

Brussels, 31 July 2001

Commission clears the creation of the Covisint Automotive Internet Marketplace

The European Commission has granted regulatory approval to the creation by Ford, DaimlerChrysler, General Motors, Renault and Nissan of Covisint, a Business-to-Business (B2B) internet marketplace joint venture. The Commission has concluded that the notified project does not currently restrict competition in the sense of Article 81(1) of the EC Treaty.

Ford, DaimlerChrysler, General Motors, Renault and Nissan are all major vehicle manufacturers. A sixth carmaker, PSA Peugeot Citroën, has joined the project since the joint venture agreements were notified to the Commission in January 2001.

The Covisint project does not constitute a merger since the companies that created the exchange will not exercise joint or sole control over the new company. Covisint is therefore the first major B2B exchange to be looked at under Article 81 rather than under the Merger Regulation.

An information notice was published in the Official Journal in February 2001¹ to invite interested third parties to comment on the notification.

Covisint is an electronic marketplace intended to provide the automotive industry with procurement, collaborative product development and supply chain management tools, and thereby reduce costs and improve efficiency in the supply chain. It has been set up primarily to serve the procurement needs of major carmakers and suppliers. Many major component suppliers have also indicated that they will use the exchange.

B2B marketplaces such as Covisint are becoming very common. They potentially have a major impact on the way that companies in certain industries do business, and are in general expected to have pro-competitive effects. They should create more transparency, thereby helping to link more operators and to integrate markets, and they may also create market efficiencies by reducing search and information costs and improving inventory management, leading ultimately to lower prices for the end consumer.

In certain circumstances, however, negative effects on competition may outweigh market efficiencies. This may in particular be the case where there is discrimination against certain classes of users leading to foreclosure, where it is possible for users to exchange or have access to market-sensitive information, or where buyers or sellers club together to "bundle" their purchases or sales in a way liable to fall within the scope of Article 81(1) of the Treaty.

¹ Official Journal C 49/04 of 15 February 2001

After carrying out a thorough investigation, the Commission has concluded that the notified agreements contain adequate provisions to eliminate these potential competition concerns, and has sent the parties a “comfort” letter to this effect. In particular, the agreements show that Covisint is open to all firms in the industry on a non-discriminatory basis, is based on open standards, allows both shareholders and other users to participate in other B2B exchanges, does not allow joint purchasing between car manufacturers or for automotive-specific products, and provides for adequate data protection, including firewalls and security rules.