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Date: 21/12/2020

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EUROPEAN
COMMISSION

Brussels, 21.12.2020
C(2020) 9109 final

COMMISSION DECISION

of 21.12.2020

declaring a concentration to be compatible with the internal market and the EEA agreement

(Case M.9730 – FCA/PSA)

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TABLE OF CONTENTS

1. Introduction 17
2. The operation and the concentration 17
3. EU Dimension 18
4. The procedure 18
5. The Parties' activities 19
6. LCVs 21
6.1. Relevant markets 21
6.1.1. Product market definition 21
6.1.1.1. The Commission's decisional practice 21
6.1.1.2. Pick-up trucks ('pick-ups') 22
6.1.1.3. LCVs of up to 3.5 tonnes: Distinction between LCVs of different sizes 24
6.1.1.3.1. The Notifying Parties' views 24
6.1.1.3.2. The Commission's assessment 25
A The Parties' internal segmentation 25
B Different technical characteristics 26
C Consensus in the industry 29
D Limited demand-side substitutability 30
E Limited supply-side substitutability 31
F Conclusion on LCVs up to 3.5 tonnes 34
6.1.1.4. LCVs between 3.5 and 6 tonnes 34
6.1.1.5. Semi-finished LCV products 36
6.1.1.5.1 The Notifying Parties' views 37
6.1.1.5.2 The Commission's assessment 38
6.1.1.6. PC versions of LCVs 39
6.1.1.6.1 The Notifying Parties' views 39
6.1.1.6.2 The Commission's assessment 40
6.1.1.7. Car-derived vans ('CDVs') 41
6.1.1.7.1 The Notifying Parties' views 41
6.1.1.7.2 The Commission's assessment 41
6.1.2. Geographic market definition 42
6.1.2.1. The Commission's decisional practice 42
6.1.2.2. The Notifying Parties' views 43
6.1.2.3. The Commission's assessment 43
6.1.3. Conclusion on relevant markets for LCVs 46
6.2. Competitive assessment: horizontal non-coordinated effects 46

6.2.1. Legal test for the assessment of horizontal non coordinated effects 46
6.2.2. Common features to all LCV markets in the EEA and the United Kingdom 48
6.2.2.1. Supply-side considerations 48
6.2.2.1.1.EEA-wide production: models, platforms, production sites and spare capacity 49
6.2.2.1.2.Relative stability of market shares 52
6.2.2.1.3.Cooperation agreements in the sector 54
6.2.2.1.4.Margins in LCVs are comparable to those of PCs 56
6.2.2.1.5.Conclusion 57
6.2.2.2. Demand-side considerations 57
6.2.2.2.1.Factors that drive demand: Price sensitivity/brand loyalty 58
A Factors that customers consider when purchasing an LCV 58
B Relevance of brand 59
C Home advantage 59
D Conclusion 61
6.2.2.2.2.Tenders/countervailing power from large fleet customers 62
6.2.2.2.3.Conclusion 64
6.2.2.3. Barriers to entry/expansion 64
6.2.2.3.1.Service networks 64
6.2.2.3.2.Economies of scale 66
6.2.2.3.3.Conclusion 67
6.2.2.4. Electrification of LCVs 67
6.2.2.4.1.The Notifying Party's views 67
6.2.2.4.2.The Commission's assessment 67
A LEVs demand growth forecasts 68
B Structural obstacles for the growth of LEVs 68
C Role of new entrants 69
D Conclusion 71
6.2.2.5. Efficiencies 71
6.2.2.5.1.The Notifying Parties' views 71
6.2.2.5.2.The Commission's assessment 71
6.2.3. Small LCV markets 73
6.2.3.1. EEA-wide competitive landscape 73
6.2.3.1.1.Parties' and competitors' models 73
6.2.3.1.2.Production capacity in the market 74
6.2.3.1.3.EEA-wide market shares 76
6.2.3.2. Closeness of competition 77
6.2.3.2.1.The Notifying Parties' views 77

6.2.3.2.2.The Commission's assessment 77
6.2.3.2.3.Internal documents 78
6.2.3.2.4.Hesitation data 79
6.2.3.2.5.Responses by market participants to the Commission's market investigation questionnaires 80
6.2.3.2.6.Price positioning 80
A List prices 81
B Mystery shopping 82
C Transaction prices 82
6.2.3.2.7.Conclusion on closeness 82
6.2.3.3. Affected national markets 83
6.2.3.4. Austria 84
6.2.3.5. Belgium 85
6.2.3.5.1.Supply structure 85
6.2.3.5.2.Closeness of competition 86
6.2.3.5.3.Other considerations 87
6.2.3.5.4.Conclusion 88
6.2.3.6. Croatia 89
6.2.3.7. Cyprus 90
6.2.3.8. Czechia 91
6.2.3.8.1.Supply structure 91
6.2.3.8.2.Closeness of competition 92
6.2.3.8.3.Other considerations 93
6.2.3.8.4.Conclusion 95
6.2.3.9. Denmark 95
6.2.3.10. Estonia 96
6.2.3.11. Finland 98
6.2.3.12. France 99
6.2.3.12.1.Supply structure 99
6.2.3.12.2.Closeness of competition 100
6.2.3.12.3.Other considerations 102
6.2.3.12.4.Conclusion 104
6.2.3.13. Germany 104
6.2.3.14. Greece 105
6.2.3.14.1.Supply structure 105
6.2.3.14.2.Closeness of competition 106
6.2.3.14.3.Other considerations 106

6.2.3.14.4.Conclusion 108
6.2.3.15.Hungary 109
6.2.3.16.Ireland 110
6.2.3.17.Italy 111
6.2.3.17.1.Supply structure 111
6.2.3.17.2.Closeness of competition 112
6.2.3.17.3.Other considerations 114
6.2.3.17.4.Conclusion 116
6.2.3.18.Latvia 116
6.2.3.19.Lithuania 117
6.2.3.19.1.Supply structure 117
6.2.3.19.2.Closeness of competition 118
6.2.3.19.3.Other considerations 119
6.2.3.19.4.Conclusion 121
6.2.3.20.Luxembourg 121
6.2.3.21.Malta 123
6.2.3.22.Netherlands 124
6.2.3.23.Norway 125
6.2.3.24.Poland 126
6.2.3.24.1.Supply structure 126
6.2.3.24.2.Closeness of competition 126
6.2.3.24.3.Other considerations 127
6.2.3.24.4.Conclusion 129
6.2.3.25.Portugal 130
6.2.3.25.1.Supply structure 130
6.2.3.25.2.Closeness of competition 131
6.2.3.25.3.Other considerations 131
6.2.3.25.4.Conclusion 133
6.2.3.26.Slovakia 134
6.2.3.26.1.Supply structure 134
6.2.3.26.2.Closeness of competition 135
6.2.3.26.3.Other considerations 135
6.2.3.26.4.Conclusion 137
6.2.3.27.Slovenia 138
6.2.3.28.Spain 139
6.2.3.28.1.Structure of supply 139
6.2.3.28.2.Closeness of competition 140

6.2.3.28.3. Conclusion 142
6.2.3.29. Sweden 142
6.2.3.30. United Kingdom 142
6.2.3.31. Conclusion on Small LCV markets 144
6.2.4. Medium LCV markets 144
6.2.4.1. EEA-wide competitive landscape 144
6.2.4.1.1. The Parties' and competitors' models 144
6.2.4.1.2. Production capacity in the market 145
6.2.4.1.3. EEA-wide market shares 146
6.2.4.2. Closeness of competition 147
6.2.4.2.1. The Notifying Parties' views 147
6.2.4.2.2. The Commission's assessment 147
6.2.4.2.3. Internal documents 147
6.2.4.2.4. Hesitation data 148
6.2.4.2.5. Responses by market participants to the Commission's market investigation questionnaires 148
6.2.4.2.6. Price positioning 149
6.2.4.2.7. Conclusion on closeness 150
6.2.4.3. Affected national markets 150
6.2.4.4. Austria 151
6.2.4.5. Belgium 152
6.2.4.6. Czechia 154
6.2.4.7. Estonia 155
6.2.4.8. France 156
6.2.4.9. Greece 158
6.2.4.10. Hungary 160
6.2.4.11. Ireland 161
6.2.4.12. Italy 162
6.2.4.13. Luxembourg 165
6.2.4.14. Netherlands 166
6.2.4.15. Poland 167
6.2.4.16. Portugal 168
6.2.4.17. Slovakia 169
6.2.4.18. Spain 170
6.2.4.19. United Kingdom 172
6.2.4.20. Conclusion on Medium LCV markets 173
6.2.5. Large LCVs and LCVs between 3.5 and 6 tonnes markets 173

6.2.5.1. EEA-wide competitive landscape 173
6.2.5.1.1.The Parties' and competitors' models 173
6.2.5.1.2.Production capacity in the market 174
6.2.5.1.3.EEA-wide market shares 175
6.2.5.2. Closeness of competition 177
6.2.5.2.1 The Notifying Parties' views 177
6.2.5.2.2.The Commission's assessment 178
6.2.5.2.3.Internal documents 178
6.2.5.2.4.Hesitation data 178
6.2.5.2.5.Responses by market participants to the Commission's market investigation questionnaires 179
6.2.5.2.6.Price positioning 179
6.2.5.2.7.Conclusion on closeness 180
6.2.5.3. Affected national markets 180
6.2.5.4. Austria 182
6.2.5.5. Belgium 183
6.2.5.6. Croatia 185
6.2.5.7. Czechia 188
6.2.5.8. Denmark 191
6.2.5.9. Estonia 193
6.2.5.10. Finland 196
6.2.5.11. France 196
6.2.5.12. Greece 200
6.2.5.13. Hungary 203
6.2.5.14. Italy 205
6.2.5.15. Latvia 209
6.2.5.16. Lithuania 210
6.2.5.17. Luxembourg 212
6.2.5.18. Norway 214
6.2.5.19. Poland 217
6.2.5.20. Portugal 219
6.2.5.21. Romania 221
6.2.5.22. Slovakia 223
6.2.5.23. Slovenia 227
6.2.5.24. Spain 229
6.2.5.25. Sweden 233
6.2.5.26. United Kingdom 235

6.2.5.27. Semi-finished LCV products 240
6.2.5.27.1. The Notifying Parties' view 240
6.2.5.27.2. The Commission's assessment 241
6.2.5.27.3. Conclusion 244
6.2.5.28. Conclusion on Large LCV markets 245
7. PCs 245
7.1. Relevant markets 245
7.1.1. Product market definition 245
7.1.1.1. The Commission's decisional practice 245
7.1.1.2. The Notifying Parties' views 245
7.1.1.3. The Commission's assessment 246
7.1.2. Geographic market definition 248
7.1.2.1. The Commission's decisional practice 248
7.1.2.2. The Notifying Parties' view 248
7.1.2.3. The Commission's assessment 248
7.1.3. Conclusion on relevant markets for PCs 249
7.2. Competitive assessment: horizontal non-coordinated effects 249
7.2.1. Common features to all PC markets in the EEA 249
7.2.1.1. Supply-side considerations 249
7.2.1.1.1. EEA-wide production: models, platforms and production sites 250
7.2.1.1.2. Many competitors, growth of new entrants 253
7.2.1.2. Demand-side considerations 255
7.2.1.3. Barriers to entry/expansion 255
7.2.1.4. Electrification 256
7.2.2. Segment A – no overlap going forward 257
7.2.2.1. EEA wide competitive landscape and national market shares 257
7.2.2.1.1. The Parties' and competitors' models 257
7.2.2.1.2. EEA-wide and national market shares 258
7.2.2.2. No overlap 260
7.2.3. Segment B (small cars) and Segments A+B (mini cars and small cars) 261
7.2.3.1. EEA-wide competitive landscape 261
7.2.3.1.1. The Parties' and competitors' models 261
7.2.3.1.2. EEA-wide shares 262
7.2.3.2. Affected national markets 264
7.2.3.3. Austria 267
7.2.3.4. Belgium 268
7.2.3.5. Bulgaria 270

7.2.3.6. Croatia 271
7.2.3.7. Denmark 272
7.2.3.8. France 273
7.2.3.9. Greece 275
7.2.3.10. Hungary 277
7.2.3.11. Italy 278
7.2.3.12. Latvia 280
7.2.3.13. Lithuania 280
7.2.3.14. Luxembourg 281
7.2.3.15. Portugal 282
7.2.3.16. Slovenia 284
7.2.3.17. Spain 285
7.2.3.18. United Kingdom 287
7.2.4. Segment C (Medium cars) 290
7.2.4.1. EEA-wide competitive landscape 290
7.2.4.1.1. The Parties' and competitors' models 290
7.2.4.1.2. EEA-wide shares and affected national markets 291
7.2.4.2. France 293
7.2.4.3. Greece 294
7.2.4.4. Italy 295
7.2.4.5. Lithuania 297
7.2.4.6. Malta 298
7.2.4.7. Portugal 299
7.2.5. Segment D (Large cars) 300
7.2.5.1. EEA-wide competitive landscape 300
7.2.5.1.1. The Parties' and competitors' models 300
7.2.5.1.2. EEA-wide shares and affected national markets 302
7.2.5.2. Croatia 303
7.2.5.3. France 304
7.2.5.4. Malta 305
7.2.6. Segment J (SUVs) 307
7.2.6.1. Supply-side considerations 307
7.2.6.2. Demand-side considerations 310
7.2.6.3. EEA-wide market shares 311
7.2.6.4. Closeness of competition 314
7.2.6.5. Affected national markets 314
7.2.6.6. Austria 315

7.2.6.7. Belgium 316
7.2.6.7.1.B-SUVs 316
7.2.6.7.2.C-SUVs 317
7.2.6.7.3.All SUVs (Segment J) 318
7.2.6.8. Croatia 319
7.2.6.9. Czechia 320
7.2.6.10. Denmark 321
7.2.6.11. France 322
7.2.6.11.1.B-SUVs 322
7.2.6.11.2.C-SUVs 325
7.2.6.11.3.All SUVs (Segment J) 326
7.2.6.12. Germany 327
7.2.6.13. Greece 328
7.2.6.14. Italy 329
7.2.6.14.1.B-SUVs 329
7.2.6.14.2.C-SUVs 331
7.2.6.14.3.All SUVs (Segment J) 333
7.2.6.15. Lithuania 334
7.2.6.15.1.B-SUVs 334
7.2.6.15.2.All SUVs (Segment J) 335
7.2.6.16. Luxembourg 336
7.2.6.17. Netherlands 337
7.2.6.17.1.B-SUVs 337
7.2.6.17.2.C-SUVs 338
7.2.6.17.3.All SUVs (Segment J) 339
7.2.6.18. Portugal 340
7.2.6.18.1.B-SUVs 340
7.2.6.18.2.C-SUVs 341
7.2.6.18.3.All SUVs (Segment J) 342
7.2.6.19. Slovakia 343
7.2.6.20. Slovenia 344
7.2.6.21. Spain 345
7.2.6.21.1.B-SUVs 345
7.2.6.21.2.C-SUVs 346
7.2.6.21.3.All SUVs (Segment J) 347
7.2.6.22. United Kingdom 348
7.2.7. Segment M 349

7.2.7.1. Supply-side considerations 349
7.2.7.2. Demand-side considerations 350
7.2.7.3. EEA-wide market shares 352
7.2.7.4. Closeness of competition 354
7.2.7.5. Affected national markets 354
7.2.7.6. Belgium 355
7.2.7.7. Bulgaria 356
7.2.7.8. Croatia 357
7.2.7.9. Czechia 359
7.2.7.10. Denmark 360
7.2.7.11. Estonia 361
7.2.7.12. Finland 363
7.2.7.13. France 364
7.2.7.14. Germany 365
7.2.7.15. Greece 365
7.2.7.16. Hungary 367
7.2.7.17. Iceland 368
7.2.7.18. Ireland 369
7.2.7.19. Italy 370
7.2.7.20. Latvia 372
7.2.7.21. Lithuania 373
7.2.7.22. Luxembourg 374
7.2.7.23. Netherlands 375
7.2.7.24. Poland 376
7.2.7.25. Portugal 377
7.2.7.26. Slovakia 378
7.2.7.27. Slovenia 379
7.2.7.28. Spain 380
7.2.7.29. United Kingdom 382
8. Wholesale and retail distribution of PCs and LCVs 383
8.1. Relevant markets 383
8.1.1. The Parties' activities 383
8.1.2. The Commission's decisional practice 384
8.1.3. The Notifying Parties' views 384
8.1.4. The Commission's assessment 385
8.2. Competitive assessment 385
8.2.1. Horizontal effects 385

8.2.1.1. Wholesale distribution 385
8.2.1.2. Retail distribution 388
8.2.2. Vertical effects 389
8.2.2.1. Manufacturing and supply of PCs and LCVs (upstream) – wholesale distribution of PCs and LCVs (downstream) 390
8.2.2.2. Wholesale (upstream) and retail (downstream) distribution of PCs and LCVs 390
9. Automotive components 390
9.1. Relevant markets 390
9.1.1. Product market definition 392
9.1.1.1. The Commission's decisional practice 392
9.1.1.2. The Notifying Parties' view 393
9.1.1.3. The Commission's assessment 393
9.1.2. Geographic market definition 394
9.1.2.1. The Commission's decisional practice 394
9.1.2.2. The Notifying Parties' view 394
9.1.2.3. The Commission's assessment 394
9.1.3. Automotive seating 395
9.1.3.1. Product market definition 395
9.1.3.1.1. The Commission's decisional practice 395
9.1.3.1.2. The Notifying Parties' view 396
9.1.3.1.3. The Commission's assessment 396
9.1.3.2. Geographic market definition 397
9.1.3.2.1. The Commission's decisional practice 397
9.1.3.2.2. The Notifying Parties' view 397
9.1.3.2.3. The Commission's assessment 398
9.1.4. Exhaust systems 399
9.1.4.1. Product market definition 399
9.1.4.1.1. The Commission's decisional practice 399
9.1.4.1.2. The Notifying Parties' view 399
9.1.4.1.3. The Commission's assessment 400
9.1.4.2. Geographic market definition 400
9.1.4.2.1. The Commission's decisional practice 400
9.1.4.2.2. The Notifying Parties' view 400
9.1.4.2.3. The Commission's assessment 400
9.1.5. Interior systems 401
9.1.5.1. Product market definition 401
9.1.5.1.1. The Commission's decisional practice 401

9.1.5.1.2.The Notifying Parties' view 401
9.1.5.1.3.The Commission's assessment 402
9.1.5.2. Geographic market definition 402
9.1.5.2.1.The Commission's decisional practice 402
9.1.5.2.2.The Notifying Parties' view 402
9.1.5.2.3.The Commission's assessment 402
9.1.6. Driver information systems 403
9.1.6.1. Product market definition 404
9.1.6.1.1.The Commission's decisional practice 404
9.1.6.1.2.The Notifying Parties' view 404
9.1.6.1.3.The Commission's assessment 404
9.1.6.2. Geographic market definition 405
9.1.6.2.1.The Commission's decisional practice 405
9.1.6.2.2.The Notifying Parties' view 405
9.1.6.2.3.The Commission's assessment 405
9.1.7. ICE powertrains 405
9.1.7.1. Product market definition 406
9.1.7.1.1.The Commission's decisional practice 406
9.1.7.1.2.The Notifying Parties' view 406
9.1.7.1.3.The Commission's assessment 406
9.1.7.2. Geographic market definition 406
9.1.7.2.1.The Commission's decisional practice 406
9.1.7.2.2.The Notifying Parties' view 406
9.1.7.2.3.The Commission's assessment 406
9.1.8. Pedal boxes 407
9.1.8.1. Product market definition 407
9.1.8.1.1.The Commission's decisional practice 407
9.1.8.1.2.The Notifying Parties' view 407
9.1.8.1.3.The Commission's assessment 407
9.1.8.2. Geographic market definition 407
9.1.8.2.1.The Commission's decisional practice 407
9.1.8.2.2.The Notifying Parties' view 407
9.1.8.2.3.The Commission's assessment 408
9.1.9. Cast iron and cast aluminium components 408
9.1.9.1. Product market definition 409
9.1.9.1.1.The Commission's decisional practice 409
9.1.9.1.2.The Notifying Parties' view 410

9.1.9.1.3.The Commission's assessment 410
9.1.9.2. Geographic market definition 411
9.1.9.2.1.The Commission's decisional practice 411
9.1.9.2.2.The Notifying Parties' view 411
9.1.9.2.3.The Commission's assessment 411
9.1.10. Body assembly systems 411
9.1.10.1.Product market definition 411
9.1.10.1.1.The Commission's decisional practice 411
9.1.10.1.2.The Notifying Parties' view 412
9.1.10.1.3.The Commission's assessment 412
9.1.10.2.Geographic market definition 412
9.1.10.2.1.The Commission's decisional practice 412
9.1.10.2.2.The Notifying Parties' view 412
9.1.10.2.3.The Commission's assessment 412
9.1.11. Powertrain assembly systems 413
9.1.11.1.Product market definition 413
9.1.11.1.1.The Commission's decisional practice 413
9.1.11.1.2.The Notifying Parties' view 413
9.1.11.1.3.The Commission's assessment 413
9.1.11.2.Geographic market definition 413
9.1.11.2.1.The Commission's decisional practice 413
9.1.11.2.2.The Notifying Parties' view 413
9.1.11.2.3.The Commission's assessment 413
9.1.12. Powertrain component machining centres 414
9.1.12.1.Product market definition 414
9.1.12.1.1.The Commission's decisional practice 414
9.1.12.1.2.The Notifying Parties' view 414
9.1.12.1.3.The Commission's assessment 414
9.1.12.2.Geographic market definition 414
9.1.12.2.1.The Commission's decisional practice 414
9.1.12.2.2.The Notifying Parties' view 414
9.1.12.2.3.The Commission's assessment 415
9.1.13. Industrial robotics and automation products for the automotive industry 415
9.1.13.1.Product market definition 415
9.1.13.1.1.The Commission's decisional practice 415
9.1.13.1.2.The Notifying Parties' view 415
9.1.13.1.3.The Commission's assessment 415

9.1.13.2. Geographic market definition 416
9.1.13.2.1. The Commission's decisional practice 416
9.1.13.2.2. The Notifying Parties' view 416
9.1.13.2.3. The Commission's assessment 416
9.2. Competitive assessment – vertically affected markets 416
9.2.1. Legal test for the assessment of vertical effects 417
9.2.2. Structure of supply and demand in automotive components markets for automotive seating, exhaust systems and the market for interior system assembly services 418
9.2.3. Recliners and length adjusters 419
9.2.3.1. No input foreclosure 419
9.2.3.1.1. The Notifying Parties' view 419
9.2.3.1.2. The Commission's assessment 420
A Ability 420
B Incentive 421
C Conclusion on input foreclosure 422
9.2.3.2. No customer foreclosure 422
9.2.3.2.1. The Notifying Parties' view 422
9.2.3.2.2. The Commission's assessment 423
A Ability 423
B Incentive 424
C Conclusion on customer foreclosure 424
9.2.4. Exhaust systems and hot ends 425
9.2.4.1. No input foreclosure 425
9.2.4.1.1. The Notifying Parties' view 425
9.2.4.1.2. The Commission's assessment 426
A Ability 426
B Incentive 427
C Conclusion on input foreclosure 428
9.2.4.2. No customer foreclosure 428
9.2.4.2.1. The Notifying Parties' view 428
9.2.4.2.2. The Commission's assessment 429
A Ability 429
B Incentive 429
C Conclusion on customer foreclosure 430
9.2.5. Cockpit module and centre console assembly 430
9.2.5.1. No input foreclosure 430
9.2.5.1.1. The Notifying Parties' view 430

9.2.5.1.2.The Commission's assessment 432
A Ability 432
B Incentive 433
C Conclusion on input foreclosure 433
9.2.5.2. No customer foreclosure 434
9.2.5.2.1.The Notifying Parties' view 434
9.2.5.2.2.The Commission's assessment 434
A Ability 434
B Incentive 435
C Conclusion on customer foreclosure 436
10. Automotive financing and related services 436
10.1. Relevant markets. 437
10.1.1. Automotive financing services – motor vehicle lending 437
10.1.1.1.Product market definition 437
10.1.1.1.1.The Commission's decisional practice 437
10.1.1.1.2.The Notifying Parties' view 437
10.1.1.1.3.The Commission's assessment 437
10.1.1.2.Geographic market definition 438
10.1.1.2.1.The Commission's decisional practice 438
10.1.1.2.2.The Notifying Parties' view 438
10.1.1.2.3.The Commission's assessment 438
10.1.2. Lending to SMEs – lending to car dealers 438
10.1.2.1.Product market definition 438
10.1.2.1.1.The Commission's decisional practice 438
10.1.2.1.2.The Notifying Parties' view 438
10.1.2.1.3.The Commission's assessment 438
10.1.2.2.Geographic market definition 439
10.1.2.2.1.The Commission's decisional practice 439
10.1.2.2.2.The Notifying Parties' view 439
10.1.2.2.3.The Commission's assessment 439
10.1.3. Insurance provision and distribution 439
10.1.3.1.Product market definition 439
10.1.3.1.1.The Commission's decisional practice 439
10.1.3.1.2.The Notifying Parties' view 440
10.1.3.1.3.The Commission's assessment 440
10.1.3.2.Geographic market definition 440
10.1.3.2.1.The Commission's decisional practice 440

10.1.3.2.2. The Notifying Parties' view 440
10.1.3.2.3. The Commission's assessment 440
10.1.3.3. Conclusion 440
10.1.4. Saving accounts 440
10.1.4.1. Product and geographic market definition 440
10.1.4.1.1. The Commission's decisional practice 440
10.1.4.1.2. The Notifying Parties' view 441
10.1.4.1.3. The Commission's assessment 441
10.1.4.2. Conclusion 441
10.2. Competitive assessment horizontal non-coordinated effects 441
10.2.1. Legal test for the assessment of horizontal non-coordinated effects. 441
10.2.2. The activities of the CFCs 441
10.2.3. Notifying Parties' view 442
10.2.4. General concern raised during the market investigation concerning CFCs 443
10.2.5. Motor vehicle lending in Italy 445
10.2.5.1. The Commission's assessment 446
10.2.5.2. Conclusion 447
10.2.6. Lending to SMEs and car dealers. 447
10.2.6.1. The Commission's assessment 448
10.2.6.2. Conclusion 448
11. Commitments 448
11.1. Analytical framework for the assessment of the Commitments 448
11.2. Procedure 449
11.3. Description of the proposed Commitments 450
11.3.1. Commitment to extend the Toyota cooperation in Small LCVs 450
11.3.1.1. Capacity increase 451
11.3.1.2. Price reduction 451
11.3.1.3. Other conditions 451
11.3.2. Toyota as a fix-it-first purchaser under the proposed Commitments 451
11.3.3. Commitment to open up the LCV repair network 452
11.4. Results of the market test 455
11.5. The Commission's assessment of the proposed Commitments 457
11.6. The Final Commitments 464
11.7. The Commission's assessment of the Final Commitments 464
12. CONDITIONS AND OBLIGATIONS 465

COMMISSION DECISION

of 21.12.2020

declaring a concentration to be compatible with the internal market and the EEA agreement

(Case M.9730 – FCA/PSA)

(Only the English text is authentic)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Agreement on the European Economic Area, and in particular Article 57 thereof,

Having regard to Council Regulation (EC) No 139/2004 of 20.1.2004 on the control of concentrations between undertakings[1], and in particular Article 8(2) thereof,

Having regard to the Commission's decision of 17.06.2020 to initiate proceedings in this case,

Having given the undertakings concerned the opportunity to make known their views on the objections raised by the Commission,

Having regard to the opinion of the Advisory Committee on Concentrations,

Having regard to the final report of the Hearing Officer in this case,

Whereas:

1. INTRODUCTION

(1) On 8 May 2020 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 (the 'Merger Regulation') by which Peugeot S.A. ('PSA', France) and Fiat Chrysler Automobiles N.V. ('FCA', the Netherlands), controlled by EXOR N.V. would enter into a full merger within the meaning of Article 3(1)(a) of the Merger Regulation.[2] PSA and FCA are designated in this Decision as the 'Notifying Parties' or 'Parties' to the 'Proposed Transaction'.

2. THE OPERATION AND THE CONCENTRATION

(2) PSA is active worldwide in the manufacture, supply and distribution of passenger cars ('PCs') and light commercial vehicles ('LCVs') under the Peugeot, Citroën, Opel, Vauxhall and DS brands. Through its subsidiary, Faurecia S.A. ('Faurecia'), it is also active in the manufacture and supply of various automotive components. PSA

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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 Publication in the Official Journal of the European Union No C 167, 15.5.2020, p. 18.

also provides ancillary services such as financing solutions for the acquisition of its branded motor vehicles,[3] as well as mobility services and solutions.

(3) FCA is active worldwide in the manufacture, supply and distribution of PCs and LCVs under the brands Fiat, Chrysler, Jeep, Alfa Romeo, Lancia, Abarth, Dodge, Ram, and Fiat Professional. In addition, FCA owns the automotive cast components business Teksid S.p.A., the plastic components and modules business Plastic Components and Modules Automotive S.p.A., and the industrial automation business Comau S.p.A. It also provides financing solutions to support the sale of its branded vehicles.

(4) Pursuant to the Combination Agreement signed on 17 December 2019, on the date of closing, all issued and outstanding PSA and FCA shares will be exchanged for shares of a newly incorporated entity based in the Netherlands according to the exchange rate agreed between the Parties.[4] The Combination Agreement was amended on 14 September 2020. The amendments were however economic in nature in light of the impact of the Covid-19 pandemic, but did not affect the structure or scope of the merger.[5] Since the Proposed Transaction consists of the merger of two previously independent undertakings, it constitutes a concentration pursuant to Article 3(1)(a) of the Merger Regulation.

3. EU DIMENSION

(5) The combined aggregate worldwide turnover of the undertakings concerned exceeds EUR 5 000 million (FCA: EUR 110 412 million; PSA:[6] EUR 74 027 million) and the aggregate Union-wide turnover of each of FCA and PSA is above EUR 250 million (FCA: EUR […]; PSA: EUR […]). The Parties do not each achieve more than two third of their aggregate Union-wide turnover within one and the same Member State.

(6) It follows that the Proposed Transaction meets the turnover thresholds within the meaning of Article 1(2) of the Merger Regulation.

4. THE PROCEDURE

(7) On 8 May 2020 the Commission received a notification of the Proposed Transaction pursuant to Article 4 of the 'Merger Regulation'.

(8) During the Phase I market investigation the Commission reached out to a large number of market participants (customers of the Notifying Parties and competitors), by requesting information through e-Questionnaires, telephone calls and written requests for information pursuant to Article 11 of the Merger Regulation.

(9) In addition, the Commission also sent numerous written requests for information to the Notifying Parties and reviewed internal documents of the Parties submitted at this stage.

(10) On 3 June 2020 the Commission informed the Notifying Parties of the serious doubts arising from the preliminary assessment of the Proposed Transaction during a 'State of Play' meeting.

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3 Mostly, for the acquisition of PSA vehicles.

4 […].

5 PSA-FCA Amendment to the Combination Agreement.

6 This includes the turnover of PSA's subsidiary Faurecia (EUR […]).

(11) On 17 June 2020 the Commission found that the Proposed Transaction raised serious doubts as to its compatibility with the internal market and the EEA agreement and adopted a decision to initiate proceedings pursuant to Article 6(1)(c) of the Merger Regulation.

(12) On 18 June 2020, the Commission provided a number of key documents to the Notifying Parties. The Notifying Parties submitted their written comments to the Article 6(1)(c) decision on 30 June 2020.

(13) On 1 July 2020, at a State of Play meeting, the Commission provided the Notifying Parties with the opportunity to discuss the main issues raised in their Response to the Article 6(1)(c) decision, and indicated the matters on which it planned to focus its further investigative efforts during the Phase II investigation.

(14) On 3 July 2020 the merger review period was extended by 15 working days following the Parties' request pursuant to Article 20(3) of the Merger Regulation.

(15) During the Phase II investigation, the Commission sent several requests for information to the Notifying Parties.

(16) On 20 July 2020, the Commission adopted a decision pursuant to Article 11(3) of the Merger Regulation requiring the Parties to supply the complete information that had been required by the Commission in two requests for information, one to FCA and one to PSA, sent to the Parties on 26 June 2020.[7] The initial time limit to supply the information in both requests for information was 10 July 2020, which the Commission subsequently extended until 17 July 2020.

(17) This decision suspended the time limit referred to in Article 10(3) of the Merger Regulation pursuant to Article 9(1) of Commission Regulation No. 802/2004 from 20 July 2020. By email of 30 September 2020, the Commission informed the Notifying Parties that the suspension of the time limit had expired on 28 September 2020, following the Parties' submission of the required information on that date.

(18) On 28 September 2020, the Commission launched a market test on the commitments submitted on 25 September. On 27 October 2020, the Notifying Parties formally submitted the final version of the commitments.

(19) The meeting with the Advisory Committee was held on 7 December 2020.

5. THE PARTIES' ACTIVITIES

(20) The Parties' activities mainly overlap in two areas: (i) Manufacture and sale of PCs; and (ii) manufacture and sale of LCVs. Both Parties also manufacture and sell various automotive spare parts,[8] components and solutions but for the large part,

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7 These two RFIs requested the Parties to provide all responsive documents in their possession, to be identified by conducting electronic searches of the emails and electronic files prepared by, prepared for, or received by certain custodians, on the basis of certain search terms.

8 Both PSA and FCA are active in the wholesale and retail distribution of original equipment spare parts. However, because the wholesale and retail distribution of OE spare parts is brand-specific, the Parties do not have overlapping activities on these markets. FCA offers spare parts under the Mopar brand name for FCA vehicles (Form CO, paragraph 48). PSA owns Mister Auto which commercialises spare parts under PSA's brands b.pro and Bölk for PSA vehicles as well as vehicles from other OEMs, although less than […] of these spare parts are compatible with FCA vehicles (Form CO, paragraph 226 and following). As no horizontal or vertical relationships arise from these activities, they will not be further discussed in this Decision.

these activities are complementary.[9] This activity is, however, vertically related to the manufacture of PCs and LVCs. Finally, both Parties also provide automotive financing and related services.[10] The impact of the Proposed Transaction in the LCV and PC markets will be addressed in Sections 6 and 7 of this Decision, whereas the impact on the latter group of activities will be analysed in Sections 9 and 10.

(21) Motor vehicles are manufactured at assembly plants which are usually scaled according to planned production volumes and are layout optimised.[11] The assembly process consists of the following steps: (i) Body Shop - contiguous stamping, welding and sealing; (ii) Paint Shop – exterior painting and sealing and (iii) Assembly Shop - both the interior trim of the vehicle and the build-up of the undercarriage / engine dress of the vehicle.

(22) Automotive vehicles are built on 'platforms'. This term refers to the basic architecture of a vehicle based on a specific set of dimensions. The vehicle platform usually comprises the underbody (chassis, the floor pan and frame), suspension and the axles (front/rear axles and wheel base).[12] A common-platform is a base used in several vehicles. Vehicles based on the same platform share the same sub-frame, front and rear suspension, and a number of other parts except style and personality/decorative features.[13] OEMs tend to concentrate the production of several models on the same platform as a means to achieve economies of scale.[14] For this reason, it can be technically easier to manufacture on the same production line vehicles built on the same platform.[15] The production activities of the Parties are assessed in Sections 6.2.2.1 and 7.2.1.1.

(23) In order to increase the production capacity of a plant, it is possible to add new production lines for the vehicles already manufactured or for different vehicles. However, the location of a plant might limit the possibility to add buildings with new production lines in order to add production lines and capacity. A capacity increase of an existing plant by […] could take around […] and cost between EUR […].[16]

(24) As regards the commercial policy, the Parties currently […].[17] Each brand has a CEO (PSA) or Head of Brand (FCA) in charge of products, pricing, sales objectives and communication for the brand and its own sales target and pricing targets.

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9 Both Parties also manufacture powertrains although their sales to third parties are marginal.

10 PSA also provides car sharing services under the brand Free2Move (Form CO, paragraph 9). FCA is not active in car sharing. In the future, both Parties will offer e-mobility services to the customers of their respective brands: FCA, together with electricity companies Engie and Enel X, is in the process of setting up an e-mobility service for the provision of charging stations and wall boxes (home charging stations) for electric FCA vehicles as well as related software and mobile apps. PSA has also concluded cooperation agreements with suppliers of charging stations in several EEA countries. In parallel, PSA has developed an app to enable drivers of electric PSA vehicles to easily find public charging stations. (Form CO, paragraph 56 and following). As no horizontal overlaps or vertical relationships arise from these activities, these will not be further discussed in this Decision.

11 Form CO, paragraph 1085 and following.

12 Form CO, paragraph 1093.

13 Form CO, paragraph 1096. Differentiation between models which share the same platform is achieved by applying different "top hats", i.e. the upper body structure of the vehicle which is visible to the customer.

14 Form CO, paragraph 1096.

15 Form CO, paragraph 1054. However, the Notifying Parties claim that this is not strictly necessary, as there are numerous examples in the industry of OEMs manufacturing on the same production line vehicles built on different platforms.

16 Form CO, paragraph 1104.

17 Form CO, paragraph 1118 and following.

(25) The Parties distribute their vehicles at wholesale level via a local subsidiary or an independent importer.[18] As customary in the sector, retail distribution takes place via independent dealerships. Only exceptionally, FCA and PSA have owned dealers.[19] In addition to sales through dealerships, both PSA and FCA also sell part of their vehicles directly, without any intermediary, to customers such as public administrations and corporate fleets.[20]

(26) The Parties are active worldwide, but their geographic areas of activities are relatively complementary: FCA has a strong presence in the United States, which is one of FCA's home markets, where PSA no sales, and a significant presence in Latin America, where PSA has limited sales. Both are active in the EEA, but PSA has a slightly stronger presence there.[21]

6. LCVs

(27) LCVs are commercial vehicles with a gross weight rating of up to 6 tonnes.

(28) The Parties manufacture and sell LCVs in the EEA. PSA manufactures and sells LCVs in the EEA with the brands Peugeot, Citroën and Opel.[22] PSA commercialises the Opel models in the United Kingdom under the Vauxhall brand. This Decision will refer to these models as 'Opel', regardless of the brand effectively used.

(29) FCA is present in the EEA with the brands Fiat and Fiat Professional. FCA uses Fiat Professional to commercialise its LCV models in Italy and some other countries. This Decision will refer to these models as 'Fiat', regardless of the brand effectively used.[23]

6.1. Relevant markets

6.1.1. Product market definition

6.1.1.1. The Commission's decisional practice

(30) The Commission's decisional practice has defined separate markets for the manufacture and supply of PCs on the one hand, and of commercial vehicles on the other hand.[24] The Notifying Parties agree[25] with the distinction between PCs and commercial vehicles.[26] Nothing in the market investigation suggests that this distinction would be incorrect and, therefore, it is retained for the purposes of this Decision.

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18 Form CO, paragraph 1144. PSA has subsidiaries for its brands in […].
FCA has subsidiaries for its brands […] (Form CO, paragraph 1145).

19 Form CO, paragraph 1146 and following. For instance, PSA's distribution network consists of […] of independent dealerships and […] of owned dealerships and FCA's distribution network consists of […] of independent dealerships and […] of owned dealerships.

20 Form CO, paragraph 1152. EEA-wide, PSA and FCA sell […] and […] of their vehicles directly to customers and […] and […] via independent distributors (see Form CO, Tables 140 and 141).

21 Form CO, paragraph 1212.

22 Also, a few hundred vehicles of the brand "DS" appear to have been registered in the EEA as LCVs.

23 FCA also has a negligible presence in this market via its brands Jeep, Alfa Romeo, Dodge, Lancia and Chrysler, some models of which may occasionally be registered as LCVs up to 3.5 tonnes in some countries.

24 Case COMP/M.1519 - Renault/Nissan (1999); Case COMP/M.2832 - General Motors/Daewoo (2002); Case COMP/M.5219 - VWAG/OFH/VWGI (2008); Case COMP/M.5518 - Fiat/Chrysler (2009); and Case COMP/M.8449 - Peugeot/Opel (2017).

25 Form CO, paragraph 312.

26 Form CO, paragraph 312. The results of the market investigations also did not contest this practice.

(31) Within commercial vehicles, the Commission has previously distinguished commercial vehicles markets based on their weight and considered that (i) LCVs, (ii) medium-size trucks; and (iii) heavy duty trucks constitute separate product markets.[27] The Parties' activities in commercial vehicles in the EEA only overlap in relation to LCVs.[28]

(32) Within LCVs, the Commission has considered but ultimately left open whether (i) LCVs should be further sub-segmented into vehicles with a gross weight rating of (a) up to 3.5 tonnes, and (b) between 3.5 and 6 tonnes;[29] and whether pick-up trucks should be excluded from the LCV market(s).[30] The Parties' activities do not overlap in the EEA in the manufacture and sale of pick-ups, since PSA is not active in this segment in the EEA.[31]

(33) In its Article 6(1)(c) Decision, the Commission left open whether the market for LCVs up to 3.5 tonnes should be further segmented by size, as it has done in respect of PCs, and whether pick-up trucks should be considered a separate market or part of LCVs.[32] The Commission preliminarily concluded that LCVs between 3.5 and 6 tonnes are not part of the same market as LCVs up to 3.5 tonnes.[33]

(34) Finally, the Commission has not concluded whether low-emission vehicles ('LEVs') and internal combustion engine ('ICE') vehicles should constitute separate product markets and whether LEVs should be further segmented according to (i) technology, e.g., battery electric ('BEVs'), hybrid electric ('HEVs') or plug-in hybrid electric ('PHEVs') vehicles) or (ii) the categories defined for combustion engine vehicles (e.g. A, B, C, LCVs, etc.).[34] In any case, for the purposes of this Decision, the Commission did not investigate whether low-emission vehicles are a separate market from internal combustion engine vehicles as this will not have any appreciable impact in the assessment of the effects of the Proposed Transaction on the markets in view of the limited sales of these vehicles in the EEA,[35] and the fact that FCA is currently not present in any low emission LCV market/segment.[36]

6.1.1.2. Pick-up trucks ('pick-ups')

(35) The Notifying Parties consider that the market for LCVs of up to 3.5 tonnes includes pick-ups.[37] They note that a large number of respondents in the market investigation of Case COMP/M.8449 – *Peugeot/Opel* found that pick-ups are mostly considered as commercial vehicles.[38]

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27 See cases COMP/M.6267 - Volkswagen/MAN (2011) and COMP/M.5157 - Volkswagen/Scania (2008).

28 Form CO, paragraph 313.

29 See case COMP/M.8449 - Peugeot/Opel (2017), paragraph 21 and the cases cited.

30 See case COMP/M.8449 - Peugeot/Opel (2017), paragraph 23 and the cases cited.

31 Form CO, paragraph 319/Table 7 (FCA's pick-ups under the RAM brand are listed as LCVs).

32 See Article 6(1)(c) decision, recital 28.

33 See Article 6(1)(c) decision, recital 25.

34 Case COMP/M.8449 – Peugeot/Opel (2017), paragraph 14.

35 Competitors have confirmed in the market investigation that less than 5% of the LCVs OEMs sell in the EEA is currently made up of low emission LCVs (see replies to question 73 of Questionnaire 9 to competitors), and a significant proportion consider that this proportion will not substantially change in the next five years (see replies to question 74 of Questionnaire 9 to competitors).

36 FCA will only launch its first LEV LCV models in 2020, so its market share on any low emission or electric vehicle segment, FCA's market share would be currently zero.

37 Form CO, paragraph 319.

38 Case No COMP/M.8449 – Peugeot/Opel (2017), paragraph 24.

(36) Based on its in-depth investigation, the Commission considers that the market for LCVs up to 3.5 tonnes *does not* include pick-ups. This exclusion is based both on demand- and supply-side considerations.

(37) The in-depth investigation has shown that there is limited *demand-side* substitution.

(38) First, LCVs and pick-ups tend to cater for different customer needs. The majority of customers and competitors responding to the market investigation considered that pick-ups should be seen as a separate category from LCVs,[39] even if pick-ups can and are used for both commercial and passenger needs.[40] A number of respondents specified that pick-ups, when used as commercial vehicles, are employed for different purposes (construction, farming) and in different environments (remote, rural or mountainous areas) than LCVs.[41] This also supports the notion that pick-ups cannot be clearly categorised as a passenger or commercial vehicle but should be considered a category on their own.

(39) Second, switching between LCVs and pick-ups appears to be limited. In the in-depth market investigation, a majority of dealers, leasing/rental companies and corporate customers responded that customers do not see pick-ups as an alternative to LCVs.[42] Comments made by respondents suggested that most pick-up customers have considered other pick-up models as the main alternative to their eventual choice.[43] This is in line with the results of the New Van Buyer Survey ('NVBS'), a study that asks purchasers of new vehicles which vehicles they considered as the main alternative to the vehicle actually purchased, i.e. between which models they hesitated. According to this survey, less than 1% of customers of LCVs up to 3.5 tonnes (excluding pick-ups) would divert to a pick-up.[44] Similarly, a hesitation study submitted by a market participant for customers in France, Germany, Italy, Spain and United Kingdom shows that most pick-up buyers consider other pick-ups as the main alternative to their ultimate choice and that the marginal amount of customers that did not consider pick-ups as their main alternative hesitated between either LCVs or PCs, confirming pick-ups' unique positioning between these two segments.[45]

(40) This is further supported by the Parties' internal documents which show that customers generally do not switch from LCVs to pick-ups and vice versa. Pick-ups compete only with other pick-up models, or to some extent also with SUVs, but not with LCVs.[46]

(41) Third, pick-ups and LCVs have different technical characteristics. As explained by some competitors during the market investigation, pick-ups are different from LCVs

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39 A majority of respondents considered that pick-ups should be seen as a separate category from LCVs.

40 Replies to question 15 of Questionnaire 1 to competitors, questions 13 of Questionnaires 3 to importers, Questionnaire 4 to dealers and Questionnaire 5 to leasing and rental companies. The Parties' internal documents showed that, […] (see Parties' replies to RFIs 21 and 22 of 26 June 2020 (docs Id: 2507-84803 - Ref: 2020/088647 - Source: M.9730 / ID2507 / M.9730_RFI_21_VOL003).

41 Replies to questions 9.1 of Questionnaires 3 to importers and 4 to dealers. This is consistent with the fact that – unlike in LCVs – in pick-ups the loads are not generally covered, so cannot be protected from wind/rain, etc.

42 Replies to questions 14 and 15 of Questionnaires 11 to dealers, 12 to leasing companies and 13 to corporate customers.

43 Replies to question 15 of Questionnaire 9 to competitors, and questions 14 and 15 of Questionnaire 10 to importers.

44 NVBS study of 2018.

45 Submission of 27 May 2020 by a market participant.

46 FCA presentation "Global Metric Ton (D) Product Update", Doc Id:2507-84803 - Ref: 2020/088647.

in that they have different dimensions, and do not allow for conversion.[47] More generally, they do not protect their load from rain or theft.

(42) Fourth, pick-ups are more expensive, also because they are usually subject to higher taxes than LCVs.[48]

(43) Fifth, in the Phase I market investigation, a competitor also added that "*it is particularly difficult to leverage a brand image acquired in LCV or PC into the Pick-Up truck space*". According to this competitor, OEMs which are strong in pick-ups are often weak in LCVs and vice versa.[49] This is supported by the fact that PSA is not present and FCA is not strong in the manufacture and supply of pick-ups in the EEA.

(44) The in-depth investigation has also shown that there is no (or very limited) *supply-side* substitutability between pick-ups and LCVs. First, pick-ups and LCVs are produced on different production lines and switching production would be difficult, since the chassis is not the same.[50] Second, the Parties' internal documents show the business practice of reporting pick-up sales separately, as a separate category from Small, Medium and Large LCVs.[51]

(45) In view of the above, the Commission considers that pick-ups *are not part of the same product market as LCVs* but form a separate distinct product market of their own.

6.1.1.3. LCVs of up to 3.5 tonnes: Distinction between LCVs of different sizes

(46) In the Article 6(1)(c) decision, the Commission left open whether LCVs up to 3.5 tonnes should be further segmented by size, as it has done in respect of PCs.[52]

6.1.1.3.1. The Notifying Parties' views

(47) The Notifying Parties consider that the market for LCVs of up to 3.5 tonnes should not be further sub-segmented into separate product markets by size of LCV.

(48) From the supply-side perspective, the Notifying Parties consider that there is substitutability between LCVs of different sizes since (i) the main OEMs offer the full range of LCVs; (ii) the technical characteristics (number of seats, load space, payload capacity, towing capacity, etc.) of the different sizes of vehicles overlap; (iii) the price ranges that OEMs set for their offerings do not correspond to different sizes of LCVs; and (iv) vehicles of different sizes are often manufactured on the same platforms in the same plants.[53]

(49) From the demand-side perspective, the Notifying Parties submit that LCVs of different sizes compete with each other as consumers' purchasing decisions are based on criteria other than the size of vehicle. Citing results of the NVBS, the Notifying Parties note that size is mentioned by consumers as one of the main criteria for their

47 Replies to question 16.1 of Questionnaire 1 to competitors.
48 Replies to question 16.1 of Questionnaire 1 to competitors.
49 Non-confidential reply to question 9.1 of Questionnaire 1 to competitors.
50 Replies to question 19 of Questionnaire 1 to competitors.
51 See Parties' replies to RFIs 21 and 22 of 26 June 2020 (docs Id:2221-88854 - Ref: 2020/084411; FCA 'LCV market by segment', Doc Id:2220-63823 - Ref: 2020/084411).
52 See Article 6(1)(c) decision, recital 28.
53 Notifying Parties' submission of 20 June 2020, section 1.2.1.

purchasing decisions only after others like the personal experience with previous models bought or the purchase price.[54]

6.1.1.3.2. The Commission's assessment

(50) The Commission considers that LCVs up to 3.5 tonnes can be sub-segmented into three categories ('small', 'medium' and 'large'), and that each of those three categories constitutes a separate product market.

(51) This is based both on demand- and supply-side considerations, taking into account the following factors: First, internal documents submitted by the Parties show that this segmentation is used by FCA and PSA in the regular course of their business. Second, there are clear dividing lines between the technical characteristics and prices of the different LCV sizes. Third, there is a wide consensus in the industry on the use of this segmentation, and such a distinction by size is also in line with the Commission's practice in PCs. Fourth, based on hesitation data and the replies of market participants to the market investigation, there is limited demand-side substitutability. Finally, there is limited or no supply-side substitutability between different LCV sizes. The following sections of this Decision will explain these factors in detail.

A The Parties' internal segmentation

(52) The internal documents provided by the Parties illustrate that both FCA and PSA regularly distinguish in the course of their business different types of LCVs of up to 3.5 tonnes depending on their size.

(53) PSA distinguishes internally *three segments* of LCVs of up to 3.5 tonnes: 'small', 'medium' and 'large'.[55] Each of PSA's brands has one LCV model in each of the three categories (Citroën Berlingo, Peugeot Partner and Opel Combo are small LCVs; Citroën Jumpy, Peugeot Expert and Opel Vivaro are medium LCVs; and Citroën Jumper, Peugeot Boxer and Opel Movano are large LCVs). […]. However, for the reasons explained in Section 6.1.1.7, car-derived vans do not belong to the same product markets as LCVs.

(54) FCA also distinguishes segments by size but identifies four categories: 'small', 'compact', 'midsize' and 'large'.[56] FCA's midsize and large categories correspond to PSA's medium and large segments. FCA divides the smaller LCV category into two separate segments (small and compact) due to the fact that it manufactures two vans of smaller dimensions: One is the Fiat Doblò, which FCA includes in the compact category together with most small LCVs produced by other OEMs (i.e. with Citroën Berlingo, Peugeot Partner and Opel Combo); the other is the Fiat Fiorino, which is smaller than the Fiat Doblò. However, according to FCA's internal segmentation, there appears to be only one major brand besides Fiat (Ford, with its Ford Transit Courier)[57] that includes in its product offer a van that can be included in this smaller category.[58] Moreover, […].[59] As explained in detail in this Section, the Commission

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54 Notifying Parties' submission of 20 June 2020, section 1.2.2.

55 See PSA's Reply to question 1 of RFI 17 of 19 June 2020. Small LCVs are referred to internally as 'C1/F1' or 'K9', Medium LCVs as 'K1 or K0' models, Large LCVs as 'K-2, K-3-K4' models.

56 See FCA's Reply to question 1 of RFI 17 of 19 June 2020. FCA has uses two internal classifications: the FCA Global segmentation and the Fiat Regional Industrial segmentation. Both are essentially identical, in that they distinguish four different segments (small/compact/medium/large) with different terminologies) and a separate segment for CDVs. The Fiat Regional Industrial segmentation also distinguishes a category for pick-up trucks.

57 RNM also commercialisess the Dokker with its Dacia brand, which has minor sales in the EEA.

58 See Parties' reply to RFI 17 of 19 June 2020.

considers that vehicles in FCA's small and compact categories should be considered part of the same Small LCV product market.

(55) The internal documents of the Parties show that PSA and FCA use this segmentation consistently in their regular course of business. An example is the graph below, which shows an illustration of how FCA shows in its internal presentations the competitiveness of its LCV fleet in Europe.[60]

Figure 1: competitiveness FCA LCV models

[…]

Source: Form CO, Annex FCA 35

(56) […].[61]

(57) PSA's internal documents show […].[62] Particularly illustrative are PSA's internal documents in which LCV partnerships with other OEMs are discussed. […].[63]

(58) Finally, PSA and FCA map their competitors' models in an identical way, allocating each LCV model to the same segment.[64]

B Different technical characteristics

(59) The Parties' and their competitors' models, segmented by size following the segmentation used by PSA (small, medium and large LCVs) is set out in Table 1.

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59 See Parties' reply to 23 July 2020.

60 See Form CO, Annex FCA 35, slide 198. Although the slide in question depicts the competitive situation in France, very similar graphs are shown in other slides corresponding to the competitive situation in Italy (slide 186), Germany (192), Spain (204) or United Kingdom (210). The same or similar slides showing this fleet segmentation is included in other presentations submitted by FCA (e.g. Annexes FCA 31 or FCA 35).

61 […].

62 […].

63 See for instance PSA's e-mail […].

64 See PSA's and FCA's replies to question 2 of RFI 17 of 19 of June 2020, and Section 2.3 of the LCV Economic Annex.

Table 1: LCV models of the Parties and main competitors by size

Manufacturer	Brand	Small	Medium	Large
FCA	Fiat	Fiorino, Doblò	Talento	Ducato
PSA	Citroën	Berlingo	Jumpy	Jumper
	Peugeot	Partner	Expert	Boxer
	Opel	Combo	Vivaro	Movano
RNM	Renault	Kangoo	Trafic	Master
	Dacia	Dokker, Duster		
	Nissan	NV200, NV250	NV300	NV400, Atlas (Cabstar)
	Mitsubishi			Fuso Canter
VW	Volkswagen	Caddy	Transporter	Crafter
	MAN			TGE
Ford	Ford	Transit Courier, Transit Connect	Transit Custom	Transit
Daimler	Mercedes	Citan	VITO	Sprinter
Toyota	Toyota	ProAce City	ProAce	
Iveco	Iveco			Daily
Piaggio	Piaggio	Hijet/Porter		

Source: Notifying Parties' submission of 30 June 2020. The Commission has merged the 'Compact' and 'Small' columns.

(60) And Table 2 presents the ranges of the main technical parameters of LCVs for each of these segments (small, medium and large), to the extent they are reported in the IHS data.

Table 2: Main technical parameters of LCV models

LCV Segment	Seats	Total Load Space (L)	Payload (Kg)	Towing capacity (Kg)
Small	1 – 9	190 – 8 000	250 – 1 499	332 – 3 500
Medium	1 – 9	730 – 9 300	338 – 1 908	750 – 3 500
Large	1 – 17	600 – 23 000	365 – 3 250	1 050 – 5 500

Source: Notifying Parties' submission of 30 June 2020. The Commission has merged the 'Compact' and 'Small' columns.

(61) As reflected in Table 1, most OEMs manufacture three sizes of LCVs per brand, essentially one per category. Within each size, OEMs offer different versions/adaptations and options/upgrades and, for this reason, the technical characteristic of each product are defined in ranges rather than in precise parameters, although there is a correlation between size of the model and the rest of technical parameters (the size of the model has a reflection in the maximum number of seats, load space, payload capacity).

(62) The Notifying Parties presented evidence that there is significant overlap as regards load space and payload between the different LCV segments. However, this analysis suffers from at least two flaws: First, it considers LCVs with any number of seats. It is therefore not surprising that it finds that a Small LCV (with 2 seats) can have more load space than the people-carrier version of a Large LCV with 17 seats, but this does not make the 17-seater a good substitute for a Small 2-seater LCV. Second, it covers the full range of models, rather than focusing on more common models or analysing the percentage of models that falls within a certain range. If this is done (as the Commission has undertaken in Section 2 of Annex 1 to this Decision (the 'LCV Economic Annex')), it becomes obvious that the different types of LCVs fall into essentially non-overlapping ranges for the different technical specifications.

(63) In fact, the Commission does not contest the fact (as submitted by the Notifying Parties) that there may be some limited overlap at the extremes of the ranges of the different categories, e.g. load space or price. This limited overlap is, however, only the consequence of LCVs being differentiated products by nature, meaning that players active in the LCV markets need to adapt and diversify their product offering to cater for the specific needs of different types of customers. This does not mean that there are no clear dividing lines between the various segments and is not incompatible with the definition of separate product markets, as demonstrated by the Commission's decisional practice for PCs, which the Parties do not contest, where the existence of a limited overlap between different segments has not prevented the Commission from regularly and consistently defining separate product markets for each category of vehicles according to a segmentation which is broadly accepted at industry-level.[65] As explained further below in this Section, the same consensus exists in the industry for distinguishing three separate LCV markets by size of the vehicle.

(64) In any case, the Commission considers that although there is a limited overlap between the different segments, in order to determine if there are dividing lines between categories, it is appropriate to observe the entire value range of each technical parameter and to determine where most of the vehicles lie within that range. When doing so, it is clear that each LCV type (Small, Medium, Large) constitutes a well-defined and distinct category in terms of technical specifications.

(65) An indication of this is provided by the 10th, 50th (median) and 90th percentile of total load space within each LCV type, as shown in Table 3.

Table 3: Load Space by Segment (m3)

Segment	10th percentile	Median	90th percentile
Small	2.9	3.3	4.2
Medium	5.2	5.8	6.8
Large	8.6	11.5	15.1

Source: Parties' response to RFI 24, Question 1, Table 1

(66) This table shows that the segments are clearly distinct in terms of load space. For example, the 'typical' vehicle of one segment has almost twice the load space of the

65 See Commission decision of 5 July 2017 in Case No COMP/M.8449 – Peugeot/Opel (2017), recitals 7 and 11 and the precedents cited.

'typical' vehicle of the next smaller segment.[66] Moreover, when considering 80% of the vehicles within each segment, it is clear that the overlap between the different categories is limited: 80% of Small LCVs have a load space of 2.9 to 4.2 m^3, while 80% of Medium LCVs have a load space of 5.2 to 6.8 m^3 and 80% of Large LCVs have a load space between 8.6 and 15.1 m^3.

(67) Furthermore, as illustrated in detail in the LCV Economic Annex, which constitutes an integral part thereof, there are clear dividing lines between Small and Medium LCVs that can be drawn at a gross vehicle weight ('GVW') of 2 600kg (more than 99% of small LCVs have a GVW below 2 600kg, whereas 98% of Medium LCVs have a GVW between 2 600 and 3 200kg and 90% of Large LCVs have a GVW above 3 200. Similar dividing lines can be drawn in terms of load space, payload and prices.

(68) Finally, as regards Notifying Parties' argument that load space is not mentioned by customers as one of the main reasons for choosing a particular model of new LCV, the Notifying Parties fail to explain how this can constitute evidence for demand-side substitutability across segments when the hesitation data show that the main alternative considered is usually an LCV of the same segment.

C Consensus in the industry

(69) Replies from market participants to the Commission's market investigation demonstrate that there is a wide consensus across the industry that LCVs up to 3.5 tonnes should be segmented according to size. A majority of the OEMs responding to the market investigation answered that they consider appropriate to distinguish the different types of LCVs of up to 3.5 tonnes based on the space/volume or payload of vehicles, and in particular endorsed a distinction between Small, Medium and Large LCVs, including in each category essentially the same vehicles that the Parties do in their internal segmentation.[67] Similarly, a vast majority of importers,[68] dealers,[69] leasing and rental companies[70] and corporate customers[71] responding to the market investigation were of the view that sub-segmenting the different types of LCVs of up to 3.5 tonnes based on the space/volume or payload of vehicles along the these lines was appropriate. Many of the respondents highlighted that this segmentation is *the usual one* in the market.[72]

(70) In fact, as Table 1 above illustrates, most brands are present in the EEA markets with *exactly one LCV in each* of the three product categories.[73] Market players therefore perceive that providing a diversified product portfolio with one vehicle in each segment meets end-customers' demands more efficiently than, for instance, offering just one single vehicle across sizes. In the Commission's view, this consistent

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66 The median or 'typical' vehicle is, the point within the range where half of all vehicles are larger and half are smaller.

67 See replies to question 4 of Questionnaire 9 to competitors. Renault indicated to this respect that the CDV category described should not be distinguished from their equivalent PC markets (see question 4.1).

68 See replies to question 5 of Questionnaire 10 to importers.

69 See replies to question 5 of Questionnaire 11 to dealers.

70 See replies to question 5 of Questionnaire 12 to leasing and rental companies.

71 See replies to question 5 of Questionnaire 13 to corporate customers.

72 See replies to question 5.1 of Questionnaires 10 to importers, 11 to dealers, 12 to leasing and rental companies and 13 to corporate customers.

73 The exception, of Fiat, Ford and Dacia, which have two vehicles in Small LCV (FCA with Fiat Fiorino and Fiat Doblò and Ford with Transit Courier and Transit Connect and Dacia with Dokker and Duster), […].

industry-wide segmentation is already a strong indication of limited demand-side substitutability between the different segments.[74]

D Limited demand-side substitutability

(71) The existence of limited demand-side substitutability between these three segments (Small, Medium and Large LCVs) is, in addition to the internal documents where the Parties analyse competitive pressure mainly between vehicles belonging to the same segment, supported by the hesitation data provided by the Parties and the replies by market participants to the Commission's market investigation.

(72) The Parties have provided hesitation data collected by NVBS. Hesitation data was available for the years […] for [five Member States]. This data provides useful information in terms of demand-side substitutability as it indicates, for each LCV model purchased by customers, which model was considered as the main alternative. As explained in detail in the LCV Economic Annex, the Commission has calculated diversion ratios by segment on the basis of these data distinguishing between small, compact, medium and large (i.e. in line with FCA's internal segmentation).[75] The result is as follows:

– In the five countries for which NVBS data was available, the vast majority of customers considered another LCV of the *same segment as the main alternative*: Overall, [70-80]% for Large LCVs, [60-70]% for Medium LCVs, and overall more than [70-80]% for small and compact LCVs together.

– The different LCV segments impose *very limited constraints on each other*, with out-of-segment diversion rates below [20-30]% in all cases.

– The only *exception* to the above is customers of *Small LCVs, which considered compact LCVs as their main alternative* in a percentage ([40-50]%) significantly higher than the percentage in which customers considered other small LCVs as their main alternative ([30-40]%).

(73) In other words, except between FCA's small and compact categories, demand-side substitutability between segments appears to be very limited.[76] This therefore supports the notion that the product market should be divided into three separate product markets, Small (comprising both small and compact), Medium and Large.

(74) This also demonstrates the irrelevance of the Notifying Parties' observation that in the NBVS study size is only mentioned by consumers as one of the main criteria for their purchasing decisions only after personal experience with previous models bought or the purchase price. Since LCV customers mainly hesitate between models of the same segment and therefore of similar sizes, it is clear that within each segment the ultimate decision will necessary be based on other criteria as there is not a significant variation in terms of size within a given segment (see Table 3). Conversely, since customers do hesitate mainly between models of the same

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74 Some OEMs explained that customers requiring different types of commercial vehicles for different purposes (in terms, for example, of payload and/or volume) will purchase different vehicles in different segments (see reply by Toyota to question 4.1 of the Questionnaire to competitors. In the same line, see reply by Hyundai).

75 LCV Economic Annex, section 2.2.

76 The same conclusion can be drawn from the hesitation study submitted by a market participant which shows that hesitation ratios across segments are quite low, with hesitation rate below 15% towards any other segment in France, Germany, Spain, the United Kingdom and Italy (see submission of 27 May 2020 by a market participant).

segment, the information that they do not mainly choose between the different models of the *same* segment based on size cannot be considered evidence for substitutability *across* segments.

(75) The responses to market investigation are consistent with this conclusion.

(76) A vast majority of importers[77] and a majority of dealers,[78] rental and leasing companies[79] and corporate customers[80] considered that LCVs belonging to different segments are *not substitutable* from the customer perspective.

(77) Numerous customers highlighted that the size and capacity of the vehicles appear to be the *main selection criteria* for LCVs and that customers would only consider as alternative other models that match its size/capacity needs. A representative answer was provided by one importer: "*LCV decision of purchase is mainly driven by concrete customer needs in terms of cargo volume, payload, engine power etc. Smaller LCV category cannot substitute bigger LCV in the case it doesn't (sic) fit concrete business needs*".[81] This representative quote supports the distinction between various categories of LCVs based on their size and capacity.

(78) At the same time, in relation to the substitutability between small and compact, the market investigation broadly confirmed the conclusions of the analysis of the hesitation data: a majority of OEMs,[82] importers,[83] dealers[84] and leasing and rental companies[85] indicated they *do not see appropriate a further sub-distinction* within the smaller LCV category and indicated that *small and compact LCVs are substitutable* from the end-customer perspective.[86]

(79) In conclusion, from a demand-side perspective (i) small and compact LCVs should be considered part of the same product market ('Small LCVs') and (ii) Small LCVs (including small and compact), Medium and Large LCVs should be considered as distinct and separate product markets.

E Limited supply-side substitutability

(80) There is also limited (if any) supply-side substitutability between Small, Medium and Large LCVs.

(81) According to the Commission Notice on the definition of relevant market for the purposes of Community competition law[87] ('Commission Notice on Market Definition'), supply side substitution is taken into account for the purposes of

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77 See replies to question 6 of Questionnaire 10 to importers.

78 See replies to question 6 of Questionnaire 11 to dealers.

79 See replies to question 6 of Questionnaire 12 to leasing and rental companies.

80 See replies to question 6 of Questionnaire 13 to corporate customers.

81 Reply by Supergamotors to question 6.1 of the Questionnaire to importers. In the same line many other replies to the same questions. See for instance, replies given by a dealer to question 6.1 of the questionnaire to dealers: "*the purchase decision depends of customers need, not of visual or price caracteristics, so are difficult to change across segments*", or "*customers will be driven to purchase a particular category of vehicle by their own specific use case for the vehicle. Therefore, the different segments are not likely to be substitutional* (sic)".

82 See replies to questions 9 and 10 of Questionnaire 9 to competitors.

83 See replies to questions 9 and 10 of Questionnaire 10 to importers.

84 See replies to questions 9 and 10 of Questionnaire 11 to dealers.

85 See replies to questions 9 and 10 of Questionnaire 12 to leasing and rental companies.

86 Only a majority of corporate customers considered appropriate to distinguish between small and compact and indicated that both types of models are not substitutable (replies to questions 9 and 10 of Questionnaire 13 to corporate customers).

87 OJ C 372, 9.12.1997, p. 5.

product market definition when its effects are equivalent to those of demand-side substitution in terms of effectiveness and immediacy which means "*that suppliers are able to switch production to the relevant products and market them in the short term without incurring significant additional costs or risks in response to small and permanent changes in relative price*".[88]

(82) The Notifying Parties consider that models of different segments are often produced in the same plants. However, production in the same plant is not the relevant criterion to assess supply-side substitutability, as the ease and cost of switching instead depends on the parts and machinery used, i.e. on the platform and production line.

(83) The Commission notes that FCA's and PSA's models belonging to the same segment […]. PSA's Medium LCVs (Citroën Jumpy, Peugeot Expert and Opel Vivaro) are manufactured on the […] platform. PSA's Small LCVs (Citroën Berlingo, Peugeot Partner and Opel Combo) are manufactured on the […] (also referred as "[…]") platform. FCA's Small LCVs (Fiat Fiorino and Fiat Doblò) are manufactured on the "[…]" platform. And FCA's, Citroën's and Peugeot's Large LCVs (Fiat Ducato, Citroën Jumper and Peugeot Boxer) are […] manufactured on the […] platform.[89] Models manufactured by the Parties and belonging to different segments are therefore manufactured on *different* platforms. They are also produced at different production sites and (consequently) on different production lines.[90] The Commission's in-depth investigation has indeed shown that this is rare for LCVs of different sizes to be built on the same platform.[91]

(84) The consequence of having different models built on the same platform is that it is relatively easier for OEMs to switch production between them, since they share many of the essential component parts and, very frequently, they are built on the same production line. On the contrary, switching between vehicles built on different platforms is necessarily more complex, and therefore more costly, as their main components and production processes will typically differ.

(85) Consequently, as models of different segments are built on different platforms and different production lines, the Parties' argument that the main OEMs offer the full range of LCVs is irrelevant,[92] as that fact does not demonstrate in itself any supply-side substitution.[93] For that to be the case, it would be necessary that, in case of a

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88 Commission Notice on Market Definition, paragraph 20.

89 Form CO, Tables 132 and 133. […].

90 PSA's Small LCVs are manufactured […] and its Medium LCVs […]. FCA's Small LCVs are produced in […], and FCA and PSA's Large LCVs are jointly produced in […].

91 The Parties referred to some examples of LCVs of different sizes that are manufactured on the same platform. […]. However, when asked by the Commission, RNM confirmed that they produce their LCVs of different sizes on different platforms (see reply to the RFIs of 25 June 2020**)**. Moreover, both OEMs have explained that switching production between different sized LCVs cannot be done quickly and cost-effectively (see replies by RNM and Ford to the Questionnaire to competitors). Similarly, the submission of 27 May 2020 by a market participant indicates as follows: "*on the supply side, most manufacturers offer different products in each of these segments, which are built on separate platforms and plants*".
The other examples provided by the Notifying Parties of shared platforms between different sizes are […] (see Notifying Parties' submission of 30 June 2020, paragraph 33).

92 See Notifying Parties' submission of 30 June 2020, section 1.2.1.1. If anything, this argument suggest there is limited demand-side substitution, as explained in Section 6.1.1.3.2.D.

93 To see this, consider the fact that a sportswear manufacturer manufactures shoes and T-Shirts, but it clearly could not easily shift production from shoes to T-Shirts, as they are manufactured on different production lines and using different materials. So is the argument that it is common practice for OEMs

small permanent increase in the relative prices of, for instance, Large LCVs, other OEMs could react in the short term without incurring significant additional costs by increasing their production of Large LCVs *in the production lines/platforms they use to produce Small or Medium LCVs*, an argument that the Notifying Parties have not made.[94] Rather, the Notifying Parties have confirmed the exact opposite:

> "*[I]n order to allow a production line to manufacture a new vehicle, the OEM needs to implement some adaptations of each one of these main stages of the manufacturing process: […] In the body shop: new stamping tools, modification of the common areas and new fitting for the specific parts of the new vehicle; […] In the paint shop: new programs for the painting robots and modification of the assembly stations for the specifics of the paintwork; […] In the assembly shop: configuration of the information systems and modification of the programmes of the assembly stations and the test facilities. […] While the timing and associated cost for the new production to be operational depends on many factors, timing could be approximately […] and the associated cost could be around EUR […]*".[95]

(86) In this sense, it is worth noting that according to the Commission Notice on Market Definition, "*[w]hen supply-side substitutability would entail the need to adjust significantly existing tangible and intangible assets, additional investments, strategic decisions or time delays, it will not be considered at the stage of market definition*".

(87) In fact, many OEMs have indicated in the market investigation that switching production from a given model to a model in a different LCV segment could not be done in short timeframe or without costs.[96] For instance, RNM explained that "*[t]he manufacturing and distribution of LCVs cannot be switched quickly and cost-effectively from one segment to other segments*".[97] Similarly, Iveco indicated as follows: "*such a change [from a model in a given segment of LCVs to a model in a different segment of LCVs] will involve a change of platform, which has consequences from a production perspective*".[98]

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to manufacture different LCV models in the same plants (Notifying Parties' submission of 30 June 2020, section 1.2.1.1., paragraphs 31 and 32), since the same plant can have different production lines/platforms.

94 And for this same reason, it is also irrelevant that some OEMs manufacture different LCV models *in the same plants* (Notifying Parties' submission of 30 June 2020, paragraphs 31-32), since the same plant can have numerous lines and can produce on different platforms.

95 Form CO, paragraphs 1100-1101. As noted in recital (95), the market investigation confirmed that competing OEMs also manufacture LCV of different segments on different production lines and that changing platform requires significant adjustments on the production lines. See in the same sense recital (83).

96 See replies to question 13 of Questionnaire 9 to competitors.

97 Reply by RNM to question 13 of Questionnaire 9 to competitors.

98 Reply by Iveco to question 13 of Questionnaire 9 to competitors. Other OEMs replies further support this. Toyota: although switching from production of one LCV segment to another segment is feasible, "*[a] change in the weight of the vehicle and size of the vehicle can significantly impact the changes that are required in the production environment and the tools used and the space needed to produce. […] The time it takes to introduce a new LCV model is between 28 months to 40 months, depending on the complexity of the project. The cost to produce a new LCV model contains an investment in tooling and production line and R&D cost. Cost can be between EURO 400M and EURO 700M depending on the suitability of the facility*" (see replies by Toyota to questions 13 and 14 of the Questionnaire to competitors). Piaggio: "*A macroscopic estimation foresees a time between 24 and 36 months and investments of several millions of Euros*" (reply by Piaggio to question 13 of the Questionnaire to competitors).

(88) Therefore, since switching production from a vehicle in one LCV segment to a vehicle in another LCV segment cannot be done without adapting production lines for producing a different platform, which means significant adjustments which require investments and lead times, the Commission cannot conclude that there is supply-side substitution between small, medium and large LCVs.[99]

(89) On the contrary, within Small LCVs, FCA has confirmed that […], which would allegedly make it easier to switch production between those models. In this regard, the Commission considers particularly illustrative the response given by RNM as to the question of whether it would be appropriate to subdivide the Small segments and distinguish these two categories: "*Technically, mini-vans and compact vans generally refer to the same type of vehicles, having regards to their platforms and powertrain which are generally identical from one subcategory to another. Although the cabins may differ between the mini vans and compact vans categories for the Fiat (Fiorino vs. Doblo) and Ford models (Transit Courier vs. Transit Connect), respectively, such differentiation does not entail significant switching costs. Lastly, RNM like other OEM used to offer small vans likely to fall into the two categories above, under the same model: e.g. Kangoo L0 and L1-L2*".[100]

F Conclusion on LCVs up to 3.5 tonnes

(90) In view of all of the above, the Commission concludes that (i) small and compact LCVs should be considered part of the same product market, and (ii) Small LCVs (including small and compact), Medium and Large LCVs should be considered as separate product markets.

6.1.1.4. LCVs between 3.5 and 6 tonnes

(91) The Notifying Parties agree with the distinction between LCVs, medium-size trucks and heavy duty trucks.[101] However, they submit that the LCV market includes all LCVs with a gross weight rating of less than 6 tonnes.[102]

(92) The Notifying Parties base their view on supply-side substitutability. They argue that there is no reason to distinguish between large LCVs with a gross weight rating of less than 3.5 tonnes and the same LCV models with a gross weight rating of more than 3.5 tonnes. […].[103] Similarly, PSA's Large LCVs (Peugeot Boxer, Citroën Jumper and Opel Movano) can also have a gross weight rating of more than 3.5 tonnes […].[104] According to the Parties, whilst the versions of more than 3.5 tonnes require specific adaptations (special brakes, suspensions and other mechanical parts, a speed limitation device and a tachograph) and a different homologation, these differences can be addressed easily in the production process.

(93) The Parties equally claim that the Large LCV models of the main competitors (Daimler's Sprinter, RNM's Master and NV400, Ford's Transit and VW's Crafter)

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99 According to the Commission Notice on Market Definition, paragraph 23: "*[W]hen supply-side substitutability would entail the need to adjust significantly existing tangible and intangible assets, additional investments, strategic decisions or time delays, it will not be considered at the stage of market definition*".

100 See RNM's reply to question 9.1 of Questionnaire 9 to competitors.

101 Form CO, paragraph 312.

102 Form CO, paragraph 316.

103 See the Parties' reply to RFI 50 of 13 October 2020.

104 […].

have versions with a gross weight rating of more than 3.5 tonnes which are manufactured on the same platform as the versions of up to 3.5 tonnes.[105]

(94) The Commission considers that there is limited or no demand-side substitutability between LCVs up to 3.5 tonnes and LCVs between 3.5 and 6 tonnes.

(95) First, in the Phase I market investigation, a vast majority[106] of each customer respondent group considered that customers planning to purchase, lease or rent LCVs belonging to one segment (up to 3.5 tonnes or between 3.5 and 6 tonnes) would not consider vehicles in the other segment as an alternative.[107] The reason most often mentioned for this lack of substitutability on the demand-side is the difference in driving licences required for each sub-segment and the differences in size and capacity.[108]

(96) In fact, according to Directive 2006/126/EC,[109] drivers carrying a category B driving licence are authorised to drive "*motor vehicles with a maximum authorised mass not exceeding 3 500 kg and designed and constructed for the carriage of no more than eight passengers in addition to the driver*"[110]. The minimum age for category B driving licences is fixed at 18 years. By contrast, the driving of vehicles exceeding a maximum authorised mass *of* 3 500 kg require other types of licences (category C1, D1, D1E), which require a minimum age of 21 years.[111]

(97) Another reason mentioned by many respondents to the Phase I market investigation was the existence of significant differences in loading capacity for which demand is inelastic.[112] In other words, "*[a] potential customer will purchase/lease/rent an LCV in order to meet his daily needs. That means, the one who will purchase/lease/rent an LCV with a gross weight rating between 3.5 and 6 tonnes will not consider buying an LCV of up to 3.5 tonnes and vice versa, since capacity is usually one of the primary selection criteria*".[113]

(98) Second, the lack of demand-side substitution between both types of LCVs is supported by the NVBS hesitation data submitted by the Parties,[114] according to which less than […] of customers of LCVs of less than 3.5 tonnes (excluding pick-ups) would divert to a larger LCV with a gross weight of 3.5 to 6 tonnes.

(99) Third, as explained in Section 6.1.1.3 above, since the Commission considers that Small, Medium and Large LCVs below 3.5 tonnes belong to separate product markets, based on both demand- and supply-side substitutability, it would be counterintuitive

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105 Although the Parties admit that certain LCVs above 3.5 tonnes have chassis that are larger than those of LCVs with a gross weight rating of up to 3.5 tonnes.

106 "Vast majority" in this Decision stands for more than 70% of the participants in the market investigation who replied to the question (excluding those that replied "other", or "I do not know"), and "majority" for more than 50%.

107 Replies to question 8 of Questionnaires 1 to competitors, 3 to importers, 4 to dealers and 5 to leasing and rental companies, and to question 7 of Questionnaire 6 to corporate customers.

108 Replies to question 8.1 of Questionnaires 1 to competitors, 3 to importers, 4 to dealers and 5 to leasing and rental companies, and to question 7.1 of Questionnaire 6 to corporate customers.

109 Directive 2006/126/EC of the European Parliament and of the Council of 20 December 2006 on driving licences, as amended, OJ L 403, 30.12.2006, p. 18.

110 Directive 2006/126, Article 4(4)(b).

111 Directive 2006/126, Articles 4(4)(d), (h), and (i).

112 Replies to question 8.1 of Questionnaires 1 to competitors, 3 to importers, 4 to dealers and 5 to leasing and rental companies, and to question 7.1 of Questionnaire 6 to corporate customers.

113 Replies to question 8.1 of Questionnaire 5 to leasing and rental companies.

114 See paragraph (78).

that *all* LCVs below 3.5 tonnes and LCVs between 3.5 tonnes and 6 tonnes would belong to the same product market.

(100) However, when considering supply-side substitutability, some elements provided by the Parties do point towards a certain supply-side substitutability between Large LCVs and LCVs between 3.5 and 6 tonnes. In particular, models commercialised by the major OEMs in the category of Large LCVs up to 3.5 tonnes also have a larger version in the LCV above 3.5 tonnes category, and both versions are manufactured on the same platform. However, the Commission does not have enough information to conclude whether the effects of that substitutability are equivalent to those of demand substitution in terms of effectiveness and immediacy, as the Commission Notice on Market Definition requires.[115] In particular, the Parties have not provided specific information on what would be the costs and lead times involved if the mix of production between models below and above 3.5 tonnes was to be adjusted significantly.

(101) In any case, for the purposes of this Decision the Commission does not need to take a position on whether LCVs of gross weight rating between 3.5 and 6 tonnes must be considered a separate market or belong to the same product market as Large LCVs of up to 3.5 tonnes since, under both market definitions the Proposed Transaction does not lead to a significant impediment to effective competition. For the purposes of this Decision, the Commission will therefore assess the effects of the Proposed Transaction on the markets for Large LCVs, LCVs between 3.5 and 6 tonnes as well as on a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.1.1.5. Semi-finished LCV products

(102) All LCVs, both finished LCVs (a van) and semi-finished LCV products, can be converted. FCA estimates that […] of all LCVs (of any size) are converted in some manner into various types of special purpose vehicles, such as camper vans, motorhomes, ambulances, food trucks, hearses, refrigerated vans, luton box vans, tippers, etc.[116]

(103) In many cases, conversions are modifications of a finished van. That is the case for camper vans, i.e. vans which are adapted and fitted for camping purposes, as well as many other converted vehicles such as ambulances, refrigerated vans, isothermal vans, armoured vehicles, and delivery vans.[117] Conversions of finished vans are generally carried out by third party converters, but the OEM, converter or dealer can sell the converted LCV product to the end customer.[118]

(104) The Parties […] (i.e. camper vans or motorhomes). Other OEMs do market camper vans directly.[119] This is the case for VW with the VW California and Daimler with the Marco Polo. Most OEMs, including the Parties, do not equip and market camper vans but sell standard LCVs to converters which then equip and market the finished

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115 Commission Notice on Market Definition, paragraph 20.

116 Recreational Vehicles Submission, paragraph 25; Reply to RFI 28, paragraph 7.

117 Reply to RFI 28 of 31 July 2020, paragraph 2.

118 There are four possible commercial relationships between OEMs, converters, dealers and end customers: (i) the OEM sells to the converter and the converter sells to the end customer, (ii) the OEM purchases the conversion from converters and sells the converted product directly to the end customer, (iii) the OEM purchases the conversion from converters and sells the converted product to the end customers through a dealer, or (iv) the OEM sells through a dealer but it is the dealer that organises the conversion with the converter and the OEM has no relationship with the converter). Reply to RFI 32 of 11 August 2020, question 4 (and Annex FCA0999234).

119 Recreational Vehicles Submission, paragraph 9.

camper vans, or any other converted LCV.[120] These LCVs for conversion are similar to standard LCVs and differences are limited.[121]

(105) In addition to conversions of the finished LCV (the van), OEMs also sell semi-finished LCV products to converters. These converters then convert the semi-finished LCV products into motorhomes and other special purpose vehicles.

(106) There are three types of semi-finished LCVs:[122]

– A 'chassis cab' is a chassis and driver's cabin to which the converter adds a rear unit.

– A 'chassis cowl' is a chassis and the interior of the driver's cabin to which the converter adds a rear unit and exterior.

– A 'back-to-back' is either (a) the driver's cabin, or (b) the interior of the driver's cabin (i.e., the cowl).

6.1.1.5.1. The Notifying Parties' views

(107) The Notifying Parties consider that semi-finished LCV products form part of an overall LCV market rather than being a separate product market. They argue that there is almost complete supply-side substitutability for all types of semi-finished LCV products.[123]

(108) […]. Therefore, every manufacturer that produces LCVs could decide to supply finished and semi-finished LCVs.[124]

"*[…]*."[125]

(109) Manufacturers may make minor production adjustments for finished and semi-finished LCV products that facilitate but are not essential to conversion. These limited modifications include a widened rear track, adjusted suspensions to sustain higher load and certain types of specific parabolic leaf springs.[126] […]. According to the Parties, any LCV manufacturer could introduce these modifications without incurring significant investments or delays. Alternatively, converters can buy semi-finished LCV products without these modifications from manufacturers and afterwards make the adjustments themselves or hire third parties to do it for them.[127]

(110) Moreover, the Notifying Parties submit that the market should not be segmented according to the type of converter or end use of the finished/semi-finished LCV product. All OEMs supply the same finished and semi-finished LCV products to motorhome converters, other converters and final customers that purchase finished LCVs.[128] They also note that all OEMs that offer LCV products sell them to all types of converters, not only to motorhome manufacturers.[129]

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120 Recreational Vehicles Submission, paragraph 17.
121 Reply to RFI 50 of 13 October 2020.
122 Reply to RFI 18 of 23 June 2020, paragraph 1.
123 Recreational Vehicles Submission, paragraph 14.
124 Recreational Vehicles Submission, paragraph 15.
125 Recreational Vehicles Submission, paragraph 16.
126 Recreational Vehicles Submission, paragraph 17.
127 Recreational Vehicles Submission, paragraph 19.
128 Recreational Vehicles Submission, paragraph 20.
129 Recreational Vehicles Submission, paragraph 22.

6.1.1.5.2. The Commission's assessment

(111) Based on its in-depth investigation, the Commission considers that semi-finished LCV products and finished LCV products belong to the same product market, due to supply-side substitutability.

(112) First, the Commission's investigation has shown that manufacturers produce semi-finished LCV products on the same production lines as finished LCVs.[130]

(113) Second, nearly all competitors manufacturing finished LCV products also sell semi-finished LCV products. To date, not every OEM produces every type of semi-finished LCV product. […] Daimler produce all three main types.[131] All major OEMs (i.e., also including Ford, VW, and RNM) offer the chassis-cab. Another OEM as well as soon VW offer the chassis-cowl. Competitors appear to be technically able to produce different types of semi-finished products, also back-to-back with some additional investment.[132]

(114) Demand for semi-finished LCV products, in particular for the purpose of motorhomes, has been growing.[133] This is evidenced by an OEM recently introducing a new type of semi-finished product it previously did not offer (chassis cowl). VW is also planning to introduce chassis cowls.[134] This shows that OEMs will likely introduce new types of semi-finished LCV products where a profitable business case exists.

(115) Third, internal documents of the Parties […].[135]

(116) Therefore, in view of the above, there is no separate market for semi-finished LCV products, but these products are part of the Large LCV market.

(117) Based on its in-depth investigation, the Commission also considers that there is no need to sub-segment the sale of semi-finished LCV products by customer type.

(118) The Commission analysed in particular whether […].[136] Motorhome manufacturers are important customers given their large individual orders[137] of semi-finished products and because FCA has historically been very strong in the sale of LCV products to motorhome manufacturers (due to FCA having focused on motorhome customers and offered a very good service package). Competitors appear to have started showing interest in motorhome customers later.[138]

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130 Replies to question 78 of Questionnaire to competitors.

131 Recreational Vehicles Submission, paragraph 2. Reply to RFI to motorhome manufacturers of 13 August 2020.

132 Replies to RFI to competitors of 13 August 2020.

133 Minutes of a call with a motorhome manufacturer of 2 July 2020.

134 Reply to RFI to competitors of 13 August 2020.

135 […]. Semi-finished LCV products are produced on the same production line and equipped slightly differently, unlike pick-ups which are produced on different lines. Moreover, semi-finished LCV products are "variations" of Large LCV models whereas OEMs have completely different models in the pick-up category than in Large LCVs.

136 Reply to RFI 31 of 11 August 2020, paragraphs 3 and 4. Motorhome manufacturers in the market investigation also stated that they deal directly with the OEMs. (Replies to question 8.1 of Questionnaire 14 to motorhome manufacturers). Competitors noted that they have direct sales of semi-finished LCV products to those converters placing large orders and indirect sales to converters placing smaller orders, not specifying the usual sales channel for motorhome manufacturers. (Reply to RFI to competitors of 13 August 2020.)

137 Although overall, less than 15% of finished and semi-finished LCV products are sold to motorhome manufacturers. Recreational Vehicles Submission, paragraph 25.

138 Minutes of a call with a motorhome manufacturer of 2 July 2020.

(119) The Commission notes that first, OEMs sell the semi-finished products to both motorhome manufacturers and other converters.[139] Semi-finished LCV products supplied to motorhome manufacturers are essentially the same as those supplied to other converters. Some motorhome manufacturers explained that for some motorhome products the chassis has to be specially designed for that purpose, but acknowledged that equally, this also applies for some other end use conversions.[140] Ultimately, these are adaptations or variations of the same product.

(120) Second, all OEMs supply different converters; none exclusively supplies motorhome manufacturers.[141]

(121) Finally, motorhome manufacturers and other converters face the same commercial conditions: […].[142] Whilst the Parties' internal documents related to marketing analyse sales per customer groups such as motorhome manufacturers and various other specialised converters,[143] the Commission found no evidence that commercial conditions or technical specifications of semi-finished LCV products differ between motorhome manufacturers and other converters.

(122) In view of the above, the Commission considers that semi-finished LCV products are part of the same product market as Large LCVs and that no further sub-segmentation is necessary by customer group.

6.1.1.6. PC versions of LCVs

(123) Some PC models, known as 'People Movers', are manufactured on the same platforms as LCVs, although not always on the same production lines.

6.1.1.6.1. The Notifying Parties' views

(124) The Notifying Parties submit that People Movers and LCVs do not belong to the same relevant market, and that People Movers should be classified as PCs belonging to segment M.

(125) From a demand-side perspective, People Movers and LCVs address different customer groups. People Movers are typically purchased by individual customers, while LCVs generally target B2B clients (professionals). That explains why separate marketing campaigns are organised for People Movers and LCVs. For example, the […] (the People Mover vehicle […]) and […] (the People Mover vehicle […]) were […] marketed under the Fiat brand and not under the Fiat Professional brand.[144]

(126) From a supply-side perspective, the Parties submit that there is limited supply-side substitutability between People Movers and LCVs due to the following reasons:[145]

– People Movers are produced in significant volumes and require specific R&D, manufacturing and marketing expenses separated from those of LCVs.

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139 Replies to question 80 of Questionnaire 9 to competitors.

140 Replies to question 6 of Questionnaire 14 to motorhome manufacturers.

141 Recreational Vehicles Submission, paragraph 22.

142 Parties' reply to RFI 42, paragraph 8 and following. The Commission notes that often motorhome manufacturers, due to larger volume orders and bargaining power, receive larger discounts than other converters.

143 E.g. FCA presentation "Fiat Professional Recreational Vehicles" ID 2484-70891, FCA sales data sheets ID 2711-47742, ID 2711-20358

144 Notifying Parties' submission of 7 October 2020.

145 Notifying Parties' submission of 7 October 2020.

– People Movers and LCVs have different structures. For instance, they have different bodies, floors and back ends (People Movers usually have back doors whereas LCVs usually have swing doors).

– People Movers also have different features and equipment. Around […] of the parts required for the People Movers produced by both Parties are specific, representing a standalone development work stream, separate from that of the corresponding LCVs. In fact the range of People Movers is much more diverse (with more trim versions) than LCVs, and they have a large number of specific parts/features (not generally found in LCVs), such as specific doors, wheels, windows and second and third-row seats.

– People Movers and LCVs are subject to different regulations and safety tests. People Movers are subject to regulations applicable to PCs, which are more demanding and costly than those applicable to LCVs. People Movers also have to comply with stricter emission regulations than LCVs. Complying with those represents additional R&D work, specific parts and investment costs.

(127) As a result of these differences, the manufacturing times for People Movers and LCVs are different (e.g. in […] the People Mover built on the […] platform takes […] times the manufacturing time for the LCV built on the same platform, and the People Mover is partially manufactured on a different assembly line).[146]

(128) Switching production and adjusting the assembly line to change the production mix between LCVs and People Movers takes around […] months and requires additional investment costs. Furthermore, and contrary to the case of car-derived vans (see Section 6.1.1.7 below), it is not possible to convert People Movers into LCVs or viceversa after production either by customers or by third-party fitters, due to the significant differences in terms of structure, functionality and equipment.[147]

(129) The differences in production, time and switching costs explain why only some LCV platforms are turned into People Movers, i.e. only those for which there is sufficient sales prospect to justify incurring the additional costs. Higher costs also explain the decline in the production of segment M vehicles, including People Movers (FCA decided to cease production of the People Mover versions of the Fiat Doblò and Fiat Fiorino (Qubo nameplate) […]).[148] Conversely, there are many M-segment vehicles, such as e.g. the VW Sharan, Seat Alhambra or Citroën C4 that are not derived from LCVs.

6.1.1.6.2. The Commission's assessment

(130) The market investigation did not reveal any evidence suggesting that People Movers should be included in the relevant LCV markets.

(131) Based on the clear lack of demand-side substitutability and limited supply-side substitutability, the Commission considers that People Movers *are not part of the same product market as LCVs* and should be included in the same product market as other PC models belonging to the M segment.

146 Notifying Parties' submission of 7 October 2020.

147 Notifying Parties' submission of 7 October 2020.

148 Notifying Parties' submission of 7 October 2020. Internal documents […] (see Parties' replies to RFIs 21 and 22 of 26 June 2020, e.g. doc ID002221-088496-FCA0112053).

6.1.1.7. Car-derived vans ('CDVs')

(132) CDVs are, from a technical standpoint, PCs with fewer features (e.g. no rear windows or seats). In other words, a CDV is just a simpler version of a PC which is registered as a commercial vehicle (mainly for tax purposes).

(133) […].[149]

6.1.1.7.1. The Notifying Parties' views

(134) The Notifying Parties consider that each CDV belongs to the same product market as the PC from which it is derived (for example, the Fiat Panda van would belong to the same market as the PC Fiat Panda, etc.). The Notifying Parties base their view on the following:

(135) First, both […].[150]

(136) Second, according to the Notifying Parties, CDVs only exist to an appreciable extent in a very limited number of EEA Member States where there is sufficient demand for them. This demand is mainly driven by tax benefits applicable to purchases by companies/professionals of commercial vehicles and only marginally driven by customer requirements (e.g., for a compact size with sufficient load capacity).

(137) In France and Italy for instance, companies can recoup VAT for CDVs. This creates the demand for CDVs and, as such, France and Italy together represent approximately [80-90]% of the total EEA CDV segment, with the United Kingdom being the only other country where sales of CDVs are above […] units.[151] The Notifying Parties submit that, if the tax benefits for CDVs were removed, demand for CDVs would decrease instantly and switch mainly to PCs.

(138) Third, whilst some CDV models (the more popular ones) are manufactured directly by OEMs, others are transformed by third party fitters (usually not linked to the OEM) who convert the PC into a CDV. Transforming a PC into a CDV can be done on the vast majority of PC models. […].[152]

6.1.1.7.2. The Commission's assessment

(139) Based on its in-depth investigation, the Commission considers that the markets for LCVs up to 3.5 tonnes *should not* include CDVs. CDVs should be included in the same product market as their respective PC versions.

(140) From a demand-side perspective, LCVs and CDVs are not substitutable to any appreciable extent.

(141) First, prices of CDVs, even before recouping the VAT, are similar to the prices of their PC equivalents, and are usually cheaper than small LCVs.

(142) Second, LCVs and CDVs are generally not targeted at the same customer base and switching between LCVs and CDVs is limited. This is evidenced in the first place by hesitation ratios according to which purchasers of Small LCVs very rarely hesitate towards CDVs, indicating that Small LCV purchasers do not generally see CDVs as close substitutes).[153] In the second place, the replies to the market investigation support this view. Although some respondents to the market investigation indicated

149 Notifying Parties' response to RFI 17 of 19 June 2020, where they indicate that […].
150 Notifying Parties' submission on CDVs, 1 September 2020.
151 Notifying Parties' submission on CDVs, 1 September 2020.
152 Notifying Parties' submission on CDVs, 1 September 2020.
153 Notifying Parties' submission on CDVs, 1 September 2020.

that there may be a limited degree of substitution between CDVs and Small LCVs,[154] a majority of dealers, corporate customers, importers and leasing companies consider it appropriate to distinguish between CDVs, Small, Medium and Large LCVs.[155] As explained by one competitor: "*CDVs may not satisfy the same panel of needs as an LCV as a result of their limited usable capacity*".[156] Another respondent stated that "*these vehicles will have different usage characteristics and therefore different customer types, and therefore should be distinguished*".[157]

(143) Finally the Parties' internal documents also support the view that there is limited substitutability from a demand perspective. An internal FCA presentation on LCVs explains that […]. On the other hand, switching to PC versions of the same vehicle also represents disadvantages such as the higher taxation and the fact that the PC would be less fit for its professional mission.[158]

(144) Moreover, as explained by one competitor, *"LCVs and [CDVs] have very different dimensions and performances*". And another competitor commented that "*small LCVs do not have the required size and weight that [CDVs] offer*".[159]

(145) On the other hand, there is full supply-side substitutability between CDVs and the PC versions of the same model. Both vehicles are produced on the same platform/production line and it is possible to switch production from one to the other without major adaptations of the production line, in the short term and without the need to incur substantial costs. PCs can easily be transformed into CDVs by customers with minor adaptations that can be performed in a very short timeframe and with very limited cost by fitters, which would prevent any OEM from price discriminating against CDV customers. It is also possible to convert back a CDV into a PC without a major cost.[160]

(146) In view of all of the above, the Commission concludes that CDVs *are not part of the same product market as Small LCVs* and should be included in the same product market as their respective PC versions.

6.1.2. Geographic market definition

6.1.2.1. <u>The Commission's decisional practice</u>

(147) In previous decisions, the Commission ultimately left open whether the market for the manufacture and supply of LCVs is EEA-wide or national in scope. However, the

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154 E.g. a dealer pointed out that *there is probably not that much difference in size between a car-derived LCV and a small LCV, therefore a customer may consider the models interchangeably*". Reply to question 7 of Questionnaire 11 to dealers.

155 Replies to question 5 of Questionnaires 10 to importers, 11 to dealers, 12 to leasing companies, and 13 to corporate customers.

156 Reply to question 8 of Questionnaire 9 to competitors.

157 Reply to question 5 of Questionnaire 11 to dealers.

158 See Parties' replies to RFIs 21 and 22 of 26 June 2020, Presentation "LCV Market analysis. Synthesis of findings" of March 2016, slide 85 (ID 135-7).

159 See replies to questions 4-10 of Questionnaire 9 to competitors.

160 Notifying Parties' submission on People Movers/LCVs/CDVs/Complete and Incomplete LCVs of 8 October 2020. This was also confirmed during the in-depth market investigation, for instance a respondent stated that "*[it] does not believe that the CDV category […] should be distinguished from their equivalent passenger car markets. Indeed: the differences between this CDV category and their equivalent passenger cars are too minor to justify a segmentation; the switching costs for the manufacturing of a CDV and its passenger car equivalent are non-significant: limited developments, same production lines; the CDV category is heterogenous as it included models built-up on different platform types; the CDV are not available in every country of the EEA [...]*" (Reply to question 4.1. of Questionnaire 9 to competitors).

Commission held that there appear to be material differences in consumer preferences, prices and tax regimes across Member States, and all these elements suggest that the markets for the manufacture and supply of LCVs of up to 3.5 tonnes could be national in scope.[161]

6.1.2.2. The Notifying Parties' views

(148) The Parties consider the geographic market for the manufacture and supply of LCVs to be EEA-wide in scope since: (i) The competitive conditions are largely homogeneous throughout the EEA, (ii) the production of vehicles takes place on an international level; and (iii) customers can purchase PCs and LCVs from companies located anywhere in the EEA.[162]

(149) First, the Parties argue that the technical, environmental and qualitative requirements for PCs and LCVs are homogeneous throughout the EEA and subject to regulations at an EEA-level. Directive 2007/46/EC[163] requires third party approval-testing, certification and production conformity assessment by an independent body appointed by each EEA Member State. Once a vehicle obtains approval (CE certificate) in one Member State, the approval is mutually recognised in all Member States and all the vehicles of its type can be registered in any Member State on the basis of a certificate of conformity issued by the manufacturer. Consequently, PCs and LCVs approved in one country of the EEA can be and are sold throughout the EEA, manufacturers supply the same vehicles across the EEA and there are no country-specific models (or only in a limited number of cases). Also, further regulation of the industry, such as CO_2 emissions standards and the gradual ban on fluorinated greenhouse gases from mobile air-conditioning systems in motor vehicles are applied at EEA level.[164]

(150) Second, all major manufacturers distribute their vehicles on an EEA-wide basis. Due to large economies of scale, any given vehicle model is produced in very few locations, i.e. one or two locations for the entire EEA market. All PCs and LCVs may be traded free of tariffs within the EEA, so long as they originate in the EEA. Transport costs are not an obstacle for cross-Member State distribution, as they constitute only around 2% of the vehicle's total cost.[165]

(151) Third, customers can purchase PCs and LCVs from companies located anywhere in the EEA. Cross-border purchases are facilitated by the internet which has brought about increased price transparency. EU Competition rules, which prohibit restrictions on parallel imports, also facilitate the cross-border purchase of PCs and LCVs. Finally, warranties are provided on an EEA-wide basis, which means that the same level of security is afforded to customers purchasing PCs and LCVs from other Member States.[166]

6.1.2.3. The Commission's assessment

(152) The Commission acknowledges that, as regards production, the manufacturing of LCVs is at least EEA-wide in scope. Manufacturing takes place in a centralised way

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161 See case COMP/M.8449 - Peugeot/Opel (2017), paragraph 26 and the cases cited.

162 Form CO, paragraph 324.

163 Directive 2007/46/EC of the European Parliament and of the Council of 5 September 2007 establishing a framework for the approval of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles, OJ L 263, 9.10.2007, p. 1.

164 Form CO, paragraph 325.

165 Form CO, paragraph 326.

166 Form CO, paragraph 327.

in production sites from where the products are then shipped throughout the EEA (and sometimes also to/from neighbouring countries). Technical, environmental and qualitative requirements for PCs and LCVs are indeed relatively homogeneous throughout the EEA and subject to essentially the same regulations regardless of the Member State where the vehicle will be used and the certification procedure has been harmonised at EEA-level.

(153) However, from the demand-side perspective, there are important differences between EEA Member States, which are reflected in substantial differences in the market presence of the different OEMs in each Member State.

(154) First, prices differ between Member States. A majority of each customer group as well as a majority of competitors responding to the market investigation consider that prices of LCVs up to 3.5 tonnes vary between EEA Member States.[167] Notably, the differences in tax regimes in different EEA Member States have an impact on the end-prices of LCVs,[168] but also other factors such as customer income, commercial strategy (including discounts) and relationships with dealers/importers.[169]

(155) Second, customer preferences vary across EEA Member States. A majority of respondents to the market investigation highlighted that there are still some differences in customer preferences for PCs and LCVs between EEA Member States. Moreover, as it will be explained in Section 6.2.2.2, some brands enjoy a home advantage in their local country.[170] A market participant explained that the results of a survey it had conducted showed that (i) the share of car buyers who had their mind set on a specific model and did not express hesitation towards any alternative varies significantly between Member States, that (ii) the same brands are perceived very differently in different national markets, even though they offer the same models with identical design and quality.[171]

(156) Third, whilst it is true that the legislation mentioned in Section 6.1.2.2 applies throughout the EEA, the majority of competitors responding to the market investigation indicated that there are further regulations at national, regional or local level that have an impact on the demand of LCVs. When explaining these differences, a large number of competitors mentioned differences in taxation with a CO_2 component: *"[w]hile the CO_2 fleet regulation is identical there are differences in particular with respect to CO_2 based vehicle taxation that drives different market developments (e.g. prohibitive taxation for some vehicles in some countries versus low taxation in others)"*. Other examples mentioned include "*specific rules for use of cars in cities", "road tax based on emissions"* and governmental incentive schemes.[172]

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167 Replies to question 18 of Questionnaire 1 to competitors, to question 12 of Questionnaire 3 to importers, to question 11 of Questionnaires 4 to dealers, and 5 to leasing and rental companies, and to question 10 of Questionnaire 6 to corporate customers.

168 Replies to question 20 of Questionnaire 1 to competitors.

169 Replies to question 18.1 of Questionnaire 1 to competitors.

170 Replies to question 22 of Questionnaire 1 to competitors.
Replies to question 13 of Questionnaire 3 to importers.
Replies to question 12 of Questionnaire 4 to dealers.
Replies to question 12 of Questionnaire 5 to leasing and rental companies.
One competitor summarised the differences in: strength of national brands, brand awareness in some countries, income level, environmental approach (including subsidies), digitalization features, or automotive history.[170]

171 Submission of 27 May 2002 by a market participant, section 3.2.2.

172 Replies to question 21.1 of Questionnaire 1 to competitors.

(157) Fourth, in spite of the possibility to purchase vehicles at EEA-level, this is not common practice. The majority of corporate customers and leasing and rental companies responded that they purchase vehicles at national, rather than multi-country or EEA-level.[173] A majority of dealers responded that they conclude their distribution agreements with manufacturers at national level.[174] Moreover, the majority of end-customers purchase their vehicles through the local dealers.

(158) The Parties (rightly) explain that there are no barriers to distributing models produced in one EEA Member State across the entire EEA. However, the Notifying Parties' arguments fails to explain the persistent heterogeneity in market shares across the EEA, the home advantage that domestic brands may have in certain countries and the corresponding difficulties of foreign brands' difficulties of expanding in a market with strong domestic players, and the strongly differing national preferences.

(159) Therefore, in view of the above and the available evidence on demand-side substitutability, the Commission considers that the market for the manufacture and supply of LCVs up to 3.5 tonnes appears to be national in scope.[175] Nothing in the market investigation suggested that the conclusion should be different for LCVs between 3.5 and 6 tonnes. In conclusion, for the purposes of this Decision, the Commission will analyse the impact of the Proposed Transaction *mainly* at national level.

(160) However, manufacturing of LCVs takes place in a centralised manner. From the production sites, OEMs ship and distribute their vehicles throughout the EEA and neighbouring countries through their own wholesalers or via importers. Importers purchase their vehicles from manufacturers located all around the EEA, regardless of the location of the production sites. Therefore, conditions for the wholesale supply of automotive vehicles take place mainly at EEA level.[176] This means that competition at this level, which is reflected in the EEA-wide market shares, cannot be ignored when assessing the impact of the Proposed Transaction in each national market.

