the Society of the Irish Motor Industry (“SIMI”) indicate that there are over 400 dealers of new passenger cars and light commercial vehicles operating in the State. The Commission considers that these other dealers will continue to exert a competitive constraint on Connolly Motors following implementation of the Proposed Transaction in the State.
24. The parties’ combined estimated market share in respect of the potential market for all new passenger cars and light commercial vehicles is approximately [10-20]% in County Galway. SIMI’s recent figures indicate that there are 17 dealers of new passenger cars and light commercial vehicles operating in County Galway. In addition, the Commission notes that there are a number of competitors including Colm Quinn (*BMW*), Motorpark (*Ford*), Windsor Galway (*Renault* and *Dacia*), Kenny Galway (*Volvo*); Monaghans Galway (*Skoda* and *Seat*), and Al Hayes Motors (*Volkswagen*) which will continue to exert a competitive constraint on Connolly Motors in respect of the sale of all new passenger cars and light commercial vehicles following implementation of Proposed Transaction in County Galway.
25. In the light of the above, the Commission considers that the Proposed Transaction is unlikely to raise any horizontal competition concerns in relation to the sale of new passenger cars and light commercial vehicles in either County Galway or the State.

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

Market Definition

Product Market Definition

26. The Commission has previously examined the market for “*the sale of pre-owned passenger cars and pre-owned light commercial vehicles*”.⁵ In this instance, the

⁵ For example, please see Commission decision in M/18/019: JDM Automotive/Motorpark which is accessible in <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2018/02/M.18.019-JDM-Automotive-Motorpark-public-version.pdf>; the Commission’s decision in M/18/073 – Alavina Investments (MMM Limited)/Assets of J.Donohoe (Motors) Limited which is accessible at <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2018/09/M-18-073-Determination-Alavina-J-Donohoe-Motors-1.pdf>; and the



Commission has found no reason to depart from its previous approach and therefore, the Commission assessed the competitive effects of the Proposed Transaction with respect to the sale of pre-owned passenger cars and pre-owned light commercial vehicles.

Geographic Market Definition

27. It is not necessary for the Commission to define the precise relevant geographic markets as, regardless of whether the potential geographic market is narrow (i.e. County Galway) or broad (i.e. the State), the Proposed Transaction is unlikely to raise any competition concerns. However, for the purpose of its assessment, the Commission assessed the likely impact of the Proposed Transaction with respect to both the State and the narrower geographic market of County Galway.

Competitive Assessment

28. There is a horizontal overlap between the activities of the parties in the sale of pre-owned passenger cars and pre-owned light commercial vehicles in the State. The Commission notes, however, that most, if not all, motor dealerships in the State sell pre-owned passenger cars and light commercial vehicles. Based on information provided by SIMI, there were 719 SIMI-registered dealers⁶ selling pre-owned passenger cars and light commercial vehicles in the State in 2018. These dealers, along with other dealers and importers, will exert a strong competitive constraint on Connolly Motors following implementation of the Proposed Transaction in the State.
29. If the potential relevant geographic market were to be defined as County Galway, SIMI figures indicate that there are currently 48 dealers located in County Galway offering pre-owned passenger cars and pre-owned light commercial vehicles for sale. These dealers, along with other non-SIMI registered dealers and importers, will exert a strong competitive constraint on Connolly Motors in County Galway, following implementation of the Proposed Transaction.

Commission's decision in M/18/020: Armalou-Spirit Ford/Lillis O'Donnell which is accessible at: <https://www.ccpic.ie/business/wp-content/uploads/sites/3/2018/02/M.18.020-Public-Determination.pdf>

⁶ The Commission notes that dealers and/or franchises which operate in the State are not legally obliged to register with SIMI.



30. In the light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in respect of the sale of pre-owned passenger cars and pre-owned light commercial vehicles in County Galway and in the State.

Vertical Relationship

31. The parties state in the notification that there is no vertical relationship between Connolly Motors and the Seller. The Commission has not identified any existing vertical relationship between the parties. On this basis, the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion

32. 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

33. Clause 19 of the ATA contains non-compete obligations on the Seller and the Seller's Group⁷. The duration of these non-compete obligations does not exceed the maximum duration acceptable to the Commission.⁸ The Commission considers these restrictions to be directly related to and necessary for the implementation of the Proposed Transaction.

⁷ The "Seller's Group" refers to any holding Company of the Seller and all companies and undertakings which now or in the future become subsidiaries or subsidiary undertakings of the Seller or of any such holding company.

⁸ In this respect, the CCPC follows the approach adopted by the European Commission in paragraphs 20 and 26 of its *Notice on restrictions directly related and necessary to concentrations* [2005] OJ C56/03 (<https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A52005XC0305%2802%29>).



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 Kevin Connolly Motor Group Limited, through its wholly-owned subsidiary Connolly Bros. Car Sales (Ballybrit) Limited, would acquire sole control of certain assets, constituting a business of car dealership and repair centre trading as *Hyundai Galway*, from Langtonville 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

Brian McHugh
Member
Competition and Consumer Protection Commission