(161) Market shares at EEA level provide a useful insight on the position of the different OEMs on the supply side of the distribution chain, which is a necessary component in order to assess market power. A strong position at the supply level suggests, in the Commission's view, a higher potential for that OEM to overcome in the medium term any limitations at the level of demand and is therefore more likely to materialise in the medium/long term in higher market shares at national level. By contrast, lower market shares at EEA-level may reflect structural weaknesses that may render more difficult the growth of a brand at national level.[177]

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173 Replies to question 11 of Questionnaire 6 to corporate customers and to question 13 of Questionnaire 5 to leasing and rental companies.

174 Replies to question 13 of Questionnaire 4 to dealers.

175 The fact that from the supply-side perspective LCVs are produced at an EEA-level, as the Parties' submit (paragraph (41)), does not affect this conclusion.

176 This is even more the case for some LCV large corporate customers which negotiate directly with the OEM's head offices rather than with the dealers (see Section 6.2.2.2.).

177 These weaknesses may relate to various factors such as a reputational problems of the brand/model among wholesalers/retailers, technical or quality defects of the vehicles in that market, insufficient preparation of service networks or in general lack of investment in a certain model. The market investigation has provided numerous examples of this type of obstacles. Some importers and dealers, for instance, complained that lack of investment and innovation of certain brands at global/EEA-level or other decisions taken at the supply/wholesale level and sometimes with a scope wider than national had brought down the local market share of a brand in line with EEA-wide ones. […]. One OEM also

(162) For this reason, the Commission considers that it cannot assess in the same way two different product markets in the same country in which the Parties have similar market shares where their shares at EEA-wide level are substantially different. Lower combined shares at EEA-level imply that the Parties are likely to be subject to a more intense (potential) competition from other OEMs in the medium/long term at national level. For example, if the Parties were to raise prices in a specific country, whilst the short-term reaction of competitors would likely depend only on their national market shares (as these correlate strongly with diversion ratios, see section 6.2.3.2 of this Decision and section 4.1 of the LCV Economic Annex), their long-term reactions are likely to depend also on their EEA-wide shares: A competitor with a successful model may try to expand its presence in a specific country following a price increase in that country (either by using its spare capacity or by re-allocating sales away from less profitable markets), for example by increasing its marketing efforts or expanding its dealership network. Disregarding completely this component in the assessment would risk misrepresenting the economic reality on the market.

(163) The Commission therefore acknowledges the presence of some degree of out-of-market constraints from other countries. Even so, it has to be noted that geographic out-of-market constraints are limited for Small LCV as the Parties are strong in Small LCV across the EEA. Such constraints are a much more significant factor for the few Medium and Large LCV markets in which the Parties are strong, given their more moderate shares at EEA-level (and the corresponding presence of several strong competitors in these segments).

6.1.3. Conclusion on relevant markets for LCVs

(164) In view of the findings in Section 6.1, the Commission will assess the impact of the proposed transaction in the following national markets (in all cases excluding pick-ups):

(a) Small LCVs up to 3.5 tonnes (including both small and compact segments and excluding CDVs) ('Small LCVs'),

(b) medium LCVs up to 3.5 tonnes ('Medium LCVs'),

(c) large LCV up to 3.5 tonnes including semi-finished products ('Large LCVs'),

(d) LCVs between 3.5 and 6 tonnes (including semi-finished products) ('LCVs above 3.5 tonnes'); and

(e) Large LCVs and Large LCVs above 3.5 tonnes combined.

(165) Although the Commission will assess these markets at national level, since the conditions of wholesale supply are determined at EEA-wide level, competition at this level – which is reflected in the EEA-wide market shares – will also be taken into account in the competitive assessment.

6.2. Competitive assessment: horizontal non-coordinated effects

6.2.1. Legal test for the assessment of horizontal non coordinated effects

(166) The legal test for the assessment of horizontal non-coordinated effects is set out in the Merger Regulation and in the Guidelines on the assessment of horizontal mergers

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pointed out that quality is key for brand reputation and how the lack of investment in quality and technical issues could be a limiting factor for the growth of a brand in a certain market at EEA-level and, ultimately, also in the national markets (see minutes of a call with a competitor of 16 September 2020).

under the Council Regulation on the control of concentrations between undertakings ('Horizontal Merger Guidelines').[178] This test will be used by the Commission in the competitive assessment of the effects of the merger in the PC markets (Section 7.2), in the LCV markets (Section 6.2) and in the markets for wholesale and retail distribution for PCs and LCVs, spare parts, components and solutions, automotive financing and other ancillary and related activities (Sections 8, 9 and 10).

(167) Under paragraphs 2 and 3 of Article 2 of the Merger Regulation, the Commission must assess whether a proposed concentration would significantly impede effective competition in the internal market or in a substantial part of it, in particular through the creation or strengthening of a dominant position. In this respect, a merger may entail horizontal and/or vertical effects.

(168) Horizontal effects are those deriving from a concentration where the undertakings concerned are actual or potential competitors of each other in one or more of the relevant markets concerned. Vertical effects are those deriving from a concentration where the undertakings concerned are active on different or multiple levels of the supply chain.

(169) The Horizontal Merger Guidelines distinguish between two main ways in which mergers between actual or potential competitors on the same relevant market may significantly impede effective competition, namely non-coordinated and coordinated effects.

(170) The Horizontal Merger Guidelines describe horizontal non-coordinated effects as follows: "*A merger may significantly impede effective competition in a market by removing important competitive constraints on one or more sellers who consequently have increased market power. The most direct effect of the merger will be the loss of competition between the merging firms. For example, if prior to the merger one of the merging firms had raised its price, it would have lost some sales to the other merging firm. The merger removes this particular constraint. Non-merging firms in the same market can also benefit from the reduction of competitive pressure that results from the merger, since the merging firms' price increase may switch some demand to the rival firms, which, in turn, may find it profitable to increase their prices. The reduction in these competitive constraints could lead to significant price increases in the relevant market*".[179]

(171) Therefore, a merger giving rise to such non-coordinated effects might significantly impede effective competition.

(172) Generally, a merger giving rise to such non-coordinated effects would significantly impede effective competition by creating or strengthening the dominant position of a single firm, one which, typically, would have an appreciably larger market share than the next competitor post-merger.[180]

(173) However, under the substantive test set out in Article 2(2) and (3) of the Merger Regulation, also mergers that do not lead to the creation or the strengthening the dominant position of a single firm may create competition concerns. Indeed, the Merger Regulation recognises that in oligopolistic markets, it is all the more necessary to maintain effective competition.[181] This is in view of the more significant

178 OJ C 31, 05.02.2004.
179 Horizontal Merger Guidelines, paragraph 24.
180 Horizontal Merger Guidelines, paragraph 25.
181 Merger Regulation, recital 25.

consequences that mergers may have on such markets. For this reason, the Merger Regulation provides that "*under certain circumstances, concentrations involving the elimination of important competitive constraints that the merging parties had exerted upon each other, as well as a reduction of competitive pressure on the remaining competitors, may, even in the absence of a likelihood of coordination between the members of the oligopoly, result in a significant impediment to effective competition*".[182]

(174) The Horizontal Merger Guidelines list a number of factors which may influence whether or not significant horizontal non-coordinated effects are likely to result from a merger, such as the large market shares of the merging firms, the fact that the merging firms are close competitors, the limited possibilities for customers to switch suppliers, or the fact that the merger would eliminate an important competitive force.[183] That list of factors applies equally regardless of whether a merger would create or strengthen a dominant position, or would otherwise significantly impede effective competition due to non-coordinated effects. Furthermore, not all of these factors need to be present to make significant non-coordinated effects likely and it is not an exhaustive list.[184]

(175) Finally, the Horizontal Merger Guidelines describe a number of factors, which could counteract the harmful effects of the merger on competition, including the likelihood of buyer power, entry and efficiencies.

6.2.2. Common features to all LCV markets in the EEA and the United Kingdom

(176) In order to understand the context in which the competitive effects of the Proposed Transaction are assessed, it is important to set out first an explanation of how the LCV markets in the EEA are structured and how they function. This section sets out the common features to all LCV markets in the EEA and the United Kingdom against which the competitive assessment is carried out.

6.2.2.1. Supply-side considerations

(177) The market investigation has shown that the LCV markets are characterised on the supply-side by a number of features, some of which are common to the whole of the automotive industry. As is the case for PCs, production and wholesale supply of LCVs take place in a centralised way at EEA level. The structure of supply, however, differs significantly: There is a more limited number of competitors than in PCs, market shares (both at EEA-level and in the larger markets) are relatively more stable and there has been no serious new entry in the last years except for Toyota (and Maxus in electric LCVs in some EEA countries).[185] Cooperation between competitors, in the form of cross-supply agreements, is common in the industry. OEMs enjoy healthy margins, at similar levels to the ones generated in the sale of PCs. These features are discussed in detail in the following Sections.

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182 Merger Regulation, recital 25.

183 Horizontal Merger Guidelines, paragraph 27 and following.

184 Horizontal Merger Guidelines, paragraph 26.

185 In the market investigation, a competitor mentioned the example of new entrant StreetScooter (electric vans company owned by Deutsche Post) which attempted to scale up its sales of electric LCVs but eventually withdrew from the market in 2020 (see reply to question 75.1 of Questionnaire 9 to competitors). See also: http://insideevs.com/news/401477/deutsche-post-dhl-streetscooter-production-end/ .

6.2.2.1.1. EEA-wide production: models, platforms, production sites and spare capacity

(178) OEMs manufacture LCVs in the EEA in a centralised manner since technical, environmental and qualitative standards and regulations applicable to LCVs are for the large part homogeneous. Despite some environmental rules differing across Member States which may affect demand, LCV models are essentially identical regardless of the EEA Member State where they are ultimately sold. From their production sites, models are shipped across the EEA and neighbouring countries and commercialised at wholesale level through the OEM's local subsidiaries or via independent importers.

(179) Both FCA and PSA manufacture and supply a wide variety of brands and models of LCVs in the EEA.

(180) As already explained in Section 5, PSA is present in the EEA with the brands Peugeot, Citroën and Opel. PSA commercialises the Opel models in the United Kingdom under the Vauxhall brand. This Decision will refer to these models as 'Opel', regardless of the brand effectively used.

(181) Table 4 lists the models commercialised by PSA in the EEA in 2019, indicating the platform and production site where each of them is manufactured and assembled, the proportion that the sales of each of the models represent over PSA's total sales of LCVs up to 3.5 tonnes excluding pick-ups and the year in which each model was commercialised for the first time. The models reflected in the table are ICE vehicles. Table 6: Parties' pipeline LCV products lists the models PSA intends to commercialise in the future as battery electric vehicles ('BEVs').

Table 4: LCV models up to 3.5 tonnes commercialised by PSA in the EEA

Models	Plant	Size/market	Platform	% over total sales (2019)*	1st year in market
Peugeot Boxer	[…]	Large	[…]	[…]%	2010
Peugeot Expert	[…]	Medium	[…]	[…]%	2016
Peugeot Partner	[…]	Small	[…]	[…]%	2018
Citroën Jumper	[…]	Large	[…]	[…]%	2010
Citroën Jumpy	[…]	Medium	[…]	[…]%	2016
Citroën Berlingo	[…]	Small	[…]	[…]%	2018
Opel Vivaro***	[…]	Large	[…]	[…]%	2019
Opel Combo	[…]	Small	[…]	[…]%	2018
Opel Movano****	[…]	Medium	[…]	[…]%	2010

Source: Form CO, Tables 9, 10, 132, 311 and Annex 11. (*) The % over total sales (2019) has been calculated by dividing the number of those specific vehicles sold by all vehicles sold by PSA in the segment for LCVs up to 3.5 tonnes in the EEA.(**) […]. (***) […].

(182) As already explained in Section 5, FCA is present in the EEA with the brands Fiat and Fiat Professional. FCA uses Fiat Professional to commercialise the LCV models in Italy and some other countries. This Decision will refer to these models as 'Fiat', regardless of the brand effectively used.

(183) Table 5 lists the models commercialised by FCA in the EEA in 2019, indicating the platform and production site where each of them is manufactured and assembled, the proportion that the sales of each of the models represent over FCA's total sales of LCVs up to 3.5 tonnes and the year in which each model was commercialised for the first time. The models reflected in the table are ICE vehicles. FCA does not currently commercialise any LCVs with different engine propulsion technologies.

Table 5: LCV models up to 3.5 tonnes commercialised by FCA in the EEA

Models	Plant	Size/market	Platform	% over total sales (2019)*	1st year in market
Fiat Doblò	[…]	Small	[…]	[…]%	2009
Fiat Fiorino	[…]	Small	[…]	[…]%	2007
Fiat Talento	[…]	Medium	[…]	[…]%	2016
Fiat Ducato	[…]	Large	[…]	[…]%	2006

Source: Form CO, Tables 11, 12, 133, 311 and Annex 11. **(*)** The % over total sales (2019) has been calculated by dividing the number of those specific vehicles sold by all vehicles sold by FCA in the segment for LCVs up to 3.5 tonnes in the EEA.

(184) FCA and PSA intend to launch the models listed in Table 6 below. The table indicates the model, the year in which it is expected to be commercialised in the EEA and the propulsion technology used, distinguishing between ICE, BEV, HEV or plug-in hybrid electric PHEV.

Table 6: Parties' pipeline LCV products

Manufacturer	Model	Launch date	Propulsion technology
FCA	[…]	[…]	[…]
	[…]	[…]	[…]
	[…]	[…]	[…]
	[…]	[…]	[…]
PSA	[…]	[…]	[…]
	[…]	[…]	[…]
	[…]	[…]	[…]
	[…]	[…]	[…]
	[…]	[…]	[…]
	[…]	[…]	[…]

Source: Form CO, Tables 180 and 181

(185) Sections 6.2.3.1, 6.2.4.1 and 6.2.5.1 contain details of the production sites, platforms and spare capacity for each of the models manufactured by the Parties and their main competitors in the Small, Medium and Large LCV markets in the EEA.

(186) In respect of spare capacity, the Commission notes that the relevance of spare capacity is different between homogeneous and differentiated product markets. In homogeneous product markets, market power tends to derive from competitors'

capacity constraints. If competitors are limited in the extent to which they can increase production in response to a price increase by the merged entity, they are limited in their ability to take away the merged entity's customers. Conversely, if competitors have sufficient spare capacity, they do have the ability and may have an incentive to produce more in response to a price increase of the merged entity because by just undercutting their competitors slightly, they can steal all their sales (as goods are identical except for the price). For this reason, sufficient over-capacities in the market may undermine the ability of a firm to profitably raise prices post-merger.

(187) In differentiated product markets such as PCs and LCVs, whilst spare capacity is also a prerequisite for competitors to be able to defeat price increases, it is not enough. A competitor with spare production capacity may have the theoretical ability to meet increased demand if the customers of the merged entity face a price increase, but that demand might not shift to that competitor if that competitor is not viewed as a sufficiently close alternative to the merged entity. In short, in a differentiated product market, in addition to spare capacity, a competitor must be considered as a sufficiently close competitor to capture demand away from the merged entity in order to be able to defeat a price rise.

(188) In the automotive industry, differentiation comes from the brand, product technologies, design, dealer/repair network, etc. Preferences among customers are diverse, taking into account both relatively 'objective' factors (such as product quality and repair network) and more 'subjective' factors (such as personal brand preferences and past experiences). The importance of such subjective factors is reflected, for instance, in the strong home advantage that most brands possess in terms of local market shares. Customers weigh these personal preferences with the different price points offered by different OEMs when deciding which model to purchase.

(189) The Parties' hesitation data and the Commission's own diversion analysis convey quantitatively that preferences in the LCV markets are very diverse. While customers typically consider alternative models within the same LCV segment, switching patterns are highly heterogeneous across Member States, as are market shares. At the same time, as shown in the LCV Economic Annex, market shares tend to be a relatively good proxy for the relative competitive strength and closeness of substitution of FCA and PSA. As a result of high market shares and high diversion ratios, competition in the markets for Small LCVs is therefore likely to be undermined post-transaction in a number of geographic markets, with rivals placing a more limited constraint on the merged entity.

(190) Furthermore, even if an existing OEM may have spare capacity and can be considered a close competitor to the merged entity, this only implies that it has the theoretical ability to defeat a price increase by the merged entity. However, it may not have the incentive to do so. When setting their prices, competitors also take into account the merged entity's prices (or other competitors'). If a market is concentrated, a close competitor to the merged entity will normally find it more profitable to follow the merged entity's price increase (or increase and price slightly lower than the merged entity) and thereby earn more per vehicle on its large volume of sales than to remain at lower prices. Indeed, a price increase by the merged entity would act as a 'price umbrella' of reduced competition, which allows third parties to

price less aggressively themselves if they do not have the incentives to do so.[186] Finally, if the parties to a merger are close competitors, even an existing competitor that is equally close to the merging firm, or even closer, will be unlikely to be able to defeat a price increase if the diversion between the Parties is high enough and profit margins are appreciable. Indeed, high diversion ratios between merging Parties signify that many customers consider their respective models as the best competitive alternative they have, which will grant market power to the merged entity. Moreover, if profit margins are appreciable pre-merger, this indicates that even pre-merger, third parties were not able to prevent the merging parties from already exerting some degree of market power.

(191) The Commission therefore considers that spare capacity alone is not a sufficient reason to remove competition concerns that may arise. While sufficient capacity is a pre-condition for competing in any market, it is not the main source of market power in differentiated product markets.

(192) LCV markets are characterised by a relatively limited size when compared with PC markets, which spurs OEMs to share costs through numerous cross-supply agreements. This makes the entry of new market players more difficult, shielding established competitors against competition from new entrants. This may also be one factor explaining the relative stability of market shares discussed in the next section.

6.2.2.1.2. Relative stability of market shares

(193) LCV markets are characterised by a relatively limited number of market players compared to PC markets. In LCVs up to 3.5 tonnes,[187] the main players besides the Parties are RNM, Ford, VW, Daimler and Iveco, the latter only in Large LCVs. The presence of other OEMs, with the exception of Toyota in Medium LCVs, is minimal. No other OEM has been able to enter successfully the EEA markets in the last 10 years.[188]

(194) As Table 7 shows, the top six LCV manufacturers represent in 2019 a total of [90-100]% of all LCVs up to 3.5 tonnes sold in the EEA. That percentage has remained essentially unaltered in the last decade ([90-100]% in 2010). Moreover, the ranking of the main manufacturers at EEA-level has remained broadly the same throughout the last ten years, although the Parties' combined share has decreased by […] percentage points whilst Ford's, RNM's and Daimler's share has slightly increased. In fact, FCA has slipped from joint fourth position to sixth. As set out in Sections 6.2.3.1, 6.2.4.1 and 6.2.5.1, the market structure is similar in most product markets

186 This is because a competitor, who currently sets a certain price given all its competitors' (including the Parties') prices, does so to maximise profits. The current price level is chosen since decreasing prices is not profitable, as the impact of the reduced margin on all retained sales just outweighs the additional margins earned on all additional sales. Increasing prices is not profitable either, as the effect of lost margins on customers that divert to competitors outweighs the gain from increased margins on retained sales. This balance changes if competitors' (specifically, the Parties') prices are higher post-transaction. Then the competitor in question would lose fewer customers to the Parties, so it would now become profitable to increase prices. Therefore, competitors have an incentive to increase prices in response to a price increase by the merged entity, even if they have spare capacity.

187 Which represent approximately […] of all LCVs sales.

188 See recital (269) in relation to the example of StreetScooter. StreetScooter still has some sales in Germany.

(Small, Medium and Large LCVs) and in most large EEA Member States, although the number and exact positioning of each competitor may vary.[189]

Table 7: EEA - LCVs (up to 3.5 tonnes)

OEM	2010	2019
PSA	[20-30]%	[20-30]%
FCA	[10-20]%	[10-20]%
Combined	*[40-50]%*	*[30-40]%*
RNM	[10-20]%	[10-20]%
Ford	[10-20]%	[10-20]%
VW	[10-20]%	[10-20]%
Daimler	[10-20]%	[10-20]%
Iveco	[0-5]%	[0-5]%
Others	[0-5]%	[0-5]%

Source: Parties' reply to RFI 44, question 3

(195) By contrast, in the PC markets, a similar proportion of the market ([90-100]%) was shared by 10 players in 2019 (FCA/PSA, VW, RNM, Ford, BMW, Daimler, Toyota, Hyundai-Kia, Geely (Volvo) and Suzuki), with the top-6 OEMs representing only [80-90]% of the EEA market (i.e. […] points less than in the case of LCVs; with a more than […] larger share of the market left for players outside the top-6).[190] The PC markets have many strong competitors which have, however, decided not to enter the LCV markets (notably BMW, Hyundai-Kia, Geely (Volvo), Suzuki, Tata). Moreover, in the PC markets over the last decade most minor players have grown significantly: Hyundai-Kia, which was the 8th largest OEM in 2010 with a [0-5]% share of all PCs grew to [5-10]%, becoming the 4th largest PC manufacturer in the EEA in 2019. Moreover, it can be seen how this OEMs, which are not present in the LCVs, have been increasing their market positions in the PC markets: Hyundai-Kia, Toyota, Geely (Volvo), Suzuki, and Mazda grew their combined share of PCs from [10-20]% in 2010 to [10-20]% in 2019. The top-5 OEMs in PCs in 2010 (the Parties, VW, RNM and Ford), which together represented [70-80]% of all PC sales in the EEA, saw their combined share decrease by […] points, to [60-70]%. All this tends to illustrate the dynamism of competition and the growing importance of the competitive constraints exercised by smaller OEMs in the PC market as compared to LCVs.

189 In smaller Member States, market shares can be often volatile since in markets of a smaller size one or a few large fleet orders may shift market shares substantially year by year.

190 [5-10]% in LCVs compared to [20-30]% in PCs.

Table 8: EEA - Overall PC sales

	2010	2019
PSA	[20-30]%	[10-20]%
FCA	[5-10]%	[5-10]%
Combined	*[20-30]%*	*[20-30]%*
VW	[20-30]%	[20-30]%
RNM	[10-20]%	[10-20]%
Ford	[5-10]%	[5-10]%
BMW	[5-10]%	[5-10]%
Daimler	[5-10]%	[5-10]%
Toyota	[5-10]%	[5-10]%
Hyundai-Kia	[0-5]%	[5-10]%
Geely	[0-5]%	[0-5]%
Suzuki	[0-5]%	[0-5]%
Honda	[0-5]%	-
GM	[0-5]%	-
Mazda	[0-5]%	[0-5]%
Tata	-	[0-5]%
Others	[0-5]%	[0-5]%

Source: Parties' reply to RFI 44, question 3

6.2.2.1.3. Cooperation agreements in the sector

(196) The EEA LCV market is more than eight times smaller than the PC market. Total LCV sales (without any segmentation) amounted to […] million units in 2019.[191] Over the same period, total PC sales amounted to […] million units.[192] The PC markets will be further described in Section 7.

(197) Nonetheless, the Parties, as summarised in Table 4: LCV models up to 3.5 tonnes commercialised by PSA in the EEA and Table 5: LCV models up to 3.5 tonnes commercialised by FCA in the EEA, as well as other OEMs, have a number of platforms on which their LCVs are based.[193] The Parties (and other OEMs) use […]. However, since the markets for LCVs are smaller than the PC markets, less vehicles tend to be produced on LCV platform than on PC platform, which increases the cost of developing each platform.[194] Moreover, each LCV model needs several different variations (body types).[195] Indeed, there are many different body types of LCVs (chassis cab, platform cab, different heights, different lengths, variations with doors on side, number of windows, seats etc.), while in PCs there are slightly fewer variations. [196]

191 Market share data provided by the Notifying Parties in response to RFI 53, based on IHS data.
192 Annex Joint 10 to the Form CO (segments A, B, C, D, SUV-B, SUV-C, M).
193 Reply by a competitor to the RFI of 25 June, question 1.
194 Form CO, tables 132 and 133 (excluding platforms for which PC ceased).
195 Although some platforms produce both PCs and LCVs. […]. The conclusion remains valid nonetheless: The number of PC platforms is (significantly) less than 8-times greater than the number of LCV platforms, while the number of PC sales is more than 8-times greater than the number of LCV sales. Therefore, more vehicles are sold per platform in PC than in LCV, so the barriers to entry are relatively larger in LCVs.
196 Minutes of a call with a competitor of 17 July 2020, paragraph 11.

(198) The combination of a relatively Small LCV market (compared to PC) and the need for different LCV variations means that the sales figures per model and per chassis type are much lower than in the PC market. This combination of factors has several implications.

(199) First, it constitutes an important barrier to entry (for more details on barriers to entry, see Section 6.2.2.3). In order to enter the LCV market a manufacturer needs to be able to offer different variations of a model which requires a minimum scale and a relatively large investment (considering that the market, and the number of vehicles produced per platform or chassis type are smaller in LCVs than in PCs). As pointed out by one competitor, it is not possible to set up one's own production in Europe for LCVs without scale (sufficient volumes).[197]

(200) Second, it explains the lower number of competitors in the LCV market as compared to the PC market and the lack of many new entrants. The number of competitors will be more limited in a smaller market where a certain minimum efficient scale is required. This is also confirmed by the market investigation where one new entrant observed that they take a different approach to factories compared to other (established) manufacturers as they intend to set up microfactories, which produce smaller amounts of vehicles.[198]

(201) Third, it explains the large number of structural links in the industry (supply agreements, shared platforms, etc.). As one competitor observed the LCV segment is more concentrated as the development of LCVs is not easy and is costly. OEMs work more together in the LCV segment than in the PC segment[199]. The LCV markets are about the Total Cost of Operation.[200]

(202) In addition to the production of LCVs in their own plants, the Parties produce LCVs by joint ventures or by third parties under cooperation agreements:

(a) Since 1978 the Parties have a 50/50 joint venture (Sevel Sud) on the development and production of Large LCVs. The Sevel Sud plant produces the Citroën Jumper, Peugeot Boxer and Fiat Ducato.

(b) Opel has, since 2007, a supply agreement with Renault-Nissan-Mitsubishi ('RNM'). As per this agreement, RNM manufactures in its Batilly plant (France) and supplies to PSA its Master model, which is commercialised by PSA as the Opel Movano. PSA and RNM also entered into a cooperation agreement for the manufacture of part of the Opel Vivaro by RNM in its Sandouville plant (France).[201]

(c) FCA has since 1968 a joint venture (Tofaş) with the Koç Group in Bursa (Turkey), for the production and distribution of vehicles, engines, spare parts and accessories. The LCVs produced in Tofaş are the Fiat Doblò and the Fiat Fiorino.

(e) FCA has an agreement with RNM since 2014 for the development, manufacture and supply of the Fiat Talento to FCA. This cooperation is expected to continue until 2022.

197 Minutes of a call with a competitor of 17 July 2020, paragraph 10.
198 Minutes of a call with a competitor of 23 July 2020, paragraph 6.
199 Minutes of a call with a competitor of 26 March 2020, paragraph 10.
200 Minutes of a call with a competitor of 23 July 2020, paragraph 8.
201 […]. - Reply to RFI 19 of 25 June 2020 (Annex PSA_000314)

(203) VW has a cooperation agreement with Ford to develop commercial vans and medium-sized pick-ups as part of a global alliance.[202] The alliance, which does not entail cross-ownership between the two companies, will be governed by a joint committee.[203]

(204) RNM and Daimler have a strategic cooperation.[204] As part of this cooperation RNM produces the Mercedes Citan in its Maubeuge's plant.[205]

(205) This shows that in view of the size of the LCV market OEMs have resorted to cooperation to achieve the necessary scale and share investment costs through agreements.

6.2.2.1.4. Margins in LCVs are comparable to those of PCs

(206) The Notifying Parties make the argument that the LCV markets are highly competitive, *inter alia* for the following reasons that set them apart from PC markets:

(1) Customers have buyer power, allowing them to negotiate […] discounts off the list price. [206]

(2) Professional buyers are more rational, they "*have a more sophisticated and objective approach to procurement, which enables them to extract better sales conditions from the OEMs*". [207]

(3) Margins are limited: *"These limited margin levels in the industry indicate that the sector is generally highly competitive and explain the need for OEMs to achieve scale in order to generate scale economies, thereby seeking positive margins"*, and *"The lower margins in Europe are evidence of an extremely competitive landscape in a mature market"*.[208]

(4) "*[C]ompeting OEMs have entered into joint ventures or alliances specifically in relation to LCVs, which make them even stronger competitors to the Parties.*" [209]

(207) These arguments can be assessed by comparing the margins earned with the sale of LCVs to those earned with the sale of PCs.

(208) Overall, margins are […] for LCVs and for PCs, based on 2019 data provided by the Parties and some of their main competitors.[210]

(209) Moreover, in the specialised press and among industry analysts, there appears to be a consensus that the LCV market is highly profitable, including in particular as compared to the PC market:

(1) "The large vans favored by delivery drivers and tradespeople across Europe may blend into the background, but for automakers, they are pure gold. Vans have high profit margins -- up to 10 percent or even more, analysts say,

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202 Minutes of a call with a competitor of 23 July 2020, paragraph 7.

203 https://www.volkswagenag.com/en/news/stories/2019/01/volkswagen-ag-and-ford-motor-company-launch-global-alliance.html.

204 https://www.alliance-2022.com/cooperations/

205 See RBB submission of 27 May 2020, page 23.

206 Notifying Parties' reply to the Art. 6(1)(c) Decision, Section 2.4.

207 Notifying Parties' reply to the Art. 6(1)(c) Decision, paragraph 190.

208 Notifying Parties' "Additional submission of the Parties on LCVs of 25 May 2020", paragraphs 46-47.

209 Notifying Parties' "Additional submission of the Parties on LCVs of 25 May 2020", paragraph 6.

210 Notifying Parties' response to RFI 53 and competitors' responses to RFI of 25 June 2020.

comparable to a well-equipped SUV. […] The LCV market is more profitable than ever before".[211]

(2) "Europe's lucrative small commercial vans market"[212]

(3) "The light commercial vehicles (LCVs) market may be secondary in terms of volumes, but it remains highly profitable in an industry where margins are constantly under pressure. Margins are generally higher than on passenger cars, up to 5-10 additional percentage points, AlixPartners says."[213]

(210) This is at odds with the LCV market being more competitive than the PC market: If customers were more sophisticated and had substantial buyer power, or if the environment was particularly competitive due to the alliances between competitors, LCV producers would have to undercut each other's prices in order to sell LCVs, leading to lower margins than in PCs. The solid profitability of the LCV segment as compared to PCs, despite the fact that the high-volume automotive industry is overall less profitable than many other manufacturing industries, points to the presence of a certain degree of market power in this oligopolistic market, even pre-transaction.

(211) Moreover, the relatively high margins are another element pointing towards the existence of barriers to entry since if entry was very easy, one would expect more new entrants and ultimately lower margins (see Section 6.2.2.3 on barriers to entry).

6.2.2.1.5. Conclusion

(212) In conclusion, the structure of supply of LCV markets is characterised by a more limited number of competitors than in PC markets, with market shares that have remained relatively stable over the last decade and where, with the exception of Toyota (and Maxus in electric LCVs in some EEA countries), no serious new entry has occurred. The smaller size of the markets, compared to PC markets, makes it more difficult to reach the necessary scale to invest in the necessary production facilities, which spurs OEMs to share costs through numerous cross-supply agreements.

6.2.2.2. Demand-side considerations

(213) LCV and PC markets also have different characteristics of demand. The market investigation has shown that LCV end-customers tend to be more cost-minded than PC customers. They particularly value price and total cost of ownership ('TCO', including not only the purchase price of the vehicle but also fuel and maintenance costs) when purchasing an LCV, although other factors such as the LCV service network and the technical characteristics of the vehicle weigh in the "buying" decision. Brand loyalty is less important than for PCs, but experiences with the previous/current model/brand play a role in the choice of new LCVs, as reliability is crucial. Moreover, Fiat seems to enjoy some brand loyalty in the form of home advantage in Italy, and Citroën and Peugeot in France. Finally, customers of large

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211 https://europe.autonews.com/article/20180703/ANE/180629776/ford-renault-vw-tighten-grip-on-europe-s-lcv-sector, consulted on 5 November 2020.

212 https://www ft.com/content/122afd99-dfc3-4a0d-87e6-b7296a74f048, consulted on 5 November 2020.

213 https://www.autoblog.com/2020/06/18/fiat-chrysler-peugeot-fca-psa-merger-eu-vans/?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAAAiW9NA_GKsH8pw8M8vbQgs97qPohQBDeTo4mXks9Oz5NV17qfQY2btEuyhKDcXrZNNnb99_ehNUlmx2ZdM-5Rhj7EzyiX0732WgwZlfJyEUcK-4sc-y6Nr1CepkgbCZ5IV19gmmQr5Td6mDvDoRp7-dbfiwZopRu1hg-IBSC3l2 , consulted on 5 November 2020.

LCV fleets seem to enjoy an appreciable degree of bargaining power, although it is not representative of the LCV market as a whole, in particular in respect of Small LCVs, of which these customers represent a limited share. These features are discussed in detail in the following Sections.

6.2.2.2.1. Factors that drive demand: Price sensitivity/brand loyalty

A Factors that customers consider when purchasing an LCV

(214) The Notifying Parties submit that in the LCV segment, OEMs compete primarily on price and TCO, i.e. including sales price and warranty conditions, as well as aspects like fuel efficiency and technical reliability.[214]

(215) The responses to the Commission's market investigation in Phase I showed that a majority of importers, dealers and leasing and rental companies considered that end-customers of LCVs are more sensitive to price differences than end-customers of PCs.[215] However, LCVs are differentiated products and, accordingly, those responses show that customers also consider a number of other factors when purchasing an LCV. In the in-depth market investigation, when asked to rank the importance of different factors that end-customers take into account to choose an LCV model, all customer groups ranked price (in the case of importers, dealers, leasing/rental companies) or TCO (corporate customers) as the most important factors.[216] But all groups also attributed significant importance to other parameters like the technical characteristics of the vehicle (dimensions and payload), and repair and maintenance network (this last aspect will be discussed in Section 6.2.2.3 below). Other factors such as the type of propulsion or financing offered were considered of some, but lower, importance.[217] Further aspects mentioned by some respondents include the

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214 Parties' LCV Advocacy Paper of 25 May 2020, paragraph 26. See also Notifying Parties' submission of 30 June 2020, paragraphs 189 et seq.

215 Replies to question 38 of Questionnaire 2 to importers, question 38 of Questionnaire 3 to dealers and question 33 of Questionnaire 4 to leasing and rental companies.

216 Replies to question 42 of Questionnaires 11 to dealers, 10 to importers and 12 to leasing and rental companies. Replies to question 32 of Questionnaire 13 to corporate customers.

217 Replies to question 42 of Questionnaires 11 to dealers, 10 to importers and 12 to leasing and rental companies. Replies to question 32 of Questionnaire 13 to corporate customers.
Competitors' ranking: 1. Past experience with current/previous LCV (4.11 out of 5); 2. Total cost of ownership (4.0); 3. Price; 4. Dimensions and payload; 5. Repair and maintenance network (each 3.67); 6. Brand loyalty/recognition (3.56); 7. Type of propulsion (3.33); 8. Financing offered; 9. Technical specificities (each 3.22); 10. Innovation; 11. Design (each 2.22).
Importers' ranking: 1. Price (4.75 out of 5); 2. Dimensions and payload (4.35); 3. Total cost of ownership (4.29); 4. Repair/Maintenance network (4.18); 5. Technical specificities (4.12); 6. Past experience with my current/previous LCV (4.00); 7. Financing offered (3.53); 8. Brand loyalty/recognition; 9. Innovation; 10. Type of propulsion (each 2.94); 11. Design (2.18).
Dealers' ranking: 1. Price; 2. Dimensions and payload (each 4.79 out of 5); 3. Total cost of ownership (4.64); 4. Financing offered (4.35); 5. Past experience with my current/previous LCV (4.25); 6. Repair/Maintenance network (4.17); 7. Technical specificities (3.79); 8. Type of propulsion (3.42); 9. Brand loyalty/recognition (3.17); 10. Innovation; 11. Design (both below 3).
Leasing/rental companies' ranking: 1. Price (4.71 out of 5), 2. Dimensions and payload (4.43), 3. Total cost of ownership (4.43); 4. Financing offered (4.00); 5. Past experience with my current/previous LCV (3.7); 6. Repair/Maintenance network (3.45); 7. Technical specificities (3.37); 8. Type of propulsion (2.7); 9. Brand loyalty/recognition (2.6), 10. Innovation (2.2); 11. Design (2.05).
Corporate companies' ranking: 1. Total cost of ownership (4.73 out of 5); 2. Price (4.61), 3. Dimensions and payload (4.41); 4. Repair/Maintenance network (4.23); 5. Technical specificities (4.21); 6. Past experience with my current/previous LCV (3.73); 7. Type of propulsion (3.59); 8. Innovation (3.35); 9. Financing offered (3.00); 10. Brand loyalty/recognition (2.42), 11. Design (2.25).

warranty period, residual value, dealer network,[218] safety devices on board and CO_2 impact.[219]

B Relevance of brand

(216) The Commission's market investigation shows that in order to choose a new model, brand seems to be less relevant than price and, overall, of less importance for LCV than for PC customers. However, the experience with the current/past model, which may induce brand loyalty, plays an important role for end-customers in the choice of a new LCV, possibly more than or as much as cost considerations.

(217) Internal documents provided during the in-depth investigation show that, […].[220] Similarly, a majority of customers responding to the market investigation indicated that brand is less important for LCVs than PCs.[221] This is supported by some internal documents […].[222]

(218) That being said, the in-depth market investigation shows that the experience with the current/previous models plays an important role in the choice of a new model. Competitors responding to the market investigation ranked this factor as the most important (followed by TCO and price) in the choice an LCV model.[223] Customers also indicated that past experience is a relevant factor, albeit not as important as cost considerations.[224] The 2018 NVBS survey also shows that the personal experience with an LCV model bought previously is the main reason for purchasing a new vehicle ([10-20]% of total answers in France, [10-20]% in Italy), followed by purchase price/contract hire price ([5-10]% of total answers in France and Italy).[225] The fact that LCV customers are reluctant to change model seems in line with their less emotional/more rational profile, to the extent that customers who are satisfied with their model would take a risk by switching to an unknown model which might not satisfy the customers' expectations in terms of technical characteristics and TCO. In other words, it is not the brand image that matters but the experience of reliability with a specific model.

(219) An FCA internal presentation highlights […].[226]

(220) In conclusion, while the market investigation shows that LCV customers tend to be more price sensitive than PC customers, and that the brand in itself is less important than price considerations, it also demonstrates that the customer's experience with its current/previous model plays a key role in the choice of a new LCV model. This shows that there is scope for product differentiation and market power.

C Home advantage

(221) A specific phenomenon is the 'home advantage', i.e. the preference that customers express for certain brands which are viewed as "local", either in countries where the

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218 Replies to question 42.1 of Questionnaire 10 to importers.

219 Replies to question 42.1 of Questionnaire 13 to corporate customers.

220 FCA internal presentation of March 2016, "LCV Market analysis. Synthesis of findings" (ID 135-7).

221 Replies to question 43 of Questionnaires 10 to importers, and 11 to dealers, question 42 of Questionnaire 12 to leasing and rental companies and question 33 of Questionnaire 13 to corporate customers. Competitors' replies were inconclusive.

222 See e.g. Annexes 170, 171.

223 Replies to question 52 of Questionnaire 9 to competitors.

224 Replies to question 42 of Questionnaires 11 to dealers, 10 to importers and 12 to leasing and rental companies. Replies to question 32 of Questionnaire 13 to corporate customers.

225 NVBS, 2018.

226 See FCA internal document (no date) (2221-33500): "*[…]*".

brand was originally founded by a national company or sometimes also in countries where such company manufactures locally.

(222) The Notifying Parties submit that the Parties' higher market shares in France and Italy are due to the fact that these are the home markets of their brands.[227] Brands usually have an advantage in their home markets, as customers prefer to buy local, known brands and the dealer/service network is usually denser for historical reasons. As such, Peugeot, Citroën and Renault are well established brands in France, have major manufacturing sites and generate employment for a considerable part of the French workforce, directly and indirectly.[228] Moreover, OEMs focus specifically on their brands' performance in their home markets.[229]

(223) The Notifying Parties stress that the success of French brands in large tenders by large companies and/or public administrations in France can largely be explained by the brands' competitiveness.[230] They explain that the central government is bound by EU public procurement rules and therefore must choose the most competitive offer, regardless of the nationality of the producer. As regards smaller tenders of local governments, the Parties submit that only dealerships closely located submit offers and, as local brands have denser dealership networks in their home countries, they tend to be over-represented in these tenders because of this presence rather than because of any preference for the French brand.[231] Furthermore, the Parties point to the fact that Ford has achieved a market share of [5-10]% in LCV sales to French public administrations, showing that non-French brands can win public procurement tenders if their offer is competitive.[232]

(224) The Commission nonetheless considers that Fiat in Italy and Citroën and Peugeot in France enjoy a home advantage.

(225) First, the Commission has verified that, in general, brands have higher market shares and higher margins in their home country than abroad: The typical (median) brand has market shares at home that are roughly twice as high as abroad, both for Small LCVs and LCVs overall. In addition, the comparison of margins confirmed the Parties' brands' home advantage. […].[233]

(226) Second, whereas some internal documents of the Parties seem to indicate that […],[234] the 2016 LCV market analysis reveals that public fleet customers (both small and large) take into account the OEM's nationality when choosing their supplier.[235] Moreover, among these important criteria, perceived quality and (real) service network density are likely to be higher in a brand's home market.

(227) Third, the results of the 2016 LCV market analysis are in line with the responses provided in the market investigation. As explained by one dealer, in France foreign brands must compete more aggressively on price, and the "strong" preference of public (or previously public) companies for French brands makes market entry more

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227 Form CO, paragraph 1381.
228 Form CO, paragraph 1382.
229 Form CO, paragraph 1383.
230 Form CO, paragraph 1384.
231 Form CO, paragraph 1387-1388.
232 Form CO, paragraph 1390.
233 Although the margins of Citroën are slightly lower in France. This is in line with the market share analysis and survey submitted by a market participant (submission of 27 May 2020 by a market participant).
234 Section 6.2.2.2.
235 FCA. LCV Market analysis. Synthesis of findings. March 2016 135-7.

difficult: *"Given a strong preference for French cars, especially by larger companies (Post, energy suppliers companies, telecom,…), it is difficult to enter the LCV market in France with a foreign brand. Foreign companies that manage to build up a quality brand image can nevertheless be successful in the LCV market in France if they can offer lower prices and sell to small companies, which are more price-sensitive.*"[236] Similarly, a potential new entrant in the electric LCVs space also indicated that it finds more difficult to enter countries where local brands are present: *"It will be more difficult to enter* [the Italian and French] *markets, as the Parties are home brands and part of local culture*."[237] Another competitor noted that besides national preferences of end-customers, OEMs often have more extensive service networks in their home countries.[238]

(228) Finally, foreign brands with production in a country can also enjoy a certain home advantage in that country. A Hungarian dealer indicated that Opel was the second largest brand in Hungary when it produced vehicles in the country, but its sales dropped when PSA acquired the brand and production in the country ceased.[239]

(229) Overall, the evidence obtained (market shares, margins, internal documents and responses to the market investigation) indicates that there is a certain degree of home advantage for Fiat in Italy and Citroën and Peugeot in France. The Commission notes that customers might have different reasons to choose "local" brands, such as emotional reasons, availability of competitive offers, a dense dealership and repair network and personal experience with an LCV model bought previously.

(230) The Commission considers, however, that it is unlikely that Fiat's home advantage in Italy will extend to PSA's brands or that Peugeot's and Citroën's advantage in France will extend to Fiat. An analysis of the performance of Opel (acquired by PSA), Nissan and Dacia (acquired by RNM) in France shows, in fact, mixed results. Although all of these brands have lower market shares in France, where their owner (PSA/RNM) is based, than in the EEA as a whole,[240] this could be driven to a large extent by the fact that Renault, Peugeot, and Citroën are stronger in France than abroad, leaving less of the market for these three foreign brands to capture. Opel managed to increase its sales of Small LCVs in France between 2017 and 2019, after PSA acquired it. However, its sales of LCVs overall decreased during the same time span, even more so in France than in the EEA. […],[241] […].

D Conclusion

(231) Given all of the above, the Commission concludes that even though LCV end-customers in principle seem to be more price sensitive and less brand loyal than PC customers, factors other than price and TCO, such as the technical characteristics of the vehicle and service network, also play a significant role in the choice of a new LCV. More specifically, past experience with the current/previous model(s) seems to be key for LCV customers, and possibly appears as much important as or even more

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236 Minutes of a call with a dealer, of 2 April 2020.

237 Minutes of a call with a new entrant, of 23 July 2020.

238 Minutes of a call with a competitor, of 14 May 2020.

239 Minutes of a call with a dealer of 16 April 2020, paragraph 3.

240 In 2019, for all LCVs, Dacia's market shares were [0-5]% at EEA-level and [0-5]% in France, Nissan's market shares were [0-5]% at EEA-level and [0-5]% in France and Opel's market shares were [0-5]% at EEA-level and [0-5]% in France. In the Small LCV market, the difference is even more pronounced with [0-5]% market share in France of each of the three brands, and [5-10]% (Dacia), [0-5]% (Nissan) and [0-5]% (Opel) at EEA-level.

241 Margin information is only available for 2019 and therefore cannot be analysed over time.

important than cost considerations. Finally, the Parties benefit from home advantage in some countries (Fiat in Italy and Citroën and Peugeot in France).

(232) In this respect, the Commission notes that if the demand of LCV customers were exclusively or mainly price-driven, demand elasticity should be higher than for PCs, where customers are more emotional and brand-attached. However, the fact that, as explained in Section 6.2.2.1, margins in the LCV markets are not significantly lower than for PCs[242] is at odds with that conclusion. Rather, these relatively healthy margins for LCVs imply that demand is not as elastic as the Parties suggest, and that there are some limitations to competitors' incentives to gain market share by cutting prices.[243] This is also consistent with the other supply-side features of LCV markets explained in Section 6.2.2.1: The relatively concentrated nature of the market, the long term stability of market shares and, with the exception of Toyota (and possibly Maxus in electric LCVs in some EEA countries), the absence of any significant new entry in LCVs in the last decade.

6.2.2.2.2. Tenders/countervailing power from large fleet customers

(233) The Notifying Parties claim that the merged entity would face sophisticated customers with strong countervailing buyer power.[244] In particular, the Parties claim that LCV customers are professional buyers with a sophisticated approach to procurement, enabling them to obtain better sales conditions from manufacturers, as reflected in the […] discounts granted by the Parties on all LCV models and to all LCV customers. As also smaller customers receive discounts, the Notifying Parties consider that countervailing buyer power is a general characteristic of the LCV market.[245] The Notifying Parties also submit that because of the centrally managed negotiations for the purchase of LCVs in more than one EEA Member State, a national approach to market shares for LCVs provides an inaccurate view of the competitive position of manufacturers in a particular country.

(234) The Commission considers that large customers that purchase their fleet via tenders do seem to enjoy an appreciable degree of bargaining power. The rest of the customers, however, which represent a significant portion of the LCV markets, do not seem to have the same ability to constrain manufacturers' behaviour. The Horizontal Merger Guidelines state that "*Countervailing buyer power cannot be found to sufficiently off-set potential adverse effects of a merger if it only ensures that a particular segment of customers, with particular bargaining strength, is shielded from significantly higher prices or deteriorated conditions after the merger. Furthermore, it is not sufficient that buyer power exists prior to the merger, it must also exist and remain effective following the merger. This is because a merger of two suppliers may reduce buyer power if it thereby removes a credible alternative*".[246]

(235) The Parties' internal documents, notably numerous email exchanges,[247] illustrate the intensely competitive landscape that OEMs face when submitting offers in tenders or requests for quotation for large fleet issued by large corporate customers, public administrations and public entities. […].[248] […].[249] […].[250]

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242 See Section 6.2.2.1.

243 Replies to questions 34.1 and 36 of Questionnaire 1 to competitors.

244 Parties' LCV Advocacy Paper of 25 May 2020, Section 2.2.

245 Parties' reply to the 6(1)(c) Decision: Notifying Parties' submission of 30 June 2020, Section 2.4.2.

246 Horizontal Merger Guidelines, paragraph 67.

247 E.g. […].

248 […].

(236) However, the Commission did not find evidence for buyer power in the LCV market overall. Large fleet customers represent only a relatively limited portion of the LCV market in the EEA. In particular, the proportion of PSA's sales to customers that place individual orders of more than […] vehicles per order in the Small and Medium LCV market at EEA level is only [10-20]%, and [10-20]% for Large LCVs. In the case of FCA, the percentage of sales to customers that purchase more than […] vehicles *per year* in the EEA is […] for Small, […] for Medium and […] for Large LCVs.[251] Moreover, internal documents citing 2017 NVBS data show that small size fleets (one or two cars) are the main customers of LCVs for Peugeot and Citroën (respectively [40-50]% and [40-50]%), a little bit more than the market average ([40-50]%).[252]

(237) The Commission considers that customers that purchase small fleet or individual vehicles do not have countervailing buyer power comparable to that of buyers issuing large fleet tenders. The fact that all OEMs consistently offer large discounts over the list prices to all customers (even the smaller ones, and for all models) does not demonstrate that all customers have bargaining power, as the Parties argue. It only shows that list prices are set above market levels and do not constitute a good proxy for actual transaction prices. This is supported by the market investigation, where a majority of importers, dealers and leasing companies replied that essentially all LCV customers obtain a discount from the price list,[253] the level of which depends on the size of the order:[254] "*In case of a big fleet, there is a negotiation set both by dealer and the manufacturer*", "*in case of large fleet dealer can ask for higher discounts*". In case of smaller orders, the OEM "*sets discounts"* – without negotiation.[255] A respondent explained that "*even small fleets can achieve high discount percentages due to the relatively high level of LCV list prices*",[256] rather than because of buyer power.

(238) Moreover, whereas large customers that purchase through tenders engage directly with the OEMs or with importers, the market investigation shows that the rest of the corporate customers, in particular SMEs, negotiate their acquisitions mostly with local dealers or leasing companies, which shows that their negotiating power is not comparable to that of customers acquiring large fleets. In fact, the position of these companies is not significantly different to that of a private customer.[257]

(239) In view of the above, the Commission concludes that large customers that purchase their fleet via tenders seem to enjoy an appreciable degree of bargaining power.

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249 See also […].

250 […].

251 See Parties' reply to RFI 42 of 8 September 2020, question 1. These proportions vary substantially per market (Small, Medium or Large LCVs) and country, as discussed in the country-specific sections of this Decision. In any case, the Commission notes that […].

252 NVBS Full Year 2017 Marketing results for EUROPE G5 and Turkey: internal email 22/10/2018, 2260-22254.

253 Replies to question 29 of Questionnaire 11 to dealers, question 38 of Questionnaire 12 to leasing and rental companies.

254 See Replies to question 29.1 of Questionnaire 11 to dealers and question 37.1 of Questionnaire 12 to leasing and rental companies.

255 Replies to question 40 of Questionnaire 11 to dealers.

256 Reply to questions 37.1 and 38.1 of Questionnaire 12 to leasing and rental companies.

257 In the in-depth market investigation, a majority of importers responded that a negligible proportion (less than 5%) of LCV customers negotiate the main conditions of their purchases centrally with the manufacturer (see replies to question 17 of Questionnaire 10 to importers), specifying that only very large corporate customers do so (see replies to question 17.1 of Questionnaire 10 to importers).

However, this is not representative of the LCV markets as a whole, of which these customers represent only a relatively limited portion. The rest of customers do not seem to have the ability to constrain the manufacturers' price setting. Moreover, smaller customers do not benefit from the lower prices granted to larger customers, as sellers can and do price-discriminate between customers based on order size.

6.2.2.2.3. Conclusion

(240) In conclusion, LCV end-customers tend to be more price sensitive and less brand loyal than PC customers but, given that LCVs are differentiated products, factors other than price and TCO (such as the technical characteristics of the vehicle and service network) also play a significant role in the choice of a new LCV. Moreover, experience with the current/previous model(s) and home advantage are also important drivers of demand. Large customers that purchase their fleet via tenders seem to enjoy an appreciable degree of bargaining power, but this is not representative of the LCV markets as a whole.

6.2.2.3. Barriers to entry/expansion

6.2.2.3.1. Service networks

(241) The Notifying Parties argue that access to repair and maintenance services networks does not constitute a barrier to expansion for existing players or new entrants in the LCV market, in particular because:[258] (i) All OEMs present in the EEA already have a sufficiently extensive service network (existing competitors have large dealer and repair networks in the EEA, and in particular in France and Italy[259]), and (ii) independent repairers provide a credible alternative for new entrants (since these services can be sourced separately, from independent networks[260]).

(242) The Phase I market investigation indicated that market players consider the scope of a brand's service network important for the success of the manufacturer,[261] with companies specifically stating that having a wide service network is key to become an established player and gain market share in the LCV segment (e.g.: "*[…], large market shares are typically related to a larger service and repair network, which is an additional selling point*",[262] or "*[…] the quality and wideness of a manufacturer's service network in the LCV segment is key*"[263]).

(243) Moreover, a majority of dealers considered that setting up a wide service network *ex novo* for LCVs is not an easy endeavour and implies large investments (training, tools and equipment, specific know how, access to diagnostic programs and in general compliance with certain quality standards that would allow the customer to benefit from the manufacturers' warranty).[264]

(244) The in-depth investigation leads to the same conclusions as the above. Respondents to the Phase II market investigation agree that having an extensive repair and maintenance network and a good after sales technical service is key to compete in the

258 Parties' reply to the 6(1)(c) decision, Section 2.3.2.2.

259 […]. There are no obstacles for these dealers to sell the LCVs of these manufacturers.

260 Parties' LCV Advocacy Paper of 25 May 2020, Section 1.2.

261 A vast majority of the dealers and direct customers considered this factor "important". None of the respondents considered this factor not to be important (Replies to question 23 of Questionnaire 4 to dealers, and to question 13 of Questionnaire 6 to corporate customers).

262 Minutes of a call with a leasing/rental company of 27 March 2020.

263 Minutes of a call with a competitor of 25 March 2020.

264 Replies to question 21 of Questionnaire 4 to dealers.

LCV markets.[265] A vast majority of customers responded that they would not consider purchasing from a competitor without an extensive authorised repair network or consider unlikely that a competitor without such network can compete at large scale.[266] In fact some corporate customers even indicated that having an extensive authorised repair network is a requirement included in fleet tenders or is essential to accept requests for quotations.[267]

(245) Some companies insisted on the importance of having a wide service network for LCVs. For instance a competitor explained that "*aftersales services are very important for LCV customers, because an LCV is a tool and LCV customers typically cannot wait for 2-3 weeks for their LCV to be repaired at the garage (therefore an extensive geographical coverage and swift servicing is of utmost importance for LCV customers*",[268] and another competitor pointed out that "*the importance of a network of dealers and service shops for LCVs is also a barrier to entry*".[269] A competitor also explained that not having access to a wide service network for LCVs may explain the lack of success of certain competitors when entering the LCV space in the past.[270]

(246) As regards the Notifying Parties' argument that access to the manufacturer's own repair and maintenance network is not a requirement for LCV customers, since these services can be sourced separately from independent networks, the Commission notes that dealers responding to the Phase I market investigation were divided as to whether agreements with independent repairers could be a feasible alternative from a quality perspective and whether such repairers would be readily available in the market.[271] Moreover, although some companies agreed that access to independent repairers is possible, they insist that owning a service network is at least an advantage, especially because not all independent repair shops have the required equipment, personnel and tools to service LCVs.[272]

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265 E.g. the vast majority of respondents do not think that a manufacturer without an extensive authorised repairer network can compete at large scale in the market with the more established manufacturers (replies to question 45 of Questionnaire 12 to leasing companies). One stated that "*this manufacturer w/o extensive authorized network could compete on some areas, where the local independent repairer has a good image (for SME customers). But not on a large scale*", and another one indicated that "*having a good service network is a fundamental service to be offered to customers for manufacturers in general and therefore it is essential to have it to make the product attractive, competitive*".

266 Replies to questions 35, 36 and 36 of Questionnaire 13 to corporate customers.

267 Replies to questions 35, 36 and 36 of Questionnaire 13 to corporate customers.

268 Minutes of a call with a competitor of 17 July 2020.

269 Minutes of a call with a competitor of 24 July 2020, where RNM also pointed out that "*[…] some professional customers require specific services with regard to availability, opening hours, speed and quality of service. In addition, replacement vehicles are very important. These are all barriers to entry for new entrants*".

270 "*Some new entrants have failed to succeed on the LCV market due to inability in standardization of spare parts and services*" (Minutes of a call with a competitor of 24 July 2020).

271 Replies to question 32 of Questionnaire 4 to dealers.

272 E.g.: "*Service network in the LCV segment will play an important role. However, there are many players active only in the service market and new entrants can team up with them. One does not necessarily need its own service network, but it is an advantage to have one*" (Minutes of a call with a competitor of 14 May 2020). Other competitors also pointed out that not all repair shops have the required equipment to service LCVs, so access to a wide service network is not as straightforward as with other vehicles: "*[…] repair shops need specific equipment for servicing LCVs. In particular, due to the weight and height of LCVs, one needs heavy construction lifts and more height in the service shops. […] not all workshops have these features*" (Minutes of a call with a competitor of 24 July 2020).

(247) The in-depth market investigation also indicates that, despite the existence of independent repairers,[273] having its own authorised service network is important to compete in the LCV markets.[274] A majority or vast majority (depending on the group) of respondents consider that customers prefer having an authorised service network rather than using independent repairers,[275] although some indicated that smaller customers may prefer independent repairers for out of warranty repairs.[276] A majority of the corporate customers would indeed not rely on independent garages or fast fitters the maintenance of their corporate fleet.[277]

(248) In conclusion, setting up or having access to a broad service network constitutes a barrier to entry or expansion in the LCV space for new entrants and smaller LCV players. Even large OEMs active only in the PC space would face some barriers to expand into LCVs as they would need to adapt their service networks to also cater for LCVs, requiring some investments and training.[278]

6.2.2.3.2. Economies of scale

(249) Economies of scale also raise barriers to entry. First, as explained in Section 5, OEMs tend to concentrate the production of several models on the same platform as a means to achieve economies of scale. This is in line with the Parties' statement that scale is needed to be able to compete profitably. According to the Parties "*limited margin levels in the industry indicate that the sector is generally highly competitive and explain the need for OEMs to achieve scale in order to generate scale economies, thereby seeking positive margins*".[279]

(250) Second, the Commission recalls that most OEMs have entered into cooperation agreements to achieve sufficient scale which is already a strong indication that scale is important (see Section 6.2.2.1).

(251) Third, half of the competitors who replied in the in-depth market investigation considered that alliances between manufacturers are necessary to compete at large

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273 For instance, a vast majority of dealers stated that there are many available independent repairers in the market (Replies to question 54 of Questionnaire 11 to dealers). However some indicated the ability of such independent repairers to substitute authorised ones, e.g. "*find independent repairers is not the problem. The challenge is the quality of repair and maintenance, the availability of spare parts, the quality of the 24/7 process*" (Reply to question 46.1 of Questionnaire 12 to leasing companies).

274 Repairers who responded to the market investigation gave mixed views as to whether there is sufficient availability of independent repairers for a new entrant to access a sufficiently large service network (Replies to questions 13, 18 and 19 of Questionnaire 8 to repairers).

275 For instance, the majority of leasing companies consider that customers who lease LCVs value having an authorised repair and maintenance network that they can have access to (Replies to question 44 of Questionnaire 12 to leasing companies).

276 E.g. the vast majority of respondents stated that customers prefer to use authorised repairers (Replies to question 16 of Questionnaire 8 to repairers).

277 Replies to questions 35, 36 and 36 of Questionnaire 13 to corporate customers.

278 For instance, the vast majority of importers responded that it is unlikely that a manufacturer without an extensive authorised repairer network can compete at large scale in the market with the more established manufacturers, despite the fact that there are many available independent repairers (Replies to questions 51 and 52 of Questionnaire 10 to importers). A corporate customer indicated that "*it is more difficult for new manufacturers to enter the market because they first need to develop their domestic service network*" (Reply to question 40.1 of Questionnaire 13 to corporate customers). Some industry reports also support the conclusion that setting up a service network could constitute a barrier for new entrants or smaller players (see e.g., Form CO, Annex 171).

279 Additional Submission of the Parties on LCVs of 25 May 2020, paragraph 36.

scale in the LCV markets. Almost all of the other competitors considered alliances between manufacturers convenient to compete at large scale in the LCV markets.[280]

(252) In conclusion, economies of scale are clearly important to be competitive in the industry and having the ability to achieve that scale can act as a barrier to entry into the LCV markets.

6.2.2.3.3. Conclusion

(253) The Commission concludes that setting up or having access to a broad service network and reaching significant economies of scale constitute barriers to enter the LCV markets. The existence of relatively high barriers to entry is demonstrated by the fact that, as indicated in Section 6.2.2.1 in the last decade only an OEM with an already established reputation in the automotive industry (Toyota) has managed to enter successfully the overall LCV markets in the EEA.

6.2.2.4. Electrification of LCVs

6.2.2.4.1. The Notifying Party's views

(254) The Notifying Parties submit that the automotive industry is a highly dynamic and competitive industry with large and numerous manufacturers rolling out new models every year.[281] Moreover, they consider that the combined entity will face significant competition from a re-focussing of the industry on new technologies and new market entrants.[282]

(255) […].[283] As evidence of this transformation of the market, the Parties mention several factors such as a strategic alliance between Ford and VW, new strategies put in place in relation to electrification of LCVs by Daimler and Toyota and new entrants such as BYD Auto Co. Ltd., the automotive subsidiary of the Chinese multinational BYD Company Limited; Arrival, a start-up set up by Hyundai and Kia; and Rivian, a start-up formed by Ford and Amazon.[284]

(256) Therefore, the Notifying Parties take the view that the combined entity will continue to face substantial competitive constraints, not only from its current competitors, but also from these new alliances/entrants.[285]

6.2.2.4.2. The Commission's assessment

(257) The Commission agrees that the automotive industry is undergoing a transformation with the development of LCVs. However, in the Commission's view, it is not yet possible to predict with a reasonable degree of certitude what impact this transformation will have in the short- to medium-term in the structure of supply in the LCV markets since there are still a number of structural difficulties for demand for LEVs to grow and compete with ICEs. Moreover, it is not yet possible to foresee the exact role of new entrants which are developing exclusively LEVs, as incumbent OEMs are also increasing their LEV offers.

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280 Replies to question 34 of Questionnaire 9 to competitors.
281 Form CO, paragraph 1391 and following.
282 Form CO, paragraph 2672 and following.
283 Form CO, paragraph 2674.
284 Form CO, paragraph 2689 and following.
285 Parties' LCV Advocacy Paper of 25 May 2020, section 4.

A LEVs demand growth forecasts

(258) Currently, the sale of LEVs represents a negligible portion of the LCV market in the EEA.[286] According to the information provided by the Parties, the proportion of HEVs in the EU was 3% of all new car sales in 2018. PHEVs and BEVs each made up about 1% of new vehicle registrations in the EU.[287] Also the in-depth market investigation showed that currently, only 1% of imports/sales/leases consist of LEV LCVs.[288]

(259) In the short- to medium-term, all reports indicate that the penetration of LEVs in the market will be modest (between 6%[289] and 10% by the mid-2020s[290]) and subject to technological development and other challenges. The in-depth market investigation also indicated that supply of LEVs in the LCV markets will remain limited in the medium-term. A majority of all customer groups expect that in five years, less than 10% of the LCVs they import/sell/lease will be made up of electric LCVs (including BEV, HEV or PHEV).[291]

(260) In the long-term, internal documents and independent reports provided by the Parties forecast an increase in the penetration of LEVs, which are expected to reach around [20-30]%-[30-40]% of the total market by 2030, with [30-40]% average annual growth of sales volume over the next four to five years.[292] However, even if the most optimistic scenarios were to materialise, in 2030 the majority of the LCV market (more than two-thirds) would still be made of ICE vehicles.

B Structural obstacles for the growth of LEVs

(261) The difficulties of LEVs to generate a serious market demand in LCVs and compete with ICE vehicles are likely to continue to play a role in the short- to medium term, notably (i) the price of batteries, resulting in a significantly higher price tag of LEV and (ii) range and reliability concerns.

(262) Regarding the price of batteries, some of the independent reports analysed[293] also point to the specific more-price-sensitive profile of professional buyers, although tax incentives and other subsidies provided by Member States are narrowing this price gap. It is true that customers (in particular larger ones) tend to consider TCO of the vehicles which includes not only the price but also maintenance and fuel costs and that LEVs seem to be reducing TCO differences with ICE vehicles.[294] However, this gap reduction still does not seem sufficient to give rise to a considerable demand

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286 Currently, PSA has in the market BEV versions of the Citroën Berlingo, Peugeot 208 and Peugeot Partner. FCA has not LEVs in the LCV market. […].

287 European vehicle market statistics, includes as Annex FCA 185.

288 Replies to question 53 of Questionnaire 10 to importers, question 58 of Questionnaire 11 to dealers, question 47 of Questionnaire 12 to leasing and rental companies, and question 38 of Questionnaire 13 to corporate customers.

289 Annex FCA 41.

290 Form CO, Annex 171.

291 Replies to question 54 of Questionnaire 10 to importers, question 50 of Questionnaire 11 to dealers, question 48 of Questionnaire 12 to leasing and rental companies, and question 39 of Questionnaire 13 to corporate customers.

292 Form CO, Annexes FCA 168 and FCA 169. Additionally, some important companies have already announced their intention to gradually transition their fleet to LEVs. The growth of LEVs will be particularly relevant in Compact and Small/Compact commercial vehicles due to shorter range of last-mile delivery and the existence of more stringent city-traffic regulations for heavier vehicles (Annex FCA 184).

293 Form CO, Annex 171.

294 Annexes FCA 123 and FCA 184.

switch towards LEVs in the short- to medium-term. This is also reflected in the replies of dealers to the Phase I market investigation.[295]

(263) Regarding the range and reliability concerns, dealers in the Phase I market investigation as well as the reports indicate the range restrictions of LEV vehicles in particular for LCVs, in addition to a lack of charging infrastructure.[296] Moreover, the independent reports analysed[297] indicate that setting up a service network or finding independent repairers may be particularly challenging for LEVs, where the new technologies are still being tested and are not widespread, which means that additional training might be required. This was also a concern of dealers in the Phase I market investigation.[298]

(264) The in-depth market investigation however showed that repairers consider they are well prepared to service LEVs. A majority of dealers and repairers stated that they have the necessary equipment and personnel to carry out repair and maintenance works of LEV LCVs.[299] Many of those that are not yet equipped to repair LEVs responded that they are in the process to adapt and will soon be ready to offer these services as well.[300] None of the repairers expects this adaptation process to take longer than one year and a majority of dealers expect it to take less than six months.[301] In addition, a vast majority of dealers and a majority of repairers expect that their business as repairer will likely decrease as electric vehicles require less maintenance/repair.[302] Nevertheless, this does not change the general outlook on growth of LEV in the LCV markets. In fact, a vast majority of repairers expect less than 10% of repairs (in number of vehicles) will be made up of LEV LCVs in the next five years.[303]

(265) Crucially, the shift to electrification would only decrease the Parties' market power if it were accounted for by the entry of new competitors, rather than existing producers (including the Parties) producing different (LEV) versions of their existing models. This is the subject of the next sub-section.

C Role of new entrants

(266) Regarding the Notifying Parties' argument that the combined entity will face competition from new entrants as a result of electrification, the Commission considers that whilst this may be the case, new entrants are unlikely to exert a considerable competitive constraint in the short- and medium-term, at least in respect of a significant part of the LCV markets. In fact, the ability of new entrants to compete at large scale with the established players and erode substantially their market position is limited by the importance of economies of scale discussed in Section 6.2.2.3 below as well as the uptake of electric vehicles (since completely new entrants appear focused solely on electric vehicles).

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295 Replies to question 34 of Questionnaire 4 to dealers.

296 Global Light Commercial Vehicle Market Outlook 2019, Frost&Sullivan, March 2019; Global Electric LCV Market Opportunity Analysis, Forecast to 2025, Frost&Sullivan, January 2019; , The Future of Commercial Vehicles, Boston Consulting Group, October 2019.

297 Form CO, Annex 171.

298 Replies to question 34 of Questionnaire 4 to dealers.

299 Replies to question 23 of Questionnaire 8 to repairers and to question 55 of Questionnaire 11 to dealers.

300 Replies to question 23.1 of Questionnaire 8 to repairers.

301 Replies to question 24 of Questionnaire 8 to repairers and to question 56 of Questionnaire 11 to dealers.

302 Replies to question 27 of Questionnaire 8 to repairers and to question 57 of Questionnaire 11 to dealers.

303 Replies to question 25 of Questionnaire 8 to repairers.

(267) A notable new entrant in the EEA LCV markets is Maxus. The brand belonging to Chinese OEM SAIC Motor offers electric Medium and Large LCVs (models EV80 (Large), e-Deliver 9 and e-Deliver3 (Medium)), but not Small LCVs. In 2019, Maxus entered and immediately achieved a [0-5]% market share in the Large LCV market in Norway. Its vehicles are also available in a large number of EEA countries including Belgium, Cyprus, Germany, Ireland, Luxembourg, Malta, the Netherlands, Poland, Spain and the United Kingdom.[304] In the in-depth market investigation, a vast majority of competitors and the majority of leasing/rental companies expect that new sales of electric vehicles will mostly come from the current manufacturers.[305] A vast majority of importers and a majority of dealers replied that there might be some new entrants in addition to the current manufacturers, although most of them were not capable of identifying who these new entrants would be.[306] Only some respondents mentioned a few possible new or recent entrants: Maxus, BYD, Arrival, Rivian, SAIC, and WUZHENG.[307] Competitors had differing views as to whether new entrants could easily find new points of sale in case they wanted to expand their sales or enter into one of the EEA Member States.[308] They did not discard the possibility that sales of electric LCVs could take place online.[309]

(268) Internal documents of the Parties and industry reports suggest that established OEMs such as Daimler, RNM, Ford and VW are likely to unveil products with shared platforms or expand their pre-existing electric car platforms to BEV LCVs to offer cost-competitive models and conserve investments.[310] However, none of the internal documents reviewed by the Commission identified any new specific entrants in the LCV market as a serious contender in the coming years. On the contrary, one of the FCA/PSA documents expressly mentions that […] in the years to come.[311]

(269) Finally, a competitor mentioned the example of new entrant StreetScooter, an electric LCV company owned by Deutsche Post, which attempted to scale up its sales of electric LCVs but eventually withdrew from this market.[312]

(270) Moreover, a new entrant without any reputation in the automotive industry may face additional hurdles to enter the market: "*the electric vehicle market is a new market and customers accept new manufacturers more easily, as the case of Tesla showed. However, there is a difference with the OEMs. As a new company is building a brand presence, it must ensure that it is not associated with poor quality. It only has one chance of making an established presence. This is an issue for new entrants; established OEMs do not face this issue as they are seen as established companies.*"[313]

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304 https://www.alcomotive.com/brands/maxus/.

305 Replies to question 75 of Questionnaire 9 to competitors and question 49 of Questionnaire 12 to leasing and rental companies.

306 Replies to question 55 of Questionnaire 10 to importers, question 60 of Questionnaire 11 to dealers. new

307 Replies to question 75.1 of Questionnaire 9 to competitors, question 55.1 of Questionnaire 10 to importers, question 60.1 of Questionnaire 11 to dealers.

308 Reply to question 76 of Questionnaire 9 to competitors.

309 Reply to question 77 of Questionnaire 9 to competitors.

310 Frost&Sullivan Report, document id: 2260-49095.

311 LCV Market analysis. Synthesis of findings. March 2016.

312 Reply to question 75.1 of Questionnaire 9 to competitors. See https://www.electrive.com/2020/02/29/deutsche-post-to-cease-streetscooter-production/ and https://www.leblogauto.com/2020/03/dhl-deutsche-post-debranche-streetscooter html.

313 Minutes of call with a new entrant of 23 July 2020.

D Conclusion

(271) In conclusion, although the demand of LEVs in the LCV markets will increase in the next years, the Commission considers unlikely that the electrification of the automotive markets will give rise to any fundamental changes in the structure of supply of the LCV markets in the short- to medium-term in the form of new entrants capable of competing at large scale with established OEMs, in particular given the still small proportion of electric vehicles of the overall markets. Whilst Maxus has managed to enter the electric LCV segments in some EEA countries, its long-term success is still uncertain. Overall, even if the proportion of LEVs is forecast to increase somewhat in the near future, there is no clear evidence that this would occur at the Parties' expense.

6.2.2.5. Efficiencies

6.2.2.5.1. The Notifying Parties' views

(272) The Notifying Parties made a substantiated synergies submission. The Notifying Parties estimate that the Proposed Transaction will generate worldwide "synergies" (i.e., cost reductions) across all products of EUR […] billion, of which EUR […] million are expected to arise for LCVs in the EEA (p.a. in the steady state as of […], with annual efficiencies ranging from EUR […] million to EUR […] million in the years […]). The Notifying Parties have not been able to attribute these efficiencies to specific countries or LCV segments, but submit that the most reasonable estimate is to allocate them in proportion to revenues.

(273) The Notifying Parties acknowledge that not all of these claimed synergies constitute efficiencies within the meaning of the Horizontal Merger Guidelines. Indeed, according to their efficiency submissions, a significant proportion of the overall synergies relates to different geographic or product markets, may not be merger-specific or constitutes fixed cost savings that would be unlikely to be passed on to consumers. The Notifying Parties therefore assessed which proportion of the claimed synergies could potentially lead to price-reducing effects in the affected markets.[314]

(274) Specifically, the synergies claimed by the Notifying Parties belong to four families:

(a) Synergies relating to volume expansion;

(b) synergies relating to platform, vehicle and powertrains (planning, engineering and manufacturing);

(c) synergies relating to purchasing; and

(d) synergies relating to other functions.

6.2.2.5.2. The Commission's assessment

(275) The Commission assesses these efficiency claims in detail in the economic annex. In doing so, it assess whether each of the alleged synergies meets the three cumulative criteria of verifiability, merger-specificity and benefitting consumers set in the Horizontal Merger Guidelines.[315] This section briefly summarises the results of this assessment, while the assessment itself takes place in greater detail in the economic annex.

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314 The Notifying Parties' assessment is discussed in greater detail in Section 6.1 of the economic annex.

315 Horizontal Merger Guidelines, paragraph 78.

(276) It should also be noted that several market participants expressed an expectation that the Transaction (or cooperation in the automotive industry more generally) may give rise to synergies. Whilst such synergies may not all constitute efficiencies in the sense of the Horizontal Merger Guidelines, these views by market participants nonetheless contributed to the Commission's assessment that the Transaction could plausibly give rise to some synergies, as discussed in the following recitals. Some of the views by market participants are reproduced in what follows:

(1) "*Production cooperation create significant synergies to the benefit of the OEM and their customers. Indeed it creates significant scale effect"*.

(2) "*Reducing the cost due to economics of scale. Reducing the prices to the end customer. Increasing the investment in innovations*".

(3) "*By synergies on R&D, purchasing, production... such a merger should increase quality and innovation on Low emission LCVs, and make them accessible for all customers by economies of scale*".

(4) "*hopefully better economies of scale and business efficiencies driving down the cost of the franchise*".

(5) "*more power for research, improvement in logistic for cars and parts, innovations*".

(6) *"The potential to reduce complexity in the market and gain economies of scale"*.

(7) *"Moreover, [the respondent] considers that the merger will bring about efficiencies on the after sales market. Its experience with the VW group indicates that larger groups can deliver spare parts more speedily and identify issues more quickly than smaller manufacturers*".[316]

(277) The Commission considers that the claimed efficiencies have not been substantiated to the required standard. Nonetheless, the Commission acknowledges that some efficiencies appear plausible and could potentially be admissible, had they been substantiated further.

(278) These potentially admissible efficiencies relate to purchasing, aftermarkets and used vehicles.[317] […].[318]

(279) […].[319] As discussed in further detail in the country-by-country assessment in Section 6.2.3, the downward pricing pressure arising from any plausible efficiencies would therefore, even under the most favourable assumptions, be insufficient to outweigh the upward pricing pressure arising from the loss of competition between the Parties in all of the nine Small LCV markets in which the Proposed Transaction, as originally notified, raised serious doubts.[320]

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316 Source: Responses to (1) question 34.1 to competitors; (2) and (3) question 60 to importers; (4) question 65 to dealers; (6) question 25 to motor caravan producers; (7) interview with a market participant on 17 April 2020.

317 This assessment is based on the Notifying Parties' claims. It is nonetheless interesting to note that two of these three families of efficiencies were explicitly mentioned by market participants as well, namely purchasing and aftermarket at points (3) and (7) of the list in the paragraph just above.

318 The economic annex discusses this in greater detail in Section 6.2.

319 Economic annex, Section 6.3.

320 As regards the upward pricing pressure and static price effects, the Commission rebuts the argument made by the Parties' in their response to the Article 6(1)(c) Decision in paragraphs 125-127 of the LCV Economic Annex. In summary, the Commission considers that even a "small" percentage price

6.2.3. *Small LCV markets*

6.2.3.1. EEA-wide competitive landscape

6.2.3.1.1. Parties' and competitors' models

(280) PSA is present in the Small LCV markets in the EEA with the models Citroën Berlingo, Peugeot Partner and Opel Combo. FCA is present with Fiat Fiorino and Fiat Doblò. […].

(281) Table 9 below lists the models commercialised by PSA, FCA and their main competitors in the Small LCV markets in the EEA in 2019.

Table 9: OEM's models in Small LCV markets in the EEA

OEM	Brand	Model
FCA	Fiat	Fiorino, Doblò
PSA	Citroën	Berlingo
	Peugeot	Partner
	Opel	Combo
RNM	Renault	Kangoo
	Dacia	Dokker
	Nissan	NV200, NV250
VW	Volkswagen	Caddy
Ford	Ford	Transit Courier, Transit Connect
Daimler	Mercedes	Citan
Toyota	Toyota	ProAce City

Source: Notifying Parties response to RFI 10, Question 18; and Notifying Parties' submission of 30 June 2020.

(282) The merged entity will have five models and four different brands in this market, more than any other OEM. One market participant pointed to this fact to argue that the Proposed Transaction is likely to reduce customers' choice to avoid cannibalisation and argued that "*maintaining such a dense and overlapping range of products likely involves significant costs and may well be unnecessary to compete effectively with rival manufacturers*" and that, therefore, the merged entity might have an incentive to reduce its product portfolio since the incremental cost of maintaining one model is likely to increase post-merger.[321]

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increases in this industry would easily add up to hundreds of millions of euros consumer harm and that the potential price effects of the Proposed Transaction are considerably larger once one focuses on the relevant product market of Small LCVs rather than all LCVs. The Commission also addresses in the LCV Economic Annex a number of technical points raised by the Parties on the way the estimated price effects have been calculated.

321 Submission of 27 May 2020 by a market participant, section 5.4. The market participant argues as regards Small LCVs that "*the merged entity would have 12 different models which are close competitors*" and that five models account for almost 80% of sales (Fiat Doblò, Citroën Berlingo, Citroën Berlingo Multispace, Peugeot Partner and Peugeot Rifter). The market participant seems however to be mixing models and sales from different markets: Citroën Berlingo Multispace and

(283) The internal documents and public statements released by FCA and PSA indicate that the Parties may want to optimise costs by converging some of their platforms,[322] but none of the internal documents analysed by the Commission suggest that the Parties intend to discontinue any models as a result of the merger. […].[323] […]. Therefore, in the Commission's view, although the Parties will indeed have a portfolio of multiple brands and models in this market, it is not evident from the evidence collected in the market investigation that the Proposed Transaction will necessarily lead to a reduction of models.

6.2.3.1.2. Production capacity in the market

(284) According to the information provided by the Parties, there is spare capacity for current OEMs to expand production in the Small LCV markets. However, as in any other differentiated product market, whilst spare capacity is a necessary condition for competing OEMs to be able to react to a price increase by rival firms, it is not sufficient by itself because customers' choice is not solely dependent on price but also on other factors. As such, even if competitors with spare capacity were *able* to increase volumes, as explained in Section 6.2.2.1, they may not have an *incentive* to do so as not enough customers would switch to their brands and make a (relative) price reduction profitable, if the competitors are not considered sufficiently close competitors based on a number of factors.[324] These factors include TCO (which besides the price of the vehicle includes the price of after-sales services and spare parts), reliability and the extent of service networks, technical specifications, experience with previous vehicles (brand loyalty) and home advantage of some brands in certain countries.[325]

(285) The Parties have provided "Harbour" data on the capacity and utilisation of each of the manufacturing plants where OEMs manufacture Small LCVs.[326] The Harbour data base provides the "normalised" capacity, i.e. the expected production of an assembly line at regular shift patterns and working days, and the utilisation rate, which is the ratio between the annual production and that normalised capacity.

(286) The utilisation rate is calculated assuming as the benchmark for 100% utilisation a "normalised" production level which corresponds to two 8-hour shifts per day for 235 days per year, i.e. 3,760 hours of work per year. The Parties consider that it is usual for OEMs to operate three 8-hour shifts and sometimes include weekends as working days, which explains why for many plants Harbour reports utilisation rates above 100%. According to the Parties, a plant running at a 130% Harbour utilisation rate is an optimally used plant, while plants running at lower Harbour utilisation rates

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Peugeot Rifter, although built on the same platform as other Small LCVs, are M-PCs (see Section 7.2.7.1) and the name it gives to the Small LCV category ('car-derived vans') suggests that it is including also CDVs, which belong to the PC markets (see Section 6.1.1.7).

322 See for instance Form CO, paragraph 73, for details about the platform convergence plants, including for LCVs, see Annex FCA148 (ID 352-29) and Annex FCA154 (ID 352-26) to the Form CO.

323 See Parties' reply to RFI 19 of 25 June 2020 and to RFI 27.1 of 23 July 2020, Annex FCA0000265.

324 This distinguishes differentiated product markets from homogenous goods markets, where price is (almost) the only relevant purchasing criterion, so the presence of sufficient spare capacities may be sufficient to prevent the exercise of market power, as competitors could steal a large share of the demand by just undercutting prices slightly.

325 See Section 6.2.2.2.

326 The Harbour database is compiled by Harbour Consulting. It is used in the automotive industry as a reference for statistics on capacity utilisation and available production capacities. The Harbour data are self-reported data from the OEMs. The Parties argue that the database is not exhaustive because some automobile manufacturers do not report information for all of their plants.

have a clear potential to ramp up production without any further investment or delay.[327] Thus, under- or overcapacity situations should be assessed, according to the Parties, in respect of a nominal 130% Harbour utilisation rate. This means that a plant with a 100% Harbour utilisation rate could quickly ramp up its production to reach 130% utilisation, hence would have a spare capacity which is equal to 30% of its current production. The Parties consequently submit that, in order to determine the available production capacity, a plant operating at a proper level of performance would have a Harbour utilisation rate around 130%.[328]

(287) The 2018 Harbour normalised capacity and utilisation rate for the production sites in which the Parties and their main competitors manufacture Small LCVs is shown in Table 10.

Table 10: Small LCVs – Parties' and competitors' utilisation rates and spare capacity

OEM	Plant	Models	Capacity ('000 units)	Normalised utilisation rate	Available capacity	Spare capacity ('000 units)	Comments
[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
	[…]	[…]	[…]	[…]	[…]	[…]	[…]
[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
	[…]	[…]	[…]	[…]	[…]	[…]	[…]
[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
	[…]	[…]	[…]	[…]	[…]	[…]	[…]

Source: Form CO, Joint Annex 4; and Table 121 of the Form CO.

(288) The table shows that the plants producing Small LCVs have spare capacity available. This information is not, however, sufficiently specific, as it includes information at plant level, whereas a same plant may host several platforms and produce different types of vehicles (sometimes vehicles built on different platforms and even PCs and LCVs). However, the Commission has specifically verified with the different OEMs the spare capacity existing in the market. Although the information on the individual information on each OEMs is confidential, the answers received confirm that, overall, there is sufficient spare capacity in the market for competitors to increase production of Small LCVs without the need to expand the actual capacity of their plants.

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327 A 130% Harbour rate corresponds to three 8-hour shifts per day for 230 days per year, i.e., around 5,000 hours per year in total. Three shifts per day means that the plant is effectively active for approximately 22 hours per day. Production for 230 days per year means that the plant is active only 5 days a week, but closed on weekends, public holidays as well as during three to four additional weeks throughout the year (see Parties' response to RFI 34 of 17 August 2020).

328 Form CO, paragraph 1042 and following.

6.2.3.1.3. EEA-wide market shares

(289) Table 11 shows the Parties' and competitors' sales volumes and market shares for the last three years at EEA level and in the United Kingdom for Small LCVs.

Table 11: EEA and United Kingdom – Small LCVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(290) At EEA-level, the Parties' combined market share in 2019 was [40-50]%, with a [10-20]% increment. This increment is as high as the share of any other competitor except for RNM. The Parties' combined share is [20-30] points higher than RNM and around […] points higher than Ford and VW.

(291) The Proposed Transaction would therefore result in the merger of the first and third largest competitors in Small LCVs in the EEA. Post-merger, the combined entity would be by far the largest competitor in the EEA, almost twice as large as the second largest competitor (RNM) and four times larger than the third and fourth largest competitors (Ford and VW). Only three competitors (RNM, VW and Ford) would have a market share higher than [5-10]% at EEA-wide level.

(292) Taking into account that, as explained in Section 6.2.3.2, according to the hesitation data, the Parties in general compete in Small LCVs as closely as their market shares suggest, the Proposed Transaction can be considered to remove the largest competitive constraint that PSA currently faces, besides RNM, and the single largest constraint that FCA currently faces when considering the EEA overall.

(293) When comparing at EEA-level with the Medium and Large LCVs (see Sections 6.2.4 and 6.2.5), it is clear that the Small LCV markets are more concentrated: (i) There are fewer competitors than in the areas of Medium and Large LCVs (e.g. Daimler's share is very reduced and Iveco is not present in Small LCVs); (ii) the Parties' shares are higher (the combined share is more than one-and-a-half times larger in Small than in Medium or Large LCVs; because PSA's share is larger in Small LCVs than in Medium or Large LCVs and FCA's share is much larger in Small than in Medium LCVs but similar as in Large LCVs); and (iii) the main competitors' shares (RNM, Ford and VW) are smaller in Small LCVs than in Medium and Large LCVs.

(294) Whilst markets are national, as explained in Section 6.1.2, one cannot ignore the EEA-wide supply structure in the competitive assessment, given out of market constraints. The more limited number of competitors and smaller market shares of all of them suggests that the Parties are likely to face less potential competition in Small than in Medium or Large LCVs.

(295) A market participant indicated that the Proposed Transaction could give raise to unilateral effects in the LCV markets, due to the Parties' large combined market shares, to their particular closeness and to the fact that, in its view, the Proposed Transaction is likely to reduce customer's choice.[329] The arguments of this market participant are addressed in the corresponding sections of this Decision.

6.2.3.2. Closeness of competition

6.2.3.2.1. The Notifying Parties' views

(296) The Parties argue that they are not close competitors. They substantiate their claim on the basis of the hesitation data, included in the NVBS conducted in several Member States (the 'hesitation data'), and by referring to the Parties' internal documents, submitted with the Notification.

(297) The Parties further claim in their reply to the 6(1)(c) decision that competitors with spare capacity in LCVs are close competitors of the Parties.[330] In particular, they indicate that RNM and Ford are close competitors of the Parties both at EEA level and in several EEA Member States.

(298) The Parties also claim that VW's and Daimler's LCV prices are distributed similarly to those of the other relevant OEMs, including the Parties.[331] According to the Parties' analysis of hesitation data, there is significant diversion towards those competitors at EEA level, and even more so in several EEA Member States. In particular, […].[332]

6.2.3.2.2. The Commission's assessment

(299) As regards the competitive assessment, and more specifically closeness of competition, the Notifying Parties start from the mistaken premise that the relevant question for the competitive effects' analysis is whether the Parties are each other's "closest" competitors. For the determination of the competitive effects, however, the relevant question is not whether the merging Parties are "closest" competitors, but whether they are particular close competitors.

(300) In this regard, contrary to the Parties' views, the Commission considers that internal documents and economic analysis indicate that the Parties are particularly close competitors in respect of Small LCVs, since they clearly show that the Parties exert a considerable competitive constraint on each other.

(301) Considering the Parties' overall LCV portfolio, post-Transaction, the Parties will be present in each and every size segment with multiple models. The Parties' combined portfolio of models, prices and sizes will be unique. Currently, only RNM, VW and Ford are present in Small, Medium and Large LCVs, but not Iveco (Daimler is present in all categories, but with a clear focus and substantially higher market shares in Large LCVs).

(302) Moreover, the Parties' product portfolios seem to overlap with particular strength in Small LCVs (as highlighted by a market participant[333]). Both Parties, and particularly

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329 See market participant submission of 27 May 2020. The market participant refers to high combined shares in particular in Small and Large LCVs and also in Medium LCVs in Italy and Greece. It also refers to closeness ijn Italy and France.

330 Parties' reply to the 6(1)(c) decision, Section 2.3.1.4.

331 Parties' reply to the 6(1)(c) decision, paragraph 114.

332 Parties' reply to the 6(1)(c) decision, paragraph 115.

333 Submission of 27 May 2020 by a market participant, section 5.4 (see also footnote 562).

FCA, achieve a proportion of their LCV overall sales in Small LCVs (PSA […], FCA […]) which exceeds by far the proportion that this market represents in the overall EEA LCV market ([…]). According to this sales' distribution, both FCA and PSA appear to compete more intensely for Small LCVs. This suggests that, in terms of the market position of their respective product portfolios, the Parties compete closely in the Small LCV markets and even particularly closely in a number of them.

(303) The following Sections address closeness of competition in Small LCVs by analysing, on the one hand, (i) internal documents submitted by the Parties and, on the other hand, three sets of quantitative/qualitative evidence: (ii) hesitation data and derived diversion ratios, (iii) perceived closeness as per the e-Questionnaires sent to market participants in the in-depth market investigation, and (iv) the positioning of FCA's and PSA's LCVs in terms of price points.[334]

6.2.3.2.3. Internal documents

(304) […].[335]

(305) There is no support in the internal documents to the Parties' conclusion that PSA and FCA are not close competitors.

(306) FCA internal documents show […].

(307) […].[336] […].

(308) Closeness at country level will be analysed below in the corresponding sections by EEA Member State, but the Parties' internal documents […].[337]

(309) The documents described below show […].[338]

(310) […]:[339] […][340] […].[341] […].

(311) […].[342]

Figure 2: Doblò competitiveness and performance trend (France)

[…]

Source: Form CO, FCA Annex 33

(312) With rare exceptions, all internal documents comparing or benchmarking FCA's LCVs (including Small LCVs) refer to PSA models. Indeed, as shown in the description above, FCA's models are benchmarked against PSA's models, taken together, […]. FCA's internal documents, therefore, confirm that FCA perceives PSA as a particularly close competitor.

(313) […].[343]

(314) […].[344]

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334 For further details on the quantitative assessment related to hesitation data, e-Questionnaires, and price points' comparison see the LCV Economic Annex, Section 4.

335 Form CO, paragraphs (1287) and following. See also the Notifying Parties' LCV Advocacy Paper of 25 May 2020, paragraphs 152 and following.

336 Form CO, Annex FCA 24.

337 Form CO, Annex FCA 31.

338 […].

339 […].

340 […].

341 Form CO, Annex FCA 31.

342 Form CO, Annexes FCA 33 and FCA 35.

343 Form CO, Annex PSA 283. […] (Form CO, Annex PSA 282).

(315) In conclusion, on the one hand, FCA internal documents show that FCA perceives PSA as one of its closest competitors. […]. On the other hand, PSA perceives FCA as one of its closest competitors, if not the closest, […].

(316) Therefore, on the basis of the internal documents, FCA perceives PSA as a particularly close competitor and PSA perceives FCA as a particularly close (or the closest) competitor […].

6.2.3.2.4. Hesitation data

(317) According to the Notifying Parties, the hesitation data shows that FCA and PSA are not close competitors.[345]

(318) However, the Parties presented the results of the hesitation data in the Notification in an aggregated form for […],[346] for all types of LCVs, i.e. below and above 3.5 tonnes, including pick-ups. According to these results, […]. This would mean that customers do not perceive PSA and FCA as close competitors.

Table 12: […]

Fiat	
Alternative brand	**Hesitation rate**
[…]	**[…]**
[…]	[…]
[…]	[…]
[…]	[…]
[…]	[…]
[…]	[…]

Source: Form CO, Annex Joint 17

(319) The Parties' analysis suffers from at least three methodological flaws.

(320) First, when considering the constraints faced by PSA brands, […].[347]

(321) Second, when considering the constraint that different manufacturers impose on FCA, the Parties consider the different PSA brands separately, which leads to the conclusion that […] and […] are Fiat's closest competitors, when it is in fact PSA according to the Parties' own hesitation data. This can be seen in the LCV Economic Annex, Table 5, which shows that PSA's Small LCVs combined are (on average for the five countries for which the Parties provided data), by far, the main alternative for purchasers of Fiat's Small LCVs (with [40-50]% of FCA customers diverting to PSA, vs [20-30]% to RNM, [10-20]% to Ford and [10-20]% to VW). In other words, the Parties' analysis already shows that for FCA's customers, based on hesitation data, PSA is FCA's closest competitor when considering all LCVs together.

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344 Form CO, Annex PSA 284.

345 Form CO, paragraph 1220 and following.

346 Form CO, paragraphs 2668 and following.

347 In fact, the extent to which, for instance, PSA brands are close "competitors" to other PSA brands is irrelevant in order to assess the competitive constraint that PSA and FCA face from each other and from other undertakings active in the same product markets.

(322) Third, the Parties' analysis aggregates results across five countries ([…]). Whilst the Commission agrees that this can give an indication as to closeness overall (which is relevant in particular for the smaller countries for which no hesitation data are available), there can nonetheless be competition concerns in individual countries and LCV segments (i.e., at the level of appropriately defined markets).

(323) Instead, the Commission has analysed diversion ratios based on the hesitation data for each of the five Member States for which they are available and for each LCV category.[348]

(324) Even if the Commission will use hesitation data by Member State (where available) for the competitive assessment for each (geographic) Small LCV market, it is also useful to mention that, for Small LCVs for the big-5 countries on aggregate, the implied combined share (on the basis of diversion ratios) is essentially identical to the Parties' actual combined share ([40-50]%).

(325) This also shows that, in the EEA as a whole, the Parties compete as closely as their market shares suggest in Small LCVs. Market shares are a good indicator for the competitive constraints that the Parties exert upon each other as regards Small LCVs. Since this is the case across the 5 large countries for which data are available, and which together account for approx. [70-80]% of the EEA market, the Parties' market shares in the smaller countries for which no hesitation data are available are a very good indicator for the competitive constraint the Parties exert on each other in these smaller markets.

6.2.3.2.5. Responses by market participants to the Commission's market investigation questionnaires

(326) Another source of data on closeness is the e-Questionnaire sent to market participants during the in-depth investigation, where the Commission asked respondents to rate competing brands according to their closeness to each of the Parties' four brands.

(327) It is, however, more difficult to interpret the results of this exercise, compared to the hesitation data since, for instance, it does not allow for a quantification of closeness in the absolute sense (instead only ranks competitors), and considers each of PSA's brands separately while what matters is the overall constraint imposed by all PSA's brands on FCA (which is accurately reflected by the diversion ratios computed from the hesitation data; see further details in the LCV Economic Annex, Section 4.2).

(328) Subject to such caveats, the results of the e-Questionnaire are informative in those markets where no other information on closeness is available. In any case, at least from a qualitative point of view, the results of the e-Questionnaire confirm the analysis of closeness based on the other evidence (internal documents, hesitation data, and price points). For the EEA countries where the Commission has serious doubts with respect to Small LCVs, as it will be explained in the corresponding country-specific section, the results show that PSA and FCA are close competitors and in most cases particularly close competitors.[349]

6.2.3.2.6. Price positioning

(329) Another indicator for closeness is price similarity, since vehicle models with similar prices are more likely to be closer substitutes. Both hesitation data and the results of

348 LCV Economic Annex, Table 4.

349 See Figure 2 of the LCV Economic Annex.

the in-depth market investigation in response to the e-Questionnaire implicitly take prices into account, but it is instructive to consider prices as a factor on their own in order to analyse closeness, given that vehicles which are priced similarly within one category are more likely to exert a stronger competitive constraint on each other than models priced differently.

(330) The Merging Parties moreover present tables which purportedly show that competitors sell models in the same price range as the Parties. When undertaking this comparison, the Notifying Parties define price ranges which are so wide that the upper bound is often more than twice as large as the lower bound. With such wide price ranges, it is therefore not surprising to find that there is some degree of overlap with rivals in the same category. Moreover, the Commission's analysis of means, medians and lowest available prices of different OEMs in Section 4.3 of the LCV Economic Annex shows that Dacia is substantially cheaper than the merging parties while VW and Daimler (to the extent data are available) are substantially more expensive. In addition, as discussed in Section 4.3.2 of the LCV Economic Annex, FCA's own mystery shopping data indicate that the Parties' models are each other's closest-priced Small LCV competitors in Belgium and France, among other countries. This being said, the Commission agrees that Ford and Renault often charge similar prices as the Parties. However, as evidenced by both market shares and diversion ratios, this does not take away the fact that switching between the Merging Parties makes up a substantial proportion of the relevant competitive interaction in these markets.

(331) Moreover, the Commission notes that the Parties recognised, when referring to all LCV markets in general, there are other OEMs such as VW and Daimler that have in general a different price positioning to that of the Parties, as they are focused on higher priced LCV models.[350]

(332) Turning specifically to Small LCVs, from the three sources of price data (list prices provided by the Parties, end prices according to FCA's […] in 2018, and end prices as per the Parties' and competitors' replies to Commission's requests for information), the Commission concludes that, contrary to the Parties' claim,[351] the Parties' and their competitors' LCV price positioning also suggests that, depending on the specific national market, FCA and PSA are closer and very often particularly close competitors. The price positioning of the Parties and competitors will be discussed in detail in each country-specific section.

(333) The in-depth investigation confirmed that the Parties price their equivalent Small LCV models similarly, according to the three data sets outlined above (list prices, end prices according to […] and end prices in response to the Commission's requests for information).

A List prices

(334) The Parties provided list price data in their response to the Art. 6(1)(c) decision and in response to a follow-on request for information for France, Italy, Spain and the EEA as a whole.

(335) The diagrams in Figure 3 of the LCV Economic Annex plot Small LCV list prices: mean (average), median (the "typical" vehicle, such that one-half of all vehicles sold

350 Parties' LCV Advocacy Paper of 25 May 2020, paragraph 131.
351 Parties' LCV Advocacy Paper of 25 May 2020, section II.5.

are more expensive and one-half are less expensive) and the cheapest (after removing the cheapest 5% of each brand's sales to remove any outliers).

B Mystery shopping

(336) The mystery shopping exercise collected three sets of end prices: excluding other costs ("EO"), including other costs ("IO"), and price when financed ("PF"). The diagrams shown in Figure 4 of the LCV Economic Annex include all three variables for Small LCVs.

(337) First, FCA did not consider […]. Second, overall, these diagrams are all similar. They show that the Parties' brands, Ford and RNM are often priced similarly, while VW is more expensive and Dacia is cheaper. More specifically, FCA is the closest-priced competitor to at least one of PSA's brands in Spain, Germany, France and Belgium. Conversely, at least one of PSA's brands is the closest-priced competitor to FCA in Spain, Germany, and France.

C Transaction prices

(338) The Commission also analysed end prices based on the Parties' and some of their main competitors' replies to Commission RFIs. The competitors' replies are confidential, so the results cannot be reproduced here in detail. Overall, they confirm the observation that the Parties' prices tend to be similar, as are the prices of some, but not all, of their competitors.

6.2.3.2.7. Conclusion on closeness

(339) In view of the above, the Commission concludes that:

- A comparison of the Parties' sales shows that their vehicle portfolio overlaps with particular intensity in Small LCVs (they have a higher proportion of Small LCV sales than the average, and the merged entity would have the largest model portfolio in Small LCVs), which suggests that FCA and PSA compete closely for Small LCVs.
- The Parties' internal documents reflect that […].
- According to the hesitation data, the high combined market share of the Parties in Small LCVs in the EEA reflects appropriately the constraint that they exert on each other in the EEA as a whole. This also indicates that for the smaller countries for which no hesitation data are available, market shares are a good proxy for the competitive constraint that the Parties exert on each other.
- The in-depth market investigation shows that the Parties price their equivalent models (in terms of size/loading capacity) similarly, and closer than the equivalent models of competitors. Dacia is substantially cheaper, whilst VW and Daimler are substantially more expensive, based on all available evidence. In addition, […], Fiat and at least one of PSA's model are each other's closest-priced competitors […].[352]

(340) Taking all these elements into consideration, as will be explained in detail in the specific country sections, the Parties can be considered at least close competitors in the EEA Small LCV market, and in many of the national markets, and in particular in all markets where the Commission raises doubts as to the compatibility of the

352 See Economic Annex, section 4.3.2: Fiat is the closest-priced competitor to at least one of PSA's brands in Spain, Germany, France and Belgium. Conversely, at least one of PSA's brands is the closest-priced competitor to Fiat in Spain, Germany, and France. The only other countries sampled were Poland and Italy.

Proposed Transaction with the internal market, particularly close competitors. A specific assessment on the Parties' closeness by country is done in the country Sections below, and the relative closeness may nevertheless vary by country.

6.2.3.3. Affected national markets

(341) Table 13 shows PSA's and FCA's market shares in the Small LCV markets in the different EEA Member States and in the United Kingdom.

Table 13: Small LVCs – Market shares at national level and affected markets

EEA Member States	2019 market shares (in volume)		
	PSA	FCA	*Combined*
Austria	[10-20]%	[10-20]%	*[30-40]%*
Belgium	[30-40]%	[10-20]%	*[40-50]%*
Bulgaria	[10-20]%	[0-5]%	*[10-20]%*
Croatia	[30-40]%	[5-10]%	*[30-40]%*
Cyprus	[10-20]%	[10-20]%	*[30-40]%*
Czechia	[10-20]%	[30-40]%	*[50-60]%*
Denmark	[30-40]%	[0-5]%	*[30-40]%*
Estonia	[70-80]%	[0-5]%	*[70-80]%*
Finland	[10-20]%	[0-5]%	*[20-30]%*
France	[40-50]%	[5-10]%	*[50-60]%*
Germany	[10-20]%	[5-10]%	*[20-30]%*
Greece	[10-20]%	[40-50]%	*[60-70]%*
Hungary	[20-30]%	[10-20]%	*[30-40]%*
Iceland	[10-20]%	[5-10]%	*[10-20]%*
Ireland	[40-50]%	[0-5]%	*[40-50]%*
Italy	[20-30]%	[40-50]%	*[60-70]%*
Latvia	[40-50]%	[5-10]%	*[50-60]%*
Lithuania	[10-20]%	[50-60]%	*[60-70]%*
Luxembourg	[20-30]%	[10-20]%	*[40-50]%*
Malta	[70-80]%	[10-20]%	*[80-90]%*
Netherlands	[30-40]%	[5-10]%	*[30-40]%*
Norway	[30-40]%	[0-5]%	*[30-40]%*
Poland	[20-30]%	[30-40]%	*[50-60]%*
Portugal	[50-60]%	[10-20]%	*[60-70]%*
Romania	[5-10]%	[5-10]%	*[10-20]%*
Slovakia	[20-30]%	[40-50]%	*[60-70]%*
Slovenia	[10-20]%	[20-30]%	*[40-50]%*
Spain	[20-30]%	[10-20]%	*[30-40]%*
Sweden	[20-30]%	[0-5]%	*[20-30]%*
United Kingdom	[50-60]%	[0-5]%	*[50-60]%*

Source: Parties' response to RFI 44, Question 3

(342) Accordingly, the affected markets, i.e. those where there is a horizontal overlap between the Parties and the Proposed Transaction will lead to a combined market share of 20% or more, are the following: Austria, Belgium, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.[353]

353 A market participant has provided the Parties' market shares in the Small LCV markets computed by an external consultant based on IHS data for those countries where the Parties hold a combined market share larger than 40% with a significant increment (see submission of 27 May 2020 by a market participant, section 5.2.1). In some cases the shares provided by the market participant are significantly higher than those set out in Table 13: in Belgium, [50-60]% provided by the market participant vs [40-50]%; in Croatia, [40-50]% vs [30-40]%; in Hungary, [40-50]% vs [30-40]%, in Slovenia [50-60]% vs

6.2.3.4. Austria

(343) Table 14 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Austria.

Table 14: Austria - Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(344) The Proposed Transaction leads to the merger of the third and fifth largest Small LCV players in Austria. The Parties' combined market share in 2019 was [30-40]%, having decreased from [30-40]% in 2017. In the past two years, whilst PSA's market share has slightly increased (from [10-20]% in 2017 to [10-20]% in 2019), FCA's market share has decreased significantly from [20-30]% in 2017 to [10-20]% in 2019.

(345) Following the Proposed Transaction, whilst the merged entity would become the largest competitor in terms of market share, it would be closely followed by VW ([20-30]%), and RNM ([20-30]%). Moreover, RNM has increased its market share over the last three years by [5-10] percentage points (from [10-20]% to [20-30]%). In total, three competitors (VW, RNM and Ford) have market shares larger than the increment brought about by the Proposed Transaction.

(346) Although after the Proposed Transaction the merged entity would become the largest competitor in terms of market share and, as discussed in Section 6.2.2.3, there are relatively high barriers to entry to the LCV markets, the combined entity would continue to face competition from numerous players (VW, RNM and Ford) with relatively strong market positions in Austria.

(347) In conclusion, given the very moderate market share of the merged entity post-merger, the existence of three large competitors (VW, RNM and Ford), and the lack

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[40-50]%. However, in most cases, the combined market shares provided are either not appreciably different, or they are even lower, e.g. in Czechia, [40-50]% vs [50-60]%; Lithuania, [50-60]% vs [60-70]%; Poland [50-60]% vs [50-60]%. They are similar or not appreciably different in France, [50-60]% vs [50-60]%; Greece, [60-70]% vs [60-70]%; Italy, [60-70]% vs [60-70]%; Luxembourg, [40-50]% vs [40-50]%, Portugal, [60-70]% vs [60-70]%, Slovakia, [60-70]% vs [60-70]%; and EEA-wide, [40-50]% vs [40-50]%. The market respondent however does not provide any indication on what vehicles have been included in order to calculate market shares. In fact, the name given to the category, "Car-derived vehicles, CDV", suggests that the market participant has included not only Small LCVs vehicles but also CDVs, a category which the Commission, for the reasons explained in Section 6.1.1.7, considers belonging to the corresponding PCs markets.

of any particular evidence that FCA and PSA would be any closer to each other than to VW, RNM and Ford,[354] the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Small LCV market in Austria.

6.2.3.5. Belgium

6.2.3.5.1. Supply structure

(348) Table 15 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Belgium.

Table 15: Belgium – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[40-50]%	[…]	[40-50]%	[…]	[30-40]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*	*[…]*	*[40-50]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(349) The Proposed Transaction leads to the merger of the largest and fourth largest Small LCV players in Belgium. The Parties' combined market share in 2019 was [40-50]%, decreasing from [50-60]% in 2017. After the Proposed Transaction, the merged entity will be almost twice as large as RNM and more than three-times as large as VW, being more than 20 and more than 30 percentage points larger than its two largest competitors, respectively.

(350) Although in the last year the Parties' combined share was below 50%, an analysis of the market shares over the last decade reveals that this is exceptional. Since 2010, the Parties' combined market share has consistently remained above 50% – with the only exception of 2014 (with [40-50]%) and 2019 – and many years it even exceeded 55% (in 2018, 2015, 2011 and 2010). With the exception of 2019, PSA has also managed to maintain its market share consistently above 40%.[355] A one-off decrease in market share is not, in the Commission's view, sufficient to show contestability of the shares when they have remained consistently high or very high and even increased from 2017 to 2018 (both in terms of market shares and actual sales).

(351) It is true that PSA's share was considerably higher in 2010 ([50-60]%), however since 2015, and with the exception of 2019, it has remained relatively stable ([40-50]% in 2015, [40-50]% in 2016, [40-50]% in 2017 and [40-50]% in 2018). FCA's

354 Whilst hesitation data for Austria are not available, since market shares in Small LCV are a good proxy for diversion ratios, one would expect VW, RNM and Ford to exert a stronger constraint on PSA than FCA does, and VW and RNM to exert a stronger constraint on FCA than PSA does.

355 Parties' response to RFI 44, Question 3.

share has also remained stable in the same period ([10-20]% in 2015, [10-20]% in 2019).

6.2.3.5.2. Closeness of competition

(352) In Section 6.2.3.2, the Commission has analysed the hesitation data, internal documents and responses of the market investigation at EEA-level, which show that in general FCA and PSA can be considered at least close competitors in respect of Small LCVs, although the degree of closeness varies country-by-country.

(353) The country-specific evidence collected during the in-depth investigation (responses to the market investigation and price information) show that PSA and FCA are particularly close competitors in the Small LCV market in Belgium.

(354) *First*, in its market investigation, the Commission asked market participants to give their perception of closeness of competition of the different brands present in the Small LCV market in Belgium.[356] According to the responses received,[357] Citroën, Peugeot and Opel are perceived as the second, third and sixth closest brands to Fiat (Renault being the closest and Ford and Volkswagen the fourth and fifth, respectively). For PSA's brands, Fiat is perceived as the second closest brand to Citroën and Opel (after Renault) and the third closest to Peugeot (after Renault and Volkswagen). However, this analysis is carried out at brand level, although closeness of competition should be assessed at OEM level. While Renault is perceived as closest to Fiat, the aggregate constraint imposed on FCA by all PSA's brands taken together is particularly strong.[358] Moreover, Fiat is perceived as the second closest to two of the three PSA brands which means that, after Renault, FCA is viewed as particularly close to PSA. This perception is in line with market share evolution over the last three years as both Parties have lost some market share whilst RNM has gained market share.

(355) *Second*, […].[359] […].[360] […].

(356) In conclusion, the Commission concludes that that the Parties are particularly close competitors, after Renault since in both parameters used to measure closeness the Parties rank among the closest two competitors to each other: (i) in the responses to the market investigation Fiat ranks second to two of the three PSA's brands and PSA's brands are the second and third closest to Fiat, and (ii) in terms of prices Citroën and Fiat are each other's closest competitors and moreover Fiat is second closest to the other two PSA's brands. This also shows that, together with Renault, FCA exerts a particularly strong constraint on PSA. Therefore, the effects of the Proposed Transaction would be to eliminate one of the two particularly close competitors that the Parties have in this market.

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356 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

357 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers.

358 A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

359 Only if the comparison is made in terms of "price financed" Renault would be as close to Citroën as Fiat.

360 See LCV Economic Annex, section 4.3.2.

6.2.3.5.3. Other considerations

(357) The competition concerns arising from the high combined market shares, the large gap with the next competitors and the particular closeness between the Parties are to some extent alleviated by the following factors: (i) according to the Harbour data, there is spare capacity in the market, (ii) the remaining players – RNM, VW, Ford and Daimler – are large, strong and well known global brands, have large dealer and service networks in Belgium[361] and spare capacity, (iii) larger customers appear to have bargaining power, and (iv) the Parties argue that the merger may create some efficiencies.[362]

(358) However, the Commission has serious doubts that these factors are entirely sufficient to remove its concerns.

(359) First, as explained in Section 6.2.2.1, the Commission considers that spare capacity alone is not sufficient to fully constrain the merged entity post-merger in a differentiated product market. The Proposed Transaction would increase the Parties' ability to price their products higher, as it would eliminate one of the main competitive constraints that disciplined their market behaviour pre-merger. In fact, the incomparably wide portfolio of brands and models that the Parties will have in this market – with five different models and four brands which could be positioned differently in terms of prices – and the ability to price discriminate between them would allow the combined entity to increase the prices of some or all of its brands profitably regardless of the behaviour of RNM or other competitors. For instance, the merged entity could profitably raise prices on Fiat's or Citroën's models since these brands are each other's closest competitor according to market respondents and to the price information. It is true that in case the Parties decide to raise prices, customers could switch to RNM, which is also a close competitor which, according to the Harbour data, has spare capacity. However, considering the Parties' large combined market share, that the market share increment brought about by the Proposed Transaction is relatively large ([10-20]%) and that the Parties are particularly close competitors in this market, the Commission considers that the Proposed Transaction would put significant upward pressure on prices. If the Parties raise their prices, this will also reduce the competitive pressure on the remaining competitors in the market.

(360) This is true despite the behaviour of other relatively close competitors with spare capacity, such as RNM, which is discussed in Section 6.2.3.1.

(361) Second, whilst the fact that other competitors in the market such as Ford, VW and Daimler seem to have spare capacity according to the Habour data provided and strong dealer networks in Belgium, suggests that they are theoretically capable of growing in the market, in differentiated product markets demand is unlikely to shift to other competitors in case of a price increase by the Parties unless that competitor is viewed as a sufficiently close alternative to the merged entity. In this case, the Commission doubts that these OEMs will have the ability by themselves to exert a sufficient constraint to the Parties post-merger in Belgium, as they compete less closely with the Parties than RNM, which means that the amount of customers that

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361 The brand Renault has in Belgium and Luxembourg […] points of sale and Volkswagen […] and Ford […]. This amount is comparable to the network of Citroën, Opel or Peugeot […] or of Fiat […] (see Parties' reply to RFI 38 of 31 August 2020).

362 See LCV Economic Annex, Section 6.

would switch to any of them in case the Parties were to increase prices post-merger would be considerably more limited.

(362) Moreover, the competitors' aggregate market share in Belgium is similar to their EEA-wide aggregate market share (in aggregate competitors represent [50-60]% of the market in Belgium compared to [50-60]% at EEA-wide level),[363] which means that, overall there would be no significant out-of-market constraints from other countries.[364]

(363) Third, whilst it is true that customers who purchase their LCV fleet via tenders seem to enjoy a certain degree of bargaining power, which is reflected in the form of very […] discounts,[365] these customers represent only a relatively limited portion of the Small LCV market in Belgium.[366] This means that, even if the Commission were to accept (*quod non*) that these customers' bargaining power was sufficient to offset the increased market power that the combined entity would acquire as a result of the Proposed Transaction, that bargaining power would not benefit a significant portion of the market towards which the merged entity would still be able to raise prices.[367]

(364) Fourth, as discussed in Section 6.2.2.3, there are relatively high barriers to entry to the LCV markets, which will render unlikely that any new entrants will be able to compete with merged entity at large scale in the short- to medium term.

(365) Finally, the Commission notes that absent efficiencies, the Transaction can be expected to lead to significant upward pricing pressure of [0-5]% (in terms of CMCR). Even under the most favourable assumptions on efficiencies, the Transaction would still be expected to lead to positive net price pressure (of [0-5]%).[368]

6.2.3.5.4. Conclusion

(366) Despite the alleviating factors mentioned in recital (357), the Commission considers that given (i) although the Parties' high market share was slightly below 50% in the last year, the combined shares remain very close to 50% and they were consistently

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363 RNM's EEA-wide share is [20-30]% v its Italian share of [10-20]%; Volkswagen is at [10-20]% EEA-wide and [5-10]% in Italy; Ford is at [10-20]% EEA-wide and [5-10]% in Italy; Daimler is at [0-5]% EEA-wide and [0-5]% in Italy.

364 Therefore, even if national shares converged towards their EEA levels in future (at least directionally), the Parties' combined shares would remain at the same level in Belgium. This is a key difference compared to the Medium and Large LCV markets.

365 See Section 6.2.2.2.

366 In particular, the proportion of PSA's sales to customers that place individual orders of more than 100 vehicles in the Small LCV market in Belgium is only […], whereas in the case of FCA, the percentage of sales to customers that purchase more than 100 vehicles per annum is […] (including also Luxembourg) (see Parties' reply to RFI 42 of 8 September 2020, question 1). However, the Commission notes that FCAs percentages are not entirely comparable to those of PSA as they do not reflect the distribution of sales according to the size of individual orders but according to the total volumes purchased per annum, i.e. that figure may also include customers that place numerous small orders which are unlikely to benefit from the same discounts that OEMs offer in large tenders.

367 Given the presence of price discrimination, the large customers' buyer power and ability to play suppliers against each other does not protect smaller customers from price increases. See Horizontal Merger Guidelines, paragraph 67.

368 CMCRs are a directional measure of anti-competitive effects, which reflects the upward pricing pressure caused by a merger. In other words, CMCRs are a measure of the strength of post-merger incentives to raise prices. The exact price effect that will be caused by a merger depends on the extent to which this upward pricing pressure is passed-through into final prices. Under the assumption of a pass-through rate of one, CMCRs can therefore also be used as a measure of potential price effects. See Economic Annex, Sections 5 and 6.

above that threshold in eight of the last previous years and have not been significantly eroded in the last five years, (ii) the considerable increment, (iii) the gap of more than 20 and 30 percentage points in market share with the largest competitors, (iv) the fact that the Proposed Transaction will eliminate one of the two particularly close competitors that the Parties have in this market, and in particular one of PSA's main competitive constraints, (v) that the remaining competitors alone do not, for the reasons explained in paragraphs (361) and (362) above, appear to impose a sufficient constraint, and (vi) that new entries in the short- to medium-term are unlikely, the Proposed Transaction raises serious doubts as to its compatibility with the internal market in the Small LCV market in Belgium as it is likely to significantly impede effective competition in that market, either through the creation of a dominant position or through the elimination of important competitive constraints that the Parties exerted upon each other and a reduction of competitive pressure on the remaining competitors.

6.2.3.6. Croatia

(367) Table 16 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Croatia.

Table 16: Croatia - Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[20-30]%	[…]	[30-40]%	[…]	[30-40]%
VW	[…]	[30-40]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(368) The Proposed Transaction leads to the merger of the second and fourth largest Small LCV players in Croatia. The Parties' combined market share in 2019 was [30-40]%, having remained relatively stable since 2017. In the past two years, PSA's market share has slightly increased from [20-30]% in 2017 to [30-40]% in 2019. FCA's market share has slightly decreased from [10-20]% in 2017 to [5-10]% in 2019. The increment brought about by the Proposed Transaction is small ([5-10]%) and substantially below the market share of the two largest competitors (after the combined entity), whose market share either more than doubles the increment (VW, [20-30]% vs [5-10]%) or more than triples the increment (RNM, [30-40]% vs [5-10]%).

(369) Following the Proposed Transaction, the merged entity would become the largest competitor in terms of market share, but would be followed relatively closely by two large competitors, RNM ([30-40]%) and VW ([20-30]%).

(370) The evolution of the Parties' market share in the last ten years shows that their market position is highly contestable in Croatia: FCA reached market shares of [0-20]% in the years 2014-2016, following which FCA has steadily lost market share until its current [5-10]% share. More significantly, PSA's market share was always

around or above 40% between 2010 and 2015 (with [40-50]% in 2011). In 2016, its share dropped abruptly from [40-50]% to [30-40]%, and continued to decrease to the current [30-40]%. Overall the Parties' combined share has decreased in the last five years by more than twenty points, from [60-70]% in 2015 to [30-40]% in 2019. Conversely, in the same period, RNM's share has increased 15 points, from [10-20]% to [30-40]%, and VW, from [20-30]% to [20-30]%.[369] Part of the volatility can be explained by the small size of the overall market which amounts to just over […] units. As such, sales of a relatively smaller number of units can significantly affect the market shares (e.g. if an OEM wins a tender for a large fleet customer).

(371) In terms of closeness of competition, according to the country-specific responses to the market investigation,[370] Citroën, Peugeot and Opel are perceived as the first, third and fourth closest brands to Fiat (Renault being second), whereas Fiat is perceived to be the second closest brand to Citroën, Peugeot and Opel (in all cases after Renault).[371] Therefore, the Parties could be considered particularly close competitors, together with Renault, based on views submitted by market participants. The Commission does not have any hesitation or mystery shopping data for Croatia.

(372) Overall, although PSA and FCA appear to be particularly close competitors in addition to Renault, the Parties' market position appears to have been highly contestable over the last decade and there is no reason to believe it would not continue to be so. In particular during the last five years, the Parties have lost more than 20 percentage points to the benefit of VW, and especially of RNM.

(373) In conclusion, despite the fact that the Parties could be considered to compete particularly closely, given the moderate market share of the merged entity post-merger, the strong presence of two large competitors with market shares which more than double (VW) or even triple (RNM) the overlap, the Parties' continued market share decrease, and the fact that the increment relates to less than […] vehicles, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Small LCV market in Croatia.

6.2.3.7. Cyprus

(374) Table 17 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Cyprus.

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369 See Parties' response to RFI 44, Question 3.

370 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

371 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

Table 17: Cyprus - Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[0-5]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
Ford	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(375) The Proposed Transaction leads to the merger of the third and fourth largest Small LCV players in Cyprus. The Parties' combined market share in 2019 was [30-40]%. Although the combined market share has been relatively stable over the last two years, the Parties' individual shares have shifted significantly over that period, indicating that the Cypriot Small LCV markets is highly volatile and contestable (given its small size in terms of total volume). In the past three years, PSA's market share has decreased by almost [20-30] percentage points, from [30-40]% in 2017 to [10-20]% in 2019. Conversely, FCA's market share rapidly increased in only one year, going from virtually no sales on the market in 2017 (only three vehicles and a [0-5]% market share) to an [10-20]% market share in 2018, which it has maintained in 2019.

(376) Following the Proposed Transaction, the merged entity would become the second largest player, just behind RNM ([30-40]%) and its market share would be only [5-10] points higher than the third competitor, Ford ([20-30]%), which has maintained a stable market share around [30-40]% over the last two years. The merged entity would thus continue facing strong competition from the market leader, RNM, and from another large competitor, Ford. In any case, the Commission considers that in very small markets like the one at hand, where the total market size is less than […] vehicles, market shares are not necessarily a reliable indicator of the market strength of a player, as only one or a few large orders would be sufficient to alter substantially the market share of that competitor in a given year, as it can be seen from the abrupt decrease in the market share of PSA from 2017 to 2018 and the corresponding increase by FCA in the same year.

(377) In conclusion, given the moderate market share of the merged entity post-merger, the existence of two stronger or equally strong competitors (RNM and Ford), and the fact that the increment equates to […] vehicles, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Small LCV market in Cyprus.

6.2.3.8. Czechia

6.2.3.8.1. Supply structure

(378) Table 18 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Czechia.

Table 18: Czechia – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[50-60]%*
RNM	[…]	[20-30]%	[…]	[30-40]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(379) The Proposed Transaction leads to the merger of the largest and third largest Small LCV players in Czechia. In 2019, the Parties' combined market share was [50-60]%. These shares have been stable over the last three years. After the Proposed Transaction, the merged entity's market share will be more than double the share of the next competitor (RNM, [20-30]%), and more than three times the share of the third (VW, [10-20]%). Besides RNM and VW, no other competitor will have shares higher than [5-10]%.

(380) The Parties' market position has remained very high also in the long term. The Parties' combined share in 2019 ([50-60]%) was even higher than in 2010 ([40-50]%), and the Parties' combined share has remained essentially identical over the course of a decade (fluctuating around [50-60]%, with a minimum of [40-50]% in 2014 and a maximum of [60-70]% in 2011). Whereas FCA's market shares increased over time (from [10-20]% in 2010 to [30-40]% in 2019) while PSA's fell (from [30-40] in 2010 to [10-20]% in 2019), both maintained a nearly equally strong presence in the market between 2012 and 2017. In any case, the combined market share of the Parties can be expected to remain very high for the foreseeable future.

6.2.3.8.2. Closeness of competition

(381) In Section 6.2.3.2, the Commission has analysed the hesitation data, internal documents and responses of the market investigation at EEA-level, which show that in general FCA and PSA can be considered at least close competitors in respect of Small LCVs, although the degree of closeness varies country by country.

(382) Moreover, in its market investigation the Commission asked market participants to give their perception of closeness of competition of the different brands present in the Czech Small LCV market.[372] According to the responses received,[373] market

372 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

373 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers.

players perceive PSA's brands as the second (Citroën) and third (Peugeot) closest to Fiat (Renault being the closest). However, this analysis is carried out at brand level, although closeness of competition should be assessed at OEM level. While Renault is perceived as closest to Fiat, the aggregate constraint imposed by PSA's brands on FCA is particularly strong.[374] Conversely, FCA does not seem to be particularly close to PSA: Fiat is perceived as the third closest brand to Citroën and Opel (after Renault and Ford) and the fourth closest to Peugeot (after Renault, VW and Ford).[375] Therefore, the perception of closeness between the Parties is not symmetrical: Whereas PSA is perceived as FCA's closest competitor, together with RNM, FCA is not considered a particularly close competitor to PSA's brands. The Commission does not have any hesitation or mystery shopping data for Czechia.

(383) In conclusion, the data provided confirms that PSA, together with RNM, is perceived as a particularly close competitor to FCA, the current market leader, but FCA is not perceived particularly close to PSA.

6.2.3.8.3. Other considerations

(384) The competition concerns that arise from the very high combined market shares, the large gap with the next competitors and the particular closeness of PSA brands constraining FCA are to some extent alleviated by the following factors: (i) according to the Harbour data, there is spare capacity in the market, (ii) the remaining players – RNM, VW, Ford and Daimler – are large, strong and well known global brands, have dealer and service networks in Czechia[376] and spare capacity, (iii) larger customers appear to have bargaining power, and (iv) the Parties argue that the merger may create some efficiencies.[377]

(385) However, the Commission has serious doubts that these factors are sufficient to entirely remove its concerns.

(386) First, as explained in Section 6.2.2.1, the Commission considers that spare capacity alone is not sufficient to fully constrain the merged entity post-merger in a differentiated product market. The Proposed Transaction would increase the Parties' ability to price their products higher, as it would eliminate one of FCA's main competitive constraints that disciplined its market behaviour pre-merger. In fact, the incomparably wide portfolio of brands and models that the Parties will have in this market – with five different models and four brands which could be positioned differently in terms of price – and the ability to price discriminate between them would allow the combined entity to increase the prices of some or all of its brands profitably regardless of the behaviour of RNM or other competitors. For instance, the merged entity could profitably raise prices on FCA customers as PSA is FCA's closest competitor. It is true that in case the Parties decide to raise prices, customers could switch to RNM, which is also a close competitor which, according to the Harbour data, has spare capacity. However, considering the Parties' very large combined market share, that the market share increment brought about by the Proposed Transaction is considerable ([10-20]%) and that PSA is the closest

374 A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

375 For PSA's brands, Fiat's closest position is 3rd (for Opel – 4th for Citroën and Peugeot).

376 Renault has in Czechia […] points of sale, VW […], Ford […] and Daimler (Mercedes) […]. This amount is comparable to the network of Citroën, Opel or Peugeot […] or of Fiat […] are among the largest (see Parties' reply to RFI 38 of 31 August 2020).

377 See LCV Economic Annex, Section 6.

competitor to FCA in this market, the Commission considers that the Proposed Transaction would put significant upward pressure on prices. If the Parties raise their prices, this will also reduce the competitive pressure on the remaining competitors in the market.

(387) This is true despite the behaviour of other relatively close competitors with spare capacity, such as RNM, which is discussed in Section 6.2.3.1.

(388) Second, whilst the fact that the smaller competitors present in the market (Ford, VW and Daimler) seem to have spare capacity according to the Harbour data provided and strong dealer networks in Czechia suggests that they are theoretically capable of growing in the market, in differentiated product markets demand is unlikely to shift to other competitors in case of a price increase by the Parties unless that competitor is viewed as a sufficiently close alternative to the merged entity. In this case, the Commission doubts that these OEMs will have the ability by themselves to exert a sufficient constraint to the Parties post-merger in Czechia, as they compete less closely with FCA than PSA and RNM. This means that the amount of customers that would switch to any of them in case the Parties were to increase prices post-merger would be considerably more limited. Moreover, the competitors' aggregate market share in Czechia is similar to their EEA-wide aggregate market share (in aggregate competitors represent [40-50]% of the market in Czechia compared to [50-60]% at EEA-wide level),[378] which means that, overall there would be no significant out-of-market constraints.[379]

(389) Third, whilst it is true that customers that purchase their LCV fleet via tenders seem to enjoy a certain degree of bargaining power, which is reflected in the form of […] discounts,[380] these customers represent only a relatively limited portion of the Small LCV market in Czechia.[381] This means that, even if the Commission were to accept (*quod non*) that these customers' bargaining power was sufficient to offset the increased market power that the combined entity would acquire as a result of the Proposed Transaction, that bargaining power would not benefit a significant portion of the market towards which the merged entity would still be able to raise prices.[382]

(390) Fourth, as discussed in Section 6.2.2.3, there are relatively high barriers to entry to the LCV markets, which will render unlikely that any new entrants will be able to compete with merged entity at large scale in the short- to medium term.

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378 RNM's EEA-wide share is [20-30]% v its Czech share of [20-30]%; Volkswagen is at [10-20]% EEA-wide and [10-20]% in Czechia; Ford is at [10-20]% EEA-wide and [5-10]% in Czechia; Daimler is at [0-5]% both at EEA and Czechia level.

379 Therefore, even if national shares converged towards their EEA levels in future (at least directionally), the Parties' combined shares would remain at the same level in Czechia. This is a key difference compared to the Medium and Large LCV markets.

380 See Section 6.2.2.2.

381 The proportion of PSA's sales to customers that place individual orders of more than 100 vehicles in the Small LCV market in Czechia is […], whereas in the case of FCA, the percentage of sales to customers that purchase more than 100 vehicles per annum is […] (see Parties' reply to RFI 42 of 8 September 2020, question 1). However, the Commission notes that FCA's percentages are not entirely comparable to those of PSA as they reflect the distribution of sales according to the size of individual orders but according to the total volumes purchased per annum, i.e. that figure may also include customers that place numerous small orders which are unlikely to benefit from the same discounts that OEMs offer in large tenders.

382 Given the presence of price discrimination, the large customers' buyer power and ability to play suppliers against each other does not protect smaller customers from price increases. See Horizontal Merger Guidelines, paragraph 67.

(391) Fifth, pursuant to paragraph 17 of the Horizontal Merger Guidelines, market shares above 50% may in themselves be indicative of dominance.

(392) Finally, the Commission notes that absent efficiencies, the Transaction can be expected to lead to significant upward pricing pressure of [0-5]% (in terms of CMCR). Even under the most favourable assumptions on efficiencies, the Transaction would still be expected to lead to positive net price pressure (of [0-5]%).[383]

6.2.3.8.4. Conclusion

(393) Despite the alleviating factors mentioned in recital (384), the Commission considers that given (i) the Parties' very high market share, which has not been significantly eroded in the last five years and was even above 50% in 2019, (ii) the considerable share increment, (iii) the gap of almost [30-40] and [40-50] percentage points in market share with the largest competitors, (iv) the fact that the Proposed Transaction will eliminate one of FCA's two main constraints in the market, (v) that the remaining competitors alone do not, for the reasons explained in recital (388) above, appear to impose a sufficient constraint, and (vi) that new entries in the short- to medium-term are unlikely, the Proposed Transaction raises serious doubts as to its compatibility with the internal market in the Small LCV market in Czechia as it is likely to significantly impede effective competition in that market, either through the creation of a dominant position or through the elimination of important competitive constraints that the Parties exerted upon each other and a reduction of competitive pressure on the remaining competitors.

6.2.3.9. Denmark

(394) Table 19 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Denmark.

Table 19: Denmark - Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*	*[…]*	*[30-40]%*
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(395) The Proposed Transaction leads to the merger of the largest and fifth largest players in Small LCVs in Denmark. The Parties' combined market share in 2019 was [30-40]%. In the past two years, PSA's market share has increased from [20-30]% in 2017 to [30-40]% in 2019. FCA has been traditionally a relatively small player in the Small LCV market in Denmark, with [0-5]-[5-10]% market share over the last three

383 See LCV Economic Annex, Tables and 7 and 13.

years and only […] units sold in 2019. Ford and RNM had a [20-30]% market share each in 2019. Other competitors in this segment, VW and Daimler, accounted for a [10-20]% and [0-5]% market share respectively in 2019. The increment brought about by the Proposed Transaction is very small ([0-5]%) and substantially below the market share of the three largest competitors (after the combined entity), whose individual market shares are almost [10-20] percentage points higher than FCA's (in the case of VW, [10-20]% vs [0-5]%) or more than 20 percentage points higher (in the case of Ford and RNM, having each a market share of [20-30]% vs [0-5]%).

(396) In terms of closeness of competition, according to the country-specific responses to the market investigation,[384] Citroën, Peugeot and Opel are perceived as the first, second and fourth closest brands to Fiat, Renault being third, whereas Fiat is perceived to be the third closest brand to Opel (after Renault and Ford), and the fourth closest to Citroën and Peugeot (Ford, Renault and Volkswagen are in both cases the closest).[385] Therefore, the perception of closeness between the Parties is not symmetrical: Whereas PSA is perceived as FCA's closest competitor, FCA is not considered a particularly close competitor to PSA's brands.

(397) The Commission considers that, in view of FCA's marginal position in terms of market share and actual number of vehicles sold, the competitive structure of the market will remain essentially unaltered as a result of the Proposed Transaction. The combined entity will continue facing competition from several close competitors (Ford, Renault and Volkswagen), with relatively strong market positions in Denmark.

(398) In conclusion, given the moderate combined market share that the combined entity would have post-merger, the very small increment brought about by FCA ([0-5]%) (the competitive structure of the market will therefore remain essentially unaltered), and the existence of three large competitors with market shares substantially higher than the increment, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Small LCV market in Denmark.

6.2.3.10. Estonia

(399) Table 20 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Estonia.

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384 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

385 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

Table 20: Estonia – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[60-70]%	[…]	[60-70]%	[…]	[70-80]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[60-70]%*	*[…]*	*[60-70]%*	*[…]*	*[70-80]%*
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(400) The Proposed Transaction leads to the merger of the largest and fourth largest players in Small LCVs in Estonia. The Parties' combined market share in 2019 was [70-80]%. PSA is the market leader, with almost [60-70] points difference with its immediate competitor (RNM). FCA's share has been around [0-5]-[0-5]% market share over the last years.[386]

(401) The overall market is relatively small, comprising sales of less than […] vehicles. The increment brought by FCA therefore, is small not only in terms of market share, but also in terms of volumes sold, that volume effectively equating to […] vehicles.

(402) As regards closeness of competition, the country-specific responses to the market investigation[387] reveal that Citroën, Peugeot and Opel are perceived as the second, third and sixth closest brands to Fiat (after Renault). As regards PSA's brands, Fiat is perceived as the third closest to Opel (after Renault and Ford) and the fourth to Citroën and Peugeot (the first three are Renault, Ford and Volkswagen).[388] The perception of closeness is therefore not asymmetrical: PSA is perceived as particularly close to FCA but not vice versa.

(403) Taking into account the relatively small size of the market, only a few large orders to one or more competing OEMs would be more than sufficient to compensate the market share increment brought about by FCA. Moreover, post-merger, PSA will continue facing constraints from market players, such as RNM or Ford, which are perceived as closer competitors than FCA.

(404) In conclusion, given FCA's marginal sales which leads to a very small increment and leaves the structure of the market unaffected, the existence of other market players

386 In the last decade FCA's market share has only exceeded 5% three years, 2013, 2014 and 2016 (see Parties' response to RFI 44, Question 3).

387 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

388 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

which compete more closely to PSA than FCA and have market shares larger than the increment, and the lack of any Estonia specific concerns raised by market participants the Commission considers that the Proposed Transaction will not significantly impede effective competition in the Small LCV market in Estonia.

6.2.3.11. Finland

(405) Table 21 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Finland.

Table 21: Finland – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*
Ford	[…]	[30-40]%	[…]	[40-50]%	[…]	[30-40]%
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[20-30]%
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(406) The Proposed Transaction leads to the merger of the fourth and sixth largest players in Small LCVs in Finland. The Parties' combined market share in 2019 was 20%. In the past two years, PSA's market share has increased from 8% in 2017 to 17% in 2019. FCA has been traditionally a marginal player in the Small LCV market in Finland, with a 3-6% market share over the last years. In fact the increment brought about by the Proposed Transaction is very small (3%) and (substantially) below the market share of all the other competitors, with three of them remaining larger than the combined entity.

(407) Following the Proposed Transaction, Ford would remain the largest competitor in terms of market share ([30-40]%), with almost [10-20] points of difference with the next largest competitors, RNM and VW ([20-30]%). The merged entity would remain at [10-20] points distance from market leader Ford. The other competitor in this segment, Daimler, accounted for a [0-5]% market share in 2019. Moreover, the Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.[389]

(408) The Commission considers that, in view of FCA's marginal position in terms of market shares, the competitive structure of the market will remain essentially unaltered as a result of the Proposed Transaction. The merged entity would remain the fourth largest player in the market, after Ford, RNM and VW.

(409) In conclusion, given the relatively low combined market share, the very small increment brought about by FCA, the existence of four large competitors (three of which would remain larger than the combined entity), the Commission considers that

389 Horizontal Merger Guidelines, paragraph 17.

the Proposed Transaction would not significantly impede effective competition in the Small LCV market in Finland.

6.2.3.12. France

6.2.3.12.1. Supply structure

(410) Table 22 below shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in France.

Table 22: France - Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[40-50]%	[…]	[40-50]%	[…]	[40-50]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*
RNM	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
VW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(411) The Proposed Transaction leads to the merger of the largest and third largest players in Small LCVs in France. In 2019, the Parties' combined market share was [50-60]%. These shares have been stable over the last three years. Pre-transaction, PSA was already the market leader with a market share of almost [10-20] points more than the next largest competitor, RNM. After the Proposed Transaction, the merged entity's market share will be [10-20] points higher than RNM's. RNM and the merged entity will together control more than 90% of the market. Besides RNM, no other competitor will have shares higher than [0-5]%. All other competitors sold in 2019 around or less than […] units in the market.

(412) The Parties' combined market position has remained high in the long term. Their market shares and those of other OEMs (particularly RNM) have also remained extremely stable over the last years. The Parties' combined share in 2010 was [60-70]% and, although this share decreased to [50-60]% in 2013, since 2015 it has remained constant ([50-60]% in 2015 and 2016, [50-60]% in 2017, 2018 and 2019). RNM's share has also remained completely unaltered during these five years ([30-40]% in 2015, 2016, 2018 and 2019 and [30-40]% in 2017). PSA/FCA and RNM together have therefore captured more than 90% of the market for the last decade ([90-100]% in 2010, [90-100]% in 2015 and [90-100]% in 2019).[390] The rest of the market players have not challenged PSA's and RNM's position in this market, which confirms a certain home advantage of these two undertakings in France (see Section 6.2.2.2 for an explanation on home advantage). In 2010, the largest brand besides the Parties and RNM was VW with [0-5]%, in 2015 and in 2019 it was Ford with a [0-5]% and a [0-5]%, respectively. In fact, over the last decade, FCA has been the only

390 See Parties' response to RFI 44, Question 3.

other market player besides PSA and RNM that has managed to capture more than 5% of the market. The Proposed Transaction could therefore eliminate the largest competitive force that PSA and RNM have historically faced in this market and reinforce the existing duopoly.

6.2.3.12.2. Closeness of competition

(413) In Section 6.2.3.2, the Commission has analysed the hesitation data, internal documents and responses of the market investigation at EEA-level, which show that in general FCA and PSA can be considered at least close competitors in respect of Small LCVs, although the degree of closeness varies country by country.

(414) The country-specific evidence collected during the in-depth investigation (responses to the market investigation, hesitation data, price information, internal documents) overall show that PSA and FCA are particularly close competitors in the Small LCV market in France, in addition to Renault.

(415) First, in its market investigation, the Commission asked market participants to give their perception of closeness of competition of the different brands present in the Small LCV market in France.[391] According to the responses received,[392] PSA's brands are perceived as the second (Peugeot), third (Citroën) and fifth (Opel) closest to Fiat (Renault being the closest and Ford the fourth). As regards PSA's brands, Fiat is perceived as the second closest to Opel (after Renault) and fourth to Citroën and Peugeot (after Renault, Ford and Volkswagen). However, this analysis is carried out at brand level, although closeness of competition should be assessed at OEM level. While Renault is perceived as the closest to Fiat, the aggregate constraint imposed by PSA's brands (second, third and fifth) is particularly strong.[393]

(416) Second, the Parties' combined market shares implied by their diversion ratios is [50-60]%, which suggests that the Parties compete as closely as their high combined market shares suggest.[394]

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391 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

392 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 to the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers.

393 A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

394 See LCV Economic Annex, Table 4. The hesitation data provided by a market participant show that, respectively, 25% and 13% of buyers of a Fiat model see Peugeot and Citroën as their main alternative but only 3% and 4% of Citroën's and Peugeot's buyers, respectively, considered Fiat as their main alternative (see submission of 27 May 2020 by a market participant, section 5.2.2). The market participant, however, does not provide any indication on which vehicles have been included in order to calculate the hesitation data. In fact, the name given to the category, "Car-derived vehicles, CDV", suggests that the market respondent has included not only Small LCVs vehicles but also CDVs, a category which the Commission, for the reasons explained in Section 6.1.1.7, considers belonging to the PCs markets. Moreover, the market respondent does not provide hesitation data towards/from other OEM's models (in particular towards RNM's); therefore, even though the data may suggests that PSA may be close to FCA (FCA, on the contrary, does not appear to be close to PSA), the Commission cannot draw any conclusion as to whether the PSA and FCA are each other's closest competitors from this submission.

(417) The actual diversion ratios, however, show a more one-sided story:[395]

– From FCA's point of view: PSA is the closest competitor, with a diversion ratio of [40-50]% from FCA towards PSA. RNM is the second closest, with a diversion ratio from FCA to RNM of [30-40]%. What is notable is that this diversion ratio is below its diversion ratio implied by actual market share ([30-40]% vs [40-50]%), suggesting that RNM imposes a lower constraint on FCA than what its actual market share indicates. On the contrary, Ford, the third closest competitor to FCA in terms of market share, accounts for a diversion ratio of [10-20]% from FCA, which is significantly higher than its diversion ratio implied by actual market shares ([10-20]% vs [5-10]%), suggesting that Ford, despite being substantially smaller than PSA and RNM, exerts more competitive pressure on FCA than its market share suggests.

– From PSA's point of view: FCA is the fourth closest competitor, after RNM, Ford and VW, with a diversion ratio from PSA to FCA of [5-10]% which is below its diversion ratio implied by actual market shares ([5-10]% vs [10-20]%). RNM is the closest competitor, with diversion ratio of [60-70]% from PSA to RNM which is below its diversion ratio implied by actual market share ([60-70]% vs [70-80]%), suggesting that RNM imposes a slightly lower constraint than what its market share indicates. Ford and VW, the second and third closest competitors to PSA, on the other hand have diversion ratios significantly higher than what would be implied by their market shares ([10-20]% vs [5-10]% for Ford, and [10-20]% vs [5-10]% for VW), suggesting that Ford and VW, impose stronger competitive pressure on PSA than what their market shares suggest.

(418) In summary, the hesitation data shows that PSA exerts by far the strongest constraint on FCA but FCA cannot be considered to exert a particularly significant constraint on PSA in France for Small LCVs.

(419) Third, the average list prices provided by the Parties show that all players price their models at a very similar level in France, with PSA and RNM being among the most expensive and FCA at the lower end.[396]

(420) Fourth, the end prices collected by FCA in the […] show that, after Volkswagen, which is by far the most expensive brand, the most expensive models are those of Nissan (RNM), followed by Renault and Ford. The cheapest brands – all of them priced at a very similar level – are Fiat and PSA's brands. PSA and FCA are therefore each other's closest competitor in terms of pricing, whereas RNM's brands compete more closely with Ford.[397]

(421) Fifth, the country-specific internal documents show that FCA views PSA as a particularly close competitor in France (which is in line with the hesitation data). […].[398] PSA's internal documents refer more often to other competitors such as RNM (again, in line with the hesitation data).

(422) In conclusion, taking into account all the evidence collected, the Commission concludes that that the Parties are particularly close competitors in the Small LCV market in France, together with RNM, since in at least three of the parameters used

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395 Commission analysis based on Parties' NVBS hesitation data. See LCV Economic Annex, Section 4.1.

396 See LCV Economic Annex.

397 See LCV Economic Annex, Section 4.3.2.

398 Internal FCA emails of 02.04.2019, 2220-51216; and of 03.04.2019, 2220-170 […].

to measure closeness the Parties rank among the closest two competitors to each other, in at least one way: (i) in the responses to the market investigation PSA's brands rank second and third closest to Fiat whereas Fiat ranks second to Opel, (ii) the hesitation data shows that PSA is FCA's second closest competitor and the implied market share suggests they compete very intensely, (iii) the end price data shows that the Parties are each other's closest competitors. Moreover, the fact that Fiat is Citroën's second closest competitor and that FCA is PSA's closest in terms of prices also suggests that FCA is particularly close to PSA, together with RNM.

(423) Therefore, the effect of the Proposed Transaction is to eliminate one of PSA's main constraints in this market.

6.2.3.12.3. Other considerations

(424) The competition concerns that arise from the high combined market share, the duopolistic structure with RNM and the particular closeness between the Parties (and RNM) are to some extent alleviated by the following factors: (i) according to the Harbour data, there is spare capacity in the market, (ii) the remaining players – Volkswagen, Ford and Daimler – are large, strong and well known global brands, have large dealer and service networks in France[399] and spare capacity, (iii) larger customers appear to have bargaining power, and (iv) the Parties argue that the merger may create some efficiencies.[400]

(425) However, the Commission has serious doubts that these factors are entirely sufficient to remove its concerns.

(426) First, as explained in Section 6.2.2.1 the Commission considers that spare capacity alone is not sufficient to constrain the merged entity post-merger in a differentiated product market. The Proposed Transaction would increase the Parties' ability to price their products higher as it would eliminate one of the two main competitive constraints. In fact, the very high combined share of the Parties, coupled with their incomparably wide portfolio of brands and models – with five different models and four brands – and the ability to price discriminate between them would allow the combined entity to increase the prices of some or all of its brands profitably regardless of the behaviour of RNM or other competitors (in particular since PSA's and FCA's brands are currently priced similarly). For instance, the merged entity could profitably raise prices on FCA customers as actual diversion data show that PSA would obtain [40-50]% FCA's customers. From FCA's point of view: PSA is the closest competitor, with a diversion ratio of [40-50]% from FCA towards PSA. It is true that in case the Parties decide to raise prices, customers could switch to RNM, which is also a particular close competitor which, according to the Harbour data, has spare capacity. However, considering the Parties' very large combined market share and that the Parties are particularly close competitors in this market, the Commission considers that the Proposed Transaction would put significant upward pressure on prices. If the Parties raise their prices, this will also reduce the competitive pressure on the remaining competitors in the market.

(427) This is true despite behaviour of RNM, which is discussed in Section 6.2.3.1.

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399 The brand Renault has in France […] points of sale, Volkswagen […] and Ford […]. This amount is comparable to the network of Citroën, Opel or Peugeot […] or Fiat […] (see Parties' reply to RFI 38 of 31 August 2020).

400 See LCV Economic Annex, Section 6.

(428) Second, whilst the fact that other competitors such as Ford, VW and Daimler seem to have spare capacity according to the Harbour data and strong dealer networks in France, suggests that they are theoretically capable of growing in the market, in differentiated product markets demand is unlikely to shift to other competitors in case of a price increase by the Parties unless that competitor is viewed as a sufficiently close alternative to the merged entity. In this case, the Commission doubts that these OEMs will have the ability by themselves to exert a sufficient on the Parties post-merger since, although hesitation data and responses to the market investigation suggest that they compete more closely to PSA than FCA, both sets of data also show that they compete less closely to FCA than PSA and, according to end prices, they compete less closely to both Parties. Accordingly, not only are their market shares historically smaller than that of FCA, but they also do not compete with the Parties closer than they do to each other. This means, in the Commission's view, that the amount of customers that would switch to any of them in case the Parties were to increase prices post-merger would be more limited.

(429) Overall, competitors' market share in France is in aggregate relatively in line with their EEA-wide market shares (in aggregate, competitors represent [40-50]% in France and [50-60]% EEA-wide), thus, unlike in Medium and Large LCVs, limited additional out of market constraints can be expected. France is also particular in that whilst Ford, VW and Daimler may be underrepresented in France compared to their EEA-wide presence, and arguably could pose some out of market constraint, the home advantage enjoyed by PSA and RNM in Small LCVs suggests that it is difficult for these competitors to grow significantly.[401]

(430) Third, whilst it is true that customers that purchase their LCV fleet via tenders seem to enjoy a certain degree of bargaining power, which is reflected in the form of […] discounts,[402] these customers represent only a relatively limited portion of the Small LCV market in France.[403] This means that, even if the Commission were to accept (*quod non*) that these customers' bargaining power was sufficient to offset the increased market power that the combined entity would acquire as a result of the Proposed Transaction, that bargaining power would not benefit a significant portion of the market towards which the merged entity would still be able to raise prices.[404]

(431) Fourth, as discussed in Section 6.2.2.3, there are relatively high barriers to entry to the LCV markets, which will render unlikely that any new entrants will be able to compete with merged entity at large scale in the short- to medium term.

(432) Fifth, pursuant to paragraph 17 of the Horizontal Merger Guidelines, market shares above 50% may in themselves be indicative of dominance.

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401 RNM's EEA-wide share is [20-30]% v its French share of [30-40]%; VW is at [10-20]% EEA-wide and [0-5]% in France; Ford is at [10-20]% EEA-wide and [0-5]% in France; Daimler is at [0-5]% EEA-wide and [0-5]% in France.

402 See Section 6.2.2.2.

403 The proportion of PSA's sales to customers that place individual orders of more than 100 vehicles in the Small LCV market in France is […]%, whereas in the case of FCA, the percentage of sales to customers that purchase more than 100 vehicles per annum is [20-30]% (see Parties' reply to RFI 42 of 8 September 2020, question 1). However, the Commission notes that FCA's higher percentage does not reflect the distribution of sales according to the size of individual orders but according to the total volumes purchased per annum, i.e. that figure may also include customers that place numerous small orders which are unlikely to benefit from the same discounts that OEMs offer in large tenders.

404 Given the presence of price discrimination, the large customers' buyer power and ability to play suppliers against each other does not protect smaller customers from price increases. See Horizontal Merger Guidelines, paragraph 67.

(433) Finally, the Commission notes that absent efficiencies, the Transaction can be expected to lead to significant upward pricing pressure of [0-5]% (in terms of CMCR). Even under the most favourable assumptions on efficiencies, the Transaction would still be expected to lead to positive net price pressure (of [0-5]%).[405]

6.2.3.12.4. Conclusion

(434) Despite the alleviating factors mentioned in recital (424), the Commission considers that given (i) the Parties' very large combined market share, above 50%, (ii) the gap to the next largest competitor, (iii) the fact that PSA and RNM have consistently held more than 80% of the market in the last ten years, with very stable market shares and no new entrant, (iv) the fact the Proposed Transaction will remove one of PSA's two main constraints in this market together with RNM, (v) that post-merger, the merged entity and RNM would have a quasi-duopoly with a combined market share above 90%, (vi) that the remaining competitors alone do not, for the reasons explained in recitals (428) and (429) above, appear to impose a sufficient constraint, and (vii) that new entries in the short- to medium-term are unlikely, the Proposed Transaction raises serious doubts as to its compatibility with the internal market in the market for Small LCVs in France as it is likely to significantly impede effective competition in that market, either through the creation of a dominant position or through the elimination of important competitive constraints that the Parties exerted upon each other and a reduction of competitive pressure on the remaining competitors.

6.2.3.13. Germany

(435) Table 23 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Germany.

Table 23: Germany – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Streetscooter	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(436) The German market is characterised by many competitors with relatively equivalent market positions. The Parties' combined market share in 2019 was [20-30]% having remained relatively stable since 2017. Over the past two years, PSA accounted for [10-20]-[10-20]% and FCA for [5-10]-[5-10]% market share. The increment brought

405 See LCV Economic Annex, Tables 7 and 13.

about by the Proposed Transaction is therefore relatively small ([5-10]%) and substantially below the market share of the three largest competitors (after the combined entity), whose individual market shares are almost [10-20] percentage points higher than FCA's (in the case of Ford, [10-20]% vs [5-10]%) or almost [10-20] percentage points higher (in the case of VW and RNM, having each a market share of [20-30]% vs [5-10]%).

(437) Following the Proposed Transaction, whilst the merged entity would become the largest competitor in terms of market shares, it would only have a three point difference with the next largest competitors, VW and RNM ([20-30]%). Other competitors in this segment, Ford, Daimler and Streetscooter, accounted for a [10-20]%, [5-10]% and [5-10]% market share respectively in 2019. However, the Commission notes that Streetscooter, which was owned by Deutsche Post, is exiting the market in 2020.

(438) In conclusion, although the merged entity would become the market leader, and the diversion ratios show that the Parties compete closer than their combined market share suggests, given the relatively low combined market share (which would not exceed the 25% threshold set out in the Horizontal Merger Guidelines[406]), the existence of a number of strong competitors (in particular VW), the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Small LCV market in Germany.

6.2.3.14. Greece

6.2.3.14.1. Supply structure

(439) Table 24 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Greece.

Table 24: Greece – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[40-50]%	[…]	[20-30]%	[…]	[10-20]%
FCA	[…]	[20-30]%	[…]	[30-40]%	[…]	[40-50]%
Combined	*[…]*	*[60-70]%*	*[…]*	*[50-60]%*	*[…]*	*[60-70]%*
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Piaggio	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(440) The Proposed transaction leads to the merger of the largest and second largest Small LCV players in Greece. In 2019, the Parties' combined market share was [60-70]%. These shares have been relatively stable over the last three years. Pre-transaction, FCA was already the market leader with more than double the market share of the next largest competitor, PSA. The Proposed Transaction will therefore eliminate

406 Horizontal Merger Guidelines, paragraph 17.

FCA's largest competitor in terms of market share. After the Proposed Transaction, the merged entity's market share will be more than four times the share of the next competitors (Ford and RNM, each [10-20]%). Besides Ford and RNM, no other competitor will have shares higher than 10% and only one competitor will have shares higher than 5% (VW, only slightly).

(441) The Parties' market position has remained strong over the last ten years. The Parties' combined share over the last decade have consistently exceeded 55% and even exceeded 60% in five years (2010-2013, 2015, 2017 and in 2019). Both FCA's and PSA's shares have fluctuated between just below 20% and above 40%, their combined share has decreased only slightly over the course of a decade ([60-70]% in 2010 vs [60-70]% in 2019), which suggests the neither PSA's nor FCA's market positions are easily contestable.

6.2.3.14.2. Closeness of competition

(442) In Section 6.2.3.2 the Commission has analysed the hesitation data, internal documents and responses of the market investigation at EEA-level, which show that in general FCA and PSA can be considered at least close competitors in respect of Small LCVs, although the degree of closeness varies country by country.

(443) Moreover, in its market investigation the Commission asked market participants to give their perception of closeness of competition of the different brands present in the Greek Small LCV market.[407] According to the responses received,[408] market players perceive PSA's brands as the first (Peugeot), second (Citroën), and third (Opel) closest to Fiat, followed by Ford. For PSA's brands, Fiat is the first (for Citroën and Peugeot) and second closest competitor (for Opel, after Ford).[409] The Parties are therefore perceived as particularly close competitors, if not each other's closest competitors, together with Ford, based on views submitted by market participants. The Commission does not have any hesitation or mystery shopping data for Greece.

6.2.3.14.3. Other considerations

(444) The competition concerns that arise from the very high combined market share and the particular closeness between the Parties (and Ford) are to some extent alleviated by the following factors: (i) according to the Harbour data, there is spare capacity in the market, (ii) the remaining players – Ford, RNM, VW and Daimler – are large, strong and well known global brands, have large dealer and service networks in Greece[410] and spare capacity, (iii) larger customers appear to have bargaining power, and (iv) the Parties argue that the merger may create some efficiencies.[411]

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407 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

408 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers.

409 A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

410 The brand Ford has in Greece 16 points of sale, Renault 40 (plus another 40 Dacia dealers) and Volkswagen 33. This amount is comparable to the network of Citroën, Opel or Peugeot (37, 32 and 42, respectively) or of Fiat (24) (see Parties' reply to RFI 38 of 31 August 2020).

411 See LCV Economic Annex, Section 6.

(445) However, the Commission has serious doubts that these factors are sufficient to entirely remove its concerns.

(446) First, as explained in Section 6.2.2.1 the Commission considers that spare capacity alone is not sufficient to fully constrain the merged entity post-merger in a differentiated product market. The Proposed Transaction would increase the Parties' ability to price their products higher, as it would eliminate one of the main competitive constraints that disciplined their market behaviour pre-merger. In fact, the incomparably wide portfolio of brands and models that the Parties will have in this market – with five different models and four brands which could be positioned differently in terms of price – and the ability to price discriminate between them would allow the combined entity to increase the prices of some or all of its brands profitably regardless of the behaviour of Ford or other competitors. For instance, the merged entity could profitably raise prices on FCA customers as PSA is FCA's closest competitor. In addition, it could profitably raise prices on Citroën or Peugeot, since Fiat is the closest competitor of both brands according market respondents. It is true that in case the Parties decide to raise prices, customers could switch to Ford, which is also a close competitor which, according to the Harbour data, has spare capacity. However, considering the Parties' very large combined market share, that the market share increment brought about by the Proposed Transaction is considerable ([10-20]%) and that the Parties are each other's closest competitors in this market, the Commission considers that the Proposed Transaction would put significant upward pressure on prices. If the Parties raise their prices, this will also reduce the competitive pressure on the remaining competitors in the market.

(447) This is true despite the behaviour of other relatively close competitors with spare capacity, such as Ford, for the reasons set out in Section 6.2.3.1.

(448) Second, whilst the fact that the smaller competitors in the market (RNM, VW, Daimler and Piaggio), seem to have spare capacity according to the Harbour data provided and strong dealer networks in Greece suggests that they are theoretically capable of growing in the market, in differentiated product markets demand is unlikely to shift to other competitors in case of a price increase by the Parties unless that competitor is viewed as a sufficiently close alternative to the merged entity. In this case, the Commission doubts that these OEMs will have the ability by themselves to exert a sufficient constraint to the Parties post-merger in Greece, as they compete less closely with the Parties than Ford. This means that the amount of customers that would switch to any of them in case the Parties were to increase prices post-merger would be considerably more limited. Moreover, the competitors' aggregate market share in Greece is similar to their EEA-wide aggregate market share (in aggregate competitors represent [40-50]% of the market in Greece compared to [50-60]% at EEA-wide level),[412] which means that, overall there would be no significant out-of-market constraints.[413]

(449) Third, whilst it is true that customers that purchase their LCV fleet via tenders seem to enjoy a certain degree of bargaining power, which is reflected in the form of […]

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412 RNM's EEA-wide share is [20-30]% v its Greek share of [10-20]%; VW is at [10-20]% EEA-wide and [5-10]% in Greece; Ford is at [10-20]% EEA-wide and [10-20]% in Greece; Daimler is at [0-5]% both at EEA and Greek level.

413 Therefore, even if national shares converged towards their EEA levels in future (at least directionally), the Parties' combined shares would remain at the same level in Belgium. This is a key difference compared to the Medium and Large LCV markets.

discounts,[414] these customers represent only a relatively limited portion of the Small LCV market in Greece.[415] This means that, even if the Commission were to accept (*quod non*) that these customers' bargaining power was sufficient to offset the increased market power that the combined entity would acquire as a result of the Proposed Transaction, that bargaining power would not benefit a significant portion of the market towards which the merged entity would still be able to raise prices.[416]

(450) Fourth, as discussed in Section 6.2.2.3, there are relatively high barriers to entry to the Small LCV markets, which will render unlikely that any new entrants will be able to compete with merged entity at large scale in the short- to medium term.

(451) Fifth, pursuant to paragraph 17 of the Horizontal Merger Guidelines, market shares above 50% may in themselves be indicative of dominance.

(452) Finally, the Commission notes that absent efficiencies, the Transaction can be expected to lead to significant upward pricing pressure of [0-5]% (in terms of CMCR). Even under the most favourable assumptions on efficiencies, the Transaction would still be expected to lead to positive net price pressure (of [0-5]%).[417]

6.2.3.14.4. Conclusion

(453) Despite the alleviating factors mentioned in recital (444), the Commission considers that given (i) the Parties' very high market share, above 60%, which have not been significantly eroded in the last five years, (ii) the considerable market share increment, (iii) the gap of almost [50-60] percentage points in market share with the largest competitors, (iv) the fact that that the Parties are particularly close competitors and, in particular, that Fiat, on the one hand, and Peugeot and Citroën, on the other hand, are each other's closest competitors; (v) that the remaining competitors alone do not, for the reasons explained in recitals (447) and (448) above appear to impose a sufficient constraint, and (vi) that new entries in the short- to medium-term are unlikely, the Proposed Transaction raises serious doubts as to its compatibility with the internal market in the Small LCV market in Greece as it is likely to significantly impede effective competition in that market, either through the creation of a dominant position or through the elimination of important competitive constraints that the Parties exerted upon each other and a reduction of competitive pressure on the remaining competitors.

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414 See Section 6.2.2.2.

415 The proportion of PSA's sales to customers that place individual orders of more than 10 vehicles in the Small LCV market in Greece is […] and no customer places orders of more than 100 vehicles. In the case of FCA, the percentage of sales to customers that purchase more than 10 vehicles per annum is […], and the percentage of those that purchase more than 100 is […] (see Parties' reply to RFI 42 of 8 September 2020, question 1). However, the Commission notes that FCA's higher percentage does not reflect the distribution of sales according to the size of individual orders but according to the total volumes purchased per annum, i.e. that figure may also include customers that place numerous small orders which are unlikely to benefit from the same discounts that OEMs offer in large tenders (although they may enjoy more bargaining power when compared to individual customers who place only one order, since losing them may imply losing future orders too).

416 Given the presence of price discrimination, the large customers' buyer power and ability to play suppliers against each other does not protect smaller customers from price increases. See Horizontal Merger Guidelines, paragraph 67.

417 See LCV Economic Annex, Tables 7 and 13.

6.2.3.15. Hungary

(454) Table 25 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Hungary.

Table 25: Hungary – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[10-20]%	[…]	[20-30]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(455) The Proposed Transaction leads to the merger of the second and third largest players in Small LCVs in Hungary. The Parties' combined market share in 2019 was [30-40]%. PSA saw its market share decrease from [20-30]% in 2017 to [20-30]% in 2019. FCA grew from [10-20]% in 2017 to [10-20]% in 2019. It was the third largest player in 2019, closely followed by Ford and VW with [10-20]% each.

(456) The Parties' combined share has significantly eroded over the last decade: [50-60]% in 2010, [50-60]% in 2012 and [40-50]% in 2014. Since 2015, their combined share has never exceeded 40%. This erosion has been caused by a drop in PSA's historic market position: [40-50]% in 2010, [30-40]% in 2014 and currently around [20-30]%.[418] In the same period RNM has seen its market share grow from [5-10]% in 2010 to [30-40]% in 2019, being the current market leader.

(457) In terms of closeness of competition, according to the country-specific responses to the market investigation,[419] Citroën and Peugeot are perceived as the first and second closest brands to Fiat, Renault being third (no responses for Opel), whereas Fiat is perceived to be the third closest brand to Citroën (after Renault and Ford), and the second closest to Peugeot and Opel (after Renault in both cases).[420] Therefore, the Parties are perceived as particularly close competitors (PSA is perceived as FCA's closest and Fiat is perceived as second closest to two of PSA's brands). The Commission does not have any hesitation or mystery shopping data for Hungary.

418 See Parties' response to RFI 44, Question 3.

419 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

420 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

(458) Following the Proposed Transaction, the combined entity will be the market leader, with [5-10] points difference with the second player, RNM. Moreover, PSA and FCA are particularly close competitors and, as discussed in Section 6.2.2.3, there are relatively high barriers to entry to the LCV markets.

(459) However, the historic evolution of the market shares shows that PSA's market position is contestable. The Parties' combined share, moreover, has never exceeded 40% in the last five years. On the contrary, the evolution of RNM's market share, which is also a close competitor to the Parties, has more than tripled in the last decade, showing its ability to challenge their market position.

(460) Post-merger there will be, on the one side, a close competitor (RNM) with a [30-40]% of the market and spare capacity, plus other two competitors (Ford and VW), which will jointly hold another [30-40]% of the market. The three competitors are strong OEMs with reputed brands in the EEA in the LCV markets and with wide dealer and service networks in Hungary.[421] In those circumstances, the Commission considers that the combined entity will continue facing after the Proposed Transaction significant competitive constraints.

(461) The Commission notes, in particular, that no market participants has raised any concerns specific to the Hungarian market. On the contrary, one imported pointed out that any price increases post-merger could result in a "massive" loss of customers for the Parties.[422]

(462) In conclusion, given that the Parties' moderate combined share, which has remained consistently below 40% in the last five years, PSA's declining market share the existence of strong competitors, and the lack of any Hungary-specific concerns in the market investigation, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Small LCV market in Hungary.

6.2.3.16. Ireland

(463) Table 26 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Ireland.

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421 The brand Renault has in Hungary 31 points of sale, Volkswagen 30 and Ford 38. This amount is comparable to the network of Citroën, Opel or Peugeot (25, 46 and 32, respectively) or Fiat (26) (see Parties' reply to RFI 38 of 31 August 2020).

422 "*Toute changement mentionner entrainerais une perte de clientéle massive*" (see replies to question 59 of Questionnaire 10 to importers.) One dealer also indicated expressly that market prices will not change because of this merger: "*Market prices will not depend on their "coming together*" (Reply to question 61.1 of Questionnaire 10 to dealers).

Table 26: Ireland – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[40-50]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(464) The Proposed Transaction leads to the merger to the largest and fifth largest players in Small LCVs in Ireland. The Parties' combined market share was 41% in 2019. FCA has been traditionally a relatively small player in the Small LCV market in Ireland, with a declining share over the last years, plummeting in a market share of [0-5]% in 2019.[423]

(465) Following the Proposed Transaction, the competitive structure of the market would remain essentially unaltered, given the negligible increment of [0-5]%, equating the sale of […] vehicles. Following the Proposed Transaction, although the merged entity would be the largest competitor in terms of market share, it would be closely followed by VW ([20-30]%), Ford ([10-20]%) and RNM ([10-20]%). These three competitors (VW, RNM and Ford) have market shares significantly larger than the share increase brought about by the Proposed Transaction.

(466) The Commission considers that, in view of FCA's negligible position, with less than [0-5]% market share, the competitive structure of the market will remain essentially unaffected by the Proposed Transaction and PSA will be subject to the same competitive constraints as pre-merger. In fact, taking into account the small size of the market, only a few large orders to one or more competing OEMs would be more than sufficient to compensate the market share increase brought by FCA.

(467) In conclusion, given the negligent increment and the existence of three strong competitors (VW, RNM and Ford), the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Small LCV market in Ireland.

6.2.3.17. Italy

6.2.3.17.1. Supply structure

(468) Table 27 shows the Parties' and competitors' volumes and market shares for the last three years in the Small LCV market in Italy.

423 In the last decade FCA's market share has only exceeded 5% in 4 years, 2010, 2011, 2012 and 2013, after which its share declined continuously.

Table 27: Italy - Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[40-50]%	[…]	[40-50]%	[…]	[40-50]%
Combined	*[…]*	*[60-70]%*	*[…]*	*[60-70]%*	*[…]*	*[60-70]%*
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Piaggio	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(469) The Proposed Transaction constitutes the merger to the two largest players in Small LCVs in Italy. In 2019, the Parties' combined share was [60-70]%. Both Parties' shares have remained stable over the last three years. The Proposed Transaction will eliminate PSA's and FCA's largest competitor in terms of market share. After the Proposed Transaction, the merged entity's market share will be more than four times the share of the next competitor (RNM, [10-20]%), and more than nine times the share of the third (Ford, [5-10]%). Besides RNM, no other competitor will have shares higher than 10% and only three competitors will have shares higher than [5-10]% (two of which, Ford and VW, only slightly). The Parties would be twice as large as their four largest competitors combined.

(470) The Parties' market position has remained strong over the last ten years, although FCA's share has reduced from [50-60]% in 2010 to [40-50]% in 2019. Similarly, PSA's share has slightly reduced from [20-30]% in 2010 to [20-30]% in 2019.[424]

6.2.3.17.2. Closeness of competition

(471) In Section 6.2.3.2, the Commission has analysed the hesitation data, internal documents and responses of the market investigation at EEA-level, which show that in general FCA and PSA can be considered particularly close competitors in respect of Small LCVs, although this varies country-by-country.

(472) The country-specific evidence collected during the in-depth investigation (responses to the market investigation, hesitation data, price information, internal documents) overall show that PSA and FCA are particularly close competitors, if not each other's closest competitors, in the Small LCV market in Italy.

(473) First, in its market investigation the Commission asked market participants to give their perception of closeness of competition of the different brands present in the Small LCV market in Italy.[425] According to the responses received,[426] market players

424 See Parties' response to RFI 44, Question 3.

425 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

perceive PSA's brands as the second (Peugeot), third (Citroën) and fifth (Opel) closest to Fiat (Renault being the closest and Ford the fourth), whereas for PSA's brands Fiat is always considered the second closest after Renault. This analysis is carried out at brand level, although closeness of competition should be assessed at OEM level. Therefore, although Renault is perceived as closest brand to Fiat, the aggregate constraint imposed by PSA's brands on FCA is particularly strong.[427]

(474) Second, the diversion ratios calculated on the basis of the hesitation data provided by the Parties,[428] which appropriately amalgamates all PSA brands, show that in Italy the Parties compete as closely as their very high market shares suggest, with an implied combined share equal to the actual combined share of [60-70]%. Being the two largest players in terms of markets shares, that means that they compete more intensely than any other two players in the market. Put differently, the implied combined market share indicates that the diversion between PSA and FCA occurs in exact proportion to their market shares. Therefore, PSA is the competitor to which the highest proportion of FCA customers would turn to as an alternative in Italy and vice versa in Small LCVs.

(475) The actual diversion ratios confirm this:[429]

– From FCA's point of view: PSA is the closest competitor, with a diversion ratio of [30-40]% from FCA towards PSA, which is in line with its diversion ratio implied by actual market share ([30-40]% vs [30-40]%), suggesting that PSA indeed imposes a very strong constraint on FCA, and stronger than any other competitor. RNM's diversion ratio is also in line with its diversion ratio implied by actual market shares ([20-30]%), while Ford and VW seem to exert a constraint slightly higher than what their diversion ratios implied by actual market shares suggest ([10-20]% vs [10-20]% for Ford, and [10-20]% vs [10-20]% for VW). PSA is therefore FCA's closest competitor, significantly closer than RNM and more than twice as strong a constraint as Ford and VW.

– From PSA's point of view: FCA is also the closest competitor, with a diversion ratio of [50-60]% from PSA towards FCA, which is in line with its diversion ratio implied by actual market shares ([50-60]% vs [50-60]%), suggesting that FCA indeed imposes a very strong constraint on PSA, and stronger than any other competitor. The diversion ratios to RNM and VW ([20-30]% and [5-10]% respectively) are also in line with the diversion ratios implied by their actual market shares, while Ford seems to exert a constraint higher than what its market share would suggest ([10-20]% vs [5-10]%). FCA is therefore PSA's closest competitor, exerting more of a constraint on PSA than RNM, VW and Ford together.

(476) In summary, the hesitation data shows that both PSA and FCA exert a particularly significant constraint on each other in Italy for Small LCVs.

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426 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers.

427 A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

428 See LCV Economic Annex, Table 4.

429 Commission analysis based on Parties' NVBS hesitation data. See LCV Economic Annex, Section 4.1.

(477) Fourth, the list prices provided by the Parties for Italy show that the Parties' models are priced at a similar level, slightly above RNM and Ford and significantly below VW.[430]

(478) Fifth, the end prices collected by FCA in the […] show that Fiat's closest brands in terms of end prices are Ford and VW and the third closest would be Citroën. As regards Citroën, Fiat would be the third closest after Ford and Renault, whereas for Opel and Peugeot, Fiat would only be the fourth closest and Renault and Ford would be first and second.

(479) Sixth, […].[431] […].[432]

(480) In conclusion, the Commission concludes that the Parties are particularly close competitors, if not the closest, since in at least three of the parameters used to measure closeness the Parties rank among the closest two competitors to each other: (i) actual diversion and implied combined rate shows that they are each other's closest competitor, and (ii) in the responses to the market investigation Fiat ranks second to each of PSA's brands and PSA's brands are the second and third closest to Fiat. The internal documents also evidence that the two pay particularly close attention to each other in Small LCVs in Italy. The fact that FCA prices its vehicles slightly higher than the other brands in Italy (except VW) only reflects the higher market power that results from its home advantage, but overall the rest of the closeness data and the market shares clearly indicate that the Parties are particularly close, if not each other's closest competitors and, in particular, that PSA is one of FCA's main, if not the most important, competitive constraint in this market.

(481) Therefore, the effect of the Proposed Transaction is to eliminate one of FCA's main, if not the main, constraint in this market.

6.2.3.17.3. Other considerations

(482) The competition concerns that arise from the very high combined market shares, the large gap with any other competitors, and the fact that the Parties are particularly close, if not each other's closest competitors, are to some extent alleviated by the following factors: (i) according to the Harbour data, there is spare capacity in the market, (ii) other market players – RNM, Ford, VW and Daimler – are large, strong and well known global brands, have large dealer and service networks in Italy[433] and spare capacity, (iii) larger customers appear to have bargaining power, and (iv) the Parties argue that the merger may create some efficiencies.[434]

(483) However, the Commission has serious doubts that these factors are sufficient to entirely remove its concerns.

(484) First, as explained in Section 6.2.2.1, the Commission considers that spare capacity alone is not sufficient to constrain the merged entity post-merger in a differentiated product market. In fact, RNM's and other OEM's spare capacity has not prevented FCA from pricing its products above other close competitors in the market. The Proposed Transaction, if anything, would increase FCA's ability to price its products

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430 See LCV Economic Annex.

431 PSA Presentation, 06.12.2017, 2260-58024.

432 Form CO, Annex PSA 284.

433 The brand Renault has in Italy 181 points of sale and Volkswagen and Ford 191. This amount is comparable to the network of Citroën, Opel or Peugeot (155, 205 and 175, respectively) or the number of dealers of the brand Fiat (189) (see Parties' reply to RFI 38 of 31 August 2020).

434 See LCV Economic Annex, Section 6.

even higher, as it would eliminate the main competitive constraint that disciplined FCA's market behaviour pre-merger. The Parties' combined high market share of [60-70]%, coupled with the incomparably wide portfolio of brands and models that they will have in this market – with five different models and four brands – and the ability to price discriminate between them would allow the combined entity to increase the prices of some or all of its brands profitably regardless of the behaviour of RNM or other competitors. For instance, the merged entity could raise prices on FCA customers as PSA is FCA's closest competitor. It is true that in case the Parties decide to raise prices, customers could switch to RNM, which is also a close competitor which, according to the Harbour data, has spare capacity. However, considering the Parties' very large combined market share, that the market share increment brought about by the Proposed Transaction is large ([20-30]%) and that the Parties are particularly close competitors, if not the closest, in this market, the Commission considers that the Proposed Transaction would put significant upward pressure on prices. If the Parties raise their prices, this will also reduce the competitive pressure on the remaining competitors in the market.

(485) This is true despite the behaviour of other relatively close competitors with spare capacity, such as RNM, which is discussed in Section 6.2.3.1.

(486) Second, whilst the fact that other competitors such as Ford, VW, Piaggio or Daimler seem to have spare capacity according to the Harbour data provided and strong dealer networks in Italy, suggests that they are theoretically capable of growing in the market, in differentiated product markets demand is unlikely to shift to other competitors in case of a price increase by the Parties unless that competitor is viewed as a sufficiently close alternative to the merged entity. In this case, the Commission doubts that these OEMs will have the ability by themselves to exert a sufficient constraint to the Parties post-merger in Italy, as they compete even less closely with the Parties, which means that the amount of customers that would switch to any of them in case the Parties were to increase prices post-merger would be considerably more limited. Whilst the competitors' aggregate market share in Italy is lower than their EEA-wide aggregate market share (in aggregate competitors represent [30-40]% of the market in Italy compared to [50-60]% at EEA-wide level),[435] out-of-market constraints cannot be sufficient to remove serious doubts in any Small LCV market as the Parties' combined share, even at EEA level, remains high at [40-50]%.[436]

(487) Third, it is true that customers who purchase their LCV fleet via tenders seem to enjoy a certain degree of bargaining power, which is reflected in the form of […] discounts,[437] these customers represent only a relatively limited portion of the Small LCV market in Italy.[438] This means that, even were the Commission to accept (*quod*

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435 RNM's EEA-wide share is [20-30]% v its Italian share of [10-20]%; Volkswagen is at [10-20]% EEA-wide and [5-10]% in Italy; Ford is at [10-20]% EEA-wide and [5-10]% in Italy; Daimler is at [0-5]% EEA-wide and [0-5]% in Italy.

436 Therefore, even if national shares converged towards their EEA levels in future (at least directionally), the Parties' combined shares would still remain above [40-50]%. This is a key difference compared to the Medium and Large LCV markets.

437 See Section 6.2.2.2.

438 In particular, the proportion of PSA's sales to customers that place individual orders of more than 10 vehicles in the Small LCV market in Italy is only […], and only […] of sales is represented by customers that place individual orders of more than 100. In the case of FCA, the percentage of sales to customers that purchase more than 100 vehicles per annum is […] (see Parties' reply to RFI 42 of 8 September 2020, question 1). However, the Commission notes that FCA's higher percentage does not

non) that these customers' bargaining power was sufficient to offset the increased market power that the combined entity would acquire as a result of the Proposed Transaction, that bargaining power would not benefit a significant portion of the market towards which the merged entity would still be able to raise prices.[439]

(488) Fourth, as discussed in Section 6.2.2.3, there are relatively high barriers to entry to the Small LCV markets, which will render unlikely that any new entrants will be able to compete with merged entity at large scale in the short- to medium term.

(489) Fifth, pursuant to paragraph 17 of the Horizontal Merger Guidelines, market shares above 50% may in themselves be indicative of dominance.

(490) Finally, the Commission notes that absent efficiencies, the Transaction can be expected to lead to significant upward pricing pressure of [5-10]% (in terms of CMCR). Even under the most favourable assumptions on efficiencies, the Transaction would still be expected to lead to positive net price pressure (of [5-10]%).[440]

6.2.3.17.4. Conclusion

(491) Despite the alleviating factors mentioned in recital (482), the Commission considers that given (i) the Parties' very high combined market share, well above 50%, which has been maintained during the last decade, (ii) the large increment, (iii) the large gap to all other competitors in the market, (iv) the fact that FCA's share has not been eroded over the last five years even if it prices its models above most other OEMs, (v) that the Proposed Transaction will eliminate the Parties' and, in particular, FCA's main competitive constraint on the market, (vi) that the remaining competitors alone do not, for the reasons explained in recitals (485) and (486) above, appear to impose a sufficient constraint, and (vii) that new entries in the short- to medium-term are unlikely, the Proposed Transaction raises serious doubts as to its compatibility with the internal market in the market for Small LCVs in Italy, since it is likely to significantly impede effective competition in that market, either through the creation of a dominant position or through the elimination of important competitive constraints that the Parties exerted upon each other and a reduction of competitive pressure on the remaining competitors.

6.2.3.18. Latvia

(492) Table 28 shows the Parties' and competitors' sales volumes and market shares for the last three years in the small LCV market in Latvia.

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reflect the distribution of sales *according to the size of individual orders* but according to the total volumes purchased *per annum*, i.e. that figure may also include customers that place numerous small orders which are unlikely to benefit from the same discounts that OEMs offer in large tenders.

439 Given the presence of price discrimination, the large customers' buyer power and ability to play suppliers against each other does not protect smaller customers from price increases. See Horizontal Merger Guidelines, paragraph 67.

440 CMCRs are a directional measure of anti-competitive effects, which reflects the upward pricing pressure caused by a merger. In other words, CMCRs are a measure of the strength of post-merger incentives to raise prices. The exact price effect that will be caused by a merger depends on the extent to which this upward pricing pressure is passed-through into final prices. Under the assumption of a pass-through rate of one, CMCRs can therefore also be used as a measure of potential price effects. See Economic Annex, Sections 5 and 6.

Table 28: Latvia – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[40-50]%	[…]	[40-50]%	[…]	[40-50]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(493) The Proposed Transaction leads to the merger of the largest and fourth largest players in Small LCVs in Latvia. The Parties' combined market share was [50-60]% in 2019. PSA was market leader in 2019, with almost [30-40] points difference with its immediate competitors (RNM). FCA has been traditionally a relatively small player in the Small LCV market in Latvia, with [0-5]-[5-10]% share over the last years.[441]

(494) The Commission considers that, in view of FCA's marginal position, with less than […] units sold per year and a small increment of [5-10]%, the competitive structure of the market will remain essentially unaffected by the Proposed Transaction and PSA will be subject to the same competitive constraints as per-merger. In fact, taking into account the small size of the market, only a few large orders to one or more competing OEMs would be more than sufficient to compensate the market share increase brought by FCA.

(495) In any case, the Commission considers that in very small markets like the one at hand, where the total market size is just above […] vehicles, market shares are not necessarily a reliable indicator of the market strength of a player, as only one or a few large orders would be sufficient to alter substantially the market share of that competitor in a given year, as it can be seen from the fact that the sale of […] vehicles can give a competitor a [5-10]% market share. In conclusion, given the small increment the fact that the increment equates to […] vehicles and the existence of two strong competitors (RNM and VW), the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Small LCV market in Latvia.

6.2.3.19. Lithuania

6.2.3.19.1. Supply structure

(496) Table 29 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Lithuania.

441 In the last decade FCA's market share has only exceeded [5-10]% in three years, 2011, 2012 and 2014.

Table 29: Lithuania – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[10-20]%
FCA	[…]	[0-5]%	[…]	[5-10]%	[…]	[50-60]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*	*[…]*	*[60-70]%*
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
RNM	[…]	[30-40]%	[…]	[20-30]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(497) The Proposed Transaction leads to the merger to the largest and third largest players in Small LCVs in Lithuania. The Parties' market share was [60-70]% in 2019, [40-50]% in 2018 and [30-40]% in 2017. PSA's share decreased from [30-40]% in 2017 to [10-20]% in 2019, i.e. [20-30] points. In the same period FCA went from a [0-5]% share to [50-60]%, i.e. an increase of [50-60] points in only two years. In the longer period, the volatility has been identical: FCA had a [20-30]% share in 2015 and decreased to [5-10]% in 2017. In the same year, PSA doubled from [10-20]% to [30-40]%. Despite these variations, the Parties' combined share has exceeded 50% in five of the last ten years and it has always been above 40% except three years in which it remained only slightly below ([30-40]% in two years and [30-40] in one). The average of the Parties' combined shares in the last decade is [40-50]%.[442]

(498) Competitors' market shares have also shown high volatility: VW increased its share from [20-30]% in 2017 to [20-30]% in 2018 but then reduced it again down to [10-20]% in 2019. RNM shrunk from [30-40]% in 2017 to [10-20]% in 2019. Ford also saw its market share decrease from [10-20]% to [0-5]% in only two years.

(499) The Commission notes that overall the market has tripled from […] vehicles to 1,644 vehicles in three years. The vast majority of this growth has been captured by FCA, making it particularly strong in Lithuania.

(500) Post-merger the combined market share of the merged entity would be more than three times that of the largest competitor, being almost 50 points higher than VW and more than 55 higher than RNM. In the previous two years, the gap with its immediate competitor has always been higher than 15 points.

6.2.3.19.2. Closeness of competition

(501) In Section 6.2.3.2 the Commission has analysed the hesitation data, internal documents and responses of the market investigation at EEA-level, which show that in general FCA and PSA can be considered at least close competitors in respect of Small LCVs, although the degree of closeness varies country by country.

(502) According to the country-specific responses to the market investigation,[443] market participants perceive PSA's brands as the second (Citroën), third (Peugeot) and sixth

442 See Parties' response to RFI 44, Question 3.

443 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission

(Opel) closest to Fiat (Renault being the closest and Ford the fourth), whereas for PSA's brands Fiat is perceived as the third (for Citroën, after Renault and Ford, and for Opel, after Ford and Renault) and the fourth (for Peugeot, after Renault, Ford and Volkswagen).[444] This suggests that market participants perceive PSA as a particularly close competitor to FCA together with Renault but not necessarily vice versa.

(503) In conclusion, taking into account the responses to the market investigation, PSA could as a whole be seen as a particularly close competitor to FCA (first or second closest). The merger would therefore remove one of the market leader's (FCA) strongest challengers (PSA) in the Small LCV market in Lithuania.

(504) The effect of the Proposed Transaction would therefore be the removal of one of the two particular close competitors that the market leader (FCA) currently has in the market.

6.2.3.19.3. Other considerations

(505) The competition concerns arising from the high combined market shares maintained over time, the large gap with the next competitors and the particular closeness between the Parties are to some extent alleviated by the following factors: (i) the high volatility of the market shares in the market; (ii) according to the Harbour data, there is spare capacity in the market, (iii) the remaining players – RNM, VW – are large, strong and well known global brands, have large dealer and service networks in Lithuania[445] and spare capacity, (iv) larger customers in LCV markets appear to have some degree of bargaining power, and (v) the Parties argue that the merger may create some efficiencies.

(506) However, the Commission has serious doubts that these factors are entirely sufficient to remove entirely its concerns.

(507) First, as regards the volatility of the shares, which could be due to the relatively small size of the market, the Commission observes that even though the Parties' shares do fluctuate considerably, there are other elements that suggest that they enjoy at least a certain market power in the Small LCV market in Lithuania. In the first place, their combined share does so to a much lesser extent and it has been invariably high. In fact, as indicated in recital (497), the Parties' combined share has exceeded 50% in five of the last ten years and it has always been around or above 40% in the last decade. Therefore, the high volatility does not seem to have a specific impact in the Parties' combined market power. In the second place, the Parties' market shares at EEA-level are also relatively high, which suggest that (i) out-of-market constraint are in any case not significant and that (ii) even if national shares were to converge towards their EEA levels, the Parties' combined shares would still remain above [40-50]%. In the third place, a majority of the market participants what expressed an

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considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

444 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

445 The brand Renault has in Lithuania 6 points of sale, Volkswagen 7 and Ford 5. This amount is comparable to the network of Citroën, Opel or Peugeot (9, 6 and 4, respectively) or the number of sites of the brand Fiat 3 (see Parties' reply to RFI 38 of 31 August 2020).

opinion on the Lithuanian market considered that the merged entity would have the ability to increase prices post-merger.[446]

(508) Second, as explained in Section 6.2.2.1, the Commission considers that spare capacity alone is not sufficient to fully constrain the merged entity post-merger in a differentiated product market. The Proposed Transaction would increase the Parties' ability to price their products higher, as it would eliminate one of the main competitive constraints that disciplined their market behaviour pre-merger. In fact, the Parties very high combined share coupled with the incomparably wide portfolio of brands and models that they will have in this market – with five different models and four brands differently positioned – and the ability to price discriminate between them would allow the combined entity to increase the prices of some or all of its brands profitably regardless of the behaviour of VW, RNM or other competitors. For instance, the merged entity could profitably raise prices on FCA customers as PSA (in particular the Citroën and Peugeot brands) is a particular close competitors of FCA and thus one of its main constraints. It is true that in case the Parties decide to raise prices, customers could switch to RNM, which is also a particularly close competitor which, according to the Harbour data, has spare capacity. However, considering the Parties' very high combined market share, that the market share increment brought about by the Proposed Transaction is relatively large and that the Parties are particularly close competitors in this market, the Commission considers that the transaction would put significant upward pressure on prices. If the Parties raise their prices, this will also reduce the competitive pressure on the remaining competitors in the market.

(509) This is true despite of the behaviour of the other relatively close competitor with spare capacity, RNM, which is discussed in Section 6.2.3.1.

(510) Third, the responses to the market investigation indicate that VW and Ford competes less closely with the Parties than RNM (in addition, Ford sold less than […] units in each of the last two years), which means that the amount of customers that would switch to any of them in case the Parties were to increase prices post-merger would be considerably more limited.

(511) Whilst the competitors' aggregate market share in Lithuania is lower than their EEA-wide aggregate market share (in aggregate competitors represent [30-40]% of the market in Lithuania compared to [50-60]% at EEA-wide level),[447] out-of-market constraints cannot be sufficient to remove serious doubts in any Small LCV market as the Parties' combined share, even at EEA level, remains high at [40-50]%.[448]

(512) Fourth, whilst it is true that customers that purchase their LCV fleet via tenders seem to enjoy a certain degree of bargaining power, which is reflected in the form of […] discounts,[449] these customers represent only a relatively limited portion of the Small

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446 See replies to question 41 of Questionnaire to 13 corporate customers, and question 56 of Questionnaire 10 to importers.

447 RNM's EEA-wide share is [20-30]% v its Lithuanian share of [10-20]%; VW is at [10-20]% EEA-wide and [10-20]% in Lithuania; Ford is at [10-20]% EEA-wide and [0-5]% in Lithuania; Daimler is at [0-5]% EEA-wide and has essentially […] in Lithuania.

448 Therefore, even if national shares converged towards their EEA levels in future (at least directionally), the Parties' combined shares would still remain above [40-50]%. This is a key difference compared to the Medium and Large LCV markets.

449 See Section 6.2.2.2.

LCV market in Lithuania.[450] This means that, even if the Commission were to accept (*quod non*) that these customers' bargaining power was sufficient to offset the increased market power that the combined entity would acquire as a result of the Proposed Transaction, that bargaining power would not benefit a significant portion of the market towards which the merged entity would still be able to raise prices.

(513) Fifth, as discussed in Section 6.2.2.3, there are relatively high barriers to entry to the Small LCV markets, which will render unlikely that any new entrants will be able to compete with merged entity at large scale in the short- to medium term.

(514) Sixth, pursuant to paragraph 17 of the Horizontal Merger Guidelines, market shares above 50% may in themselves be indicative of dominance.

(515) Finally, the Commission notes that absent efficiencies, the Transaction can be expected to lead to significant upward pricing pressure of [0-5]% (in terms of CMCR). Even under the most favourable assumptions on efficiencies, the Transaction would still be expected to lead to positive net price pressure (of [0-5]%).[451]

6.2.3.19.4. Conclusion

(516) Despite the alleviating factors mentioned in recital (505), the Commission considers that given (i) the Parties' very high combined market share, well above 50% and even close to [70-80]%, which has been maintained in the last years, (ii) the considerable market share increment ([10-12]%), (iii) the gap of [50-60] percentage points in market share with its immediate competitors in the last year and of [10-20] points or more in the previous years, (iv) that the Proposed Transaction will eliminate one of the two particular close competitors that the market leader (FCA) currently has in the market., (v) that the remaining competitors alone do not, for the reasons explained in recitals (510) and (511) above, appear to impose a sufficient constraint, and (vii) that new entries in the short- to medium-term are unlikely, the Proposed Transaction raises serious doubts as to its compatibility with the internal market in the Small LCV market in Lithuania as it is likely to significantly impede effective competition in that market, either through the creation of a dominant position or through the elimination of important competitive constraints that the Parties exerted upon each other and a reduction of competitive pressure on the remaining competitors.

6.2.3.20. Luxembourg

(517) Table 30 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Luxembourg.

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450 In particular, the proportion of PSA's sales to customers that place individual orders of more than 10 vehicles in the Small LCV market in Lithuania is only […]% and none of the customers place orders of more than 100 vehicles. In the case of FCA, the percentage of sales to customers that purchase more than 100 vehicles per annum is only […] and more than 10 vehicles only […] (see Parties' reply to RFI 42 of 8 September 2020, question 1). However, the Commission notes that FCAs percentages are not entirely comparable to those of PSA as they do not reflect the distribution of sales according to the size of individual orders but according to the total volumes purchased per annum, i.e. that figure may also include customers that place numerous small orders which are unlikely to benefit from the same discounts that OEMs offer in large tenders. See Horizontal Merger Guidelines, paragraph 67.

451 See LCV Economic Annex, Tables 7 and 13.

Table 30: Luxembourg – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[30-40]%	[…]	[20-30]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(518) The Proposed Transaction leads to the merger to the second and fourth largest players in Small LCVs in Luxembourg. The Parties' combined market share in 2019 was [40-50]%. In the past three years, whilst PSA's market share has remained relatively stable, FCA's market share has decreased slightly from [10-20]% in 2017 to [10-20]% in 2019.

(519) Following the Proposed Transaction, whilst the merged entity would become the largest competitor in terms of market share, it would be followed by two strong competitors, RNM ([30-40]%), and VW ([10-20]%). These two competitors have market shares larger than the increment brought about by the Proposed Transaction. Ford and Daimler are also present in the market with [5-10]% and [0-5]% market shares respectively in 2019. The entity would therefore continue to face competition from four competitors (RNM, VW, Ford and Daimler), two of them with strong market positions in Luxembourg (and stronger than what FCA has).

(520) In any case, the Commission considers that in very small markets like the one at hand, where the total market size is less than […] vehicles, market shares are not necessarily a reliable indicator of the market strength of a player, as only one or a few large orders would be sufficient to alter substantially the market share of that competitor in a given year, as it can be seen from the fact that the sale of less than […] vehicles can give a competitor a [10-20]% market share. In fact, the Commission notes that FCA lost [5-10]% market share selling […] vehicles less than the previous year between 2018 and 2019. RNM, VW and Daimler all gained shares in the same time period.

(521) Some market participants confirmed that the Luxembourg market is competitive and that any post-merger price increase by the Parties would result in a loss of market share.[452]

(522) In terms of closeness of competition, according to the country-specific responses to the market investigation,[453] Citroën, Peugeot and Opel are perceived as the second,

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452 A dealer indicated that the prices are very competitive (see replies to question 37 of Questionnaire 4 to dealers and another one stated as follows: "*Impossibilité d'augmenter les prix sauf à se dépositionner du marché par rapport aux autres marques concurrentes*" (see replies to question 42.1 of Questionnaire 4 to dealers).

third and sixth closest brands to Fiat, Renault being first, whereas Fiat is perceived to be the second closest brand to Citroën (after Renault) and third closest brand to Peugeot and Opel (after Renault and Ford).[454] This suggests that market participants perceive PSA as a particularly close competitor to FCA together with Renault but not necessarily vice versa. The Commission does not have any hesitation or mystery shopping data for Luxembourg.

(523) In conclusion, given the combined market share, which has been decreasing and was below 40% in 2019; the moderate increment resulting from the low market share of FCA, which also is also no particularly close competitor to PSA, and the existence of four competitors, two of which are particularly strong (VW and RNM) and have shares above the increment, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Small LCV market in Luxembourg.

6.2.3.21. Malta

(524) Table 31 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Malta.

Table 31: Malta – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[60-70]%	[…]	[50-60]%	[…]	[70-80]%
FCA	[…]	[10-20]%	[…]	[20-30]%	[…]	[10-20]%
Combined	*[…]*	*[80-90]%*	*[…]*	*[70-80]%*	*[…]*	*[80-90]%*
RNM	[…]	[10-20]%	[…]	[20-30]%	[…]	[10-20]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(525) The Proposed Transaction leads to the merger to the largest and third largest players in Small LCVs in Malta. The Parties' combined market share was [80-90]% in 2019. The market share increment resulting from the Proposed Transaction would be moderate with [10-20]%, and notably this equates to only […] vehicles.

(526) Following the Proposed Transaction, the merged entity would become the largest player, followed by RNM ([10-20]%). The Commission considers that market players like RNM which achieve a lower share in this Member State than at EEA level ([10-20]% vs [20-30]%) have the ability to increase the competitive pressure they currently exert on the Parties. The merged entity would thus continue facing

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453 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

454 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

competition from RNM. Moreover, other OEMs currently without sales in Malta such as Ford, VW, Daimler or Toyota could easily gain market share by selling […] of vehicles. Although they are not currently present in the Small LCV market in Malta, these competitors each have at least one dealer in Malta[455] through which Ford and Daimler already sell Large and Medium LCVs and could also sell and service Small LCVs.

(527) In any case, the Commission considers that in very small markets like the one at hand, where the total market size is less than […] vehicles, market shares are not necessarily a reliable indicator of the market strength of a player, as only one or a few large orders would be sufficient to alter substantially the market share of that competitor in a given year, as it can be seen from the abrupt increase in the market share of PSA from 2018 to 2019 and the decrease by FCA and RNM in the same year.

(528) In conclusion, given the fact that the moderate increment of [10-20]% which equates to only […] vehicles, and the existence of a strong competitor (RNM) with even higher market shares at EEA level which could increase its competitive pressure in a very small overall market through the sales of relatively few vehicles, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Small LCV market in Malta.

6.2.3.22. Netherlands

(529) Table 32 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in the Netherlands.

Table 32: Netherlands - Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(530) The Proposed Transaction leads to the merger to the two largest players in Small LCVs in the Netherlands. The Parties' combined market share in 2019 was [30-40]%. In the last five years, the Parties' combined share has been relatively stable and always below 40%.[456]

(531) The increment brought by the Proposed Transaction is small, and lower than the market share of the three largest competitors of the Parties. The Parties will still face

455 See Parties' reply to RFI 38 of 31 August 2020. […].
456 See Parties' response to RFI 44, Question 3.

competition from VW, with [20-30]% of the market, and other two close competitors (RNM and Ford) that will jointly hold another [30-40]%. All those competitors are strong OEMs with reputed brands in the LCV markets in the EEA and overall the Harbour data suggests that there is spare capacity in the market. In those circumstances the Commission considers that, the combined entity would continue facing after the Proposed Transaction significant competitive constraints from other competitors.

(532) In conclusion, given that the Parties' moderate combined shares, which have remained consistently below 40% in the last five years, the small market share increment, and the existence of several strong competitors, three of which have market shares larger than the increment, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Small LCV market in the Netherlands.

6.2.3.23. Norway

(533) Table 33 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Norway.

Table 33: Norway – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
VW	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
RNM	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(534) The Proposed Transaction leads to the merger of the largest and sixth largest players in Small LCVs in Norway. The Parties' combined market share in 2019 was [30-40]%. Although PSA has significantly increased its market share in the last three years (from [20-30]% in 2017 to [30-40]% in 2019), FCA`s presence has been negligible and declining in a growing market. Its [0-5]% market share equated to less than […] units sold.[457]

(535) The merged entity would face strong competition from four competitors, in particular VW whose [30-40]% share is almost equal to that of the merged entity, as well as from Ford, RNM and Daimler. All are strong OEMs with reputed brands in the LCV markers in the EEA. Additionally, there is spare capacity in the market.

(536) In conclusion, given that the combined market share remains moderate, that the share increment is negligible ([0-5]% of the market, i.e. less than […] units in 2019), the presence of four competitors with spare capacity and the lack of any Norway-specific

457 In the last five years, the maximum market share achieved by FCA was […]% in 2015 (see Parties' response to RFI 44, Question 3).

concerns raised by market participants, the Commission considers that the Proposed Transaction will not significantly impede effective competition in the Small LCV market in Norway.

6.2.3.24. Poland

6.2.3.24.1. Supply structure

(537) Table 34 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Poland.

Table 34: Poland – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
Combined	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(538) The Proposed Transaction leads to the merger to the two largest players in Small LCVs in Poland. The Parties' combined market share was [50-60]% in 2019. PSA's share decreased from [30-40]% in 2017 to [20-30]% in 2019. In the same period, FCA's share grew from [20-30]% to [30-40]%. All other competitors lost market share. The Proposed Transaction will eliminate FCA's largest competitor in terms of market share. After the Proposed Transaction, the merged entity's market share will be more than three times the share of the next competitors' (RNM, [10-20]% and Ford, [10-20]%), and more than eight times the share of the fourth (Volkswagen, [5-10]%). No other competitor will have shares higher than [5-10]%.

(539) The Parties' market position has remained very strong over the last ten years. Although their combined share was even higher in 2010 ([70-80]%), since 2014 it has remained relatively stable ([50-60]% in 2014, [50-60]% in 2016, [50-60]% in 2017 and 2018). Although PSA's share has decreased in the last years (it was around [50-60]% in 2010-2012, it then decreased to [40-50]% (2013); in 2015 it was [30-40]% and then it decreased gradually until the current [20-30]%),[458] the combined market position of the Parties in the last five years has been stable or slightly increasing.

6.2.3.24.2. Closeness of competition

(540) In Section 6.2.3.2, the Commission has analysed the hesitation data, internal documents and responses of the market investigation at EEA-level, which show that

458 See Parties' response to RFI 44, Question 3.

in general FCA and PSA can be considered at least close competitors in respect of Small LCVs, although the degree of closeness varies country by country.

(541) The country-specific evidence collected during the in-depth investigation (responses to the market investigation and mystery shopping price information, no hesitation data was available) overall show that PSA and FCA are particularly close competitors in the Small LCV market in Poland.

(542) First, in its market investigation the Commission asked market participants to give their perception of closeness of competition of the different brands present in the Small LCV market in Poland.[459] According to the responses received,[460] market players perceive PSA's brands as the first (Peugeot), third (Citroën) and fourth (Opel) closest to Fiat (Renault being the second and Ford the fifth). Therefore, the Proposed Transaction would eliminate the main competitive constraint of the market leader. At the same time, for all PSA's brands Fiat is perceived as the second closest brand (always after Renault).

(543) Second, the end prices collected by FCA in the […][461] show that in Poland FCA models are priced somewhat higher than PSA models. Fiat's closest competitors are Renault (cheaper) and Ford (more expensive). Peugeot and Citroën are priced at a similar level to each other, with Opel slightly more expensive. Renault appears to be the closest brand to all of them. When taking into account financed prices, Opel and Fiat appear to be each other's closest competitor, whereas Renault remains the closest brand to Citroën and Peugeot.[462] In short, for Fiat, Renault is the closest, Ford the second and Opel the third closest, except for financed prices when Opel is the closest. For Peugeot, Citroën and Opel, Renault is always the closest and Fiat is the second closest (except for financed prices when FCA is the closest to Opel).

(544) In conclusion, market respondents perceive PSA as the closest competitor to FCA (Renault being second) and FCA as the second closest to PSA (after Renault). The price information shows Renault as the closest to the Parties although in terms of financed price Fiat and Opel are the closest. In view of this evidence, the Commission concludes that PSA and FCA may be considered particularly close competitors, together with Renault, in the Small LCV market in Poland.

6.2.3.24.3. Other considerations

(545) The competition concerns that arise from the very high combined market shares, the large gap with any other competitors, and the fact that the Parties are particularly competitors are to some extent alleviated by the following factors: (i) according to the Harbour data, there is spare capacity in the market, (ii) other market players – RNM, Ford, VW and Daimler – are large, strong and have well known global brands,

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459 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

460 Replies to question 30 of the questionnaire to dealers, question 29 of the questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers.

461 See LCV Economic Annex, Section 4.3.2.

462 See LCV Economic Annex, Section 4.3.2.

have large dealer and service networks in Poland[463] and spare capacity, (iii) larger customers appear to have bargaining power, and (iv) the Parties argue that the merger may create some efficiencies.[464]

(546) However, the Commission has serious doubts that these factors are entirely sufficient to remove entirely its concerns.

(547) First, as explained in Section 6.2.2.1, the Commission considers that spare capacity alone is not sufficient to constrain the merged entity post-merger in a differentiated product market. The Proposed Transaction would increase the Parties' ability to price their products higher, as it would eliminate one of the main competitive constraints that disciplined their market behaviour pre-merger. In fact, the Parties' very high combined shares coupled with their incomparably wide portfolio of brands and models that the Parties will have in this market – with five different models and four brands – and the ability to price discriminate between them would allow the combined entity to increase the prices of some or all of its brands profitably regardless of the behaviour of RNM or Ford or other competitors. For instance, the merged entity could profitably raise prices on FCA customers as PSA (in particular, Peugeot) is FCA's closest competitor according to market participants. In addition, it could profitably raise prices on Opel (which, although the smallest of the three PSA brands nevertheless represents [5-10]% of the Polish Small LCV market), as Fiat appears to be particularly close to this brand in terms of price financed. It could also raise prices in several or all of PSA's brands, as Fiat is perceived as the second closest competitor to all of them. It is true that in case the Parties decide to raise prices, customers could switch to RNM, which is also a particularly close competitor which, according to the Harbour data, has spare capacity. However, considering the Parties' very large combined market share, that the market share increment brought about by the Proposed Transaction is large ([20-30]%) and that the Parties are particularly close competitors in this market, the Commission considers that the Proposed Transaction would put significant upward pressure on prices. If the Parties raise their prices, this will also reduce the competitive pressure on the remaining competitors in the market.

(548) This is true despite the behaviour of other particularly close competitors with spare capacity, such as RNM, which is addressed in Section 6.2.3.1.

(549) Second, whilst the presence of other competitors such as Ford, VW or Daimler which seem to have spare capacity according to Harbour data and with strong dealer networks in Poland, suggests that they are theoretically capable of growing in the market, in differentiated product markets demand is unlikely to shift to other competitors in case of a price increase by the Parties unless that competitor is viewed as a sufficiently close alternative to the merged entity. In this case, the Commission doubts that these OEMs will have the ability by themselves to exert a sufficient constraint to the Parties post-merger in Poland, as they appear to compete less closely with the Parties, which means that the amount of customers that would switch to any of them in case the Parties were to increase prices post-merger would be considerably more limited. Whilst the competitors' aggregate market share in Poland is lower than their EEA-wide aggregate market share (in aggregate

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463 The brand Renault has in Poland 67 points of sale, Volkswagen 66 and Ford 60. This amount is comparable to the network of Citroën, Opel or Peugeot (15, 90 and 48, respectively) or the number of dealers of the brand Fiat (59) (see Parties' reply to RFI 38 of 31 August 2020).

464 See LCV Economic Annex, Section 6.

competitors represent [40-50]% of the market in Poland compared to [50-60]% at EEA-wide level),[465] out-of-market constraints cannot be sufficient to remove serious doubts in any Small LCV market as the Parties' combined share, even at EEA level, remains high at [40-50]%.[466]

(550) Third, it is true that customers who purchase their LCV fleet via tenders seem to enjoy a certain degree of bargaining power, which is reflected in the form of […] discounts,[467] these customers represent only a relatively limited portion of the Small LCV market in Poland.[468] This means that, even were the Commission to accept (*quod non*) that these customers' bargaining power was sufficient to offset the increased market power that the combined entity would acquire as a result of the Proposed Transaction, that bargaining power would not benefit a significant portion of the market towards which the merged entity would still be able to raise prices.[469]

(551) Fourth, as discussed in Section 6.2.2.3, there are relatively high barriers to entry to the Small LCV markets, which will render unlikely that any new entrants will be able to compete with merged entity at large scale in the short to medium term.

(552) Fifth, pursuant to paragraph 17 of the Horizontal Merger Guidelines, market shares above 50% may in themselves be indicative of dominance.

(553) Finally, the Commission notes that absent efficiencies, the Proposed Transaction can be expected to lead to significant upward pricing pressure of [5-10]% (in terms of CMCR). Even under the most favourable assumptions on efficiencies, the Proposed Transaction would still be expected to lead to positive net price pressure (of [0-5]%).[470]

6.2.3.24.4. Conclusion

(554) Despite the alleviating factors mentioned in recital (545), the Commission considers that given (i) the Parties' very high combined market share, which has been maintained in the last years consistently above 50%, (ii) the large increment, (iii) the gap of [40-50] percentage points in market share with the next largest competitor, (iv) the fact that the Parties are particularly close competitors, (v) that the remaining competitors alone do not, for the reasons explained in recitals (548) and (549) above appear to impose a sufficient constraint, and (vi) that new entries in the short- to medium-term are unlikely, the Proposed Transaction raises serious doubts as to its

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465 RNM's EEA-wide share is [20-30]% v its Polish share of [10-20]%; Volkswagen is at [10-20]% EEA-wide and [5-10]% in Poland; Ford is at [10-20]% EEA-wide and [10-20]% in Poland; Daimler is at [0-5]% EEA-wide and [0-5]% in Poland.

466 Therefore, even if national shares converged towards their EEA levels in future (at least directionally), the Parties' combined shares would still remain above [40-50]%. This is a key difference compared to the Medium and Large LCV markets.

467 See Section 6.2.2.2.

468 In particular, the proportion of PSA's sales to customers that place individual orders of more than 10 vehicles in the Small LCV market in Poland is only […], and none place individual orders of more than 100. In the case of FCA, the percentage of sales to customers that purchase more than 100 vehicles per annum is […] (see Parties' reply to RFI 42 of 8 September 2020, question 1). However, the Commission notes that FCA's higher percentage does not reflect the distribution of sales *according to the size of individual orders* but according to the total volumes purchased *per annum*, i.e. that figure may also include customers that place numerous small orders which are unlikely to benefit from the same discounts that OEMs offer in large tenders.

469 Given the presence of price discrimination, the large customers' buyer power and ability to play suppliers against each other does not protect smaller customers from price increases. See Horizontal Merger Guidelines, paragraph 67.

470 See LCV Economic Annex, Tables 7 and 13.

compatibility with the internal market in the Small LCV market in Poland as it is likely to significantly impede effective competition in that market, either through the creation of a dominant position or through the elimination of important competitive constraints that the Parties exerted upon each other and a reduction of competitive pressure on the remaining competitors.

6.2.3.25. Portugal

6.2.3.25.1. Supply structure

(555) Table 35 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Portugal.

Table 35: Portugal - Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[50-60]%	[…]	[50-60]%	[…]	[50-60]%
FCA	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[60-70]%*	*[…]*	*[60-70]%*	*[…]*	*[60-70]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
VW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(556) The Proposed Transaction leads to the merger of the largest and third largest Small LCV players in Portugal. The Parties' combined market share in 2019 was [60-70]%, increasing from [60-70]% in 2017. PSA was market leader in 2019, with a [20-30] point difference over the next player, RNM, and its market position has remained stable during the last three years. FCA is the third largest player in the market and grew from [5-10]% to [10-20]% from 2017 to 2019. In the last five years, the Parties' combined share has increased from [60-70]% to [60-70]%.[471]

(557) The Proposed Transaction will therefore eliminate the third largest competitor in terms of market share. After the Proposed Transaction, the merged entity's market share will exceed by more than 40 points the share of the next competitor (RNM, [20-30]%), and by more than 60 points the share of the third (Ford, [5-10]%). Besides RNM, no other competitor will have shares higher than 10% and only Ford and RNM will have shares higher than 5% (but Ford's share and absolute volumes have been decreasing).

(558) The Parties' market position has remained strong over the last ten years. PSA's share was [50-60]% in 2010, and over the period it has remained very stable. Similarly, FCA's share has remained relatively stable over the period (in 2010 ([10-20]%), 2015 ([5-10]%) and 2019 ([10-20]%)).[472]

471 See Parties' response to RFI 44, Question 3.
472 See Parties' response to RFI 44, Question 3.

6.2.3.25.2. Closeness of competition

(559) In Section 6.2.3.2, the Commission has analysed the hesitation data, internal documents and responses of the market investigation at EEA-level, which show that in general FCA and PSA can be considered at least close competitors in respect of Small LCVs, although the degree of closeness varies country by country.

(560) The Commission did not have hesitation data or mystery shopping data specifically for Portugal. As such, the only country-specific evidence available to the Commission were responses by market participants to its market investigation and a few internal documents.[473]

(561) The Commission asked market participants to give their perception of closeness of competition of the different brands present in the Small LCV market in Portugal.[474] According to the responses received,[475] Citroën, Peugeot and Opel are perceived as the first (Citroën is as close as Renault), third and fourth closest brands to Fiat (Ford and VW are the fifth and sixth, respectively). For PSA's brands, Fiat is perceived as the second closest brand to Citroën (after Renault), third to Opel (after Renault and Ford) and the fourth closest to Peugeot (after Renault, Ford and VW). However, this analysis is carried out at brand level, although closeness of competition should be assessed at OEM level. While Renault is perceived as close as Citroën to Fiat, the aggregate constraint imposed by PSA's brands on FCA is particularly strong, being the first, third and fourth closest competitors to Fiat.[476]

(562) Therefore, PSA is perceived as a particularly close competitor to Fiat, together with RNM. Although Fiat is Citroën's second closest competitor, given that Citroën represents approximately […] of the overall PSA sales in the Small LCV market in Portugal in 2019 (and [10-20]% in terms of market share) and that Fiat is also the third closest to Peugeot, PSA and FCA can overall be considered particularly close competitors, together with RNM. This perception is in line with the few internal documents related to Portugal that the Commission has analysed which suggest that PSA targets RNM in Portugal, Renault being the closest brand to all three PSA brands. It is also in line with the EEA-wide hesitation data, which suggests that, in Small LCV markets, the Parties compete as closely as their market shares suggest. Considering the very high market shares of the Parties, close to [70-80]%, and taking into account all the other facts, the Commission concludes that the Parties compete particularly closely with each other in Portugal.

6.2.3.25.3. Other considerations

(563) The competition concerns arising from the high combined market shares, the large gap with the next competitors and the particular closeness between the Parties are to some extent alleviated by the following factors: (i) According to the Harbour data, there is spare capacity in the market, (ii) the remaining players (RNM, Ford, Daimler

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473 See, for instance, PSA presentation of 6 December 2017, 2260-58024.

474 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

475 Replies to question 30 of Questionnaire 11 to dealers, question 29 of Questionnaire 12 to leasing companies, question 27 of Questionnaire 13 to corporate customers, and question 28 of Questionnaire 10 to importers.

476 A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

and VW) are large, strong and well known global brands, have large dealer and service networks in Portugal[477] and spare capacity, (iii) larger customers appear to have bargaining power, and (iv) the Parties argue that the merger may create some efficiencies.[478]

(564) However, the Commission has serious doubts that these factors are sufficient to remove its concerns.

(565) First, as explained in Section 6.2.2.1, the Commission considers that spare capacity alone is not sufficient to fully constraint the merged entity post-merger in a differentiated product market. The Proposed Transaction would increase the Parties' ability to price their products higher, as it would eliminate one of the main competitive constraints that disciplined their market behaviour pre-merger. In fact, the very high market shares that the Parties would have post-merger, coupled with their incomparably wide portfolio of brands and models – with five different models and four brands – and the ability to price discriminate between them would allow the combined entity to increase the prices of some or all of its brands profitably regardless of the behaviour of RNM or other competitors. For instance, the merged entity could profitably raise prices on FCA customers as PSA is FCA's closest competitor. In addition, it could profitably raise prices on Citroën, since FCA is Citroën's second closest competitor according to both market shares and the e-Questionnaire replies. It is true that in case the Parties decide to raise prices, customers could switch to RNM, which is also a particular close competitor which, according to the Harbour data, has spare capacity. However, considering the Parties' very large combined market share, that the market share increment brought about by the Proposed Transaction is moderate ([10-20]%) and that the Parties are particularly close competitors, the Commission considers that the Proposed Transaction would put significant upward pressure on prices. If the Parties raise their prices, this will also reduce the competitive pressure on the remaining competitors in the market.

(566) Second, whilst the fact that other competitors such as Ford, Daimler and VW, which according to the Harbour data seem to have spare capacity and strong dealer networks in Portugal suggests that they are theoretically capable of growing in the market, in differentiated product markets demand is unlikely to shift to other competitors in case of a price increase by the Parties unless that competitor is viewed as a sufficiently close alternative to the merged entity. In this case, the Commission doubts that these OEMs will have the ability by themselves to exert a sufficient constraint to the Parties post-merger in Portugal, as they compete less closely with the Parties (although the Commission notes that Ford, in particular, is closer to some of PSA's brands than Fiat), which means that the amount of customers that would switch to any of them in case the Parties were to increase prices post-merger would be considerably more limited. In any case, whilst the Commission considers that all these players will continue to impose a competitive constraint on the merged entity, the Commission considers that this pre-existing constraint is not by itself enough in a situation where the merger removes a particularly close competitor and the combined market share is [60-70]%. Whilst the competitors' aggregate market share in Portugal is lower than their EEA-wide aggregate market share (in aggregate competitors represent [30-40]% of the market in Portugal compared to [50-60]% at

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477 The brand Renault has in Portugal 54 points of sale, Volkswagen 44 and Ford 38. This amount is comparable to the network of Citroën, Opel or Peugeot (50, 50 and 61, respectively) or Fiat (39) (see Parties' reply to RFI 38 of 31 August 2020).

478 See LCV Economic Annex, Section 6.

EEA-wide level),[479] out-of-market constraints cannot be sufficient to remove serious doubts in any Small LCV market as the Parties' combined share, even at EEA level, remains high at [40-50]%.[480]

(567) Third, whilst it is true that customers that purchase their LCV fleet via tenders seem to enjoy a certain degree of bargaining power, which is reflected in the form of […] discounts,[481] these customers represent only a relatively limited portion of the Small LCV market in Portugal.[482] This means that, even were the Commission to accept (*quod non*) that these customers' bargaining power was sufficient to offset the increased market power that the combined entity would acquire as a result of the Proposed Transaction, that bargaining power would not benefit a significant portion of the market towards which the merged entity would still be able to raise prices.[483]

(568) *Fourth*, as discussed in Section 6.2.2.3, there are relatively high barriers to entry to the Small LCV markets, which will render unlikely that any new entrants will be able to compete with merged entity at large scale in the short- to medium-term.

(569) *Fifth*, pursuant to paragraph 17 of the Horizontal Merger Guidelines, market shares above 50% may in themselves be indicative of dominance.

(570) Finally, the Commission notes that absent efficiencies, the Transaction can be expected to lead to significant upward pricing pressure of [0-5]% (in terms of CMCR). Even under the most favourable assumptions on efficiencies, the Transaction would still be expected to lead to positive net price pressure (of [0-5]%).[484]

6.2.3.25.4. Conclusion

(571) Despite the alleviating factors mentioned in recital (563), the Commission considers that given (i) the Parties' very high combined market share, above 65%, which has not been eroded in the last five years , (ii) the considerable market share increment, (iii) the gap of more than 40 and 60 points with the next largest competitors, (iv) the fact that that the Parties are particularly close competitors and, in particular, that Citroën is FCA's closest competitor (together with RNM, but which has a significantly lower market share), (v) that the remaining competitors alone do not, for the reasons explained in recital (566) above, appear to impose a sufficient constraint, and (vi) that new entries in the short- to medium-term are unlikely, the

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479 RNM's EEA-wide share is [20-30]% v its Portugal share of [20-30]%; Volkswagen is at [10-20]% EEA-wide and [0-5]% in Portugal; Ford is at [10-20]% EEA-wide and [5-10]% in Portugal; Daimler is at [0-5]% EEA-wide and [0-5]% in Portugal.

480 Therefore, even if national shares converged towards their EEA levels in future (at least directionally), the Parties' combined shares would still remain above [40-50]%. This is a key difference compared to the Medium and Large LCV markets.

481 See Section 6.2.2.2.

482 In particular, the proportion of PSA's sales to customers that place individual orders of more than 100 vehicles in the Small LCV market in Portugal is only […], whereas in the case of FCA, the percentage of sales to customers that purchase more than 100 vehicles per annum is […] (see Parties' reply to RFI 42 of 8 September 2020, question 1). However, the Commission notes that FCA's percentages are not entirely comparable to those of PSA, as they do not reflect the distribution of sales according to the size of individual orders but according to the total volumes purchased per annum, i.e. that figure may also include customers that place numerous small orders which are unlikely to benefit from the same discounts that OEMs offer in large tenders.

483 Given the presence of price discrimination, the large customers' buyer power and ability to play suppliers against each other does not protect smaller customers from price increases. See Horizontal Merger Guidelines, paragraph 67.

484 See LCV Economic Annex, Tables 7 and 13.

Proposed Transaction raises serious doubts as to its compatibility with the internal market in the Small LCV market in Portugal as it is likely to significantly impede effective competition in that market, either through the creation of a dominant position or through the elimination of important competitive constraints that the Parties exerted upon each other and a reduction of competitive pressure on the remaining competitors.

6.2.3.26. Slovakia

6.2.3.26.1. Supply structure

(572) Table 36 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Slovakia.

Table 36: Slovakia – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[40-50]%	[…]	[20-30]%
FCA	[…]	[40-50]%	[…]	[30-40]%	[…]	[40-50]%
Combined	*[…]*	*[60-70]%*	*[…]*	*[70-80]%*	*[…]*	*[60-70]%*
RNM	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[5-10]%	[…]	[10-20]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Piaggio	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(573) The Proposed Transaction leads to the merger of the largest and third largest Small LCV players in Slovakia. The Parties' combined market share in 2019 was [60-70]%, having decreased from [60-70]% in 2017. FCA was market leader in 2019, with a [20-30] percentage point difference over the next player, RNM, and its market position has remained stable during the last three years (although there was a sharp decrease of [10-20] percentage points in 2018). PSA is the third largest player in the market and its market share decreased from [20-30]% to [20-30]% from 2017 to 2019 (although there was a sharp increase of [10-20] percentage points in 2018). In the last five years, the Parties' combined share has decreased from [60-70]% to [60-70]%.[485]

(574) The Proposed Transaction will therefore eliminate the third largest competitor in terms of market share. After the Proposed Transaction, the merged entity's market share will exceed by more than 40 points the share of the next competitor (RNM, [20-30]%), and by more than 50 points the share of the third (VW, [10-20]%). Besides RNM and VW, no other competitor will have shares higher than 10% and all will, in fact, be below 5% (Daimler, Piaggio and Ford).

485 See Parties' response to RFI 44, Question 3.

(575) The Parties' market position has remained strong over the last ten years, although the Parties' combined share has decreased since 2010 (from [70-80]% to [60-70]%). In 2010 PSA's share was [50-60]%, while FCA's share was [20-30]%.[486]

6.2.3.26.2. Closeness of competition

(576) In Section 6.2.3.2, the Commission has analysed the hesitation data, internal documents and responses of the market investigation at EEA-level, which show that in general FCA and PSA can be considered at least close competitors in respect of Small LCVs, although the degree of closeness varies country by country.

(577) The Commission did not have hesitation data or mystery shopping data specifically for Slovakia. As such, the only country-specific evidence available to the Commission were responses by market participants to its market investigation, which show that PSA and FCA are particularly close competitors in the Small LCV market in Slovakia.

(578) In its market investigation, the Commission asked market participants to give their perception of closeness of competition of the different brands present in the Small LCV market in Slovakia.[487] According to the responses received,[488] Citroën, Peugeot and Opel are perceived as second, third and fourth closest brands to Fiat (Renault is the first, and Ford and VW are the fifth and sixth respectively). However, this analysis is carried out at brand level, although closeness of competition should be assessed at OEM level. Therefore, while Renault is perceived as the closest brand to Fiat, the aggregate constraint imposed by PSA's brands on FCA is particularly strong, being the second, third and fourth closest competitors to Fiat. For each of PSA's brands, Fiat is always perceived as the second closest brand after Renault, while Ford and VW are third and fourth closest in each case.[489]

(579) Therefore, PSA's brands are the closest, together with RNM or closest on an aggregated brand level, to FCA. Also, for PSA's brands Fiat is a very close competitor, ranking always as second closest. PSA and FCA can therefore be considered particularly close competitors, together with RNM. This is also in line with the EEA-wide hesitation data, which suggests that, in Small LCV markets, the Parties compete as closely as their market shares suggest. Considering the very high market shares of the Parties, close to [70-80]%, and taking into account all the other facts, the Commission concludes that the Parties compete particularly closely with each other in Slovakia.

6.2.3.26.3. Other considerations

(580) The competition concerns arising from the high combined market shares, the large gap with the next competitors and the particular closeness between the Parties are to some extent alleviated by the following factors: (i) According to the Harbour data,

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486 See Parties' response to RFI 44, Question 3.

487 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

488 Replies to question 30 of Questionnaire 11 to dealers, question 29 of Questionnaire 12 to leasing companies, question 27 of Questionnaire 13 to corporate customers, and question 28 of Questionnaire 10 to importers.

489 A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

there is spare capacity in the market, (ii) the remaining players (RNM, VW, Daimler, Piaggio and Ford) are large, strong and well known global brands, and have large dealer and service networks in Slovakia[490] and spare capacity, (iii) larger customers appear to have bargaining power, and (iv) the Parties argue that the merger may create some efficiencies.[491]

(581) However, the Commission has serious doubts that these factors are sufficient to remove its concerns.

(582) First, as explained in Section 6.2.2.1, the Commission considers that spare capacity alone is not sufficient to fully constrain the merged entity post-merger in a differentiated product market. The Proposed Transaction would increase the Parties' ability to price their products higher, as it would eliminate one of the main competitive constraints that disciplined their market behaviour pre-merger. In fact, the very high market shares that the Parties would have post-merger, coupled with their incomparably wide portfolio of brands and models– with five different models and four brands differently positioned – and the ability to price discriminate between them would allow the combined entity to increase the prices of some or all of its brands profitably regardless of the behaviour of RNM or other competitors. For instance, the merged entity could profitably raise prices on FCA's customers as PSA's brands are the second, third and fourth closest to Fiat. In addition, it could profitably raise prices on any (or all) of PSA's brands, since Fiat is the second closest to all of them. It is true that, in case the Parties decided to raise prices, customers could switch to RNM, which is also a particular close competitor which, according to the Harbour data, has spare capacity. However, considering the Parties' very high combined market share, that the market share increment brought about by the Proposed Transaction is considerable ([20-30]%) and that the Parties are particularly close competitors, the Commission considers that the Proposed Transaction would put significant upward pressure on prices. If the Parties raise their prices, this will also reduce the competitive pressure on the remaining competitors in the market.

(583) Second, whilst the fact that other competitors such as VW, Daimler, Piaggio and Ford, which according to the Harbour data seem to have spare capacity and strong dealer networks in Slovakia suggests that they are theoretically capable of growing in the market, in differentiated product markets demand is unlikely to shift to other competitors in case of a price increase by the Parties unless that competitor is viewed as a sufficiently close alternative to the merged entity. In this case, the Commission doubts that these OEMs will have the ability by themselves to exert a sufficient constraint to the Parties post-merger in Slovakia, as they compete less closely with the Parties, which means that the amount of customers that would switch to any of them in case the Parties were to increase prices post-merger would be considerably more limited. In any case, whilst the Commission considers that all these players will continue to impose a competitive constraint on the merged entity, the Commission considers that this pre-existing constraint is not by itself enough in a situation where the merger removes a particularly close competitor and the combined market share is [60-70]%. Whilst the competitors' aggregate market share in Slovakia is lower than their EEA-wide aggregate market share (in aggregate competitors represent [30-

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490 The Renault brand has 11 points of sale in Slovakia, while VW has 19 and Daimler has 14. These are all slightly smaller but comparable to FCA's number of dealers in Slovakia (24), which indicates that these competitors can cover sales for a large market share (considering that FCA has a market share above 40% in Small LCVs in Slovakia) (see Parties' reply to RFI 38 of 31 August 2020).

491 See LCV Economic Annex, Section 6.

40]% of the market in Slovakia compared to [50-60]% at EEA-wide level),[492] out-of-market constraints cannot be sufficient to remove serious doubts in any Small LCV market as the Parties' combined share, even at EEA level, remains high at [40-50]%.[493]

(584) Third, whilst it is true that customers that purchase their LCV fleet via tenders seem to enjoy a certain degree of bargaining power, which is reflected in the form of […] discounts,[494] these customers represent only a relatively limited portion of the Small LCV market in Slovakia.[495] This means that, even if the Commission were to accept (*quod non*) that these customers' bargaining power was sufficient to offset the increased market power that the combined entity would acquire as a result of the Proposed Transaction, that bargaining power would not benefit a significant portion of the market towards which the merged entity would still be able to raise prices.[496]

(585) Fourth, as discussed in Section 6.2.2.3, there are relatively high barriers to entry to the Small LCV markets, which will render unlikely that any new entrants will be able to compete with merged entity at large scale in the short- to medium term.

(586) Fifth, pursuant to paragraph 17 of the Horizontal Merger Guidelines, market shares above 50% may in themselves be indicative of dominance.

(587) Finally, the Commission notes that absent efficiencies, the Transaction can be expected to lead to significant upward pricing pressure of [5-10]% (in terms of CMCR). Even under the most favourable assumptions on efficiencies, the Transaction would still be expected to lead to positive net price pressure (of [0-5]%).[497]

6.2.3.26.4. Conclusion

(588) Despite the alleviating factors mentioned in recital (580), the Commission considers that given (i) the Parties' very high combined market share, above 60%, which has not been significantly eroded in the last five years, (ii) the considerable market share increment, (iii) the gap of more than [40-50] and [50-60] points with the next largest competitors, (iv) the fact that that the Parties are particularly close competitors and, in particular, that Citroën is FCA's closest competitor (together with RNM, but which has a lower market share), (v) that the remaining competitors alone do not, for

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492 However, most competitors' market shares in Slovakia are relatively in line with their EEA-wide market shares: RNM's EEA-wide share is [20-30]% v its Slovakian share of [20-30]%; VW is at [10-20]% both EEA-wide and in Slovakia; Daimler is at [0-5]% at EEA and [0-5]% in Slovakia. Ford is the only exception, having a [10-20]% EEA-wide and [0-5]% in Slovakia.

493 Therefore, even if national shares converged towards their EEA levels in future (at least directionally), the Parties' combined shares would still remain above [40-50]%. This is a key difference compared to the Medium and Large LCV markets.

494 See Section 6.2.2.2.

495 In particular, the proportion of PSA's sales to customers that place individual orders of more than 100 vehicles in the Small LCV market in Slovakia is only [10-20]%, whereas in the case of FCA, the percentage of sales to customers that purchase more than 100 vehicles per annum is […] (see Parties' reply to RFI 42 of 8 September 2020, question 1). However, the Commission notes that FCA's percentages are not entirely comparable to those of PSA, as they do not reflect the distribution of sales according to the size of individual orders but according to the total volumes purchased per annum, i.e. that figure may also include customers that place numerous small orders which are unlikely to benefit from the same discounts that OEMs offer in large tenders.

496 Given the presence of price discrimination, the large customers' buyer power and ability to play suppliers against each other does not protect smaller customers from price increases. See Horizontal Merger Guidelines, paragraph 67.

497 See LCV Economic Annex, Tables 7 and 13.

the reasons explained in recital (583) above appear to impose a sufficient constraint, and (vi) that new entries in the short- to medium-term are unlikely, the Proposed Transaction raises serious doubts as to its compatibility with the internal market in the Small LCV market in Slovakia as it is likely to significantly impede effective competition in that market, either through the creation of a dominant position or through the elimination of important competitive constraints that the Parties exerted upon each other and a reduction of competitive pressure on the remaining competitors.

6.2.3.27. Slovenia

(589) Table 37 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Slovenia.

Table 37: Slovenia – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[5-10]%	[…]	[10-20]%	[…]	[20-30]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*
RNM	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
VW	[…]	[30-40]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[0-5]%	[…]	[5-10]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(590) The Proposed Transaction leads to the merger of the second and fourth largest Small LCV players in Slovenia. The Parties' combined market share in 2019 was [40-50]%. In the last five years, the Parties' combined share has always remained well below 40%, until 2019.[498]

(591) In the past two years, whilst PSA's market share has slightly decreased (from [10-20]% in 2017 to [10-20]% in 2019), FCA's market share has increased significantly from [5-10]% in 2017 to [20-30]% in 2019. […] (the year to date sales as of October 2020 of the Fiat Doblò in Slovenia were in fact […] lower compared to 2019).[499]

(592) Following the Proposed Transaction, whilst the merged entity would become the largest competitor in terms of market share, it would be closely followed by RNM (37%, only [0-5] points below the Parties' combined share), and VW ([20-30]%). Moreover, RNM has a very stable market share which has remained at [30-40]% in the last three years. In total, two competitors (RNM and VW) have market shares larger than the increment brought about by the Proposed Transaction.

(593) In Section 6.2.3.2, the Commission has analysed the hesitation data, internal documents and responses of the market investigation at EEA-level, which show that in general FCA and PSA can be considered particularly close competitors in respect of Small LCVs, although this varies country by country.

498 See Parties' response to RFI 44, Question 3.
499 See Parties' response to RFI 55, Question 6.

(594) The country-specific evidence collected during the in-depth investigation (responses to the market investigation) show that PSA and FCA are particularly close competitors in the Small LCV market in Slovenia.

(595) In its market investigation the Commission asked market participants to give their perception of closeness of competition of the different brands present in the Small LCV market in Slovenia.[500] According to the responses received,[501] Citroën, Peugeot and Opel are perceived as first, third and fourth closest brands to Fiat. For each of PSA's brands, Fiat is always perceived as the second closest brand after Renault.[502]

(596) The information provided shows that PSA's brands are the closest to FCA. Also, for PSA's brands Fiat is a very close competitor, ranking always as second closest. PSA and FCA can therefore be considered particularly close competitors, together with RNM, in Slovenia.

(597) However, despite the perception of closeness suggested by the responses to the market investigation, the market share evolution suggests that FCA has gained market share from VW and Ford, not from PSA. The relatively small size of the overall market in Slovenia also means that winning a large tender or one big order can change market shares significantly in a short space of time. FCA's market share gain of [5-10]% between 2018 and 2019 amounted to the sale of […] vehicles in total.

(598) In conclusion, given the moderate market share of the merged entity post-merger, the existence of two large competitors (RNM and VW), the relatively small size of the overall market, the mixed evidence on the Parties' closeness, and the lack of concerns specific to this market raised in the market investigation, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Small LCV market in Slovenia.

6.2.3.28. Spain

6.2.3.28.1. Structure of supply

(599) Table 38 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Spain.

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500 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

501 Replies to question 30 of Questionnaire 11 to dealers, question 29 of Questionnaire 12 to leasing companies, question 27 of Questionnaire 13 to corporate customers, and question 28 of Questionnaire 10 to importers.

502 A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

Table 38: Spain – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[40-50]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*
RNM	[…]	[20-30]%	[…]	[40-50]%	[…]	[40-50]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
VW	[…]	[5-10]%	[…]	[0-5]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(600) The Proposed Transaction would result in the merger of the second and third largest players in Small LCVs in Spain. The Parties' combined market share in 2019 was [30-40]%, after a decrease from [40-50]% in 2018. This Parties' sales lost between 2018 and 2019 were essentially absorbed by RNM, which in the same period increased its share from [40-50]% to [40-50]%.[503] After the Proposed Transaction, the combined entity would be the second largest player in the market, with [10-20] points less than RNM.

(601) In the last decade, FCA's share has remained consistently between [5-10]% and [5-10]% except in the last two years. PSA's share, on the contrary, has intensely eroded over time, from [50-60]% in 2010, to [30-40]% in 2015 and [20-30]% in 2019. The same evolution has therefore been followed by the Parties' combined share, which was [50-60]% in 2010, [40-50]% in 2015 and [30-40]% in 2019. RN has followed the opposite path: it grew from [20-30]% in 2010 to [30-40]% in 2015 and [40-50]% in 2019.[504]

(602) Following the Proposed Transaction, the merged entity would still face competition from at least five more players. Competitors are all strong OEMs with reputed brands in the LCV markets in the EEA and a wide dealer and service network.[505]

6.2.3.28.2. Closeness of competition

(603) The country-specific responses to the market investigation, hesitation data and price information overall show that PSA and FCA are not particularly close competitors in Spain.

(604) First, in its market investigation, the Commission asked market participants to give their perception of closeness of competition of the different brands present in the

503 Until 2017, IHS included by mistake in the LCV markets some "combi" versions of LCVs which in reality belong to the M market. This was corrected in 2018, which explains the significant reduction of the market size that year. 2017 can therefore not be compared with 2018 and 2019 for assessment purposes (the opposite trend can be seen in Spain in the M market between 2017 and 2018).

504 See Parties' response to RFI 44, Question 3.

505 The brand Renault has in Spain 199 points of sale, Volkswagen 185 and Ford 184. This amount is comparable to the network of Citroën, Opel or Peugeot (181, 167 and 170, respectively) or Fiat (104) (see Parties' reply to RFI 38 of 31 August 2020).

Small LCV market in Spain.[506] According to the responses received, Citroën, Peugeot and Opel are perceived as the fourth, fifth and sixth closest brands to Fiat (after Renault, Seat and Ford), whereas Fiat is perceived to be the third closest brand to Citroën and Opel (after Renault and Seat), and the fifth closest to Peugeot (after Renault, Seat, Volkswagen and Ford).[507] Therefore, the Parties are not perceived as particularly close competitors.[508] Renault is perceived as the closest brand to Fiat and to all PSA's brands.

(605) Second, the diversion ratios calculated on the basis of the hesitation data provided by the Parties[509] show that in Spain the Parties compete somewhat closer than what their market shares suggest, with an implied combined share of [40-50]%.

(606) The actual diversion ratios, however, show that closeness is one-sided:[510]

– From FCA's point of view: PSA is the closest competitor, with a diversion ratio of [50-60]% from FCA towards PSA. The second closest competitor is RNM with a diversion ratio from FCA to RNM of [20-30]%.

– From PSA's point of view: FCA is the third closest competitor, with a diversion ratio from PSA to FCA of [10-20]%. RNM is by far the closest competitor to FCA followed by Ford.

(607) In summary, for Small LCVs in Spain, the hesitation data shows that whilst PSA is FCA's closest competitor, FCA is not a particularly close competitor to PSA.

(608) Third, the average list prices provided by the Parties show that PSA's models are the most expensive after Volkswagen. FCA's models would be cheaper than (and the closest to) PSA's. Daimler's models would be slightly cheaper than (and the closest to) FCA's. Renault's would be still cheaper than Daimler and approximately as close to FCA's as PSA's. Ford's models would be the cheapest.[511]

(609) Fourth, the end prices collected by FCA in the […] show a different picture than the list prices. The most expensive brand would always be, by large, Volkswagen. However, the second most expensive would be Ford and, slightly cheaper, Peugeot and Citroën. The closest brand in terms of prices to these two brands would therefore be Ford. Renault, Fiat and Opel would be cheaper and at a very similar level. Dacia would be the cheapest brand. In short, Peugeot's and Citroën's closest brand in terms of pricing would be Ford, Fiat's would be Renault and Opel, and Opel's would be Fiat and Renault.[512]

(610) In conclusion, since PSA appears to be a particularly close competitor to FCA according to only one of the three parameters of closeness analysed (diversion

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506 The Commission asked separately for small and compact LCVs, although it has concluded that both types of vehicles are part of the same Small LCV market. However, given that PSA is not present in the small segment, where only two of the main OEMs (FCA and Ford) are present, the Commission considers that the responses provided in relation to compact LCVs are a reliable approximation to the market participants' perception on closeness of competition in the overall Small LCV market.

507 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers.

508 A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

509 See LCV Economic Annex, Table 4.

510 Commission analysis based on Parties' NVBS hesitation data. See LCV Economic Annex, Section 4.1.

511 See LCV Economic Annex.

512 See LCV Economic Annex, Figure 4.

ratios), the Commission concludes that the Parties are not particularly close competitors in the Small LCV market in Spain.

6.2.3.28.3. Conclusion

(611) In conclusion, given the moderate combined market share, the fact that merged entity would only be the second largest player in the market (the market leader being RNM), the erosion of PSA's market position in the last year to the benefit of RNM, and the existence of other strong competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Small LCV market in Spain.

6.2.3.29. Sweden

(612) Table 39 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in Sweden.

Table 39: Sweden – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
VW	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(613) The Proposed Transaction would lead to the merger of the third and sixth largest players in Small LCVs in Sweden. The Parties' combined market share in 2019 was [20-30]%, i.e. below the 25% threshold set out in the Horizontal Merger Guidelines. FCA's presence has been very small in this market, with a market share of [0-5]% in 2019, and less than […] units sold in each of the last three years. The competitive structure of the market can be said to remain largely unaffected by the Proposed Transaction.

(614) VW would remain the market leader with [30-40]%, followed by RNM at [20-30]%, then the merged entity and finally Ford and Daimler.

(615) In conclusion, given the relatively low combined market share, the very small share increment, the presence of competitors with even larger market shares, and the lack of any Sweden-specific concern raised in the market investigation, the Commission considers that the Proposed Transaction will not significantly impede effective competition in the Small LCV market in Sweden.

6.2.3.30. United Kingdom

(616) Table 40 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Small LCV market in the United Kingdom.

Table 40: United Kingdom – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[40-50]%	[…]	[40-50]%	[…]	[50-60]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[5-10]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(617) The Proposed Transaction leads to the merger of the largest and fifth largest Small LCV players in the United Kingdom. The Parties' combined market share in 2019 was [50-60]%, having increased from [50-60]% in 2017. In the past two years, whilst PSA's market share has increased (from [40-50]% in 2017 to [50-60]% in 2019), FCA's market share has remained stable at [0-5]%. The market share evolutions suggest that FCA has gained no share from PSA, and PSA has gained market share mainly from Ford and VW, not from FCA.

(618) Following the Proposed Transaction, whilst the merged entity would become the largest competitor in terms of market share, it would be followed by Ford ([20-30]%), and VW ([10-20]%), and RNM ([5-10]%) all three with market shares much higher than the increment of [0-5]% brought about by the Proposed Transaction.

(619) In terms of closeness of competition, whilst the evidence is not completely clear cut, on balance, the Commission considers that it shows that the Parties are not particularly close competitors. At most, PSA as the largest competitor could be viewed as a particularly close competitor to FCA but not vice versa. First, according to the responses to the market investigation, market participants perceive Citroën, Peugeot and Opel as the second, third and fourth closest brands to Fiat (after Renault), whereas Fiat is the fourth closest to Citroën, third to Opel and fifth to Peugeot. Therefore, PSA, in aggregate, seems to be particularly close to FCA but FCA is not perceived as a close competitor to PSA.

(620) Diversion ratios calculated on the basis of the hesitation data provided by the Parties[513] show that, in the United Kingdom, the Parties compete less closely than their market shares suggest, with their implied combined share [10-20] points lower ([40-50]%) than their actual combined share ([50-60]%).

(621) Actual diversion ratios support the notion that the Parties are not particularly close:[514]

– From FCA's point of view: PSA is the second most often mentioned competitor in the hesitation data, with a diversion ratio of [20-30]% from FCA towards PSA which is however significantly lower than the diversion ratio

513 See LCV Economic Annex, Table 4.

514 Commission analysis based on Parties' NVBS hesitation data. See LCV Economic Annex, Section 4.1.

implied by actual market shares ([50-60]%), suggesting that PSA imposes a much lower constraint on FCA than what its actual market share implies.

– From PSA's point of view: FCA is only the fifth closest competitor, with a diversion ratio from PSA to FCA of [0-5]%. Ford is by far the closest competitor to FCA with a diversion ratio of [60-70]%,

(622) In summary, for Small LCVs in the United Kingdom, the hesitation data show that the Parties are not each other's closest competitors. Moreover, the competitive constraint imposed by PSA on FCA is, according to hesitation data, much lower than what its market share suggests. FCA is not a close competitor to PSA.

(623) Some participants in the market investigation have pointed out to the competitiveness of the market: a dealer indicated that this is a "*[p]rice sensitive market, [and] price increases would force customers to consider other manufacturers*"[515] and another one pointed out that "*[t]here is plenty of competition in market, and I would not see that the merger would give sufficient control in the market place that the new entity would be able to increase prices*".[516]

(624) In conclusion, despite the very high combined share, given the very small market share increment, the existence of four competitors (including Ford, that is particularly close to PSA), and the fact that overall the Parties cannot be viewed as particularly close competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Small LCV market in the United Kingdom.

6.2.3.31. Conclusion on Small LCV markets

(625) In conclusion, the Commission considers that the Proposed Transaction raises serious doubts as to its compatibility with the internal market in the Small LCV markets in Belgium, Czechia, France, Greece, Italy, Lithuania, Poland, Portugal and Slovakia as it is likely to significantly impede effective competition in those markets, either through the creation of a dominant position or through the elimination of important competitive constraints that the Parties exerted upon each other and a reduction of competitive pressure on the remaining competitors. In the Small LCV markets in the rest of EEA Member States and in the United Kingdom, the Proposed Transaction would not significantly impede effective competition.

6.2.4. Medium LCV markets

6.2.4.1. EEA-wide competitive landscape

6.2.4.1.1. <u>The Parties' and competitors' models</u>

(626) PSA is present in the Medium LCV market in the EEA with the models Citroën Jumpy, Peugeot Expert and Opel Vivaro. FCA is present with Fiat Talento.

(627) Table 41 below lists the models commercialised by PSA, FCA and their main competitors in the Medium LCV markets in the EEA in 2019.

515 Replies to question 61.1 of Questionnaire 10 to dealers.

516 Replies to question 61.1 of Questionnaire 10 to dealers.

Table 41: OEM's models in Small LCV markets in the EEA

OEM	Brand	Model
FCA	Fiat	Talento
PSA	Citroën	Jumpy
	Peugeot	Expert
	Opel	Vivaro
RNM	Renault	Trafic
	Nissan	NV300
VW	Volkswagen	Transporter
Ford	Ford	Transit Custom
Daimler	Mercedes	Vito
Toyota	Toyota	ProAce

Source: Notifying Parties response to RFI 10, Question 18; and Notifying Parties' submission of 30 June 2020.

6.2.4.1.2. Production capacity in the market

(628) The 2018 Harbour normalised capacity and utilisation rate for the production sites in which the Parties and their main competitors manufacture Medium LCVs is shown in Table 42.

Table 42: Medium LCVs – Parties' and competitor's utilisation rates and spare capacity

OEM	Plant	Models	Capacity ('000 units)	Normalised utilisation rate	Available capacity	Spare capacity ('000 units)	Comments
PSA	Valenciennes (Sevelnord)	Expert, Jumpy, Vivaro	[…]	[…]	[…]	[…]	[…]
RNM	Sandouville	Traffic	[…]	[…]	[…]	[…]	[…]
Ford	Kocaeli Golcuk	Transit Custom	[…]	[…]	[…]	[…]	[…]
VW	Hannover	Transporter	[…]	[…]	[…]	[…]	[…]
	Poznan	Transporter	[…]	[…]	[…]	[…]	[…]

Source: Form CO, Joint Annex 4 and Table 121 of the Form CO Fiat Talento is produced by RNM.

(629) The table shows that, RNM and VW have spare capacity in the plants producing Medium LCVs. This information is not, however, sufficiently specific, as it includes information at plant level, whereas a same plant may host several platforms and produce different types of vehicles (sometimes vehicles built on different platforms and even PCs and LCVs). However, the Commission has verified with the different OEMs the spare capacity existing in the market. Although the information on the individual information on each OEMs is confidential, the answers received confirm that, overall, there is sufficient spare capacity in the market for competitors to

increase production of Medium LCVs without the need to expand the actual capacity of their plants.

6.2.4.1.3. EEA-wide market shares

(630) Table 43 shows the Parties' and competitors' volumes and market shares for the last three years at EEA level (and the United Kingdom) in the Medium LCV markets.

Table 43: EEA and United Kingdom – Medium LCV markets

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(631) At EEA-level, the Parties' combined market share has consistently remained below [30-40]%. In 2019 it was [20-30]%, with an increment of only [0-5]%. Moreover, Ford, as the next largest competitor was at [20-30]%, only [5-10] points below the merged entity and three other competitors with a market share above 10% over the last three years would be present across the EEA (VW, RNM and Daimler). FCA's position at EEA-level in Medium LCVs is overall small, and much smaller than Ford, VW, RNM and Daimler, with [0-5]% over the last three years. In fact, FCA and Toyota are equally large in Medium LCVs. Therefore, the structure of supply at EEA-level will remain essentially unaffected by the Proposed Transaction given the small increment accounted for by FCA.

(632) When comparing at EEA-level, it is clear that the Medium LCV markets are less concentrated than the Small LCV markets. The Parties' combined share is significantly lower ([20-30]% vs [40-50]%), there is one additional competitor (Toyota), and Daimler's presence in Medium LCVs is considerably stronger than in Small LCVs ([10-20]% vs [0-5]%). Whilst markets are national, as explained in Section 6.1.2, one cannot ignore the EEA-wide supply structure in the competitive assessment, given out of market constraints.

(633) By comparison, the Commission also notes that the Parties' combined market share in Medium LCVs at [20-30]% is significantly lower than their combined share in Small LCVs at close to [50-60]%. Moreover, FCA in particular is small in Medium LCVs ([0-5]%) compared to Small LCVs ([10-20]%) which shows that the competitive conditions in Medium LCVs differ significantly from Small LCVs.

6.2.4.2. Closeness of competition

6.2.4.2.1. The Notifying Parties' views

(634) The Parties argue that they are not close competitors with respect to LCVs overall. They substantiate their claim on the basis of the hesitation data, and on the Parties' internal documents, submitted with the Notification.

(635) The Parties further claim in their reply to the Article 6(1)(c) decision that competitors with spare capacity in LCVs are close competitors of the Parties.[517] In particular, they indicate that RNM and Ford are close competitors of the Parties both at EEA level and in several EEA Member States.

(636) The Parties also claim that VW's and Daimler's LCV prices are distributed similarly to those of the other relevant OEMs, including the Parties'.[518] According to the Parties' analysis of hesitation data, there is significant diversion towards those competitors at EEA level, and even more so in several EEA Member States. In particular, […].[519]

6.2.4.2.2. The Commission's assessment

(637) The Commission considers that internal documents and economic analysis indicate that the Parties are, in general, not particularly close competitors in respect of Medium LCVs.

(638) The following Sections address closeness of competition in Medium LCVs by analysing, on the one hand, (i) internal documents submitted by the Parties and, on the other hand, three sets of quantitative/qualitative evidence: (ii) Hesitation data and derived diversion ratios, (iii) perceived closeness as per the e-Questionnaires sent to market participants in the in-depth market investigation, and (iv) the positioning of FCA's and PSA's LCVs in terms of price points.[520]

6.2.4.2.3. Internal documents

(639) […].[521]

(640) Based on its analysis of the Parties' internal documents, the Commission considers that whilst FCA appears to consider PSA's brands as close competitors in addition to RNM and Ford, PSA does not consider FCA as a close competitor in Medium LCVs.

(641) […].

(642) […].[522]

(643) […].[523]

(644) […].[524]

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517 Parties' reply to the Article 6(1)(c) decision, Section 2.3.1.4.

518 Parties' reply to the Article 6(1)(c) decision, paragraph 114.

519 Parties' reply to the Article 6(1)(c) decision, paragraph 115.

520 For further details on the quantitative assessment related to hesitation data, e-Questionnaires, and price points' comparison see the LCV Economic Annex, Section 4.

521 Form CO, paragraphs (1287) and following. See also the Notifying Parties' LCV Advocacy Paper of 25 May 2020, paragraphs 152 and following.

522 ID 2220-11356.

523 FCA email dated 16.03.2020, 2220-2918.

524 Form CO, Annexes FCA 33 and FCA 35.

(645) FCA's internal documents, therefore, show that FCA perceives PSA as one of several close competitors present in the Medium LCV markets, together with RNM, Ford and VW.

(646) PSA internal documents, discuss the PSA Medium LCV models (referred to as "K0") and compare their positioning in France, Germany, the United Kingdom, Italy, Spain and Belgium […].[525] […].

(647) […].[526]

(648) Closeness at country level will be analysed below in the corresponding sections by EEA Member State, but the Parties' internal documents comparing the same models with their main competitors by country suggest the same.

(649) In conclusion, the Parties' internal documents do not indicate that they perceive each other as particularly close competitors for Medium LCVs.

6.2.4.2.4. Hesitation data

(650) According to the Notifying Parties, the hesitation data shows that FCA and PSA are not close competitors in the LCV area overall.[527] As explained above in Section 6.2.3.2, the Commission considers that the Parties' analysis is flawed for several reasons, and in any event they present their results of hesitation data in an aggregated form for all types of LCVs and only for five countries.

(651) Instead, the Commission has analysed diversion ratios based on the hesitation data for each of the five Member States for which they are available and for each LCV category.[528]

(652) Even if the Commission will use hesitation data by Member State (where available) for the competitive assessment for each Medium LCV market, it is also useful to mention that, for Medium LCVs at an aggregated EEA level, the implied combined share (on the basis of diversion ratios) is similar to the Parties' actual combined share ([20-30]%).

(653) This shows that, in the EEA, the Parties compete as closely as their market shares suggest in Medium LCVs. Market shares appear to be a good indicator for the competitive constraints that the Parties exert upon each other as regards Medium LCVs.

6.2.4.2.5. Responses by market participants to the Commission's market investigation questionnaires

(654) Another source of data on closeness is the e-Questionnaire sent to market participants during the in-depth investigation, where the Commission asked respondents to rate competing brands according to their closeness to each of the Parties' four brands.

(655) It is, however, more difficult to interpret the results of this exercise, compared to the hesitation data since, for instance, it does not allow for a quantification of closeness in the absolute sense (instead only ranks competitors), and considers each of PSA's brands separately while what matters is the overall constraint imposed by all PSA's

525 Form CO, Annex PSA 281.
526 PSA email of 24 September 2019, 2260-32330.
527 Form CO, paragraph 1220 et seq.
528 LCV Economic Annex, Table 4.

brands on FCA (which is accurately reflected by the diversion ratios computed from the hesitation data).

(656) Subject to such caveats, if considered at least from a qualitative point of view, the results of the in-depth market investigation confirm the analysis of closeness based on the other evidence (internal documents, hesitation data, and price points), that the Parties do not appear to be particularly close competitors for Medium LCVs at the EEA level according to the e-Questionnaire: Fiat is a less close competitor in Medium LCV overall than both Ford and Renault to each of PSA's 3 brands. Conversely, the closest competitors to Fiat is Renault, followed by Peugeot and Ford.

6.2.4.2.6. Price positioning

(657) Another indicator for closeness is price similarity, since vehicle models with similar prices are more likely to be closer substitutes. Both hesitation data and the results of the in-depth market investigation in response to the e-Questionnaire implicitly take prices into account, but it is instructive to consider prices as a factor on their own in order to analyse closeness, given that vehicles which are priced similarly within one category are more likely to exert a stronger competitive constraint on each other than models priced differently.

(658) The three sources of price data (list prices provided by the Parties, end prices according to FCA's mystery shopping exercise in 2018, and end prices as per the Parties' and competitors' replies to Commission's requests for information) suggest that, in terms of price positioning, the Parties, RNM, Ford and Toyota are priced relatively similarly whilst generally VW and Daimler appear a bit more expensive. This indicates that FCA and PSA are no closer than a number of their competitors.

(659) First, with regard to list prices, according to the data provided by the Parties, they consistently price similarly their equivalent models in terms of size/loading capacity. The Parties provided in Tables 312 and 313 of the Notification the list price ranges of their different LCV models in Italy and France.[529] These ranges show that, for instance, PSA and FCA price their models similarly in the different segments (by size). However, also competitors' models are in the same price range, e.g. Ford and Toyota or, in the case of RNM, slightly lower.

(660) Second, the mystery shopping exercise collected three sets of end prices: excluding other costs ("EO"), including other costs ("IO"), and price when financed ("PF"), for Medium LCVs.[530]

(661) Overall, […] shows that the Parties are not particularly close competitors in terms of their Medium LCV prices. For instance, in France PSA's brands are closer to Ford (Citroën and Peugeot) or Renault (Opel), while Fiat is closer to Toyota;[531] and in Italy PSA's brands are closer to Renault (Citroën and Opel) or Ford (Peugeot), while Fiat is closer to Nissan and Volkswagen. In short, no PSA brand is the closest priced to FCA, nor is FCA the closest priced to any PSA brand.

(662) Third, the end prices provided by the Parties' and some of the main LCV competitors for Medium LCV models in France and Italy are in line with the findings based on list prices and mystery shopping.

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529 The Parties provided further information on the Parties and competitors prices for LCVs in response to Question 18 of RFI 10, Annex Joint 000029.

530 REF to FCA's submission.

531 Only the PF data is slightly different, showing Fiat closer to Opel and Renault.

6.2.4.2.7. Conclusion on closeness

(663) In view of the above, the Commission concludes that:

- A comparison of the Parties' sales shows that their vehicle portfolio does not overlap with particular intensity in Medium LCVs (FCA has a smaller proportion of Medium LCV sales when compared to its total LCV sales in Europe, i.e. around […]%), although they have a solid portfolio in these markets with four different models.
- The Parties' internal documents do not reflect that the Parties perceive each other as particularly close competitors. FCA, in particular, exerts a small constraint on PSA.
- According to the hesitation data, the actual combined market share of the Parties in Medium LCVs in the EEA reflects appropriately the (limited) constraint that they exert on each other. Moreover, FCA is only PSA's fifth-closest competitor, far behind Ford, Daimler and RNM, and just behind Toyota; while PSA is FCA's second-closest competitor behind RNM.
- The in-depth market investigation shows that the Parties are not the closest competitors also in terms of pricing: in terms of list prices, Renault, which is the Parties' main competitor overall in terms of market shares and diversion ratios, is priced more closely to both Parties than they are to each other; while in terms of end prices, the Parties are not each other's closest-priced competitors in most countries.

(664) The Commission therefore concludes that in general, at EEA level, FCA and PSA are not particularly close competitors in respect of Medium LCVs. A specific assessment on the Parties' closeness by country is done in Sections 6.2.3.4 to 6.2.3.30 below.

6.2.4.3. Affected national markets

(665) FCA's presence in Medium LCVs is small in most EEA Member States and the United Kingdom, as reflected in Table 44 below. In some Member States FCA is not even present in the Medium LCV market.

Table 44: Medium LVCs – Market shares at national level and affected markets

EEA Member States	2019 market shares (in volume)		
	PSA	FCA	*Combined*
Austria	[20-30]%	[5-10]%	*[20-30]%*
Belgium	[30-40]%	[5-10]%	*[40-50]%*
Bulgaria	[10-20]%	[5-10]%	*[10-20]%*
Croatia	[50-60]%	[0-5]%	*[50-60]%*
Cyprus	[10-20]%	[0-5]%	*[10-20]%*
Czechia	[30-40]%	[0-5]%	*[30-40]%*
Denmark	[10-20]%	[0-5]%	*[10-20]%*
Estonia	[30-40]%	[0-5]%	*[30-40]%*
Finland	[10-20]%	[0-5]%	*[10-20]%*
France	[30-40]%	[0-5]%	*[40-50]%*
Germany	[10-20]%	[0-5]%	*[10-20]%*
Greece	[30-40]%	[10-20]%	*[40-50]%*
Hungary	[20-30]%	[0-5]%	*[20-30]%*
Iceland	[5-10]%	[0-5]%	*[5-10]%*
Ireland	[20-30]%	[0-5]%	*[20-30]%*
Italy	[30-40]%	[10-20]%	*[40-50]%*
Latvia	[30-40]%	[0-5]%	*[30-40]%*
Lithuania	[5-10]%	[0-5]%	*[5-10]%*
Luxembourg	[20-30]%	[10-20]%	*[40-50]%*
Malta	[30-40]%	[0-5]%	*[30-40]%*
Netherlands	[20-30]%	[5-10]%	*[30-40]%*
Norway	[10-20]%	[0-5]%	*[10-20]%*
Poland	[20-30]%	[0-5]%	*[20-30]%*
Portugal	[20-30]%	[5-10]%	*[30-40]%*
Romania	[20-30]%	[0-5]%	*[20-30]%*
Slovakia	[20-30]%	[10-20]%	*[40-50]%*
Slovenia	[10-20]%	[0-5]%	*[10-20]%*
Spain	[30-40]%	[5-10]%	*[30-40]%*
Sweden	[10-20]%	[0-5]%	*[10-20]%*
United Kingdom	[20-30]%	[0-5]%	*[20-30]%*

Source: Parties' response to RFI 44, Question 3

(666) Accordingly, the affected markets, i.e. those where there is a horizontal overlap between the Parties and the Proposed Transaction will lead to a combined market share of [20-30]% or more, are the following: Austria, Belgium, Czechia, France, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Slovakia and Spain.[532]

6.2.4.4. Austria

(667) Table 45 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in Austria.

532 A market participant provided the Parties' market shares in the Medium LCV markets computed by an external consultant based on IHS data for those countries where the Parties hold a combined market share larger than [40-50]% with a significant increment (see submission of 27 May 2020 by a market participant, section 5.2.1), which show a general picture somewhat more favourable to the Parties. In fact, the countries that met these requirements (more than [40-50]% share and significant increment) were according to this market participant only two: Greece, with a combined share somewhat higher than that set out in Table 44 ([50-60]% vs [40-50]%) and Italy, with a combine share considerably lower ([40-50]% vs [40-50]%). The market participant however does not provide any indication on how these market shares have been computed.

Table 45: Austria – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(668) The Proposed Transaction would result in the merger of the third and sixth largest players in the Medium LCV market in Austria. The Parties' combined market in 2019 was [20-30]%. FCA has been traditionally a relatively small player in the Medium LCV segment in Austria, with [0-5]-[5-10]% market share over the last three years.

(669) Following the Proposed Transaction, the merged entity would become the largest competitor in terms of market share, together with VW ([20-30]%), closely followed by Ford ([20-30]%), RNM ([10-20]%) and Daimler ([10-20]%). The combined entity would continue to face significant competition from these players, all of whom have market shares larger than the share increment brought about by the Proposed Transaction. Furthermore, Toyota brings an additional constraint with its presence in Medium LCVs in Austria.

(670) In conclusion, given the very moderate combined market share, FCA's relatively small presence in Austria, and the existence of four strong competitors as well as a fifth smaller one, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in Austria.

6.2.4.5. Belgium

(671) Table 46 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in Belgium.

Table 46: Belgium – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(672) The Proposed Transaction would result in the merger of the largest and sixth largest players in the Medium LCV market in Belgium. The Parties' combined market share in 2019 was slightly below 40% ([30-40]%) in 2019. FCA has been traditionally a relatively small player in the Medium LCV segment in Belgium, with [0-5]-[5-10]% market share over the last three years. This means that the share increment brought by the Proposed Transaction is lower than the market share of any other competitor in the market (except Toyota). Following the Proposed Transaction, there would still be five competitors in the market, four of them with more than 10% share.

(673) In the last decade, the Parties' combined share has exceeded 40% only in 2010, 2011 and 2013. Since then it has consistently been at or below [30-40]%. While FCA has grown over the last three years ([0-5]-point increase per year), it has still remained a relatively small player in the Medium LCV market in Belgium. In fact, in the last decade, FCA has only managed to achieve a share higher than [5-10]% in 2019. Between 2013 and 2017 it remained consistently below [0-5]%.[533]

(674) As regards closeness of competition, first, according to the country-specific responses to the market investigation,[534] whilst market participants appear to perceive PSA as a close alternative to FCA in Medium LCVs in Belgium, this is not true vice versa. According to those responses, Citroën, Peugeot, and Opel are perceived as the second, third and fifth closest brands to Fiat (Renault being the closest and Ford the fourth). For PSA's brands, Fiat is perceived as the second closest to Opel (after Renault), fifth closest to Citroën, and sixth closest to Peugeot. At most, there is therefore particular closeness only one way from PSA to FCA.

(675) Second, end prices collected by FCA in the […] show that, in terms of pricing, Opel is closer to Renault than to Fiat, but that Peugeot and Citroën are closer to Fiat than to any other brand. PSA and FCA are therefore particularly close competitors in terms of pricing, but also compete closely with Renault, especially in case of Opel.

533 Parties' response to RFI 44, Question 3.

534 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

(676) The combined entity will still face competition from five players, all of which are large OEMs with established LCV brands in the EEA, as shown by the fact that some have higher shares at the EEA-level, when compared to Belgium. Moreover, they all have a large distribution network in Belgium.[535] Moreover, some of those competitors are also close competitors to the Parties in Belgium. In particular, RNM, who appears to be particularly close to the Parties, has according the Harbour data spare capacity to increase its supply of Medium LCVs in Belgium. In these circumstances, and considering the moderate combined share of the Parties, the Commission considers that the Parties would not have the ability to increase their prices profitably post-merger.

(677) In conclusion, despite the market perception that PSA may be a particularly close competitor to FCA (but not vice versa), given the combined market share does not exceed 40%, the small increment brought by FCA, and the existence of five competitors, all of whom have much larger market shares than the increment brought by FCA and some of which particularly close to the Parties, with spare capacity and with significant market positions at EEA-wide level, and the lack of any particular concerns raised in respect of Belgium for Medium LCVs, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in Belgium.

6.2.4.6. Czechia

(678) Table 47 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in Czechia.

Table 47: Czechia – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
VW	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[0-5]%	[…]	[5-10]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(679) The Proposed Transaction would result in the merger of the largest and seventh largest players in the Medium LCV market in Czechia. The Parties' combined market share in 2019 was [30-40]%. FCA has been traditionally a relatively small player in the Medium LCV segment in Czechia, with [0-5]-[0-5]% market share over

535 The brand Renault has in Belgium and Luxembourg 68 points of sale and Volkswagen 123 and Ford 86. This amount is comparable to the network of Citroën, Opel or Peugeot (58, 92 and 74, respectively) or of Fiat (62) (see Parties' reply to RFI 38 of 31 August 2020).

the last three years. This in in comparison to FCA's [30-40]% market share in Small LCVs in Czechia.

(680) While the merged entity would be the market leader, five competitors (VW, Ford, Toyota, RNM and Daimler) would remain, each having a market share larger than the share increment brought about by the Proposed Transaction, that share increment effectively equating to […] vehicles. Overall, the competitive structure of the market will remain essentially unaltered as a result of the Proposed Transaction.

(681) In conclusion, given the relatively moderate combined market share, the very small share of FCA (equating to the sale of […] vehicles), and the existence of three large competitors as well as two smaller ones, all of which with a market share higher than the increment and four of these competitors with also significant market positions at EEA-wide level, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in Czechia.

6.2.4.7. Estonia

(682) Table 48 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in Estonia.

Table 48: Estonia – Small LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[20-30]%
Toyota	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[10-20]%	[…]	[5-10]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(683) The Parties' combined market share in 2019 was [30-40]%, having slightly decreased from [30-40]% in 2017. However, FCA is almost absent from the Medium LCV market in Estonia, with only […] unit sold in 2019. In view of FCA's marginal position, the competitive structure of the market will remain essentially unaltered as a result of the Proposed Transaction.

(684) The merged entity would remain the largest competitor in terms of market shares, but will continue to face competition from numerous players (RNM, Toyota, Ford, VW and Daimler), with relatively strong market positions in Estonia.

(685) In conclusion, given the very moderate combined market share, FCA's marginal presence in Estonia, and the existence of five relatively strong competitors, four of which with also significant market positions at EEA-wide level, the Commission considers that, regardless of any closeness of competition between the Parties, the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in Estonia.

6.2.4.8. France

(686) Table 49 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in France.

Table 49: France – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[40-50]%	[…]	[40-50]%	[…]	[30-40]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*
RNM	[…]	[30-40]%	[…]	[20-30]%	[…]	[30-40]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(687) The Proposed Transaction would result in the merger of the largest and sixth largest players in the Medium LCV market in France. The Parties' combined market share in 2019 was slightly above [40-50]% ([40-50]%) and has been stable over the last three years. FCA has been traditionally a relatively small player in the Medium LCV segment in France, with [0-5]-[0-5]% market share over the last three years. This means that the share increment brought by the Proposed Transaction is lower than the market share of any other competitor in the market (except Toyota). Following the Proposed Transaction, there would still be five competitors in the market, one with a [30-40]% market share (RNM), followed by Ford, VW and Daimler. PSA and RNM have consistently held roughly [70-80]% of the market.

(688) Whilst PSA's market share has moved up and down over the last decade, FCA has not managed to achieve any growth (rather it has come down from a [5-10]% share in 2013 to [0-5]% in 2019).[536]

(689) As regards closeness of competition, evidence suggests that the parties are not particularly close competitors in Medium LCVs in France. First, according to the country-specific responses to the market investigation,[537] PSA and FCA are not perceived as particularly close competitors in the Medium LCV market in France. According to those responses, Citroën, Peugeot, and Opel are perceived as the third, fourth and sixth closest brands to Fiat (Dacia being the closest, Renault the second and Ford the fourth). For PSA's brands, Fiat is perceived as the sixth closest to Opel and Peugeot, and seventh closest to Citroën. Renault is the closest competitor for all three PSA brands, followed by Ford.

536 Parties' response to RFI 44, Question 3.

537 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 to the Questionnaire to corporate customers, and question 28 of the e-Questionnaire to importers.

(690) Second, the diversion ratios calculated on the basis of the hesitation data provided by the Parties[538] show that, in France, the Parties' implied combined share would be [5-10] points lower than their actual combined share of [40-50]%. The actual diversion ratios support this actual lower constraint:[539]

– From FCA's point of view: PSA is the second closest competitor, with a diversion ratio of [30-40]% from FCA towards PSA. What is notable is that this diversion ratio is below its diversion ratio implied by actual market shares ([30-40]% vs [40-50]%), suggesting that PSA imposes a lower constraint on FCA than what its actual market share indicates. RNM is actually the closest competitor, with a diversion ratio from FCA to RNM of [40-50]%, higher than its diversion ratio implied by actual market shares ([40-50]% vs [30-40]%), suggesting that RNM imposes a much higher constraint on FCA than what its actual market share indicates. Ford is the third closest competitor with a diversion ratio of [10-20]% (very similar to the diversion ratio implied by market shares – [10-20]%). Notably, Toyota is the fourth closest, with a diversion ratio of [5-10]%, which is higher than its diversion ratio implied by actual market shares ([5-10]% vs [0-5]%), suggesting that Toyota imposes a larger constraint on FCA than its market share would suggest.

– From PSA's point of view: FCA is only the fifth closest competitor, after RNM, Daimler, Ford and Toyota, with a diversion ratio from PSA to FCA of [0-5]% which is below its diversion ratio implied by actual market shares ([0-5]% vs [5-10]%). RNM is the closest competitor, with diversion ratio of [30-40]% from PSA to RNM which is below its diversion ratio implied by actual market share ([30-40]% vs [40-50]%), suggesting that RNM imposes a lower constraint that what its market share indicates. Daimler, however, has a diversion ratio of [30-40]% form FCA, which is significantly higher than its diversion ration implied by market shares ([30-40]% vs [10-20]%), showing that Daimler exerts a much larger competitive constraint on PSA than what the market shares suggest. Daimler's constraint appears nearly as strong as that of RNM. Ford is the third closest competitor with a diversion ratio of [10-20]% (very similar to the diversion ratio implied by market shares – [10-20]%). Notably, Toyota is the fourth closest, with a diversion ratio of [5-10]%, which is higher than its diversion ratio implied by actual market shares ([5-10]% vs [0-5]%), suggesting that Toyota imposes a larger constraint on FCA than its market share would suggest

(691) In summary, the hesitation data shows that PSA is the second closest competitor to FCA but FCA is not a close competitor to PSA in Medium LCVs in France.

(692) Third, list prices show that PSA, FCA and Ford price their vehicles at a very similar level. Renault prices slightly lower and Daimler and VW price considerably higher.

(693) Fourth, end prices collected by FCA in the […] show that, in terms of pricing, Citroën and Peugeot are closer to Ford and Opel is closer to Renault than to Fiat. Fiat is closer to Toyota than to any of PSA's brands. PSA and FCA do not therefore appear to be particularly close in terms of pricing, but compete more closely with RNM brands, Ford and Toyota.[540]

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538 See LCV Economic Annex, Table 4.

539 Commission analysis based on Parties' NVBS hesitation data. See LCV Economic Annex, Section 4.1.

540 See LCV Economic Annex, section 4.3.2.

(694) Overall, therefore, the Parties do not appear to be close competitors in France.

(695) The Parties will face competition from five players, which are all large OEMs with established LCV brands in the EEA, as shown by the fact that they have higher shares at the EEA-level, when compared to France. Moreover, they all have a large distribution network in France,[541] which indicates that any price increase attempt by the Parties could be counteracted by increased competitive pressure from those four large competitors. In particular, RNM, who appears to be particularly close to the Parties, has according the Harbour data sufficient spare capacity to increase its supply of Medium LCVs in France, which could render unprofitable any price increase by the Parties post-merger in the long term.[542]

(696) Additionally, as indicated in Section 6.2.4.1, the moderate market shares of the Parties at EEA-level is an indication of the fact that, in general, they face intensive potential competition from other players. In the case of France, the Commission considers that market players like Ford and VW which achieve a lower share in this Member State than at EEA level ([10-20]% vs [20-30]% in the case of Ford, [5-10]% vs [10-20]% in the case of VW) have the ability to increase the competitive pressure they currently exert on the Parties.

(697) In conclusion, given the very small increment ([0-5]%), the evidence suggesting that the Parties are not particularly close competitors, and the existence of five competitors, three of which with market shares larger than the increment, one of which has [30-40]% share and two of which with also significant market positions at EEA-wide level, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in France.

6.2.4.9. Greece

(698) Table 50 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in Greece.

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541 The brand Renault has in France 594 points of sale, Ford 231, Volkswagen 298, Daimler 163 and Toyota 260. This amount is comparable to the network of Citroën, Opel or Peugeot (424, 241 and 412, respectively) or Fiat (310) (see Parties' reply to RFI 38 of 31 August 2020).

542 As in other LCV segments, PSA and RNM have a home advantage in France also in Medium LCVs which explains the fact that the two of them have roughly [70-80]% of the market. This advantage, however, appears less strong than in Small LCVs. It seems that competitors such as Ford, Volkswagen and Daimler have been much more successful in gaining market share in France in Medium LCVs than in Small LCVs (Ford's [10-20]% vs [0-5]%, Volkswagen's [5-10]% vs [0-5]% and Daimler's [5-10]% vs [0-5]%). By comparison, FCA has been less successful in Medium LCVs in France than in Small LCVs ([0-5]% v [5-10]%) and whilst in Small LCVs FCA is the strongest challenger towards PSA and RNM, in Medium LCVs it is the others who pose a much stronger challenge. Finally, Toyota is an additional competitor compared to Small LCVs in France and one that from a pricing perspective appears close to FCA.

Table 50: Greece – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[40-50]%	[…]	[30-40]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Toyota	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
VW	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
RNM	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(699) The Proposed Transaction would result in the merger of the largest and joint third largest players in the Medium LCV market in Greece. The Parties' combined market share in 2019 was slightly below 50% ([40-50]%). FCA has been traditionally a medium sized player in the Medium LCV segment in Greece in terms of market share. Ford has a significant position with [20-30]% and Toyota is on par with FCA at [10-20]%. Following the Proposed Transaction, there would still be five well known competitors in the market.

(700) Although both Parties have grown in the last three years, their market shares have fluctuated over the last decade. The overall market for Medium LCVs in Greece is small at just over […] units. In such small markets, a large order can have a significant impact on overall market shares. For instance, PSA's market shares over the last decade fluctuated between a minimum of [10-20]% in 2010 and a maximum of [40-50]% in 2013. FCA has always been a small to mid-sized player in the Medium LCV market in Greece.[543] In fact, the Commission notes that FCA's [10-20]% market share in fact equates to the sale of only […] vehicles.

(701) As regards closeness of competition, according to the country-specific responses to the market investigation,[544] Peugeot, Citroën and Opel are perceived as the first, second, and third closest brands to Fiat, followed by Ford. For PSA's brands, Fiat is perceived as the closest to Opel and Citroën (followed by VW and Ford), and second closest to Peugeot (after VW and followed by Ford). The market therefore appears to perceive the Parties as particularly close competitors.

(702) However, the Parties will face competition from five players, which are all large OEMs with established LCV brands in the EEA, as shown by the fact that they have higher shares at the EEA-level, when compared to Greece. Moreover, they all have a

543 Parties' response to RFI 44, Question 3.

544 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 to the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers.

large distribution network in Greece,[545] which indicates that any price increase attempt by the Parties could be counteracted by increased competitive pressure from those four large competitors. In particular, Ford and VW, who appear to be particularly close to the Parties, have according the Harbour data sufficient spare capacity to increase their supply of Medium LCVs in Greece, which could render unprofitable any price increase by the Parties post-merger in the long term.[546]

(703) As indicated in Section 6.2.4.1, the moderate market shares of the Parties at EEA-level is an indication of the fact that, in general, they face intensive potential competition from other players.[547] In the case of Greece, the Commission considers that market players like RNM and VW which achieve a lower share in this Member State than at EEA level [0-5]% vs [10-20[% in the case of RNM, [5-10]% vs [10-20]% in the case of VW) have the ability to increase the competitive pressure they currently exert on the Parties. The fluctuating market shares in the last decade (see recital (700)) indicate that this is already the case.

(704) In conclusion, despite market participants' perception that the Parties are particularly close competitors, given the moderate increment (equating to the sale of […] vehicles by FCA) in a small market subject to regular fluctuations in market shares, and the existence of five relatively strong competitors, four of which with also significant market positions at EEA-wide level, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in Greece.

6.2.4.10. Hungary

(705) Table 51 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in Hungary.

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545 The brand Ford has in Greece 16 points of sale, Toyota 40, Daimler 16, Volkswagen 33 and Renault 40 (plus another 40 Dacia dealers). This amount is comparable to the network of Citroën, Opel or Peugeot (37, 32 and 42, respectively) or of Fiat (24) (see Parties' reply to RFI 38 of 31 August 2020).

546 As in other LCV segments, PSA and RNM have a home advantage in France also in Medium LCVs which explains the fact that the two of them have roughly [70-80]% of the market. This advantage, however, appears less strong than in Small LCVs. It seems that competitors such as Ford, Volkswagen and Daimler have been much more successful in gaining market share in France in Medium LCVs than in Small LCVs (Ford's [10-20]% vs [0-5]%, Volkswagen's [5-10]% vs [0-5]% and Daiml-10]er's [5% vs [0-5]%). By comparison, FCA has been less successful in Medium LCVs in France than in Small LCVs ([0-5]% v[5-10]%) and whilst in Small LCVs FCA is the strongest challenger towards PSA and RNM, in Medium LCVs it is the others who pose a much stronger challenge. Finally, Toyota is an additional competitor compared to Small LCVs in France and one that from a pricing perspective appears close to FCA.

547 And considerably more so than in the Small LCV market, where competitors' market shares are also low at EEA level.

Table 51: Hungary – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(706) The Proposed Transaction would result in the merger of the second largest and seventh largest players in the Medium LCV market in Hungary. The Parties' combined market share in 2019 was [20-30]%, and has remained relatively stable since 2017. FCA has traditionally been a small player in the Medium LCV segment in Hungary, with [0-5]% market share in the last three years.

(707) Following the Proposed Transaction, Ford would remain the market leader with a [30-40]% market share, followed by the merged entity ([20-30]%) and VW ([20-30]%). Five competitors (Ford, VW, RNM, Toyota and Daimler) have market shares larger than the increment brought about by the Proposed Transaction.

(708) The Commission considers that, in view of FCA's small market share and volume of sales (FCA sold […] vehicles in 2019), the competitive structure of the market will remain essentially unaltered as a result of the Proposed Transaction. The merged entity would continue to face competition from three large competitors and two smaller ones.

(709) In conclusion, given the very moderate combined market share, FCA's small presence in Hungary, and the existence of five relatively strong competitors, four of which with also significant market positions at EEA-wide level, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in Hungary.

6.2.4.11. Ireland

(710) Table 52 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in Ireland.

Table 52: Ireland – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*
RNM	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
Ford	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(711) The Proposed Transaction would result in the merger of the third and seventh largest players in the Medium LCV market in Ireland. The Parties' combined market share in 2019 was [20-30]%. FCA has traditionally been a very small player in the Medium LCV segment in Ireland, with a [0-5]% market share in each of the last three years (equating to the sale of between […] and […] vehicles).

(712) Following the Proposed Transaction, the competitive structure of the market will remain essentially unaltered. With FCA bringing about a share increment of [0-5]%, the merged entity would become the second largest competitor, together with Ford. RNM will remain the market leader. Other competitors in the market, VW, Daimler and Toyota accounted for [10-20]%, [0-5]% and [0-5]% market share respectively in 2019. The merged entity would therefore continue to face competition from three large and two smaller players.

(713) In conclusion, regardless of whether the Parties could be perceived as particularly close competitors, given the very moderate combined market share, FCA's very small presence in Ireland, and the existence of five competitors, four of which with also significant market positions at EEA-wide level, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in Ireland.

6.2.4.12. Italy

(714) Table 53 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in Italy.

Table 53: Italy – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(715) The Proposed Transaction would result in the merger of the largest and joint third largest players in the Medium LCV market in Italy. The Parties' combined market share in 2019 was slightly below 50% (at [40-50]%). FCA was only the third largest player together with RNM in the market, both with a [10-20]% market share. FCA's share has remained stable over the last three years. Despite Italy being FCA's home market, in addition to PSA, Ford has consistently remained much larger than FCA and RNM is on par. Following the Proposed Transaction, there would still be five well-known competitors in the market, of which one with over 20% and another with over 10% market shares.

(716) In the last decade, the Parties' combined share has decreased from [60-70]% in 2010 to [40-50]% in 2019. FCA's share in the market has been continuously declining from close to [30-40]% in 2010-2012 to below 20% since 2016. PSA's share has experienced some variations over the last decade, falling from [30-40]% in 2010 to [20-30]% in 2015 and increasing again to [30-40]% by 2019.[548]

(717) As regards closeness of competition, the evidence shows that the Parties are particularly close competitors. First, according to the country-specific responses to the market investigation,[549] Peugeot, Opel and Citroën are perceived as the second, fourth and fifth closest brands to Fiat (Renault being the closest and Ford the third). For PSA's brands, Fiat is perceived as the second closest to Opel and Citroën (after Renault) and third closest to Peugeot (after Renault and Dacia).

(718) Second, the diversion ratios calculated on the basis of the hesitation data provided by the Parties[550] show that, in Italy, the Parties' implied combined share would be [5-10] points higher than their actual combined share of [40-50]%.

(719) The actual diversion ratios show the following:[551]

548 Parties' response to RFI 44, Question 3.

549 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers.

550 See LCV Economic Annex, Table 4.

551 Commission analysis based on Parties' NVBS hesitation data. See LCV Economic Annex, Section 4.1.

– From FCA's point of view: PSA is the second closest competitor, with a diversion ratio of [20-30]% from FCA towards PSA. RNM is the closest competitor to FCA, with a diversion ratio from FCA to RNM of [30-40]% and Daimler the third.

– From PSA's point of view: FCA is the closest competitor, with a diversion ratio from PSA to FCA of [40-50]%. Ford is the second closest and RNM the third.

(720) In summary, the hesitation data shows that FCA and PSA can be considered particularly close competitors as each of them is at least second closest to each other.

(721) Third, list prices show that PSA, FCA and RNM price their vehicles at very similar level. Ford and VW price slightly higher and Daimler considerably higher.

(722) Fourth, end prices collected by FCA in the […] show that, in terms of pricing, Citroën and Opel are closer to Renault and Peugeot is closer to Ford than to Fiat. Fiat is at the higher end, closer to Nissan and VW. PSA and FCA are therefore not particularly close competitors in terms of pricing, but compete more closely with the RNM brands, Ford and VW.[552]

(723) Therefore, hesitation data and responses from the market investigation suggest that the Parties are particularly close competitors in the Medium LCV market in Italy.

(724) The Parties will face competition from five players, which are all large OEMs with established LCV brands in the EEA, as shown by the fact that they have higher shares at the EEA-level, when compared to Italy. Moreover, they all have a large distribution network in Italy,[553] which indicates that any price increase attempt by the Parties could be counteracted by increased competitive pressure from those four large competitors. In particular, RNM, who appears to be particularly close to the Parties, has according the Harbour data sufficient spare capacity to increase its supply of Medium LCVs in Italy, which could render unprofitable any price increase by the Parties post-merger in the long term, for example if RNM increased its focus on Italy. Additionally, as indicated in Section 6.2.4.1, the moderate market shares of the Parties at EEA-level is an indication of the fact that, in general, they may face in the medium- and long-term more intensive potential competition from other players than what the national shares would seem to suggest. In the case of Italy, the Commission considers that market players like VW which achieve a lower share in this Member State than at EEA level ([5-10]% vs [10-20]% in the case of VW) and which is closer in terms of price to FCA, have the ability to increase the competitive pressure they currently exert on the Parties. Other such market players which are stronger in the EEA than they currently are in Italy include RNM ([10-20]% in the EEA and in fact [10-20]% in Italy as recently as 2017 compared to only [10-20]% in Italy today), Daimler ([10-20]% in the EEA compared to [5-10]% in Italy) and Toyota ([0-5]% in the EEA compared to [0-5]% in Italy, and a vehicle that is almost identical to that of PSA). On aggregate, competitors account for more than 70% of the EEA Medium LCV market, compared to only [50-60]% in Italy. Finally, the FCA's much greater share in Italy than in the EEA ([10-20]% compared to [0-5]%) may be driven by the fact that it produces locally, thus incurring lower transport costs

552 See LCV Economic Annex, section 4.3.2.

553 The brand Renault has in Italy 181 points of sale and Volkswagen and Ford 191. This amount is comparable to the network of Citroën, Opel or Peugeot (155, 205 and 175, respectively) or the number of dealers of the brand Fiat (189) (see Parties' reply to RFI 38 of 31 August 2020).

and being able to charge lower prices, i.e. it may be driven by a particular competitiveness of FCA's offer rather than a lack of competitive constraints.

(725) In conclusion, despite the relatively high market share and particular closeness of the Parties, given the long-term declining market share of FCA, the existence of five competitors, two of which appear particularly strong based also on the closeness analysis and four of which with also significant market positions at EEA-wide level, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in Italy.

6.2.4.13. Luxembourg

(726) Table 54 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in Luxembourg.

Table 54: Luxembourg – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*
RNM	[…]	[40-50]%	[…]	[30-40]%	[…]	[20-30]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(727) The Proposed Transaction would result in the merger of the largest and joint third largest players in the Medium LCV market in Luxembourg. The Parties' combined market share in 2019 was slightly above 40% ([40-50]%). Following the Proposed Transaction, there would still be four competitors in the market, one of them with more than [20-30]% share (RNM with [20-30]%) and one with a market share close to [10-20]% (VW with [10-20]%). The overall market for Medium LCVs in Luxembourg is small at just over […] units. In such small markets, a large order can have a significant impact on overall market shares.

(728) As regards closeness of competition, according to the country-specific responses to the market investigation,[554] market participants do not appear to perceive PSA and FCA as particularly close competitors in the Medium LCV market in Luxembourg. According to those responses, Citroën, Peugeot, and Opel are perceived as the second, fourth and fifth closest brands to Fiat (Renault being the closest and Ford the third closest). For PSA's brands, Fiat is perceived as the third closest to Opel (after Renault and Ford), and fifth closest to Citroën and Peugeot (Renault being first and

554 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, question 28 of the Questionnaire to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

Ford second). Therefore, the Parties do not appear to be particularly close competitors in Luxembourg.

(729) Additionally, as indicated in Section 6.2.4.1, the moderate market shares of the Parties at EEA-level is an indication of the fact that, in general, they face intensive actual and potential competition from other players. In the case of Luxembourg, the Parties will face competition from four players, which are all large OEMs with established LCV brands in the EEA, as shown by the fact that they have higher shares at the EEA-level. The Commission considers that market players like Ford and VW which achieve a lower share in this Member State than at EEA level ([10-20]% vs [20-30]% in the case of Ford, [5-10]% vs [10-20]% in the case of VW) have the ability to increase the competitive pressure they currently exert on the Parties. In particular RNM and Ford, who appears to be particularly close to the Parties, have sufficient spare capacity to increase their supply of Medium LCVs in Luxembourg according the Harbour data. This could render any price increase by the Parties unprofitable post-merger in the long term.

(730) In conclusion, given that the combined market share barely exceeds 40%, the evidence suggesting that the Parties are not particularly close competitors, and the existence of four competitors with also significant market positions at EEA-wide level and two of which have market shares in Luxembourg comparable to those of the Parties, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in Luxembourg.

6.2.4.14. Netherlands

(731) Table 55 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in the Netherlands.

Table 55: Netherlands – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(732) The Proposed Transaction would result in the merger of the largest and sixth largest players in the Medium LCV market in the Netherlands. The Parties' combined market share in 2019 was [30-40]%. FCA has traditionally been a small player in the Medium LCV segment in the Netherlands, with a [0-5]-[5-10]% market share over the last three years. PSA's share has remained stable over the past three years, with a slight decrease from [20-30]% in 2017 to [20-30]% in 2019.

(733) Following the Proposed Transaction, although the merged entity would become the largest competitor in terms of market share at [30-40]%, it would continue to face competition from four significant competitors: VW ([20-30]%), Ford ([10-20]%), Daimler ([10-20]%) and RNM ([10-20]%). These four competitors each have a market share larger than the share increment brought about by the Proposed Transaction. In addition to these four competitors, Toyota also exerts competitive pressure in the Netherlands. Moreover, there is spare capacity in the market.

(734) In conclusion, given the moderate combined market share, the very small market share increment, and the existence of five strong competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in the Netherlands.

6.2.4.15. Poland

(735) Table 56 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in Poland.

Table 56: Poland – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[10-20]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(736) The Proposed Transaction would result in the merger of the third largest and seventh largest players in the Medium LCV market in Poland and the market share increment would be very small, as FCA's share in this market has been [0-5]-[0-5]% over the last three years. In addition, the Parties' combined market share in 2019 was only [20-30]%, i.e. below the 25% threshold set out in the Horizontal Merger Guidelines. In the past three years, PSA's market share has remained stable at [20-30]%.

(737) Following the Proposed Transaction, the merged entity would become the second largest competitor in terms of market shares together with Ford (also [20-30]%) after VW ([20-30]%). Five competitors (VW, Ford, RNM, Toyota and Daimler) each have a market share larger than the share increment brought about by the Proposed Transaction and would continue to exert significant competitive pressure on the merged entity.

(738) In conclusion, given the relatively low combined market share, the very small market share increment, and the existence of five strong competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in Poland.

6.2.4.16. Portugal

(739) Table 57 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in Portugal.

Table 57: Portugal – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
VW	[…]	[10-20]%	[…]	[5-10]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(740) The Proposed Transaction would result in the merger of the largest and fifth largest players in the Medium LCV market in Portugal. The Parties' combined market share in 2019 was [30-40]%. FCA has traditionally been a relatively small player in the Medium LCV segment in Portugal, with [5-10]-[5-10]% market share over the last three years. In the past three years, PSA's market share has fluctuated between [20-30]% and [20-30]%.

(741) The Proposed Transaction would bring about a small share increment ([5-10]%). Although the merged entity would become the largest competitor in terms of market share, it would be closely followed by Daimler [20-30]%), RNM ([10-20]%) and Ford ([10-20]%). Up to three competitors (VW, RNM and Ford) each have a market share larger than the share increment brought about by the Proposed Transaction. The combined entity would continue to face competition from five important competitors (Daimler, RNM, Ford, Toyota and VW).

(742) As regards closeness of competition, according to the country-specific responses to the market investigation,[555] Citroën, Peugeot, and Opel are perceived as the second, third and fourth closest brands to Fiat (Renault being the closest). For PSA's brands, Fiat is perceived as the third closest to Opel and Citroën, and fourth closest to Peugeot. Renault is the closest competitor for all three PSA brands, followed by Ford. At most, one could say that the market perceives PSA as a particularly close competitor to FCA but not vice versa. This means that FCA cannot be considered as a significant challenger to the market leader PSA.

(743) In conclusion, despite the market perception that PSA may be a particularly close competitor to FCA (but not vice versa), given the small increment, the moderate

555 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers.

combined market share, and the existence of five competitors, three of which have significant market shares larger than the increment, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in Portugal.

6.2.4.17. Slovakia

(744) Table 58 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in Slovakia.

Table 58: Slovakia – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[5-10]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[10-20]%	[…]	[0-5]%	[…]	[5-10]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(745) The Proposed Transaction would result in the merger of the second largest and third largest players in the Medium LCV market in Slovakia. The Parties' combined market share in 2019 was slightly above 40% ([40-50]%). Following the Proposed Transaction, there would still be five competitors in the market, one of them with a [30-40]% market share (Ford) and four with a market share of 5% or above (VW with [5-10]%, RNM with [5-10]%, Toyota with [5-10]% and Daimler with [5-10]%).

(746) The overall market for Medium LCVs in Slovakia is small at just over […] units. In such small markets, a large order can have a significant impact on overall market shares, as can be seen from the increase of FCA's market share from [5-10]% in 2018 to [10-20]% in 2019 resulting from the sale of […] vehicles.

(747) As regards closeness of competition, according to the country-specific responses to the market investigation,[556] Citroën, Peugeot, and Opel are perceived as the second, third and fifth closest brands to Fiat (Renault being the closest and Ford the fourth closest). For PSA's brands, Fiat is perceived as the third closest to Citroën, the fourth closest to Opel and fifth closest to Peugeot (Renault being first and Ford second in all cases). At most, one could say that the market perceives PSA as a particularly close competitor to FCA but not vice versa. This means that FCA cannot be considered as a significant challenger to the market leader PSA.

556 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

(748) The Parties will face competition from five players, which are all large OEMs with established LCV brands in the EEA, as shown by the fact that they have higher shares at the EEA-level, when compared to Slovakia. Moreover, they all have a distribution network in Slovakia,[557] which indicates that any price increase attempt by the Parties could be counteracted by increased competitive pressure from those competitors. In particular, RNM, who appears to be particularly close to the Parties, has according the Harbour data sufficient spare capacity to increase its supply of Medium LCVs in Slovakia, which could render unprofitable any price increase by the Parties post-merger in the long term.

(749) Additionally, as indicated in Section 6.2.4.1, the moderate market shares of the Parties at EEA-level is an indication of the fact that, in general, they face intensive actual and potential competition from other players.[558] In the case of Slovakia, the Commission considers that market players like RNM and VW which achieve a lower share in this Member State than at EEA level ([5-10]% vs [10-20]% in the case of RNM, [5-10]% vs [10-20]% in the case of VW) have the ability to increase the competitive pressure they currently exert on the Parties.

(750) In conclusion, despite the market perception that PSA may be a particularly close competitor to FCA (but not vice versa), given that the combined market share barely exceeds 40%, and the existence of five competitors, four with also significant market positions at EEA-wide level, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in Slovakia.

6.2.4.18. Spain

(751) Table 59 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in Spain.

Table 59: Spain – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
Daimler	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

557 The brand Ford has in Slovakia 15 points of sale, Volkswagen 19, Renault 11, Toyota 13 and Daimler 14. This amount is comparable to the network of Citroën, Opel or Peugeot (31, 21 and 29, respectively) or Fiat (18) (see Parties' reply to RFI 38 of 31 August 2020).

558 And considerably more so than in the Small LCV market, where competitors' market shares are also low at EEA level.

(752) The Proposed Transaction would result in the merger of the largest and the sixth largest players in the Medium LCV market in Spain. In 2019, the Parties' combined market share was [30-40]%. PSA was the largest competitor in terms of market share, with a market share of [30-40]% in 2019. FCA has been traditionally a relatively small player in the Medium LCV market in Spain, with [0-5] to [5-10]% market share over the past three years.

(753) Following the Proposed Transaction, the competitive structure of the market would remain relatively unaltered. With FCA bringing about a share increment of [5-10]%, the merged entity would remain the largest competitor in terms of market share, followed by Daimler and RNM, who each had a [20-30]% market share in 2019. Other competitors in this market, Ford, VW and Toyota accounted for [10-20]%, [5-10]% and [0-5]% market share respectively in 2019. The combined entity would continue to face significant competition from these players, four of whom have market shares larger than the share increment brought about by the Proposed Transaction.

(754) As regards closeness of competition, the evidence is again mixed but overall suggests that the Parties might not be particularly close competitors in Medium LCVs in Spain. First, according to the country-specific responses to the market investigation,[559] PSA and FCA are clearly not perceived as close competitors in the Medium LCV market in Spain. According to those responses, Opel, Citroën and Peugeot are perceived as the fifth, sixth and eighth closest brands to Fiat (Renault and Seat being the closest). For PSA's brands, Fiat is perceived as the third, fourth and eighth closest to Citroën, Opel and Peugeot respectively. Renault is the closest competitor for Opel and Peugeot and Seat is the closest competitor for Citroën.

(755) Second, the diversion ratios calculated on the basis of the hesitation data provided by the Parties[560] show that, in Spain, the Parties' implied combined share would be [5-10] points higher than their actual combined share of [30-40]%.

(756) The actual diversion ratios, however, show a more one-sided story:[561]

– From FCA's point of view: PSA is the closest competitor, with a diversion ratio of [30-40]% from FCA towards PSA. This diversion ratio is slightly above its diversion ratio implied by actual market shares ([30-40]% vs [30-40]%), suggesting that PSA imposes a higher constraint on FCA than what its actual market share indicates. RNM is the second closest, with a diversion ratio from FCA to RNM of [30-40]%, which is much higher compared to the diversion ratio implied by actual market shares ([30-40]% vs [10-20]%), showing that RNM imposes a much higher constraint on FCA than its market share suggests. The third closest competitor to FCA after PSA and RNM is Ford, with a diversion ratio of [10-20]%, which is the same as that implied by market shares. Daimler, which is the joint second largest competitor in terms of actual shares, appears to exert a lower constraint on FCA (with a diversion ratio of [10-20]%, as opposed to the diversion ratio implied by actual market shares of [10-20]%).

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559 Replies to question 30 of the Questionnaire to dealers, question 29 of the Questionnaire to leasing rental companies, question 27 of the Questionnaire to corporate customers, and question 28 of the Questionnaire to importers.

560 See LCV Economic Annex, Table 4.

561 Commission analysis based on Parties' NVBS hesitation data. See LCV Economic Annex, Section 4.1.

– From PSA's point of view: FCA is the fourth closest competitor, with a diversion ratio from PSA to FCA of [0-5]% which is even slightly below its diversion ratio implied by actual market shares ([0-5]% vs [5-10]%), suggesting that FCA indeed imposes a low constraint on PSA. Closest competitor RNM's diversion ratio is [30-40]%, significantly higher than the diversion ratio implied by market shares ([30-40]% vs [20-30]%), as is Ford's diversion ratio ([30-40]% vs [20-30]%). Daimler's diversion ratio of [20-30]% is in line with its diversion ratio implied by market shares ([20-30]%).

(757) In summary, the hesitation data suggests that whilst PSA is the closest competitor to FCA, FCA is not a close competitor to PSA in Spain for Medium LCVs.

(758) Third, list prices show that PSA, FCA and RNM price their vehicles at very similar level. Ford prices slightly higher and Daimler and VW considerably higher.

(759) In terms of closeness therefore, whilst the hesitation data suggests that PSA is particularly close to FCA, it also makes clear that FCA is not a close competitor to the market leader PSA. The market perception also does not perceive the Parties as particularly close competitors.

(760) In conclusion, given the moderate combined market share, FCA's small presence in Spain, and the existence of five competitors, two of which particularly strong, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in Spain.

6.2.4.19. United Kingdom

(761) Table 60 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Medium LCV market in the United Kingdom.

Table 60: United Kingdom – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
Ford	[…]	[40-50]%	[…]	[40-50]%	[…]	[40-50]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(762) The Parties' combined market share in 2019 was [20-30]%. PSA was the second largest player in the market, with [20-30]% market share in 2019. FCA is almost absent in the market, with only […] units sold in 2019, i.e. less than [0-5]% of the overall Medium LCV market in the United Kingdom.

(763) Following the Proposed Transaction, the competitive structure of the market would remain essentially unaltered. In view of FCA's negligible position, the merged entity would remain the second largest competitor in terms of market shares, with [20-30] points less than the market leader Ford. Other competitors in this market, VW, RNM,

Daimler and Toyota accounted for [10-20]%, [5-10]%, [5-10]% and [0-5]% respectively in 2019. The combined entity would continue to face significant competition from these players, all of whom have market shares significantly larger than the share increment brought about by the Proposed Transaction.

(764) In conclusion, given FCA's marginal presence in the United Kingdom (effectively there is no increment), the relatively low combined market share, and the existence of other strong competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV market in the United Kingdom.

6.2.4.20. Conclusion on Medium LCV markets

(765) In conclusion, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Medium LCV markets in any EEA Member State.

6.2.5. Large LCVs and LCVs between 3.5 and 6 tonnes markets

6.2.5.1. EEA-wide competitive landscape

6.2.5.1.1. The Parties' and competitors' models

(766) PSA is present in the markets for Large LCVs and for LCVs between 3.5 and 6 tonnes in the EEA with the models Citroën Jumper, Peugeot Boxer and Opel Movano. FCA is present with Fiat Ducato.

(767) Table 61 below lists the models commercialised by PSA, FCA and their main competitors in the markets for Large LCVs and LCVs between 3.5 and 6 tonnes in the EEA in 2019.[562]

[562] A market participant argues (submission of 27 May 2020 by a market participant, section 5.4) that the merged entity would have nine different models which are close substitutes and would be likely to reduce its portfolio to three to limit cannibalisation. However the market respondents seems to be mixing models from different markets as the Parties will only have four models in the Large LCV market post-merger: Fiat Ducato Combi, for instance, which is mentioned by this market respondent, although built on the same platform of Fiat Ducato, is an M-passenger vehicles (see Section 7.2.7).

Table 61: OEM's models in Large LCVs and LCVs between 3.5 and 6 tonnes in the EEA

OEM	Brand	Model	
		Large LCVs	LCVs above 3.5 tonnes
FCA	Fiat	Ducato	Ducato
PSA	Citroën	Jumper	Jumper
	Peugeot	Boxer	Boxer
	Opel	Movano	Movano
RNM	Renault	Master	Master
	Nissan	NV400	NV400, Cabstar
	Mitsubishi		Fuso Canter
VW	Volkswagen	Crafter	Crafter
	MAN	TGE	TGE
Ford	Ford	Transit	Transit
Daimler	Mercedes	Sprinter	Sprinter
	Fuso	-	Canter
Iveco	Iveco	Daily	Daily
Isuzu	Isuzu	-	N-Series, Grafter
Multicar	Multicar	-	Multicar

Source: Notifying Parties response to RFI 10, Question 18, Notifying Parties' submission of 30 June 2020; and Notifying Parties' response to RFI 50 of 13 October 2020.

6.2.5.1.2. Production capacity in the market

(768) The 2018 Harbour normalised capacity and utilisation rate for the production sites in which the Parties and their main competitors manufacture Large LCVs and LCVs between 3.5 and 6 tonnes is shown in Table 62.

Table 62: Large LCVs – Parties' and competitor's utilisation rates and spare capacity

[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
[…]	[…]	[…]	[…]	[…]	[…]	[…]	
[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]

Source: Form CO, Joint Annex 4.

(769) The table shows that RNM and VW have spare capacity in the plants producing Large LCVs and LCVs between 3.5 and 6 tonnes. This information is not, however, sufficiently specific, as it includes information at plant level, whereas a same plant may host several platforms and produce different types of vehicles (sometimes vehicles built on different platforms and even PCs and LCVs). However, the Commission has verified with the different OEMs the spare capacity existing in the market. Although the information on the individual information on each OEMs is confidential, the answers received confirm that, overall, there is sufficient spare capacity in the market for competitors to increase production of Large LCVs without the need to expand the actual capacity of their plants. .

6.2.5.1.3. EEA-wide market shares

(770) Table 63 shows the Parties' and competitors' sales volumes and market shares for the last three years at EEA level (including United Kingdom) in a market comprising only Large LCVs.

Table 63: EEA and United Kingdom – Large LCV markets (under 3.5 tonnes)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(771) At EEA-level, the Parties' combined market share in 2019 was [30-40]%, with an increment of [102-0]%. This is considerably lower than the Parties' combined share in Small LCVs where it was close to [50-60]%. Moreover, The Parties' combined share has declined during the last three years from [30-40]% to [30-40]% with both PSA and FCA losing share in the context of a fast growing market (the growth rate of the Large LCV between 2017 and 2019 was [10-20]%). At EEA-level, VW's share increased by the most from [5-10]% to 10-20]%. In terms of market growth it appears that Daimler and VW have captured the most.

(772) When comparing at EEA-level, it is clear that the Large LCV markets are less concentrated than the Small (and to some extent also Medium) LCV markets: (i) five other competitors (Daimler, RNM, Ford, VW and Iveco), three of which are larger than FCA (Daimler, RNM and Ford), would remain present across the EEA; and (ii) there is a relatively strong competitor, Iveco, which is not present in Small and Medium. Moreover, the market shares show a much more evenly distributed market share where post-merger, four competitors would remain with market shares above [10-20]% and a fifth one at[5-10]%.

(773) Whilst markets are national, as explained in Section 6.1.2.3, one cannot ignore the EEA-wide supply structure in the competitive assessment, given out of market constraints.

(774) FCA's presence in Large LCVs remains moderate in most EEA Member States and the United Kingdom, as reflected in the following Tables.

(775) Table 64 shows the Parties' and competitors' volumes and market shares for the last three years at EEA level in a market comprising only LCVs between 3.5 and 6 tonnes.

Table 64: EEA – LCVs between 3.5 and 6 tonnes markets

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
Daimler	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Isuzu	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
RNM	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Multicar	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Other	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(776) At EEA-level, the Parties' combined market share in 2019 was [20-30]%, with a [10-20]% increment. As such, the Proposed Transaction would barely lead to an affected market at EEA-level. Daimler would remain the clear market leader with [30-40]%.

(777) EEA-wide, the markets for LCVs between 3.5 and 6 tonnes are characterised by an increased level of competition with respect to any other LCV market. First, the markets are significantly less concentrated, with more players: post-merger there would still be seven competitors with more than 1% market share and a group of other competitors would still reach a combined share of [5-10]%. Second, Daimler reaches a considerably higher share in this market than in any other LCV market, with Iveco also being a strong competitor. Third, there are many market players which are not present in any of the other LCV markets: Isuzu, Multicar and others with up to a combined [5-10]% market share. Moreover, the size of the market is significantly smaller than the Large LCV markets: EEA-wide the size of the markets of LCV above 3.5 tonnes ([…] vehicles) represents, in terms of volume, approximately [5-10]% of the size of the Large LCV markets ([…] vehicles). Finally, the Commission notes that the Parties are not even present in all Member States in LCVs between 3.5 and 6 tonnes.

(778) Table 65 shows the Parties' and competitors' volumes and market shares for the last three years at EEA level in a market comprising Large LCVs and LCVs between 3.5 and 6 tonnes combined.

Table 65: EEA – Large LCVs and LCVs between 3.5 and 6 tonnes combined

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[20-30]%	[…]	[10-20]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
Daimler	[…]	[10-20]%		[10-20]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(779) Since the market comprising only Large LCVs represents approximately […] of the wider market comprising *both* Large LCVs and Large LCVs between 3.5 and 6 tonnes, the market shares and the overall competitive picture of both market segmentations look very similar, with the Parties, VW, Ford, and RNM having a slightly more reduced share in the wider market and Daimler and Others a slightly stronger presence.

6.2.5.2. Closeness of competition

6.2.5.2.1 The Notifying Parties' views

(780) The Parties argue that they are not close competitors with respect to LCVs overall. They substantiate their claim on the basis of the hesitation data, and on the Parties' internal documents, submitted with the Notification.

(781) The Parties further claim in their reply to the Article 6(1)(c) decision that competitors with spare capacity in LCVs are close competitors of the Parties.[563] In particular, they indicate that RNM and Ford are close competitors of the Parties both at EEA level and in several EEA Member States.

(782) The Parties also claim that VW's and Daimler's LCV prices are distributed similarly to those of the other relevant OEMs, including the Parties'.[564] According to the Parties' analysis of hesitation data, there is significant diversion towards those competitors at EEA level, and even more so in several EEA Member States. In particular, VW is the fourth closest competitor to FCA in Germany and Spain, the third closest competitor to PSA in Germany and the fourth closest in Italy; while Daimler is the closest competitor to FCA in Germany and the fourth closest competitor in France and Italy, and the closest competitor to PSA in Germany, the third closest in France and Spain and the fourth closest competitor in Italy.[565]

563 Parties' reply to the Article 6(1)(c) decision, Section 2.3.1.4.
564 Parties' reply to the Article 6(1)(c) decision, paragraph 114.
565 Parties' reply to the Article 6(1)(c) decision, paragraph 115.

6.2.5.2.2. The Commission's assessment

(783) The Commission considers that, on balance, internal documents and economic analysis, […][566] […], indicate that the Parties are, in general, particularly close competitors in respect of Large LCVs.

(784) The following Sections address closeness of competition in Large LCVs by analysing, on the one hand, (i) internal documents submitted by the Parties and, on the other hand, three sets of quantitative/qualitative evidence: (ii) Hesitation data and derived diversion ratios, (iii) perceived closeness as per the e-Questionnaires sent to market participants in the in-depth market investigation, and (iv) the positioning of FCA's and PSA's LCVs in terms of price points.[567]

6.2.5.2.3. Internal documents

(785) […].[568]

(786) Based on its analysis of the Parties' internal documents, the Commission considers that whilst FCA appears to consider PSA's brands as close competitors in addition to RNM, VW and Ford; PSA does not appear to consider FCA as a close competitor in Large LCVs.

(787) […].

(788) […][569].[570] […].[571]

(789) […];[572] […].[573]

(790) […].[574]

(791) FCA's internal documents, therefore, show that FCA perceives PSA as one of several competitors present in the Large LCV markets, together with RNM and VW, amongst others.

(792) PSA internal documents do not appear to discuss FCA as a particularly close competitor for Large LCVs.

(793) Closeness at country level will be analysed below in the corresponding sections by EEA Member State, but the Parties' internal documents comparing the same models with their main competitors by country suggest the same.

(794) In conclusion, the Parties' internal documents do not indicate that they perceive each other as particularly close competitors for Large LCVs.

6.2.5.2.4. Hesitation data

(795) According to the Notifying Parties, the hesitation data shows that FCA and PSA are not close competitors in the LCV area overall.[575] As explained above in Section

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566 […].

567 For further details on the quantitative assessment related to hesitation data, Questionnaires, and price points' comparison see the LCV Economic Annex, Section 4.

568 Form CO, paragraphs 1287 and following. See also the Notifying Parties' LCV Advocacy Paper of 25 May 2020, paragraphs 152 and following.

569 […].

570 Form CO, Annex FCA 41.

571 See replies to RFI 21 of 26 June 2020, FCA email of 11.06.2019, (ID 2220-662).

572 See replies to RFI 21 of 26 June 2020. […] email dated 25.02.2020 (2220-20442).

573 See replies to RFI 21 of 26 June 2020 (FCA email dated 07.11.2019, 2220-48180).

574 Form CO, Annexes FCA 33 and FCA 35.

575 Form CO, paragraph 1220 and following.

6.2.3.2, the Commission considers that the Parties' analysis is flawed for several reasons, and in any event they present their results of hesitation data in an aggregated form for all types of LCVs and only for five countries.

(796) Instead, the Commission has analysed diversion ratios based on the hesitation data for each of the five Member States for which they are available and for each LCV category.[576]

(797) Even if the Commission will use hesitation data by Member State (where available) for the competitive assessment for each Large LCV market, it is also useful to mention that, for Large LCVs at an aggregated EEA level, the implied combined share (on the basis of diversion ratios) is higher than the Parties' actual combined share ([40-50] vs [30-40]%), with both FCA's and PSA's implied share being above their actual shares ([10-20]% vs [10-20]% for FCA, and [30-40]% vs [10-20]% for PSA).

(798) This shows that, in the EEA, the Parties appear to compete more closely than what their market shares suggest in Large LCVs.

6.2.5.2.5. Responses by market participants to the Commission's market investigation questionnaires

(799) Another source of data on closeness is the e-Questionnaire sent to market participants during the in-depth investigation, where the Commission asked respondents to rate competing brands according to their closeness to each of the Parties' four brands.

(800) It is, however, more difficult to interpret the results of this exercise, compared to the hesitation data since, for instance, it does not allow for a quantification of closeness in the absolute sense (instead only ranks competitors), and considers each of PSA's brands separately while what matters is the overall constraint imposed by all of PSA's brands on FCA (which is accurately reflected by the diversion ratios computed from the hesitation data).

(801) Subject to such caveats, the results of the e-Questionnaire are informative in those markets where no other information on closeness is available. In any case, at least from a qualitative point of view, the results of the in-depth market investigation confirm the analysis of closeness based on the hesitation data: The Parties appear to compete closely in the majority of EEA countries and in many national countries, they can be considered particularly close competitors, as will be explained in the corresponding country-specific section.

6.2.5.2.6. Price positioning

(802) Another indicator for closeness is price similarity, since vehicle models with similar prices are more likely to be closer substitutes. Both hesitation data and the results of the in-depth market investigation in response to the e-Questionnaire implicitly take prices into account, but it is instructive to consider prices as a factor on their own in order to analyse closeness, given that vehicles which are priced similarly within one category are more likely to exert a stronger competitive constraint on each other than models priced differently.

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576 LCV Economic Annex, Table 4.

(803) The source of price data (list prices provided by the Parties) suggest that in terms of price positioning, the Parties, RNM, Ford and Daimler are priced roughly at a similar level, whilst generally VW appears a bit more expensive.

(804) According to the data provided by the Parties, they consistently price similarly their equivalent models in terms of size/loading capacity. The Parties provided in Tables 312 and 313 of the Notification the list price ranges of their different LCV models in Italy and France.[577] These ranges show that, for instance, PSA and FCA price their models similarly in the different segments (by size).

(805) In France, for example, for Large LCVs, FCA and PSA set a comparable average list price for their models […], […], […] and […] (all in the EUR […] - […] range, on average). However, also competitors' models are in the same price range, e.g. […] is at EUR […], on average, […] is at EUR […], on average, […] is at EUR […], on average; and […] is slightly above, at EUR […], on average.[578]

6.2.5.2.7. Conclusion on closeness

(806) In view of the above, the Commission concludes that:

- A comparison of the Parties' sales shows that their vehicle portfolio does not overlap with particular intensity in Large LCVs, although FCA has a large proportion of Large LCV sales when compared to its total LCV sales in Europe.
- The Parties' internal documents do not reflect that the Parties perceive each other as particularly close competitors.
- According to the hesitation data, the actual combined market share of the Parties in Large LCVs in the EEA is lower than their implied combined share, suggesting that the Parties compete more closely than what their actual shares suggest, which is consistent with the fact that their vehicles are similar […].
- The in-depth market investigation shows that the Parties are close competitors also in terms of pricing, since list prices are similar (but that applies equally to several other competitors).

(807) Taking all these elements into consideration, as will be explained in detail in the specific country sections, the Parties can be considered at least close competitors in the Large LCV markets, and in many of the national markets, particularly close competitors. A specific assessment on the Parties' closeness by country is done in Sections 6.2.5.4 and following, and the relative closeness may nevertheless vary by country.

6.2.5.3. Affected national markets

(808) Table 66 shows PSA's and FCA's combined market shares in the following market segmentations: (i) Large LCVs, (ii) LCVs between 3.5 and 6 tonnes, and (iii) Large LCVs and LCVs between 3.5 and 6 tonnes combined.

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577 The Parties provided further information on the Parties' and competitors' prices for LCVs in response to Question 18 of RFI 10, Annex Joint 000029.

578 The Parties provided further information on the Parties' and competitors' prices for LCVs in response to Question 18 of RFI 10, Annex Joint 000029.

Table 66: Large LCVs and LCVs between 3.5 and 6 tonnes – Combined market shares at national level and affected markets

EEA Member States	PSA/FCA combined share 2019 market shares (in volume)		
	Large LCVs	LCVs between 3.5 and 6 tonnes	Large LCVs and LCVs between 3.5 and 6 tonnes combined
Austria	[30-40]%	[0-5]%*	[30-40]%
Belgium	[30-40]%	[10-20]%	[30-40]%
Bulgaria	[30-40]%**	[0-5]%	[30-40]%**
Croatia	[40-50]%	[60-70]%*	[40-50]%
Cyprus	[5-10]%	[10-20]%*	[5-10]%
Czechia	[40-50]%	[0-5]%	[40-50]%
Denmark	[20-30]%	[0-5]%	[20-30]%
Estonia	[30-40]%	[0-5]%**	[30-40]%
Finland	[20-30]%	[0-5]%	[10-20]%
France	[30-40]%	[20-30]%	[30-40]%
Germany	[20-30]%	[5-10]%	[10-20]%
Greece	[40-50]%	[5-10]%	[30-40]%
Hungary	[30-40]%	[0-5]%	[30-40]%
Iceland	[10-20]%	[0-5]%	[5-10]%
Ireland	[10-20]%	[0-5]%	[10-20]%
Italy	[30-40]%	[10-20]%	[30-40]%
Latvia	[20-30]%	[0-5]%**	[10-20]%
Lithuania	[30-40]%	[0-5]%	[20-30]%
Luxembourg	[40-50]%	[0-5]%**	[40-50]%
Malta	[5-10]%	[0-5]%	[5-10]%
Netherlands	[10-20]%	[10-20]%	[10-20]%
Norway	[40-50]%	[50-60]%*	[50-60]%
Poland	[30-40]%	[0-5]%	[30-40]%
Portugal	[20-30]%	[0-5]%	[20-30]%
Romania	[20-30]%	[0-5]%**	[20-30]%
Slovakia	[60-70]%	[0-5]%	[50-60]%
Slovenia	[40-50]%	[5-10]%	[40-50]%
Spain	[40-50]%	[5-10]%	[30-40]%
Sweden	[20-30]%	[0-5]%	[20-30]%
United Kingdom	[20-30]%	[50-60]%	[20-30]%

Source: Parties' response to RFI 44, Question 3. (*) PSA not present. (**) FCA not present.

(809) Accordingly, in a market comprising only Large LCVs, the affected markets, i.e. those where there is a horizontal overlap between the Parties and where the Proposed Transaction will lead to a combined market share of 20% or more, are the following: Austria, Belgium, Croatia, Czechia, Denmark, Estonia, Finland, France, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.[579]

579 A market participant provided the Parties' market shares in the Large LCV markets computed by an external consultant based on IHS data for those countries where the Parties hold a combined market share larger than 40% with a significant increment (see submission of 27 May 2020 by a market participant, section 5.2.1), which show a general picture very similar to that reported in Table 66: Croatia: [40-50]% reported by the market respondent vs [40-50]% in Table 66; Czechia, [40-50]% vs [40-50]%; Estonia, [40-50]% vs [30-40%; Greece, [40-50]% vs [40-50]%; Italy, [40-50]% vs [30-40]%; Luxembourg, [40-50]% vs [40-50]%; Norway, [40-50]% vs [40-50]%; Slovakia, [60-70]% vs [60-70]%; Slovenia, [50-60]% vs [40-50]%.

(810) With the exception of Finland and Latvia, the same markets would be considered affected in a wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

(811) Only France and the United Kingdom would be affected markets if the market was to be defined as comprising only LCVs between 3.5 and 6 tonnes.

6.2.5.4. Austria

(812) Table 67 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Austria.

Table 67: Austria – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Iveco	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(813) The Proposed Transaction would lead to the merger of the largest and fourth largest players in Large LCVs in Austria. In 2019, the Parties' combined market share was [30-40]%, having decreased from [40-50]% in 2017. Following the Proposed Transaction, although the merged entity would become the largest competitor in terms of market share, it would continue to face strong competition from Daimler ([10-20]%), Ford ([10-20]%), VW ([10-20]%) as well as from RNM ([5-10]%) and Iveco ([5-10]%). Two of these competitors (Daimler and Ford) each have a market share larger than the share increment brought about by the Proposed Transaction. The Commission notes that the Austrian market for Large LCVs has grown by a rate of over 20% between 2017 and 2019 and that growth has been captured by competitors and not by the Parties.

(814) The Commission has no data on closeness in Austria.

(815) In conclusion, regardless of the closeness between the Parties, given the moderate combined market share and the existence of five strong competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in Austria.

(816) Table 68 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes in Austria.

Table 68: Austria – Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
FCA	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Iveco	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(817) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only Large LCVs, since only […] LCVs between 3.5 and 6 tonnes were sold in Austria in 2019, i.e. around [5-10]% of the overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes.[580]

(818) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Austria in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.5. Belgium

(819) Table 69 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Belgium.

580 Parties' response to RFI 44, Question 3.

Table 69: Belgium – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Iveco	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(820) The Proposed Transaction would lead to the merger of the first and fourth largest players in Large LCVs in Belgium. In 2019, the Parties' combined market share was [30-40]%, having decreased from [40-50]% in 2017. Both PSA and FCA have steadily lost market share over the last two years. This is despite market growth, meaning that this growth has been mainly captured by competitors, in particular Daimler, Ford and Volkswagen.

(821) Post-Transaction, the merged entity would be the market leader with [30-40]% but would continue to face significant competition from RNM ([10-20]%), Daimler ([10-20]%), Ford ([10-20]%), VW ([10-20]%) and Iveco ([5-10]%). Four of these competitors (RNM, Daimler, Ford and VW) each have a market share above 10%.

(822) As regards closeness of competition,[581] according to the country-specific responses received to the market investigation, Citroën, Peugeot and Opel are perceived as first, third and fifth closest brands to Fiat (the second being Renault). Therefore, PSA is perceived as FCA's closest competitor. Fiat on the other hand, is perceived as the second closest brand to Citroën and the third closest to Peugeot and Opel (after Renault and Ford).[582] FCA is thus not perceived as a particularly close competitor to PSA.

(823) In conclusion, despite PSA's perceived closeness to FCA, given the moderate combined market share, and the existence of five strong competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in Belgium.

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581 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers that the inclusion of Large LCVs above 3.5 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter represent only a marginal proportion of the wider market including both sizes.

582 Replies to question 30 of Questionnaire 11 to dealers, question 29 of Questionnaire 12 to leasing rental companies, question 27 of Questionnaire 13 to corporate customers, and question 28 of Questionnaire 10 to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

(824) Table 70 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes in Belgium.

Table 70: Belgium – Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Iveco	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question

(825) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only Large LCVs, since only […] LCVs between 3.5 and 6 were sold in Belgium in 2019, i.e. around [5-10]% of the overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes.[583]

(826) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Belgium in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.6. Croatia

(827) Table 71 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Croatia.

583 Parties' response to RFI 44, Question 3.

Table 71: Croatia – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[40-50]%	[…]	[40-50]%	[…]	[30-40]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*	*[…]*	*[40-50]%*
RNM	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
Iveco	[…]	[10-20]%	[…]	[5-10]%	[…]	[10-20]%
VW	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(828) The Proposed Transaction would lead to the merger of the largest and fourth largest players in Large LCVs in Croatia. In 2019, the Parties' combined market share was [40-50]%, having decreased from [50-60]% in 2017 and [50-60]% in 2018. Nevertheless, post-Transaction, two competitors (RNM and Iveco) with market shares in excess of 20% and 10% respectively would remain, followed by VW, Daimler and Ford.

(829) Moreover, the Large LCV market in Croatia is small in size, with less than […] vehicles sold each year which means that market shares can change significantly with one or a few large orders. This volatility can be seen, for instance in RNM's shares which increased in the last years from [10-20]% in 2015, to [20-30]% in 2016, then [10-20]% in 2017 and [20-30]% in 2019. Conversely, Ford saw its market share drop from [20-30]% in 2015 to [5-10]% in 2016 and [5-10]% in 2019. The Parties' share has also suffered similar variations: PSA's share increased from [30-40]% in 2013 to [50-60]% in 2014, then dropped to [40-50]% in 2015, and in the last year from [40-50]% to [30-40]%.[584] The Commission notes that PSA's decrease in market share does not seem to have been captured by FCA. Moreover, in absolute volume terms, the [10-20]% increment brought about by the Transaction equates to […] vehicles.

(830) In general, in view of this high volatility, the Commission considers that national market shares should be read together with EEA-wide shares. At EEA level, in fact, market players like Daimler and Ford which achieve a considerably higher share than in Croatia ([5-10]% vs [10-20]% in the case of Daimler, [5-10]% vs [10-20]% in the case of Ford) provide an insightful indication of where share could converge in the future and of the (out-of-market) constraints that the Parties face in the medium- and long-term, which seem to be significantly higher than what a static reading of the Croatian 2019 shares might suggest.

584 See Parties' response to RFI 44, Question 3.

(831) As regards closeness of competition,[585] according to the country-specific responses received to the market investigation, Citroën, Peugeot and Opel are perceived as first, second and fourth closest brands to Fiat (the third being Renault). Fiat is perceived as the second closest brand to all PSA's brands (in all cases after Renault).[586] Therefore, the Parties can be considered particularly close competitors, together with Renault.

(832) The Parties will face competition from five players, which are all strong OEMs with established LCV brands in the EEA and a large distribution network in Croatia,[587] which indicates that any price increase attempt by the Parties could be counteracted by increased competitive pressure from those large competitors. In particular, RNM, who appears to be particularly close to the Parties, has, according to Harbour data, sufficient spare capacity to increase its supply of Large LCVs in Croatia, which would render unprofitable any price increase by the Parties post-merger.

(833) The competitive nature of this market was confirmed by some market participants who highlighted that "*any attempt [to reduce production, choice or quality of vehicles and related services offered to the market, or to diminish innovation] would lead the customers to the competitors*".[588]

(834) In conclusion, despite the relatively high combined market share and the Parties' perceived closeness, given the fact that PSA's share has been decreasing (and that loss has not been captured by FCA), that the market shares can change quickly given the small size of the overall market, the small increment, the presence of five competitors competing in this small market some of whom have much larger EEA-wide presence and larger than the increment, and the existence of spare capacity from close competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in Croatia.

(835) Table 72 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes in Croatia.

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585 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers that the inclusion of Large LCVs above 3.5 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter represent only a marginal proportion of the wider market including both sizes.

586 Replies to question 30 of Questionnaire 11 to dealers, question 29 of Questionnaire 12 to leasing rental companies, question 27 of Questionnaire 13 to corporate customers, and question 28 of Questionnaire 10 to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

587 The brand Renault has in Croatia 21 points of sale, Volkswagen 22 and Ford 12. This amount is comparable to the network of Citroën, Opel or Peugeot (14, 19 and 15, respectively) or the number of dealers of the brand Fiat (15) (see Parties' reply to RFI 38 of 31 August 2020).

588 Reply to question 59 of Questionnaire 10 to importers.

Table 72: Croatia - Large LCVs and Large LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[40-50]%	[…]	[40-50]%	[…]	[30-40]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*	*[…]*	*[40-50]%*
RNM	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[0-5]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(836) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only Large LCVs, since only […] LCVs between 3.5 and 6 tonnes were sold in Croatia in 2019, i.e. around[0-5]% of the already small overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes. FCA has sold only […] LCVs between 3.5 and 6 tonnes in 2019, […] in 2018 and […] in 2017. In the same period, PSA has in total sold only […]. The competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.[589]

(837) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Croatia in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.7. Czechia

(838) Table 73 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Czechia.

589 Parties' response to RFI 44, Question 3.

Table 73: Czechia – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Combined	*[…]*	*[50-60]%*	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Iveco	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Volvo	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(839) The Proposed Transaction would lead to the merger of the largest and sixth largest competitors in the Large LCV market in Czechia. In 2019, the Parties' combined market share was [40-50]%, decreasing from [50-60]% in 2017. Both Parties have lost market share over the last two years but FCA in particular has faced a significant decrease of [5-10] points. This loss appears to have been absorbed by three competitors: Iveco (from [5-10]% to [10-20]%), Daimler (from [5-10]% to [10-20]%) and VW ([5-10]% to [10-20]%).

(840) After the Proposed Transaction, at least six competitors to the merged entity will remain, four of whom with a share above 10% and thus a market share above the increment brought by FCA.

(841) The drop in the market share of the Parties, and in particular of FCA, is confirmed in the longer term. Taking into account the market shares since 2015, FCA has lost nine points (from [10-20]% to [5-10]%) and the combined entity [10-20] points (from [50-60]% to [40-50]%). Moreover, during the five previous years (from 2010 to 2014), the combined share of the Parties never exceeded [40-50]% (reached in 2014, with FCA at [10-20]%, whereas in 2010 the combined share was only [20-30]%, with FCA at [5-10]%).[590]

(842) As regards closeness of competition,[591] the country-specific responses to the market investigation reveal that Citroën, Peugeot and Opel are perceived as first, second and fifth closest brands to Fiat (Renault and Ford being third and fourth). Fiat is perceived as the second closest brand to Citroën and Opel (in both after Renault) and

590 See Parties' response to RFI 44, Question 3.

591 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers that the inclusion of Large LCVs above 3.5 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter represent only a marginal proportion of the wider market including both sizes.

the third closest to Peugeot (after Renault and Ford).[592] Therefore, the Parties are perceived as particularly close competitors, together with Renault.

(843) Moreover, as indicated in Section 6.1.2.3, the moderate market shares of the Parties at EEA-level is an indication of the fact that, in general, they face more intensive potential competition from other players than what a static reading of exclusively the national market shares might suggest. In the case of Czechia, the Commission considers that market players like Daimler and Ford which achieve a considerably lower share in this Member State than at EEA level ([10-20]% vs [10-20]% in the case of Daimler, [5-10]% vs [10-20]% in the case of Ford) have the ability to increase the competitive pressure they currently exert on the Parties.

(844) The Parties will face competition from at least six players. Competitors are all strong OEMs with established LCV brands in the EEA and a large distribution network in Czechia,[593] which indicates that any price increase attempt by the Parties could be counteracted by increased competitive pressure from those large competitors. In particular, RNM, who appears to be particularly close to the Parties, has according to Harbour data sufficient spare capacity to increase its supply of Large LCVs in Czechia, which would render unprofitable any price increase by the Parties post-merger.

(845) In conclusion, despite the relatively high combined market share and the Parties' perceived particular closeness, given the small size of the market and volatility of the market shares, the fact that FCA has lost half of its market shares in the last three years and that loss has not been captured by PSA, the presence of at least six competitors in this small market some of whom have a much larger EEA-wide presence, the presence in particular of particularly close competitors with spare capacity, and the lack of any particular concerns raised in respect of Czechia, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in Czechia.

(846) Table 74 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes in Czechia.

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592 Replies to question 30 of Questionnaire 11 to dealers, question 29 of Questionnaire 12 to leasing rental companies, question 27 of Questionnaire 13 to corporate customers, and question 28 of Questionnaire 10 to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

593 Renault has in Czechia 35 points of sale, VW 44, Ford 32 and Daimler (Mercedes) 18. This amount is comparable to the network of Citroën, Opel or Peugeot (55, 36 and 59, respectively) or of Fiat (23) (see Parties' reply to RFI 38 of 31 August 2020).

Table 74: Czechia - Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Volvo	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties´ response to RFI 44, Question 3

(847) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only Large LCVs, since only 317 Large LCVs between 3.5 and 6 tonnes were sold in 2019 in Czechia, i.e. around 3% of the overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes. FCA […] LCVs between 3.5 and 6 tonnes in Czechia in the last three years and in the same period, PSA has in total sold only […]. The competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.[594]

(848) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Czechia in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.8. Denmark

(849) Table 75 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Denmark.

594 Parties' response to RFI 44, Question 3.

Table 75: Denmark – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties´ response to RFI 44, Question 3

(850) The Proposed Transaction would lead to the merger of the fourth and sixth largest players in Large LCVs in Denmark. In 2019, the Parties' combined market share was [20-30]%, which slightly decreased from [20-30]% in 2017. In the past two years, both PSA and FCA have lost market share whilst Daimler in particular has grown.

(851) Even if, following the Proposed Transaction, the merged entity would become the second largest competitor in terms of market shares, it is still relatively low. Daimler will also post-Transaction remain the largest player in the market and three other strong competitors (RNM, Ford and VW) have a market share of more than 10% and not too far behind the merged entity. The fifth competitor, Iveco, still has a market share equal to the increment brought about by the Proposed Transaction.

(852) In conclusion, the Parties combined market share is relatively low with [20-30]%. In addition, the increment ([5-10]%) results from FCA which is one of the weakest competitors in the market. Five strong competitors are active in the market, including the market leader Daimler. Therefore, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in Denmark.

(853) Table 76 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCVs and LCVs between 3.5 and 6 tonnes in Denmark.

Table 76: Denmark – Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[5-10]%	[…]	[10-20]%	[…]	[5-10]%
Combined	[…]	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
Daimler	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(854) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only LCVs, since only […] LCVs between 3.5 and 6 tonnes were sold in Denmark in 2019, i.e. around 4% of the overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes.[595]

(855) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Denmark in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.9. Estonia

(856) Table 77 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Estonia.

595 Parties' response to RFI 44, Question 3.

Table 77: Estonia – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[40-50]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[5-10]%	[…]	[0-5]%	[…]	[5-10]%
Combined	*[…]*	*[50-60]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[20-30]%	[…]	[30-40]%	[…]	[30-40]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Iveco	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(857) The Proposed Transaction would lead to the merger of the first and fifth largest players in Large LCVs in Estonia. In 2018 and 2019, the Parties' combined market share was [30-40]%, having decreased from [50-60]% in 2017. PSA in particular has lost a significant part of its market share ([10-20] percentage points) over the last two years. RNM, the second largest player appears to have captured a significant portion of the market share lost by PSA given that it gained most market share in 2018 when PSA lost most market share. Whereas RNM's market share remained stable over the following year, PSA saw a further decrease of its market share.

(858) FCA has gained [0-5] percentage points over the period 2017-2019 (and [0-5] percentage point last year), but also other competitors (VW, Daimler) saw their market share increase by [0-5] percentage points (and Iveco by [0-5]%) over the period 2017-2019.

(859) Post-Transaction, the merged entity would be the market leader with [30-40]% but followed closely by RNM ([30-40]%). Four other competitors also remain in the market with Ford and VW having a higher market share ([5-10]%) than the increment ([5-10]%) and Daimler ([5-10]%) and Iveco ([5-10]%) having a market share that has been growing over the last two years and reaches levels of respectively [5-10]% and [5-10]%. The merged entity would continue to face significant competition from players that have a market share in the range of the increment and one competitor (RNM) that has a market share not too far behind the merged entity.

(860) As regards closeness of competition,[596] according to the country-specific responses received to the market investigation, Peugeot, Citroën and Opel are perceived as first, second and sixth closest brands to Fiat. Fiat is perceived as the closest brand to Citroën and the second closest to Peugeot and Opel (after Renault).[597] Therefore, the

596 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers that the inclusion of Large LCVs above 3.5 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter represent only a marginal proportion of the wider market including both sizes.

597 Replies to question 30 of Questionnaire 11 to dealers, question 29 of Questionnaire 12 to leasing rental companies, question 27 of Questionnaire 13 to corporate customers, and question 28 of Questionnaire

Parties are particularly close competitors and even perceived as each other's closest competitors.

(861) Moreover, the Large LCV market in Estonia is small in size, with around […] vehicles sold each year, which means that market shares can be significantly affected with one or a few large orders. The Commission also notes that in absolute volume terms, the [5-10]% increment brought about by the Transaction equates to only […] vehicles.

(862) In conclusion, despite the perceived closeness between the Parties, given the moderate combined market share, FCA's relatively small position in Estonia, the existence of other strong competitors in a market that is small in size, and the recent growth of those competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in Estonia.

(863) Table 78 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes in Estonia.

Table 78: Estonia – Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[40-50]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[20-30]%	[…]	[30-40]%	[…]	[30-40]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Iveco	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(864) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only Large LCVs, since only […] LCVs between 3.5 and 6 tonnes were sold in Estonia in 2019, i.e. around 4% of the already small market combining both Large LCVs and LCVs between 3.5 and 6 tonnes. Moreover, FCA […] LCVs between 3.5 and 6 tonnes in Estonia in the last three years.[598]

(865) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Estonia in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

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10 to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

598 Parties' response to RFI 44, Question 3.

6.2.5.10. Finland

(866) Table 79 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Finland.

Table 79: Finland – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[20-30]%	[…]	[10-20]%
FCA	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
Ford	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Iveco	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(867) The Proposed Transaction would lead to the merger of the third and sixth largest players in Large LCVs in Finland. In 2019, the Parties' combined market share was [20-30]%, having decreased from [20-30]% in 2017. The merged entity will therefore only have a relatively low market share.

(868) FCA has traditionally been a very small player in the Large LCV segment in Finland, with [0-5]% to [5-10]% market share over the past two years. The market overall has grown over the last two years with VW and Daimler taking the majority of this growth, and FCA seeing its market position weaken from [5-10]% to [0-5]%.

(869) Following the Proposed Transaction, the competitive structure of the market would remain essentially unaltered. The merged entity would continue to face competition from five competitors, two of which larger than the merged entity and four of which (Ford, VW, Daimler and RNM) have market shares larger than the share increment brought about by the Proposed Transaction.

(870) In conclusion, given the relatively low combined market share (the market being hardly affected), FCA's small position in Finland, and the existence of four strong competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in Finland.

6.2.5.11. France

(871) Table 80 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in France.

Table 80: France – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
VW	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Volvo	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(872) The Proposed Transaction would lead to the merger of the second and third largest players in Large LCVs in France. In 2019, the Parties' combined market share was [30-40]%, decreasing from [40-50]% in 2017. FCA has lost market share over the last three years.

(873) In terms of market growth, the French market for Large LCVs had a growth rate of roughly [20-30]% between 2017 and 2019. All competitors except FCA took a share of this growth. Proportionately, Daimler, Ford and VW took more than their share of this growth and increased their market share.

(874) Following the Proposed Transaction, although the merged entity would become the largest competitor in terms of market share, it would continue to face competition from six competitors: RNM with a nearly [30-40]% market share, followed by Iveco with a market share above [10-20]% and Daimler, Ford and VW all with a market share of at least [5-10]%. In addition, Volvo has a small market position in France in Large LCVs.

(875) Moreover, as indicated in Section 6.2.4.1, the moderate market share of the Parties at EEA-level is an indication of the fact that, in general, they face more intensive potential competition from other players in Large LCVs than in the Small LCV markets. In the case of France, the Commission considers that market players like Daimler, Ford and VW which achieve a considerably lower share in this Member State than at EEA level ([5-10]% vs [10-20]% in the case of Daimler, [5-10]% vs [10-20]% in the case of Ford and [5-10]% vs [10-20]% in the case of VW) have the ability to increase the competitive pressure they currently exert on the Parties. In fact, as noted above in recital (873), it is these three competitors that have gained market share over the last three years.

(876) As regards closeness of competition, the Parties appear to be close competitors but the evidence is mixed as to whether they are particularly close. First, according to the

country-specific responses to the market investigation,[599] Peugeot, Citroën and Opel are perceived as the second, fourth and sixth closest brands to Fiat (Dacia being the closest, Renault the third). For PSA's brands, Fiat is perceived as the second closest to Opel (after Renault), fourth closest to Citroën and fifth closest to Opel. In short, PSA's brands together seem to impose as a whole a significant constraint on FCA but FCA is not perceived as close to PSA brands, with the potential exception of Opel.

(877) Second, the diversion ratios calculated on the basis of the hesitation data provided by the Parties[600] show that, in France, the Parties' implied combined share would be [5-10] points higher than their actual combined share of [30-40]%.

(878) The actual diversion ratios support this actual lower constraint:[601]

– From FCA's point of view: PSA, in aggregate, is the closest competitor, with a diversion ratio of [30-40]% from FCA towards PSA. This is above its diversion ratio implied by actual market shares ([30-40]% vs [20-30]%), suggesting that PSA imposes a higher constraint on FCA than what its actual market share indicates. However, RNM imposes a constraint in the same range with a diversion ratio of [30-40]%, broadly in line with the diversion ratio implied by actual market shares ([30-40]% vs [30-40]%). Iveco, Daimler's and Ford's diversion ratios are slightly lower than those implied by market shares ([10-20]% vs [10-20]%, [5-10]% vs [10-20]% and [0-5]% vs [5-10]%), whereas VW's diversion ratio is higher at [5-10]% than that implied by market shares ([5-10]%). In addition, the Commission notes that this diversion ratio is still [10-20] points lower than the diversion ratio in Small LCVs showing that PSA constrains FCA significantly less in Large LCVs than in Small LCVs.

– From PSA's point of view: whilst FCA is the second closest competitor, its diversion ratio from PSA is only [10-20]%, significantly lower than its diversion ratio implied by actual market shares ([10-20]% vs [20-30]%). FCA is therefore a much weaker constraint on PSA than its market share suggests. RNM, on the other hand, is by far the closest competitor with a diversion ratio of [50-60]%, much higher than the diversion ratio of [30-40]% implied by market shares. VW is third closest with a diversion ratio of [10-20]%, which is significantly higher than its diversion ration implied by market shares ([10-20]% vs [5-10]%), showing that VW in fact imposes broadly the same constraint on PSA as FCA does. Daimler's diversion ratio is exactly in line with that implied by market shares at [10-20]%. Iveco and Ford have slightly lower diversion ratios than what their market shares would imply.

(879) In summary, the hesitation data shows that PSA in aggregate is the closest competitor to FCA but FCA is not a particularly close competitor to PSA in Large LCVs in France.

(880) Third, list prices show that PSA and FCA price their vehicles at very similar level. Ford prices slightly higher and Renault, Daimler and VW considerably higher.[602]

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599 Replies to question 30 of Questionnaire 11 to dealers, question 29 of Questionnaire 12 to leasing rental companies, question 27 of Questionnaire 13 to corporate customers, and question 28 of Questionnaire 10 to importers.

600 See LCV Economic Annex, Table 4.

601 Commission analysis based on Parties' NVBS hesitation data. See LCV Economic Annex, Section 4.1.

602 See LCV Economic Annex, section 4.3.1.

(881) Fourth, end prices collected by FCA in the […] show that PSA, FCA and Renault price their vehicles at a very similar level, with Ford slightly higher. Iveco, VW and Daimler price considerably higher.[603]

(882) In terms of closeness, therefore, taking account of all the evidence, the Commission considers that PSA, together with RNM, are close competitors to FCA (which is not surprising given the home advantage PSA's and RNM's French brands enjoy in France), but given the hesitation data and market perception, it is RNM that imposes the largest constraint on PSA and FCA cannot be considered as a particularly close competitor to PSA despite similar end prices.

(883) In conclusion, despite the competitive constraint imposed by PSA on FCA, given the moderate combined market share, the existence of other strong competitors, and the potentially more intense out-of-market constraints from Daimler, Ford and VW (who all have taken a disproportionate share of the market growth over the last years), the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in France.

(884) Table 81 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes in France.

Table 81: France – Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
VW	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Volvo	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(885) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only LCVs, since only […] LCVs between 3.5 and 6 tonnes were sold in France in 2019, i.e. around 2% of the overall market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes in France. Therefore, the competitive assessment for Large LCVs applies also to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

603 See LCV Economic Annex, section 4.3.2.

(886) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in France in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

(887) Finally, as explained in Section 6.2.5.3, in France, an affected market would arise in a hypothetical market including only LCVs between 3.5 and 6 tonnes. Table 82 shows the Parties' and competitors' volumes and market shares for the last three years in such hypothetical market in France.

Table 82: France – LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
FCA	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*
Isuzu	[…]	[10-20]%	[…]	[10-20]%	[…]	[30-40]%
Daimler	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[5-10]%	[…]	[10-20]%	[…]	[5-10]%
Iveco	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
VW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(888) In this hypothetical market, the Parties' combined market share in 2019 would be [20-30]% but the increment brought by PSA would be only [0-5]%, with just […] vehicles sold in 2019, […] in 2018 and […] in 2017. In view of the moderate combined share and the minimal presence of PSA, the Commission concludes the Proposed Transaction would not significantly impede effective competition in a hypothetical market comprising only LCVs between 3.5 and 6 tonnes.

6.2.5.12. Greece

(889) Table 83 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Greece.

Table 83: Greece – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*
Daimler	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
VW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
RNM	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Iveco	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(890) The Proposed Transaction would result in the merger of the second and fourth largest competitors in Large LCVs in Greece. In 2019, the Parties' combined market share was [40-50]%. The Parties' market shares have fluctuated up and down over the last three years. PSA has nevertheless lost share between 2017 and 2019. In comparison, Daimler has grown by [0-5] percentage points and VW by [0-5] percentage points.

(891) Moreover, the Commission notes that the Greek market for Large LCVs is particularly small, with only […] units sold in 2019. The Commission considers that in very small markets like this one, the fact that the Parties may have reached in some years, like 2017 and 2019, market shares of around [40-50]% cannot be considered an indication of market power or absence of competitive constraint, since only one or a few orders can increase substantially the market share of a given market player, as the high volatility of the market shares in previous years demonstrates. For example, when considering PSA's position over the last decade,[604] PSA has fluctuated between being the second, third or fourth player in the market and was only market leader in 2017. Between 2017 and 2018, PSA lost its market leadership position to Ford. Between 2018 and 2019, Ford in turn lost its market leadership position to Daimler. Overall, these market share fluctuations are an indication of the contestability of the Parties' position and of a highly competitive market between the four largest players in the market.

(892) Furthermore, as indicated in Section 6.1.2.3, the moderate market shares of the Parties at EEA-level is an indication of the fact that, in general, they face more intensive potential competition from other players than in the Small LCV markets. In the case of Greece, the Commission considers that market players like VW, RNM or Iveco which achieve a considerably lower share in this Member State than at EEA level ([0-5]% vs [10-20]% in the case of VW, [0-5]% vs [10-20]% in the case of

604 See Parties' response to RFI 44, Question 3.Taking the last five years as reference, the market share of both Parties has varied largely: FCA's share dropped from [20-30]% in 2015 to around [10-20]% in 2016, 2017 and 2018 and then [10-20]% in 2019, whereas PSA's increased from [10-20]% in 2015 to [20-30]% in 2016, [30-40]% in 2017, then decreased to [20-30]% in 2018 and [20-30]% in 2019. The other competitors have suffered similar variations: Ford [30-40]% in 2015, [20-30]% in 2017 and [10-20]% in 2019), Daimler ([20-30]% in 2015, [20-30]% in 2018 and [20-30]% in 2019).

Renault and [0-5]% vs [5-10]% for Iveco) have the ability to increase the competitive pressure they currently exert on the Parties. When compared to the Small LCV markets, Large LCV markets in general and the Greek market in particular, appear to be less concentrated and have a higher number of competitors.

(893) As regards closeness of competition,[605] according to the country-specific responses to the market investigation, market participants perceive Peugeot, Citroën and Opel as first, second and fourth closest brands to Fiat (the third being Ford). Fiat is perceived as the closest brand to all PSA's brands (in all cases Ford is the second closest).[606] Therefore, the Parties are perceived as each other's closest competitors.

(894) The Parties will face competition from five players, two of which with shares around or above [20-30]% and higher than the market share increment brought about by the Proposed Transaction. Competitors are strong OEMs with established LCV brands in the EEA and a large distribution network in Greece,[607] and there seems to be, according to Harbour data, sufficient spare capacity in the market. All this indicates that any price increase attempt by the Parties could be counteracted by increased competitive pressure from those competitors.

(895) In conclusion, despite the market participants' perceived particular closeness between PSA and FCA, given the small size of the market and volatility of the shares, that, post-merger, the Parties' combined share would be below 50%, and the combined entity would still face competition from five players in a small market, some of whom have a much larger EEA-wide presence and two of whom appear particularly strong and have a share higher than the increment, and that there is spare capacity in the market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Greece in a market for Large LCVs.

(896) Table 84 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes in Greece.

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605 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers the inclusion of Large LCVs above 3.5 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter represent a small proportion of the wider market including both sizes.

606 Replies to question 30 of Questionnaire 11 to dealers, question 29 of Questionnaire 12 to leasing/rental companies, question 27 of Questionnaire 13 to corporate customers, and question 28 of Questionnaire 10 to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

607 The brand Ford has in Greece 16 points of sale, Renault 40 (plus another 40 Dacia dealers) and Volkswagen 33. This amount is comparable to the network of Citroën, Opel or Peugeot (37, 32 and 42, respectively) or of Fiat (24) (see Parties' reply to RFI 38 of 31 August 2020).

Table 84: Greece – Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
Daimler	[…]	[30-40]%	[…]	[30-40]%	[…]	[40-50]%
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
VW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
RNM	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Iveco	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(897) In 2019, a total of […] LCVs between 3.5 and 6 tonnes were sold in Greece. This represents approximately 27% of overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes. In a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes, the Parties' combined share would be considerably lower ([30-40]%), whereas Daimler would be the market leader, with a [40-50]% share. The Parties are clearly weaker in the wider market. In fact, PSA sold […] vehicle in 2017, […] in 2018 and […] in 2019 in the LCVs between 3.5 and 6 tonnes category.[608] The competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

(898) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Greece in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.13. Hungary

(899) Table 85 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Hungary.

608 Parties' response to RFI 44, Question 3.

Table 85: Hungary – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Combined	*[…]*	*[50-60]%*	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Iveco	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(900) The Proposed Transaction would lead to the merger of the second and third largest players in Large LCVs in Hungary. In 2019, the Parties' market share was [30-40]%, having continuously decreased from [50-60]% in 2017. Both PSA and FCA have lost significant market share over the last two years. PSA has lost [5-10] and FCA [5-10] percentage points. On the other hand, competitors such as Ford and VW have captured this market share loss from PSA and FCA.

(901) Following the Proposed Transaction, the merged entity would become the largest competitor in terms of market share, but the combined entity would continue to face competition from five competitors, two of which particularly strong (Ford with [20-30]% and RNM with [10-20]%) and two of which, Ford and VW having seen significant growth over the last two years to the detriment of PSA and FCA.

(902) As regards closeness of competition,[609] according to the country-specific responses to the market investigation, market participants perceive Citroën, Peugeot and Opel as first, second and fifth closest brands to Fiat (the third being Renault). Fiat is perceived as the closest brand to Citroën, the second closest to Opel (after Renault) and the third closest to Peugeot (after Renault and Ford).[610] Therefore, the Parties are perceived as particularly close competitors.

(903) In conclusion, despite the Parties being particularly close competitors, given the moderate combined market share, the declining market presence of both Parties, and the existence of other strong competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in Hungary.

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609 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers the inclusion of Large LCVs above 3.5 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter represent a small proportion of the wider market including both sizes.

610 Replies to question 30 of Questionnaire 11 to dealers, question 29 of Questionnaire 12 to leasing rental companies, question 27 of Questionnaire 13 to corporate customers, and question 28 of Questionnaire 10 to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

(904) Table 86 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes in Hungary.

Table 86: Hungary – Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
FCA	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Combined	*[…]*	*[50-60]%*	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[0-5]%	[…]	[5-10]%
Iveco	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(905) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only LCVs, since only […] LCVs between 3.5 and 6 tonnes were sold in Hungary in 2019, i.e. around 3% of the overall market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes in Hungary.[611] Moreover, of the vehicles falling in the category of LCVs between 3.5 and 6 tonnes, each of FCA and PSA have only sold […] or […] units in each of the last three years. The competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

(906) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Hungary in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.14. Italy

(907) Table 87 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Italy.

611 Parties' response to RFI 44, Question 3.

Table 87: Italy – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*
Iveco	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
VW	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Isuzu	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(908) The Proposed Transaction would lead to the merger of the first and third largest players in Large LCVs in Italy. In 2019, the Parties' combined market share was [30-40]%, having decreased from [40-50]% in 2017.

(909) Following the Proposed Transaction, the merged entity would become the largest competitor in terms of market share, followed by Iveco, RNM, Ford, Daimler, VW and Isuzu. One competitor (Iveco) has a market share higher than the share increment brought about by the Proposed Transaction ([20-30]% vs [10-20] %), and two other competitors (RNM and Ford) each have a significant market share above 10% ([10-20]% each of them); Daimler has a market share close but slightly below 10%). The merged entity would therefore continue to face competition from six players (particularly from Iveco, RNM, Ford and Daimler), who all have substantial market shares of approximately [10-20]% or above.

(910) The Commission also notes that the Italian market for Large LCVs has had a growth rate of around [10-20]% between 2017 and 2019. This growth has not been captured by the Parties but rather by Daimler, VW and Isuzu. The Commission also notes that FCA does not appear to have a particularly strong home advantage in Large LCVs.

(911) As regards closeness of competition, evidence suggests that the Parties appear to be particularly close competitors. First, according to the country-specific responses to the market investigation,[612] market participants perceive Peugeot, Citroën and Opel as second, fifth and sixth closest brands to Fiat (after Toyota). Fiat is perceived as the second closest brand to all of PSA's brands (in all cases Renault is the closest).[613]

612 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers the inclusion of Large LCVs above 3.5 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter represent a small proportion of the wider market including both sizes.

613 Replies to question 30 of Questionnaire 11 to dealers, question 29 of Questionnaire 12 to leasing rental companies, question 27 of Questionnaire 13 to corporate customers, and question 28 of Questionnaire 10 to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

(912) Second, the diversion ratios calculated on the basis of the hesitation data provided by the Parties[614] show that, in Italy, the Parties' implied combined share would be [20-30] points higher than their actual combined share of [30-40]%.

(913) The actual diversion ratios appear to support the higher closeness as compared to what market shares show:[615]

– From FCA's point of view: PSA is the closest competitor, with a diversion ratio of [30-40]% from FCA towards PSA.

– From PSA's point of view: FCA is the closest competitor, with a diversion ratio from PSA to FCA of [50-60]% which is not surprising given the home advantage enjoyed by FCA in Italy.

(914) In summary, according to the hesitation data, the Parties are each other's closest competitors.

(915) Third, list prices show that PSA, RNM and Ford price their vehicles at very similar level. FCA, VW and especially Daimler price considerably higher.[616]

(916) Fourth, end prices collected by FCA in the […] show that PSA, Ford and Renault price their vehicles at a very similar level, with FCA slightly higher. VW, Iveco and Daimler price considerably higher.[617]

(917) In conclusion on closeness, the hesitation data and market perception suggest that the Parties are particularly close competitors (although pricing might not indicate particular closeness).

(918) Overall, the Parties combined have a slightly stronger presence in Italy than at EEA-wide level in Large LCVs ([30-40]% v [30-40]%). This difference stems from FCA's larger market position in Italy ([10-20]% v [10-20]%) which can probably be attributed to the home advantage enjoyed by FCA in Italy, albeit the Commission notes that FCA's home advantage in Large LCVs appears significantly weaker than in Small LCVs. Iveco, another Italian brand, is most likely also to enjoy a certain home advantage given its share in Italy is [20-30]% as opposed to [5-10]% at EEA-level. This makes Iveco a significantly stronger competitor in Italy.

(919) One market participant suggested that the fact that, in Italy, FCA is the current market leader in each of the LCV markets below 3.5 tonnes (Small, Medium and Large) and that PSA is always the second or third largest competitor by size suggests a particularly strong market power of the Parties post-merger in this country.[618]

(920) The Commission does not agree with this general argument. The Parties' shares in Italy vary considerably depending on the market: FCA's market share is [20-30]% in

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614 See LCV Economic Annex, Table 4.

615 Commission analysis based on Parties' NVBS hesitation data. See LCV Economic Annex, Section 4.1.

616 See LCV Economic Annex, section 4.3.1.

617 See LCV Economic Annex, section 4.3.2.

618 The hesitation data provided by this market participant show that [10-20]% of buyers of a Fiat model see Citroën as their main alternative and that [50-60]% and [30-40]% of Citroën's and Peugeot's buyers, respectively, considered Fiat as their main alternative (see market respondent's submission of 27 May 2020, section 5.2.2). However, this market participant does not provide hesitation data towards/from other OEM's models (in particular towards RNM's). Therefore, even though the data may suggests that FCA may be particularly close competitor to PSA in Large LCVs in Italy and that, by contrast, PSA does not appear to be a close competitor to FCA, the Commission cannot draw any conclusion as to whether PSA and FCA are each other's closest competitors or on whether there are other OEMs as close to the Parties.

Large LCVs compared to [1-20]% in Medium LCVs and [40-50]% in Small LCVs. PSA's share is [10-20]% in Large LCVs, [30-40]% in Medium LCVs and [20-30]% in Small LCVs. In the Commission's view, such a variation of shares is an indication that the three segments are indeed separate and distinct product markets. If any other conclusion could be drawn from such a disparity is that the Parties' position in LCVs, even FCA's with its home advantage in this country, could be contested by other competitors, at least in the medium- to long-term, with the appropriate products and marketing efforts that can appeal to customer's needs, particularly in Medium and Large LCVs, where FCA's shares are substantially lower than in Small LCVs in Italy.

(921) In conclusion, despite the evidence suggesting that the Parties might be particularly close competitors, given the moderate combined market share, the existence of four strong competitors and two further slightly smaller ones, the particular strength of Iveco in Large LCVs in Italy, the recent growth of competitors and the lack of substantiated concerns (i.e. concerns based on anything other than relative size) raised in respect of Large LCVs in Italy, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in Italy.

(922) Table 88 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes in Italy.

Table 88: Italy – Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*
Iveco	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
VW	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Isuzu	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(923) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only Large LCVs, since less than […] LCVs between 3.5 and 6 tonnes were sold in Italy in 2019, i.e. less than 3% of the overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes. The market position of all players remains broadly the same. The

competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.[619]

(924) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Italy in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.15. Latvia

(925) Table 89 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Latvia.

Table 89: Latvia – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
RNM	[…]	[20-30]%	[…]	[30-40]%	[…]	[20-30]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Iveco	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(926) The Proposed Transaction would lead to the merger of the third and fifth largest players in Large LCVs in Latvia. In 2019, the Parties' combined market share was [20-30]%, having decreased from [20-30]% in 2017.

(927) Following the Proposed Transaction, the merged entity would become the third largest competitor in terms of market share, with VW remaining the largest player, ([30-40]% market share) with more than [10-20] percentage points difference over the combined entity, and RNM remaining the second largest player ([20-30]%). The merged entity (market share [20-30]%) would be followed by Daimler (with a market share higher than the increment brought about by the Proposed Transaction), Ford and Iveco. The merged entity would therefore continue to face competition from four strong players (particularly from the largest players, VW and RNM), and also from Iveco, with a market share of [0-5]%.

(928) The Commission notes that the Large LCV market in Latvia is small in size, with less than […] vehicles sold each year, and volatile market shares. Because of the market size, market shares can be significantly affected with one or a few large orders. That being said, even with such volatility, the Parties have not reached very high levels of market share even when comparing different years. The Commission also notes that in absolute volume terms, the [5-10]% increment brought about by the Transaction equates to only […] vehicles.

619 Parties' response to RFI 44, Question 3.

(929) In conclusion, the combined market share of the Parties is relatively low and only just above 20% (the Large LCV market being barely affected). Two competitors have also post-Transaction higher market shares than the Parties together. In addition, three other competitors are present in a relatively small sized market, with only Iveco having a very small market share. Therefore, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in Latvia.

6.2.5.16. Lithuania

(930) Table 90 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Lithuania.

Table 90: Lithuania – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
FCA	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[20-30]%
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[20-30]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(931) The Proposed Transaction would lead to the merger of the largest and seventh largest players in Large LCVs in Lithuania. In 2019, the Parties' combined market share was [30-40]%, having decreased from [30-40]% in 2017. Both Parties have lost market share over the last two years. The Commission also notes that the increment brought about by FCA as a result of the Proposed Transaction equates to […] vehicles.

(932) Following the Proposed Transaction, the merged entity would remain the largest competitor in terms of market share, with VW and RNM following closely with shares equal or above 20%. Besides VW and RNM, there are three other competitors, Iveco, Daimler and Ford, whose shares are higher than the increment brought about by the Proposed Transaction ([10-20]%, [5-10]% and [5-10]%, respectively, vs PSA's [5-10]%).

(933) As regards closeness of competition,[620] according to the country-specific responses to the market investigation, market participants perceive Citroën, Peugeot and Opel as first, second and sixth closest brands to Fiat (after Renault). Fiat is perceived as the closest brand to Citroën and as the second closest brand to Peugeot and Opel

620 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers the inclusion of Large LCVs above 3.5 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter represent a small proportion of the wider market including both sizes.

(after Renault).[621] Therefore, the Parties are perceived to be particularly close competitors.

(934) After the Proposed Transaction the merged entity would therefore continue to face competition from five players (particularly from the largest players, VW and RNM, and also from smaller players, who all have substantial market shares of around [10-20]%).

(935) In conclusion, despite the perceived particular closeness, given the very moderate combined market share, the small increment brought about by PSA, and the existence of five competitors in a relatively small sized market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in Lithuania.

(936) Table 91 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes in Lithuania.

Table 91: Lithuania – Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
FCA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[20-30]%
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(937) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only Large LCVs, since only around […] LCVs between 3.5 and 6 tonnes were sold in Lithuania in 2019 (although it represents approximately 11% of the overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes).[622]

(938) The Parties' combined share would be very moderate in this case and lower than in the Large LCV market ([20-30]% vs [30-40]%), and competitors' shares would be similar to their shares in the case of Large LCVs alone (slightly lower in the case of VW, RNM and), with the exception of Iveco and Daimler, whose shares would increase from [10-20]% to [10-20]%, and from [5-10]% to [10-20]%, respectively.

621 Replies to question 30 of Questionnaire 11 to dealers, question 29 of Questionnaire 12 to leasing rental companies, question 27 of Questionnaire 13 to corporate customers, and question 28 of Questionnaire 10 to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

622 Parties' response to RFI 44, Question 3.

Moreover, both FCA and PSA each sold […] between 3.5 and 6 tonnes during the last three years. The competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

(939) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Lithuania in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.17. Luxembourg

(940) Table 92 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Luxembourg.

Table 92: Luxembourg – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Iveco	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question

(941) The Proposed Transaction would lead to the merger of the largest and third largest players in Large LCVs in Luxembourg. In 2019, the Parties' combined market was [40-50]%, down from [40-50]% in 2017.

(942) In the last 10 years, the Parties combined market shares have only exceeded 45% in 2017 (with [40-50]%), after which they fell to below and slightly above 40% in the two following years. Moreover, the Large LCV market in Luxembourg is small in size, with less than […] vehicles sold each year which means that market shares can be significantly affected with one or a few large orders. The Commission considers that in very small markets like this one, the fact that the Parties may have reached in some years, like 2017, market shares of above 45% cannot be considered an indication of market power or absence of competitive constraint, since only one or a few orders can increase substantially the market share of a given market player. Both Parties' market shares have varied significantly in the past decade: FCA's share rose and fell on a yearly basis by [0-5] to [5-10] percentage points, although PSA's market remained relatively stable.[623] The Commission also notes that in absolute volume terms, the [10-20]% increment brought about by the Transaction equates to […] vehicles.

623 See Parties' response to RFI 44, Question 3. FCA's market shares fluctuated between [10-20]% and [20-30]% and PSA's market shares fluctuated between [20-30]% and [20-30]%.

(943) As regards closeness of competition, according to the country-specific responses to the market investigation, market participants appear to perceive Peugeot, Citroën and Opel as the first, third and sixth closest brands to Fiat (the second being Renault). Fiat is perceived as the second closest brand to all PSA's brands (in all cases after Renault).[624] This suggests that market participants perceive the Parties as particularly close competitors together with Renault.

(944) Finally, also Large LCV markets in general and the Luxembourgish market in particular, appear to have a high number of competitors. In the case of Luxembourg, post-merger the Parties would still continue to face competition from five competitors, three of which have market shares above 10% and all of which have experienced market share growth during the last two years (between 2017 and 2019, market shares increased from [20-30]% to [20-30]% for RNM, from [5-10]% to [10-20]% for VW, from [10-20]% to [10-20]% for Daimler). These competitors are strong OEMs with established LCV brands in the EEA and there seems to be, according to Harbour data, sufficient spare capacity in the market. All this indicates that any price increase attempt by the Parties could be counteracted by increased competitive pressure from those competitors.

(945) Moreover, as indicated in Section 6.2.5.1, the moderate market share of the Parties at EEA-level is an indication of the fact that, in general, they face intensive potential competition from other players in Large LCVs. In the case of Luxembourg, the Commission considers that market players like Daimler and Ford which achieve a considerably lower share in this Member State than at EEA level ([10-20]% vs [10-20]% in the case of Daimler, [5-10]% vs [10-20]% in the case of Ford) have the ability to increase the competitive pressure they currently exert on the Parties. In fact, both VW and Daimler have increased their market share in Luxembourg over the course of the last three years.

(946) In conclusion, despite the fact that the Parties are perceived as particularly close competitors (together with RNM) and despite the relatively high combined market share, given the fact that the market shares can change quickly in a small sized market, the presence of four competitors competing in this small market some of whom have much larger EEA-wide presence, and spare capacity in the market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Luxembourg in a market for Large LCVs.

(947) Table 93 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes combined in Luxembourg.

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624 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers the inclusion of Large LCVs between 3.5 and 6 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter vehicles represent only represent a marginal proportion of the wider market including both sizes.

Table 93: Luxembourg - Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Iveco	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(948) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only Large LCVs, since only […] LCVs between 3.5 and 6 tonnes were sold in Luxembourg in 2019, i.e. less than 4% of the already small overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes in Luxembourg. FCA […] LCV between 3.5 and 6 tonnes in the last two year and PSA has sold […] each year.[625] The competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

(949) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Luxembourg in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.18. Norway

(950) Table 94 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Norway.

625 Parties' response to RFI 44, Question 3.

Table 94: Norway – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
FCA	[…]	[40-50]%	[…]	[40-50]%	[…]	[30-40]%
Combined	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*	*[…]*	*[40-50]%*
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Iveco	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Maxus Datong	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(951) The Proposed Transaction would lead to the merger of the largest and fifth largest players in Large LCVs in Norway. In 2019, the Parties' combined market share was [40-50]%, decreasing from [50-60]% in 2017. Both Parties have lost market share, in particular FCA which has lost [10-20] percentage points over the last three years. In 2019, PSA sold […] units less than in 2018. Part of this loss can be equated to lower market demand but some has clearly shifted not to PSA but to VW, Daimler and the new entrant, Maxus.

(952) Historically, over the last decade, FCA's market share grew from [20-30]% in 2010 to [50-60]% in 2014 and then continuously declined again to around [30-40]% in 2019. PSA's share remained below 10% in all years since 2011 except in 2016 when it reached [10-20]%.[626] VW on the other hand has grown by [5-10] percentage points in the last three years.

(953) The Proposed Transaction would bring about a small share increment ([5-10]%). Post-Transaction, three competitors with market shares in excess of 10%, and thus larger than the increment (VW, Daimler and Ford) would remain, followed by RNM ([0-5]%), Iveco ([0-5]%) and Maxus Datong ([0-5]%). Notably, the latter achieved a [0-5]% market share in its first year after entering the Norwegian Large LCV market in 2019. As explained in Section 6.2.2.4 Maxus is an electric LCV manufacturer, owned by the large Chinese automotive manufacturer, SAIC Motor.

(954) As regards closeness of competition, the evidence seems to be mixed. The country-specific responses to the market investigation reveal that Peugeot, Citroën and Opel are perceived as first, second and fifth closest brands to Fiat (the third being Renault). Fiat is perceived as the closest brand to Citroën, the second closest brand to Opel (after Renault), and the third closest to Peugeot.[627] Therefore, on the basis of

626 See Parties' response to RFI 44, Question 3.

627 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers the inclusion of Large LCVs above 3.5 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter vehicles represent only represent a marginal proportion of the wider market including both sizes.

the market responses, the Parties would appear to be particularly close competitors. However, the market share evolution in Norway does not reflect any particular closeness between the Parties. In fact, none of the [10-20] percentage points lost by FCA over the course of the last three years has not gone to PSA, as one would expect if PSA brands were in reality closest or even particularly close to FCA. Rather, it is VW that appears to have taken the majority of that share lost by FCA.

(955) The Parties will face competition from six players, three of which (VW, Daimler and Ford) with shares larger than the market share increment brought about by the Proposed Transaction. Five of the six competitors are strong OEMs with established LCV brands in the EEA and a large distribution network in Norway,[628] and there seems to be, according to Harbour data, sufficient spare capacity in the market. All this indicates that any price increase attempt by the Parties could be counteracted by increased competitive pressure from those competitors.

(956) Moreover, as indicated in Section 6.1.2.3, the moderate market share of the Parties at EEA-level is an indication of the fact that, in general, they face more intensive potential competition from other players in Large LCVs than in the Small LCV markets. In the case of Norway, the Commission considers that market players like Daimler and RNM which achieve a considerably lower share in this Member State than at EEA level ([10-20]% vs [10-20]% in the case of Daimler, [0-5]% vs [10-20]% in the case of RNM) have the ability to increase the competitive pressure they currently exert on the Parties.

(957) Finally, Large LCV markets in general and the Norwegian market in particular, appear to be less concentrated and have a higher number of competitors. In the case of Norway, post-merger the Parties would still face significant competition from six players and overall there is spare capacity in the market. This includes a completely new entrant, Maxus, which has gained [0-5]% of the Large LCV market within one year. Whilst it is true that the e-Questionnaire results suggest that the Parties are close competitors, the market share evolution tells a completely different story, showing that in fact VW is the brand winning customers from FCA.

(958) In conclusion, despite the relatively high combined market share and the fact that responses to the Commission's e-Questionnaire appear to show closeness between the Parties (together with RNM), given that the increment is small, FCA's share has been decreasing and it appears that it is VW who has taken that share and the presence of six competitors, including new entrant Maxus, some of whom have much larger EEA-wide presence, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Norway in a market comprising Large LCVs .

(959) Table 95 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes combined in Norway.

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628 The brand VW has 73 points of sale in Norway, Daimler 49, Ford 58 and Renault 48. This amount is comparable to the network of Citroën, Opel or Peugeot (42, 54 and 68, respectively) or of Fiat (20) (see Parties' reply to RFI 38 of 31 August 2020).

Table 95: Norway - Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
FCA	[…]	[50-60]%	[…]	[50-60]%	[…]	[40-50]%
Combined	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Iveco	[…]	[5-10]%	[…]	[0-5]%	[…]	[5-10]%
RNM	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Maxus Datong	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(960) In a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes, the Parties' combined share would be slightly higher ([50-60]%), but such a market also shows a clear decrease of market shares of market leader FCA. FCA's share fell from [50-60]% in 2017 to [50-60]% in 2019. The LCVs between 3.5 and 6 tonnes amounted to around [30-40]% of the overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes in 2019. However, as PSA made no sales of LCVs between 3.5 and 6 tonnes in Norway in 2019, and in 2017 and 2018, it sold only […] and […] vehicles of this size respectively, any effect the Proposed Transaction could have on competition would be based purely on the Parties' position in Large LCVs.[629] The competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

(961) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Norway in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.19. Poland

(962) Table 96 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Poland.

629 Parties' response to RFI 44, Question 3.

Table 96: Poland – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
FCA	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(963) The Proposed Transaction would lead to the merger of the second and third largest players in Large LCVs in Poland. In 2019, the Parties' combined market share was [30-40]%, having decreased from [40-50]% in 2017. Both Parties have lost market share, in particular FCA which had in 2019 lost [5-10] percentage points since 2017. Competitors on the other hand have increased their market share, in particular Daimler, VW and Ford. Those three competitors have in aggregate gained [10-20] percentage points.

(964) Following the Proposed Transaction, although the merged entity would become the largest competitor in terms of market share, the combined entity would continue to face competition from five players (RNM, Iveco, Daimler, VW and Ford), who all have substantial market shares, of approximately [10-20]% or above (Ford is the smallest player, with a [5-10]% market share in 2019). One competitor (RNM) has a marker share significantly higher than the share increment brought about by the Proposed Transaction ([20-30]% vs [10-20]%), and two other competitors (Iveco and Daimler) each have a market share larger or almost equal to the share increment brought about by the Proposed Transaction ([10-20]% each vs [10-20]%).

(965) As regards closeness of competition,[630] according to the country-specific responses to the market investigation, market participants perceive Peugeot, Citroën, and Opel as first, third and fifth closest brands to Fiat (the second being Renault). Fiat is perceived as the second closest brand to all of PSA's brands (after Renault).[631] Therefore, the Parties are perceived as particularly close competitors.

630 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers the inclusion of Large LCVs above 3.5 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter represent a small proportion of the wider market including both sizes.

631 Replies to question 30 of Questionnaire 11 to dealers, question 29 of Questionnaire 12 to leasing rental companies, question 27 of Questionnaire 13 to corporate customers, and question 28 of the Questionnaire 11 to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

(966) In conclusion, despite the Parties being perceived as particularly close competitors, given the moderate combined market share, the moderate increment, and the existence of five strong competitors, the growth of those competitors over the last three years, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in Poland.

(967) Table 97 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCVs and LCVs between 3.5 and 6 tonnes in Poland.

Table 97: Poland - Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Combined	[…]	*[40-50]%*	[…]	*[30-40]%*	[…]	*[30-40]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(968) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only Large LCVs, since less than […] LCVs between 3.5 and 6 tonnes were sold in Poland in 2019, i.e. around 3.5% of the overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes.[632] The competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

(969) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Poland in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.20. Portugal

(970) Table 98 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Portugal.

632 Parties' response to RFI 44, Question 3.

Table 98: Portugal – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
VW	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Isuzu	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(971) The Proposed Transaction would lead to the merger of the third and fifth largest players in Large LCVs in Poland. In 2019, the Parties' combined market share was [20-30]%, decreasing slightly from [30-40]% in 2017.

(972) Following the Proposed Transaction, although the merged entity would become the largest competitor in terms of market share, the combined entity would continue to face competition from six players, three of whom (Daimler, RNM, Iveco) have market shares significantly higher than the share increment brought about by the Proposed Transaction ([20-30]%, [10-20]% and [10-20]%, respectively, vs [10-20]%), and another competitor (Ford), who has a market share similar to the share increment brought about by the Proposed Transaction ([5-10]% vs [10-20]%).

(973) As regards closeness of competition,[633] according to the country-specific responses to the market investigation, market participants perceive Citroën, Peugeot and Opel as first, second and fifth closest brands to Fiat (the third being Renault). Fiat is perceived as the second closest brand to Citroën, the third closest to Opel (after Renault) and the third closest to Peugeot (after Renault and Ford).[634] Therefore, the Parties are perceived as particularly close competitors.

(974) This suggests that market participants perceive PSA as a particularly close competitor to FCA together with Renault but not necessarily vice versa.

(975) In conclusion, despite the Parties being perceived as particularly close competitors, given the very moderate increment and the moderate combined market share, and the existence of six competitors, the Commission considers that the Proposed

633 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers the inclusion of Large LCVs above 3.5 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter represent a small proportion of the wider market including both sizes.

634 Replies to question 30 of Questionnaire 11 to dealers, question 29 of Questionnaire 12 to leasing rental companies, question 27 of Questionnaire 13 to corporate customers, and question 28 of Questionnaire 10 to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

Transaction would not significantly impede effective competition in the Large LCV market in Portugal.

(976) Table 99 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes in Portugal.

Table 99: Portugal – Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*
Daimler	[…]	[20-30]%	[…]	[10-20]%	[…]	[20-30]%
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
VW	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Isuzu	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(977) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only Large LCVs, since less than […] LCVs between 3.5 and 6 tonnes were sold in Portugal in 2019, i.e. less than 3% of the overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes. PSA has sold […] and FCA between […] and […] LCVs between 3.5 and 6 tonnes in each of the last three years. The competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.[635]

(978) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Portugal in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.21. Romania

(979) Table 100 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Romania.

635 Parties' response to RFI 44, Question 3.

Table 100: Romania – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[20-30]%	[…]	[10-20]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(980) The Proposed Transaction would lead to the merger of the third and fifth largest players in Large LCVs in Romania. In 2019, the Parties' combined market share was [20-30]%, decreasing from [30-40]% in 2017. Both Parties have slightly lost market share during the last three year (as has Ford) whilst Daimler, Iveco, RNM and VW have all gained share.

(981) Following the Proposed Transaction, although the merged entity would become the largest competitor in terms of market share, the combined entity would continue to face competition from five players (Ford, Iveco, Daimler and RNM) four of whom have substantial market shares, all above 10%, and also from smaller players such as VW. Three competitors (Ford, Iveco and Daimler) have a marker share significantly higher than the share increment brought about by the Proposed Transaction ([10-20]%, [10-20]% and [10-20]%, respectively, vs [10-20]%), and another competitor (RNM), has a market share equal to the share increment brought about by the Proposed Transaction ([10-20]%).

(982) As regards closeness of competition,[636] according to the country-specific responses to the market investigation, market participants perceive Peugeot, Citroën, and Opel as first, second and fourth closest brands to Fiat (the third being Renault). Fiat is perceived as the closest brand to all of PSA's brands (followed by Renault in the case of Citroën and Opel and Ford in the case of Peugeot).[637] Therefore the Parties are perceived as particularly close competitors by market participants.

(983) In conclusion, despite particular closeness of competition between the Parties, given the moderate increment and the very moderate combined market share, and the existence of five competitors, four of whom with relatively large market shares, the

636 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers the inclusion of Large LCVs above 3.5 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter represent a small proportion of the wider market including both sizes.

637 Replies to question 30 of Questionnaire 11 to dealers, question 29 of Questionnaire 12 to leasing rental companies, question 27 of Questionnaire 13 to corporate customers, and question 28 of Questionnaire 10 to importers. A more accurate quantitative comparison is not possible due to the difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in Romania.

(984) Table 101 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes in Romania.

Table 101: Romania – Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(985) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be similar to that in a market including only Large LCVs. Even if the proportion of LCVs between 3.5 and 6 tonnes (compared to the overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes) is not negligible (around […] LCVs between 3.5 and 6 tonnes were sold in Romania in 2019, i.e. around 11% of the overall market), the situation does not change fundamentally and, in any event, the Parties' combined share decreases (from [20-30]% to [20-30]%) and Daimler increases significantly its market share (from [10-20]% to [20-30]%), while the other competitors' shares remain very close to their market shares in the market including only Large LCVs, or are slightly lower. Moreover, FCA [...] LCV between 3.5 and 6 tonnes in the last three years in Romania. The competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.[638]

(986) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Romania in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.22. Slovakia

(987) Table 102 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Slovakia.

638 Parties' response to RFI 44, Question 3.

Table 102: Slovakia – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[40-50]%	[…]	[40-50]%	[…]	[30-40]%
FCA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Combined	*[…]*	*[60-70]%*	*[…]*	*[60-70]%*	*[…]*	*[60-70]%*
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Iveco	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(988) The Proposed Transaction would lead to the merger of the largest and second largest players in Large LCVs in Slovakia. In 2019, the Parties' combined market share was [60-70]%, having steadily decreased from [60-70]% in 2017.

(989) Despite the Parties' very high combined market share, the Commission will take into account in its assessment other elements such as the market shares at EEA-level and/or whether there are any complaints in the market investigation that can further substantiate the existence of any market power, in particular since market shares are not necessarily a reliable indication of market power in the Slovakian Large LCV market since:

- The market has grown in the last two years at a rate of nearly 20% equating to a growth of […] vehicles. Neither PSA nor FCA has captured much of this growth: Between 2018 and 2019 both actually lost some volumes. The market growth appears to have been captured relatively evenly by all the other competitors, who have all increased their market share over the last three years. Competitors are thus clearly taking customers from the Parties.
- Over the last decade, the Parties' combined market share grew from [30-40]% in 2010 to [70-80]% in 2014 (following FCA's disruptive entry in 2010-2011), and then continuously declined to around [60-70]% in 2019. Also individually, PSA and FCA have been losing market share for the past years: FCA's market share fell from [30-40]% in 2014 to [20-30]% in 2019, while PSA's market share fell from [40-50]% in 2016 to [30-40]% in 2019.[639] In particular, the Parties lost sales between 2018 and 2019 despite the fact that the market continued to grow during this period, which suggests that their market position is contestable.
- The market share provided by the Parties probably overrepresented the Parties' shares as they do not capture Ford's presence in this market.[640]
- The Slovakian market is not very large (in terms of total volume), and therefore market shares can shift rapidly year by year depending on bulky orders. This is

639 Parties' response to RFI 44, Question 3.

640 Ford is present in the Large LCV market of Slovakia (https://ford.sk/vehicle/vsetky-vozidla?page=2), although its market share is likely to be small.

illustrated by the fact, for instance, that FCA considerably disrupted the market in 2010-2011, when its market share increased from [0-5]% to more than […]% in just one year, selling more than [...] units from one year to another. The Commission has also observed the same behaviour in other LCV markets which are relatively small. For instance, volatility can be observed in the Czech market for Large LCVs, which is of a similar size to the Slovakian one (slightly larger in volume) (see Section 6.2.5.7 above).

(990) At the EEA level, the Parties have moderate market shares in Large LCVs, which is an indication that the Parties may face more intense potential competition from other players in Large LCVs in the medium and long term. In the case of Slovakia, this would be the case of market players like Daimler and VW, which achieve a considerably lower share in this Member State than at EEA level ([5-10]% vs [10-20]% in the case of Daimler, [5-10]% vs [10-20]% in the case of VW). Both companies currently also have an upward trend in Slovakia (as in many other countries) in Large LCVs. Moreover, as noted above, Ford exerts an actual constraint on the Parties, as well as an even larger potential constraint given its success at EEA level, but is completely absent from the table above.

(991) Also when compared to the Small LCV markets, Large LCV markets in general appear to be less concentrated and, also in the case of the Slovak market, there is a higher number of competitors. In the case of Slovakia, post-merger the Parties would still face competition from four players, all of whom are exhibiting a growth trend.

(992) Those four players are all large OEMs with established LCV brands in the EEA, as shown by the fact that they have higher shares at the EEA-level, when compared to Slovakia. Moreover, they all have a large distribution network in Slovakia,[641] which indicates that any price increase attempt by the Parties could be counteracted by increased competitive pressure from those four large competitors.

(993) As regards closeness of competition, the evidence is mixed. According to the country-specific responses to the market investigation, Citroën, Peugeot and Opel are perceived as first, second and fifth closest brands to Fiat (the third being Renault). Fiat is perceived as the closest brand to all PSA's brands (in all cases before Renault).[642] Therefore, the Parties would appear to be perceived by the market participants as particularly close competitors.

(994) However, this perception of particular closeness is not supported by market share evolution since both PSA and FCA have lost share in the last year. PSA has lost [0-5] percentage points whilst FCA has lost [5-10] percentage points. These losses appear to have been captured relatively equally by each of the key four competitors, RNM, VW, Daimler and Iveco – these four companies all having grown their share over the last three years.

(995) Moreover, some of those competitors are also close competitors to the Parties in Slovakia. In particular, RNM, who appears to be particularly close to the Parties, has,

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641 The Renault brand has 11 points of sale in Slovakia, while VW has 19 and Daimler has 14. These are all slightly smaller but comparable to FCA's number of dealers in Slovakia (24), which indicates that these competitors can cover sales for a market share of at least 10% and up to around 20%, which is FCA's market share in Slovakia (see Parties' reply to RFI 38 of 31 August 2020).

642 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers the inclusion of Large LCVs above 3.5 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter vehicles represent only represent a marginal proportion of the wider market including both sizes.

according to Harbour data, sufficient spare capacity to increase its supply of Large LCVs in Slovakia. Customers, who also enjoy a higher degree of buyer power in the Large LCV markets (see section 6.2.2.2), could switch away from the Parties in a sufficiently large amount to RNM (and/or other competitors) to make any price increase less likely to be profitable in the long run. The Commission notes that RNM's market share of [10-20]% is very close to FCA's share of [20-30]%.

(996) Finally, market participants have not raised any concerns with respect to the Large LCV market in Slovakia, which suggest that market participants do not perceive that the Parties have a high degree of market power.

(997) In conclusion, despite the very high combined market share and the fact that responses to the Commission's e-Questionnaire show particular closeness between the Parties (together with RNM), a number of factors indicate that the Proposed Transaction would not significantly impede effective competition in this market. In particular, market shares do not appear to be a reliable indication of market power in this case, since that the Parties have continuously lost market share over the last years (in spite of market growth) to four large and well established competitors. All those players have reputed brands and established distribution networks in Slovakia, and their shares have increased over the last years to the detriment of the Parties' shares). Moreover, there have been no complaints during the market investigation, and there is sufficient spare capacity in the market towards which customers could shift if there was a price increase. In view of this, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Slovakia in a market for Large LCVs.

(998) Table 103 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes combined in Slovakia.

Table 103: Slovakia - Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Combined	*[…]*	*[60-70]%*	*[…]*	*[60-70]%*	*[…]*	*[50-60]%*
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
VW	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(999) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only Large LCVs, since the LCVs between 3.5 and 6 tonnes amounted to […] vehicles sold in 2019, i.e. less than 3% of the broader market comprising both Large LCVs and LCVs between 3.5

and 6 tonnes in Slovakia. Moreover, PSA sold [...] and FCA [...] vehicle in this category in 2019.[643] The competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

(1000) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Slovakia in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.23. Slovenia

(1001) Table 104 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Slovenia.

Table 104: Slovenia – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[10-20]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Iveco	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1002) The Proposed Transaction would lead to the merger of the two largest players in Large LCVs in Slovenia. In 2019, the Parties' combined market share was [40-50]%, having remained stable over the past three years (with [40-50]% in 2017 and [40-50]% in 2018). The Slovenian market has grown by over […] vehicles, a growth rate of 35%. PSA and RNM (the second and third largest competitors) have not managed to capture any of this growth and have in fact lost volumes. The market growth appears to have been captured mainly by FCA, but also by VW and Daimler, both of which (more than) doubled their market shares since 2017, suggesting that smaller players can quickly increase their sales when there is market opportunity/growth (i.e. new sales are not necessarily captured by larger established players).

(1003) At the EEA level, the Parties have moderate market shares in Large LCVs, which is an indication that the Parties may face more intense potential competition from other players in Large LCVs in the medium and long term. In the case of Slovenia, this would be the case of market players like Daimler, which achieves a considerably lower share in this Member State than at EEA level ([0-5]% vs [10-20]%). Daimler, as other competitors (such as VW, which also more than doubled its market share in only two years, from 2017 to 2019), currently also have an upward trend in Slovenia (as in many other countries) in Large LCVs.

643 Parties' response to RFI 44, Question 3.

(1004) Also when compared to the Small LCV markets, Large LCV markets in general appear to be less concentrated and, also in the case of the Slovenian market, there is a higher number of competitors. In the case of Slovenia, post-merger the Parties would still face competition from five players, two of which are exhibiting a growth trend.

(1005) Those five players are all large OEMs with established LCV brands in the EEA, as shown by the fact that some of them have higher shares at the EEA-level, when compared to Slovenia. Moreover, they all have a large distribution network in Slovenia,[644] which indicates that any price increase attempt by the Parties could be counteracted by increased competitive pressure from those four large competitors.

(1006) As regards closeness of competition, the evidence is mixed. According to the country-specific responses to the market investigation, market participants perceive Citroën, Peugeot and Opel as first, second and fifth closest brands to Fiat (the third being Renault). Fiat is perceived as the second closest brand to all of PSA's brands (in all cases after Renault).[645] Therefore, the Parties would appear to be perceived as particularly close competitors, together with RNM.

(1007) However, this perception is not entirely supported by market share evolution since, although PSA lost market share between 2017 and 2109 and FCA parallelly increased its share, also RNM lost share over that period, and VW (like FCA) also increased its share. Therefore, PSA and RNM's losses appear to have been captured relatively equally by both FCA and VW, suggesting that, together with RNM, VW is also a close competitor of the Parties in this market.

(1008) Moreover RNM, who appears to be particularly close to the Parties, has, according to Harbour data, sufficient spare capacity to increase its supply of Large LCVs in Slovenia. Customers, who also enjoy a higher degree of buyer power in the Large LCV markets (see section 6.2.2.2), could switch away from the Parties in a sufficiently large amount to RNM (and/or other competitors) to make any price increase less likely to be profitable in the long run. The Commission notes that RNM's market share of [10-20]% is very close to PSA's share of [10-20]%.

(1009) Finally, market participants have not raised any concerns with respect to the Large LCV market in Slovenia, which suggest they do not perceive that the Parties have a high degree of market power. On the contrary, an importer highlighted the competitive character of the market.[646]

(1010) In conclusion, despite the relatively high combined market share and the fact that responses to the Commission's e-Questionnaire show particular closeness between the Parties (together with RNM), a number of factors indicate that the Proposed Transaction would not significantly impede effective competition in this market. In particular, PSA has lost market share considerably over the last years to large and

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644 The Renault brand has 17 points of sale in Slovenia, while VW has 21 and Daimler has 4. These are all slightly smaller but comparable to PSA's number of dealers in Slovenia (by brand), and many more than FCA, which has only one dealer in Slovenia, and still holds a [20-30]% market share, which indicates that these competitors can cover sales for market shares similar to the Parties' shares in Slovenia (see Parties' reply to RFI 38 of 31 August 2020).

645 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers the inclusion of Large LCVs between 3.5 and 6 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter vehicles represent only represent a marginal proportion of the wider market including both sizes.

646 An importer indicated that "*LCV market is a competitive market*" and that "*there is still enough other competing brands on Slovenian and Bosnia and Hercegovina market*" (Reply to question 59 of e-Questionnaire 10 to importers).

well established competitors. Other competitors in the market have reputed brands and established distribution networks in Slovenia, and the share of some of them (particularly VW) has increased over the last years to the detriment of, *inter alia*, PSA's shares). Moreover, there have been no complaints during the market investigation, and there is sufficient spare capacity in the market towards which customers could shift if there was a price increase. In view of this, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Slovenia in a market for Large LCVs.

(1011) Table 105 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes in Slovenia.

Table 105: Slovenia – Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[10-20]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Iveco	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1012) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only Large LCVs, since only […] LCVs between 3.5 and 6 tonnes were sold in Slovenia in 2019, i.e. less than 1% of the overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes in Slovenia.[647] The competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

(1013) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Slovenia in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.24. Spain

(1014) Table 106 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Spain.

647 Parties' response to RFI 44, Question 3.

Table 106: Spain – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1015) The Proposed Transaction would lead to the merger of the largest and joint second largest players in Large LCVs in Spain. In 2019, the Parties' combined market share was slightly below 40% ([30-40]%), and has remained below 40% in the past three years (with [30-40]% in 2017 and [30-40]% in 2018). PSA's market share has slightly increased whilst FCA's has remained stable. VW's market share has increased by the most, by four percentage points. Post-Transaction, one competitor (RNM) with a market share close to [20-30]%, as well as [0-5] competitors with market shares around [10-20]% (Iveco, Daimler, VW and Ford) would remain.

(1016) At the EEA level, the Parties have moderate market shares in Large LCVs, which is an indication that the Parties may face more intense potential competition from other players in Large LCVs in the medium and long term. In the case of Spain, this would be the case of market players like Daimler, which achieves a lower share in this Member State than at EEA level ([10-20]% vs [10-20]%).

(1017) Also when compared to the Small LCV markets, Large LCV markets in general appear to be less concentrated and, also in the case of the Spanish market, there is a higher number of competitors. In the case of Spain, post-merger the Parties would still face competition from five players, one of which is exhibiting a growth trend, whilst others have had a stable position over the past years and all of whom have a market share of nearly [10-20]% or more and some of whom are perceived to compete closely with the Parties.

(1018) Those five players are all large OEMs with established LCV brands in the EEA, as shown by the fact that some of them have higher shares at the EEA-level, when compared to Spain. Moreover, they all have a large distribution network in Spain,[648] which indicates that any price increase attempt by the Parties could be counteracted by increased competitive pressure from those four large competitors.

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[648] The Renault brand has 199 points of sale in Spain, while VW has 185, Ford has 184 and Daimler has 164. These are all higher or slightly smaller to PSA's number of points of sale in Spain (by brand), and many more than FCA, which has 78 dealers in Spain, which indicates that these competitors can cover sales for market shares similar to the Parties' shares in Spain (see Parties' reply to RFI 38 of 31 August 2020).

(1019) As regards closeness of competition, evidence overall suggests that the Parties are not particularly close competitors.

(1020) First, according to the country-specific responses to the market investigation, market participants do not perceive the Parties as particularly close competitors. Citroën, Peugeot and Opel are perceived as third, sixth and seventh closest brands to Fiat (the first being Seat, followed by Renault). Fiat is perceived as the third closest brand to Citroën and Opel and as fourth closest to Peugeot (in all cases after Renault and Seat).[649]

(1021) Second, the diversion ratios calculated on the basis of the hesitation data provided by the Parties[650] show that, in Spain, the Parties' implied combined share would be [5-10] points higher than their actual combined share of [40-50]%.

(1022) The actual diversion ratios, however, show a more one-sided story:[651]

– From FCA's point of view: PSA is the closest competitor, with a diversion ratio of [30-40]% from FCA towards PSA. This diversion ratio is above its diversion ratio implied by actual market shares ([30-40]% vs [20-30]%), suggesting that PSA imposes a higher constraint on FCA than what its actual market share indicates. VW is, however, the second closest, with a diversion ratio from FCA to VW of [10-20]%, which is again higher compared to the diversion ratio implied by actual market shares ([10-20]% vs [10-20]%), showing that VW imposes a much higher constraint on FCA than its market share suggests. The diversion ratio of the other main competitors to FCA are roughly in line with the diversion ratio implied by the actual market shares with the exception of Ford that appears to have a diversion ratio significantly below that implied by market shares ([0-5]% vs [10-20]%).

– From PSA's point of view: FCA is the second closest competitor, with a diversion ratio from PSA to FCA of [20-30]% which is slightly above its diversion ratio implied by actual market shares ([20-30]% vs [20-30]%). Closest competitor RNM's diversion ratio is [20-30]%, also higher than the diversion ratio implied by its market share ([20-30]% vs [20-30]%). Daimler is third closest with a diversion ratio of [10-20]%, followed VW with a diversion ratio of [10-20]%, the latter being higher than the diversion ratio implied by market shares ([10-20]% vs [10-20]%).

(1023) In summary, the hesitation data suggests that PSA is FCA's closest competitor but not vice versa.

(1024) Third, list prices show that PSA, VW, FCA, RNM and Daimler price their vehicles at very similar level, with VW and PSA at the lower end and FCA, RNM and Daimler slightly higher. Ford prices slightly higher still.[652]

(1025) Fourth, end prices collected by FCA in the […] show that, PSA, Ford and Renault price their vehicles at a very similar level, with FCA slightly higher. VW, Iveco and Daimler price considerably higher.[653]

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649 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers the inclusion of Large LCVs between 3.5 and 6 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter vehicles represent only represent a marginal proportion of the wider market including both sizes.

650 See LCV Economic Annex, Table 4.

651 Commission analysis based on Parties' NVBS hesitation data. See LCV Economic Annex, Section 4.1.

652 See LCV Economic Annex, section 4.3.1.

(1026) In terms of closeness therefore, whilst the hesitation data suggests that PSA is particularly close to FCA, it also makes clear that FCA is not a close competitor to the market leader PSA. The market perception also does not perceive the Parties as close competitors, nor does the […] price data suggest any particular closeness.

(1027) Moreover, RNM and VW, who appear to be particularly close to the Parties, have, according to Harbour data, sufficient spare capacity to increase their supply of Large LCVs in Spain. Customers, who also enjoy a higher degree of buyer power in the Large LCV markets (see section 6.2.2.2), could switch away from the Parties in a sufficiently large amount to RNM (and/or other competitors) to make any price increase less likely to be profitable in the long run. The Commission notes that RNM's market share of [10-20]% is very close to FCA's share.

(1028) Finally, market participants have not raised any concerns with respect to the Large LCV market in Spain, which suggest that market participants do not perceive that the Parties have a high degree of market power. In fact, during the market investigation some corporate customers pointed to the competitive nature of the Spanish LCV markets, indicating that if the merged entity were to increase prices post-merger it "*would rapidly witness a loss in market share*".[654]

(1029) In conclusion, given the moderate combined market share, the fact that the Parties are not perceived as particularly close competitors, that other large competitors with shares around or above [10-20]% in the market have reputed brands and established distribution networks in Spain, that there have been no complaints during the market investigation, and that there is sufficient spare capacity in the market towards which customers could shift if there was a price increase, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Spain in a market for Large LCVs.

(1030) Table 107 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs above 3.5 tonnes in Spain.

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653 See LCV Economic Annex, section 4.3.2.

654 See replies to question 41.1 of Questionnaire 13 to corporate customers. Another corporate customer also indicated that some new entrants might be expected: "*Perhaps new manufactures will decide to entry in LCV market. E.g.: Hyundai, Kia, Seat, Skoda, Chinese manufacturers..*." (See question 43).

Table 107: Spain – Large LCV and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Iveco	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[10-20]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1031) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only Large LCVs, since only […] LCVs between 3.5 and 6 tonnes were sold in Spain in 2019, i.e. less than 3% of the overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes in Spain. The competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.[655]

(1032) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Spain in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.25. Sweden

(1033) Table 108 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in Sweden.

655 Parties' response to RFI 44, Question 3.

Table 108: Sweden – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
FCA	[…]	[5-10]%	[…]	[0-5]%	[…]	[20-30]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*
Daimler	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[10-20]%	[…]	[20-30]%	[…]	[10-20]%
Iveco	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1034) The Proposed Transaction would lead to the merger of the first and seventh largest players in Large LCVs in Sweden. In 2019, the Parties' combined market share was [20-30]%, increasing from [10-20]% in 2017 and [10-20]% in 2018. The increment is largely due to FCA's share increase (from [5-10]% in 2017 to [20-30]% in 2019), while PSA's share has decreased (from [10-20]% in 2017 to [5-10]% in 2019). FCA's market share gain appears to have come mostly from market growth as well as taking share from PSA and Daimler.

(1035) Following the Proposed Transaction, the merged entity would become the largest competitor in terms of market share, but closely followed by Daimler, RNM, and VW and, to a lesser extent, Iveco and Ford. Three competitors (Daimler, RNM and VW) have a market share significantly higher than the share increment brought about by the Proposed Transaction ([20-30]%, [10-20]% and [10-20]%, respectively, vs [5-10]%), and two other competitors (Iveco and Ford), have a market share similar (slightly higher) to the share increment brought about by the Proposed Transaction ([5-10]% and [5-10]%, respectively, vs [5-10]%). The merged entity would therefore continue to face competition from numerous players (Daimler, RNM, and VW) who all have substantial market shares, all equal or close to [20-30]%, and also from smaller players such as Iveco and Ford.

(1036) In conclusion, given the very moderate combined market share, the small market share increment and the existence of five competitors, three of which with relatively strong market positions and the lack of any particular concerns raised in respect of Sweden, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in Sweden.

(1037) Table 109 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes in Sweden.

Table 109: Sweden – Large LCVs and LCVs above 3.5 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
FCA	[…]	[5-10]%	[…]	[0-5]%	[…]	[20-30]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*
Daimler	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[20-30]%	[…]	[10-20]%
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Iveco	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1038) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be essentially identical to a market including only Large LCVs, since less than […] LCVs between 3.5 and 6 tonnes were sold in Sweden in 2019, i.e. less than 4% of the overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes. The competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes. FCA has sold less than […] LCVs between 3.5 and 6 tonnes in each of the last three years and during that period, PSA has in total sold […].[656]

(1039) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in Sweden in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

6.2.5.26. United Kingdom

(1040) Table 110 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only Large LCVs in the United Kingdom.

656 Parties' response to RFI 44, Question 3.

Table 110: United Kingdom – Large LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*
Ford	[…]	[20-30]%	[…]	[30-40]%	[…]	[20-30]%
Daimler	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
RNM	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Iveco	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Volvo	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1041) The Proposed Transaction would lead to the merger of the third and fifth largest players in Large LCVs in the United Kingdom. In 2019, the Parties' combined market share was [20-30]%, decreasing from [30-40]% in 2017.

(1042) Following the Proposed Transaction, the merged entity would become the largest competitor in terms of market share, closely followed by Ford, Daimler and VW and, to a lesser extent, RNM, Iveco and Volvo. Three competitors (Ford, Daimler, VW) have a market share significantly higher than the share increment brought about by the Proposed Transaction ([20-30]%, [20-30]% and [10-20]%, respectively, vs [5-10]%), and two other competitors (RNM and Iveco), have a market share similar (or slightly lower) to the share increment brought about by the Proposed Transaction ([5-10]% and [5-10]%, respectively, vs [5-10]%). The merged entity would therefore continue to face competition from six players, three of whom (Ford, Daimler, VW) have substantial market shares, all above 10% and two of them as high as [20-30]%, and also from smaller players such as RNM, Iveco and Volvo.

(1043) As regards closeness of competition, the evidence suggest that the Parties are not close competitors in Large LCVs in the United Kingdom.

(1044) First, according to the country-specific responses to the market investigation,[657] market participants perceive Peugeot, Citroën, and Opel as first, second and fourth closest brands to Fiat (the third being Ford). Fiat is perceived as the third closest brand to all of PSA's brands (after Renault and Ford).[658] Therefore, PSA is perceived as particularly close to FCA, but not the other way around.

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657 The Commission has analysed closeness of competition only as regards Large LCVs. In any case, the Commission considers the inclusion of Large LCVs above 3.5 tonnes in the same market cannot alter substantially the conclusions on closeness as the latter represent a small proportion of the wider market including both sizes.

658 Replies to question 30 of e-Questionnaire 11 to dealers, question 29 of e-Questionnaire 12 to leasing rental companies, question 27 of e-Questionnaire 13 to corporate customers, and question 28 of e-Questionnaire 10 to importers. A more accurate quantitative comparison is not possible due to the

(1045) Second, the diversion ratios calculated on the basis of the hesitation data provided by the Parties[659] show that, in the United Kingdom, the Parties' implied combined share would be [20-30] points higher than their actual combined share of [20-30]%.

(1046) The actual diversion ratios, however, show a different story:[660]

– From FCA's point of view: PSA is the closest competitor, with a diversion ratio of [50-60]% from FCA towards PSA.

– From PSA's point of view: FCA is the fourth closest competitor. Daimler is the closest.

(1047) In summary, the hesitation data is consistent with the responses to the market investigation: only PSA can be considered a particularly close competitor to FCA.

(1048) In conclusion, given the very moderate combined market share, the very small market share increment, and the existence of six competitors, three of which with relatively strong market positions, and the lack of any particular concerns raised in respect of Large LCVs in the United Kingdom, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in the United Kingdom.

(1049) Table 111 shows the Parties' and competitors' volumes and market shares for the last three years in a market including Large LCV and LCVs between 3.5 and 6 tonnes in the United Kingdom.

Table 111: United Kingdom – Large LCVs and LCVs between 3.5 and 6 tonnes

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
Daimler	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[20-30]%	[…]	[30-40]%	[…]	[20-30]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
RNM	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Iveco	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Volvo	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1050) The situation in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes would be similar to that in a market including only Large LCVs. Even if the proportion of LCVs between 3.5 and 6 tonnes (compared to the overall market combining both Large LCVs and LCVs between 3.5 and 6 tonnes) is not negligible

difficulties in interpreting the results of the questionnaire described in the LCV Economic Annex, Section 4.2.

659 See LCV Economic Annex, Table 4.

660 Commission analysis based on Parties' NVBS hesitation data. See LCV Economic Annex, Section 4.1.

(around […] LCVs between 3.5 and 6 tonnes were sold in the United Kingdom in 2019, i.e. around 7% of the overall market), the situation does not change fundamentally and, in any event, the Parties' combined share only increases negligibly (from [20-30]% to [30-40]%) and competitors' shares also remain virtually the same.[661] The competitive assessment made for Large LCVs thus applies equally to the wider market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

(1051) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the United Kingdom in a market comprising both Large LCVs and LCVs between 3.5 and 6 tonnes.

(1052) Finally, as explained in Section 6.2.5.3, in the United Kingdom, an affected market would arise in a hypothetical market including only LCVs between 3.5 and 6 tonnes. Table 112 shows the Parties' and competitors' volumes and market shares for the last three years in the United Kingdom in such a hypothetical market taking into account IHS data.

Table 112: United Kingdom – LCVs between 3.5 and 6 tonnes (IHS data)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[20-30]%	[…]	[30-40]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*	*[…]*	*[50-60]%*
Daimler	[…]	[20-30]%	[…]	[10-20]%	[…]	[20-30]%
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Isuzu	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Iveco	[…]	[5-10]%	[…]	[0-5]%	[…]	[5-10]%
VW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1053) The Commission notes that the evolution of PSA's sales as reported by IHS seem anomalous as they almost triple in size from 2017 to 2018, which has made PSA's share increase abruptly from [10-20]% in 2017 to [20-30]% in 2018 and [30-40]% in 2019. According to this data, the size of this segment would have doubled in only two years and this increase would have almost entirely been absorbed by PSA. This contrasts with the trend of the sales all the other major OEMs present in this segment (except those of Isuzu). The Commission also notes that neither the Parties' nor any of the other competitors' sales have experienced such an extreme change in such a short period of time in LCVs between 3.5 and 6 tonnes, either at EEA-wide level or in any the EEA Member States. In fact, PSA's growth from 2017 to 2019 in the United Kingdom ([…] units) would amount to two-thirds of the entire growth of LCVs between 3.5 and 6 tonnes in the entire EEA (including the United Kingdom) in the same period ([…] units).

661 Parties' response to RFI 44, Question 3.

(1054) The Parties argue that PSA's sales for 2018 and 2019 as reported by IHS do not correspond their internal sales figures, which would suggest an error or inaccuracy in IHS reporting for those two years. The Parties point that this discrepancy between internal sales estimates and IHS reported sales does not happen in relation to any other years or any other PC or LCV markets, in the United Kingdom or elsewhere in the EEA, which seems to point to an exceptional occurrence.[662]

(1055) The Commission agrees that, in view of the discrepancy between IHS figures and PSA's internal estimates, the discrepancy with previous years' data, the evolution of other OEM's sales in the same segment in the United Kingdom, the trend followed by the Parties' and other OEM's sales in the same segment in any other EEA Member State, PSA's sales as reported by IHS for 2018 and 2019 seem to be overestimated.

(1056) Therefore, Table 113 below presents the Parties' and competitors' sales volumes and market shares for the last three years in the United Kingdom in a hypothetical market including only LCVs between 3.5 and 6 tonnes replacing including PSA's internal sales PSA's internal sales figures for 2018 and 2019.

Table 113: United Kingdom – LCVs between 3.5 and 6 tonnes (PSA's internal sales for 2018 and 2019)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
Daimler	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Isuzu	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Iveco	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
VW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 52

(1057) The Proposed Transaction involves the merger of the second and fourth players in this hypothetical market. PSA's and FCA's shares have slightly increased over the last three years. The combined entity would have a market share of [30-40]% in 2019, increased from [30-40]% in 2017.

(1058) Although, following the Proposed Transaction, the merged entity would become the largest competitor in terms of market share, it would still have to face competition from at least six competitors. Two competitors (Daimler and Ford) have a market share higher than the share increment brought about by the Proposed Transaction ([20-30]% and [10-20]%, respectively, vs [10-20]%), and another (Isuzu) has a market share not significantly lower than the share increment. All competitors are strong, have brands with reputation in LCVs and large dealer and service networks in

662 See Parties' reply to RFI 52 of 19 October 2020.

the United Kingdom.[663] Moreover, according to the Harbour data, there appears to be spare capacity in the market.

(1059) In conclusion, given the moderate combined share of the Parties, the existence of six competitors, three of which with relatively strong market positions, and the out of market constraints from Large LCVs, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a hypothetical market comprising only LCVs between 3.5 and 6 tonnes.

6.2.5.27. Semi-finished LCV products

(1060) As concluded in Section 6.1.1.5, based on supply-side substitutability, the Commission considers that semi-finished LCV products are part of the Large LCV market. As explained in that Section, semi-finished LCV products are manufactured on the same production lines as Large LCVs and sold to all types of converters by all OEMs who manufacture Large LCVs. Semi-finished products can be sold directly by the OEMs or via dealers. Certain customers source nationally, others EEA-wide. Semi-finished LCV products, like complete Large LCVs, are differentiated products with different variations.

(1061) During its in-depth investigation, the Commission noted that the Parties appear particularly successful in the provision of semi-finished products to motorhome manufacturers. […].[664] In 2019, the Parties' combined shares of supply of semi-finished products to motorhome manufacturers in the EEA were between [60-70]% and [80-90]% depending on the specific semi-finished LCV product type ([80-90]% for chassis cabs, [80-90]% for chassis cowls and [60-70]% for back-to-back), with an increment between [5-10]% and [20-30]% ([10-20]% for chassis cabs, [10-20]% for chassis cowls and [5-10]% for back-to-backs).[665] Some motorhome manufacturers raised concerns that the Parties would be able to raise prices post-Transaction specifically vis-à-vis motorhome manufacturers. The Commission therefore considered whether, via differentiation, the Parties could, post-merger, raise prices of semi-finished products to this particular customer group despite the fact that there is no separate market for semi-finished products to motorhome manufacturers.

6.2.5.27.1. <u>The Notifying Parties' view</u>

(1062) The Notifying Parties consider that competition concerns relating to the sale of semi-finished LCV products to motorhome manufacturers in the EEA are unwarranted because (i) customers can easily switch supplier of semi-finished LCV products, (ii) motorhome manufacturers have significant buyer power, and (iii) the Parties are not each other's closest competitors.[666]

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663 The brand Renault has in United Kingdom 144 points of sale, Volkswagen 188 and Ford 303. This amount is comparable to the network of Citroën, Opel or Peugeot (160, 301 and 191, respectively) or of Fiat (284) (see Parties' reply to RFI 38 of 31 August 2020).

664 Minutes of call with a motorhome industry association of 24 July 2020.

665 In chassis cabs where PSA has a larger share, there are also most products available by competitors (Daimler, Ford, RNM and VW). The Parties' combined shares of supply of semi-finished LCV products to other converters (i.e. excluding motorhome manufacturers) was [20-30]% in 2019. The Commission asked other converters for their views on the Proposed Transaction and received overall positive reactions (RFIs to other converters of 13 August and 4 September 2020). Therefore this Decision does not discuss sales to converters other than motorhome manufacturers.

666 Recreational Vehicles Submission, paragraph 28 and following.

(1063) First, converters regularly switch suppliers of LCV products as evidenced by the fact that the Parties lost important customers in the past year to other competitors. […].[667] […].[668]

(1064) The Notifying Parties argue that switching is easy. […].[669] […].[670]

(1065) The Notifying Parties note that […].[671]

(1066) Second, the Notifying Parties argue that motorhome manufacturers have significant buyer power. The motorhome end market is highly concentrated, with six companies (Erwin Hymer, Trigano, Knaus-Tabbert, Pössl, Carthago, and Sofinaro) accounting for approximately [90-100]% of the overall segment. These companies leverage their buyer power in negotiations by purchasing significant volumes to obtain the lowest possible price.[672]

(1067) This buyer power ensures downward pressure on prices of semi-finished LCV products, as semi-finished LCV products are much less differentiated than finished LCVs and brand loyalty does not play a role. Motorhome manufacturers sell to final customers who pay much more attention to the motorhome brand than to the base vehicle brand. In fact, motorhome manufacturers often remove the OEM logo and replace it with their own logo.[673]

(1068) Moreover, motorhome manufacturers are able to vertically integrate. The largest motorhome manufacturer Erwin Hymer announced plans to do so and to produce its own chassis in-house from 2021 onwards.[674]

(1069) Third, the Notifying Parties submit that although the Parties […], they are not each other's closest competitors. Notably, PSA does not supply semi-finished LCV products based on large vans with automatic transmission. Therefore its semi-finished LCV product is not a direct competitor to FCA's semi-finished LCV product in the upper end of the segment, where automatic transmission is required. PSA also does not offer a number of other specifications ([…]) which are present in […] of the semi-finished LCV products supplied by FCA. In other words, PSA's overlap with FCA is limited, accounting only for […]% of FCA's sales. In consequence, the Notifying Parties submit that FCA and PSA rarely compete head to head.[675]

6.2.5.27.2. The Commission's assessment

(1070) Based on its in-depth investigation, the Commission considers that no competition concerns arise in respect of the sale of semi-finished LCV products to motorhome customers.

(1071) First, switching appears relatively easy. In addition to the recent examples of switching provided by the Parties, the results of the Commission's in-depth investigation show that customers are able to switch suppliers of semi-finished LCV

667 Parties' reply to RFI 42 of 8 September 2020, paragraph 14-15. […] (see Parties' reply to RFI 55 of 5 November 2020, paragraph 2.).
668 Recreational Vehicles Submission, paragraphs 35 and following.
669 Recreational Vehicles Submission, paragraphs 42-43.
670 Recreational Vehicles Submission, paragraph 44.
671 Recreational Vehicles Submission, paragraph 47.
672 Erwin Hymer and Trigano each purchase up to […] units per year.
673 Recreational Vehicles Submission, paragraphs 26-33.
674 Recreational Vehicles Submission, paragraph 37.
675 Recreational Vehicles Submission, paragraphs 52 and following.

products.[676] Switching appears possible without major costs when a new motorhome model is introduced. Some motorhome manufacturers indicated that switching would require some adjustments,[677] but this is in line with the practice […] described by the Notifying Parties.[678]

(1072) Second, market growth, multi-sourcing and the Parties' capacity constraints are all likely to increase competitors' positions. The Commission's in-depth market investigation indicated that motorhome manufacturers generally multi-source: all motorhome manufacturers who participated in the market investigation stated that they buy from at least two different OEMs, to reduce dependency on a single supplier and to differentiate their products.[679] For instance, in 2019, Erwin Hymer sourced three different semi-finished LCV models from FCA, another three from PSA, two from Daimler and two from other OEMs. Another motorhome manufacturer, Sofinaro, bought six different models of semi-finished LCV products from five different OEMs for its motorhomes.[680] Moreover, several market participants confirmed that the market for semi-finished LCV products for conversion is growing significantly as motorhomes have risen in popularity during the Covid-19 pandemic.[681] Even before, motorhome manufacturers experienced double-digit growth in 2019 and OEMs have been introducing an increasing number of models and variations of semi-finished LCV products to the market.[682] The capacity constraints in Sevel Sud were also raised by a customer.[683] The Commission therefore considers that motorhome manufacturers are likely to increase their purchases of semi-finished LCV products from competitors post-Transaction. In a growing market, this will lead to a decreasing share of supply for the Parties.

(1073) Third, the Commission considers that motorhome manufacturers do have certain buyer power. The motorhome market EEA-wide is relatively concentrated with few large companies. For instance, the 2019/2020 annual report of CIVD indicated that only four groups made significant sales in the German motorhome market, based on newly registered motorhomes in 2019 (39.8% Hobby, 26.3% Erwin Hymer, 22.5% Knaus and 8.9% Trigano, with only 2.5% of newly registered motorhomes from other companies).[684] […].[685] […].[686] The Commission notes that often motorhome manufacturers, due to larger volume orders and bargaining power, receive larger discounts than other converters, which is another indication that motorhome manufacturers have buyer power.[687]

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676 Replies to question 23 of Questionnaire 14 to motorhome manufacturers.

677 Replies to question 13 of Questionnaire 14 to motorhome manufacturers.

678 See Section 6.1.1.5.

679 Minutes of a call with a motorhome manufacturer of 2 July 2020.

680 Replies to question 10 of Questionnaire 14 to motorhome manufacturers.

681 E.g. Minutes of a call with a motorhome industry association of 24 July 2020; minutes of call with a motorhome manufacturer of 2 July 2020.

682 CIVD Annual Report 2019/2020.

683 Minutes of a call with a motorhome manufacturer of 2 July 2020.

684 CIVD Annual Report 2019/2020. Although the report covers only Germany, its findings are relevant for the EEA as 50% of EEA-sales of motorhomes are made in Germany. Minutes of a call with a motorhome manufacturer of 3 July 2020.

685 PSA presentation, ID 2259-7385.

686 Recreational Vehicles Submission, paragraph 36.

687 For example, for FCA's most common LCV chassis cab model sold to motorhome manufacturers, the average margin on sales to motorhome manufacturers was […]%, compared to a […]% margin on sales to other customers, in 2019. Recreational Vehicles Submission, table 3.

(1074) Fourth, loyalty to the brand of the semi-finished LCV product manufacturer appears in general to be low. Replies to the market investigation indicated that end customers give low importance to the brand of the semi-finished LCV product which the motorhome is based on: asked to rank factors that end customers take into account in the choice of their motorhome by order of importance, motorhome manufacturers consider price the most important criterion (4.57 out of 5 points). Brand loyalty and brand recognition of the semi-finished LCV product the motorhome is based on, whilst not completely irrelevant is the least important criterion (3.43 out of 5 points).[688] The one brand that appears to have some brand loyalty is Fiat (but not PSA).[689] The Recreational Vehicles Customer Study cited by the Notifying Parties reflects that Fiat is a popular brand among certain motorhome customers ("*If a motor home's mechanics is branded Fiat Ducato, it's going to be good*") whereas customers not specifically looking to buy a Fiat-based motorhome do not pay attention to the brand of the base semi-finished LCV product.[690] Also, the in-depth market investigation showed that end customers of motorhomes give some importance to the repair and maintenance network (4.14 out of 5 points), in which Fiat is perceived as particularly strong vis-à-vis motorhomes.[691] The Commission therefore considers that with the exception of the Fiat brand, brand loyalty does not play a role.

(1075) Fifth, differentiation by *motorhome manufacturers* requires also differentiation by semi-finished LCV product suppliers. Whereas the brand of the semi-finished product (apart from Fiat) does not play a significant role, apart from price, motorhome customers also consider the technical specificities of the semi-finished LCV product in their choice of their ultimate motorhome (3.86 points out of 5). As a motorhome manufacturer noted, different end-customer groups demand different technical specificities and motorhome manufacturers try to differentiate the motorhome models they offer by using different semi-finished LCV products as a base.[692] As not all OEMs offer all technical features, competition for the lowest price is more limited than the Parties suggest. However, the demand for semi-finished LCV products with different technical features has allowed competitors to win over customers from FCA, by offering different technical features of their semi-finished LCV products. This is a finding of the CIVD annual report noted a trend towards "*increase in chassis diversification among the body manufacturers*" which has led FCA to lose market share to PSA, Daimler and VW.[693] […].[694]

(1076) Sixth, as regards closeness of competition, the Commission found that the Parties are no closer to each other than to other competitors despite the fact that […] for the following reasons:

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688 Replies to question 12 of Questionnaire 14 to motorhome manufacturers.

689 Several market participants explained that many end customers specifically look to buy Fiat-based motorhomes. E.g. replies to Questionnaire 14 to motorhome manufacturers, minutes of call with a motorhome manufacturer of 2 July 2020.

690 Recreational Vehicles Customer Study 2017, slides 55-56, ID 2484-52950.

691 Minutes of a call with a motorhome manufacturer of 3 July 2020.

692 Minutes of a call with a motorhome manufacturer of 2 July 2020.

693 CIVD Annual Report 2019/2020. More than half of the new German registrations were based on the Fiat Ducato in 2019, but the market share has decreased considerably since 2015 (−15.5 percentage points).

694 […] FCA presentation ID 2484-28727, see also FCA presentation, ID 2484-63097.

(1077) Some respondents in the market investigation expressed concerns that the Proposed Transaction would eliminate competitive constraints coming from FCA's closest competitor PSA ([…]).[695] […].[696]

(1078) Whilst it may be true that motorhome manufacturers used to converting FCA products might find it also easy to convert PSA products, that does not mean that in terms of competition the semi-finished products of other manufacturers are not equally close alternatives depending on the characteristics of the product the customer is looking for to differentiate its offering. The Commission's in-depth analysis found that

– Ford appears a credible competitor in the same price category as the Parties. One motorhome manufacturer, for example, considers Ford would pose a sufficient competitive constraint on the Parties.[697]

– Mercedes acts as a competitive constraint for FCA's premium products and is particularly strong in Germany, the largest motorhome market in the EEA.[698]

– […].[699]

– Iveco supplies semi-finished LCV products for vehicles above 3.5 tonnes.

– […].[700]

– […].[701]

(1079) Overall, OEMs offer an increasing number of types and variations of semi-finished LCV products, responding to an increasing demand. When competing for an order for, for example, chassis cabs, OEMs may offer slightly different variations of a chassis cab, with different features, depending also on the customer's requests.[702]

6.2.5.27.3. Conclusion

(1080) In light of the above, the Commission considers that despite the Parties currently being the leading sellers of semi-finished LCV products to motorhome manufacturers, this does not result in a significant impediment to effective competition within the market for Large LCVs. In summary, this is because (i) the combined entity would still face sufficient competitive constraints from other Large LCV manufacturers such as Ford, VW, Daimler (Mercedes) and RNM; (ii) motorhome manufacturers can and do switch suppliers; (iii) demand for motorhomes is increasing, thus increasing demand for semi-finished LCV products which the Parties cannot supply due to capacity constraints; (iv) motorhome manufacturers will want to maintain multi-sourcing strategies thus increasing the potential for competitors to take share from the Parties; (v) motorhome manufacturer customers have certain buyer power; and (vi) brand is not important (with the potential exception of the Fiat brand), price and technical features being determinative.

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695 Replies to question 21.1 of Questionnaire 14 to motorhome manufacturers.
696 Minutes of a call with a motorhome industry association of 24 July 2020.
697 Minutes of a call with a motorhome manufacturer of 2 July 2020.
698 Minutes of a call with a motorhome manufacturer of 3 July 2020.
699 Recreational Vehicles Submission, paragraph 39.
700 Minutes of a call with a motorhome manufacturer of 2 July 2020.
701 Recreational Vehicles Customer Study 2017, slides 99-101, ID 2484-52950
702 Reply to RFI 55 to the Parties of 5 November 2020.

6.2.5.28. Conclusion on Large LCV markets

(1081) In conclusion, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the Large LCV market in any EEA Member State .

7. PCs

7.1. Relevant markets

7.1.1. Product market definition

7.1.1.1. The Commission's decisional practice

(1082) In its decisional practice, the Commission has considered in the past separate product markets for (i) mini cars (A), (ii) small cars (B), (iii) medium cars (C), (iv) large cars (D), (v) executive cars, (vi) luxury cars (vii) sport cars, (viii) sport utility vehicles (SUVs) and (ix) multipurpose vehicles (M).[703] The Commission also considered a further sub-segmentation of the SUV segment into (i) small (B), (ii) medium (C) and (iii) large (D) SUVs but left the market definition open.[704]

(1083) Moreover, the Commission considered whether electric cars constitute a separate product market and whether this possible market should be further segmented according to (i) technology (electric battery cars and hybrid cars) or (ii) the categories defined for vehicles with internal combustion engines (ICE).[705]

7.1.1.2. The Notifying Parties' views

(1084) The Notifying Parties agree with the segmentation of PCs by type,[706] for the following reasons:

(1085) First, OEMs as well as industry research institutes like the IHS use similar classifications to distinguish types of PCs according to size, as these types differ in terms of price, image and customer group.[707] Second, customers do not consider certain types of PCs as substitutes, as their intended use differs. For instance, mini cars do not provide seating space for a family whereas large PCs do. However, the Notifying Parties also point out that the boundaries between different vehicle categories are not always clear-cut in terms of intended use and price. Certain models might be classified in several categories. In particular the multipurpose vehicle and SUV categories include vehicles of different price levels and functionalities.[708]

(1086) Regarding a possible market including both mini cars (A) and small cars (B), the Notifying Parties submit that PCs of segment A and segment B belong to separate markets, since this segmentation is accepted as an industry standard and they have different characteristics.[709]

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703 Case COMP/M.8449 – Peugeot/Opel (2017), paragraph 11. As only FCA is active in executive cars, luxury cars and sport cars, there is no overlap resulting from the Proposed Transaction. Therefore these potential markets will not be further discussed in this Decision (Form CO, Table 7).

704 Case COMP/M.8449 – Peugeot/Opel (2017), paragraph 12.

705 Case COMP/M.8449 – Peugeot/Opel (2017), paragraph 14.

706 Form CO, paragraph 287.

707 Form CO, paragraph 285.

708 Form CO, paragraph 286.

709 Form CO, paragraph 1681 and following.

(1087) As regards a possible segmentation of the SUV market into small, medium and large SUVs, the Notifying Parties consider that such sub-segmentation is not relevant. The Notifying Parties refer to the statement of a competitor in the market investigation of Case COMP/M.8449 - *Peugeot/Opel* who stated that differences in price, features and intended use are not significant between the three potential sub-segments.[710]

(1088) As explained above in Section 6.1.1.7, the Parties also consider that car-derived vans (CDVs, as defined), belong to the respective PC markets, according to their size.

(1089) Additionally, the Notifying Parties submit that a further segmentation of the relevant markets by propulsion type (BEV, HEV and ICE) is not appropriate as there is sufficient substitutability from the demand and supply-side perspective to consider electric, hybrid and ICE vehicles to be part of the same relevant product market[711] and it would be unnecessary for the purposes of assessing the effects of the Proposed Transaction on competition as FCA will only launch its first models with electric/hybrid engines in 2020 which means that on any market sub-segmented by models with electric/hybrid engines, FCA's market share in 2019 would be zero.[712]

7.1.1.3. The Commission's assessment

(1090) The results of the Phase I market investigation support the Commission's previous segmentation as set out in Section 7.1.1.1: the majority of competitors[713], importers[714], dealers[715], leasing and rental companies[716], and corporate customers[717] indicated that this segmentation is appropriate with regard to PCs.

(1091) The market investigation also supports that mini cars and small cars belong to separate markets. However, diversion ratios suggest that considering a broader market including both types of PCs is relevant. This is because around [30-40]%-[40-50]% of each of FCA's and PSA's mini car customers would divert to a small car as their main alternative. Although this high diversion appears to be one-way (i.e. a lower proportion of small car customers would divert to a mini car), given the constraint that small cars appear to exert on mini cars, the Commission will consider in its competitive assessment both separate markets for mini cars and small cars, as well as a hypothetical market combining these two PC types.

(1092) Regarding a further sub-segmentation of the SUV segment into (i) mini (A-SUVs), (ii) small (B-SUVs), (iii) medium (C-SUVs), (iv) large SUVs (D-SUVs), and (v) luxury (E-SUVs), the results of the Commission's market investigation in the present case indicated that such a further sub-segmentation may be appropriate.[718]

(1093) On the one hand, customers of B-SUVs, C-SUVs and D-SUVs consider as the main alternative a model from a neighbouring SUV-segment instead of a model in the same SUV-segment in approximately [20-30]%-[30-40]% of the cases.[719] This

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710 Form CO, paragraph 288.
711 Form CO, paragraph 292.
712 Form CO, paragraph 291.
713 Replies to question 5 of e-Questionnaire 1 to competitors.
714 Replies to question 5 of e-Questionnaire 3 to importers.
715 Replies to question 5 of e-Questionnaire 4 to dealers.
716 Replies to question 5 of e-Questionnaire 5 to leasing and rental companies.
717 Replies to question 4 of e-Questionnaire 6 to corporate customers.
718 The Parties activities only overlap and B-SUVs and C-SUVs. Moreover, FCA is active in SUV-D and SUV-E. Therefore this Decision will focus on these segments.
719 Replies to question 6.1 of e-Questionnaire 1 to competitiors, e-Questionnaire 3 to importers and e-Questionnaire 4 to dealers, and question 5.1 of e-Questionnaire 6 to corporate customers.

indicates substantial demand-side substitution across SUV segments. On the other hand, it is still true that the most common alternative for customers of each segment is an SUV of the same segment.

(1094) As regards industry classifications, it should be noted that SUVs have increased in importance over the past years, from […] units sold in 2017 to […] 2019 in the EEA, an increase of 32% in the course of just two years (see also Figure 6). They now make up around 40% of the EEA PC market.[720] The fact that some data providers and other market participants have in the past not divided the SUV-segment further, may thus simply have been due to the small size of the SUV-segment in the past (compared to the non-SUV PCs that are indeed segmented by size from A to E). However, this has changed. Now, IHS does make this distinction, as by now the total SUV market is only around 25% smaller than the total of the A- to E-markets.[721]

(1095) As regards the market investigation, a majority of competitors[722], importers[723], dealers[724], and corporate customers[725] indicated that from an end-customers' perspective, SUVs of different sizes compete with one another in terms of pricing, technical characteristics and consumer preferences. Moreover, a majority of competitors[726] and dealers[727] indicated that customers planning to purchase an SUV in one of the potential sub-segments mentioned in recital (1092) would consider SUV vehicles from another sub-segment as well. However, a majority of corporate customers[728] indicated that customers would not consider SUV vehicles from another sub-segment. Importers[729] were divided between those who indicated that this would be the case and between those who indicated that customers would not consider SUV vehicles from another sub-segment.

(1096) […].[730]

(1097) In any case, the Commission will assess the impact of the Proposed Transaction at the narrowest possible level, i.e. considering each SUV size as a separate market as well as on a market comprising all SUVs (Segment J). As the Parties' activities in the narrower markets only overlap only in relation to B-SUVs and C-SUVs, the remaining narrower markets will not be further discussed in this Decision.[731]

(1098) Regarding the inclusion of CDVs in the respective PC markets, the Commission considers, as explained in Section 6.1.1.7, that CDVs should be included in the appropriate PC markets, according to their size.

(1099) The Commission also investigated whether LEVs (including BEVs and HEVs) constitute a separate product market from ICE vehicles. In that regard, the majority of competitors[732] indicated that from a supply-side perspective, electric and ICE cars

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720 Just over 6 million SUVs in a total PC-market of 15.75 million.
721 Just over 6 million SUVs compared to just over 8 million A- to E-segment cars.
722 Replies to question 7 of e-Questionnaire 1 to competitors.
723 Replies to question 7 of e-Questionnaire 3 to importers.
724 Replies to question 7 of e-Questionnaire 4 to dealers.
725 Replies to question 6 of e-Questionnaire 6 to corporate customers.
726 Replies to question 6 of e-Questionnaire 1 to competitors.
727 Replies to question 6 of e-Questionnaire 4 to dealers.
728 Replies to question 5 of e-Questionnaire 6 to corporate customers.
729 Replies to question 6 of e-Questionnaire 3 to importers.
730 Form CO, Tables 132 and 133.
731 PSA is not present in D-SUVs.
732 Replies to question 12 of e-Questionnaire 1 to competitors.

do not constitute separate product markets. Moreover, a majority of competitors[733], importers[734], dealers[735] and leasing and rental companies[736] indicated that customers planning to purchase an ICE vehicle would consider either a BEV or HEV as a plausible alternative. Additionally, the majority of corporate customers[737] indicated that they would consider both BEV and HEV as plausible alternatives to ICE vehicles. In any case, the Commission considers it unnecessary to further sub-segment PC markets between LEVs and ICE vehicles or within LEV by type of propulsion technology, since FCA's share in any hypothetical LEV markets would be zero (or close to zero for any vehicles launched in 2020).

(1100) In conclusion, the Commission considers that the question of the exact product market definition can be left open, as the Transaction does not give rise to serious doubts as to its compatibility with the internal market in any of the PC markets even under the narrowest plausible market definition.

7.1.2. Geographic market definition

7.1.2.1. The Commission's decisional practice

(1101) As explained in Section 6.1.2.1, the Commission in previous decisions left open whether the market for the manufacture and supply of PCs is EEA-wide or national in scope, although differences in consumer preferences, prices and tax regimes across Member States point to the existence of national markets.[738]

7.1.2.2. The Notifying Parties' view

(1102) The Notifying Parties submit that the geographic market for the manufacture and supply of PCs and LCVs is EEA-wide in scope for the reasons explained in Section 6.1.2.2, i.e. (i) the competitive conditions are largely homogeneous throughout the EEA, (ii) the production of vehicles takes place on an international level, and (iii) customers can purchase PCs from companies located anywhere in the EEA.[739]

7.1.2.3. The Commission's assessment

(1103) The Commission considers that the same reasons explained in Section 6.1.2.3 leading to the definition of a geographic market for LCVs as national in scope also apply to PCs. In particular, a majority of each customer group as well as a majority of competitors responding to the market investigation considered that (i) prices of PCs vary between EEA Member States,[740] (ii) there are still differences in customer preferences for PCs between EEA Member States.[741] Also, the majority of corporate

733 Replies to question 10 of e-Questionnaire 1 to competitors.
734 Replies to question 10 of e-Questionnaire 3 to importers.
735 Replies to question 10 of e-Questionnaire 4 to dealers.
736 Replies to question 10 of e-Questionnaire 5 to leasing and rental companies.
737 Replies to question 9 of e-Questionnaire 6 to corporate customers.
738 See case COMP/M.8449 – Peugeot/Opel (2017), paragraph 26 and the cases cited.
739 Form CO, paragraph 324.
740 Replies to question 18 of e-Questionnaire 1 to competitors, to question 12 of e-Questionnaire 3 to importers, to question 11 of e-Questionnaires 4 to dealers, to question 11 of e-Questionnaire 5 to leasing and rental companies, and to question 10 of e-Questionnaire 6 to corporate customers.
741 Replies to question 22 of e-Questionnaire 1 to competitors, to question 13 of e-Questionnaire 3 to importers, to question 12 of e-Questionnaire 4 to dealers, and to question 12 of e-Questionnaire 5 to leasing and rental companies.

customers and leasing and rental companies responded that they purchase vehicles at national, rather than multi-country or EEA-level.[742]

(1104) Therefore, the Commission considers that the markets for the manufacture and supply of PCs appear to be national in scope and will analyse the impact of the Proposed Transaction *mainly* at national level. However, for the reasons explained in Section 6.1.2.3, since the conditions of wholesale supply are determined at EEA-wide level, EEA-wide market shares will also be taken into account in the competitive assessment.

7.1.3. Conclusion on relevant markets for PCs

(1105) In view of the findings in Sections 7.1.1.3 and 7.1.2.3, the Commission will assess the impact of the Proposed Transaction in the following national markets:

(a) Segment A.

(b) Segment B.

(c) Small cars (including both segments A and B).

(d) Segment C.

(e) Segment D.

(f) B-SUVs.

(g) C- SUVs.

(h) Segment J (including all types of SUVs).

(i) Segment M.

(1106) Although the Commission will assess these markets at national level, the EEA-wide market shares will also be taken into account in the competitive assessment.

7.2. Competitive assessment: horizontal non-coordinated effects

7.2.1. Common features to all PC markets in the EEA

(1107) In order to understand the context in which the competitive effects of the Proposed Transaction are assessed, it is important to set out first an explanation of how the PC markets in the EEA are structured and how they function. This section sets out the common features to all PC markets in the EEA against which the competitive assessment is carried out.

7.2.1.1. Supply-side considerations

(1108) The market investigation has shown that PC markets are characterised on the supply-side by a number of features, some of which are common to the whole of the automotive industry. As in the case for LCVs, production and wholesale supply of PCs take place in a centralised way at EEA level. The structure of supply, however, differs significantly: There are more competitors than in LCVs, market shares (both at EEA-level and in the larger national markets) are relatively more volatile and there has been significant new entry in the last years. Cooperation between competitors, in the form of cross-supply agreements, is less common in the PC industry. OEMs enjoy healthy margins, at similar levels to the ones generated in the sale of LCVs. These features are discussed in some more detail in the following Sections.

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[742] Replies to question 11 of e-Questionnaire 6 to corporate customers and to question 13 of e-Questionnaire 5 to leasing and rental companies.

7.2.1.1.1. EEA-wide production: models, platforms and production sites

(1109) OEMs manufacture PCs in the EEA in a centralised manner since technical, environmental and qualitative standards and regulations applicable to PCs are for the large part homogeneous. Despite some environmental rules differing across Member States which may affect demand, PC models are essentially identical regardless of the EEA Member State where they are ultimately sold. From their production sites, models are shipped across the EEA and neighbouring countries and commercialised at wholesale level through the OEM's local subsidiaries or via independent importers.

(1110) Both FCA and PSA manufacture and supply a wide variety of brands and models of PCs in the EEA.

(1111) PSA is present in the EEA with the brands Peugeot, Citroën, Opel and DS. PSA commercialises the Opel models in the United Kingdom under the Vauxhall brand. As explained before, this Decision refers to these models as "Opel", regardless of the brand effectively used.

(1112) Table 114 lists the models commercialised by PSA in the EEA in 2019, indicating the platform and production site where each of them is manufactured and assembled, and the year in which PSA started producing each model.

Table 114: PC models commercialised by PSA in the EEA

Models	Platform	Production site	First year of production
[…]	[…]	[…]	[…]
[…]	[…]	[…]	[…]
[…]	[…]	[…]	[…]

Table 115: PC models commercialised by FCA in the EEA

Models	Platform	Production site	First year of production
[…]	[…]	[…]	[…]
[…]	[…]	[…]	[…]
[…]	[…]	[…]	[…]
[…]	[…]	[…]	[…]
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[…]	[…]	[…]	[…]
[…]	[…]	[…]	[…]
[…]	[…]	[…]	[…]
[…]	[…]	[…]	[…]

Source: Form CO

(1115) FCA and PSA intend to launch the models listed in Table 116 below. The table indicates the model, the year in which it is expected to be commercialised in the EEA and the propulsion technology used, distinguishing between ICE, BEV, HEV or plug-in hybrid electric PHEV.

Table 116: Parties' pipeline PC products

Model	Launch date	Propulsion technology
[…]	[…]	[…]
[…]	[…]	[…]
[…]	[…]	[…]

exercise competitive constraints.[743] Moreover, acceleration of new technologies and environmental policies reinforce pressure on OEMs to launch models faster. For each model, OEMs provide a diversity of engines (and increasingly, motors for HEVs and BEVs) and options for customers to choose from, which also contribute to exercising a strong competitive constraint on current models. In addition, there has been one notable entry in the EEA automotive industry – Tesla.[744] In 2019, Tesla sold […] cars worldwide. The EEA is its second largest market where Tesla sold […] cars in this period, achieving an EEA-wide market share of [0-5]%, of which […] cars were the new Tesla Model 3.[745]

(1117) The Commission agrees that PC markets are characterised by a large number of market players, especially when compared to LCV markets. In fact, up to ten players share approximately [90-100]% of the total demand in 2019: FCA, PSA, VW, RNM, Ford, BMW, Daimler, Toyota, Hyundai-Kia, Geely (Volvo) and Suzuki, with the top-six OEMs representing only [80-90]% of the EEA market (i.e. [10-20] points less than in the case of LCVs; with a more than three-times larger share of the market left for players outside the top-six).[746]

(1118) The PC markets have many strong competitors. In addition to those which are also active in LCVs (FCA/PSA, VW, RNM, Ford, Toyota, Daimler), other large players such as BMW, Hyundai-Kia, Geely (Volvo), Suzuki, and Tata are also present in the PC markets.

(1119) Moreover, in the PC markets over the last decade most minor players have grown significantly: Hyundai-Kia, which was the 8th largest OEM in 2010 with a [0-5]% share of all PCs, grew to [5-10]%, becoming the 4th largest PC manufacturer in the EEA in 2019. And Hyundai-Kia, Toyota, Geely (Volvo), Suzuki, and Mazda grew their combined share of PCs from [10-20]% in 2010 to [10-20]% in 2019. The top-five OEMs in PCs in 2010 (the Parties, VW, RNM and Ford), which together represented [70-80]% of all PC sales in the EEA, saw their combined share decrease by [5-10] points, to [60-70]%. The Parties' combined share for overall PC sales was approximately [20-30]%, with an increment brought about by FCA of only [5-10]%. Both PSA and FCA have in fact lost significant share in PC sales since 2010. PSA by nearly [5-10] percentage points and FCA by [0-5] points, their combined share declining from [20-30]% in 2010 to [20-30]% in 2019.

743 Form CO, paragraph 1392.
744 Form CO, paragraph 1397 and following.
745 Form CO, paragraph 1403.
746 [5-10]% in LCVs compared to [20-30]% in PCs.

Table 117: EEA - Overall PC sales

	2010	2019
PSA	[20-30]%	[10-20]%
FCA	[5-10]%	[5-10]%
Combined	[20-30]%	[20-30]%
VW	[20-30]%	[20-30]%
RNM	[10-20]%	[10-20]%
Ford	[5-10]%	[5-10]%
BMW	[5-10]%	[5-10]%
Daimler	[5-10]%	[5-10]%
Toyota	[5-10]%	[5-10]%
Hyundai-Kia	[0-5]%	[5-10]%
Geely	[0-5]%	[0-5]%
Suzuki	[0-5]%	[0-5]%
Honda	[0-5]%	[0-5]%
GM	[0-5]%	[0-5]%
Mazda	[0-5]%	[0-5]%
Tata	[0-5]%	[0-5]%
Others	[0-5]%	[0-5]%

Source: Parties' reply to RFI 44, question 3

7.2.1.2. Demand-side considerations

(1120) Overall, the supply-side factors explained above, in particular the presence of many competitors in the PC markets, the fact that market shares are relatively volatile and rapidly shift with new entrants or the launch of new models indicate that there is not a substantial degree of market power in the industry.

7.2.1.3. Barriers to entry/expansion

(1121) The transformation of the automotive industry as a result of new technologies and electrification has made it easier for new entrants to win market shares from established players by offering innovative products (the effect of electrification on PC markets will be discussed in Section 7.2.1.4). The two key elements representing entry barriers in the LCV market (see Section 6.2.2.3), (i) the importance of service networks and (ii) the challenge to reach economies of scale, are much less pronounced in PC markets.

(1122) First, service networks are of much lower importance for customers of PCs than customers of LCVs, as customers of PCs mainly use these for private purposes and depend much less on the functioning of their PC at all times than LCV customers do. In the words of a competitor, "*since LCV customers need their vehicle for business purpose* […] *not being able to utilize the vehicle means losing source of income*."[747]

(1123) Second, the size of EEA PC markets makes it possible to reach a profitable production scale at a relatively low market share. This barrier to entry is much lower in PC markets than in LCV markets (see Section 6.2.2.3). As indicated in Section

747 Reply to question 65.1 of e-Questionnaire 9 to competitors.

6.2.2.3, the PC market is much larger than the LCV market: total PC sales amounted to […] units in 2019,[748] compared to […] units in total LCV sales.[749]

7.2.1.4. Electrification

(1124) Electrification is much more advanced in PC markets than in LCV markets throughout the EEA. PC markets are experiencing increasing competitive pressure from disruptive new entrants selling LEVs, notably Tesla[750] (see recital (116) above). Moreover, as established OEMs offer more and more additional LEV versions of their PC models, the choice consumers have is increasing exponentially, thus increasing competitive pressure. You also have PC manufacturers such as Volvo, with its Polestar brand, who have announced plans to become a fully electric car maker in future and are investing in internal development of electric motors.[751]

(1125) First, in the Phase I market investigation, a majority of respondents replied that they foresee new entrants in the EEA PC market in the next two to three years, in particular BEV and HEV, in all PC segments except M.[752] Participants of the market investigation mentioned numerous potential new entrants, such as Aiways, BYD, Genesis, Great Wall, Polestar, Lynk & Co, SAIC GM, Rivian, NIO.[753] Second, […],[754] […].[755] Third, a report of financial services company UBS on electrification in the automotive industry ("2020 UBS Sector Report") found that "*BEVs are now the most preferred consumer choice in a world of price parity*" and that "*upcoming BEVs will approach price parity, in particular when including government incentives.*"[756] Therefore, and considering that none of the Parties are advanced LEV players themselves,[757] the Commission considers that the Parties face strong competitive constraints in all PC segments, both from new entrants and existing OEMs offering LEV PCs (with the exception of the declining M segment, to be further discussed in Section 7.2.7 below).

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748 Annex Joint 10 to the Form CO (segments A, B, C, D, SUV-B, SUV-C, M).

749 Market share data provided by the Notifying Parties in response to RFI 53, based on IHS data.

750 Tesla itself also stated that its "*market presence has grown a lot over the past two years: it extended its geographic coverage and its sales increased in existing markets.*" Minutes of call with Tesla, of 26 March 2020.

751 https://www media.volvocars.com/global/en-gb/media/pressreleases/272958/volvo-cars-invests-in-designing-and-developing-electric-motors-in-house; https://www media.volvocars.com/uk/en-gb/media/pressreleases/210058/volvo-cars-to-go-all-electric

752 Replies to question 51 of e-Questionnaire 1 to competitors, question 28 of e-Questionnaire 3 to importers and e-Questionnaire 4 to dealers, question 21 of e-Questionnaire 5 to leasing and Rental companies and question 17 of e-Questionnaire 6 to corporate customers. Whereas importers, leasing/rental companies and corporate customers consider entry likely in all segments except M, competitors consider entry likely in larger PC/SUV, but not smaller to medium PC/SUVs. Dealers consider entry likely in smaller PC/SUV but not in medium and large PC. As will be discussed in Section Segment M 7.2.7 below, segment M is considered a declining segment which is why LEV models appear unlikely to appear on the market.

753 Replies to question 21.1 of e-Questionnaire 5 to leasing companies and question 51.1 of e-Questionnaire 1 to competitors.

754 Fiat 500 BEV Program Approval Request rev5.

755 As a competitor explained, "*The battery's cost needs to be added to other costs, so the total electrification cost as a percentage of total cost is a lot larger in small cars than large cars. It may double the cost of building the car while for larger cars it may be 20 or 25% of the total cost*." Minutes of a call with a competitor of 18 March 2020, paragraph 18.

756 UBS Sector Report - Electrification – 6 March 2020.

757 Several market participants suggested that PSA is a follower and that FCA is among the least advanced OEMs when it comes to the introduction of LEV vehicles. See e.g. minutes of a call with a competitor of 23 March 2020.

7.2.2. Segment A – no overlap going forward

7.2.2.1. EEA wide competitive landscape and national market shares

7.2.2.1.1. The Parties' and competitors' models

(1126) PSA is currently still present in the markets for segment A PCs ("mini cars") in the EEA with the following models: Peugeot iOn, Peugeot 108, Citroën CZero, Citroën C1.[758] FCA is present with the Fiat Panda, Fiat 500 and Fiat 500C.

(1127) Table 118 below lists the models commercialised by PSA, FCA and their main competitors in the markets for mini cars in the EEA in 2019.

Table 118: Mini car models produced by OEMs and sold in the EEA

OEM	Brand	Model
FCA	Fiat	Fiat 500
		Fiat 500C
		Panda
PSA	Citroën	C-Zero
		C1
	Peugeot	iOn
		108
Toyota	Toyota	Aygo
		iQ
Ford	Ford	Ka
VW	Seat	Mii
	Volkswagen	Up!
	Skoda	Citigo
Suzuki	Suzuki	Celerio
Hyundai-Kia	Kia	Picanto
	Hyundai	i10
Daimler	Smart	Fortwo
RNM	Renault	Twingo
	Mitsubishi	i-MiEV
Bollore	Bollore	Bluecar
e.GO	e.GO	Life

Source: Form CO, Tables 7 and 8

758 PSA stopped producing its other two mini car models: Opel Adam and Opel Karl in 2019 (current sales are stocksales only).

7.2.2.1.2. EEA-wide and national market shares

(1128) Table 119 shows the Parties' and competitors' sales volumes and market shares for the last three years at EEA level for mini cars.

Table 119: EEA – Mini cars (segment A)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
Combined	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*
Hyundai-Kia	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
RNM	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1129) At EEA-level, the Parties' combined market share in 2019 was [50-60]%, with an increment of [10-20]%. The Parties' combined share has been stable during the last three years with a [50-60]% in 2017 and [50-60]% in both 2018 and 2019. PSA has lost market share slightly, while FCA has grown slightly (although volumes have remained steady), in the context of a market which is stagnant or slightly shrinking (with a total volume of sales of […] in 2017 which has decreased to […] in 2019).

(1130) At EEA-level, the markets for mini cars are not extremely concentrated: Post-merger there would still be seven competitors, six of them (including the combined entity) with more than 5% market share, relatively stable shares during the last three years, and multiple models available on the market.

(1131) Table 120 shows PSA's and FCA's combined market shares in mini cars, by EEA country.

Table 120: Mini cars – Combined market shares at national level and affected markets based on 2019 data

EEA Member States	2019 market shares (in volume)		
	PSA	FCA	*Combined*
Austria	[10-20]%	[40-50]%	[60-70]%
Belgium	[20-30]%	[30-40]%	[50-60]%
Bulgaria	[0-5]%	[20-30]%	[20-30]%
Croatia	[0-5]%	[50-60]%	[50-60]%
Cyprus	[5-10]%	[5-10]%	[10-20]%
Czechia	[5-10]%	[5-10]%	[10-20]%
Denmark	[20-30]%	[5-10]%	[30-40]%
Estonia	[0-5]%	[70-80]%	[70-80]%
Finland	[10-20]%	[0-5]%	[10-20]%
France	[20-30]%	[20-30]%	[40-50]%
Germany	[10-20]%	[10-20]%	[30-40]%
Greece	[10-20]%	[30-40]%	[40-50]%
Hungary	[0-5]%	[60-70]%	[60-70]%
Iceland	[0-5]%	[0-5]%	[0-5]%
Ireland	[5-10]%	[5-10]%	[10-20]%
Italy	[10-20]%	[50-60]%	[60-70]%
Latvia	[0-5]%	[60-70]%	[60-70]%
Lithuania	[0-5]%	[90-100]%	[90-100]%
Luxembourg	[10-20]%	[40-50]%	[50-60]%
Malta	[20-30]%	[5-10]%	[30-40]%
Netherlands	[30-40]%	[5-10]%	[40-50]%
Norway	[10-20]%	[0-5]%	[10-20]%
Poland	[0-5]%	[20-30]%	[20-30]%
Portugal	[20-30]%	[40-50]%	[60-70]%
Romania	[0-5]%	[10-20]%	[10-20]%
Slovakia	[5-10]%	[20-30]%	[30-40]%
Slovenia	[0-5]%	[60-70]%	[60-70]%
Spain	[10-20]%	[50-60]%	[60-70]%
Sweden	[0-5]%	[30-40]%	[30-40]%
United Kingdom	[10-20]%	[20-30]%	[30-40]%

Source: Parties' response to RFI 44, Question 3

(1132) Accordingly, the affected markets, i.e. those where there is a horizontal overlap between the Parties and the Proposed Transaction would lead to a combined market share of [20-30]% or more, are the following: Austria, Belgium, Bulgaria, Croatia, Denmark, France, Germany, Greece, Hungary, Italy, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

(1133) While one market participant pointed out to the fact that the Parties have high combined shares in mini cars, and therefore there are many affected markets (also on average at the EEA level),[759] the Commission will consider as the appropriate counterfactual the scenario in which the Parties' activities do not overlap. In fact, as explained in the next Section, market shares in the mini cars segment will face a significant shift in the near future […]. As such, these market shares do not give the

759 In particular, the market participant indicated that the Parties would have large combined shares in the following countries: Austria, Belgium, France, Greece, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the EEA. See submission of 27 May 2020 by a market participant, Tables 1 and 12, and Section 5.1.

right counterfactual. The correct counterfactual is, in fact, one of no overlap between the Parties in the mini car markets in the EEA.

7.2.2.2. No overlap

(1134) When the Commission carries out its assessment of the competitive effects of a merger, it must compare the effects of the merger against the situation that would have prevailed absent the merger. In most cases the competitive conditions existing at the time of the merger constitute the relevant comparison to evaluate the merger effects. However, in some circumstances, the Commission may take into account future changes to the market that can reasonably be predicted. It may, in particular, take account of the likely entry or exit of firms if the merger did not take place when considering what constitutes the relevant comparison.[760]

(1135) In this particular case, the Commission takes account of the fact that, independently of the Proposed Transaction, […]. Therefore, absent the Proposed Transaction, PSA's market share would by 2022 become [0-5]% or close to [0-5]% ([…]). Therefore, by 2022, any overlap between the Parties in the mini car markets in the EEA would disappear.

(1136) […].[761] […].

(1137) First, PSA has already discontinued the production of Opel's two mini car models, Opel Karl and Opel Adam. […],[762] […].[763] PSA publicised its decision in October 2018,[764] […].[765]

(1138) Second, in November 2018, PSA decided to terminate its joint venture with Toyota in Kolin (Czechia).[766] This joint venture produced the Peugeot 108 and Citroën C1. In December 2018, PSA and Toyota signed a share purchase agreement whereby PSA sells its shares in the joint venture to Toyota,[767] the term sheet and the memorandum of understanding of the vehicle supply agreement for the transition period.[768] […]).[769] PSA publicised its decision to exit the joint venture in November 2018.[770] The Kolin factory will belong to Toyota alone as from January 2021, and Toyota will only supply the Citroën C1 and Peugeot 108 to PSA until […].[771]

(1139) Third, […].[772] […].[773]

(1140) […].[774]

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760 Horizontal Merger Guidelines, paragraph 9.
761 Form CO, paragraph 205 and following.
762 Notice of Decision, dated 14 November 2017, Annex PSA 80.
763 Notice of Decision, dated 19 June 2018, Annex 85.
764 Press release 9 October 2018 for both models, Annex PSA 81.
765 Annex PSA 84.
766 Minutes of PSA's Supervisory Board of 28 November 2018 and presentation, Annexes PSA 74 and 75.
767 Annex PSA 77.
768 Annexes PSA 78, 200 and 201.
769 Annex PSA 192.
770 Press release 30 November 2018, Annex PSA 76. See also internal PSA communication (Annex PSA 203), and communication with suppliers (Joint PSA-TME letter to suppliers, Annex PSA 199).
771 Form CO, paragraph 1459.
772 Annex PSA 87.
773 Email of 6 December 2019, Annex PSA 88.
774 Form CO, paragraphs 1575-1576.

(1141) In the second place, internal documents of PSA clearly indicate that […],[775] […]. Similarly, convergence documents prepared in the context of the Proposed Transaction also show that […][776] .[777]

(1142) […], the Commission considers that the Proposed Transaction would not significantly impede effective competition in any mini car market in the EEA.

7.2.3. Segment B (small cars) and Segments A+B (mini cars and small cars)

7.2.3.1. EEA-wide competitive landscape

7.2.3.1.1. The Parties' and competitors' models

(1143) PSA is present in the markets for segment B (small cars) in the EEA with the models Peugeot 208, Citroën C3, Citroën C4 Cactus, DS 3, and Opel Corsa.[778]

(1144) FCA is present with Lancia Ypsilon.[779] […].[780]

(1145) Table 121 below lists the models commercialised by PSA, FCA and their main competitors in the markets for small cars in the EEA in 2019.

Table 121: OEM's models in segment B (small cars) in the EEA

OEM	Brand	Model
PSA	Peugeot	208
	Citroën	C3
		C4 Cactus
	DS Automobiles	DS 3
	Opel	Corsa
FCA	Lancia	Ypsilon
RNM	Renault	Clio
		Zoe
	Nissan	Micra
		Note
	Dacia	Dokker
		Logan
		Sandero
VW	Volkswagen	Polo
	Skoda	Fabia

775 Annex PSA 244.

776 Convergence plan between PSA and FCA prepared by McKinsey (26 November 2019), slides 4-5, Annex PSA 11.

777 […].

778 Form CO, Table 9.

779 Form CO, Table 11.

780 Notifying Parties Reply to RFI 57.

OEM	Brand	Model
	Seat	Ibiza
	Audi	A1
Ford	Ford	Fiesta
		Puma
		Transit Courier
Toyota	Toyota	Yaris
Honda	Honda	Fit
Daimler	Smart	Forfour
BMW	Mini	Mini
		Coupe
Suzuki	Suzuki	Swift
		Baleno
Hyundai-Kia	Hyundai	i20
	Kia	Rio
AvtoVAZ	Lada	Vesta
MG Motor	MG	MG 3

Source: Form CO, Tables 7 and 8

7.2.3.1.2. EEA-wide shares

(1146) Table 122 shows the Parties' and competitors' sales volumes and market shares for the last three years at EEA level for small cars.

Table 122: EEA – Small cars (segment B)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[10-20]%	[…]	[5-10]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Hyundai-Kia	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1147) At EEA-level, the Parties' combined market share in 2019 was [20-30]% (which barely exceeds the 25% threshold set out in the Horizontal Merger Guidelines, under which it is unlikely that a transaction impede effective competition), with an increment of [0-5]%. The Parties' combined share has been stable during the last three years with a slight decrease from [20-30]% in 2017 to [20-30]% in both 2018 and 2019, due to FCA's drop from [0-5]% to [0-5]% ([…]).

(1148) At EEA-level, the markets for small cars are not very concentrated. Post-merger, there would still be ten companies present with multiple models on the market: Three large competitors (including the merged entity) with market shares of [10-20]%-[20-30]% each, and four slightly smaller ones with shares of [0-5]%-[5-10]% each, as well as a competitive fringe.

(1149) As explained in Section 7.1.1.3 above, the Commission will also consider a potential market including both mini cars and small cars, although the precise market definition can be left open, since no serious doubts arise regardless of whether the markets are analysed on a broader or narrower definition.

(1150) Table 123 shows the Parties' and competitors' adjusted sales volumes and market shares for 2019 at EEA level for a hypothetical market combining small and mini cars. […], the market shares for 2019 have been calculated reallocating PSA's mini cars sales to the other competitors, including FCA, in proportion to their market shares in the mini cars markets.[781]

781 In any event, the Parties' combined share at EEA level for a hypothetical market including mini cars and small cars, without reallocating PSA's mini cars sales would be very similar to the combined share after the reallocation ([30-40]% vs [30-40]%).

Table 123: EEA – Small and mini cars (segments A and B) – adjusted volumes[782]

Group	Sales 2019	
	Units	%
PSA	[…]	[10-20]%
FCA	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*
RNM	[…]	[20-30]%
VW	[…]	[10-20]%
Toyota	[…]	[5-10]%
Hyundai-Kia	[…]	[5-10]%
Ford	[…]	[5-10]%
BMW	[…]	[0-5]%
Daimler	[…]	[0-5]%
Suzuki	[…]	[0-5]%
Others	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, question 3

(1151) At the EEA level, the Parties' combined share is [30-40]%, only [0-5] percentage points above their combined share in a market comprising only small cars. The higher share is driven by FCA's moderate share in mini cars ([30-40]%), which brings it from [0-5]% in a market comprising small cars only to a [10-20]% in a market comprising both mini cars and small cars.

(1152) There are also a number of competitors with strong positions in this hypothetical market at the EEA-level: Both RNM and VW have market shares much larger than the increment brought about by FCA ([20-30]% and [10-20]%, respectively, vs [10-20]%), and up to three other large competitors have shares between [5-10]% and [10-20]% (Toyota, Hyundai-Kia and Ford), whilst there is also a competitive fringe (BMW, Daimler, Suzuki, with shares between [0-5]% and [0-5]%). These shares are in line with the market shares in a hypothetical market including mini cars and small cars without a reallocation of PSA's sales, where the Parties' combined share would be [30-40]% based on actual 2019 sales, only [0-5] points higher than their combined share reallocating PSA's sales. Competitors' shares are also very similar.

7.2.3.2. Affected national markets

(1153) Table 124 shows PSA's and FCA's combined market shares in small cars, by EEA country.

[782] […] have been adjusted in the following manner: Segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

Table 124: Small cars – Combined market shares at national level and affected markets

EEA Member States	2019 market shares (in volume)		
	PSA	FCA	*Combined*
Austria	[10-20]%	[0-5]%	[10-20]%
Belgium	[20-30]%	[0-5]%	[20-30]%
Bulgaria	[20-30]%	[0-5]%	[20-30]%
Croatia	[20-30]%	[0-5]%	[20-30]%
Cyprus	[0-5]%	[0-5]%	[0-5]%
Czechia	[5-10]%	[0-5]%	[5-10]%
Denmark	[30-40]%	[0-5]%	[30-40]%
Estonia	[5-10]%	[0-5]%	[5-10]%
Finland	[10-20]%	[0-5]%	[10-20]%
France	[30-40]%	[0-5]%	[30-40]%
Germany	[10-20]%	[0-5]%	[10-20]%
Greece	[30-40]%	[0-5]%	[30-40]%
Hungary	[10-20]%	[0-5]%	[10-20]%
Iceland	[5-10]%	[0-5]%	[5-10]%
Ireland	[5-10]%	[0-5]%	[5-10]%
Italy	[20-30]%	[10-20]%	[30-40]%
Latvia	[10-20]%	[0-5]%	[10-20]%
Lithuania	[5-10]%	[0-5]%	[5-10]%
Luxembourg	[20-30]%	[0-5]%	[20-30]%
Malta	[10-20]%	[0-5]%	[10-20]%
Netherlands	[10-20]%	[0-5]%	[10-20]%
Norway	[10-20]%	[0-5]%	[10-20]%
Poland	[10-20]%	[0-5]%	[10-20]%
Portugal	[20-30]%	[0-5]%	[20-30]%
Romania	[5-10]%	[0-5]%	[5-10]%
Slovakia	[10-20]%	[0-5]%	[10-20]%
Slovenia	[20-30]%	[0-5]%	[20-30]%
Spain	[20-30]%	[0-5]%	[20-30]%
Sweden	[10-20]%	[0-5]%	[10-20]%
United Kingdom	[20-30]%	[0-5]%	[20-30]%

Source: Parties' response to RFI 44, Question 3

(1154) Accordingly, the affected markets, i.e. those where there is a horizontal overlap between the Parties and the Proposed Transaction would lead to a combined market share of 20% or more, are the following: Belgium, France, Greece, Italy, Portugal, Spain, and the United Kingdom. In none of these countries the Parties' combined share exceeds 40%, and in four of them, it does not exceed 30%. Moreover, in all affected countries, except in Italy, the increment brought about by the Proposed Transaction is minimal, below [0-5]%.

(1155) Table 125 shows PSA's and FCA's combined market shares in small and mini cars, by EEA country.

Table 125: Small cars and mini cars – Combined market shares at national level and affected markets – adjusted volumes[783]

EEA Member States	2019 market shares (in volume)		
	PSA	FCA	*Combined*
Austria	[10-20]%	[10-20]%	[20-30]%
Belgium	[20-30]%	[5-10]%	[30-40]%
Bulgaria	[10-20]%	[0-5]%	[20-30]%
Croatia	[10-20]%	[10-20]%	[30-40]%
Cyprus	[0-5]%	[0-5]%	[5-10]%
Czechia	[5-10]%	[0-5]%	[5-10]%
Denmark	[20-30]%	[0-5]%	[20-30]%
Estonia	[5-10]%	[5-10]%	[10-20]%
Finland	[10-20]%	[0-5]%	[10-20]%
France	[20-30]%	[5-10]%	[30-40]%
Germany	[10-20]%	[5-10]%	[10-20]%
Greece	[20-30]%	[10-20]%	[30-40]%
Hungary	[10-20]%	[10-20]%	[20-30]%
Iceland	[0-5]%	[0-5]%	[0-5]%
Ireland	[5-10]%	[0-5]%	[5-10]%
Italy	[10-20]%	[30-40]%	[40-50]%
Latvia	[10-20]%	[10-20]%	[20-30]%
Lithuania	[0-5]%	[80-90]%	[80-90]%
Luxembourg	[10-20]%	[10-20]%	[20-30]%
Malta	[10-20]%	[5-10]%	[10-20]%
Netherlands	[10-20]%	[0-5]%	[10-20]%
Norway	[10-20]%	[0-5]%	[10-20]%
Poland	[10-20]%	[0-5]%	[10-20]%
Portugal	[20-30]%	[10-20]%	[30-40]%
Romania	[5-10]%	[0-5]%	[5-10]%
Slovakia	[10-20]%	[0-5]%	[10-20]%
Slovenia	[10-20]%	[10-20]%	[20-30]%
Spain	[20-30]%	[5-10]%	[30-40]%
Sweden	[10-20]%	[0-5]%	[10-20]%
United Kingdom	[10-20]%	[5-10]%	[20-30]%

Source: Parties' response to RFI 44, Question 3

(1156) On the basis of the Parties' combined shares for a hypothetical market combining both mini cars and small car markets, the affected markets, i.e. those where there is a horizontal overlap between the Parties and the Proposed Transaction would lead to a combined market share of 20% or more, are the following (in addition to the affected countries mentioned above for a market comprising only small cars): Austria, Bulgaria, Croatia, Denmark, Hungary, Latvia, Lithuania, Luxembourg, and Slovenia.

(1157) In none of the affected countries the Parties' combined share exceeds 40%, except for Italy and Lithuania. And in the majority of them, the Parties' combined share does not exceed 30%.

783 […] have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

7.2.3.3. Austria

(1158) Table 126 shows the Parties' and competitors' sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in Austria.

Table 126: Austria – Small and mini cars (segments A and B) – adjusted volumes[784]

Group	Sales 2019	
	Units	%
PSA	[…]	[10-20]%
FCA	[…]	[10-20]%
Combined	*[…]*	*[20-30]%*
VW	[…]	[20-30]%
RNM	[…]	[10-20]%
Hyundai-Kia	[…]	[10-20]%
Ford	[…]	[5-10]%
Toyota	[…]	[0-5]%
Suzuki	[…]	[0-5]%
Mazda	[…]	[0-5]%
BMW	[…]	[0-5]%
Daimler	[…]	[0-5]%
Others	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1159) However, the Parties' combined share in a hypothetical market including both mini cars and small cars in Austria in 2019 was 22%, with an increment brought about by PSA of 10%. FCA's higher market in this hypothetical market (compared to a market comprising only small cars) is due to the fact that FCA's share comprises not only its own mini car sales but also a proportion of PSA's mini car sales attributed to it.

(1160) Moreover, since the Parties are predominantly active in different segments of this potential market (FCA in mini cars; PSA in small cars), they do not appear to be particularly close competitors. Internal documents show that the Parties' do no not consider each other's models in these two segments as important constraints.[785]

(1161) In any event, the combined entity's market share would be relatively low (only [0-5] percentage points higher than the affected market share threshold, and below the 25% threshold set out in the Horizontal Merger Guidelines), and it would remain [5-10] percentage points below the market leader (VW, with a [20-30]% market share). There would also be several other large competitors with substantial market shares, e.g. RNM and Hyundai-Kia with market shares larger than the increment ([10-20]% and [10-20]% respectively), Ford with a [5-10]% market share, and a number of

784 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

785 […] (Form CO, Annex FCA 10). […] (Form CO, Annex FCA 11).

fringe players with shares between [0-5]% and [0-5]%, e.g. Toyota, Suzuki, Mazda, BMW and Daimler.

(1162) In conclusion, given the Parties' relatively low combined market share and the presence of a number of strong competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a hypothetical market combining mini cars and small cars in Austria.

7.2.3.4. Belgium

(1163) Table 127 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for small cars (segment B) in Belgium.

Table 127: Belgium – Small cars (segment B)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Hyundai-Kia	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1164) The Parties' combined market share in 2018 and 2019 was [20-30]%, decreasing from [30-40]% in 2017. PSA was in 2019 the second largest player in the market with [20-30]%, [0-5] points below the market leader, RNM. FCA is almost absent in the small cars market in Belgium, with only […] units sold in 2019.

(1165) The Commission considers that, in view of FCA's marginal position, the competitive structure of the market will remain essentially unaltered as a result of the Proposed Transaction. The merged entity would remain the second largest competitor in terms of market shares, but will continue to face competition from numerous players (RNM and VW), with strong market positions in Belgium.

(1166) In conclusion, given the very moderate market share of the merged entity post-merger (which barely exceeds the 25% threshold set out in the Horizontal Merger Guidelines), the negligible increment brought about by the Proposed Transaction ([…] [0-5]%, with only […] units sold in 2019), the existence of two large competitors (one of which, RNM, will remain the market leader with a [20-30]% market share, and another one, VW, with a [10-20]% market share), as well as a number of smaller competitors (two with shares between [5-10]% and [10-20]% (Ford and BMW), and up to four fringe players with shares between [0-5]% and [0-

5]%), the Commission considers that the Proposed Transaction would not significantly impede effective competition in the small cars market in Belgium.

(1167) Table 128 shows the Parties' and competitors' sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in Belgium.

Table 128: Belgium - Small and mini cars (segments A and B) – adjusted volumes[786]

Group	Sales 2019	
	Units	%
PSA	[…]	[20-30]%
FCA	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*
RNM	[…]	[20-30]%
VW	[…]	[10-20]%
Hyundai-Kia	[…]	[5-10]%
Ford	[…]	[5-10]%
Toyota	[…]	[5-10]%
BMW	[…]	[5-10]%
Suzuki	[…]	[0-5]%
Mazda	[…]	[0-5]%
Daimler	[…]	[0-5]%
Others	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1168) The Parties' combined share in a hypothetical market including both mini cars and small cars in 2019 was [30-40]%. The combined entity would become the largest player, followed by RNM and VW (with a [20-30]% and [10-20]% market share, respectively).

(1169) FCA's higher market in this hypothetical market (compared to a market comprising only small cars) is due to the fact that FCA's share comprises not only its own mini car sales but also a proportion of PSA's mini car sales attributed to it.

(1170) Moreover, since the Parties are predominantly active in different segments of this potential market (FCA in mini cars; PSA in small cars), they do not appear to be particularly close competitors. Internal documents show that the Parties' do no not consider each other's models in these two segments as important constraints.[787]

(1171) In any event, the combined entity's market share would remain moderate, and the increment brought about by FCA is small (less than [10-20]%, and is mainly driven by its sales in the A-segment - because FCA has high shares in mini cars -, given its marginal sales of small cars in Belgium).

(1172) There would be several other large competitors with substantial market shares, e.g. RNM and VW with market shares larger than the increment ([20-30]% and [10-20]%

786 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

787 […] (Form CO, Annex FCA 10). […] (Form CO, Annex FCA 11).

respectively), and a large number of fringe players with shares between [0-5]% and [5-10]%, e.g. Hyundai-Kia, Ford, and Toyota. In view of this, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a hypothetical market combining mini cars and small cars in Belgium.

7.2.3.5. Bulgaria

(1173) Table 129 shows the Parties' and competitors' sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in Bulgaria.

Table 129: Bulgaria - Small and mini cars (segments A and B) – adjusted volumes[788]

Group	Sales 2019	
	Units	%
PSA	[…]	[10-20]%
FCA	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*
RNM	[…]	[30-40]%
VW	[…]	[10-20]%
Toyota	[…]	[10-20]%
Hyundai-Kia	[…]	[5-10]%
Ford	[…]	[5-10]%
BMW	[…]	[0-5]%
Suzuki	[…]	[0-5]%
Others	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1174) The Parties' combined market share for small cars alone does not give rise to an affected market in Bulgaria, given that there is no overlap between the Parties (FCA is not active).

(1175) However, the Parties' combined share in a hypothetical market including both mini cars and small cars in Bulgaria in 2019 was [20-30]%, with an increment brought about by FCA of [0-5]%. FCA's higher market in this hypothetical market (compared to a market comprising only small cars) is due to the fact that FCA's share comprises not only its own mini car sales but also a proportion of PSA's mini car sales attributed to it.

(1176) In any event, the combined entity's market share would remain relatively low (below the 25% threshold set out in the Horizontal Merger Guidelines), the increment is below [5-10]%, and RNM would remain the largest player in the market, […] percentage points above the Parties ([30-40]% vs [20-30]%). There would also be several other large competitors with substantial market shares, e.g. VW, Toyota, Hyundai-Kia and Ford, all with market shares larger than the increment ([10-20]%, [10-20]%, [5-10]% and [5-10]% respectively), and some other smaller players. In view of this, the Commission considers that the Proposed Transaction would not

788 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

significantly impede effective competition in a hypothetical market combining mini cars and small cars in Bulgaria.

7.2.3.6. Croatia

(1177) Table 130 shows the Parties' and competitors' sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in Croatia.

Table 130: Croatia – Small and mini cars (segments A and B) – adjusted volumes[789]

Group	Sales 2019	
	Units	%
PSA	[…]	[10-20]%
FCA	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*
RNM	[…]	[20-30]%
VW	[…]	[10-20]%
Hyundai-Kia	[…]	[5-10]%
Toyota	[…]	[5-10]%
Ford	[…]	[0-5]%
Suzuki	[…]	[0-5]%
Mazda	[…]	[0-5]%
Daimler	[…]	[0-5]%
Others	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1178) The Parties' combined market share for small cars alone does not give rise to an affected market in Croatia, given that there is no overlap between the Parties (FCA is not active).

(1179) However, the Parties' combined share in a hypothetical market including both mini cars and small cars in Croatia in 2019 was [30-40]%, with an increment brought about by FCA of [10-20]%. FCA's higher market in this hypothetical market (compared to a market comprising only small cars) is due to the fact that FCA's share comprises not only its own mini car sales but also a proportion of PSA's mini car sales attributed to it.

(1180) Moreover, since the Parties are predominantly active in different segments of this potential market (FCA in mini cars; PSA in small cars), they do not appear to be particularly close competitors. Internal documents show that the Parties' do no not consider each other's models in these two segments as important constraints.[790]

(1181) In any event, the combined entity's market share would remain moderate (despite its growth since 2017, which is exclusively due to FCA's increase of market share from [20-30]% to [50-60]% in the mini cars segment, since the Parties' shares in small cars have been stable over that period (with PSA having remained at [20-30]% and

789 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

790 […] (Form CO, Annex FCA 10). […] (Form CO, Annex FCA 11).

FCA having decreased from[0-5]% to [0-5]%)),[791] there would remain a large number of competitors, some of which with substantial market shares, e.g. RNM, VW, Hyundai-Kia and Toyota, with market shares between [5-10]% and [20-30]%, and some other smaller players. In view of this, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a hypothetical market combining mini cars and small cars in Croatia.

7.2.3.7. Denmark

(1182) Table 131 shows the Parties' and competitors' sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in Denmark.

Table 131: Denmark - Small and mini cars (segments A and B) – adjusted volumes[792]

Group	Sales 2019	
	Units	%
PSA	[…]	[20-30]%
FCA	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*
VW	[…]	[20-30]%
Toyota	[…]	[10-20]%
Hyundai-Kia	[…]	[10-20]%
RNM	[…]	[10-20]%
Suzuki	[…]	[5-10]%
Ford	[…]	[5-10]%
Mazda	[…]	[0-5]%
Others	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1183) The Parties' combined market share for small cars alone does not give rise to an affected market in Denmark, given that there is no overlap between the Parties (FCA is not active).

(1184) However, the Parties' combined share in a hypothetical market including both mini cars and small cars in Denmark in 2019 was [20-30]%, with an increment brought about by FCA of [0-5]%.

(1185) Moreover, since the Parties are predominantly active in different segments of this potential market (FCA in mini cars; PSA in small cars), they do not appear to be particularly close competitors. Internal documents show that the Parties' do no not consider each other's models in these two segments as important constraints.[793]

(1186) In any event, the combined entity's market share would be relatively low (equal to the 25% threshold set out in the Horizontal Merger Guidelines), the increment is

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791 Morevoer, in Croatia segment B's total market size is more than three times the size of segment A. Therefore, the competitive pressure from competitors in segment B has more weight when considering a hypothetical market combining both mini cars and small cars.

792 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

793 […] (Form CO, Annex FCA 10). […] (Form CO, Annex FCA 11).

small, and VW would remain the largest player in the market, [0-5] percentage points above the Parties ([20-30]% vs [20-30]%). There would also be several other large competitors with substantial market shares, e.g. Toyota, Hyundai-Kia and RNM, with market shares between [10-20]% and [10-20]% (all of them with shares larger than the increment brought about by FCA), and some other smaller players (two of which also have shares above the increment). In view of this, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a hypothetical market combining mini cars and small cars in Denmark.

7.2.3.8. France

(1187) Table 132 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for small cars (segment B) in France.

Table 132: France - Small cars (segment B)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
VW	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Hyundai-Kia	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1188) The Parties' combined market share in 2019 was [30-40]%, and has been stable since 2017. In 2019, PSA and RNM were joint market leaders with [30-40]% each. FCA is almost absent in the small cars market in France, with only […] units sold in 2019, going down from […] in 2017.

(1189) The Commission considers that, in view of FCA's marginal position, the competitive structure of the market will remain essentially unaltered as a result of the Proposed Transaction. The merged entity would remain the market leader, together with RNM, but will continue to face competition from numerous players (RNM and VW), with strong market positions in France.

(1190) In conclusion, given the negligible increment brought about by the Proposed Transaction ([0-5]%, with only […] units sold in 2019), the existence of up to seven large competitors on the market (of which one has a position equivalent to that of the merged entity (RNM, with a [30-40]% market share), four of which have shares between [0-5]% and [10-20]% (VW, Toyota and Ford), and two of which are fringe competitors with shares of [0-5]% (BMW, Suzuki, Hyundai-Kia), the Commission considers that the Proposed Transaction would not significantly impede effective competition in the small cars market in France.

(1191) Table 133 shows the Parties' and competitors' sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in France.

Table 133: France – Small and mini cars (segments A and B) – adjusted volumes[794]

Group	Sales 2019	
	Units	%
PSA	[…]	[20-30]%
FCA	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*
RNM	[…]	[30-40]%
VW	[…]	[5-10]%
Toyota	[…]	[5-10]%
Ford	[…]	[0-5]%
Hyundai-Kia	[…]	[0-5]%
BMW	[…]	[0-5]%
Suzuki	[…]	[0-5]%
Daimler	[…]	[0-5]%
Others	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1192) The Parties' combined share in a hypothetical market including both mini cars and small cars in 2019 was [30-40]%. The combined entity would become the largest player, together with RNM (both would have a [30-40]% market share), followed by VW and Toyota as third and fourth largest players (with an [5-10]% and [5-10]% market share, respectively).

(1193) FCA's higher market in this hypothetical market (compared to a market comprising only small cars) is due to the fact that FCA's share comprises not only its own mini car sales but also a proportion of PSA's mini car sales attributed to it.

(1194) Moreover, since the Parties are predominantly active in different segments of this potential market (FCA in mini cars; PSA in small cars), they do not appear to be particularly close competitors. Internal documents show that the Parties' do no not consider each other's models in these two segments as important constraints.[795]

(1195) In any event, given the combined entity's market share would remain moderate, the increment brought about by FCA is small ([5-10]%), the existence of RNM and a number of other relatively strong competitors (VW, Toyota) with market shares larger than the increment ([5-10]% and [5-10]% respectively), and a number of players with shares between [0-5]% and [0-5]%, e.g. Ford, Hyundai-Kia, and BMW. In view of this, the Commission considers that the Proposed Transaction would not

794 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

795 E.g. FCA's competitive intelligence documents for its segment A models in Germany and Italy track other competitors' mini cars, […] (Form CO, Annex FCA 10). The same applies to its segment B vehicles (Form CO, Annex FCA 11).

significantly impede effective competition in a hypothetical market combining mini cars and small cars in France.

7.2.3.9. Greece

(1196) Table 134 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for small cars (segment B) in Greece.

Table 134: Greece - Small PCs (segment B)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[30-40]%*
Toyota	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Suzuki	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Hyundai-Kia	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1197) The Parties' combined market share in 2019 was [30-40]%, increasing from [20-30]% in 2017. PSA was in 2019 the largest player in the market with a [30-40]% market share, followed by Toyota, with [10-20]%. FCA is almost absent from the small cars market in Greece, with only […] units sold in 2019, going down from […] in 2017.

(1198) The Commission considers that, in view of FCA's marginal position, the competitive structure of the market will remain essentially unaltered as a result of the Proposed Transaction. The merged entity would remain the largest competitor in terms of market shares, but will continue to face competition from numerous players (Toyota, VW and RNM), with strong market positions in Greece.

(1199) In conclusion, given the negligible increment brought about by the Proposed Transaction ([…] [0-5]%, with only […] units sold in 2019), the existence of three large competitors (Toyota, VW and RNM), as well as a number of smaller competitors (up to four competitors with shares between [0-5]% and [5-10]%), the Commission considers that the Proposed Transaction would not significantly impede effective competition in the small cars market in Greece.

(1200) Table 135 shows the Parties' and competitors' sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in Greece.

Table 135: Greece – Small and mini cars (segments A and B) – adjusted volumes[796]

Group	Sales 2019	
	Units	%
PSA	[…]	[20-30]%
FCA	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*
Toyota	[…]	[10-20]%
VW	[…]	[10-20]%
Hyundai-Kia	[…]	[10-20]%
RNM	[…]	[10-20]%
Suzuki	[…]	[5-10]%
Ford	[…]	[0-5]%
Daimler	[…]	[0-5]%
BMW	[…]	[0-5]%
Others	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1201) The Parties' combined share in a hypothetical market including both mini cars and small cars in 2019 was [30-40]%. The combined entity would remain the largest player. However, it would still face competition from Toyota, VW, Hyundai-Kia and RNM with a [10-20]%, [10-20]%, [10-20]% and [10-20]% market share, respectively (all with market shares larger than the increment brought about by the Proposed Transaction).

(1202) FCA's higher market in this hypothetical market (compared to a market comprising only small cars) is due to the fact that FCA's share comprises not only its own mini car sales but also a proportion of PSA's mini car sales attributed to it.

(1203) Moreover, since the Parties are predominantly active in different segments of this potential market (FCA in mini cars; PSA in small cars), they do not appear to be particularly close competitors. Internal documents show that the Parties' do no not consider each other's models in these two segments as important constraints.[797]

(1204) In any event, the combined entity's market share would be moderate, there would be several other large competitors with substantial market shares larger than the increment, e.g. Toyota, VW, Hyundai-Kia and RNM, and a number of players with shares between [0-5]% and [5-10]%, e.g. Suzuki, Ford and Daimler. In view of this, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a hypothetical market combining mini cars and small cars in Greece.

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796 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

797 E.g. FCA's competitive intelligence documents for its segment A models in Germany and Italy track other competitors' mini cars, […] (Form CO, Annex FCA 10). The same applies to its segment B vehicles (Form CO, Annex FCA 11).

7.2.3.10. Hungary

(1205) Table 136 shows the Parties' and competitors' sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in Hungary.

Table 136: Hungary - Small and mini cars (segments A and B) – adjusted volumes[798]

Group	Sales 2019	
	Units	%
PSA	[…]	[10-20]%
FCA	[…]	[10-20]%
Combined	*[…]*	*[20-30]%*
RNM	[…]	[20-30]%
Suzuki	[…]	[10-20]%
Toyota	[…]	[10-20]%
VW	[…]	[10-20]%
Hyundai-Kia	[…]	[5-10]%
Ford	[…]	[0-5]%
Honda	[…]	[0-5]%
Others	[…]	[0-5]%
BMW	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1206) However, the Parties' combined share in a hypothetical market including both mini cars and small cars in Hungary in 2019 was [20-30]%, with an increment brought about by FCA of [10-20]%. FCA's higher market in this hypothetical market (compared to a market comprising only small cars) is due to the fact that FCA's share comprises not only its own mini car sales but also a proportion of PSA's mini car sales attributed to it.

(1207) Moreover, since the Parties are predominantly active in different segments of this potential market (FCA in mini cars; PSA in small cars), they do not appear to be particularly close competitors. Internal documents show that the Parties' do no not consider each other's models in these two segments as important constraints.[799]

(1208) In any event, the combined entity's market share would remain very moderate (barely exceeding the 25% threshold set out in the Horizontal Merger Guidelines), and several other competitors with substantial market shares, would remain, including RNM with [20-30]%, Suzuki, Toyota and VW, with market shares between [10-20]% and [10-20]%, and a number of smaller players. In view of this, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a hypothetical market combining mini cars and small cars in Hungary.

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798 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

799 E.g. FCA's competitive intelligence documents for its segment A models in Germany and Italy track other competitors' mini cars, […] (Form CO, Annex FCA 10). The same applies to its segment B vehicles (Form CO, Annex FCA 11).

7.2.3.11. Italy

(1209) Table 137 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for small cars (segment B) in Italy.

Table 137: Italy - Small PCs (segment B)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Hyundai-Kia	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1210) The Parties' combined market share in 2019 was [30-40]%, decreasing from [40-50]% in 2017. PSA was in 2019 the largest player with a [20-30]% (and stable since 2017), followed by RNM, with [20-30]%. FCA is was third largest with [10-20]%. FCA's market share has decreased by [5-10] percentage points since 2017 (essentially due to its discontinuation of several B models, Fiat Punto and Alfa Romeo MiTo). PSA's share has remained relatively stable over the past years, although it has lost sales volumes year by year (in general, the whole B segment has faced a decline in demand over the last years and, although most competitors have lost sales volumes since 2017 (except Suzuki, which doubled its sales, and Daimler), in relative terms RNM, VW, Ford, Toyota and Suzuki have nevertheless managed to grow by [0-5] or [0-5] percentage points each during this period). This suggests that in segment B, FCA does not enjoy a particularly strong home advantage and faces (and the merged entity will continue to face) competition from a large number of strong competitors.

(1211) Whilst the merged entity would remain the largest competitor in terms of market share, it would continue to face competition from numerous large players (two of which, RNM and VW, have shares above or almost equivalent to the increment brought about by FCA, and another one, Ford, has a market share above [10-20]%), as well as a large number of smaller competitors (up to five with market shares between [0-5]% and [5-10]%, Toyota, Hyundai-Kia, Suzuki, BMW and Daimler).

(1212) In conclusion, given the still relatively moderate combined market share, the declining share of FCA, the existence of three larger competitors (RNM, VW and Ford), as well as a number of smaller competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the small cars market in Italy.

(1213) Table 138 shows the Parties' and competitors' sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in Italy.

Table 138: Italy – Small and mini cars (segments A and B) – adjusted volumes[800]

Group	Sales 2019	
	Units	%
PSA	[…]	[10-20]%
FCA	[…]	[30-40]%
Combined	*[…]*	*[40-50]%*
RNM	[…]	[10-20]%
VW	[…]	[10-20]%
Toyota	[…]	[5-10]%
Ford	[…]	[5-10]%
Daimler	[…]	[5-10]%
Hyundai-Kia	[…]	[5-10]%
Suzuki	[…]	[0-5]%
BMW	[…]	[0-5]%
Others	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1214) The Parties' combined share in a hypothetical market including both mini cars and small cars in 2019 was [40-50]%. The combined entity would remain the largest player, followed by RNM with [10-20]% and VW with [10-20]%.

(1215) FCA's higher market in this hypothetical market (compared to a market comprising only small cars) is due to the fact that FCA's share comprises not only its own mini car and small car sales but also a proportion of PSA's mini car sales attributed to it. Since FCA is market leader in mini cars in Italy with a [50-60]% market share, PSA's sales in mini cars in Italy have been largely allocated to FCA.

(1216) Moreover, since the Parties are predominantly active in different segments of this potential market (FCA in mini cars; PSA in small cars), they do not appear to be particularly close competitors. Internal documents show that the Parties' do no not consider each other's models in these two segments as important constraints.[801]

(1217) Despite the Parties having a relatively strong market position in this hypothetical market, FCA's market share evolution indicates that, despite being in its home market, FCA is losing ground on both segments. In particular, FCA has lost [5-10] percentage points in its mini cars' share since 2017 (going down from [60-70]% to [50-60]%). Several other large competitors with substantial market shares (RNM, with a market share higher than the increment brought about by PSA, [10-20]% vs [10-20]%), and up to seven competitors with shares between [0-5]% and [10-20]% (VW, with a market share of [10-20]%, and six players with shares between [0-5]% and [5-10]%: Toyota, Ford, Daimler, Hyundai-Kia, Suzuki and BMW) would

800 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

801 […] (Form CO, Annex FCA 10). […] (Form CO, Annex FCA 11).

remain. In view of this, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a hypothetical market combining mini cars and small cars in Italy.

7.2.3.12. Latvia

(1218) Table 139 shows the Parties' and competitors' sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in Latvia.

Table 139: Latvia - Small and mini cars (segments A and B) – adjusted volumes[802]

Group	Sales 2019	
	Units	%
PSA	[…]	[10-20]%
FCA	[…]	[10-20]%
Combined	*[…]*	*[20-30]%*
RNM	[…]	[10-20]%
Toyota	[…]	[10-20]%
Hyundai-Kia	[…]	[10-20]%
VW	[…]	[10-20]%
Ford	[…]	[10-20]%
Others	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1219) The Parties' combined market share for small cars alone does not give rise to an affected market in Latvia, given that the Parties' combined share is below 20% and FCA had […] sales.

(1220) The Parties' combined share in a hypothetical market including both mini cars and small cars in Latvia in 2019 was [20-30]%, with an increment brought about by PSA of [10-20]%. FCA's higher market in this hypothetical market (compared to a market comprising only small cars) is due to the fact that FCA's share comprises not only its own mini car sales but also a proportion of PSA's mini car sales attributed to it.

(1221) In any event, the combined entity's market share would remain relatively low (only [0-5 percentage points] higher than the affected market share threshold, and it is below the 25% threshold set out in the Horizontal Merger Guidelines), several other large competitors with substantial market shares would remain (RNM, Toyota, Hyundai-Kia, VW and Ford, with market shares between [10-20]% and [10-20]% (all equal or larger than the increment). In view of this, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a hypothetical market combining mini cars and small cars in Latvia.

7.2.3.13. Lithuania

(1222) Table 140 shows the Parties' and competitors' sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in Lithuania.

802 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

Table 140: Lithuania – Small and mini cars (segments A and B) – adjusted volumes[803]

Group	Sales 2019	
	Units	%
PSA	[…]	[0-5]%
FCA	[…]	[80-90]%
Combined	*[…]*	*[80-90]%*
RNM	[…]	[5-10]%
Toyota	[…]	[0-5]%
VW	[…]	[0-5]%
Others	[…]	[0-5]%
Hyundai-Kia	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1223) The Parties' combined market share for small cars alone does not give rise to an affected market in Lithuania, given that the Parties' combined share is below 20% and FCA had […] sales.

(1224) The Parties' combined share in a hypothetical market including both mini cars and small cars in Lithuania in 2019 was [80-90]%, with an increment brought about by PSA of [0-5]%. FCA's very high market in this hypothetical market (compared to a market comprising only small cars) is due to the fact that FCA has a [90-100]% market share in the mini car market in Lithuania, where PSA is not present.

(1225) Moreover, since the Parties are predominantly active in different segments of this potential market (FCA in mini cars; PSA in small cars), they do not appear to be particularly close competitors. Internal documents show that the Parties' do no not consider each other's models in these two segments as important constraints.[804]

(1226) In any event, despite the very high combined entity's market share, the Proposed Transaction will not change the competitive structure in the market. The combined share is essentially due to FCA's position in mini cars ([90-100]%). PSA is not present in mini cars in Lithuania, and its presence in small cars (where FCA has […] sales) is also minimal. The increment brought about by PSA consists of only […] units of small cars sold in 2019. Other competitors with shares between [0-5]% and [5-10]% (RNM, Toyota and VW) impose a larger constraint on FCA than PSA does and will continue to impose this same constraint. In view of this, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a hypothetical market combining mini cars and small cars in Lithuania.

7.2.3.14. Luxembourg

(1227) Table 141 shows the Parties' and competitors' shares sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in Luxembourg.

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803 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

804 […] (Form CO, Annex FCA 10). […] (Form CO, Annex FCA 11).

Table 141: Luxembourg – Small and mini cars (segments A and B) – adjusted volumes[805]

Group	Sales 2019	
	Units	%
PSA	[…]	[10-20]%
FCA	[…]	[10-20]%
Combined	*[…]*	*[20-30]%*
VW	[…]	[20-30]%
RNM	[…]	[20-30]%
Ford	[…]	[5-10]%
Hyundai-Kia	[…]	[5-10]%
BMW	[…]	[5-10]%
Toyota	[…]	[0-5]%
Daimler	[…]	[0-5]%
Suzuki	[…]	[0-5]%
Others	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1228) The Parties' combined market share for small cars alone does not give rise to an affected market in Luxembourg, given that FCA had […] sales.

(1229) The Parties' combined share in a hypothetical market including both mini cars and small cars in Luxembourg in 2019 was [20-30]%, with an increment brought about by FCA of [10-20]. FCA's higher market in this hypothetical market (compared to a market comprising only small cars) is due to the fact that FCA's share comprises not only its own mini car sales but also a proportion of PSA's mini car sales attributed to it.

(1230) Moreover, since the Parties are predominantly active in different segments of this potential market (FCA in mini cars; PSA in small cars), they do not appear to be particularly close competitors. Internal documents show that the Parties' do no not consider each other's models in these two segments as important constraints.[806]

(1231) In any event, the combined entity's market share would remain very moderate, several other large competitors with substantial market shares would remain (VW with [20-30]%, RNM, with [20-30]%), and up to six other competitors with market shares between [0-5]% and [5-10]% (Ford, Hyundai-Kia, BMW, Toyota, Daimler and Suzuki). In view of this, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a hypothetical market combining mini cars and small cars in Luxembourg.

7.2.3.15. Portugal

(1232) Table 142 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for small cars (segment B) in Portugal.

805 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

806 […] (Form CO, Annex FCA 10). […] (Form CO, Annex FCA 11).

Table 142: Portugal - Small PCs (segment B)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[5-10]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*
RNM	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Hyundai-Kia	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1233) The Parties' combined market share in 2019 was [20-30]%, decreasing from [30-40]% in 2017. PSA was in 2019 the second largest player in the market with a [20-30]% market share. FCA is almost absent in the small cars market in Portugal, with only […] units sold in 2019, going down from […] in 2017.

(1234) The Commission considers that, in view of FCA's marginal position, the competitive structure of the market will remain essentially unaltered as a result of the Proposed Transaction. The merged entity would remain the second largest competitor in terms of market shares, but will continue to face competition from numerous players, including the market leader, RNM, with a [30-40]% market share.

(1235) In conclusion, given the moderate combined market share (slightly exceeding the 25% threshold set out in the Horizontal Merger Guidelines), the negligible increment brought about by the Proposed Transaction ([0-5]%, with only […] units sold in 2019), and the existence of large competitors (in particular RNM and VW), as well as a number of smaller competitors (two of them with shares equal or above 5%: Ford and Toyota; and four other fringe players), the Commission considers that the Proposed Transaction would not significantly impede effective competition in the small cars market in Portugal.

(1236) Table 143 shows the Parties' and competitors' shares sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in Portugal.

Table 143: Portugal – Small and mini cars (segments A and B) – adjusted volumes[807]

Group	Sales 2019	
	Units	%
PSA	[…]	[20-30]%
FCA	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*
RNM	[…]	[30-40]%
VW	[…]	[10-20]%
Daimler	[…]	[5-10]%
Toyota	[…]	[5-10]%
Hyundai-Kia	[…]	[5-10]%
Ford	[…]	[5-10]%
BMW	[…]	[0-5]%
Others	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1237) The Parties' combined share in a hypothetical market including both mini cars and small cars in 2019 was [30-40]%. The combined entity would become the largest player, with RNM following closely [0-5] percentage points below the merged entity ([30-40]% vs [30-40]%). Multiple other competitors would also remain with shares between [0-5]% and [10-20]%: VW, Daimler, Toyota, Hyundai-Kia, Ford and BMW.

(1238) FCA's higher market in this hypothetical market (compared to a market comprising only small cars) is due to the fact that FCA's share comprises not only its own mini car sales but also a proportion of PSA's mini car sales attributed to it. FCA is relatively strong in mini cars in Portugal with [40-50]%, thus a large proportion of PSA's mini car share was attributed to FCA in the reallocation,

(1239) Moreover, since the Parties are predominantly active in different segments of this potential market (FCA in mini cars; PSA in small cars), they do not appear to be particularly close competitors. Internal documents show that the Parties' do no not consider each other's models in these two segments as important constraints.[808]

(1240) In any event, the combined entity's market share would remain moderate, several other large competitors with substantial market shares would remain (RNM with [30-40]%, VW with [10-20]%), as well as a number of smaller players with shares between [0-5]% and [5-10]%. In view of this, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a hypothetical market combining mini cars and small cars in Portugal.

7.2.3.16. Slovenia

(1241) Table 144 shows the Parties' and competitors' shares sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in Slovenia.

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807 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

808 […] (Form CO, Annex FCA 10). […] (Form CO, Annex FCA 11).

Table 144: Slovenia – Small and mini cars (segments A and B) – adjusted volumes[809]

Group	Sales 2019	
	Units	%
PSA	[…]	[10-20]%
FCA	[…]	[10-20]%
Combined	*[…]*	*[20-30]%*
RNM	[…]	[30-40]%
VW	[…]	[20-30]%
Hyundai-Kia	[…]	[5-10]%
Toyota	[…]	[0-5]%
Ford	[…]	[0-5]%
Suzuki	[…]	[0-5]%
Mazda	[…]	[0-5]%
Others	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1242) The Parties' combined market share for small cars alone does not give rise to an affected market in Slovenia, given that FCA had no sales in the B segment.

(1243) The Parties' combined share in a hypothetical market including both mini cars and small cars in Slovenia in 2019 was [20-30]%, with an increment brought about by FCA of [10-20]%. FCA's higher market in this hypothetical market (compared to a market comprising only small cars) is due to the fact that FCA's share comprises not only its own mini car sales but also a proportion of PSA's mini car sales attributed to it.

(1244) Moreover, since the Parties are predominantly active in different segments of this potential market (FCA in mini cars; PSA in small cars), they do not appear to be particularly close competitors. Internal documents show that the Parties' do no not consider each other's models in these two segments as important constraints.[810]

(1245) In any event, the combined entity's market share would remain very moderate, facing competition from RNM which would remain the largest player in the market, [5-10] percentage points above the Parties ([30-40]% vs [20-30]%), from VW (with a substantial market share of [20-30]%), and form up to five other players with market shares between [0-5]% and [5-10]% (Hyundai-Kia, Toyota, Ford, Suzuki and Mazda). In view of this, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a hypothetical market combining mini cars and small cars in Slovenia.

7.2.3.17. Spain

(1246) Table 145 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for small cars (segment B) in Spain.

809 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

810 [...] (Form CO, Annex FCA 10). [...] (Form CO, Annex FCA 11).

Table 145: Spain - Small PCs (segment B)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Hyundai-Kia	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1247) The Parties' combined market share in 2019 was [20-30]%, stable since 2017. PSA was in 2019 the largest player in the market with a [20-30]% market share, closely followed by RNM, with a [20-30]% market share, and VW, with a [20-30]% market share. FCA is almost absent in the small cars market in Spain, with only [...] units sold in 2019, going down from [...] in 2017.

(1248) The Commission considers that, in view of FCA's marginal position (with a market share close to [0-5]%, as only [...] units were sold in 2019), the competitive structure of the market will remain essentially unaltered as a result of the Proposed Transaction. The merged entity would remain the largest competitor in terms of market share, but will continue to face competition from numerous players (especially RNM and VW, above 20% each; but also Toyota, Hyundai-Kia and others with shares between [0-5]% and [5-10]%), with strong market positions in Spain.

(1249) In conclusion, given the moderate combined market share, the negligible increment brought about by the Proposed Transaction, the existence of several large competitors (in particular RNM and VW), as well as a number of smaller competitors (up to four competitors with shares between [0-5]% and [5-10]%), the Commission considers that the Proposed Transaction would not significantly impede effective competition in the small cars market in Spain.

(1250) Table 146 shows the Parties' and competitors' shares sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in Spain.

Table 146: Spain – Small and mini cars (segments A and B) – adjusted volumes[811]

Group	Sales 2019	
	Units	%
PSA	[…]	[20-30]%
FCA	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*
RNM	[…]	[20-30]%
VW	[…]	[20-30]%
Hyundai-Kia	[…]	[5-10]%
Toyota	[…]	[5-10]%
Ford	[…]	[0-5]%
BMW	[…]	[0-5]%
Daimler	[…]	[0-5]%
Others	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1251) The Parties' combined share in a hypothetical market including both mini cars and small cars in 2019 was [30-40]%. The combined entity would remain the largest player, followed by RNM ([20-30]%), VW ([20-30]%), and other competitors with shares between [0-5]% and [5-10]%: Hyundai-Kia, Toyota, Ford, BMW and Daimler.

(1252) FCA's higher market in this hypothetical market (compared to a market comprising only small cars) is due to the fact that FCA's share comprises not only its own mini car sales but also a proportion of PSA's mini car sales attributed to it. Since FCA is particularly strong in mini cars in Spain with [50-60]%, the proportion of PSA's sales in mini cars in Spain has been largely allocated to FCA.

(1253) Moreover, since the Parties are predominantly active in different segments of this potential market (FCA in mini cars; PSA in small cars), they do not appear to be particularly close competitors. Internal documents show that the Parties' do no not consider each other's models in these two segments as important constraints.[812]

(1254) In any event, the combined entity's market share would remain moderate, several other large competitors with substantial market shares wold remain (RNM with [20-30]% and VW with [20-30]%), as well as a number of competitors with shares between [0-5]% and [5-10]%. In view of this, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a hypothetical market combining mini cars and small cars in Spain.

7.2.3.18. United Kingdom

(1255) Table 147 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for small cars (segment B) in the United Kingdom.

811 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

812 […] (Form CO, Annex FCA 10). […] (Form CO, Annex FCA 11).

Table 147: United Kingdom – Small PCs (segment B)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Honda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Hyundai-Kia	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1256) The Parties' combined market share in 2019 was [20-30]%, increasing from [20-30]% in 2017. In 2019, PSA, together with Ford, was the market leader with [20-30]%, followed by VW with [20-30]%. FCA is almost absent in the small cars market in the United Kingdom, with only […] units sold in 2019, going down from […] in 2017.

(1257) The Commission considers that, in view of FCA's marginal position (with a market share close to [0-5]%, as only […] units were sold in 2019), the competitive structure of the market will remain essentially unaltered as a result of the Proposed Transaction. The merged entity would remain the largest competitor, together with Ford, in terms of market share, but will continue to face competition from numerous competitors: Ford, VW and RNM all with over 10% market shares, as well as multiple smaller competitors such as BMW, Toyota, Honda, etc.

(1258) In conclusion, given the moderate combined market share (below the 25% threshold set out in the Horizontal Merger Guidelines), the negligible increment brought about by the Proposed Transaction, the existence of several large competitors, as well as a number of smaller ones (up to five competitors with shares between [0-5]% and [5-10]%), the Commission considers that the Proposed Transaction would not significantly impede effective competition in the small cars market in the United Kingdom.

(1259) Table 148 shows the Parties' and competitors' shares sales volumes and market shares for 2019 in a hypothetical market combining mini cars and small cars (segments A and B) in the United Kingdom.

Table 148: United Kingdom – Small and mini cars (segments A and B) – adjusted volumes[813]

Group	Sales 2019	
	Units	%
PSA	[…]	[10-20]%
FCA	[…]	[5-10]%
Combined	*[…]*	*[20-30]%*
VW	[…]	[10-20]%
Ford	[…]	[10-20]%
Hyundai-Kia	[…]	[10-20]%
Toyota	[…]	[10-20]%
RNM	[…]	[5-10]%
BMW	[…]	[5-10]%
Honda	[…]	[0-5]%
Suzuki	[…]	[0-5]%
Mazda	[…]	[0-5]%
Others	[…]	[0-5]%
Total	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1260) The Parties' combined share in a hypothetical market including both mini cars and small cars in 2019 was [20-30]%. The combined entity would become the largest player, closely followed by VW ([10-20]%) and Ford ([10-20]%). Multiple other competitors would also remain: Hyundai-Kia and Toyota with [10-20]% each, as well as up to five competitors with shares between [0-5]% and [5-10]% (RNM, BMW, Honda, Suzuki and Mazda).

(1261) FCA's higher market in this hypothetical market (compared to a market comprising only small cars) is due to the fact that FCA's share comprises not only its own mini car sales but also a proportion of PSA's mini car sales attributed to it.

(1262) Moreover, since the Parties are predominantly active in different segments of this potential market (FCA in mini cars; PSA in small cars), they do not appear to be particularly close competitors. Internal documents show that the Parties' do no not consider each other's models in these two segments as important constraints.[814]

(1263) In any event, the combined entity's market share would remain relatively low (below the 25% threshold set out in the Horizontal Merger Guidelines), the existence of several other large competitors with substantial market shares, e.g. VW, Ford, Hyundai-Kia and Toyota, all with market shares significantly larger than the increment, and a number of other competitors with shares between [0-5]% and [5-10]%. In view of this, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a hypothetical market combining mini cars and small cars in the United Kingdom.

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813 […], the market shares for 2019 have been adjusted in the following manner: segment B sales are actual sales volumes but segment A volumes include a reallocation of PSA's 2019 mini cars sales volumes to the other competitors, including FCA, in proportion to each competitor's market shares in the mini cars markets.

814 […] (Form CO, Annex FCA 10). […] (Form CO, Annex FCA 11).

7.2.4. Segment C (Medium cars)

7.2.4.1. EEA-wide competitive landscape

7.2.4.1.1. The Parties' and competitors' models

(1264) PSA is present in the markets for segment C (medium cars) in the EEA with the models Peugeot 301, Peugeot 308 Berline, Peugeot 308 SW, Citroën C-Elysee, and Opel Astra.[815]

(1265) FCA is present with Fiat Egea, Fiat Tipo, Alfa Romeo Giulietta and Dodge Neon.[816]

(1266) Table 149 below lists the models commercialised by PSA, FCA and their main competitors in the markets for medium cars in the EEA in 2019.

Table 149: OEM's models in segment C (medium cars) in the EEA

OEM	Brand	Model
PSA	Citroën	C-Elysee
	Peugeot	301
		308 Berline
		308 SW
	Opel	Astra
FCA	Fiat	Egea
		Tipo
	Alfa Romeo	Giulietta
	Dodge	Neon
VW	Volkswagen	Golf
		Golf Sportsvan
		ID.3
		Caddy
		New Beetle
		Jetta
		Scirocco
	Skoda	Octavia
		Rapid
		Rapid spaceback
	Seat	Leon
		Toledo

815 Form CO, Table 9.
816 Form CO, Table 11.

OEM	Brand	Model
	Audi	A3
Ford	Ford	Focus
		Transit Connect
Daimler	Mercedes-Benz	A-Class
		CLA
RNM	Renault	Megane
	Nissan	Leaf
		Infiniti Q30
		Pulsar
	Mitsubishi	Lancer
Toyota	Toyota	Corolla
		Auris
		Prius
		GT 86
	Lexus	CT
BMW	BMW	1-Series
		i3
		2-Series
	Mini	Clubman
Hyundai-Kia	Hyundai	i30
		IONIQ
		Elantra
	Kia	Ceed
Geely	Volvo	V40
Mazda	Mazda	3
		MX5
Honda	Honda	Civic
		CR-Z
Subaru	Subaru	Impreza
		BRZ

Source: Form CO, Tables 7 and 8

7.2.4.1.2. EEA-wide shares and affected national markets

(1267) Table 150 shows the Parties' and competitors' sales volumes and market shares for the last three years at EEA level for medium cars.

Table 150: EEA - Medium PCs (Segment C)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[10-20]%*	*[…]*	*[10-20]%*
VW	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Hyundai-Kia	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
RNM	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Honda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1268) At EEA-level, the Parties' combined market share in 2019 was [10-20]%, with an increment of [0-5]%. The Parties' combined share has declined over the last three years from [10-20]% in 2017 to [10-20]% in 2019. PSA's market share decreased from [10-20]% to [10-20]% and FCA's market share has gone down from [5-10]% to [0-5]% since 2017.

(1269) At EEA-level, the market for medium cars is not very concentrated. Post-merger, there would still be more than ten companies present with multiple models on the market: VW with a market share which more than doubles that of the merged entity ([30-40]% vs [10-20]%), three competitors with shares close to [10-20]%, and another three competitors with shares above 5%. Moreover, this is a market in decline with overall EEA-wide volumes having decreased by more than […] units in only two years (2017 to 2019). Most companies' volumes have decreased, including the Parties', with the exception of a few competitors such as Daimler, Ford, Hyundai-Kia, and Toyota. The lower demand for segment C cars is partly explained by a change in customer trends, with customers switching to SUVs from segment M vehicles, but also to some extent from segments C and D vehicles. […].[817]

(1270) Table 151 shows PSA's and FCA's combined market shares in medium cars, by EEA country.

817 "[…]) ». See also recital (1325) below.

Table 151: Medium cars – Combined market shares at national level and affected markets

EEA Member States	2019 market shares (in volume)		
	PSA	FCA	*Combined*
Austria	[5-10]%	[5-10]%	[10-20]%
Belgium	[10-20]%	[0-5]%	[10-20]%
Bulgaria	[10-20]%	[5-10]%	[10-20]%
Croatia	[10-20]%	[0-5]%	[10-20]%
Cyprus	[0-5]%	[0-5]%	[0-5]%
Czechia	[0-5]%	[0-5]%	[0-5]%
Denmark	[10-20]%	[0-5]%	[10-20]%
Estonia	[10-20]%	[0-5]%	[10-20]%
Finland	[5-10]%	[0-5]%	[5-10]%
France	[20-30]%	[0-5]%	[20-30]%
Germany	[5-10]%	[0-5]%	[5-10]%
Greece	[20-30]%	[10-20]%	[30-40]%
Hungary	[10-20]%	[0-5]%	[10-20]%
Iceland	[0-5]%	[0-5]%	[0-5]%
Ireland	[0-5]%	[0-5]%	[5-10]%
Italy	[10-20]%	[10-20]%	[30-40]%
Latvia	[10-20]%	[0-5]%	[10-20]%
Lithuania	[5-10]%	[40-50]%	[50-60]%
Luxembourg	[5-10]%	[0-5]%	[10-20]%
Malta	[30-40]%	[0-5]%	[30-40]%
Netherlands	[10-20]%	[0-5]%	[10-20]%
Norway	[0-5]%	[0-5]%	[0-5]%
Poland	[10-20]%	[5-10]%	[10-20]%
Portugal	[10-20]%	[10-20]%	[20-30]%
Romania	[10-20]%	[0-5]%	[10-20]%
Slovakia	[5-10]%	[0-5]%	[10-20]%
Slovenia	[5-10]%	[0-5]%	[10-20]%
Spain	[10-20]%	[0-5]%	[10-20]%
Sweden	[0-5]%	[0-5]%	[0-5]%
United Kingdom	[5-10]%	[0-5]%	[5-10]%

Source: Parties' response to RFI 44, Question 3

(1271) Accordingly, the affected markets, i.e. those where there is a horizontal overlap between the Parties and the Proposed Transaction would lead to a combined market share of [20-30]% or more, are the following: France, Greece, Italy, Lithuania, Malta and Portugal.

7.2.4.2. France

(1272) Table 152 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for medium cars (segment C) in France.

Table 152: France – Medium PCs (Segment C)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Hyundai-Kia	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1273) The Proposed Transaction leads to the merger of the largest and ninth largest medium cars players in France. The Parties' combined market share in 2019 was [20-30]%, decreasing from [30-40]% in 2017. This reduction is largely due to PSA's share decrease (from [30-40]% in 2017 to [20-30]% in 2019). FCA has traditionally been a smaller player in the medium cars segment in France, with [0-5]% market share over the past three years.

(1274) Following the Proposed Transaction, the competitive structure of the market would not change significantly since the market is not, and will not become, a very concentrated market. Whilst the merged entity would remain the largest competitor in terms of market share, it would continue to face competition from numerous players, six of whom (RNM, VW, Daimler, BMW, Toyota and Ford) have market shares higher than the share increment brought about by the Proposed Transaction ([10-20]%, [10-20]%, [10-20]%, [5-10]%, [5-10]%, [5-10]% respectively, vs [0-5]%), and another competitor (Hyundai-Kia) who has a market share similar to the share increment brought about by the Proposed Transaction. Mazda and Geely each accounted for [0-5]% market share in 2019.

(1275) In conclusion, given the very moderate market share of the merged entity post-merger (slightly exceeding the 25% threshold set out in the Horizontal Merger Guidelines), and the existence of six large competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the medium cars market in France.

7.2.4.3. Greece

(1276) Table 153 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for medium cars (segment C) in Greece.

Table 153: Greece - Medium PCs (Segment C)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[10-20]%	[…]	[20-30]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*	*[…]*	*[30-40]%*
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Toyota	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[0-5]%	[…]	[5-10]%
BMW	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Honda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
RNM	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1277) The Proposed Transaction leads to the merger of the second and fourth largest medium cars players in Greece. The Parties' combined market share in 2019 was [30-40]%. Over the past three years, both PSA's and FCA's market shares have remained relatively stable.

(1278) Following the Proposed Transaction, whilst the merged entity would become the largest competitor in terms of market share, it would continue to face competition from three large players, two of whom (VW and Daimler) have market shares higher than the share increment brought about by the Proposed Transaction ([20-30]% and [10-20]% respectively, vs [10-20]%; and Daimler's market share has rapidly increased by six percentage points in two years), and Toyota, who accounted for a [10-20]% market share in 2019. In addition, smaller players such as Hyundai-Kia (whose share more than doubled between 2017 and 2019), Ford, BMW, Geely, Honda and RNM also exert competitive pressure in medium cars in Greece.

(1279) In conclusion, given the moderate market share of the merged entity post-merger and the existence of three large competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the medium cars market in Greece.

7.2.4.4. Italy

(1280) Table 154 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for medium cars (segment C) in Italy.

Table 154: Italy – Medium PCs (Segment C)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
RNM	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Hyundai-Kia	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1281) The Proposed Transaction leads to the merger of the second and fourth largest medium cars players in Italy. The Parties' combined market share in 2019 was [30-40]%, decreasing from [30-40]% in 2017. This drop is largely due to FCA's share decrease (from [20-30]% in 2017 to [10-20]% in 2019). PSA's market share has remained relatively stable over the past three years ([10-20]%).

(1282) Following the Proposed Transaction, whilst the merged entity would become the largest competitor in terms of market share, it would continue to face competition from four large players, two of whom (VW and Daimler) have market shares higher than the share increment brought about by the Proposed Transaction ([20-30]% and [10-20]% respectively, vs [10-20]%). VW will become the second largest player, with a market share very close to the combined entity's share ([20-30]% vs [30-40]%). Daimler will remain the third largest player, but it has shown a growth trend over the past years, with its share increasing from [5-10]% to [10-20]% in two years (in parallel to FCA's share drop, suggesting that Daimler is a strong competitive constraint on FCA in this market).

(1283) In addition, smaller players such as Ford and BMW, who each accounted for [5-10]% market share in 2019 also exert competitive pressure in medium cars in Italy, and there are up to five fringe competitors with shares between [0-5]% and [5-10]% (Toyota, RNM, Hyundai-Kia, Geely and Mazda). The Commission also notes that the market is declining in Italy but nevertheless, Daimler and Ford have managed to increase their volumes.

(1284) In conclusion, given the moderate market share of the merged entity post-merger, the moderate increment, and the existence of four large competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the medium cars market in Italy.

7.2.4.5. Lithuania

(1285) Table 155 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for medium cars (segment C) in Lithuania.

Table 155: Lithuania - Medium PCs (Segment C)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
FCA	[…]	[10-20]%	[…]	[20-30]%	[…]	[40-50]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[30-40]%*	*[…]*	*[50-60]%*
VW	[…]	[40-50]%	[…]	[30-40]%	[…]	[20-30]%
Toyota	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
RNM	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1286) The Proposed Transaction would result in the merger of the largest and the fourth largest players in the medium cars market in Lithuania. The Parties' combined market share in 2019 was [50-60]%, with an increment brought about by PSA of [5-10]%. The Parties' combined share has rapidly increased mainly due to FCA's sharp growth between 2017 and 2019 (in fact, the Parties' combined market share was [20-30]% in 2017, only [0-5] percentage point above the threshold for an affected market), whereas VW's share dropped from [40-50]% to [20-30]% over that period, and it did not manage to increase its sales volume, despite the market's growing trend (with the total market volumes almost doubling in that period). This suggests that smaller players can quickly challenge the larger players' position and capture substantial volumes of sales in a short timeframe. Post-merger, there would still be six competitors in the market, two of which with substantial shares (VW: [20-30]% and Toyota: [10-20]%).

(1287) […].[818] […]. Another market participant also alluded to the fact that this importer might register vehicles in Lithuania but actually the vehicles end up elsewhere.[819] Moreover, the difference in the market size of the Lithuanian, Latvian and Estonian segment C markets would seem to confirm this, since the sales in Lithuania are approximately ten times higher than the sales in each of Latvia and Estonia ([…] units in Lithuania vs […] in Latvia and […] in Estonia).[820]

(1288) In conclusion, despite the high combined share post-merger, given the moderate increment brought about by the Proposed Transaction, the volatility of market shares, the existence of six competitors, two of which with substantial market shares,

818 See Parties' reply to RFI 55 of 5 November 2020, question 7.

819 See minutes of a call of 16 April 2020 with another importer in the Baltics.

820 In terms of population, Lithuania is only roughly 1.5 times the size of Latvia. Whilst one would expect more volumes sold in Lithuania than in the other two Baltic countries, the difference is particularly large.

and the fact that FCA's sales are likely to be overstated, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the medium cars market in Lithuania.

7.2.4.6. Malta

(1289) Table 156 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for medium cars (segment C) in Malta.

Table 156: Malta – Medium PCs (Segment C)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
BMW	[…]	[5-10]%	[…]	[10-20]%	[…]	[5-10]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[0-5]%	[…]	[5-10]%
Volkswagen	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Hyundai-Kia	[…]	[10-20]%	[…]	[5-10]%	[…]	[0-5]%
Honda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1290) The Proposed Transaction leads to the merger of the largest and […] largest medium cars players in Malta. The Parties' combined market share in 2019 was [30-40]%. FCA has traditionally been a relatively small player in the medium cars segment in Malta, with [0-5] to [0-5]% market share over the past three years. In fact, FCA's sales in 2019 equated to […] vehicles.

(1291) Following the Proposed Transaction, the competitive structure of the market would not change significantly, as the increment brought about by the Proposed Transaction is very small ([0-5]%). Whilst the merged entity would remain the largest competitor in terms of market share, it would continue to face competition from numerous players, six of whom (RNM, Toyota, BMW, Ford, Daimler and VW) have market shares higher than the share increment brought about by the Proposed Transaction ([10-20]%, [10-20]%, [5-10]%, [5-10]%, [5-10]% and [5-10]% respectively, vs [0-5]%), and from two other competitors (Hyundai-Kia and Honda), who have market shares similar to the share increment brought about by the Proposed Transaction. Moreover, given the small size of the market, a small number of unit sales can have a large impact on market shares (this is illustrated by the sharp fluctuations of shares that occur in this market, e.g. RNM more than doubled its market share between 2017 and 2019, just by selling […] vehicles more).

(1292) In conclusion, given the small increment, the small size of the overall market and the existence of six large competitors, the Commission considers that the Proposed

Transaction would not significantly impede effective competition in the medium cars market in Malta.

7.2.4.7. Portugal

(1293) Table 157 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for medium cars (segment C) in Portugal.

Table 157: Portugal – Medium PCs (Segment C)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Combined	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Hyundai-Kia	[…]	[0-5]%	[…]	[5-10]%	[…]	[0-5]%
Geely	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Honda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1294) The Proposed Transaction leads to the merger of the second and fifth largest medium cars players in Portugal. The Parties' combined market share in 2019 was [20-30]%.

(1295) Following the Proposed Transaction, whilst the merged entity would become the largest competitor in terms of market share, it would continue to face competition from five large players, three of whom (Daimler, RNM and VW) have market shares higher than the share increment brought about by the Proposed Transaction ([10-20]%, [10-20]% and [10-20]% respectively, vs [10-20]%), and BMW and Ford, who each accounted for [5-10]% market share in 2019. In addition, smaller players such as Toyota, Hyundai-Kia, Geely, Mazda and Honda also exert competitive pressure in medium cars Portugal.

(1296) In conclusion, given the very moderate market share of the merged entity post-merger (slightly exceeding the 25% threshold set out in the Horizontal Merger Guidelines), the moderate increment, and the existence of three large competitors with market shares above 10% (as well as a number of smaller competitors), the Commission considers that the Proposed Transaction would not significantly impede effective competition in the medium cars market in Portugal.

7.2.5. Segment D (Large cars)

7.2.5.1. EEA-wide competitive landscape

7.2.5.1.1. The Parties' and competitors' models

(1297) PSA is present in the markets for segment D (large cars) in the EEA with the models Peugeot 508 and Opel Insignia.[821]

(1298) FCA is present with one model, Alfa Romeo Giulia.[822] FCA also commercialised Chrysler 200 and Dodge Charger in this segment, but production of both models for the EEA has ceased.

(1299) Table 158 below lists the models commercialised by PSA, FCA and their main competitors in the markets for large cars in the EEA in 2019.

Table 158: OEM's models in segment D (large cars) in the EEA

OEM	Brand	Model
PSA	Peugeot	508
	Opel	Insignia
FCA	Alfa Romeo	Giulia
VW	Volkswagen	Passat
		Transporter
		Arteon
		Passat CC
	Skoda	Superb
	Porsche	Boxster
		Cayman
	Audi	A4
		A5
		TT
Ford	Ford	Fusion
		Mustang
Daimler	Mercedes-Benz	C-Class
		C-Class Coupe
		SLK
RNM	Renault	Talisman
	Nissan	Infiniti Q50
		Infinit Q60

821 Form CO, Table 9.
822 Form CO, Table 11.

OEM	Brand	Model
		Fairlady Z
	Alpine	A110
Toyota	Toyota	Camry
		Avensis
		Mirai
	Lexus	IS
		RC
BMW	BMW	3-Series (GT)
		4-Series
		Z4
Hyundai-Kia	Hyundai	i40
		Starex
		Sonata
	Kia	Optima
		Stinger
	Genesis	G70
Geely	Volvo	V60
		S60
	Lotus	Elise
		Exige
Mazda	Mazda	6
Subaru	Subaru	Legacy
		Outback
		Levorg
Tesla	Tesla	Model 3
Jaguar Land Rover	Jaguar	XE
Cateham	Caterham	Super 7
Morgan Motor Company	Morgan	Classic

Source: Form CO, Tables 7 and 8

7.2.5.1.2. EEA-wide shares and affected national markets

(1300) Table 159 shows the Parties' and competitors' sales volumes and market shares for the last three years at EEA level for large cars.

Table 159: EEA – Large PCs (Segment D)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[5-10]%*	*[…]*	*[5-10]%*
VW	[…]	[40-50]%	[…]	[40-50]%	[…]	[30-40]%
BMW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Tesla	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Geely	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
RNM	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Hyundai-Kia	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1301) At EEA-level, the Parties' combined market share in 2019 was [5-10]%, with an increment of [0-5]%.

(1302) At EEA-level, the markets for large cars are not very concentrated. VW is the market leader with [30-40]%. Overall, post-merger, over ten companies with multiple models would compete in this market. Moreover, this is a market in decline with overall EEA-wide volumes having decreased by over […] units. Most companies' volumes have decreased, including the Parties', with the exception of Geely (Volvo) which has increased its volumes by roughly […].

(1303) Table 160 shows PSA's and FCA's combined market shares in large cars, by EEA country.

Table 160: Large PCs – Combined market shares at national level and affected markets

EEA Member States	2019 market shares (in volume)		
	PSA	FCA	*Combined*
Austria	[5-10]%	[0-5]%	[10-20]%
Belgium	[5-10]%	[0-5]%	[10-20]%
Bulgaria	[5-10]%	[0-5]%	[5-10]%
Croatia	[20-30]%	[0-5]%	[20-30]%
Cyprus	[0-5]%	[5-10]%	[5-10]%
Czechia	[5-10]%	[0-5]%	[5-10]%
Denmark	[5-10]%	[0-5]%	[5-10]%
Estonia	[10-20]%	[0-5]%	[10-20]%
Finland	[5-10]%	[0-5]%	[5-10]%
France	[20-30]%	[0-5]%	[20-30]%
Germany	[5-10]%	[0-5]%	[5-10]%
Greece	[10-20]%	[0-5]%	[10-20]%
Hungary	[10-20]%	[0-5]%	[10-20]%
Iceland	[0-5]%	[0-5]%	[0-5]%
Ireland	[5-10]%	[0-5]%	[5-10]%
Italy	[5-10]%	[5-10]%	[10-20]%
Latvia	[5-10]%	[0-5]%	[5-10]%
Lithuania	[5-10]%	[0-5]%	[5-10]%
Luxembourg	[5-10]%	[0-5]%	[10-20]%
Malta	[60-70]%	[5-10]%	[60-70]%
Netherlands	[5-10]%	[0-5]%	[5-10]%
Norway	[0-5]%	[0-5]%	[0-5]%
Poland	[10-20]%	[0-5]%	[10-20]%
Portugal	[10-20]%	[0-5]%	[10-20]%
Romania	[5-10]%	[0-5]%	[5-10]%
Slovakia	[10-20]%	[0-5]%	[10-20]%
Slovenia	[10-20]%	[0-5]%	[10-20]%
Spain	[10-20]%	[0-5]%	[10-20]%
Sweden	[0-5]%	[0-5]%	[0-5]%
United Kingdom	[5-10]%	[0-5]%	[5-10]%

Source: Parties' response to RFI 44, Question 3

(1304) Accordingly, the affected markets, i.e. those where there is a horizontal overlap between the Parties and the Proposed Transaction would lead to a combined market share of 20% or more, are the following: Croatia, France and Malta.

7.2.5.2. Croatia

(1305) Table 161 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for large cars (segment D) in Croatia.

Table 161: Croatia – Large PCs (Segment D)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
VW	[…]	[50-60]%	[…]	[40-50]%	[…]	[40-50]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Mazda	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
RNM	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1306) The Proposed Transaction leads to the merger of the second largest and joint ninth largest players in the large cars market in Croatia. The Parties' combined market share in 2019 was [20-30]%. FCA has remained a marginal player with [0-5]% share of the market in all three years. In fact, in 2019, FCA sold […] vehicles (therefore, the increment brought about by the Proposed Transaction is negligible).

(1307) Following the Proposed Transaction, VW would remain the market leader with [40-50]%. Overall, eight competitors would remain in the market, seven of which with a market share larger than the increment brought about by the Proposed Transaction.

(1308) In conclusion, given the relatively low market share of the merged entity post-merger (below the 25% threshold set out in the Horizontal Merger Guidelines), the negligible increment, and the existence of eight competitors, seven of which with a market share higher than the increment resulting from the Proposed Transaction, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the in the large cars market in Croatia.

7.2.5.3. France

(1309) Table 162 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for large cars (segment D) in France.

Table 162: France - Large PCs (Segment D)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[10-20]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*
VW	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
BMW	[…]	[10-20]%	[…]	[5-10]%	[…]	[10-20]%
Tesla	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Ford	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1310) The Proposed Transaction leads to the merger of the largest and eleventh largest players in the large cars market in France. The Parties' combined market share in 2019 was [20-30]% with an increment of [0-5]%. FCA has remained a small player with [0-5]-[0-5]% share of the market. Therefore, the increment brought about by the Proposed Transaction is negligible.

(1311) Following the Proposed Transaction, the merged entity would be the largest competitor in terms of market share, closely followed by VW with [20-30]%. Apart from VW, three other competitors (RNM, Daimler and BMW) would have a market share above 10%. Overall, nine competitors would remain in the market, all of which with a market share larger than the increment brought about by the Proposed Transaction. Notably, new entrant Tesla achieved a market share of [5-10]% in the first year after market entry (2019). It is interesting to note that in general, the large cars market declined in France by nearly […] units between 2017 and 2018 but experienced an increase of just over […] units between 2018 and 2019, [80-90]% of this increase being attributed to sales by Tesla.

(1312) In conclusion, given the relatively low market share of the merged entity post-merger (slightly below the 25% threshold set out in the Horizontal Merger Guidelines), the negligible increment, and the existence of nine competitors with a market share higher than the increment resulting from the Proposed Transaction, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the in the large cars market in France.

7.2.5.4. Malta

(1313) Table 163 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market for large cars (segment D) in Malta.

Table 163: Malta - Large PCs (Segment D)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[60-70]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Combined	[…]	[20-30]%	[…]	[20-30]%	[…]	[60-70]%
Daimler	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
BMW	[…]	[20-30]%	[…]	[10-20]%	[…]	[5-10]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[5-10]%
RNM	[…]	[0-5]%	[…]	[5-10]%	[…]	[0-5]%
Hyundai-Kia	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1314) The Proposed Transaction would result in the merger of the largest and the fourth largest players in the large cars market in Malta. The Parties' combined market share in 2019 was [60-70]%. Although the market share increment resulting from the Proposed Transaction would be [5-10]%, this equates to only […] vehicles.

(1315) Following the Proposed Transaction, the merged entity would become the largest player, followed by Daimler ([10-20]%). However, the Commission considers that in very small markets like the one at hand, where the total market size is less than […] vehicles, market shares are not necessarily a reliable indicator of the market strength of a player, as only one large order (which is typical in Malta, given the importance of tourism and the presence of short-term rental companies which acquire several vehicles through one single contract) or even the sale of a few vehicles would be sufficient to alter substantially the market share of that competitor in a given year, as it can be seen from the abrupt increase in the market share of PSA from [10-20]% in 2018 to [60-70]% in 2019 (just by selling […] vehicles more)[823] and, for instance, the decrease by BWM from [20-30]% in 2017 to [5-10]% in 2019 (just by selling […] vehicles less). This was also the case in the past, since PSA's market shares have fluctuated substantially over the last ten years (e.g. its share was as high as [60-70]% in 2014 and dropped to [20-30]% in only one year; in 2016 it increased again to [40-50]% and dropped even further, to [10-20]%-[10-20]% in 2017-2018). Moreover, all OEMs currently with few sales in Malta could easily increase their market share by selling a few more vehicles (as it was the case of FCA in the past, who increased its market share from […] [0-5]% in 2016 to [10-20]% in 2017 by selling […] more vehicles than the previous year).

(1316) In conclusion, given the fact that the small share increment equates to […] vehicles, the fact that the combined share has been below 30% in the years before 2019, and the existence of five competitors in a very small overall market, the Commission

823 Due to PSA's increased sales because of the successful launch of the Peugeot 508 in 2018 (see Notification, paragraph 1920).

considers that the Proposed Transaction would not significantly impede effective competition in the large cars market in Malta.

7.2.6. Segment J (SUVs)

7.2.6.1. Supply-side considerations

(1317) PSA and FCA are present in the Segment J markets (SUVs) in the EEA with various models. Table 164 below lists the models commercialised by PSA, FCA and their main competitors in the Segment J markets in the EEA in 2019, distinguishing between B-SUVs and C-SUVs. Of the other SUV categories, only FCA is present in D-SUVs.

Table 164: OEM's models in J markets in the EEA

OEM	Brand	B-SUVs	C-SUVs
FCA	Fiat	500X	
	Jeep	Renegade	Compass, Cherokee, Wrangler
PSA	Citroën	C3 Aircross	C5 Aircross
	Peugeot	2008	3008, 5008
	Opel	Mokka X Crossland X	Grandland X
	DS	DS3 Crossback	DS7 Crossback
RNM	Renault	Captur	Kadjar
	Nissan	Juke	Qashqai, X-Trail
	Inifinity		Q30
	Dacia	Duster	
	Mitsubishi	RVR	Eclipse Cross
	Lada*	Niva	
VW	Volkswagen	T-Cross, T-Roc	Tiguan
	SEAT	Arona	Ateca
	Audi	Q2	Q3, Q3 Sportsback
	Skoda	Kamiq	Karoq, Yeti
Ford	Ford	Ecosport (Ford), Puma (Ford)	Escape
BMW	BMW		X1, X2
	Mini		Countryman
Daimler	Mercedes-Benz		GLA, GLB
Toyota	Toyota		C-HR, RAV4
	Lexus		UX
Hyundai-Kia	Hyundai	KONA	Tucson, Nexo
	KIA	Stonic, Soul	Sportage, Niro, Xceed
Ssangyong	Ssangyong	Tivoli	Korando
Mazda	Mazda	CX-3	CX-5, CX-30
Suzuki	Suzuki	Vitara, Ignis, Jimny Wide	SX4 S-Cross
Honda	Honda	Vezel	CR-V
Mahindra	Mahindra	KUV100	XUV500
Great Wall Motors	Haval	Hover H2	
General Motors	Chevrolet	Trax	Captiva
	Cadillac		XT4
Geely	Volvo		XC40
Tata	Land Rover		Range Rover Evoque, Discovery Sport
Subaru	Subaru		XV, Forester

Source: Form CO, Tables, 246, 247, 269, 270. (*) Jointly controlled by RNM.

(1318) As it can be seen, there are almost 20 OEMs active in the SUV markets in the EEA with more than 30 brands. This variety is due to the growing demand and dynamism of these markets. The dynamism of the SUV markets is reflected in the high number of models which, according to the Parties, are expected to be launched by them and their main competitors only in the next two years, higher than in any other PC markets, which is illustrated in Table 165.

Table 165: Expected launches of B-SUVs and C-SUVs in 2020 and 2021

OEM	B-SUV		C-SUV	
	Model	Launch date	Model	Launch date
PSA	Citroën C3 Aircross*	2021	Peugeot 3008 / 5008*	2020
	Peugeot P24 (BEV)	2020	Opel Grandland X*	2021
	Opel Crossland X*	2020		
	Opel P2QO (BEV)	2021		
FCA	Jeep B-UV (new)	2021	Jeep Compass (mca)	2020
			Alfa Romeo C-UV (new)	2021
Other OEMs	VW T-Roc Convert	2020	Ford Kuga	2020
	Lynk & Co B-SUV	2020	Mercedes GLA	2020
	MG ZS	2020	Renault Arkana	2020
	Nissan Juke	2020	VW ID Crozz	2020
	VW B-CUV	2021	Seat Cupra Formentor	2020
	Toyota B-CUV	2021	Suzuki C-SUV	2020
	Ssang. Tivoli	2021	Mercedes EQA	2020
	Lada B-CUV	2021	Mazda MX-30	2020
			Lynk & Co 01	2020
			Lynk & Co 02	2020
			Nissan X-Trail	2020
			Nissan Qashqai	2021
			Qoros 3	2021
			Hyundai Tucson	2021
			Kia Sportage	2021
			Renault Kadjar	2021
			Dacia Lodgy	2021
			Kia Niro	2021
			Honda CR-V	2021
			Kia C-CUV EV	2021
			Alfa Tonale	2021
			Volvo XC40Cp	2021
			Skoda Vision E	2021
			Audi Q4 e-tron	2021

Source: Form CO, Table 271. PSA's models presented above will be launched as a combustion engine version in the EEA and also as a PHEV and/or BEV version. (*) Mid life versions of existing models

(1319) In, particular, in relation to B-SUVs only, the Parties claim that […] new models are expected to be launched in the market in the period from 2020 to 2026, and that the Parties' main competitors, VW, RNM and Hyundai, will launch […] new models.[824]

(1320) The Commission cannot determine whether this number of launches is accurate or whether all of them are likely. However, the Commission has verified in the market investigation that OEMs expect to launch in the next years more models in the SUV markets than in any other PC markets. In particular, most OEM's responding to the

824 See Parties' replies to RFI 12 of 25 May 2020, question 4.

market investigation confirmed that they intend to launch in the next two years a new SUV model or an upgrade of an existing SUV.[825]

(1321) Finally, the Commission observes that the Harbour data provided by the Parties indicates that there is spare capacity in the J segment in the EEA.[826]

7.2.6.2. Demand-side considerations

(1322) The SUV market has grown considerably in the last years. As Figure 6 shows, the total size of the SUV markets in the EEA in 2008 was slightly above 1 million vehicles, whereas in 2019 it was more than 6 million vehicles, which would mean that the size of the market has multiplied by five. SUVs now represent approximately 40% of the total PC markets in the EEA.[827] Looking exclusively at B-SUVs, the market in the EEA has doubled in size from 2015 to 2019 […].[828]

(1323) This growth in demand is taking place as a result of a change in customer trends which is driving the demand of other vehicles towards SUVs. In the responses to the market investigation OEMs and all customer categories[829] agreed that there is a customer shift from the M models to SUVs, which have become "aspirational" models for a broad part of the population, due to their versatility and trendier design.[830]

(1324) Internal documents support this view of a general shift of demand towards SUVs, not only from the M Segment, but also in general from other markets. […][…][831]).[832]

Figure 3: Demand switching from other markets towards SUVs

[…]

Source: PSA286.

(1325) […].[833] […].

Figure 4: SUV target customers

[…]

(1326) In conclusion, the Commission considers that the evidence collected during the investigation supports that (i) the size of the SUV markets has increased considerably since 2008 and currently they constitute the main PC market in the EEA, (ii) this size increase is due to a switch of demand from other markets, in particular from the M segment, and (iii) as a consequence, the SUV markets have become highly dynamic, with more model launches than any other PC markets in the EEA.

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825 See confidential replies to question 26 of e-Questionnaire 1 to competitors.

826 Form CO, Table 127.

827 Just over […] million SUVs in a total PC-market of […] million.

828 See Parties' replies to RFI 12 of 25 May 2020, question 4.

829 See replies to question 41.1 of e-Questionnaire 1 to competitors and replies to question 16.1 of e-Questionnaire 4 to dealers, 3 to importers and 5 to rental and leasing companies.

829 See replies to question 16 of e-Questionnaire 3 to importers.

829 See replies to question 16 of e-Questionnaire 5 to rental and leasing companies. .

830 See reply by Volvo to question 41.1 of e-Questionnaire 1 to competitors.

831 "Fiat 500 Life Extension" of 29 January 2020 (Annex FCA195). […] (Annex FCA 196), […] (PSA 286).

832 […] (PSA286).

833 […].

7.2.6.3. EEA-wide market shares

(1327) Table 166 shows the Parties' and competitors' volumes and market shares for the last three years at EEA level in a market comprising only B-SUVs.

Table 166: EEA – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[30-40]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Hyundai-Kia	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Suzuki	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1328) The Proposed Transaction leads to the merger of the second and fifth largest SUV-B players in the EEA. The market has grown from […] to […] from 2017 to 2019, i.e. a 40% increase, and has doubled in size since 2015 (1.0 million). This significant increase of the demand has been captured by other OEMs in a much larger proportion than the Parties, reflected in the fact that the Parties' combined market share has decreased from [40-50]% in 2015 to [30-40]% in 2017 and [30-40]% in 2019, whilst competitors VW, Hyundai-Kia, Ford and Toyota have all gained market share.[834]

(1329) Following the Proposed Transaction, the merged entity would become the largest competitor in terms of market share ([30-40]%), followed closely by RNM at [20-30]%. The merged entity would continue to face competition from at least seven competitors, two of which (RNM and VW) with market shares higher than the share increment brought about by the Proposed Transaction ([20-30]% and [10-20]% respectively, vs [5-10]%), and another competitor (Hyundai-Kia), who has a market share similar to the share increment.

(1330) The results of the market investigation show that, overall, market participants perceive the B-SUV segment as a highly competitive market, with intense competition and numerous players. Market participants consider that the Proposed Transaction will not lead to any anticompetitive effects in respect of B-SUVs.

(1331) In particular, EEA-wide, a vast majority of the dealers ([…]%), importers ([…]%), leasing rental companies ([…]%), corporate customers ([…]%) and competitors

834 Market shares for the last five years were provided by the Parties in their reply to RFI 12 of 25 May 2020, question 4.

([…]%)[835] having responded to the market investigation answered that the merged entity would post-merger not have the ability to increase significantly the prices that end-customers pay for their B-SUVs. Moreover, even higher percentages, constituting the quasi-unanimity of the market respondents ([…]% of dealers, […]% of importers, […]% of leasing rental companies and […]% of corporate customers)[836] considered that if the merged entity decided post-merger to raise significantly the prices of their B-SUVs, there would be brands of other OEMs to which end-customers could easily switch.[837]

(1332) Table 167 shows the Parties' and competitors' volumes and market shares for the last three years at EEA level in a market comprising only C-SUVs.

Table 167: EEA – C-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[10-20]%*	*[…]*	*[10-20]%*
VW	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Tata	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Honda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1333) The Proposed Transaction involves the merger of the second and eleventh largest players at EEA-level, where it would not even result in an affected market. Post-merger, the combined entity would be the second largest player, [5-10] points below VW and [5-10] above RNM. FCA's share in this market would be small, [0-5]% in 2019. In fact, eight competitors have a higher market share than the share increment brought about by the Proposed Transaction. Following the Proposed Transaction, the

835 See responses to question 42 of e-Questionnaire 4 to dealers.
836 See responses to question 42 of e-Questionnaire 4 to dealers.
837 See responses to questions 42 and 43 of e-Questionnaire 3 and 4 to importers and dealers, respectively, to questions 37 and 38 of Questionnaire 5 to leasing and rental companies, to questions 25 and 26 of e-Questionnaire 6 to corporate customers, and to question 58 of e-Questionnaire 1 to competitors.

merged entity would face competition from at least 12 competitors, three of which with shares above 10%.

(1334) Although less than B-SUVs, the size of the C-SUVs market has also grown considerably in the last three years, from […] vehicles in 2017 to […] in 2019, i.e. an 11% increase.

(1335) Table 168 shows the Parties' and competitors' volumes and market shares for the last three years at EEA level in a J segment market, i.e. a market comprising all SUVs.

Table 168: EEA – Segment J

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Tata	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1336) The Proposed Transaction involves the merger of the third and the seventh largest players at EEA-level, where the market would be barely affected. Post-merger, the combined entity would be the second largest player, [0-5] point below VW and [5-10] above RNM. FCA's share in this market would be small, [0-5]% in each of the last three years. Five competitors have a higher market share than the share increment brought about by the Proposed Transaction. Following the Proposed Transaction, the merged entity would face competition from at least 12 competitors, three of which with shares around or above 10%.

(1337) The lower market shares of the Parties in the overall J segment is due to the fact that they are not active in all SUV segments. In particular, IHS data for the J Segment includes the following sub-segments: A-SUV, B-SUV, C-SUV, D-SUV and E-SUV. However, neither Party is present in A-SUV, whereas FCA, which is weaker in B-SUV and C-SUV, is the only of the two Parties active in D-SUVs and E-SUV. This indicates that the Parties' activities in the overall J markets are rather complementary.

(1338) The size of the overall J segment markets at EEA-level has grown considerably in the last three years, from […] vehicles in 2017 to 6.0 in 2019, i.e. a 30% increase,

reflecting the dynamism of the market and the diversion of demand from other markets.

7.2.6.4. Closeness of competition

(1339) […].

(1340) PSA has provided numerous internal […].[838] […].[839] […].[840] […].[841]

(1341) One of the documents provided by FCA[842] […].[843]

(1342) In conclusion, the internal documents do not reflect that the Parties are particularly close competitors in the SUV markets.

(1343) The Parties also provided hesitation data for the following "Big-12" countries, which constitute the largest part of the EEA market: Germany, France, Italy, Spain, United Kingdom, Poland, Netherlands (data for 2017-2019); Denmark (data for 2017 and 2019 only); Austria, Belgium, Czechia, Portugal (data for 2018 only).[844]

(1344) The diversion at EEA-wide level (i.e. based on the Big-12 countries) shows that, the implied market share of the Parties at EEA level in the B-SUV market is [5-10] points lower than their actual market share ([30-40]% vs [30-40]%),[845] which means that the Parties compete less closely than what their already moderate market share suggests.

(1345) As regards C-SUVs, the hesitation data shows that at EEA-level, the Parties compete somewhat more closely than what their market shares suggest, with an implied share [0-5] points higher than the actual share ([20-30]% vs [10-20]%). However, even if higher than the actual share, this low implied market share already indicates that the Parties do not compete closely.

(1346) As regards a market including all SUVs, i.e. the J segment, since the Parties are not active in the same sub-segments, and they do not compete closely in the segments where they both overlap (B-SUV and C-SUV), logic dictates than in the overall J segment they will compete even less closely.

(1347) In view of the above, the Commission considers that the Parties do not appear to compete particularly closely in any of the SUV segments.

7.2.6.5. Affected national markets

(1348) Table 169 shows PSA's and FCA's combined market shares in the following market segmentations: (i) only B-SUVs, (ii) only C-SUVs, and (iii) Segment J (i.e. all SUVs).

838 […] (Annex PSA 291).

839 […] (Annex 292).

840 […] (Annex 293).

841 See for instance, […] (Annex PSA 30); […] (Annex PSA 41); […] (Annex PSA 52); […] (Annex PSA 63).

842 […] (Annex FCA 36

843 […] (Annex FCA 204); […] (Annex FCA 202).

844 See Parties' reply to RFI 4 of 21 of April 2020, question 3.

845 The diversion analysis is based on 2017-2019 averages to the extent possible to minimise the effect of random variation. When computing averages across the Big-12, countries are weighted according to their 2019 market size.

Table 169: SUVs – Affected national markets

EEA Member States	PSA/FCA combined share 2019 market shares (in volume)		
	B-SUV	C-SUV	J-segment
Austria	[20-30]%	[10-20]%	[10-20]%
Belgium	[30-40]%	[20-30]%	[20-30]%
Bulgaria	[10-20]%	[5-10]%	[5-10]%
Croatia	[20-30]%	[10-20]%	[10-20]%
Cyprus	[10-20]%	[5-10]%	[5-10]%
Czechia	[20-30]%	[10-20]%	[10-20]%
Denmark	[20-30]%	[10-20]%	[10-20]%
Estonia	[10-20]%	[10-20]%	[10-20]%
Finland	[10-20]%	[10-20]%	[5-10]%
France	[40-50]%	[40-50]%	[30-40]%
Germany	[20-30]%	[10-20]%	[10-20]%
Greece	[20-30]%	[10-20]%	[10-20]%
Hungary	[10-20]%	[5-10]%	[5-10]%
Iceland	[5-10]%	[5-10]%	[5-10]%
Ireland	[10-20]%	[10-20]%	[10-20]%
Italy	[40-50]%	[20-30]%	[30-40]%
Latvia	[10-20]%	[10-20]%	[5-10]%
Lithuania	[40-50]%	<[20-30]%	[30-40]%
Luxembourg	[30-40]%	<[20-30]%	[10-20]%
Malta	[10-20]%	[10-20]%	[10-20]%
Netherlands	[20-30]%	[20-30]%	[20-30]%
Norway	[10-20]%	[10-20]%	[5-10]%
Poland	[10-20]%	[10-20]%	[10-20]%
Portugal	[30-40]%	[20-30]%	[30-40]%
Romania	[10-20]%	[10-20]%	[10-20]%
Slovakia	[20-30]%	[10-20]%	[10-20]%
Slovenia	[20-30]%	[10-20]%	[10-20]%
Spain	[30-40]%	[20-30]%	[20-30]%
Sweden	[10-20]%	[5-10]%	[5-10]%
United Kingdom	[20-30]%	[10-20]%	[10-20]%

Source: Parties' response to RFI 44, Question 3

(1349) Accordingly, in a market comprising only B-SUVs, the affected markets, i.e. those where there is a horizontal overlap between the Parties and the Proposed Transaction will lead to a combined market share of 20% or more, would be the following: Austria, Belgium, Croatia, Czechia, Denmark, France, Germany, Greece, Italy, Lithuania, Luxembourg, Netherlands, Portugal, Slovakia, Slovenia, Spain and United Kingdom.

(1350) In a market comprising only C-SUVs, the affected markets would be the following: Belgium, France, Italy, Netherlands, Portugal and Spain.

(1351) And in a market comprising all SUVs (Segment J market), the affected markets would be Belgium, France, Italy, Lithuania, Netherlands, Portugal and Spain.

7.2.6.6. Austria

(1352) Table 170 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUVs in Austria.

Table 170: Austria – SUV-B (Segment J)

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
FCA	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[20-30]%
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Hyundai-Kia	[…]	[0-5]%	[…]	[5-10]%	[…]	[10-20]%
Suzuki	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Mazda	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Honda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1353) The Proposed Transaction leads to the merger of the third and sixth largest B-SUV players in Austria. The Parties' combined market share in 2019 was [20-30]%, decreasing from [30-40]% in 2017 and [30-40]% in 2018. Both PSA (from [20-30]% in 2017 and [20-30]% in 2018 to [10-20]% in 2019) and FCA (from [10-20]% in 2017 to [5-10]% in 2018 and 2019) have lost market share during the last three years, despite the growth of the market. This growth seems to have been captured in a larger proportion by other competitors which have increased their sales and market share considerably such as VW, Hyundai-Kia, Ford and Toyota. The Parties' market share post-merger would barely exceed the 25% threshold set out in the Horizontal Merger Guidelines.

(1354) Following the Proposed Transaction, whilst the merged entity would become the largest competitor in terms of market shares, it would continue to face competition from at least nine large players, four of whom (VW, RNM, Hyundai-Kia and Suzuki) have market shares higher or similar than the share increment brought about by the Proposed Transaction.

(1355) In conclusion, given the relatively low market share of the merged entity, the growth and dynamism of the market and the existence of at least nine competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs market in Austria.

7.2.6.7. Belgium

7.2.6.7.1. B-SUVs

(1356) Table 171 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUVs in Belgium.

Table 171: Belgium – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*
RNM	[…]	[30-40]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Ford	[…]	[0-5]%	[…]	[5-10]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1357) The Proposed Transaction leads to the merger of the largest and fourth largest SUV-B players in Belgium. The Parties' combined market share in 2019 was [30-40]%, decreasing from [30-40]% in 2017 and [40-50]% in 2018. This decrease is largely due to PSA's share decrease (from [30-40]% in 2017 and [30-40]% in 2018 to [20-30]% in 2019), whilst FCA's share has remained relatively stable over the past three years. Competitors on the other hand have increased their market share in Belgium, in particular VW, Hyundai-Kia, Toyota and Ford.

(1358) Following the Proposed Transaction, whilst the merged entity would remain the largest competitor in terms of market shares, it would continue to face competition from at least six players, two of whom (RNM and VW) have market shares higher than the share increment brought about by the Proposed Transaction ([20-30]% and [10-20]% respectively, vs [5-10]%), and another competitor (Hyundai-Kia) who has a market share similar to the share increment brought about by the Proposed Transaction. The market has grown by [40-50]% in the last three years. Several competitors have captured that market growth in a larger proportion than the Parties, in particular VW, Hyundai-Kiaand Toyota. Toyota entered the market in 2019 and in only one year it has managed to capture a [5-10]%, with more than […] units sold. Hyundai-Kia has grown from [0-5]% to [5-10]% between 2017 and 2019, i.e. it has multiplied its sales more than ten times in only three years. The rapid growth of these competitors reflects the dynamism of this market.

(1359) In conclusion, given the moderate market share of the merged entity, the small market share of FCA, the existence of at least six competitors and the growth and dynamism of the market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs in Belgium.

7.2.6.7.2. C-SUVs

(1360) Table 172 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only C-SUVs in Belgium.

Table 172: Belgium – C-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
Hyundai-Kia	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
BMW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Tata	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1361) The Proposed Transaction leads to the merger of the second and eleventh largest SUV-C players in Belgium. The Parties' combined market share in 2019 was [20-30]%, barely resulting in an affected market. FCA has traditionally been a relatively small player in the SUV-C segment in Belgium, with [0-5]% market share over the past three years. That means the structure of supply in the market will remain essentially unaltered by the Proposed Transaction. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.

(1362) The merged entity would continue to face competition from at least eleven competitors, eight of whom (VW, Hyundai-Kia, RNM, BMW, Geely, Tata, Ford and Toyota) have market shares larger than the share increment brought about by the Proposed Transaction and two others (Mazda and Daimler) have market shares similar to the share increment.

(1363) In conclusion, given the relatively low market share of the merged entity, FCA's very small presence in the market and the existence of at least eleven competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only C-SUVs in Belgium.

7.2.6.7.3. All SUVs (Segment J)

(1364) Table 173 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only C-SUVs in Belgium.

Table 173: Belgium – Segment J

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Tata	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1365) The Proposed Transaction leads to the merger of the third and eighth largest SUV players in Belgium. The Parties' combined market share in 2019 was [20-30]%, barely resulting in an affected market. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.

(1366) Whilst the merged entity would remain the largest competitor in terms of market share, it would continue to face competition from at least eleven competitors, five of whom (VW, Hyundai-Kia, RNM, BMW, Geely) have market shares larger than the share increment brought about by the Proposed Transaction.

(1367) In conclusion, given the relatively low market share of the merged entity, and the existence of at least eleven competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising all SUVs in Belgium.

7.2.6.8. Croatia

(1368) Table 174 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUVs in Croatia.

Table 174: Croatia – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*
RNM	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
Hyundai-Kia	[…]	[0-5]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Suzuki	[…]	[30-40]%	[…]	[20-30]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1369) The Proposed Transaction leads to the merger of the second and ninth largest B-SUV players in Croatia. The Parties' combined market share in 2019 was [20-30]%. FCA has traditionally been a relatively small player in this segment in Croatia, with [0-5]% market share over the past three years. Therefore, the structure of supply in the market will remain essentially unaffected by the Proposed Transaction. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.

(1370) The merged entity would continue facing competition from at least eight players, six of whom (RNM, Hyundai-Kia, VW, Suzuki, Toyota, Ford and Mazda) have market shares higher than the share increment brought about by the Proposed Transaction.

(1371) In conclusion, given the relatively low market share of the merged entity post-merger, the small presence of FCA in the market, and the existence of at least eight competitors, some of whom are growing fast, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs in Croatia.

7.2.6.9. Czechia

(1372) Table 175 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUVs in Czechia.

Table 175: Czechia – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
RNM	[…]	[50-60]%	[…]	[30-40]%	[…]	[30-40]%
VW	[…]	[0-5]%	[…]	[0-5]%	[…]	[10-20]%
Suzuki	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Mazda	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Honda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1373) The Proposed Transaction leads to the merger of the second and eighth largest SUV-B players in Czechia. The Parties' combined market share in 2019 was [20-30]%. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines. The market share increment is negligible ([0-5]%), which means the structure of the market will remain unaffected.

(1374) The merged entity would continue facing competition from a least nine players, six of whom (RNM, VW, Suzuki, Hyundai-Kia, Mazda and Toyota) have market shares higher than the share increment brought about by the Proposed Transaction. VW, Hyundai-Kia and Toyota in particular have gained market share over the last three years.

(1375) In conclusion, given the relatively low market share of the merged entity post-merger, the negligible market share increment, and the existence of at least nine competitors, some whom are growing fast, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs Czechia.

7.2.6.10. Denmark

(1376) Table 176 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUVs in Denmark.

Table 176: Denmark – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[20-30]%
RNM	[…]	[30-40]%	[…]	[20-30]%	[…]	[10-20]%
Hyundai-Kia	[…]	[0-5]%	[…]	[10-20]%	[…]	[10-20]%
Suzuki	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[10-20]%
Mazda	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1377) The Proposed Transaction leads to the merger of the largest and eighth largest B-SUV players in Denmark. The Parties' combined market share in 2019 was [20-30]%, with a negligible market share increment, which means the structure of the market will remain unaffected. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.

(1378) The merged entity would continue facing competition from at least eight players, six of whom (VW, RNM, Hyundai-Kia, Suzuki, Toyota and Mazda) have market shares higher than the share increment brought about by the Proposed Transaction. VW, Hyundai-Kia, Toyota and Ford have gained market share in the last three years while PSA has lost market share and sales in the same period, which means that the market growth has been entirely captured by competitors.

(1379) In conclusion, given the relatively low market share of the merged entity, the negligible market share increment and the existence of at least eight competitors some of which are rapidly growing, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs in Denmark.

7.2.6.11. France

7.2.6.11.1. B-SUVs

(1380) Table 177 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUVs in France.

Table 177: France – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*
RNM	[…]	[40-50]%	[…]	[30-40]%	[…]	[30-40]%
VW	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Hyundai-Kia	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1381) The Proposed Transaction leads to the merger of the first and fourth largest B-SUV players in France. The Parties' combined market share in 2019 was [40-50]%. While RNM has lost market share (from [40-50]% in 2017 to [30-40]% in 2019), none of this loss has been gained by the Parties, but it has been entirely absorbed by other competitors. In the period between 2017 and 2019, while the market has grown by 34%, VW has increased its sales volumes by 241%, Hyundai-Kia by 350% and Ford by 58% (compared to PSA's growth of 34%). Toyota entered the market in 2019 and in only one year it managed to sell […] units, gaining a market share of [0-5]%, which demonstrates the dynamism and contestability of the market. In total, post-merger, the merged entity would still face competition from at least seven competitors, two of which (RNM and VW) with a share higher than the share increment brought about by the Proposed Transaction.

(1382) The potential for growth of these competitors is all the more evident if we consider that most of them achieve a higher market share at EEA level than in France: VW [10-20]% in the EEA vs [5-10]% in France; Hyundai-Kia [5-10]% vs [5-10]%; Ford, [5-10]% vs [0-5]%; Suzuki [5-10]% vs [0-5]%; Mazda [0-5]% vs less than [0-5]%, which suggests the existence of out-of-market constraints from other Member States.

(1383) Moreover, it has been explained in Section 7.2.6.4 that the internal documents do not reflect that the Parties are particularly close competitors in the SUV markets. This is particularly evident when looking at internal documents concerning B-SUV models. […].[846] […].[847] […].[848]

(1384) As regards PSA documents, they also show […];[849] […];[850] […];[851] a[…].[852] In fact, PSA rarely compares its B-SUV models against FCA brands.

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846 See […] (Annex FCA 26).
847 See […] (Annex FCA 30).
848 See Parties' rely to RFI 12 of 15 May 2020, Annex FCA 202.
849 See Annex PSA 30. See also Parties' rely to RFI 12 of 15 May 2020.
850 See Annex PSA 41. See also Parties' rely to RFI 12 of 15 May 2020.
851 See Annex PSA 52. See also Parties' rely to RFI 12 of 15 May 2020.

(1385) Similarly, based on the hesitation data provided,[853] the Parties do not seem to be particularly close. In fact, the diversion ratio in France shows that the implied market share of the Parties in the B-SUV market in France is [5-10] points lower than their actual market share ([30-40]% vs [40-50]%),[854] which means that the Parties compete significantly less closely than what their market share suggests.

(1386) In conclusion, the Commission considers that the Parties are not particularly close competitors in France.

(1387) The wide variety of models that the Parties benchmark against their own models is a reflection of the dynamism of the market, which is also shown by the fact that this segment is expected to have more new model launches in the next years than any other segments in the car industry.[855]

(1388) The Parties, in fact, will face competition from at least seven competitors, all of them established multinationals with a strong brand reputation and with extended dealer and repair networks in France.[856] Moreover, based on Harbour data there appears to be spare capacity in the market. Therefore, competing OEMs could react by expanding production and sales in France were the Parties to increase prices post-merger, thus rendering that increase unprofitable.

(1389) The market investigation supports the notion that the market is competitive and a vast majority of the market respondents that answered to the market investigation considered that the Parties would not have the ability to increase prices significantly post-Transaction in the B-SUV market in France. Dealers, for instance highlighted the lack of market power and closeness of the Parties: "*the economic incentive for combining the brands of PSA and FCA would rather lead to lower prices*", "*vehicles are different, and customer would be able to choose a different brand if the price would increase too*". Some customers also remarked the intense competition from other brands: "*[w]e don't think this fusion could allow PSA/FCA to increase significantly the prices of their cars because of the other competitors. They would be off the market and could see their sells reduced. Indeed, end customers could prefer to buy another brand car (VW Group leads the market in Europe and Renault follows closely PSA)*", "*[l]a concurrence semble importante sur les véhicules particuliers (Volkswagen/Skoda, Renault-Dacia, Ford, Kia, Hyundai, etc.) dans la plupart des pays européens sur l'ensemble des segments*".[857] In conclusion, despite the fact that the Parties' combined share is [40-50]%, given the relatively small share increment, the fact that the Parties do not compete particularly closely, the dynamism and growth of the market, the existence of at least seven competitors in the market, most of which with growing market shares and with even stronger positions at EEA-level, and the existence of spare capacity, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs in France.

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852 See Annex PSA 63. See also Parties' rely to RFI 12 of 15 May 2020.

853 See Parties' reply to RFI 4 of 21 of April 2020, question 3.

854 The diversion analysis is based on 2017-2019 averages to the extent possible to minimise the effect of random variation.

855 See Section 7.2.6.1.

856 The brand Renault has in France 594 points of sale, Volkswagen 298, Toyota 260 and Ford 231. This amount is comparable to the network of Citroën, Opel or Peugeot (424, 241 and 412, respectively) or of Fiat (310) (see Parties' reply to RFI 38 of 31 August 2020).

857 See replies to question 42 and 42.1 of e-Questionnaire 4 to dealers, to questions 37 and 37.1 of e-Questionnaire 5 to leasing and rental companies, to questions 25 and 25.1 of e-Questionnaire 6 to corporate customers, and questions 58 and 58.1 of e-Questionnaire 1 to competitors.

7.2.6.11.2. C-SUVs

(1390) Table 178 shows the Parties' and competitors' sales volumes and market shares for the last three years a market comprising only C-SUVs in France.

Table 178: France – C-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[40-50]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Ford	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Tata	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1391) The Proposed Transaction leads to the merger of the first and thirteenth largest C-SUV players in France. The Parties' combined market share in 2019 was [40-50]%, but FCA's presence in this market is negligible, with [0-5]% in 2019 and 2017 and [0-5]% in 2018. This means that the structure of supply will remain essentially unaffected by the Proposed Transaction. Post-merger, the merged entity will still face competition from at least ten competitors in the market, all of which with a market share higher than the market share brought about by the Proposed Transaction. There has also been a new entrant in the market, Geely (Volvo XC-40), which in just two years has managed to sell more than […] units.

(1392) Most competitors achieve a higher market share at EEA level than in France: VW [20-30]% in the EEA vs [10-20]% in France; Hyundai-Kia [10-20]% vs [5-10]%; BMW, [5-10]% vs [5-10]%, Ford, [5-10]% vs [0-5]%; Mazda [0-5]% vs [0-5]%; Geely, [0-5]% vs [0-5]%, Tata, [0-5]% vs [0-5]%, Suzuki and Honda, [0-5]% combined at EEA-level, less than [0-5]% in France.

(1393) Whilst one could argue that in France Citroën and Peugeot enjoy a certain home advantage, the Commission observes that this has not been an obstacle for VW and other OEMs (Hyundai-Kia, Toyota) to grow considerably in this market and in neighbouring segments, such as B-SUVs.

(1394) Moreover, according to the information provided,[858] competitors are expected to launch in the next years up to [...] new C-SUV models, significantly more than the [...] new models that the Parties are planning to launch. This intense activity of OEMs is a reflection of the competitiveness and dynamism of the market and shows that the Parties will continue facing intense competition in the future.

(1395) The hesitation data provided for C-SUVs[859] again shows that, like for B-SUVs, the Parties do not seem to be particularly close competitors. In fact, the diversion ratio in France shows that the implied market share of the Parties in the C-SUV market in France is [0-5] points lower than their actual market share ([30-40]% vs [30-40]%),[860] which means that the Parties compete less closely than what their market share suggests. In conclusion, despite the fact that the Parties' combined share is [40-50]%, given the negligible presence of FCA in this market, the fact that the Parties do not appear to compete particularly closely and the relatively low concentration level of this market, with at least ten competitors present with stronger positions at EEA-level, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only C-SUVs in France.

7.2.6.11.3. All SUVs (Segment J)

(1396) Table 179 shows the Parties' and competitors' sales volumes and market shares for the last three years a market comprising all SUVs, i.e. Segment J in France.

Table 179: France – Segment J

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
RNM	[…]	[30-40]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Tata	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

858 See Table 165.

859 See Parties' reply to RFI 4 of 21 of April 2020, question 3.

860 The diversion analysis is based on 2017-2019 averages to the extent possible to minimise the effect of random variation.

(1397) The Proposed Transaction leads to the merger of the first and seventh largest SUV players in France. The Parties' combined market share in 2019 was [30-40]%, but FCA's presence in this market is relatively small, with [0-5]% in each of the last three years. Post-merger, the merged entity will still face competition from at least ten competitors in the market, five of which with a market share [...]. The market has grown more than 25% from 2017 to 2019.

(1398) Most competitors achieve a higher market share at EEA level than in France: VW [20-30]% in the EEA vs [10-20]% in France; Hyundai-Kia [5-10]% vs [5-10]%; BMW, [5-10]% vs [5-10]%, Toyota, [5-10]% vs [0-5]%; Ford, [5-10]% vs [0-5]%; Daimler, [0-5]% vs [0-5]%; Geely, [0-5]% vs [0-5]%, Tata, [0-5]% vs [0-5]%, Suzuki [0-5]% vs [0-5]%; Mazda, [0-5]% vs less than [0-5]%, which suggests potential out-of-market constraints.

(1399) As regards closeness, considering that the Parties are not present in all the same segments within the J segment market (PSA is not present in D-SUV and E-SUV) and that they are not particularly close in the segments where they overlap, they must compete necessarily even less closely in the overall segment J segment market.

(1400) In conclusion, given the moderate combined share of the Parties, the very small presence of FCA in this market, the lack of particular closeness between the Parties, the dynamism and growth of the market, the relatively low concentration level of this market, with at least ten competitors with stronger positions at EEA-level, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising all SUVs in France.

7.2.6.12. Germany

(1401) Table 180 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUVs in Germany.

Table 180: Germany – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
FCA	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[...]*	*[30-40]%*	*[...]*	*[20-30]%*	*[...]*	*[20-30]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
Hyundai-Kia	[…]	[0-5]%	[…]	[5-10]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Suzuki	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Mazda	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Honda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1402) The Proposed Transaction leads to the merger of the third and ninth largest B-SUV players in Germany. The Parties' combined market share in 2019 was [20-30]% with

a very small market share increment, which means that the structure of the market will remain unaffected by the Proposed Transaction. Moreover, the Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.

(1403) Following the Proposed Transaction, the merged entity would become the joint largest competitor in terms of market shares together with RNM and VW. Overall, it would continue to facing competition from at least nine players, seven of whom (RNM, VW, Hyundai-Kia, Ford, Suzuki, Mazda and Toyota) have market shares higher than the share increment brought about by the Proposed Transaction. VW, Hyundai-Kia, Ford and Toyota have gained market share over the last three years whereas, in the same period, the Parties have lost market share and sales, which means that the market growth has been entirely captured by competitors.

(1404) In conclusion, given the relatively low market share of the merged entity, the growth and dynamism of the market and the existence of at least nine competitors some of which are rapidly growing, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs in Germany.

7.2.6.13. Greece

(1405) Table 181 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUVs in Greece.

Table 181: Greece – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Suzuki	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[0-5]%	[…]	[5-10]%	[…]	[10-20]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[10-20]%
Ford	[…]	[0-5]%	[…]	[5-10]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1406) The Proposed Transaction leads to the merger of the second and seventh largest B-SUV players in Greece. The Parties' combined market share in 2019 was [20-30]% and FCA's market share in 2019 was small. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.

(1407) Following the Proposed Transaction, whilst the merged entity would become the largest competitor in terms of market shares, it would continue facing competition from at least seven players, five of which (VW, Suzuki, RNM, Hyundai-Kia and Toyota) with market shares higher than the share increment brought about by the Proposed Transaction. VW, Hyundai-Kia, Toyota and Ford have gained market share over the last years whereas, in the same period, the Parties have significantly

decreased their share, which means that a relatively larger proportion of the market growth has been captured by competitors.

(1408) In conclusion, given the relatively low market share of the merged entity post-merger, the growth and dynamism of the market and the existence of at least seven competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs in Greece.

7.2.6.14. Italy

7.2.6.14.1. B-SUVs

(1409) Table 182 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUV-Bs in Italy.

Table 182: Italy – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[30-40]%	[…]	[20-30]%	[…]	[20-30]%
Combined	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*	*[…]*	*[40-50]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[0-5]%	[…]	[5-10]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Hyundai-Kia	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Suzuki	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1410) The Proposed Transaction leads to the merger of the largest and third largest B-SUV players in Italy. The Parties' combined market share in 2019 was [40-50]%, declining continuously from [50-60]% in 2017. This loss of market share is mainly the result of FCA losing [5-10] points in this period (although PSA also lost some share, [0-5] points between 2018 and 2019). FCA's loss of share is particularly striking given Italy is its home market and this loss has taken place during a period in which the market has increased considerably ([40-50]% between 2017 and 2018). FCA has failed to capture hardly any of this market growth. PSA has managed to capture market growth broadly in proportion to its share. Competitors, on the other hand, have increased their position in Italy significantly. In particular, VW experienced a 250% growth in its sales volumes from 2017 to 2019, Ford grew by [60-70]%, Hyundai-Kia by a staggering 490%, and Toyota jumped in only one year from […] units, gaining a share of [0-5]%, which demonstrates the dynamism of the market and that the Parties' shares are contestable.

(1411) The potential for growth of the Parties' competitors is all the more evident if we consider that most of them achieve a higher market share at EEA-level than in Italy: VW [10-20]% in the EEA vs [10-20]% in Italy; RNM, [20-30]% vs [20-30]%;

Hyundai-Kia [5-10]% vs [5-10]%; Toyota, [5-10]% vs [0-5]%; Suzuki [5-10]% vs [5-10]%; Mazda [0-5]% vs [0-5]%.

(1412) The hesitation data provided also suggests that, despite the growth of the market, the B-SUV customer is also relatively dynamic and seems ready to switch to C-SUVs and other segments where the Parties are considerably weaker. In particular, the C-SUV segment exerts half the constraint than that imposed by the actual B-SUV competitors,[861] and the C-SUV and the C segments combined, more than two thirds. It is true that the Parties' combined share in C-SUV in Italy has been growing, however, their combined share still remains at [20-30]%, [10-20] points below their combined share in B-SUV. Moreover, the implied combined market share across 2017-2019 in C-SUV is also significantly lower than their implied market share in B-SUV for the same period ([20-30]% vs [40-50]%, see Section 7.2.6.14.2) which supports the notion that the Parties will face more intense competition, in relative terms, from C-SUV competitors. Moreover, the Parties' combined share in the C segment PCs is also low at [30-40]%.

(1413) Moreover, as explained in Section 7.2.6.4, the the internal documents do not reflect that the Parties are particularly close competitors in the SUV markets. This is particularly evident when looking at internal documents concerning B-SUV models. […].[862] […].[863] […].[864]

(1414) As regards PSA documents, they also show […];[865] […];[866] […];[867] […].[868] […].

(1415) The hesitation data provided[869] supports the view that the Parties do not seem to be particularly close. In fact the diversion ratio in Italy shows that the implied combined market share of the Parties in the B-SUV market in Italy is [0-5] points lower than their actual market share ([40-50]% vs [40-50]%) for the 2017-2019 period,[870] which means that the Parties compete significantly less closely than what their market share suggests.

(1416) In conclusion, the Commission considers that the Parties are not particularly close competitors in Italy.

(1417) The wide variety of models is a reflection of the dynamism of the market, which is also shown by the fact that this segment is expected to have more new model launches in the next years than any other segments in the car industry.[871]

(1418) The Parties, in fact, will face competition from at least eight competitors, all of them established multinationals, with a strong brand reputation, extended dealer and repair

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861 B-SUV customers consider as the main alternative: B-SUVs vehicles at [40-50]%, C-SUVs at [20-30]%, C-segment vehicles, at [10-20]%.

862 See iBench for Jeep Renegade (Annex FCA 26).

863 See iBench for 500X (Annex FCA 30).

864 See Parties' rely to RFI 12 of 15 May 2020, Annex FCA 202.

865 See Annex PSA 30. See also Parties' rely to RFI 12 of 15 May 2020.

866 See Annex PSA 41. See also Parties' rely to RFI 12 of 15 May 2020.

867 See Annex PSA 52. See also Parties' rely to RFI 12 of 15 May 2020.

868 See Annex PSA 63. See also Parties' rely to RFI 12 of 15 May 2020.

869 See Parties' reply to RFI 4 of 21 of April 2020, question 3.

870 The diversion analysis is based on 2017-2019 averages to the extent possible to minimise the effect of random variation.

871 See Table 165.

networks in Italy[872] and rapidly growing. Moreover, based on Harbour data there appears to be spare capacity in the market. Therefore, competing OEMs could react expanding production and sales in Italy were the Parties to increase prices post-merger, thus rendering that increase unprofitable.

(1419) The market investigation supports the notion that the market is competitive. A vast majority of the market respondents considered that the Parties would not have the ability to increase prices significantly in the B-SUV market in Italy. Moreover, all market respondents indicated that if the combined PSA/FCA entity decided after the merger to increase significantly the prices of their B-SUVs in Italy, there would be alternative brands of other OEMs to which end-customers could easily switch. Market participants highlighted the strong competition that the Parties would face from other OEMs. A dealer indicated that the Parties will not have the ability to raise prices as *"there are other brand that help to make the price"*. A leasing company stated: "*[w]e don´t think that they could increase the prices as there is enough offer from some other OEMs"* and another one insisted that the market "*will remain highly competitive; no individual operator/brand will be able to afford significant price increases*".[873]

(1420) In conclusion, despite the fact that the Parties' combined share is [40-50]% and the increment is large, given the loss of market share by both Parties, in particular by FCA in the last years, the dynamism and growth of the market with both well-established and new players capturing most of the market growth, the existence of at least eight competitors in the market, most of which with highly growing market shares and with even stronger positions at EEA-level, the out-of-market constraints from other car segments, in particular from C-SUVs, where competitors are even stronger and the lack of particular closeness between the Parties, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs in Italy.

7.2.6.14.2. C-SUVs

(1421) Table 183 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only C-SUVs in Italy.

872 The brands Volkswagen and Ford have in Italy each 191 points of sale, Renault 181 and Dacia 172. This amount is comparable to the network of Citroën, Opel and Peugeot (155, 205 and 175, respectively) or of Fiat (417) (see Parties' RFI 38 of 31 August 2020).

873 See replies to question 42 and 42.1 of e-Questionnaire 4 to dealers, to questions 37 and 37.1 of e-Questionnaire 5 to leasing and rental companies, to questions 25 and 25.1 of e-Questionnaire 6 to corporate customers, and questions 58 and 58.1 of e-Questionnaire 1 to competitors. See also replies to questions 43 and 43.1 of e-Questionnaire 4 to dealers, 38 and 38.1 of e-Questionnaire 5 to leasing and rental companies, and 26 and 26.1 of e-Questionnaire 6 to corporate customers.

Table 183: Italy – C-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[0-5]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
VW	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[10-20]%	[…]	[5-10]%	[…]	[0-5]%
Tata	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1422) The Proposed Transaction leads to the merger of the second and fourth largest C-SUV players in Italy. The Parties' combined market share in 2019 was [20-30]%. The Parties' market share post-merger would be at the 25% threshold set out in the Horizontal Merger Guidelines. The market has grown more than a [30-40]% from 2017 to 2019.

(1423) Following the Proposed Transaction, whilst the merged entity would become the largest competitor in terms of market shares, it would continue to face competition from two large players (VW and RNM), with market shares higher than the share increment brought about by the Proposed Transaction ([20-30]% and [10-20]% respectively, vs [10-20]%) as well as multiple others such as Hyundai-Kia, BMW, Ford or Toyota, with well reputed brands and a large dealer network in Italy. In particular, the Parties' largest competitor and market co-leader, VW, has increased its market share considerably in the last three years ([…]) and Geely, who sold […] in 2017, has managed to capture a [0-5]% of the market in only two years and in 2019 sold almost […] vehicles. In total, the merged entity would continue facing competition from at least eleven players.

(1424) Moreover, according to the information provided,[874] competitors are expected to launch in the next years up to […] new C-SUV models, significantly more than the […] new models that the Parties are planning to launch. This intense activity of OEMs is a reflection of the competitiveness and dynamism of the market and shows that the Parties will continue facing intense competition in the future.

874 See Table 165.

(1425) The hesitation data provided[875] indicates that Parties compete slightly more closely in this market than what their market share suggest, with an implied combined share of [20-30]%, which is, however, still very moderate.

(1426) In conclusion, given the relatively low market share of the merged entity post-Transaction, which does not exceed the threshold set out in the Horizontal Merger Guidelines, the existence of at least eleven competitors, and the growth and dynamism of the market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only C-SUVs in Italy.

7.2.6.14.3. All SUVs (Segment J)

(1427) Table 184 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising all SUVs, i.e. Segment J in Italy.

Table 184: Italy - Segment J

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[10-20]%	[…]	[20-30]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Tata	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1428) The Proposed Transaction leads to the merger of the second and fourth largest SUV players in Italy. The Parties' combined market share in 2019 was [30-40]%. The market grew from 2017 to 2019 by almost 35%. During that period, the Parties' main competitor in the market, VW, increased its share from [10-20]% to [10-20]%, doubling its sales, which means that it has managed to capture a larger share of the market growth than the Parties. Most other market participants have gained volumes in proportion to their shares. Following the Proposed Transaction, whilst the merged entity would become the largest competitor in terms of market share, it would

875 See Parties' reply to RFI 4 of 21 of April 2020, question 3.

continue to face competition from two large players (VW and RNM), with market shares higher than the share increment brought about by the Proposed Transaction ([10-20]% and [10-20]% respectively, vs [10-20]%). In total, the merged entity would continue facing competition from at least twelve players, all of them with well reputed brands and large dealer networks in Italy.

(1429) As regards closeness, considering that the Parties are not present in all the same segments within the J segment market (PSA is not present in D-SUV and E-SUV) and that they are not particularly close in the segments where they overlap, they must compete necessarily even less closely in the overall segment J segment market.

(1430) In conclusion, given the moderate market share of the merged entity post-merger, the lack of particular closeness between the Parties, the existence of a large competitor which has doubled its sales in the last three years and is growing more than the Parties, the existence of at least twelve competitors and the growth and dynamism of the market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising all SUVs in Italy.

7.2.6.15. Lithuania

7.2.6.15.1. B-SUVs

(1431) Table 185 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market comprising only B-SUVs in Lithuania.

Table 185: Lithuania – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[0-5]%
FCA	[…]	[40-50]%	[…]	[40-50]%	[…]	[40-50]%
Combined	[…]	*[60-70]%*	[…]	*[50-60]%*	[…]	[40-50]%
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[10-20]%
VW	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Hyundai-Kia	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Mazda	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1432) The Proposed Transaction leads to the merger of the largest and seventh largest C-SUV players in Lithuania. The Parties' combined market share in 2019 was [40-50]%, but PSA's presence in this market was very small in 2019, with [0-5]% of the market, decreasing significantly from [10-20]% in 2017, which means that the supply structure of the market will remain unaltered. PSA in fact sold only […] vehicles in this category in 2019. FCA also lost market share, from [40-50]% in 2017 to [40-50]% in 2019, despite the total market size almost doubling in size in the same period (93% increase). This means that the market growth was captured in a much larger proportion by the Parties' competitors, in particular by VW (which multiplied

its sales by 16 in the same period), Hyundai-Kia (by almost 20), and by Toyota, which entered the market in 2019 and managed to capture a [10-20]% share in only one year. This proves the high dynamism of the market and the contestability of the Parties' position.

(1433) […].[876] […]. Another market participant also alluded to the fact that this importer might register vehicles in Lithuania but actually the vehicles end up elsewhere.[877] Moreover, the difference in the market size of the Lithuanian, Latvian and Estonian B-SUV markets ([…] units in Lithuania, […] in Latvia and […] in Estonia) would seem to confirm this.[878]

(1434) Post-merger, the merged entity would continue facing competition from at least eight competitors, five of which with […] market shares than the share increment brought about by the Proposed Transaction. Toyota entered the market in 2019 and managed to capture immediately a share of [10-20]%, which demonstrates the contestability of the market.

(1435) In conclusion, despite the fact that the Parties' combined share is [40-50]%, given the Parties' declining market shares, the very small presence of PSA in this market ([…]), the successful and rapid market share gain by new entrants and in general rapid fluctuation of market shares, the growth and dynamism of the market, and the existence of at least eight competitors in the market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs in Lithuania.

7.2.6.15.2. All SUVs (Segment J)

(1436) Table 186 shows the Parties' and competitors' sales volumes and market shares for the last three years in the market including all SUVs, i.e. Segment J, in Lithuania.

876 See Parties' reply to RFI 55 of 5 November 2020, question 7.

877 See minutes of a call of 16 April 2020 with another importer in the Baltics.

878 In terms of population, Lithuania is only roughly 1.5 times the size of Latvia. Whilst one would expect more volumes sold in Lithuania than in the other two Baltic States, the difference appears particularly large.

Table 186: Lithuania – Segment J

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[30-40]%*
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[10-20]%	[…]	[20-30]%	[…]	[10-20]%
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Tata	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1437) The Proposed Transaction leads to the merger of the first and sixth largest SUV players in Lithuania. The Parties' combined market share in 2019 was [30-40]%,[879] but PSA's presence in this market is relatively limited, with [0-5]% share in 2019. The market grew more than a 70% from 2017 to 2019.

(1438) Post-merger, the merged entity would continue facing competition from at least eleven competitors, four of which with higher market shares than the share increment brought about by the Proposed Transaction.

(1439) In conclusion, given the moderate combined share of the Parties', the very small increment, the growth and dynamism of the market, and the existence of at least eleven competitors in the market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market including all SUVs in Lithuania.

7.2.6.16. Luxembourg

(1440) Table 187 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUVs in Luxembourg.

879 As explained in recital (1433) above, the Commission has some doubts as to whether all FCA vehicles registered in Lithuania are actually sold to customers in Lithuania.

Table 187: Luxembourg – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[0-5]%	[…]	[10-20]%	[…]	[10-20]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[5-10]%	[…]	[0-5]%
Suzuki	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Honda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1441) The Proposed Transaction leads to the merger of the largest and fourth largest B-SUV players in Luxembourg. The Parties' combined market share in 2019 was [30-40]%. In 2019, FCA was the fourth largest player in the SUV-B market in Luxembourg with [10-20]% market share. The market grew by 41% from 2017 to 2019, which did not prevent PSA from losing market share in that period, meaning it barely captured any of that growth. On the contrary, the market growth was captured in a larger proportion by other competitors who managed to increase their sales considerably. In particular VW, who more than doubled its sales in that period, Hyundai-Kia, who […] its sales almost by […], and Toyota, who entered the market in 2019 and managed to capture a [0-5]% in only one year.

(1442) Following the Proposed Transaction, whilst the merged entity would become the largest competitor in terms of market shares, it would continue facing competition from at least nine players, two of whom (RNM and VW) have market shares […] the share increment brought about by the Proposed Transaction.

(1443) In conclusion, given the moderate market share of the merged entity, the growth and dynamism of the market and the existence of at least nine competitors, some of which growing rapidly, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs in Luxembourg.

7.2.6.17. Netherlands

7.2.6.17.1. B-SUVs

(1444) Table 188 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUVs in the Netherlands.

Table 188: Netherlands – C-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*
Hyundai-Kia	[…]	[0-5]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[30-40]%	[…]	[20-30]%	[…]	[10-20]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Suzuki	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Mazda	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1445) The Proposed Transaction leads to the merger of the largest and ninth largest B-SUV players in the Netherlands. The Parties combined share in 2019 was [20-30]% with a very small market share increment, which means that the structure of the market will remain unaffected by the Proposed Transaction. The Parties' market share post-merger would barely exceed the 25% threshold set out in the Horizontal Merger Guidelines.

(1446) Following the Proposed Transaction, the competitive structure of the market would not change significantly. Whilst the merged entity would remain the largest competitor in terms of market shares, it would continue to face competition from at least seven competitors (Hyundai-Kia, RNM, VW, Toyota, Suzuki, Ford and Mazda), who all have market shares higher than the share increment brought about by the Proposed Transaction. Hyundai-Kia, VW, Toyota and Ford have gained market shares over the last years, whereas, in the same period, the Parties have significantly decreased their share, which means that a relatively larger proportion of the market growth has been captured by competitors.

(1447) In conclusion, given the relatively low market share of the merged entity post-merger, the negligible market share increase and the existence of at least seven large competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in B-SUV market in the Netherlands.

7.2.6.17.2. C-SUVs

(1448) Table 189 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only C-SUVs in the Netherlands.

Table 189: Netherlands – C-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*
VW	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
Hyundai-Kia	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Mazda	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[10-20]%	[…]	[5-10]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Ford	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
MG	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1449) The Proposed Transaction leads to the merger of the second and eleventh largest C-SUV players in the Netherlands. The Parties' combined market share in 2019 was [20-30]% with a negligible market share increment, which means that the structure of the market will remain unaffected. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.

(1450) Whilst the merged entity would remain the second largest competitor in terms of market shares, it would continue to face competition from at least ten players, eight of whom (VW, Hyundai-Kia, RNM, Mazda, Geely, BMW, Toyota and Ford) have market shares larger than the share increment brought about by the Proposed Transaction.

(1451) In conclusion, given the relatively low market share of the merged entity, the negligible share increment and the existence of at least ten competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only C-SUVs in the Netherlands.

7.2.6.17.3. All SUVs (Segment J)

(1452) Table 190 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market including all SUVs, i.e. Segment J in the Netherlands.

Table 190: Netherlands – Segment J

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
Hyundai-Kia	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Mazda	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Geely	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Suzuki	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Tata	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1453) The Proposed Transaction leads to the merger of the second and twelfth largest SUV players in the Netherlands. The Parties' combined market share in 2019 was [20-30]% and the market share increment is negligible, which means that the structure of the market will remain unaffected by the Proposed Transaction. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.

(1454) The merged entity would be the second largest competitor in terms of market shares. Moreover, it would continue to face competition from at least eleven players, all of which with market shares larger than the share increment brought about by the Proposed Transaction. Other competitors such as VW and Hyundai-Kia have increased their market shares considerably.

(1455) In conclusion, given the relatively low market share of the merged entity, the negligible market share increment, and the existence of at least eleven competitors, some of which rapidly growing, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market including all SUVs in the Netherlands.

7.2.6.18. Portugal

7.2.6.18.1. B-SUVs

(1456) Table 191 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUVs in Portugal.

Table 191: Portugal – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[30-40]%	[…]	[20-30]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*
RNM	[…]	[40-50]%	[…]	[30-40]%	[…]	[20-30]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[0-5]%	[…]	[5-10]%	[…]	[10-20]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Mazda	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Honda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1457) The Proposed Transaction leads to the merger of the second and fifth largest SUV-B players in Portugal. The Parties' combined market share in 2019 was [30-40]%. PSA's market share has fluctuated whilst FCA's has remained stable.

(1458) The market grew by 60% between 2017 and 2019. This growth has been captured by competitors such as VW, Hyundai-Kia and Toyota in a much larger proportion than by the Parties. In fact, PSA failed to capture any of the growth between 2018 and 2019. Moreover, Toyota, who entered the market in 2019, managed to capture [5-10]% of the market and sell […] units in only one year and Hyundai-Kia increased its share from [0-5]% to [10-20]% in only three years, multiplying its sales by […]. All this reflects the dynamism of the market.

(1459) Following the Proposed Transaction, whilst the merged entity would become the largest competitor in terms of market share, it would continue to face competition from at least seven players, three of which (RNM, VW and Hyundai-Kia) with market shares higher than the share increment brought about by the Proposed Transaction.

(1460) In conclusion, given the still moderate market share of the merged entity, the growth and dynamism of the market and the existence of at least seven competitors, some of which have grown significantly in recent years, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs in Portugal.

7.2.6.18.2. C-SUVs

(1461) Table 192 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only C-SUVs in Portugal.

Table 192: Portugal – C-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
RNM	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Hyundai-Kia	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Toyota	[…]	[5-10]%	[…]	[10-20]%	[…]	[0-5]%
Daimler	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Tata	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1462) The Proposed Transaction leads to the merger of the largest and ninth largest C-SUV players in Portugal. The Parties' combined market share in 2019 was [20-30]%. FCA has traditionally been a small player in C-SUVs in Portugal, with around [0-5]% market share. Therefore, the market structure will remain essentially unaffected by the Proposed Transaction.

(1463) Whilst the merged entity would remain the largest competitor in terms of market shares, it would continue to face competition from at least nine players, seven of whom (RNM, VW, BMW, Hyundai-Kia, Geely, Mazda and Toyota) have market shares larger than the share increment brought about by the Proposed Transaction.

(1464) In conclusion, given the very moderate market share of the merged entity, FCA's very small presence in the market and the existence of at least nine competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only C-SUVs in Portugal.

7.2.6.18.3. All SUVs (Segment J)

(1465) Table 193 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising all SUVs, i.e. Segment J, in Portugal.

Table 193: Portugal – Segment J

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[30-40]%*
RNM	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Tata	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1466) The Proposed Transaction leads to the merger of the second and joint sixth largest SUV players in Portugal. The Parties' combined market share in 2019 was [30-40]% with very small share increment. Overall, the SUV market has grown by nearly 40% over the last three years.

(1467) Whilst the merged entity would remain the largest competitor in terms of market shares, it would continue facing competition from at least nine players, six of whom (RNM, VW, Hyundai-Kia, BMW, Toyota and Geely) have market shares larger or similar than the share increment brought about by the Proposed Transaction.

(1468) In conclusion, given the very moderate market share of the merged entity, the very small market share increase and the existence of at least nine competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market including all SUVs in Portugal.

7.2.6.19. Slovakia

(1469) Table 194 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUVs in Slovakia.

Table 194: Slovakia – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
RNM	[…]	[30-40]%	[…]	[20-30]%	[…]	[30-40]%
Suzuki	[…]	[30-40]%	[…]	[20-30]%	[…]	[10-20]%
VW	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Hyundai-Kia	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Honda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1470) The Proposed Transaction leads to the merger of the second largest and joint ninth largest B-SUV players in Slovakia. The Parties' combined market share in 2019 was [20-30]% with a negligible market share increment, which means that he market structure will remain unaffected. The Parties' market share post-merger would barely exceed the 25% threshold set out in the Horizontal Merger Guidelines.

(1471) The merged entity would remain the second largest competitor in terms of market shares and it would continue facing competition from at least eight competitors, seven of whom (RNM, Suzuki, VW, Hyundai-Kia, Toyota, Mazda and Honda) have market shares higher than the share increment brought about by the Proposed Transaction. VW and Hyundai-Kia have gained market share rapidly in the last years.

(1472) In conclusion, given the moderate market share of the merged entity, the negligible market share increment and the existence of at least eight competitors, some of which rapidly growing, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs in Slovakia.

7.2.6.20. Slovenia

(1473) Table 195 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUVs in Slovenia.

Table 195: Slovenia – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[30-40]%	[…]	[20-30]%
FCA	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*
RNM	[…]	[40-50]%	[…]	[30-40]%	[…]	[20-30]%
VW	[…]	[0-5]%	[…]	[5-10]%	[…]	[10-20]%
Hyundai-Kia	[…]	[0-5]%	[…]	[5-10]%	[…]	[10-20]%
Suzuki	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Mazda	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1474) The Proposed Transaction leads to the merger of the joint largest and joint sixth largest B-SUV players in Slovenia. The Parties' combined market share in 2019 was [20-30]% with a small market share increment. The total market size has increased by [40-50]% from 2017 to 2019. During that period, the Parties lost market share, which means that market growth was captured by other competitors, in particular VW and Hyundai-Kia, who increased their sales and market shares considerably. Moreover, there was a new entrant in the market, Toyota, who managed to capture a [0-5]% of the market in just one year.

(1475) The merged entity would remain the second largest competitor in terms of market shares behind RNM. Moreover, it would continue facing competition from at least eight competitors, four of whom (RNM, VW, Hyundai-Kia and Suzuki) have market shares higher than the share increment brought about by the Proposed Transaction.

(1476) In conclusion, given the relatively low market share of the merged entity, small market share increment, the growth and dynamism of the market and the existence of at least eight competitors, some of which growing rapidly, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs in Slovenia.

7.2.6.21. Spain

7.2.6.21.1. B-SUVs

(1477) Table 196 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUVs in Spain.

Table 196: Spain – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
FCA	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[30-40]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[0-5]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1478) The Proposed Transaction leads to the merger of the largest and fifth largest SUV-B players in Spain. The Parties' combined market share in 2019 was [30-40]%. PSA's market share fell from [30-40]% in 2017 to [20-30]% in 2019. FCA's market share also decreased from 12% in 2017 to 9% in 2019.

(1479) The market jumped from […] units sold in 2017 to […] in 2019, i.e. an increase of 62% in three years. In spite of this, the Parties lost market share, which means that this growth was captured in a much larger proportion by other competitors, in particular by VW, which went from [5-10]% to [10-20]%, multiplying its sales by […], and Hyundai-Kia, which increased its share from [0-5]% to [10-20]% in the same period and multiplied its sales by more than […]. Moreover, Toyota entered the market in 2019 and managed to capture a [5-10]% share and sell almost […] units in only one year. All these elements reflect the high dynamism of the market.

(1480) Following the Proposed Transaction, and in view of the Parties' decreasing share in a growing market, the competitive nature of the market would not change. Whilst the merged entity would remain the largest competitor in terms of market shares, it would continue facing competition from at least eight competitors, three of whom (RNM, VW and Hyundai-Kia) have market shares higher than the share increment brought about by the Proposed Transaction.

(1481) In conclusion, given the moderate market share of the merged entity, the decreasing shares of the Parties, the growth and high dynamism of the market, and the existence of at least eight competitors, some of which rapidly growing, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs in Spain.

7.2.6.21.2. C-SUVs

(1482) Table 197 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only C-SUVs in Spain.

Table 197: Spain – C-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*
VW	[…]	[10-20]%	[…]	[20-3%	[…]	[20-30]%
RNM	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[0-5]%	[…]	[5-10]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Tata	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1483) The Proposed Transaction leads to the merger of the second and ninth largest SUV-C players in Spain. The Parties' combined market share in 2019 was [20-30]%, which means it would barely result in an affected market, and the market share increment is very small. The Parties' market share post-merger, in fact, would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.

(1484) The merged entity would remain the largest competitor in terms of market shares but would continue facing competition at least eleven players, seven of whom (VW, RNM, Hyundai-Kia, BMW, Toyota, Ford and Mazda) have market shares larger or similar than the share increment brought about by the Proposed Transaction.

(1485) In conclusion, given the relatively low market share of the merged entity, the very small share increment brought about by the Proposed Transaction and the existence of at least eleven competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only C-SUVs in Spain.

7.2.6.21.3. All SUVs (Segment J)

(1486) Table 198 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market including all SUVs, i.e. Segment J, in Spain.

Table 198: Spain – Segment J

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Hyundai-Kia	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Geely	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Tata	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Suzuki	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1487) The Proposed Transaction leads to the merger of the second and sixth largest SUV players in Spain. The Parties' combined market share in 2019 was [20-30]%. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.

(1488) The merged entity would remain the largest competitor in terms of market shares but would continue facing competition at least twelve players, five of whom (VW, RNM, Hyundai-Kia, Toyota and BMW) have market shares larger or similar than the share increment brought about by the Proposed Transaction.

(1489) In conclusion, given the relatively low market share of the merged entity and the existence of at least twelve competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising all SUVs in Spain.

7.2.6.22. United Kingdom

(1490) Table 199 shows the Parties' and competitors' sales volumes and market shares for the last three years in a market comprising only B-SUVs in the United Kingdom.

Table 199: United Kingdom – B-SUVs

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[30-40]%	[…]	[20-30]%
FCA	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*
RNM	[…]	[30-40]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Suzuki	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Mazda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Honda	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1491) The Proposed Transaction leads to the merger of the largest and joint ninth largest B-SUV players in the United Kingdom. The Parties' combined market share in 2019 was [20-30]% with a very small increment. The market has increased by 30% from 2017 to 2019. During that period, the Parties lost share, which means that the market growth was captured essentially by other players, such as VW and Hyundai-Kia, who increased their sales and market shares considerably. Moreover, there was a new entrant in the market, Toyota, who managed to capture a [5-10]% share and sell almost […] units in just one year.

(1492) Whilst the merged entity would remain the largest competitor in terms of market shares, it would continue facing competition from at least nine competitors, seven of whom (RNM, VW, Ford, Hyundai-Kia, Toyota, Suzuki and Mazda) have market shares higher than the share increment brought about by the Proposed Transaction.

(1493) In conclusion, given the very moderate market share of the merged entity, the very small market share increment, the growth and dynamism of the market and the existence of at least nine competitors, some of which rapidly growing, the Commission considers that the Proposed Transaction would not significantly impede effective competition in a market comprising only B-SUVs in the United Kingdom.

7.2.7. Segment M

7.2.7.1. Supply-side considerations

(1494) PSA and FCA are present in the M-markets in the EEA with various models. Table 200 below lists the models commercialised by PSA, FCA and their main competitors in the M markets in the EEA in 2019.

Table 200: OEM's models in M markets in the EEA

OEM	Brand	Model
FCA	Fiat	500L, Talento People Mover, Ducato People Mover
	Chrysler	Voyager, Pacifica
PSA	Citroën	C4 Space Tourer / Grand C4 Space Tourer, Berlingo Multispace, Jumper Combi, Space Tourer
	Peugeot	Traveller, Rifter, Boxer Combi
	Opel	Zafira Life, Combo Life, Movano Combi
RNM	Renault	Scenic, Espace, Kangoo, Trafic, Master
	Nissan	Primastar, NV200, NV250, NV300, NV400
	Dacia	Lodgy
VW	Volkswagen	Touran, Sharan, Caddy, Multivan, Crafter
	SEAT	Alhambra
BMW	BMW	2-Series Active Tourer, 2-Series Gran Tourer
Ford	Ford	C-Max, B-Max, S-Max, Galaxy, Tumeo Custom, Tumeo Connect, Tumeo
Daimler	Mercedes-Benz	B-Class, V-Class, Citan, Sprinter
Toyota	Toyota	Prius Alpha, Verso, Sienna, ProAce
Hyundai-Kia	Hyundai	ix20, Starex
	KIA	Venga, Carens
Ssangyong	Ssangyong	Rodius/Korando Turismo
Mazda	Mazda	Premacy

Source: Form CO, Tables 278 and 279

(1495) OEMs are present in this market with a variety of models such as multipurpose vehicles ('MPVs'), which are vehicles specifically made for this segment (such as the 500L Chrysler Voyager, Citroën C4 Space Tourer, Renault Scenic, Volkswagen Sharan or Ford C-Max or Galaxy) and "combi" PC versions of LCVs which serve the same purposes as MPVs.

(1496) The Parties submit that, due to the declining demand of M-segment vehicles, the majority of OEMs' strategy is to exit MPVs. PSA claims […].[880] As regards FCA, […].[881] The internal documents provided by FCA confirm […].[882]

(1497) The Harbour data provided by the Parties indicates that there is spare capacity in the M segment markets in the EEA.[883]

7.2.7.2. Demand-side considerations

(1498) The Parties argue that since 2008, the M-segment has been declining in the EEA. According to the Parties, sales of segment M vehicles in the EEA experienced a 40% decrease over the last 9 years, and this decrease is expected to continue. The Parties attribute this trend to the decreasing number of children per family in most developed countries and to the fact that that "minivans" have suffered from the

880 […] (PSA286), […] (Annex PSA289) […]" (Annex PSA290). These documents show how these versions were in the past conceived as MPVs but, due to the decline of this market and changes in customer preferences, the new versions were rolled out as SUVs.

881 See Parties' reply to RFI 12 of 25 May 2020, questions 1 and 2. See, in particular Annex FCA 197 […] and Annex FCA199 […]. […].

882 […] (See Parties' reply to RFI 12 of 25 May 2020, questions 1 and 2).

883 Form CO, Table 129.

comparison with SUVs (segment J) which have a greater appeal in terms of design.[884]

(1499) The Parties have in this regard provided IHS data on their own and their competitors' sales in segment M vehicles and SUVs since 2008, as well as the Parties' combined shares in both market segments, including projections for 2020 and 2021.

Figure 5: Segment M sales in the EEA since 2008

[…]

Source: Form CO, Table 280

Figure 6: Segment J (SUVs) sales in the EEA since 2008

[…]

Source: Form CO, Table 281

(1500) These figures show in fact a declining trend of approximately 5% per year in the sales of M vehicles in the EEA. Since 2008, the sales of these vehicles dropped from 2.2 million in 2008 to […] million in 2019, while, in the same period, the sales of SUVs jumped from 1.2 million in 2008 to […] million in 2019. These figures also show a decline in the Parties' combined share from around [40-50]% in 2010 to less than [30-40]% in 2019. […].

(1501) The responses to the market investigation support that this trend will continue in the future. A vast majority of OEMs indicated that the decrease in the demand of these vehicles will likely continue in the near future.[885] Toyota indicated that the main driver of this trend is *"customer shift in preference to SUV models which offer practicality but also higher driving position as well as a better styling and attractive vehicle to own while also not being higher in terms of cost of ownership*".[886] Daimler also put forward the same argument, indicating that the segment is victim of the success of the SUV segments.[887] Volvo did not exclude that MPVs could evolve into new hybrid concepts in the future in response to changing customers' expectations and energy efficiency needs, but stated it would not be "*the MPV we used to know*". At the present moment, it added, SUVs have become an "aspirational" vehicles, which is challenging the market demand for MPVs.[888] Consistently with this view of the market, only a minority of OEMs indicated that they have plans to launch new M-segment vehicles into the market in the next years.[889]

(1502) Similarly, the vast majority of dealers[890] and importers[891] and a majority of leasing and rental companies[892] were of the view that MPVs will continue their decline. Essentially all market participants expressing an opinion agreed that demand will shift towards SUVs due to their higher versatility, aspirational character and more trendier design.

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884 See Form CO, paragraph 2343.

885 See replies to question 41 of e-Questionnaire 1 to competitors. Mazda was the only competitor that replied in the negative to this question although it admitted it currently does not sell this type of vehicles in the EEA.

886 See reply by Toyota to question 41.1 of e-Questionnaire 1 to competitors.

887 See reply by Daimler to question 41.1 of e-Questionnaire 1 to competitors.

888 See reply by Volvo to question 41.1 of e-Questionnaire 1 to competitors.

889 See replies to question 41.2 of e-Questionnaire 1 to competitors.

890 See replies to question 16 of e-Questionnaire 4 to dealers.

891 See replies to question 16 of e-Questionnaire 3 to importers.

892 See replies to question 16 of e-Questionnaire 5 to rental and leasing companies.

(1503) Internal documents support this view of a declining market. A PSA internal presentation shows how all types of customers which used to buy other types of vehicles, but especially MPVs, are now transitioning towards SUVs because of their adventurous and modern image. This document presents the new generation of […] models, which have been transformed to acquire an SUV-style.[893] That trend is summarised in the following image:

Figure 7: Transition from MPVs to SUVs

[…]

Source: PSA286.

(1504) […].[894]

(1505) FCA submitted several […].[895] […].[896]

(1506) In conclusion, the Commission considers that the evidence collected during the investigation supports that (i) the segment M has been declining at a steep rate during the last decade; (ii) that this decline is expected to continue in the future; (iii) that customers lost by the M-segment are mostly switching to SUVs, which suggest the latter exert a relevant out of market constraint; (iv) consistently with this, […]; (v) few OEMs are planning to continue launching new MPVs in the future and, […], most are opting for the discontinuation of their MPV models or transitioning them into SUV-like vehicles.

7.2.7.3. EEA-wide market shares

(1507) Table 201 shows the Parties' and competitors' volumes and market shares for the last three years at EEA level in the segment M markets.

Table 201: EEA – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Hyundai-Kia	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

893 The Citroën internal presentation (without date) « Workshop New Generation SUV – Inspired by customers » (PSA286).

894 See […] (Annex PSA289). […] (Annex PSA290).

895 […] (Annex FCA195). In the same line, see Annex FCA194.

896 […], non-dated (Annex FCA 196).

Source: Parties' response to RFI 44, Question 3

(1508) The Proposed Transaction involves the merger of the first (jointly with VW) and the sixth player at EEA-level. Post-merger, the combined entity would be [10-20] points above the second competitor (VW). However, there would be two competitors with shares between [10-20]% and [20-30]% (VW and RNM) and two more between [10-20]% and [10-20]% (Ford and Daimler).

(1509) In the last three years, the EEA market shrunk from […] vehicles in 2017 to […] in 2019, i.e. a 18% reduction in only two years. As explained in Section 7.2.7.2, this is due to the shifting of customers mostly to the SUV segment. As shown in Figure 5, the combined market share of the Parties has also […] since 2010, from around [40-50]% to the current [30-40]%.

(1510) This historic diversion is confirmed by the hesitation data, which suggests out-of-market diversion from segment M to other segments, including in particular SUVs: only [40-50]% of the Parties' M-segment customers considered another M-segment vehicle as their main alternative. The most important alternatives were C-segment, followed by C-SUV and B-SUV vehicles. More specifically, the SUV-segments together exert a larger constraint on M-segment vehicles than any other segment, including the C-segment, and exert a constraint that is more than [50-60]% as that imposed by the actual M-segment competitors.[897]

(1511) Importantly for the purposes of assessing this Transaction, the constraint imposed by C-segment and C-SUV vehicles alone, at [30-40]%, is nearly as large as that imposed by M-segment vehicles. Since the Parties' combined market shares at EEA-level in these two segments are significantly smaller than in the M-segment (at only [10-20]% and [10-20]% respectively), the Parties are constrained not only by the above-mentioned M-segment competitors, but also by competing models from those segments.

(1512) Overall, the results of the market investigation show that, even if in decline, market participants perceive the M segment as a market with numerous players and brands present and the vast majority consider that the Proposed Transaction will not lead to any anticompetitive effects.

(1513) In particular, EEA-wide, a vast majority and in some case the unanimity of the market participants having replied to the market investigation ([80-90]% of dealers, [80-90]% of importers, [60-70]% of leasing and rental companies, and [90-100]% of corporate customers and [90-100]% of competitors)[898] responded that the merged entity would not have the ability post-merger to increase significantly the prices that end-customers pay for their vehicles. Moreover, similar percentages ([90-100]% of dealers, [90-100]% of importers, [90-100]% of leasing rental companies and [90-100]% of corporate customers)[899] considered that if the merged entity decided post-merger to raise significantly the prices of their vehicles, there would be brands of other OEMs to which end-customers could easily switch.[900]

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897 M-segment customers consider as the main alternative: M-segment vehicles at [40-50]%, C-segment at [10-20]%, C-SUV at [10-20]%, and B-SUV at [5-10]%.

898 See responses to question 42 of e-Questionnaire 4 to dealers.

899 See responses to question 42 of e-Questionnaire 4 to dealers.

900 See responses to questions 42 and 43 of e-Questionnaire 3 and 4 to importers and dealers, respectively, to questions 37 and 38 of e-Questionnaire 5 to leasing and rental companies, to questions 25 and 26 of e-Questionnaire 6 to corporate customers, and to question 58 of e-Questionnaire1 to competitors.

7.2.7.4. Closeness of competition

(1514) The internal documents of the Parties […].[901] […].[902] […].[903] […]. Therefore, internal documents do not show any particular closeness between the Parties.

(1515) The Parties have also provided hesitation data for the following "Big-12" countries, which constitute the largest part of the EEA market: Germany, France, Italy, Spain, United Kingdom, Poland, Netherlands (data for 2017-2019); Denmark (data for 2017 and 2019 only); Austria, Belgium, Czechia, Portugal (data for 2018 only).[904] The diversion at EEA-wide level (i.e. based on the Big-12 countries) shows that […],[905] which means that the Parties compete less closely than […].

(1516) In view of the above, the Commission considers that the Parties do not appear to compete particularly closely in any of the M segment markets.

7.2.7.5. Affected national markets

(1517) Table 202 shows PSA's and FCA's market shares in the segment M markets in the different EEA Member States.

901 See Annexes FCA 194 and FCA 195.

902 See Annex FCA14.

903 See Annexes PSA 41, PSA 47, PSA 50.

904 See Parties' reply to RFI 4 of 21 of April 2020, question 3.

905 The diversion analysis is based on 2017-2019 averages to the extent possible to minimise the effect of random variation. When computing averages across the Big-12, countries are weighted according to their 2019 market size.

Table 202: Segment M – Market shares at national level and affected markets

EEA Member States	2019 market shares (in volume)		
	PSA	FCA	*Combined*
Austria	[10-20]%	[5-10]%	*[10-20]%*
Belgium	[30-40]%	[0-5]%	*[30-40]%*
Bulgaria	[10-20]%	[10-20]%	*[20-30]%*
Croatia	[30-40]%	[10-20]%	*[40-50]%*
Cyprus	[5-10]%	[0-5]%	*[10-20]%*
Czechia	[10-20]%	[0-5]%	*[20-30]%*
Denmark	[10-20]%	[0-5]%	*[20-30]%*
Estonia	[50-60]%	[0-5]%	*[50-60]%*
Finland	[10-20]%	[20-30]%	*[30-40]%*
France	[30-40]%	[0-5]%	*[30-40]%*
Germany	[10-20]%	[5-10]%	*[20-30]%*
Greece	[30-40]%	[20-30]%	*[50-60]%*
Hungary	[10-20]%	[5-10]%	*[20-30]%*
Iceland	[20-30]%	[10-20]%	*[30-40]%*
Ireland	[20-30]%	[0-5]%	*[20-30]%*
Italy	[10-20]%	[40-50]%	*[50-60]%*
Latvia	[30-40]%	[0-5]%	*[30-40]%*
Lithuania	[20-30]%	[0-5]%	*[20-30]%*
Luxembourg	[10-20]%	[5-10]%	*[20-30]%*
Malta	[0-5]%	[0-5]%	*[0-5]%*
Netherlands	[10-20]%	[5-10]%	*[20-30]%*
Norway	[10-20]%	[0-5]%	*[10-20]%*
Poland	[20-30]%	[0-5]%	*[20-30]%*
Portugal	[20-30]%	[5-10]%	*[30-40]%*
Romania	[0-5]%	[5-10]%	*[5-10]%*
Slovakia	[30-40]%	[5-10]%	*[30-40]%*
Slovenia	[20-30]%	[5-10]%	*[30-40]%*
Spain	[40-50]%	[5-10]%	*[40-50]%*
Sweden	[5-10]%	[10-20]%	*[10-20]%*
United Kingdom	[20-30]%	[0-5]%	*[20-30]%*

Source: Parties' response to RFI 44, Question 3

(1518) Accordingly, the affected markets, i.e. those where there is a horizontal overlap between the Parties and the Proposed Transaction will lead to a combined market share of 20% or more, are the following: Belgium, Bulgaria, Croatia, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain and the United Kingdom.

7.2.7.6. Belgium

(1519) Table 203 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Belgium.

Table 203: Belgium – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[20-30]%	[…]	[30-40]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[20-30]%	[…]	[30-40]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Hyundai-Kia	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1520) The Proposed Transaction would result in the merger of the largest and the seventh largest players in the segment M market in Belgium. The Parties' combined market share in 2019 was [30-40]%, closely followed by RNM, with [20-30]%; VW had [10-20]%. FCA's share in 2019 was very low, with around […] vehicles sold and [0-5]% share, decreasing from [0-5]% in 2017, which means that the structure of supply will remain essentially unaltered by the Proposed Transaction. Post-merger there would still be seven competitors in the market, two of which with shares above [10-20]%.

(1521) The total size of the market decreased from […] units in 2017 to […] in 2019, i.e. a 28% decrease in only two years, a rate significantly higher than the EEA average (18%). The Parties seem to have been losing sales at a similar rate. As explained in Section 7.2.7.3, the decline of the market and the diversion towards other segments is an indication of significant out-of-market-constraints. If it follows the pattern of other EEA markets, this means this constraint is exerted, in particular, from SUV markets, where the Parties' combined share is lower ([20-30]% in J-segment market, as indicated in Section 7.2.6.7).

(1522) In conclusion, given the moderate combined share of the Parties, the very small share increment which does not alter the structure of the market, the decline of the market, the out-of-market constraints from other product markets, and the existence of seven competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Belgium.

7.2.7.7. Bulgaria

(1523) Table 204 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Bulgaria.

Table 204: Bulgaria – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[0-5]%	[…]	[5-10]%	[…]	[10-20]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*
RNM	[…]	[40-50]%	[…]	[40-50]%	[…]	[40-50]%
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Isuzu	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1524) The Proposed Transaction would result in the merger of the third and joint fourth largest players in the segment M market in Bulgaria. The Parties' combined market share in 2019 was [20-30]%, [10-20] points below the market leader, RNM with [40-50]%, and [5-10] points more than VW. PSA's share decreased from [20-30]% in 2017 to [10-20]% in 2019, whereas FCA's increased form [0-5]% to [10-20]%. RNM's, VW's and Ford's remained relatively stable. Post-merger the combined entity would remain behind the market leader and would still face competition from at least three competitors. The Parties' market share post-merger would be just above the 25% threshold set out in the Horizontal Merger Guidelines.[906]

(1525) Given the relatively low combined share of the Parties and the existence of at least three other competitors in the market, one of which with higher market shares, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Bulgaria.

7.2.7.8. Croatia

(1526) Table 205 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Croatia.

906 Horizontal Merger Guidelines, paragraph 17.

Table 205: Croatia – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*
VW	[…]	[20-30]%	[…]	[10-20]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[20-30]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[10-20]%	[…]	[0-5]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1527) The Proposed Transaction would result in the merger of the largest and the fifth largest players in the segment M market in Croatia. The Parties' combined market share in 2019 was [40-50]%. PSA's share in 2017 was [30-40]%, then decreased to [30-40]% and then increased again to [30-40]%. FCA's share was very small until 2018, then it increased to [10-20]% in 2019. The market shares of VW, RNM and Ford have also fluctuated strongly in the last years, which may be due to the relatively small size of the market. This would suggest that market shares are not a fully reliable proxy for market power. Post-merger there would still be at least six competitors in the market, three of which with shares above the 10% increment brought by the Transaction, and some with higher growth than the Parties. In fact, RNM sales have increased from 2017 to 2019 by [30-40]%, Daimler's by [30-40]% whereas the Parties' sales have grown by [10-20]%.

(1528) The fluctuation of the Parties' sales suggest that they are not particularly close competitors: PSA and FCA lost and gained sales and market shares in the same years (lost from 2017 and 2018 and gained from 2018 and 2019). On the contrary, market share evolution seem to point to RNM and Ford as PSA's close competitors: from 2017 and 2018 PSA's market share decreased from [30-40]% to [30-40]% and VW's from [20-30]% to [10-20]% whereas in the same year RNM's share increased from [10-20]% to [20-30]% and Ford's from [5-10]% to [10-20]%. From 2018 to 2019, PSA's and VW's shares increased from [30-40]% to [30-40]% and [10-20]% to [20-30]%, while RNM's went down from [20-30]% to [10-20]% and Ford's from [10-20]% to [0-5]%. The Commission does not have country-specific hesitation data for Croatia, although the diversion at EEA-wide level (i.e. based on the Big-12 countries) suggests that the Parties compete in the M markets less closely than what their combined market share suggests.

(1529) The segment M is a market in decline at EEA level with customers shifting towards other markets, in particular SUVs, as the hesitation data at EEA level clearly shows (see Section 7.2.7.3). It is true that in Croatia the market has grown in the last two years. However, nothing suggests that the Croatian market will not follow in the medium term the same trend as the rest of the EEA, in particular as OEMs reduce their production of MPVs and transform these vehicles into and direct their marketing efforts towards SUVs. Highly declining market size and high diversion towards other markets supports the notion that despite their relatively high combined

share post-merger, the Parties will face in the medium term significant out-of-market constraint. If it follows the pattern at EEA-level, this means this constraint is exerted, in particular, from the SUV markets, where their combined share is considerably lower in Croatia ([10-20]%). In the Commission's view, this diversion towards other markets where there are stronger competitors, in addition to the competition in the M-segment from existing market players, would likely render unprofitable any price increase.

(1530) Moreover, the moderate market shares of the Parties at EEA-level is an indication of the fact that, even in the absence of a high diversion towards other product markets, the Parties would in general face more intensive potential competition from other players, in particular Ford ([0-5]% share in Croatia vs [10-20]% at EEA-level) but also BMW, Toyota and Hyundai-Kia ([0-5]% combined in Croatia vs [10-20]% at EEA-level).

(1531) Market participants are of the view that the Parties face sufficient competitive constraints. A vast majority of the market respondents in Croatia considered that the Parties would not have the ability to increase prices significantly in the M segment market in Croatia. An importer indicated that even after the expected restrictions due to the pandemic the Parties will not be able to increase prices "*[e]xpected post COVID-19 market situation in Croatia will not result in price increase. Remaining small domestic market will be characterised by price discount*". Leasing and rental companies stated "*I see no reason why the prices would significantly increase in Croatia*", and pointed out to the fact that "[*t]here are other strong players and competitors who also participate in the market having influence on overall prices and demand*". One rental company in particular pointed out FCA's weakness in the market " *[i]n the last ten years, Fiat Corporation has not proven to be a stable manufacturer that follows the trends of accelerated development of vehicles and their quality*". And a corporate customers expressed that it expected prices to decrease after the merger: *"I don't see any reason for price increase, just opposite*". Other market participants expressed their view that there are sufficient alternatives in the market and pointed to the strengths of competitors. One imported said: "*German brands, mainly VAG, as well as the Coreans (Hyundai, Kia), as well as Renault Group have more than a large range to answer client demand*". And a leasing company indicated that the market "*is highly mature with wide range of alternative brands we would turn to the alternative solution*."[907]

(1532) In conclusion, despite the relatively high combined market share post-merger, the small market position of FCA, the apparent lack of closeness between the Parties, the existence of five competitors in the market, some of which appear closer to the Parties, are growing more significantly more than the Parties and also have significant market positions at EEA-wide level, and the likely out-of-market constraints from other product markets where the Parties are weaker, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Croatia.

7.2.7.9. Czechia

(1533) Table 206 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Czechia.

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907 See responses to questions 42 and 43 of e-Questionnaire 3 and 4 to importers and dealers, respectively, to questions 37 and 38 of e-Questionnaire 5 to leasing and rental companies, to questions 25 and 26 of e-Questionnaire 6 to corporate customers, and to question 58 of e-Questionnaire 1 to competitors.

Table 206: Czechia – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
RNM	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Hyundai-Kia	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1534) The Proposed Transaction would result in the merger of the largest and the eighth largest players in the segment M market in Czechia. In 2019, the Parties' combined market share was [20-30]%, closely followed by RNM, with [20-30]% and VW, with [10-20]%. FCA's share in 2019 was very low, with […] vehicles sold and [0-5]% share, which means that the structure of supply will remain essentially unaltered by the Proposed Transaction. The Parties' and competitors' market shares have remained stable over the last three years. Post-merger there would still be at least six competitors in the market, two of which with shares above 10%. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.[908]

(1535) The total size of the market decreased from […] units in 2017 to […] in 2019, i.e. a 15% decrease in only two years, which is roughly in line with the EEA average (18%). The Parties and competitors seem to have been losing sales at a similar rate. As explained in Section 7.2.7.3, the decline of the market and the diversion towards other segments is an indication of significant out-of-market-constraints. If it follows the pattern at EEA-level, this means this constraint is exerted, in particular, from SUV markets, where the Parties' combined share in Czechia is lower ([10-20]%).

(1536) In conclusion, given the relatively low combined share, below the 25% threshold set out in the Horizontal Merger Guidelines, the minimal presence of FCA in this market, the decline of the market, the out-of-market constraints from other product markets, and the existence of six competitors, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Czechia.

7.2.7.10. Denmark

(1537) Table 207 shows the Parties' and competitors' sales volumes and market shares for the last three years in the segment M market in Denmark.

908 Horizontal Merger Guidelines, paragraph 17.

Table 207: Denmark – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[10-20]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
VW	[…]	[20-30]%	[…]	[30-40]%	[…]	[30-40]%
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Toyota	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1538) The Proposed Transaction would result in the merger of the third and the sixth largest players in the segment M market in Denmark. The combined entity would reach a market share of [20-30]%, which means that the Proposed Transaction would barely result in an affected market, [10-20] points below the market leader, VW and [0-5] below Ford. FCA's share in 2019 was low, with around […] vehicles sold and [0-5]% share, which means that the structure of supply will remain essentially unaltered by the Proposed Transaction. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines and the market would be barely considered affected.[909] Post-merger there would still be at least six competitors in the market, two of which with shares above the Parties and four with at least 10% share.

(1539) The total size of the market decreased from […] units in 2017 to […] in 2019, i.e. a 27% decrease in only two years, which is above the EEA average (18%). As explained in Section 7.2.7.3, the decline of the market and the diversion towards other segments is an indication of significant out-of-market-constraints. If it follows the pattern at EEA-level, this means this constraint is exerted, in particular, from SUV markets, where the Parties' combined share in Denmark is lower ([10-20]%).

(1540) In conclusion, given the relatively low combined share of the Parties, barely above the threshold for affected markets and below the 25% threshold set out in the Horizontal Merger Guidelines, the low share of FCA in this market, the decline of the market, the out-of-market constraints from other product markets and the existence of at least six competitors, two of which with a higher share than the merged entity, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Denmark.

7.2.7.11. Estonia

(1541) Table 208 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Estonia.

909 Horizontal Merger Guidelines, paragraph 17.

Table 208: Estonia – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[40-50]%	[…]	[30-40]%	[…]	[50-60]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*	*[…]*	*[50-60]%*
RNM	[…]	[20-30]%	[…]	[30-40]%	[…]	[20-30]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
VW	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1542) The Proposed Transaction would result in the merger of the largest and the seventh largest players in the segment M market in Estonia. The combined entity would reach a market share of [50-60]%, [30-40] points above the next competitor, RNM. FCA's share in 2019 was very low, with only […] vehicles sold and [0-5]% share, which means that the structure of supply will remain essentially unaltered by the Proposed Transaction. Post-merger there would still be at least five competitors in the market.

(1543) The market shares of the two largest competitors, PSA and RNM, have fluctuated considerably in the last years (PSA went from [40-50]% in 2017 to [30-40]% in 2018 and then increased to [50-60]% in 2019; RNM's share increased from [20-30]% in 2017 to [30-40]% in 2018 and then decreased to [20-30]% in 2019), which may be attributed to the small size of the market (less than […] vehicles in 2019). These large fluctuations in the context of a relatively small market suggest that market shares may not be a fully reliable proxy for market power. The market size has exceptionally grown between 2018 and 2019 […].

(1544) The segment M is a market in decline at EEA level with customers shifting towards other markets, in particular SUVs, as the hesitation data at EEA level clearly shows (see Section 7.2.7.3). It is true that in Estonia the market seems to be growing. However, the sudden and sharp increase in the last year seems to be an exceptional occurrence. Additionally, nothing suggests that the Estonian market will not follow in the medium term the same trend as the rest of the EEA, in particular as OEMs reduce their production of MPVs and transform these vehicles into and direct their marketing efforts towards SUVs. Highly declining market size and high diversion towards other markets supports the notion that despite their relatively high combined share post-merger, the Parties will face in the medium term significant out-of-market constraint. If it follows the pattern at EEA level, this means this constraint is exerted, in particular, from the SUV markets, where their combined share is considerably lower ([10-20]%).

(1545) Moreover, the moderate market shares of the Parties at EEA-level is an indication of the fact that, even in the absence of a high diversion towards other product markets, the Parties would in general face more intensive potential competition from other players, in particular VW ([5-10]% share in Estonia vs [20-30]% at EEA-level), but

also Ford ([5-10]% vs [10-20]%) and Daimler ([0-5]% vs [10-20]%). These shares are all the more relevant since the high fluctuations of the sales and shares of the main competitors coupled with the small size of the market suggest that market shares at national level do not seem to be a fully reliable proxy for market power.

(1546) In conclusion, despite the relatively high combined shares, the very small presence of FCA in this market ([…] vehicles), the high fluctuation of market shares, the existence of at least five competitors in the market, some of which with significant market positions at EEA-wide level and the possible out of market constraints in the medium term, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Estonia.

7.2.7.12. Finland

(1547) Table 209 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Finland.

Table 209: Finland – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[5-10]%	[…]	[10-20]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[30-40]%*
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
BMW	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
RNM	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1548) The Proposed Transaction would result in the merger of the third and fourth largest players in the segment M market in Finland. The Parties' combined market share in 2019 was [30-40]%, [5-10] points above VW and [10-20] above Daimler. The Parties' and Daimler's shares have grown in the last three years whereas Ford's has decrease considerably. Post-merger the merged entity would still face competition from at least seven competitors, two of which with more than 10% share and above the share increment brought about by the Proposed Transaction.

(1549) The evolution of the Parties' share in the last year (in both cases growing despite the shrinking market) suggests that they do not win at the expense of each other but of other market players, which would suggest they are not particularly close competitors. This would be in line with the hesitation data at EEA-wide level (i.e. including the Big-12 countries), which shows that the Parties compete in general in the M markets less closely than what their market share suggests.

(1550) The total size of the market decreased from […] units in 2017 to 5 804 in 2019, i.e. a 13% decrease in only two years, somewhat below the EEA average (18%). As explained in Section 7.2.7.3, the decline of the market and the diversion towards other segments is an indication of significant out-of-market-constraints. If it follows

the pattern of at EEA-level, this means this constraint is exerted, in particular, from SUV markets, where the Parties' combined share is lower ([5-10]%) than in the M segment. In fact, although the Parties have won sales in the last three years, the Commission observes that the amount of sales that the Parties have won from 2017 to 2019 ([…] units) represents only a small portion of the sales lost by the rest of competitors (more than […] units, which confirms the diversion out of the segment and the out-of-market constraint.

(1551) In conclusion, given the moderate combined share of the Parties, the apparent lack of closeness of the Parties, the decline of the market, the out-of-market constraints from other product markets, and the existence of at least six competitors in the market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Finland.

7.2.7.13. France

(1552) Table 210 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in France.

Table 210: France - Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[30-40]%	[…]	[40-50]%	[…]	[40-50]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1553) The Proposed Transaction would result in the merger of the second and the joint seventh players in the segment M market in France. The Parties' combined market share in 2019 was [30-40]%, [5-10] points below the market leader, RNM. FCA's share in 2019 was very small ([0-5]%), which means that the structure of supply will remain essentially unaltered by the Proposed Transaction. The Parties' shares have remained relatively stable in the last three years. Post-merger there would still be at least six competitors in the market, one with a market share higher than the combined entity.

(1554) In conclusion, given the moderate combined share of the Parties, the minimal presence of FCA in this market, the decline of the market, and the existence of at least six competitors in the market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in France.

7.2.7.14.Germany

(1555) Table 211 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Germany.

Table 211: Germany – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
VW	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Hyundai-Kia	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1556) The Proposed Transaction would result in the merger of the fourth and the fifth largest players in the segment M market in Germany. The combined entity would reach a market share of [20-30]%, [10-20] points below the market leader, Daimler and only [0-5] and [0-5] above Daimler and Ford. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines and the market would be barely considered affected.[910] Post-merger there would still be at least six competitors in the market, three of which with shares above 10% and one larger than the combined entity. The market has decreased an 8% in the last years, confirming the EEA trend.

(1557) In conclusion, given the relatively low combined share of the Parties, barely above the 20% threshold for affected markets and below the threshold set out by the Horizontal Merger Guidelines, the decline of the market, and the existence of at least six competitors in the market, one of which with a higher share than the combined entity, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Germany.

7.2.7.15.Greece

(1558) Table 212 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Greece.

910 Horizontal Merger Guidelines, paragraph 17.

Table 212: Greece – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
BMW	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
TME	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1559) The Proposed Transaction would result in the merger of the largest and the second largest players in segment M market in Greece. The Parties' combined market share in 2019 was [50-60]%. PSA' share in two years grew from [20-30]% to [30-40]%, while FCA's increased from [10-20]% to [20-30]%. Post-merger six competitors would still in the market, two of them with market shares around or higher than 10%.

(1560) Since 2017, the Greek market has shrunk by 7% and since 2010 it has lost more than half of its size.[911] The segment M is in general in decline at EEA-level with customers shifting towards other markets, in particular SUVs, as the hesitation data at EEA-level clearly shows (see Section 7.2.7.3). Although the Parties' sales have exceptionally grown in the last years due to the successful sale of […] vehicles, the market investigation supports that the M segment will also decline in Greece as in the rest of the EEA and that demand is expected to switch on the next years to SUVs.[912] Declining market size and high diversion towards other markets supports the notion that despite their high combined share post-merger, the Parties will face in the medium term significant out-of-market constraints. If it follows the pattern at EEA-level, this means this constraint is exerted, in particular, from the SUV markets, where their combined share is considerably lower in Greece ([10-20]%). In the Commission's view, this diversion towards other markets where there are stronger competitors, in addition to the competition in the M-segment from existing market players, would likely render unprofitable any price increase.

(1561) Moreover, the moderate market shares of the Parties at EEA-level is an indication of the fact that, even in the absence of a high diversion towards other product markets, the Parties would in general face more intensive potential competition from other players, in particular VW ([5-10]% share in Greece vs [20-30]% at EEA-level), RNM ([5-10]% vs [10-20]%) and Ford ([0-5]% vs [10-20]%).

911 From […] units in 2010 to […] in 2019 (see Partiers' reply to RFI 56 of 10 November 2020, question 6).

912 See replies to question 16 to Questionnaire 4 to dealers and of questionnaire 5 to rental and leasing companies, Market participants expressly confirm that Greece will follow the same trend as the rest of Europe.

(1562) The Commission has not received any country-specific closeness information about Greece. However, two elements suggest that the Parties probably compete less closely than what their high combined market share suggests: first, the Parties' sales increments in the last years have not been at the expense of each other. Between 2017 and 2018, PSA, FCA and RNM gained volumes mainly at the expense of […], […] and […]. Between 2018 and 2019, FCA remained stable […] whilst PSA increase its volumes by […] vehicles, mainly at the expense of […]. Second, hesitation data at EEA-wide level (i.e. based on the Big-12 countries) shows that the Parties compete in the M markets less closely than what their combined market share suggests.

(1563) Finally, the market participants responding to the market investigation have unanimously expressed the view that the merged entity will not have the ability to significantly increase prices in the M-market in Greece, and that if the merged entity were to increase prices, there would be alternative models of other OEMs to which end-customers could easily switch.

(1564) One dealer stated as follows "*[i]n the Greek market, we would anticipate some upward price adjustment possibly due to inflation, however the market remains traditionally price sensitive. It is common for even the traditional market leader to engage in aggressive price discounting*". Another dealer pointed to aggressiveness of the market and to the lack of specific advantage of any brands over the others: "*[t]he market in Greece remains traditionally fiercely price-sensitive and promo-aggressive, also due to the fact that there is no local production*". One rental company indicated that "*the Parties do not have the ability to increase 5 to 10% prices because of the intense competition*". And another one stated that in the case of a price increase "*for every vehicle there is a number of alternatives available in the market*".[913]

(1565) In conclusion, despite the high combined market share post-merger, the fact that the Parties seem to compete less closely than what their shares suggest, the expected decline of the market in the medium term, the out-of-market constraints from other product markets where the Parties are weaker, and the existence of six competitors in the market, three of which with also significant market positions at EEA-wide level, the lack of Greece-specific concerns expressed by any market player in the market investigation, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Greece.

7.2.7.16. Hungary

(1566) Table 213 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Hungary.

913 See responses to questions 42 and 43 of Questionnaire 3 and 4 to importers and dealers, respectively, to questions 37 and 38 of Questionnaire 5 to leasing and rental companies, to questions 25 and 26 of Questionnaire 6 to corporate customers, and to question 58 of Questionnaire 1 to competitors.

Table 213: Hungary – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
Ford	[…]	[20-30]%	[…]	[30-40]%	[…]	[30-40]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Hyundai-Kia	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Toyota	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1567) The Proposed Transaction would result in the merger of the third and the fifth largest players in the segment M market in Hungary. The combined entity would be the third player in the market, with a share of [20-30]%, [10-20] points below the market leader, Ford and [0-5] below the second, RNM. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines and the market would be barely considered affected.[914] Post-merger there would still be at least seven competitors in the market, three of which with shares around or above 10% and two larger than the combined entity. Combined with the small market share increase, this means that the structure of the market will remain unaffected.

(1568) In conclusion, given the relatively low combined share of the Parties, below the 25% threshold set out by the Horizontal Merger Guidelines, the small market share increment, and the existence of at least seven competitors in the market, two of which with a higher share than the combined entity, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Hungary.

7.2.7.17. Iceland

(1569) Table 214 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Iceland.

914 Horizontal Merger Guidelines, paragraph 17.

Table 214: Iceland – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
FCA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Hyundai-Kia	[…]	[0-5]%	[…]		[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1570) The Proposed Transaction would result in the merger of the largest and third largest players in the segment M market in Iceland. The Parties' combined market share in 2019 was [30-40]%, [5-10] points above Daimler, [10-20] above VW and [10-20] above RNM. The market in Iceland is very small, with only […] units sold in 2019, and it has sharply decreased since the […] units sold in 2019, i.e. a 66% reduction in two years. Despite its small size, the combined entity would face post-merger competition from seven players.

(1571) The market reduction in Iceland is more intense than at EEA level (18%). As explained in Section 7.2.7.3, the decline of the market and the diversion towards other segments is an indication of significant out-of-market-constraints. If it follows the pattern of other EEA markets, this means this constraint is exerted from SUV markets, where the Parties' combined share in Iceland is much lower ([5-10]%). It is true that the Parties' have increased their sales in Iceland, however the sales won since 2017 ([…] units) are significantly lower than the sales lost by competitors (almost […]), which confirms the high diversion and out-of-market constraints.

(1572) In conclusion, given the moderate combined share of the Parties, the decline of the market, the out-of-market constraints from other product markets, and the existence of seven competitors in the market, one of them with a market share above the increment and three of which with more than 10% share, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Iceland.

7.2.7.18. Ireland

(1573) Table 215 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Ireland.

Table 215: Ireland – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
Hyundai-Kia	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
RNM	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1574) The Proposed Transaction would result in the merger of the first and the ninth largest players in the segment M market in Ireland. The combined entity would have a share of [20-30]%, only [0-5] points above Ford and VW and [5-10] and [5-10] above Hyundai-Kia and RNM, respectively. FCA's presence in the market is merely symbolical, with only […] vehicles sold in 2019, which means the supply structure of the market will remain unaffected by the Proposed Transaction. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines and the market would be barely considered affected.[915] Post-merger there would still be at least eight competitors in the market, four of which with shares above [10-20]%.

(1575) In conclusion, given the relatively low combined share of the Parties, the negligible presence of FCA, which means that the market will remain unaffected, and the existence of at least eight competitors in the market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Ireland.

7.2.7.19. Italy

(1576) Table 216 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Italy.

915 Horizontal Merger Guidelines, paragraph 17.

Table 216: Italy – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[30-40]%	[…]	[30-40]%	[…]	[40-50]%
Combined	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*	*[…]*	*[50-60]%*
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
VW	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Hyundai-Kia	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
BMW	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1577) The Proposed Transaction would result in the merger of the largest and the second (jointly with RNM) largest players in the segment M market in Italy. The Parties' combined market share in 2019 was [50-60]%. PSA was the second largest player in the market, together with RNM and only [0-5] and [0-5] points above Daimler and Ford, respectively. Post-merger there would still be at least seven competitors in the market, two of which with shares above 10% and one just below.

(1578) The total size of the market decreased from […] units in 2017 to […] in 2019, i.e. a 40% decrease in only two years, a rate significantly higher than the EEA average (18%). Although FCA managed to increase its share in the same period from [30-40]% to [40-50]%, this does not seem to be the result of stealing share from other competitors but the mere reflection of the fact that its sales decreased at a somewhat lower rate than the market ([…]). In fact, Daimler has, despite the shrinking market, managed to increase its sales and thus its share from [5-10]% to [10-20]%, and VW has lost sales at a lower pace than the Parties, which has translated in an increase of its market share.

(1579) The segment M is a market in decline, EEA-wide and, particularly in Italy. The hesitation data shows that customers are switching to other markets, in particular SUVs. In fact, only a [20-30]% of the Parties' M-segment customers in Italy considered another M-segment vehicle as their main alternative. The most important alternatives were B-SUV, followed by C-SUV. More specifically, the SUV-segments together exert a larger constraint on M-segment vehicles than any other segment, and exert a larger constraint than that imposed by the actual M-segment competitors.[916] . Highly declining market size and high diversion towards other markets supports the notion that despite their relatively high combined share post-merger, the Parties will still face significant out-of-market constraint, in particular from the SUV markets, where their combined share is lower ([30-40]%). In the Commission's view, this diversion towards other markets where there are stronger competitors, in addition to

916 M-segment customers consider as the main alternative: M-segment vehicles at [20-30]%, B-SUV at [10-20]%, C-SUV at [10-20]%, and B at [10-20]%.

the competition in the M-segment from existing market players, would likely render unprofitable any price increase. In fact, the Commission considers that the decline of the segment M market would only accelerate if the vehicles, on top of being less attractive for customers, were to become also more expensive.

(1580) Moreover, the moderate market shares of the Parties at EEA-level is an indication of the fact that, even in the absence of a high diversion towards other product markets, the Parties would in general face more intensive potential competition from other players, in particular VW ([5-10]% share in Italy vs [20-30]% at EEA-level), but also RNM, Ford and Daimler.

(1581) The hesitation data provided by the Parties for Italy[917] show that the implied combined market share of the Parties in the M segment market in Italy is [20-30] points lower than their actual market share ([20-30]% vs [50-60]%).[918] This very significant difference between the implied and actual combined shares constitute, in the Commission's view, an indication that the Parties are not close competitors in this market.

(1582) Market participants are of the view that, despite the Parties' high shares, the merger would not raise competition concerns in the M segment market in Italy. A vast majority of the respondents to the market investigation indicated that, in their view, the Parties would not have the ability to raise prices significantly post-merger. Moreover, all market participants stated that, if the merged entity were to raise prices, there would be sufficient alternative models in the market to which end-customers could easily switch to. One leasing company indicated that the "*offer of vehicles is rich*" and that the investment required for leasing companies to start dealing with alternative OEMs would be low, so therefore they "*could switch to alternative OEMs with relative ease and speed*".[919]

(1583) In conclusion, despite the high combined market share post-merger, given the lack of closeness between the Parties, the strong decline of the market, the out-of-market constraints from other product markets where the Parties are weaker, and the existence at least seven competitors in the market, four of which with also significant market positions at EEA-wide level, and two of which (Daimler and VW) having performed better than the Parties in the last three years, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Italy.

7.2.7.20. Latvia

(1584) Table 217 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Latvia.

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917 See Parties' reply to RFI 4 of 21 of April 2020, question 3.

918 The diversion analysis is based on 2017-2019 averages to the extent possible to minimise the effect of random variation. When computing averages across the Big-12, countries are weighted according to their 2019 market size.

919 See responses to questions 42 and 43 of e-Questionnaire 3 and 4 to importers and dealers, respectively, to questions 37 and 38 of e-Questionnaire 5 to leasing and rental companies, to questions 25 and 26 of e-Questionnaire 6 to corporate customers, and to question 58 of e-Questionnaire 1 to competitors.

Table 217: Latvia – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
VW	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[5-10]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1585) The Proposed Transaction would result in the merger of the first and the seventh largest players in the segment M market in Latvia. The combined entity would have a share of [30-40]%, [10-20] above VW and [10-20] above RNM. FCA's presence in the market is merely symbolical, with only […] vehicles sold in 2019, which means the supply structure of the market will remain unaffected by the Proposed Transaction. Post-merger there would still be at least five competitors in the market, three of which with shares above 10%.

(1586) In conclusion, given the relatively low combined share of the Parties, the negligible presence of FCA, which means the market will remain essentially unaffected, and the existence of at least five competitors in the market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Latvia.

7.2.7.21. Lithuania

(1587) Table 218 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Lithuania.

Table 218: Lithuania – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[10-20]%	[…]	[20-30]%
FCA	[…]	[5-10]%	[…]	[20-30]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*
RNM	[…]	[20-30]%	[…]	[20-30]%	[…]	[30-40]%
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Daimler	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1588) The Proposed Transaction would result in the merger of the third and the joint seventh largest players in the segment M market in Lithuania. The combined entity would have a share of [20-30]%, [0-5] points below RNM and [0-5] below VW. FCA's presence in the market is minimal, with only […] vehicles sold in 2019, which means the supply structure of the market will remain essentially unaffected by the Proposed Transaction. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.[920] Post-merger there would still be at least six competitors in the market, three of which with shares above 10%.

(1589) In conclusion, given the relatively low combined share of the Parties, the negligible presence of FCA, which means the market will remain essentially unaffected, and the existence of at least six competitors in the market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Lithuania.

7.2.7.22. Luxembourg

(1590) Table 219 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Luxembourg.

920 Horizontal Merger Guidelines, paragraph 17.

Table 219: Luxembourg – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[20-30]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
BMW	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1591) The Proposed Transaction would result in the merger of the third and the sixth largest players in the segment M market in Luxembourg. The combined entity would have a share of [20-30]%, [0-5] points below VW and [0-5] above RNM. FCA's presence in the market is limited, with a [5-10]% share in 2019 and 2018, and [0-5]% in 2017, which means the supply structure of the market will barely be affected by the Proposed Transaction. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.[921] Post-merger there would still be at least five competitors in the market, four of which with shares above 10% and significantly above the market share increment.

(1592) In conclusion, given the relatively low combined share of the Parties, the very small presence of FCA and the existence of at least five competitors in the market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Luxembourg.

7.2.7.23. Netherlands

(1593) Table 220 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in the Netherlands.

921 Horizontal Merger Guidelines, paragraph 17.

Table 220: Netherlands – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
Daimler	[…]	[10-20]%	[…]	[20-30]%	[…]	[30-40]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
BMW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Ford	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1594) The Proposed Transaction would result in the merger of the second and the fifth largest players in the segment M market in the Netherlands. The combined entity would have a share of [20-30]%, [10-20] points below Daimler and [10-20] above RNM. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.[922] Post-merger there would still be at least six competitors in the market, four of which with shares around or above 10%. Additionally, the market has decreased a [30-40]% in only two years, which suggest very strong out-of-market constraints.

(1595) In conclusion, given the relatively low combined share of the Parties, below the 25% threshold set out in the Horizontal Merger Guidelines, the existence of at least six competitors in the market, four of which with shares around or above 10% and the out-of-market constraints, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in the Netherlands.

7.2.7.24. Poland

(1596) Table 221 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Poland.

922 Horizontal Merger Guidelines, paragraph 17.

Table 221: Poland – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
RNM	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1597) The Proposed Transaction would result in the merger of the third and the seventh largest players in the segment M market in Poland. The combined entity would have a share of [20-30]%, just as RNM and only [0-5] point above VW. FCA's share in this market is very small, with only a [0-5]% market share in 2019 and 2018 and [0-5]% in 2017, which means that the market structure will remain unaltered post-Transaction. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.[923] Post-merger there would still be at least eight competitors in the market, three of which with shares above 10%. Additionally, the market has decreased a 15% in only two years, which suggest out-of-market constraints.

(1598) In conclusion, given the relatively low combined share of the Parties, the very small presence of FCA in this market, the existence of at least eight competitors in the market, three of which with shares around or above 10% and the out-of-market constraints, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in the Poland.

7.2.7.25. Portugal

(1599) Table 222 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Portugal.

923 Horizontal Merger Guidelines, paragraph 17.

Table 222: Portugal – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
RNM	[…]	[10-20]%	[…]	[20-30]%	[…]	[10-20]%
BMW	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1600) The Proposed Transaction would result in the merger of the first and seventh largest players in the segment M market in Portugal. The Parties' combined market share in 2019 was [30-40]%, [10-20] points above RNM. FCA's share in this market has been small in the last years ([5-10]%). The Parties' shares have increased in the last three years (PSA from [10-20]% to [20-30]%, FCA from [5-10]% to [5-10]%) but so have those of their largest competitor, RNM (from [10-20]% to [10-20]%). Post-merger the combined entity would still face competition from at least seven competitors, four of which with more than 10% share.

(1601) In conclusion, given the moderate combined share of the Parties, the small market share increment, the existence of at least seven competitors in the market and the out-of-market constraints, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Portugal.

7.2.7.26. Slovakia

(1602) Table 223 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Slovakia.

Table 223: Slovakia – Medium LCV market

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
FCA	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*	*[…]*	*[30-40]%*
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Hyundai-Kia	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1603) The Proposed Transaction would result in the merger of the first and seventh largest players in the segment M market in Slovakia. The Parties' combined market share in 2019 was [30-40]%, [10-20] points above VW. The Parties' and other competitors' shares have remained relatively stable in the last years. FCA's presence in the market is very small, with a [5-10]% in 2019, [5-10]% in 2018 and [0-5]% in 2017, which means that the market structure will be barely affected. Post-merger the combined entity would still face competition from seven competitors, four of which shares around or above 10%.

(1604) As in the rest of the EEA, the Slovakian market is also declining, in this case with a 9% decrease from 2017 to 2019. Although PSA has increased its market share in this period, this only means that it has lost sales at a lower rate than the market. There are however other competitors that have lost sales at an even lower rate (Daimler) or that have even increased their sales (Ford), thus improving their market position.

(1605) In conclusion, given the moderate combined share of the Parties, the very small share increment brought about by the Proposed Transaction and the existence of seven competitors in the market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Slovakia.

7.2.7.27. Slovenia

(1606) Table 224 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Slovenia.

Table 224: Slovenia – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*	*[…]*	*[30-40]%*
VW	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
RNM	[…]	[10-20]%	[…]	[20-30]%	[…]	[20-30]%
Ford	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Hyundai-Kia	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
BMW	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1607) The Proposed Transaction would result in the merger of the second and fifth largest players in the segment M market in Slovenia. The Parties' combined market share in 2019 was [30-40]%, [0-5] points above VW and [10-20] above RNM. FCA's share has remained small, with [5-10]% in 2019, [5-10]% in 2018 and [0-5]% in 2017 and around […] vehicles sold in the last year. Post-merger the combined entity would still face competition from at least six competitors, three of which with shares around or above 10% and two of which with 20% or more.

(1608) The total size of the market decreased considerably, from […] units in 2017 to […] in 2019, i.e. a 20% decrease. The segment M is in general a very declining market at EEA level, with customers shifting towards other markets, in particular SUVs, as the hesitation data at EEA level clearly shows (see Section 7.2.7.3). The decline of the market and the diversion towards other segments is an indication of significant out-of-market-constraints. If it follows the same pattern than at EEA-level, this constraint will be exerted, in particular from SUV markets, where the Parties' combined share is lower ([10-20]%). It is true that the Parties have managed to increase their combined market share in this declining market. However, this only means that they have only lost sales at a lower rate than the overall market, which confirms the existence of a relevant diversion and out-of-market constraint.

(1609) In conclusion, given the moderate combined share of the Parties, the small presence of FCA in the market, the existence of six competitors in the market and the out-of-market constraints, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Slovenia.

7.2.7.28. Spain

(1610) Table 225 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in Spain.

Table 225: Spain – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[30-40]%	[…]	[40-50]%
FCA	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[40-50]%*	*[…]*	*[40-50]%*
RNM	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Ford	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[0-5]%	[…]	[5-10]%
Toyota	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
BMW	[…]	[5-10]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[10-20]%	[…]	[5-10]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1611) The Proposed Transaction would result in the merger of the largest and the sixth largest players in the segment M market in Spain. The Parties' combined market share in 2019 was [40-50]%. FCA's share is very small in this market, with a share of [5-10]% in 2019 and [5-10]% in 2018, which means that the Proposed Transaction will barely alter the structure of supply of the market. Post-merger there would still be at least seven competitors in the market, four of which with shares higher than the share increment and three of which with shares above 10%.

(1612) The fact that the market appears to double its size between 2017 and 2018 is due, according to the Parties, to a methodological correction implemented by IHS regarding sales data as of 2018 onwards.[924] Therefore, years 2017 and 2018 are not comparable.

(1613) From 2018 to 2019 the market decreased from […] units in 2018 to […] in 2019, i.e. a 20% decrease in only one year, a rate significantly higher than the EEA average. Although PSA managed to increase its share in the same period from [40-50]% to [40-50]%, this does not seem to be the result of stealing share from other competitors but the mere reflection of the fact that its sales decreased at a somewhat lower rate than the market (from […] to […], i.e. [5-10]% decrease). In the last years, Daimler even managed to increase its sales and Toyota lost sales at a lower rate than PSA. Other competitors (RNM, VW and Ford) also managed to lose sales at a significant lower rate than FCA which means that, besides being considerably larger, they are also relatively improving their competitive position.

(1614) The segment M is a market in decline, EEA-wide and also in Spain. The hesitation data shows that customers are switching to other markets, in particular SUVs. In fact, a [40-50]% of the Parties' M-segment customers considered another M-segment vehicle as their main alternative. The most important alternatives were C-segment, followed by C-SUV. More specifically, the SUV-segments together exert a larger constraint on M-segment vehicles than any other segment, including the C-segment,

924 […] (see Form CO, paragraphs 3090 and 3091).

and exert a constraint that is nearly half of that imposed by the actual M-segment competitors.[925] Highly declining market size and diversion towards other markets supports the notion that despite their relatively high combined share post-merger, the Parties will still face significant out-of-market constraint, in particular from the SUV markets, where their combined share is lower ([20-30]%). In the Commission's view, this diversion towards other markets where there are stronger competitors, in addition to the competition in the M-segment from existing market players, would likely render unprofitable any price increase. In fact, the Commission considers that the decline of the segment M market would only accelerate if M vehicles, on top of being less attractive for customers, were to become also more expensive.

(1615) Moreover, the moderate market shares of the Parties at EEA-level is an indication of the fact that, even in the absence of a high diversion towards other product markets, the Parties would in general face more intensive potential competition from other players, in particular VW ([10-20]% share in Spain vs [20-30]% at EEA-level) but also Daimler ([5-10]% vs [10-20]%), Ford ([10-20]% vs [10-20]%) and BMW ([0-5]% vs [5-10]%).

(1616) Market participants are of the view that the merger would not be problematic. A vast majority of the respondents to the market investigation indicated that, in their view, the Parties would not have the ability to raise prices significantly post-merger and that, if they were to do so, there would be sufficient alternative models in the market to which end-customers could easily switch to.

(1617) Dealers indicated that prices cannot be increased without a sacrifice in sales volume and, one even stated that prices might even decrease due to the synergies arising out of the merger. Several of them also emphasised that the market offers a wide range of alternatives and that other OEMs also have wide sales networks ("*[w]e think that in Spain, the customers have so many options in the market for choosing*", "*[i]n Spain, there are many other alternatives*"). A corporate customer, discarded a possible price increase referring to the existing intense competition: "*[w]e consider the rest of competitors will help to avoid that possible increase*".[926]

(1618) In conclusion, despite the relatively high combined market share post-merger, given the very small share of FCA, the existence of at least seven competitors in the market with significant market positions at EEA-wide level, four of which with market shares higher than the increment and several of them improving their competitive position compared to the Parties, the out-of-market constraints from other product markets where the Parties are weaker, and the fact that the vast majority of market participants consider that the merger would not be problematic, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in Spain.

7.2.7.29. United Kingdom

(1619) Table 226 shows the Parties' and competitors' sales volumes and market shares for the last three years in the Segment M market in the United Kingdom.

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925 […].

926 See responses to questions 42 and 43 of e-Questionnaire 3 and 4 to importers and dealers, respectively, to questions 37 and 38 of e-Questionnaire 5 to leasing and rental companies, to questions 25 and 26 of e-Questionnaire 6 to corporate customers, and to question 58 of e-Questionnaire 1 to competitors.

Table 226: United Kingdom – Segment M

Group	Sales 2017		Sales 2018		Sales 2019	
	Units	%	Units	%	Units	%
PSA	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
FCA	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	*[…]*	*[30-40]%*	*[…]*	*[20-30]%*	*[…]*	*[20-30]%*
Ford	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
VW	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
BMW	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Daimler	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
Hyundai-Kia	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Toyota	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
RNM	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	[…]	100%	[…]	100%	[…]	100%

Source: Parties' response to RFI 44, Question 3

(1620) The Proposed Transaction would result in the merger of the first and the ninth largest players in the segment M market in United Kingdom. The combined entity would have a share of [20-30]%, [0-5] points above Ford and [5-10] above VW. FCA's presence in the market is negligible, with a [0-5]% share in 2019 and 2017, and[0-5]% in 2018, which means the supply structure of the market will barely be affected by the Proposed Transaction. The Parties' market share post-merger would not exceed the 25% threshold set out in the Horizontal Merger Guidelines.[927] Post-merger there would still be at least eight competitors in the market, three of which with shares above 10%.

(1621) In conclusion, given the low combined share of the Parties, the negligiblemarket share increment and the existence of at least eight competitors in the market, the Commission considers that the Proposed Transaction would not significantly impede effective competition in the segment M market in United Kingdom.

8. WHOLESALE AND RETAIL DISTRIBUTION OF PCS AND LCVS

8.1. Relevant markets

8.1.1. The Parties' activities

(1622) At the wholesale level, distributors or importers distribute vehicles to retailers. At the retail level, vehicles are sold to final customers by independent or vertically integrated retailers. The Parties are present both in the wholesale and in the retail distribution of PCs and LCVs.

927 Horizontal Merger Guidelines, paragraph 17.

(1623) At the wholesale level, PSA and FCA distribute their vehicles in the EEA through their own subsidiaries which only distribute their own vehicles. […].[928] In many Member States, PSA and FCA also distribute their vehicles via independent importers.

(1624) […].[929]

(1625) […].[930]

(1626) At the retail level, the Parties distribute their vehicles either through owned dealerships or via independent dealers.[931] Their presence in the retail distribution in the EEA is however minor, as […]% of PSA's and […]% of FCA's dealers are independent.[932] In addition, both Parties make some direct sales to end customers.

8.1.2. The Commission's decisional practice

(1627) The Commission has in the past defined product markets for the wholesale and retail distribution of PCs and LCVs.[933] Although the Commission has distinguished in some precedents between the wholesale and retail distribution of passenger cars on the one hand and LCVs on the other hand, it has ultimately left open the precise product market definition.[934] In any case, the Commission has found that a further sub-segmentation within PCs and LCVs based on types of vehicles (i.e. distinguishing between A, B, C, Small LCVs, Medium LCVs, etc.) would not be appropriate.[935]

(1628) As regards their geographic scope, the Commission has left open whether the wholesale distribution market is EEA-wide or national in scope[936] and whether the retail distribution markets should be considered EEA-wide, national or local in scope.[937]

8.1.3. The Notifying Parties' views

(1629) The Notifying Parties consider that a further segmentation within PCs and LCVs by type of vehicle is not necessary because OEMs usually distribute different car types under the same distribution channel.[938] In any case, they submit that the definition of the relevant product or geographic markets can be left open.[939]

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928 Form CO, paragraph 336, and 340 and following. For retail, see cases COMP/M.6718 Toyota Tsusho Corporation / CFAO (2012); COMP/M.3388 Ford Motor Company Ltd / Polar Motor Group Ltd (2004).

929 See Parties' reply to RFI 60 of 20 November 2020.

930 See Parties' reply to RFI 60 of 20 November 2020. […].

931 Form CO, paragraph, 337 and following, and 343 and following.

932 […].

933 See cases COMP/M.8449 Peugeot / Opel (2017), COMP/M.6958 CD&R / We buy any car (2013); COMP/M.6718 Toyota Tsusho Corporation / CFAO (2012), COMP/M.6403 Volkswagen / KPI Polska / Skoda Auto Polska / VW Bank Polska / VW Leasing Polska (2011); COMP/M.3388 Ford Motor Company Ltd / Polar Motor Group Ltd (2004).

934 See COMP/M.8449 Peugeot / Opel (2017), recitals 33 and 38.

935 See COMP/M.8449 Peugeot / Opel (2017), recitals 31 and 36. See also Case IV/M.182 Inchape / IEP (1992), recital 9; Case COMP/M.6403 - Volkswagen/ KPI Polska/ Skoda Auto Polska/ VW Bank Polska/ VW Leasing Polska (2011), recital 22.

936 See COMP/M.8449 Peugeot / Opel (2017), recital 33. See also COMP/M.6958 CD&R / We buy any car (2013); COMP/M.5250 Porsche / Volkswagen (2008); COMP/M.182 Inchape / IEP (1992).

937 See COMP/M.8449 Peugeot / Opel (2017), recital 38.

938 Form CO, paragraph 358.

939 Form CO, paragraph 362.

8.1.4. The Commission's assessment

(1630) The Commission considers that, in line with its decisional practice, within PCs and LCVs, the wholesale and retail distribution markets should not be sub-segmented by types of vehicles (A, B, C, Small LCVs, Medium LCVs…) since manufacturers distribute model ranges which cover vehicles across the different categories and both importers and retailers of a given brand offer typically all or a wide tange a range of the vehivles offered by that brand.[940]

(1631) For the purpose of this decision the Commission considers that the question whether the wholesale and retail distribution of vehicles should be defined as one comprising both PCs and LCVs or separately for each of PCs and LCVs can be left open, as the Proposed Transaction will not significantly impede effective competition under either scenario.

(1632) As regards the geographic market definition, it can be left open whether the wholesale market should be considered as EEA-wide or national or whether the retail market should be considered as EEA-wide, national or local as the Proposed Transaction will not significantly impede effective competition under any of these scenarios.

(1633) Consequently, the Commission will analyse the impact of the Proposed Transaction (i) on the wholesale distribution markets of PCs and LCVs (both combined and separately) at EEA and national level, and (ii) on the retail distribution markets of PCs and LCVs (both combined and separately) at EEA, national and local level.

8.2. Competitive assessment

8.2.1. Horizontal effects

8.2.1.1. Wholesale distribution

(1634) The Parties's activities at the wholesale level overlap in the EEA in the following Member States: (i) Austria, (ii) Belgium, (iii) France, (iv) Germany, (v) Greece, (vi) Hungary, (vii) Italy, (viii) Luxembourg, (ix) the Netherlands, (x) Poland, (xi) Portugal, (xii) Spain, and (xiii) the United Kingdom.[941]

(1635) The Commission considers that the Transaction would not significantly impede effective competition in the market for wholesale distribution of PCs and LCVs, irrespective of the market definition, for the following reasons

(1636) In line with other precedents,[942] the Commission considers that since the Parties distribute at wholesale level exclusively their own brands, i.e. they do not carry out any wholesale distribution activities for any other OEMs, their market shares at EEA and national level cannot exceed the market shares for the manufacture and supply of PCs and LCVs. In particular, since in many EEA Member States the Parties distribute all or part of their vehicles through independent importers, their market share at EEA level must necessarily be lower. […].[943]

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940 See cases COMP/M.8449 Peugeot / Opel (2017); COMP/M.6403 Volkswagen / KPI Polska / Skoda Auto Polska / VW Bank Polska / VW Leasing Polska (2011); COMP/M.2832 General Motors / Daewoo (2002); COMP/M.182 Inchape / IEP (1992).

941 In all of these countries, […].

942 See COMP/M.8449 Peugeot / Opel (2017), recitals 38

943 Generally FCA's share at wholesale level in all EEA Member States whetre it has its own wholeale distribution activities will always be least slighly lower than at the manufacture and supply level since

(1637) Moreover, the Commission considers that, irrespective of the market shares of the Parties, the Transaction will not have an impact on the competitive structure of the wholesale markets since the Parties have their own distribution channels which do not overlap.[944] In other words, FCA only distributes FCA vechicles to its distribution netwoks. In those sales, it does not compete with PSA, which only distributes PSA vehicles to its own networks. At most, the Parties could be said to compete *for the market*, in the occasions in which they search for new dealers in certain areas. Therefore, any loss of competition due to the Proposed Transaction would be significantly more limited than any loss of competition in the manufacture and supply markets.

(1638) Table 227 shows the Parties' and competitors market shares in terms of volumes at EEA level and in any affected markets at national level considering (i) only PCs; (ii) only LCVs; and (iii) both PC and LCV combined.

Table 227: Wholesale distribution - EEA and EEA Member States

EEA/Member State	Segment	FCA	PSA	*Comb.*	VW	RNM	Ford	Daiml.	Hyund.
EEA	PC	[5-10]%	[10-20]%	*[20-30]%*	[20-30]%	[10-20]%	[5-10]%	[5-10]%	[5-10]%
	LCV	[5-10]%	[20-30]%	*[20-30]%*	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[0-5]%
	PC+LCV	[5-10]%	[10-20]%	*[20-30]%*	[20-30]%	[10-20]%	[5-10]%	[5-10]%	[5-10]%
Austria	LCV	[10-20]%	[10-20]%	*[20-30]%*	[20-30]%	[10-20]%	[10-20]%	[10-20]%	[0-5]%
Belgium	PC	[0-5]%	[10-20]%	*[20-30]%*	[20-30]%	[10-20]%	[0-5]%	[5-10]%	[5-10]%
	LCV	[5-10]%	[20-30]%	*[30-40]%*	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[0-5]%
	PC+LCV	[5-10]%	[20-30]%	*[20-30]%*	[20-30]%	[10-20]%	[5-10]%	[5-10]%	[5-10]%
France	PC	[0-5]%	[30-40]%	*[30-40]%*	[10-20]%	[20-30]%	[0-5]%	[0-5]%	[0-5]%
	LCV	[5-10]%	[30-40]%	*[40-50]%*	[5-10]%	[30-40]%	[5-10]%	[5-10]%	[0-5]%
	PC+LCV	[0-5]%	[30-40]%	*[30-40]%*	[10-20]%	[20-30]%	[0-5]%	[0-5]%	[0-5]%
Greece	LCV	[20-30]%	[0-5]%	*[20-30]%*	[5-10]%	[20-30]%	[10-20]%	[10-20]%	[0-5]%
Italy	PC	[20-30]%	[10-20]%	*[30-40]%*	[10-20]%	[10-20]%	[5-10]%	[5-10]%	[5-10]%
	LCV	[20-30]%	[20-30]%	*[40-50]%*	[5-10]%	[10-20]%	[10-20]%	[5-10]%	[0-5]%
	PC+LCV	[20-30]%	[10-20]%	*[40-50]%*	[10-20]%	[10-20]%	[5-10]%	[5-10]%	[0-5]%
Luxembourg	LCV	[10-20]%	[20-30]%	*[30-40]%*	[10-20]%	[20-30]%	[10-20]%	[5-10]%	[0-5]%
Netherlands	LCV	[5-10]%	[20-30]%	*[20-30]%*	[20-30]%	[10-20]%	[10-20]%	[10-20]%	[0-5]%
	PC+LCV	[0-5]%	[10-20]%	*[20-30]%*	[20-30]%	[10-20]%	[5-10]%	[5-10]%	[5-10]%

the brands […] are distributed by independent importers. However, these three brands do not constitute a relevant portion of FCA's sales in the EEA

944 Form CO, paragraph 368.

EEA/Member State	Segment	FCA	PSA	*Comb.*	VW	RNM	Ford	Daiml.	Hyund.
Poland	LCV	[10-20]%	[10-20]%	*[30-40]%*	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[0-5]%
Portugal	PC	[5-10]%	[20-30]%	*[20-30]%*	[10-20]%	[20-30]%	[5-10]%	[0-5]%	[5-10]%
	LCV	[10-20]%	[30-40]%	*[40-50]%*	[0-5]%	[20-30]%	[5-10]%	[5-10]%	[0-5]%
	PC+LCV	[5-10]%	[20-30]%	*[30-40]%*	[10-20]%	[20-30]%	[0-5]%	[5-10]%	[0-5]%
Spain	PC	[5-10]%	[20-30]%	*[20-30]%*	[20-30]%	[10-20]%	[5-10]%	[0-5]%	[5-10]%
	LCV	[5-10]%	[20-30]%	*[30-40]%*	[5-10]%	[30-40]%	[10-20]%	[5-10]%	[0-5]%
	PC+LCV	[5-10]%	[20-30]%	*[20-30]%*	[20-30]%	[10-20]%	[5-10]%	[0-5]%	[5-10]%
United Kingdom	LCV	[0-5]%	[20-30]%	*[20-30]%*	[10-20]%	[10-20]%	[30-40]%	[10-20]%	[0-5]%

Source: Parties' reply to RFI 60 of 20 November 2020. The market shares of the Parties' competitors include wholesale distribution by the OEMs directly as well as by any independent distributors that these OEMs have appointed.

(1639) Considering LCVs only, the Parties' combined maket share would be above 30% only in Belgium ([30-40]%), France ([40-50]%), Italy ([40-50]%), Luxembourg ([30-40]%), Poland ([30-40]%), Portugal ([40-50]%) and Spain ([30-40]%). Of those, however, the market share increment would be small (no more than 10%) in Belgium, France and Spain ([5-10]%) and in Portugal ([10-20]%). In Poland and Luxembourg the share increment would be moderate but so would be the Parties' combined share post-merger, in both cases only slightly above [30-40]%. The Parties' combined share would be higher than 40%, although in all cases below 50%, only in Italy, Portugal, and France, and in the latter two with small increments. In Portugal and France there would be one competitor with a market share above the share increment. And in all three countries there would be post-merger at least four competitors, all of them strong OEMs both at national and EEA-level, with wide distribution networks. Moreover, as explained above, the Parties' market distribution networks do not overlap, which means that the loss of competition resulting from the Proposed Transaction would be limited.

(1640) Considering PCs only, the Parties' combined maket share would be above the 25% threshold set out in Horizontal Merger Guidelines only in France ([30-40]%), Italy ([40-50]%), Portugal ([20-30]%) and Spain ([20-30]%). Of those four, however, the market share increment would be very small in France (less than [0-5]%), and small in Spain ([5-10]%) and Portugal ([5-10]%), although in the latter two the combined market share would be below [30-40]%. This suggests that the competitive structure of the markets would be either not affected or very lightly affected. Only in Italy the market share increment would be considerable ([10-20]%) and the comnbined market share moderate ([40-50]%), although by far below [50-60]% and in any case there would still remain in the market five competitors, two of which with market shares similar to the market share increment and all of them with wide distribution networks in the country. Moreover, as explained above, the Parties' market distribution networks do not overlap, which means that the loss of competition resulting from the Proposed Transaction would be limited.

(1641) Considering PCs+LCVs combined, the Parties' combined maket share would be […] only in France ([30-40]%), Italy ([40-50]%), Portugal ([30-40]%) and Spain ([20-

30]%). Of those four, however, the market share increment would be very small in France (less than 5%), and small in Spain ([5-10]%) and Portugal ([5-10]%), although in the latter two the combined market share would be well below 35%. This suggests that the competitive structure of the markets would be either non- or very lightly affected. Only in Italy the market share increment would be moderate ([10-20]%) and the combined market share moderate ([40-50]%), although far below 50%, and in any case five competitors would still remain in the market, two of which with market shares similar to the market share increment and all of them with wide distribution networks in the country. Moreover, as explained above, the Parties' market distribution networks do not overlap, which means that the loss of competition resulting from the Proposed Transaction would be limited.

(1642) In view of the above, the Commission concludes that the Proposed Transaction would not significantly impede effective competition in the wholesale distribution markets at EEA or national level.

8.2.1.2. Retail distribution

(1643) The Commission notes that both Parties have their own distribution channels which do not overlap, as both of them are only active in the distribution with respect to their own respective brands. Furthermore, neither pre-Transaction, nor post-Transaction, will competing manufacturers rely on PSA's or FCA's distribution channels. Similarly, retailers owned by competing manufacturers do not distribute PSA's or FCA's vehicles and will continue to do so post-Transaction.

(1644) Moreover, since the overwhelming majority of the Parties' sales are made through independent dealerships,[945] their market shares at retail level are in general far below their market shares for the supply of vehicles.

(1645) At EEA-level, the Parties' combined market share for retail distribution of PCs and LCVs is [5-10]% ([5-10]% for PCs and [10-20]% for LCVs).

(1646) At national level, the Parties' activities in retail distribution of PCs and LCVs overlap in 12 Member States: Austria, Belgium, Luxembourg, France, Germany, Greece, Ireland, Italy, Poland, Portugal, Spain and the United Kingdom. The only affected market that arises is that of retail distribution of LCVs in Portugal, where the Parties' combined market share is [20-30]% (FCA is [0-5]% and PSA [10-20]%).[946]

(1647) The Commission considers that the Proposed Transaciton does not lead to a significant impediment to effective competition in respect of the retail distribution of LCVs in Portugal, given the relatively low combined market share (the market is barely affected), the very small increment, the fact that the Parties will continue to face strong competition both from dealers distributing other OEMs, whether independent or not, as well as from independent dealers distributing PSA and FCA vehicles.

(1648) As regards retail distribution at local level, the parties have identified 19 local catchment areas where their retail distribution activities overlap for (i) PCs and LCVs or (ii) PCs only and 15 local catchment areas where their retail distribution activities overlap for (iii) LCVs only. Out of these overlaps in local catchment areas, only the following result in affected markets: (i) retail distribution of PCs in

945 See Tables 140 and 141 of the Form CO.

946 See Parties' reply to RFI 60 of 20 November 2020.

Valencia, Spain; (ii) retail distribution of PCs and LCVs in Valencia, Spain; (iii) retail distribution of LCVs in Villeneuve d'Ascq, France; (iv) retail distribution of LCVs in Boulogne Billancourt, France; and (v) retail distribution of LCVs in Seville, Spain.[947]

(1649) The Parties' combined market share for the retail distribution of PCs, as well as for PCs and LCVs, in Valencia was [20-30]% (with an increment of [0-5]% brought by FCA). For both these potential markets, the Parties will continue to face strong competition both from dealers distributing other OEMs, whether independent or not, as well as from independent dealers distributing PSA and FCA vehicles.

(1650) As regards the potential market for the retail distribution of LCVs in Villeneuve d'Ascq and Boulogne Billancourt in France, the Parties' combined market share would remain limited at [20-30]% (with an increment of [0-5]% brought by FCA) and [20-30]% (with an increment of [0-5]% brough by FCA) respectively. For both these potential markets, the Parties will continue to face strong competition both from dealers distributing other OEMs, whether independent or not, as well as from independent dealers distributing PSA and FCA vehicles.

(1651) Finally, as regards the potential market for the retail distribution of LCVs in Seville, Spain, the Parties' combined market share is [40-50]%. The increment brought by FCA is [5-10]% (equating to […] vehicles). However, the Parties point out that PSA's market share estimate of [30-40]% is overestimated since […] vehicles were in fact either courtesy vehicles, sold to renting companies which registered them in Madrid or orders from individual clients of vehicles which were then registered in other regions than Seville. If one were to disregard those […] vehicles, PSA's market share in Seville would drop to [10-20]% and the combined market share to [20-30]%.

(1652) The Commission considers that the fact that sales are registered in other regions of Spain suggest that those LCV customers could equally have ordered vehicles from other local catchment areas (e.g. Madrid) and as such, the catchment area is likely too narrow in scope for LCVs. At the very least the Commission considers that this is evidence of out-of-market constraints, i.e. the Parties' dealers of LCVs in Spain seem to be currently facing competitive constraints from dealers located in other local (neighbouring and not) catchment areas, where the Parties have significantly lower market shares. Moreover, the Parties will continue to face strong competition both from dealers distributing other OEMs, whether independent or not, as well as from independent dealers distributing PSA and FCA vehicles even in the local catchment area of Seville. Finally, the increment is still moderate, and small in absolute number of vehicles.

(1653) In view of the above, the Commission considers that the Proposed Transaction would not significantly impede effective competition with respect to the market for retail distribution of passenger cars and LCVs, irrespective of the market definition.

8.2.2. Vertical effects

(1654) Although the Parties' distribution networks do not overlap, there is a potential vertical relationship at two levels. First from the manufacturing and supply level to the wholsale level. Second, from the wholesale to the retail level.

947 See Parties' reply to RFI 60 of 20 November 2020.

8.2.2.1. Manufacturing and supply of PCs and LCVs (upstream) – wholesale distribution of PCs and LCVs (downstream)

(1655) The Commission considers that the Proposed Transaction would not significantly impede effective competition with respect to the vertical link between the manufacturing and supply (upstream) and wholesale distribution (downstream) of PCs and LCVs for the following reasons.

(1656) With regard to input foreclosure, the Commission notes that the market shares of the Parties are not very high on the upstream market: [20-30]% for PCs, [30-40]% for LCVs, [30-40]% for LCVs in the EEA level, which is the level at which competition would take place. Furthermore, there are numerous established competitors present.

(1657) As for customer foreclosure, although the Parties' market on the downstream market are relatively high in some Member States, most competing OEMs distribute their own vehicles or have wholesale networks already in place with other importers.

8.2.2.2. Wholesale (upstream) and retail (downstream) distribution of PCs and LCVs

(1658) The Commission considers that the Proposed Transaction would not significantly impede effective competition with respect to the vertical link between the wholesale (upstream) and the retail (downstream) distribution of PCs and LCVs.

(1659) First, although the Parties' combined market share can be relatively high in some national markets, there are numerous competitors also present to which other dealers could resort. Moreover, dealers distributing vehicles of competing OEMs do not rely on the Parties' vehicles or wholesale activities.

(1660) Second, the Parties' market shares are very limited on the downstream markets.

9. AUTOMOTIVE COMPONENTS

9.1. Relevant markets

(1661) There is no horizontal overlap between the activities of PSA and FCA in respect of automotive components, with the exception of their activity in the manufacturing and sale of powertrains.[948] A number of vertical relationships arise as a result of the activities of the Parties' subsidiaries in the manufacture and sale of automotive components and the Parties' downstream activities in the manufacture of PCs and LCVs.

(1662) FCA controls Teksid, PCMA and Comau, and PSA controls Faurecia[949]. Teksid, PCMA and Comau sell their products both to FCA and its subsidiaries (captive sales) as well as to third-party OEMs and automotive suppliers. Faurecia sells its products to both PSA and its subsidiaries (captive sales) as well as to third-party OEMs.

(1663) Teksid comprises two lines of business: Teksid Iron, which is active in the manufacture and sale of cast iron components for the automotive industry, and Teksid Aluminum, which is active in the manufacture and sale of cast aluminium components, mainly for the automotive industry. Teksid manufactures and sells

948 And very limited horizontal overlaps in the case of exhaust manifolds.

949 Form CO, paragraph 12. As of 31 December 2019, PSA held 46.34% of the share capital of Faurecia and 62.99% of the voting rights. Since PSA holds more than 50% of the voting rights of Faurecia, PSA has sole control of Faurecia.

engine blocks, cylinder heads and other cast components from iron and aluminium for PCs and LCVs as well as for medium, heavy and off-road vehicles.

(1664) On 20 December 2019, FCA announced that it had entered into a binding agreement for the sale of Teksid to Tupy S.A., Brazil ('Tupy'). The sale of Teksid to Tupy will only include Teksid Iron, and FCA will retain Teksid Aluminum. FCA expects the sale of Teksid Iron to Tupy to complete […] and, in any event, after the closing of the merger of FCA and PSA.[950]

(1665) FCA will retain control over Teksid Aluminum, but […].[951]

(1666) PCMA manufactures and sells plastic interiors (dashboards, centre consoles, trims and components), plastic exteriors (front and rear bumpers), fuel systems (tanks and fuel pipes), pedals and hand brake levers as well as sealing and brake hoses for PCs, LCVs, and for medium and heavy commercial vehicles.

(1667) […].[952] […].[953]

(1668) Comau is active in the industrial automation field, with its principal focus on the automotive industry. This includes joining, assembly and machining solutions for PCs, LCVs and heavy industrial vehicles, robotised manufacturing systems, industrial robotics (including collaborative and wearable robotics), and autonomous logistics.

(1669) The Notifying Parties submit that they intend to distribute all the shares held by the merged entity in Comau or implement other alternative structures, including the sale of all the shares held by the merged entity in Comau to all shareholders of the merged entity promptly after closing.[954]

(1670) Faurecia is active in the manufacture and supply of automotive components for light vehicles to mainly OEMs. In some cases, it acts as a tier-2 supplier to tier-1 suppliers. Faurecia is not active on markets for replacement parts sold to the independent aftermarket ('IAM').[955] Faurecia is active in four main categories: automotive seating, interior systems, exhaust systems and driver information systems.[956]

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950 Form CO, paragraph 52 and Parties' reply to RFI 58 of 13 November 2020.

951 Form CO, paragraph 425.

952 As the Parties are not active in medium and heavy commercial vehicles, PCMA's activity in components for medium and heavy commercial vehicles does not give rise to vertical overlaps. These products will therefore not be further discussed in this Decision.

953 Form CO, paragraph 215 and following. […]. Even on a market including captive and merchant market sales, PCMA's market share in the EEA in 2019 was very small (below [0-5]% for urea tanks and exruded sealing respectively and [5-10]% for brake hoses) and even lower at worldwide level. (Reply to RFI 58 of 17 November 2020 to the Parties.) Therefore these products will not be further discussed in this Decision.

954 Form CO, paragraph 6.

955 Form CO, paragraph 619.

956 Form CO, paragraph 614 and following. Moreover, Faurecia very recently started to be active in the development, manufacture and sale of fuel cell systems for the automotive sector and fuel cell power units to be integrated in fuel cell systems, through the joint venture Symbio, which Faurecia controls jointly together with Michelin (Form CO, paragraph 617; see also Case M. 9474 *Faurecia/Michelin/Symbio JV*). Faurecia also sells composites for use in the automotive industry. Composites are any structural or non-structural elements of the vehicle (mostly vehicle bodyshell and external trims) which is constructed from composite material (Form CO, paragraph 363). Faurecia's market share in 2019 was [0-5]% at EEA level and below [0-5]% worldwide. (Form CO, table 84). As no affected markets arise from these activities, they will not be further discussed in this Decision.

(1671) The Notifying Parties submit that no competition issues can arise from any vertical relationship between Faurecia and the Parties because, as part of the Amendment Combination Agreement agreed on 14 September 2020, PSA will distribute its stake to all shareholders of the merged entity promptly after closing. FCA's and PSA's respective shareholders will each receive […] shareholdings in Faurecia. Therefore, Faurecia will not be controlled by the merged entity and all vertical relationships would be hypothetical.[957]

(1672) In addition, the Notifying Parties stress that PSA already has an arm's length contractual relationships with Faurecia, without any preferential treatment. Both PSA and Faurecia seek the most favourable possible commercial terms from the other, like fully independent companies. PSA choses its suppliers in competitive bids in which suppliers, including Faurecia, must participate. Faurecia is retained only if its proposal is the most competitive. Similarly, Faurecia only submits bids based on its own economic interest, and on terms that are consistent with that interest, without favouring PSA over other customers. There are many cases where PSA works with Faurecia's competitors rather than Faurecia, and many cases where Faurecia supplies PSA's competitors and not PSA.[958]

(1673) Overall, the Notifying Parties argue that the vertical relationships resulting from their activities in automotive component markets do not raise any concerns, as (i) in case of Faurecia, Teksid Iron and Comau, the Parties will no longer control these entities post-Transaction, (ii) in case of Teksid and PCMA, production is mainly for captive use and, for these subsidiaries as well as for Comau, market shares are low, and (iii) in case of Faurecia, PSA and Faurecia have an arm's length relationship and should not be considered vertically integrated.

9.1.1. Product market definition

9.1.1.1. The Commission's decisional practice

(1674) In previous cases involving the manufacture and supply of automotive components, the Commission considered, while ultimately leaving open, whether (i) each automotive component constitutes a separate market, or whether (ii) modules/systems constitute the appropriate product markets. Automotive modules include a number of pre-assembled individual components that fulfil a certain function in the vehicle, and are delivered to the manufacturers as a single unit, similar to automotive systems which are more complex modules containing assemblies of individual components and that fulfil a certain function in the vehicle).[959]

(1675) The Commission has distinguished between systems/modules and components for light vehicles on the one hand and systems/modules and components for heavy vehicles on the other hand. Furthermore, the markets for automotive components are to be further divided into products for OEMs and their Original Equipment Services[960] and replacement parts sold to the IAM.[961]

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957 PSA-FCA Amendment Combination Agreement.

958 Form CO, paragraph 620.

959 Case COMP/M.6714 - U-Shin/Valeo CAM (2013), paragraph 6.

960 Including products for the original equipment service (OES) businesses.

961 E.g. Cases COMP/M.5799 - Faurecia/Plastal (2010), paragraph 7, Case COMP/M.7182 - Visteon Corporation/Automotive Electronics Business of Johnson Controls (2014), paragraph 12 and Case COMP/M.6714- U-Shin/Valeo CAM (2013), paragraph 7.

9.1.1.2. The Notifying Parties' view

(1676) The Notifying Parties agree that systems and components for light vehicles and for heavy vehicles should be separate product markets. They also agree on defining separate markets for products for OEMs and for IAM, noting that in any case the Parties, via their subsidiaries, are only active in the supply of automotive parts to OEMs for the manufacture of PCs and LCVs.[962]

(1677) The Notifying Parties argue that the question whether to distinguish between components, modules and systems can be left open. In particular, they argue that from a supply-side perspective, most component manufacturers are vertically integrated and are thus able to produce and supply individual components, as well as modules and systems of such components which are tailored to the OEMs' needs and product designs.[963]

9.1.1.3. The Commission's assessment

(1678) The Commission considers that for the purpose of this Decision, its decisional practice related to automotive components, as outlined in Section 9.1.1.1 provides a good indication of the relevant markets in this case. In the Phase I market investigation, a majority of suppliers agreed that each automotive component constitutes a separate product market.[964] A vast majority of suppliers stated that automotive components for light vehicles (PCs and LCVs) constitute a separate market from automotive components for heavy vehicles.[965] Many respondents however mentioned that this depends on the component and that the distinction does not exist for all components: "*For components such as seating mechanisms the differences between products for LV and HV are not very significant. Most or all suppliers are therefore able to make components for both types of vehicles.*"[966]

(1679) In any case, for the purpose of this Decision the Commission considers that the exact market definition can be left open between components, modules and systems, as the Proposed Transaction would not significantly impede effective competition under any of the market definitions set out below. As for the distinction between OEM, IAM and OES, as well as the distinction between inputs for light and heavy vehicles, the Commission will maintain its previous case practice discussed in Section 9.1.1.1.[967]

(1680) In conclusion, for the purposes of this Decision, the Commission will analyse the market for each component, as well as for complete modules/systems that are inputs for light vehicles (PCs and LCVs) to OEMs/OES and to the IAM.

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962 Reply to RFI 59 of 17 November 2020. No affected markets arise for the IAM and/or heavy vehicle components. These potential markets will not be further discussed in this Decision.

963 Form CO, paragraph 632.

964 Replies to question 6 of Questionnaire 2 to suppliers.

965 Replies to question 7 of Questionnaire 2 to suppliers.

966 Replies to question 7.1 of Questionnaire 2 to suppliers.

967 In any case, the Parties are only active on the downstream market for light vehicles and no vertical links arise from the production of components for heavy vehicles. Therefore, this Decision will only refer to components for use in light vehicles. As discussed in footnote 975 below, the Parties and their subsidiaries are only active in the supply of automotive components to OEMs (and no affected markets arise for the IAM which will not be further discussed in this Decision).

9.1.2. Geographic market definition

9.1.2.1. The Commission's decisional practice

(1681) Previous Commission decisions have found the market for most automotive components for sale to OEMs/OES to be at least EEA-wide and in some cases worldwide, but have left open the precise definition.[968] In one previous case, the Commission explained the existence of at least EEA-wide markets as follows: (i) the Parties operated worldwide; (ii) OEMs increasingly source products at worldwide level; (iii) within the EEA, transport costs are not significant; (iv) product regulation and safety standards are set at EEA level; (v) there are no obstacles to intra-EEA trade; and (vi) prices are similar throughout the EEA.[969]

(1682) Component markets for sale to the IAM have been found to be national in scope.[970]

9.1.2.2. The Notifying Parties' view

(1683) The Notifying Parties do not contest the Commission's practice. They point to the following arguments suggesting a worldwide market for automotive components:

– from a demand-side perspective, manufacturers are global companies, which increasingly source products at a worldwide level, tend to set product requirement standards at global level and to a large extent follow global procurement policies;

– from a supply-side perspective, most automotive component manufacturers operate worldwide and tend to supply the entire global demand from a few manufacturing facilities;

– prices are negotiated at a global level;

– transportation costs are insignificant;

– regulatory barriers are quasi inexistent given the level of harmonisation between the main markets.[971]

9.1.2.3. The Commission's assessment

(1684) The Commission considers that, in line with its previous practice, for the purpose of this Decision, the geographic market definition for automotive modules, systems, and components can be left open between EEA-wide and global.

(1685) The market investigation suggested that the market for the manufacture and sale of OEM/OES automotive components is at least EEA-wide, if not worldwide. A majority of suppliers considered markets to be worldwide,[972] whilst a majority also agreed that it depends on the component in question and that some markets could be EEA-wide.[973] Even in case of modules and systems which, unlike most components, cannot necessarily be shipped at low cost, competition for bids takes place at a global level. Once a suppliers wins a bid to supply, it might decide to establish facilities close to the OEM's production facilities.[974]

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968 See e.g. Case COMP/M.5977Faurecia/Plastal (2010), paragraph 18; Case COMP/M.6045 - JCI/ CRH (2011), paragraphs 29-31.

969 Case COMP/M.6714 - U-Shin/Valeo CAM (2013), paragraph 27.

970 See e.g. Case COMP/M.8198 - Alliance Automotive Group / FPS Distribution (2016), paragraph 10.

971 Form CO, paragraph 638.

972 Replies to question 8 of e-Questionnaire 2 to suppliers.

973 Replies to question 9 of e-Questionnaire 2 to suppliers.

974 Minutes of a call with a supplier of 8 April 2020, paragraph 10.

(1686) In any case, for the purpose of this Decision the Commission considers that the exact market definition can be left open between EEA-wide and global, and the IAM market can be assessed at national scope, as the Proposed Transaction would not significantly impede effective competition under any of the these potential geographic market definitions.

(1687) In conclusion, for the purposes of this Decision, the Commission will analyse the impact of the Proposed Transaction both at EEA and global level.[975]

9.1.3. Automotive seating

(1688) Automotive seating includes complete seats, seat frames, adjustment mechanisms, foams and upholstery, and comfort and safety accessories.

- Complete seats consists of seat structures (frames) which are the structural skeleton of a car seat, generally made of metal, into which mechanisms are assembled. The frame consists of a cushion frame and a backrest frame.
- Mechanisms are components of the seat structure which provide the rigidity, strength and adjustability of the seat. The main mechanisms are:
  - Recliners used for adjusting the position of the seat backrest;
  - Length adjusters (also called tracks) used to move seats backwards and forwards;
  - Height and tilt adjusters used to adjust the position of the car seat.[976]

9.1.3.1. Product market definition

9.1.3.1.1. The Commission's decisional practice

(1689) The Commission has previously considered, while ultimately leaving open, whether the just-in-time ('JIT') supply of complete car seat assemblies for manufacturers, on the one hand, and the manufacturing of its individual components, on the other hand, constitute different relevant product markets.[977] The components of car seats comprise metal seat structures, the individual mechanisms, as well as seat cushion foam, seat covers and head rests.

(1690) The Commission has further considered a distinction between front seat and back seat structures, as well as a distinction between cushion assemblies and backrest assemblies.[978] For back seats, the Commission has in previous cases considered, while ultimately leaving open, whether these can be further segmented into very large mechanisms (VLMs) and third row seats.[979] Within head rests, crash active head rests were found to constitute a potential separate market.[980]

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975 As the Parties and their subsidiaries are not active on the IAM, the IAM will not be further discussed in this Decision and all references to component markets are to be understood as describing the OEM/OES market. Neither Teksid nor PCMA is active in the IAM (Reply to RFI 59 to the Parties of 17 November 2020). Faurecia has an IAM business for exhaust systems, however Faurecia's market share would be very low in the EEA (2020 forecast is [0-5]%, Form CO, footnote 169) and remain below 30% on a national level (Reply to RFI 59 to the Parties of 17 November 2020).

976 Form CO, paragraph 636.

977 Case COMP/M.8405 - LEAR / GRUPO ANTOLÍN ASSETS, (2017), paragraph 11.

978 Case COMP/M.8405 - LEAR / GRUPO ANTOLÍN ASSETS, (2017), paragraph 14-19; Case COMP/M.6136 - JCI/Automotive Business of Keiper Recaro Group (2011), paragraphs 13-20.

979 Case COMP/M.6045- JCI/CRH (2011), paragraph 15; Case COMP/M.6136 - JCI/Automotive Business of Keiper Recaro Group (2011), paragraph 15.

980 Case COMP/M.6045 - JCI/CRH (2011), paragraphs 25-26.

(1691) Previous cases have also considered, while ultimately leaving open, potential sub-segments as the narrowest plausible market definitions for different mechanisms (manual and powered recliners and length adjusters; two types of manual recliners: rotary/continuous and lever/discontinuous recliners).[981]

9.1.3.1.2. The Notifying Parties' view

(1692) In relation to mechanisms, the Notifying Parties argue that they are usually purchased as part of metal structures for car seats, and therefore should be included in a wider market for seat structures.[982]

(1693) As for the distinction between front seat and back seat structures, as well as between cushion assemblies and backrest assemblies and between head rests and crash active head rests, the Parties argue that a potential sub-segmentation of the market is not relevant to the Proposed Transaction as no affected markets would arise under any plausible market definition.[983]As for a segmentation into very large mechanisms (VLMs) and third row seats, the Parties note that Faurecia does not actively target this market and sources VLMs from other automotive seating companies when needed.[984]

(1694) In relation to recliners, the Notifying Parties disagree with the segmentation into different types of recliners used in front seats (manual rotary (continuous), manual lever (discontinuous) and powered rotary recliners). They consider that such a distinction in not appropriate, given supply-side substitutability.[985]

9.1.3.1.3. The Commission's assessment

(1695) The Commission considers that for the purpose of this Decision, its decisional practice related to automotive seating, as outlined in recitals (1689)-(1691) provides a good indication of the relevant markets in this case, although the results of the Phase I market investigation point to the existence of markets for seat structures and complete seats, rather than markets for each component of seat structures.

(1696) A majority of suppliers agreed with the view of the Notifying Parties that the assembly of complete seats constitutes one product market, a majority of suppliers also considered a possible segmentation between the components of car seats (metal seat structures, mechanisms, foam, covers, head rests and arm rests).[986]

(1697) More specifically, a majority of suppliers replied that recliners are usually purchased as part of metal structures for car seats, and therefore should be included in a wider market for metal seat structures.[987] Also, a vast majority of OEMs stated that they buy complete seats including recliners, length adjusters and metal structures. Few OEMs buy metal structures including recliners, length, height and title adjusters and none replied that they buy recliners and length adjusters separately.[988]

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981 Case M.6136 - JCI/Automotive Business of Keiper Recaro Group (2011), paragraphs 21-40; Case COMP/M.6045 - JCI/CRH (2011), paragraphs 17-24. Case COMP/M.6136 - JCI/Automotive Business of Keiper Recaro Group (2011), paragraphs 21-40.

982 Form CO, paragraph 670.

983 Reply to RFI 10 of 20 May 2020, paragraph 36.

984 Reply to RFI 10 of 20 May 2020, paragraph 35.

985 Form CO, paragraph 681.

986 Replies to question 22 of e-Questionnaire 2 to suppliers.

987 Replies to question 23 of e-Questionnaire 2 to suppliers.

988 Replies to question 17 of e-Questionnaire 1 to competitors.

(1698) In addition, a majority of suppliers replied that different types of mechanisms are interchangeable for the use in automotive seating, i.e. that their product characteristics, price and intended use are the same or similar.[989] However, a majority consider that within manual recliners, rotary and lever recliners are not interchangeable.[990]

(1699) In any case, for the purpose of this Decision, the Commission considers that the exact market definition for automotive seating can be left open, as the Proposed Transaction would not significantly impede effective competition under any plausible market definition, whether the market is defined as complete seats (or different types of complete seats), seat structures and cushion assemblies separately (or different types of seat structures and cushion assemblies), or by component, i.e. recliners, length adjusters, height and tilt adjusters, foams, seat covers, head rests and arm rests (or different types of these components, notably in the case of recliners, length adjusters and height and tilt adjusters which can be distinguished between manual and powered versions and within manual recliners, a further subsegmentation into rotary recliners and lever recliners).[991]

9.1.3.2. Geographic market definition

9.1.3.2.1. The Commission's decisional practice

(1700) Previous Commission decisions have found the market for automotive seating components to be at least EEA-wide and possibly worldwide, leaving the market definition open.[992] For entire seat structures, the Commission found the market to be at least EEA-wide, but not global.[993] For assembly services, the Commission found the geographic scope of the market for complete seat assemblies to be EEA-wide, but left the exact market definition open.[994]

9.1.3.2.2. The Notifying Parties' view

(1701) The Notifying Parties consider that the market for car seats mechanisms (recliners, length adjusters and height and tilt adjusters) and components should be defined as worldwide in scope, because these products are relatively lightweight, require little packaging, incur limited transportation costs and are sourced in worldwide tender procedures.[995]

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989 Replies to question 24 of e-Questionnaire 2 to suppliers.

990 Replies to question 24.2 of e-Questionnaire to suppliers.

991 Plausible markets considered: (i) complete seats and its sub-categories of front row seats, rear (second row) seats and additional row seats; (ii) seat structures and its sub-categories of front seat structures, front seat cushion assemblies, front seat backrest assemblies, backseat structures, backseat cushion assemblies and backseat backrest assemblies; (iii) additional rows seat structures and its sub-categories of additional rows seat cushion assemblies and additional rows seat backrest assemblies; (iv) recliners and its sub-categories of rotary recliners (further sub-segmented by manual and powered rotary recliners) and lever recliners; (v) length adjusters and its sub-categories of manual and powered length adjusters; (vi) height and tilt adjusters and its sub-categories of manual and powered height and tilt adjusters; (vii) foams; (viii) covers; (ix) headrests; and (x) arm rests.

992 Case COMP/M.6136 - JCI/Automotive Business of Keiper Recaro Group (2011), paragraph 51.

993 Case COMP/M.6136 - JCI/Automotive Business of Keiper Recaro Group (2011), paragraph 50.

994 Case COMP/M.8405 - Lear / Grupo Antolín Assets (2017), paragraphs 20-26.

995 Form CO, paragraph 644.

9.1.3.2.3. The Commission's assessment

(1702) The Commission considers that, in line with its previous practice, for the purpose of this Decision, the geographic market definition for automotive seating and seating components can be left open between EEA-wide and global.

(1703) The results of the market investigation indicate that the market for automotive seating and components is EEA-wide or worldwide,[996] as some suppliers supply to the EEA, some globally.[997] A majority of OEMs stated that they source recliners and length adjusters at worldwide level.[998] Prices are also negotiated at a worldwide level, according to a majority of OEMs.[999]

(1704) Some replies also pointed to an EEA-wide market for complete seats and a global market for smaller components: "*If the market for automotive components is considered, we assume a worldwide market. However, if the market for the assembly of complete seats is considered, we assume an EEA-wide market*".[1000] According to an automotive seating manufacturers, "*seat structures tend to be globally sourced*."[1001]

(1705) Even for complete seating, where suppliers establish their production facilities close to those of OEMs to enable just-in-time delivery, selection of suppliers takes place at a broader level, as further outlined in Section 9.2.2. Moreover, once suppliers have established facilities close to the OEM's production facilities, they continue to compete on equal terms with suppliers that do not have facilities close by, according to a manufacturer of automotive seating: "*Having a seat manufacturing facility close to a car production line does not necessarily make a seat producer an obvious choice for this reason alone. It may be beneficial for a competitor to build a seat manufacturing facility if they win a large enough bid and if it makes sense from an economic perspective*."[1002]

(1706) In any case, for the purpose of this Decision the Commission considers that the exact market definition can be left open between EEA-wide and global, as the Proposed Transaction would not significantly impede effective competition under either potential market definition.

(1707) In conclusion, for the purposes of this Decision, the Commission will analyse the impact of the Proposed Transaction both at EEA and global level in respect of automotive seating.

(1708) Since, even when considering the narrowest plausible market definition, only the potential markets for (i) recliners, (ii) rotary recliners, (iii) manual rotary recliners, (iv) lever recliners, (v) length adjusters and (vi) manual length adjusters are affected (all of them only at EEA level), the other markets will not be discussed further in this Decision.[1003]

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996 Replies to question 27 of e-Questionnaire 2 to suppliers.

997 Replies to question 28 of e-Questionnaire 2 to suppliers.

998 Replies to question 23 of e-Questionnaire 1 to competitors.

999 Replies to question 24 of e-Questionnaire 1 to competitors.

1000 Replies to question 8.1 of e-Questionnaire 2 to suppliers.

1001 Minutes of a call with an automotive seating supplier of 3 April 2020, paragraph 27.

1002 Minutes of a call with an automotive seating supplier of 3 April 2020, paragraph 17.

1003 Faurecia's market share is below 30% at the worldwide level for all relevant components of automotive seating (Form CO, paragraph 663). At EEA level, Faurecia's market shares in 2019 remained below 30% in automotive seating ([20-30]%), complete seat assembly ([20-30]%), front seat assembly ([20-30]%), rear (second-row) seat assembly (<30%), additional (second-row) seat assembly (<30%), seat

9.1.4. Exhaust systems

(1709) Exhaust systems include hot ends, cold ends, and manifolds.

- Hot ends are elements of the exhaust system located closest to the engine, which comprise the after-treatment devices and their piping (and which have as their purpose the reduction of the toxicity of the collected fumes). Typically, these products contain a catalytic converter and/or a particle filter.
- Cold ends are elements of the exhaust system located underneath the vehicle cabin. The main purpose of the cold ends is the muffling of the engine noises and the transportation of the exhaust fumes to the rear of the vehicle.
- Manifolds are the part of an exhaust system which collect the exhaust fumes produced by the engine and routes the fumes to the hot end.[1004]

9.1.4.1. Product market definition

9.1.4.1.1. The Commission's decisional practice

(1710) The Commission has in previous cases considered, while ultimately leaving open, whether the market for exhaust systems should be considered as one market, or whether each hot ends, cold ends and manifolds constitute separate product markets. In addition, the Commission also considered a further segmentation of the markets for hot ends (into gasoline and diesel hot ends) and for manifolds (into cast manifolds and fabricated manifolds).[1005]

9.1.4.1.2. The Notifying Parties' view

(1711) The Parties consider that such narrow potential market definitions are not appropriate, but that it is not necessary to conclude on whether exhaust systems should be assessed as a whole in addition to the three sub-segments for the relevant components.[1006]

(1712) The Notifying Parties also consider that there is no need to sub-segment hot ends between gasoline and diesel due to supply-side substitutability: all suppliers of hot ends produce both gasoline and diesel hot ends. Moreover, both gasoline and diesel hot ends require similar production equipment, have a similar production cost structure and are typically manufactured in the same facilities. Finally, the Notifying Parties note that in view of regulatory requirements, the share of diesel vehicles, and therefore diesel exhaust systems, has been decreasing and will continue to decrease.[1007]

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structures ([10-20]%), front seat structures ([10-20]%), front seat cushion assemblies ([10-20]%), front seat backrest assemblies ([20-30]%), back seat structures ([5-10]%), back seat cushion assemblies ([5-10]%), backseat backrest assemblies ([5-10]%), additional row seats structures ([5-10]%), additional rows seat cushion assemblies (<30%) additional rows seat backrest assemblies (<30%). Faurecia's market shares for recliners remain below 30% also for powered recliners and powered length adjusters remain below 30% ([10-20]% for powered recliners and [10-20]% for powered length adjusters). Faurecia's market shares also remain below 30% at EEA level for the following products: height and tilt adjusters ([10-20]%), manual height and tilt adjusters ([20-30]%), powered height and tilt adjusters ([5-10]%), foams ([10-20]%), covers ([10-20]%), headrests ([20-30]%) and arm rests (<30%).

1004 Form CO, paragraph 636.

1005 Caes COMP/M.5680 - Faurecia/Emcon Technologies (2010), paragraphs 7-14.

1006 Form CO, paragraph 804 and 807.

1007 Form CO, paragraph 811.

9.1.4.1.3. The Commission's assessment

(1713) The Commission considers that for the purpose of this Decision, its decisional practice related to exhaust systems, as outlined in recital (1710) provides a good indication of the relevant markets in this case, although the results of the market investigation point to an overall market for exhaust systems. A majority of suppliers replied that in case of exhaust systems one overall market is appropriate and agreed with the argument of the Parties that suppliers generally supply all components.[1008]

(1714) In any case, for the purpose of this Decision the Commission considers that the exact market definition can be left open, as the Proposed Transaction would not significantly impede effective competition whether the market is defined as (i) exhaust systems or separately for each of (ii) hot ends, (iii) cold ends, (iv) manifolds (v) gasoline hot ends, (vi) diesel hot ends, (vii) cast manifolds or (viii) fabricated manifolds.

9.1.4.2. Geographic market definition

9.1.4.2.1. The Commission's decisional practice

(1715) Previous Commission decisions have left open the market for exhaust systems between at least EEA-wide and worldwide.[1009]

9.1.4.2.2. The Notifying Parties' view

(1716) The Notifying Parties argue that the market for exhaust systems should be defined as worldwide. Exhaust components produced by Faurecia in Europe are for instance exported to other regions of the world, such as Asia-Pacific while similarly, non-European exhaust systems suppliers supply products to customers in the EEA.[1010]

9.1.4.2.3. The Commission's assessment

(1717) The Commission considers that, in line with its previous practice, for the purpose of this Decision, the geographic market definition for exhaust systems and components can be left open between EEA-wide and global.

(1718) In the market investigation, a majority of suppliers considered the market for exhaust systems and components to be worldwide.[1011] A majority of OEMs also stated that they source hot ends at worldwide level.[1012] Finally, prices are negotiated at a worldwide level, according to a majority of OEMs.[1013]

(1719) In any case, for the purpose of this Decision the Commission considers that the exact market definition can be left open between EEA-wide and global, as the Proposed Transaction would not significantly impede effective competition under either potential geographic market definition.

(1720) Since only the potential markets for (i) exhaust systems (at EEA level), (ii) hot ends (at EEA level), (iii) diesel hot ends (at EEA and worldwide level) and (iv) gasoline hot ends (at EEA level) are affected, the other market will not be discussed further in this Decision.

1008 Replies to question 38 of e-Questionnaire 2 to suppliers.
1009 Case COMP/M.5680- Faurecia/Emcon Technologies (2010), paragraph 15.
1010 Form CO, paragraph 638.
1011 Replies to question 43 of e-Questionnaire 2 to suppliers.
1012 Replies to question 23 of e-Questionnaire 1 to competitors.
1013 Replies to question 24 of e-Questionnaire 1 to competitors.

(1721) As to the offering of cold ends and manifolds, no affected market arises from the Proposed Transaction. Therefore, the Commission considers that the Proposed Transaction will not lead to a significant impediment to effective competition in respect of this market and this market will not be further discussed in this Decision.[1014]

9.1.5. Interior systems

(1722) Interior systems include instrument panels, acoustic modules as well as decorative parts (synthetic, aluminium, wood) and instrument panel beams.[1015] The Parties distinguish between cockpit panels, centre consoles (floor modules), and door modules.

– A cockpit module (instrument panel) is the front interior part of the vehicle in which the instruments (speedometer, clock, radio, etc.) are included.

– A centre console is a module installed in the middle of the front of the vehicle interior, which usually comprises storage compartments. Its surface includes instrumentation controls.

– Floor consoles are the components which cover the floor of the interior of a vehicle.[1016]

9.1.5.1. Product market definition

9.1.5.1.1. The Commission's decisional practice

(1723) In previous decisions, the Commission has considered markets for instrument panels cockpit assembly.[1017] In this context, cockpit modules have been defined as "*A combination made out of a dashboard and a number of sub-modules like wiring and electronic devices, instruments, car audio and information/communication and heating and climate systems*".[1018] The Commission in a previous case also defined a market for floor consoles.[1019] Another potential segmentation is based on the assembly services for the different components of these interior systems. In previous automotive cases relating to module assembly, the Commission has considered a product market for modules that encompass the assembly and the supply of front-end modules.[1020]

9.1.5.1.2. The Notifying Parties' view

(1724) The Notifying Parties submit that the relevant upstream product markets are (i) the market for cockpit assembly services and (ii) the market for centre console assembly

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1014 For cold ends, Faurecia's market share in 2019 was [20-30]% at EEA level and [20-30]% at worldwide level. For manifolds (overall and fabricated manifolds), Faurecia's market share was below 30% at EEA level and worldwide level (Form CO, table 84). Whereas Faurecia only produces fabricated manifolds (market share <30% at EEA and worldwide level), Teksid only produces cast manifolds (market share [0-5]% at EEA and worldwide level). Faurecia's and Teksid's combined market share in a market for all manifolds would remain below 20% at EEA and worldwide level (reply to RFI 58 of 17 November to the Parties).

1015 Form CO, paragraph 633.

1016 Form CO, paragraph 636.

1017 Case COMP/M.5977 - Faurecia/Plastal (2010), paragraph 16.

1018 Case COMP/M.5977 - Faurecia/Plastal (2010), footnote 7.

1019 Case COMP/M.5930 - JCI/Michel Thierry Group (2010), paragraph 24.

1020 Case COMP/M.7893 - Plastic Omnium / Faurecia Exterior Automotive Business (2016), paragraph 47.

services,[1021] as no other affected markets arise under any plausible market definition for components/systems/modules of interior systems and their assembly.

(1725) Moreover, the Notifying Parties hold that in-house assembly services should be part of the total market for assembly services, as they constitute the main competitive constraint on the activities of third party assembly service providers like Faurecia's subsidiary SAS.[1022]

9.1.5.1.3. The Commission's assessment

(1726) The Commission considers that, for the purpose of this Decision, in line with its previous practice on automotive assembly services, the market definition can be left open between assembly services for the different modules of interior systems and these modules themselves. In the market investigation, a majority of suppliers considered that there is separate demand for assembly services (whether cockpit assembly services or centre console assembly services) from the modules/module components themselves.[1023]

(1727) Therefore, the Commission considers that for the purpose of this Decision, the plausible markets identified are the following: (i) cockpit module assembly services; (ii) centre console assembly services; (iii) cockpit modules (instrument panels); (iv) door modules (door panels); and (v) floor consoles (centre consoles). As explained at Section 9.2.5, the Proposed Transaction would not significantly impede effective competition under any of these plausible market definitions.

9.1.5.2. Geographic market definition

9.1.5.2.1. The Commission's decisional practice

(1728) Previous Commission decisions have found the market for interior systems to be at least EEA-wide and in some cases worldwide. As for the assembly and supply of automotive modules, the Commission considered that the market for assembly of front-end modules is EEA-wide in scope.[1024]

9.1.5.2.2. The Notifying Parties' view

(1729) The Notifying Parties do not contest the Commission's practice, although they stress that the sourcing behaviour of the manufacturers and their organisation of bids points towards a worldwide market.[1025]

9.1.5.2.3. The Commission's assessment

(1730) The Commission considers that, in view of the results of the market investigation, for the purpose of this Decision, the geographic market definition for assembly services for cockpit modules and centre consoles can be left open between EEA-wide and global.

(1731) In the Phase I market investigation, a majority of suppliers consider the market to be worldwide,[1026] although only a minority indicated that they supply interior systems

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1021 Form CO, paragraph 766.

1022 Form CO, paragraph 767: "*Whenever an OEM decides on arranging the assembly of cockpit or centre console modules, it will first decide whether to outsource this service or not. Any third-party provider of assembly services will only be considered next to the EM's own assembly services, which all OEMs possess.*"

1023 Replies to question 43 of e-Questionnaire 2 to suppliers.

1024 Case COMP/M.7893 - Plastic Omnium / Faurecia Exterior Automotive Business (2016), paragraph 78.

1025 Form CO, paragraph 647.

1026 Replies to question 58 of e-Questionnaire 2 to suppliers.

on a global market.[1027] A majority of OEMs stated that they source assembly services for cockpit modules and centre consoles at worldwide level.[1028] Prices are also negotiated at a worldwide level, according to a majority of OEMs.[1029] As explained in Section 9.2.2, also in markets where production facilities are located close to the OEM, competition and bids take place at a broader (at least EEA-wide) level.

(1732) In any case, for the purpose of this Decision the Commission considers that the exact market definition can be left open between EEA-wide and global, as the Proposed Transaction would not significantly impede effective competition under either potential geographic market definition.

(1733) In conclusion, for the purposes of this Decision, the Commission will analyse the impact of the Proposed Transaction both at EEA and global level.

(1734) Since only the potential markets for (i) cockpit module assembly services and (ii) centre console assembly services are affected at EEA and global level, the other markets will not be discussed further in this Decision.[1030]

9.1.6. Driver information systems

(1735) Faurecia develops and manufactures in-vehicle infotainment ('IVI'), human machine interface systems and connectivity services:

– Infotainment systems coordinate and integrate in-vehicle information and entertainment functions and/or devices. They consist of a display assembly module, which includes displays, IVI hardware required for the integration into a vehicle (frames, sensors, etc.) and IVI software required to operate the displays.

– Non-incorporated information displays: displays sold on a stand-alone basis, i.e., unbundled from the IVI hardware and software.

– Sound systems (sound/audio): sound systems which consist of different components such as speakers, amplifiers and sound controls.

– Safety / Parking Assist (cameras, sensors): camera- and sensor-based safety features which seek to assist the driver during parking.

– Connectivity systems: connectivity solutions which allow the user to connect external devices (e.g. smartphones) to the vehicle using Bluetooth or other communications technologies. These components essentially consist of the telematics control unit which is relevant for communications protocols (5G, television, digital radio) and enable connectivity of the system (car-to-infrastructure, car-to-car, etc.).

1027 Replies to question 58 of e-Questionnaire 2 to suppliers.

1028 Replies to question 23 of e-Questionnaire 1 to competitors.

1029 Replies to question 24 of e-Questionnaire 1 to competitors.

1030 Faurecia's market shares in 2019 on a merchant market at EEA level remained below 30% for cockpit modules ([20-30]%), door modules ([20-30]%) and floor consoles (centre consoles)([10-20]%), as well as in other interior system products, such as other interior trims ([5-10]%), acoustic and soft trim ([10-20]%) and decoration ([5-10]%) (Form CO, table 88). These market shares also remain below 30% at a worldwide level (reply to RFI 56 of 10 November 2020, paragraph 49). Faurecia does not sell components for cockpits and centre consoles on a merchant market, therefore the markets for components for use in interior systems will not be further discussed in this Decision.

9.1.6.1. Product market definition

9.1.6.1.1. The Commission's decisional practice

(1736) The Commission previously defined separate markets for information displays, infotainment systems and connectivity systems.[1031]

(1737) As to information displays, the Commission concluded that information displays constitute a separate relevant product market, and left open whether "smart" multi-function displays (MFDs) should be a separate product market or part of the information displays segment.[1032]

(1738) As to infotainment systems, the Commission considered, while ultimately leaving open, whether the market for infotainment systems should be distinguished from the markets for the individual components included in these systems.[1033]

(1739) As to connectivity systems, the Commission has considered, while ultimately leaving open, whether connectivity systems constitute a separate product market or whether they are part of the same product market as infotainment systems.[1034]

(1740) For sensors, the Commission considered, while ultimately leaving open, whether separate market exist for different types of sensors based on the type of information the sensor can provide, e.g. pressure, level, speed, accelerometers.[1035]

(1741) As for the remaining driver information systems that Faurecia offers, these were not analysed in previous cases, but automotive cases have generally taken the approach to consider as the narrowest plausible market a market for each component, (see Section 9.1.1.1).

9.1.6.1.2. The Notifying Parties' view

(1742) The Notifying Parties concur with the Commission's decisional practice.[1036]

9.1.6.1.3. The Commission's assessment

(1743) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate. In conclusion, for the purposes of this Decision, the Commission will analyse the markets for driver information systems at the narrowest plausible level.[1037]

1031 Case COMP/M.7182 - Visteon Corporation/Automotive Electronics Business of Johnson Controls (2014), paragraph 19 and following.

1032 Case COMP/M.7182 - Visteon Corporation/Automotive Electronics Business of Johnson Controls (2014), paragraph 25 and following, Case No. IV/M1462 - TRW/Lucas Varity, paragraphs 11 and 18.

1033 Case COMP/M.7182 - Visteon Corporation/Automotive Electronics Business of Johnson Controls (2014), paragraph 31 and following. Case No COMP/M.4696 - KKR/Harman, paras. 12-14.

1034 Case COMP/M.7182 - Visteon Corporation/Automotive Electronics Business of Johnson Controls (2014), paragraph 35 and following; Case No. COMP/M.4878 - Continental/Siemens VDO, paras. 45-49.

1035 M.5244 - ZF/Cherry (2008), paragraphs 10 - 14.

1036 Form CO, footnote 177.

1037 Plausible markets considered: (i) driver information systems overall and MFDs separately, (ii) non-incorporated displays and MFDs separately, (iii) infotainment systems and their individual components, (iv) sounds/radio and their individual components, (v) safety/parking assist and their individual components, (vi) connectivity systems.

9.1.6.2. Geographic market definition

9.1.6.2.1. The Commission's decisional practice

(1744) In prior decisions concerning automotive electronics components and systems sold to OEM/OES, including infotainment systems, the Commission defined the relevant geographic market as at least EEA-wide in scope, but left open the question whether the market could be worldwide in scope.[1038]

9.1.6.2.2. The Notifying Parties' view

(1745) The Notifying Parties concur with the Commission's decisional practice, but note that in market investigation of these previous cases, many market respondents, both from the demand- and the supply-side, suggested that the relevant market is worldwide in scope because these products are supplied and purchased at a worldwide level.

(1746) The Notifying Parties submit that the product market definition can be left open since the Transaction is unlikely to raise any competition concerns irrespective of the market definition.[1039]

9.1.6.2.3. The Commission's assessment

(1747) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate. For the purposes of this Decision the market for the various driver information systems and their components is therefore left open between EEA-wide and worldwide in scope.

(1748) As to the offering of driver information systems and their components, no affected market arises from the Proposed Transaction on the basis of any plausible market definition. Therefore, the Commission considers that the Proposed Transaction will not lead to a significant impediment to effective competition in respect of these markets and these markets will not thus be further discussed in this Decision.[1040]

9.1.7. ICE powertrains

(1749) Both Parties produce ICE powertrains for PCs and LCVs, mainly for internal use, with very limited sales to third party OEMs.[1041]

(1750) The term "powertrain" generally describes the main components that generate power and deliver it to the road surface. ICE powertrains include engine and transmission (which transfers power from the engine to the wheels).[1042]

1038 Case No IV/M. 1462 - TRW/LucasVarity, paras. 22-24; Case COMP/M.4696 - KKR/Harman, paragraph 15-17 (infotainment systems); Case No COMP/M.4878 - Continental/Siemens VDO, paragraph 50.

1039 Form CO, paragraph 650-651.

1040 Faurecia's market shares at EEA and worldwide level in 2019 remained below 30% under any plausible market definition: (i) driver information systems ([0-5]% EEA, <5% worldwide), (ii) non-incorporated displays ([0-5]% EEA, [0-5]% worldwide), (iii) infotainment systems overall ([0-5]% EEA, <5% worldwide) or by component (Faurecia only supplies IVI Hardware together with display components, market shares are [0-5]% EEA and [0-5]% worldwide) (iv) sounds/radio overall ([0-5]% EEA, <5% worldwide) or by component (speakers, amplifiers and sound controls, Faurecia's market share is <5% for each component and both EEA and worldwide level), (v) safety/parking assist overall ([0-5]% EEA, <5% worldwide) and by component (cameras and different types of sensors, Faurecia's market share is <15% for each component and both EEA and worldwide level, (vi) connectivity ([0-5]% EEA, [0-5]% worldwide). Form CO, table 84 and reply to RFI 58 of 17 November 2020 to the Parties.

1041 Form CO, paragraph 375.

9.1.7.1. Product market definition

9.1.7.1.1. The Commission's decisional practice

(1751) In its previous case practice, the Commission defined separate markets for components of powertrains (engine and transmission system). For transmission systems, the Commission distinguished between transmission systems for light and for heavy vehicles, leaving open whether separate product markets exist for manual and automatic transmissions. For engines, the Commission distinguishes between diesel and gasoline engines.[1043]

9.1.7.1.2. The Notifying Parties' view

(1752) The Notifying Parties concur with the Commission's decisional practice.[1044]

9.1.7.1.3. The Commission's assessment

(1753) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate. In conclusion, for the purposes of this Decision, the Commission will analyse the markets for powertrains under all plausible market definitions.[1045]

9.1.7.2. Geographic market definition

9.1.7.2.1. The Commission's decisional practice

(1754) In its previous decisions, the Commission considered, while ultimately leaving open, whether the market for powertrains (transmissions and engines) is EEA-wide or worldwide in scope.[1046]

9.1.7.2.2. The Notifying Parties' view

(1755) The Notifying Parties concur with the Commission's decisional practice and submit that the product market definition can be left open since the Transaction is unlikely to raise any competition concerns irrespective of the market definition.[1047]

9.1.7.2.3. The Commission's assessment

(1756) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate. For the purposes of this Decision the powertrain market is therefore left open between EEA-wide and worldwide in scope.

(1757) As to the offering of powertrains, no affected market arises from the Proposed Transaction on the basis of any plausible market definition.[1048] Therefore, the

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1042 The Parties do not sell any electric or hybrid engines to third parties. PSA has two co-operations in the field of electric propulsion systems, which currently do not entail any actual production and therefore do not result in any sales to third parties, but which could eventually result in third-party sales in the coming years. The first of these co-operations is a joint venture with Nidec for the manufacture and supply of automotive electric traction motors and inverters, and the second is a joint venture with Saft for the development, manufacture and supply of cells and modules for electric batteries (see Form CO, paragraphs 403-404). As no affected markets arise as a result of the activities of these joint ventures, they will not be further discussed in this Decision.

1043 See e.g. M.5617, 2 October 2009, General Motors/Delphi Corporation, paragraph 19.

1044 Form CO, paragraph 393.

1045 Plausible markets: engines, diesel engines, gasoline engines, transmissions, manual transmissions, automatic transmissions, transmissions for light vehicles, manual transmission for light vehicles, automatic transmissions for heavy vehicles.

1046 See e.g. Case COMP/M.5617 - General Motors/Delphi Corporation (2009), paragraph 20.

1047 Form CO, paragraphs 394-395.

Commission considers that the Proposed Transaction will not lead to a significant impediment to effective competition in respect of these markets and these markets will thus not be further discussed in this Decision.

9.1.8. Pedal boxes

(1758) Pedals or foot controls for PCs and LCVs consist of two or three pedals (brake, clutch and accelerator pedal) supported by a pedal box, which is mounted to the floor panel of the vehicle.[1049]

9.1.8.1. Product market definition

9.1.8.1.1. The Commission's decisional practice

(1759) The Commission previously considered, while ultimately leaving open, whether pedal boxes constitute one product market or whether it should be sub-segmented by sub-components (brake, clutch and accelerator pedals) and materials used.[1050]

9.1.8.1.2. The Notifying Parties' view

(1760) The Notifying Parties submit that the appropriate relevant product market is the production and supply of pedal boxes for PCs and LCVs.[1051]

9.1.8.1.3. The Commission's assessment

(1761) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate.

(1762) In any case, for the purpose of this Decision the Commission considers that the exact market definition can be left open, as the Proposed Transaction would not significantly impede effective competition whether the market is defined as (i) complete plastic pedal boxes or separately for each of (ii) brake, (iii) clutch, and (iv) accelerator pedal.

9.1.8.2. Geographic market definition

9.1.8.2.1. The Commission's decisional practice

(1763) In line with previous cases about automotive components, the Commission considered, while ultimately leaving open, whether the relevant geographic market for pedal boxes is EEA-wide or global.[1052]

9.1.8.2.2. The Notifying Parties' view

(1764) The Notifying Parties submit that the relevant geographic scope of the market for the production and supply of pedal boxes for PCs and LCVs is at least EEA-wide.[1053]

1048 The Parties confirm that their combined market share is well below 20% on any plausible market segment of powertrains, both in the EEA and at worldwide level. Currently, only PSA sells powertrains to third parties in the EEA, with a market share below [0-5]% at the EEA level on each sub-category of powertrains (Form CO, paragraph 397 and following andreply to RFI 58 of 17 November 2020 to the Parties).

1049 Form CO, paragraph 551.

1050 Case COMP/M.6207 – Gestamp/ TKMF, paragraph 21; Case COMP/M.5733 – Gestamp Automocion/ Edscha Hinge & Control Systems, paragraph 12.

1051 Form CO, paragraph 553.

1052 Case COMP/M.6207 – Gestamp/ TKMF, paragraphs 30-33; Case COMP/M.5733 – Gestamp Automocion/ Edscha Hinge & Control Systems, paragraphs 26-27.

1053 Form CO, paragraph 555.

9.1.8.2.3. The Commission's assessment

(1765) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate. For the purposes of this Decision the pedal box market is therefore left open between EEA-wide and worldwide in scope.

(1766) As to the offering of pedal boxes by PCMA, no affected markets arise from the Proposed Transaction under any plausible market definition. Therefore, the Commission considers that the Proposed Transaction will not lead to a significant impediment to effective competition in respect of these markets and these markets will thus not be further discussed in this Decision.[1054]

9.1.9. Cast iron and cast aluminium components

(1767) Teksid sells the following components as inputs for PC and LCVs:

– Engine blocks, also referred to as cylinder blocks, are the central and largest components of the engine, containing the cylinder and its internal components.[1055] They can be made of cast iron or cast aluminium.

– Balance shafts are eccentric weighted shafts that offsets vibrations in engine designs that are not inherently balanced.[1056]

– Bearing caps are parts of wheels bearings. Wheel bearings are designed to help wheels spin fast with as little friction as possible. Bearing caps are removable disks that prevent unwanted particles from entering the wheel bearing.[1057]

– Bedplates are heavy metal platforms or frames to which the engine is attached.[1058]

– Brake systems function to slow or stop the rotation of a wheel in order to reduce the speed of a vehicle or bring it to a halt. The reduction of speed can be achieved with a number of technically different brake systems, including (i) drum brakes or (ii) disc brakes. In a disc brake, the disc is connected to the wheel and/or the axle. To stop the wheel, friction material in the form of brake pads (mounted on a so-called brake calliper) is forced against both sides of the disc.[1059] Brake drums are small, round drums which rotate with the wheel and the axle of the vehicle. To stop the wheel, the drum brake uses friction caused by a set of pads that press outward against the brake drum.[1060]

– Camshafts are integral engine components that control the input of fuel on the one hand, and the expulsion of exhaust fumes of the other. Camshafts consist of several radial lobes that push against the intake and exhaust valves of an engine to open them as the camshaft rotates (in time with the motion of the piston).[1061]

1054 PCMA's market share is [10-20]% at EEA level and [0-5]% at worldwide level.
1055 Form CO, paragraph 444.
1056 Form CO, paragraph 448.
1057 Form CO, paragraph 454.
1058 Form CO, paragraph 451.
1059 Form CO, paragraph 457.
1060 Form CO, paragraph 459.
1061 Form CO, paragraph 465.

– Carriers/brackets are metal structures designed to affix the wheel to the vehicle chassis to afford stability and safety to the suspension system.[1062]

– Crankshafts are integral parts of ICE and consist of a series of cranks and crankpins to which connecting rods are attached. Crankshafts convert the reciprocating motion of the pistons in an engine into rotational motion.[1063]

– Differential cases/differential covers allow wheels mounted on the same axle to rotate independently of each other. They allow the vehicle to turn by making the wheel that is travelling around the outside of the turning curve to roll farther and faster than the inner wheel.[1064]

– Exhaust manifolds collect the exhaust gases from multiple cylinders into one pipe to withdraw the gases from the cylinder head.[1065]

– Flywheels are mechanical devices designed to store rotational or kinetic energy when the vehicle is at a stop. It is a disc that is bolted to the crankshaft at the rear of the engine. The flywheel is the interface between the clutch system and the engine. When the driver releases the clutch pedal, the clutch disc presses against the flywheel, locking the engine to the transmission. When the driver pushes down the clutch pedal, the flywheel is released, disengaging the transmission from the engine.[1066]

– Steering knuckles contain the wheel hub or spindle and attaches to the suspension and steering components, and is the nexus of a car's front axle. The steering knuckle is also sometimes referred to as spindle, upright or hub.[1067]

– Rear suspension arms provide the "links" between the automobile suspension, the axle and the chassis.[1068]

– A wheel hub is the mounting assembly at the centre of each wheel upon which the wheel is bolted. The wheel hub is situated between the brake drums or discs and the drive axle.[1069]

– A cylinder head is a part of the ICE. It is a plate of metal, bolted to the top of the cylinder bank. Cylinder heads are made of cast iron or cast aluminium.[1070]

9.1.9.1. Product market definition

9.1.9.1.1. The Commission's decisional practice

(1768) In previous cases, the Commission defined separate product markets for cast automotive components segmented by components used in the production of light vehicles and medium, heavy and off-road vehicles.[1071] In addition, the Commission has previously indicated that any component for the automotive industry may

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1062 Form CO, paragraph 468.
1063 Form CO, paragraph 471.
1064 Form CO, paragraph 474.
1065 Form CO, paragraph 477.
1066 Form CO, paragraph 480.
1067 Form CO, paragraph 484.
1068 Form CO, paragraph 487.
1069 Form CO, paragraph 490.
1070 Form CO, paragraph 495.
1071 Case COMP/M.4500 – Nemak/ Teksid Aluminum "A", paragraphs 15-17 (engine blocks); Case COMP/M.4524 – Nemak/ Hydro Casting, paragraph 10 (cylinder heads). Case COMP/M.4840 – Fiat/ Teksid, paragraph 18 (camshafts). Case COMP/M.5484 – SGL Carbon/ Brembo/ BCBS/ JV, paragraphs 18 and 23 (brake disks and brake drums).

constitute a distinct product market and considered a further sub-segmentation by component type.[1072]

(1769) For certain cast iron and aluminium components, the Commission has considered further sub-segmentations:

– With regard to engine blocks, the Commission considered, while ultimately leaving open, whether cast iron and cast aluminium engine blocks comprise a single relevant product market, or should be distinguished.[1073] The Commission also left this question open for cast iron and cast aluminium cylinder heads.[1074]

– With regard to brake discs, the Commission considered, while ultimately leaving open, whether separate product markets exist for the production and supply of high-performance brake discs as compared to non-high performance brake discs, given the non-substitutability on the demand-side.[1075]

– For rear suspension arms, the Commission has found a possible segmentation between rear and front suspension arms, but left the market definition open.[1076]

(1770) The Commission previously considered whether the production and supply of cast iron exhaust manifolds constitutes a separate product market within the broader category of exhaust systems, but ultimately left the precise product market definition open.[1077]

9.1.9.1.2. The Notifying Parties' view

(1771) The Notifying Parties submit that considerations of supply-side substitutability point to a single product market for cast components: in iron and aluminium casting production the part design carried out by the automotive OEMs, who also retain ownership of the production tooling. Therefore, subject only to limitations of physical size of their production assets, i.e., the size of the installed mold flask, foundries can (and typically do) produce a full range of cast iron or cast aluminium parts. However, the Notifying Parties submit that the precise definition of the relevant product market can be left open as no concerns arise even under the narrowest plausible product market definition.[1078]

9.1.9.1.3. The Commission's assessment

(1772) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate. In conclusion, for the purposes of this Decision, the Commission will analyse the markets for cast iron and aluminium components at the narrowest plausible level.[1079]

1072 Case COMP/M.8949 – Tenneco/ Federal-Mogul, paragraphs 9-10; Case COMP/M.8652 – Accuride/ Mefro Wheels, paragraph 19.

1073 Case COMP/M.4500 – Nemak/ Teksid Aluminum "A", paragraphs 15-17.

1074 Case COMP/M.4524 – Nemak/ Hydro Casting, paragraphs 12-13. See also Case M.7796 – Linamar/ Montupet, paragraphs 15-18 and Case COMP/M.4500 – Nemak/ Teksid Aluminum "A", paragraphs 12-13.

1075 Case COMP/M.5484 – SGL Carbon/ Brembo/ BCBS/ JV, paragraphs 18 and 23.

1076 Case COMP/M.4840 – Fiat/ Teksid, paragraph 23.

1077 Case COMP/M.5680 – Faurecia / Emcon Technologies, paragraphs 6-14.

1078 Form CO, paragraph 443.

1079 Plausible markets considered: for iron cast components (i) balance shafts, (ii) bearing caps, (iii) bedplates, (iv) brake discs, (v) high performance brake discs, (vi) non-high performance brake discs,

9.1.9.2. Geographic market definition

9.1.9.2.1. The Commission's decisional practice

(1773) In previous cases the Commission found that due to the low transportation costs and the substantial trade among Member States, the geographic scope of product markets for the production and supply of automotive components is typically considered to be EEA-wide.[1080]

9.1.9.2.2. The Notifying Parties' view

(1774) The Notifying Parties submit that the geographic scope of all cast iron and cast aluminium automotive component product markets is at least EEA-wide.[1081]

9.1.9.2.3. The Commission's assessment

(1775) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate. For the purposes of this Decision the cast component market is therefore left open between EEA-wide and worldwide in scope.

(1776) As to the offering of cast iron and cast aluminium automotive components by Teksid, no affected markets arise from the Proposed Transaction under any plausible market definition. Therefore, the Commission considers that the Proposed Transaction will not lead to a significant impediment to effective competition in respect of these markets and these markets will thus not be further discussed in this Decision.[1082]

9.1.10. Body assembly systems

(1777) Body assembly systems are transfer line systems in the automation process which assemble parts and components into a complete car body. These systems include transfer equipment which move the car body from one part of the production line to another, fixing and holding equipment (e.g., welding guns and spot welding machines), conveyors and industrial robots (e.g., robot welding guns, accumulate pallet conveyors, roller hemming and monitoring solutions, lifting turn tables and other line feeding machines and automated guided vehicles), as well as other equipment and process technologies such as numerically controlled machine tools, programmable controllers, sealing systems, laser and vision technologies.

9.1.10.1. Product market definition

9.1.10.1.1. The Commission's decisional practice

(1778) The Commission has previously defined a separate product market for body assembly systems. It found that, throughout the car manufacturing industry, the relevant features of the production equipment and the basic technology in body assembly systems are similar, despite some special applications for individual car

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(vi) drum brakes, (vii) camshafts, (viii) carriers/brackets, (xi) crankshafts, (x) differential cases/differential covers, (xi) exhaust manifolds, (xii) flywheels, (xiii) steering knuckles and (xiv) rear suspension arms. For aluminum cast components: (xv) engine blocks, (xvi) cylinder heads, (xvii) camshaft carriers.

1080 Case COMP/M.7796 – Linamar/ Montupet, paragraph 19; Case COMP/M.6083 – FIAT/ GM/ VM Motori JV, paragraph 30; Case COMP/M.5294 – Schaeffler/ Continental, paragraph 39.

1081 Form CO, paragraph 50.

1082 Teksid's share of the EEA and worldwide markets for the following cast iron components for PCs and LCVs as well as cast aluminium components for PCs and LCVs would be less than 30% under the narrowest plausible market definition. Form CO, paragraph 537 and reply to RFI 58 of 17 November 2020 to the Parties.

manufacturers. The Commission considered that the supplier of the assembly system could be said to be integrated to a certain degree in the production process and to collaborate with the car manufacturer in developing, installing and suppling the production line. The Commission concluded that these systems therefore constituted a complete and separate product market.[1083]

9.1.10.1.2. The Notifying Parties' view

(1779) The Notifying Parties concur with the Commission's decisional practice and submit that the relevant product market is the design, manufacture and sale of body assembly systems.[1084]

9.1.10.1.3. The Commission's assessment

(1780) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate. In conclusion, for the purposes of this Decision, the Commission will analyse the market for design, manufacture and sale of body assembly systems.

9.1.10.2. Geographic market definition

9.1.10.2.1. The Commission's decisional practice

(1781) The Commission has previously considered, while ultimately leaving open, whether the geographic market definition for body assembly systems EEA-wide or worldwide.[1085]

9.1.10.2.2. The Notifying Parties' view

(1782) The Notifying Parties concur with the Commission's decisional practice. They note that production, transport and delivery costs of these products and systems do not differ significantly, depending on the location of the OEM and the manufacturing systems supplier. Comau is active worldwide, and many OEMs within the EEA procure these manufacturing systems and automation products from outside the EEA. The Notifying Parties submit that therefore, the market for body assembly systems is worldwide.[1086]

9.1.10.2.3. The Commission's assessment

(1783) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate. For the purposes of this Decision the body assembly system market is therefore left open between EEA-wide and worldwide in scope.

(1784) As to the offering of body assembly systems by Comau, no affected market arises from the Proposed Transaction. Therefore, the Commission considers that the Proposed Transaction will not lead to a significant impediment to effective competition in respect of this market and this market will thus not be further discussed in this Decision.[1087]

1083 Case COMP/M.409 – ABB/ Renault Automation, paragraphs 13-16.

1084 Form CO, paragraph 585.

1085 Case COMP/M.409 – ABB/ Renault Automation, paragraphs 17-18.

1086 Form CO, paragraphs 597-598.

1087 In 2019, Comau's market share in body assembly systems at a worldwide level was [5-10]% and also remains below 30% at EEA level.

9.1.11. Powertrain assembly systems

(1785) Powertrain assembly systems are transfer line systems in the automation process which assemble parts and components into a complete powertrain, including the assembly of engines and gearboxes. Similar to body assembly systems, powertrain assembly systems typically include automated transfer equipment, fixing and holding equipment, conveyors and industrial robots, as well as other equipment and process technologies.[1088]

9.1.11.1. Product market definition

9.1.11.1.1. The Commission's decisional practice

(1786) The Commission has not previously analysed the product market for powertrain assembly systems.

9.1.11.1.2. The Notifying Parties' view

(1787) The Notifying Parties submit that, based on the Commission's past practice of defining a separate product market for body assembly systems, the same could apply, by way of analogy, to powertrain assembly systems. Therefore the relevant product market is the design, manufacture and sale of powertrain assembly systems.[1089]

9.1.11.1.3. The Commission's assessment

(1788) The evidence in the Commission's file has not provided any indication that would suggest that applying by analogy the Commission's decisional practice on body assembly systems would not be appropriate for powertrain assembly systems. In conclusion, for the purposes of this Decision, the Commission will analyse the market for the design, manufacture and sale of powertrain assembly systems.

9.1.11.2. Geographic market definition

9.1.11.2.1. The Commission's decisional practice

(1789) The Commission has not previously analysed the geographic market for powertrain assembly systems.

9.1.11.2.2. The Notifying Parties' view

(1790) The Notifying Parties concur with the Commission's decisional practice in body assembly systems and submit that similar considerations apply for powertrain assembly systems: production, transport and delivery costs of these products and systems do not differ significantly, depending on the location of the OEM and the manufacturing systems supplier. Comau is active worldwide, and many OEMs within the EEA procure these manufacturing systems and automation products from outside the EEA. The Notifying Parties submit that therefore, the market for powertrain assembly systems is worldwide.[1090]

9.1.11.2.3. The Commission's assessment

(1791) The evidence in the Commission's file has not provided any indication that would suggest that applying by analogy the Commission's decisional practice on body assembly systems would not be appropriate for powertrain assembly systems. For the

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1088 Form CO, paragraph 585.
1089 Form CO, paragraph 587.
1090 Form CO, paragraphs 597-598.

purposes of this Decision the powertrain assembly system market is therefore left open between EEA-wide and worldwide in scope.

(1792) As to the offering of powertrain assembly systems by Comau, no affected market arises from the Proposed Transaction. Therefore, the Commission considers that the Proposed Transaction will not lead to a significant impediment to effective competition in respect of this market and this market will thus not be further discussed in this Decision.[1091]

9.1.12. Powertrain component machining centres

(1793) Powertrain component machining centres are automated manufacturing systems. These machining centres can be configured to manufacture and/or further process various components of the powertrain, such as crankshafts, engine blocks and cylinder heads.[1092]

9.1.12.1. Product market definition

9.1.12.1.1. The Commission's decisional practice

(1794) The Commission has not previously analysed the product market for machining centres.

9.1.12.1.2. The Notifying Parties' view

(1795) The Parties therefore submit that, based on the Commission's past practice of defining a separate product market for body assembly systems, the same could apply, by way of analogy, to powertrain component machining centres. The relevant product market is the design, manufacture and sale of powertrain component machining centres.[1093]

9.1.12.1.3. The Commission's assessment

(1796) The evidence in the Commission's file has not provided any indication that would suggest that applying by analogy the Commission's decisional practice on body assembly systems would not be appropriate for powertrain component machining centres. In conclusion, for the purposes of this Decision, the Commission will analyse the market for the design, manufacture and sale of powertrain component machining centres.

9.1.12.2. Geographic market definition

9.1.12.2.1. The Commission's decisional practice

(1797) The Commission has not previously analysed the geographic market for machining centres.

9.1.12.2.2. The Notifying Parties' view

(1798) The Notifying Parties concur with the Commission's decisional practice in body assembly systems and submit that similar considerations apply for powertrain component machining centres: production, transport and delivery costs of these products and systems do not differ significantly, depending on the location of the OEM and the manufacturing systems supplier. Comau is active worldwide, and many OEMs within the EEA procure these manufacturing systems and automation

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1091 Comau's market share in powertrain assembly systems at a worldwide level is [5-10]% and also remains below 30% at EEA level.

1092 Form CO, paragraph 588.

1093 Form CO, paragraph 591.

products from outside the EEA. The Notifying Parties submit that therefore, the market for powertrain component machining centres is worldwide.[1094]

9.1.12.2.3. The Commission's assessment

(1799) The evidence in the Commission's file has not provided any indication that would suggest that applying by analogy the Commission's decisional practice on body assembly systems would not be appropriate for powertrain component machining centres. For the purposes of this Decision the powertrain component machining centre market is therefore left open between EEA-wide and worldwide in scope.

(1800) As to the offering of powertrain component machining centres, no affected market arises from the Proposed Transaction. Therefore, the Commission considers that the Proposed Transaction will not lead to a significant impediment to effective competition in respect of this market and this market will thus not be further discussed in this Decision.[1095]

9.1.13. Industrial robotics and automation products for the automotive industry

(1801) Industrial robotics, including anthropomorphic arms, and similar automation products are often fully integrated in automated production lines (e.g., robotic welding guns in a body assembly system), but are also sold to car manufacturers on a standalone basis, either for the integration into another third-party designed assembly line, or for other more specialised and discrete purposes. Although robots may vary in specifications such as payload, maximum height reach and manufacturing speed, manufacturers of industrial robotics and anthropomorphic robotic arms can switch production easily between different robots and design and manufacture a wide range of different robots.[1096]

9.1.13.1. Product market definition

9.1.13.1.1. The Commission's decisional practice

(1802) The Commission has not previously analysed the product market for the design, manufacture and sale of industrial robotics and automation products.[1097]

9.1.13.1.2. The Notifying Parties' view

(1803) The Notifying Parties submit that the relevant product market is the design, manufacture and sale of industrial robotics and automation products.[1098]

9.1.13.1.3. The Commission's assessment

(1804) The evidence in the Commission's file has not provided any indication that would suggest that applying by analogy the Commission's decisional practice on body assembly systems would not be appropriate for industrial robotics and automation products. In conclusion, for the purposes of this Decision, the Commission will analyse the market for the design, manufacture and sale of industrial robotics and automation products.

1094 Form CO, paragraphs 597-598.

1095 Comau's market share in powertrain component machining centres at a worldwide level is [0-5]% and also remains below 30% at EEA level.

1096 Form CO, paragraph 592.

1097 Form CO, paragraph 594.

1098 Form CO, paragraph 595.

9.1.13.2. Geographic market definition

9.1.13.2.1. The Commission's decisional practice

(1805) The Commission has not previously analysed the geographic market for industrial robotics automation products.

9.1.13.2.2. The Notifying Parties' view

(1806) The Notifying Parties concur with the Commission's decisional practice in body assembly systems and submit that similar considerations apply for industrial robotics automation products: production, transport and delivery costs of these products and systems do not differ significantly, depending on the location of the OEM and the manufacturing systems supplier. Comau is active worldwide, and many OEMs within the EEA procure these manufacturing systems and automation products from outside the EEA. The Notifying Parties submit that therefore, the market for industrial robotics automation products is worldwide.[1099]

9.1.13.2.3. The Commission's assessment

(1807) The evidence in the Commission's file has not provided any indication that would suggest that applying by analogy the Commission's decisional practice on body assembly systems would not be appropriate for industrial robotics and automation products. For the purposes of this Decision the market is therefore left open between EEA-wide and worldwide in scope.

(1808) As to the offering of industrial robotics and automation products by Comau, no affected market arises from the Proposed Transaction. Therefore, the Commission considers that the Proposed Transaction will not lead to a significant impediment to effective competition in respect of this market and this market will thus not be further discussed in this Decision.[1100]

9.2. Competitive assessment – vertically affected markets

Table 228: List of upstream markets resulting in vertically affected markets[1101]

Module/component	EEA market share by value in 2019	Global market share by value in 2019
Recliners (mechanism)	[30-40]%	*[10-20]%*
- Rotary	[30-40]%	*[10-20]%*
- Manual	[40-50]%	*[10-20]%*
- Lever	[30-40]%	*[20-30]%*
Length adjusters (mechanism)	[30-40]%	*[10-20]%*
- Manual	[40-50]%	*[20-30]%*
Exhaust systems	[30-40]%	*[20-30]%*
Hot ends	[30-40]%	*[20-30]%*
- Diesel hot ends	[40-50]%	*[30-40]%*
- Gasoline hot ends	[30-40]%	*[20-30]%*
Cockpit assembly services	[50-60]%	*[50-60]%*
Centre console assembly services	[30-40]%	*[30-40]%*

Source: Form CO, Table 84

1099 Form CO, paragraphs 597-598.

1100 Comau's market share in industrial robotics and automation products for the automotive industry at a worldwide level is less than [0-5]% and also remains below 30% at EEA level.

1101 In italics: markets not affected at global level. All market shares are based on both captive and merchant market sales.

(1809) The Parties' combined market share in the downstream market for the manufacture of PCs and LCVs was [20-30]% in the EEA (PSA [10-20]%, FCA [5-10]%).[1102]

9.2.1. Legal test for the assessment of vertical effects

(1810) The legal test for the assessment of vertical effects is set out in the Merger Regulation and in the Guidelines on the assessment of non-horizontal mergers ('Non-Horizontal Merger Guidelines').[1103]

(1811) A vertical merger may result in anti-competitive effects due to foreclosure. Foreclosure concerns a situation where actual or potential rivals' access to supplies or markets is hampered or eliminated as a result of the vertical merger, thereby reducing these companies' ability and/or incentive to compete.[1104]

(1812) Two forms of foreclosure can be distinguished in a vertical relationship: input and customer foreclosure.

(1813) Input foreclosure arises where, post-Transaction, the new entity would be likely to restrict access to the products or services that it would have otherwise supplied to downstream competitors, thereby raising its downstream rivals' costs by making it harder for them to obtain supplies of the input under similar prices and conditions as absent the vertical merger.[1105] For input foreclosure to be a concern, the vertically integrated firm resulting from the merger must have a significant degree of market power in the upstream market. Only in such a case can the merged firm be expected to have a significant influence on the conditions of competition in the upstream market and in consequence potentially on prices and supply conditions in the downstream market.[1106]

(1814) Customer foreclosure may occur when a supplier integrates with an important customer in the downstream market. Because of this downstream presence, the integrated company may foreclose access to a sufficient customer base to its actual or potential rivals in the upstream market (the input market) and reduce their ability or incentive to compete. In turn, this may raise downstream rivals' costs by making it harder for them to obtain supplies of the input under similar prices and conditions as absent the vertical merger.[1107] For customer foreclosure to be a concern, it must be the case that the vertical merger involves a company which is an important customer with a significant degree of market power in the downstream market.[1108]

(1815) For an input or customer foreclosure scenario to raise competition concerns, three cumulative factors need to be taken into account: (i) the ability of the integrated company to engage in foreclosure; (ii) the incentives of the integrated company to do so; and (iii) whether a foreclosure strategy would have a significant detrimental effect on competition in the downstream market.[1109]

1102 Form CO, table 83. The geographic dimension of the market on which manufacturers purchase Faurecia's products and services and use these in the manufacture of PCs and LCVs is worldwide in scope. However, conservatively, the relevant downstream market could be considered to be EEA-wide. OEMs manufacture PCs and LCVs at least on an EEA-wide, if not a worldwide scope.

1103 Guidelines on the assessment of non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings (OJ C 265, 18.10.2008, p. 6)

1104 Non-Horizontal Merger Guidelines, paragraph 29.

1105 Non-Horizontal Merger Guidelines, paragraph 31.

1106 Non-Horizontal Merger Guidelines, paragraph 35.

1107 Non-Horizontal Merger Guidelines, paragraph 58.

1108 Non-Horizontal Merger Guidelines, paragraph 61.

1109 Non-Horizontal Merger Guidelines, paragraphs 32 and 59.

9.2.2. Structure of supply and demand in automotive components markets for automotive seating, exhaust systems and the market for interior system assembly services

(1816) At the beginning of each new vehicle programme, which can cover the manufacture of two or three car models, OEMs organise a new tender where the different suppliers are requested to participate. For automotive seating, programmes typically last between five and ten years (including the development phase and then the production phase).[1110] For exhaust systems, programmes typically last between five and seven years.[1111] There is no preferential treatment or particular advantage for the incumbent supplier of the previous similar programme. While manufacturers generally work with their chosen supplier until the end of the programme for which a supplier was chosen, it is common for a manufacturer to change suppliers from one vehicle programme to another.[1112]

(1817) The supplier usually makes all necessary arrangements to supply a manufacturer once the contract is awarded by the manufacturer. There can be some contract-specific costs for designing and manufacturing the appropriate tooling for the supplies to the manufacturer as per the specifications requested. However, these costs are factored into the supplier's offer and are recouped during the lifetime of the contract. Because tooling is dedicated to particular models and needs to be renewed often for other models, there are no particular switching costs for the manufacturer at the end of the supply contract.[1113]

(1818) Manufacturers all have multi-sourcing strategies for their different programmes among others to ensure competition between their suppliers. For instance, PSA sources recliners and length adjusters[1114] from […]. In the case of hot ends, PSA sources from […].[1115]

(1819) In the case of interior system assembly services, OEMs either assemble systems such as cockpit modules and centre consoles in-house, or outsource the assembly to an external third party like Faurecia. In the latter case, OEMs and external assembly service providers develop and plan together the module concept and the assembly logistics. The OEMs themselves are primarily responsible for the procurement of components and negotiation of prices, often via requests for quotations and other competitive processes. The assembly provider receives the components that will be used in a given cockpit module or centre console from the component manufacture, assembles and delivers them to the OEM.

(1820) The assembly process itself is not substantially different when it is undertaken by OEMs themselves or by external providers: both usually involve a dedicated assembly line as well as similar logistics and equipment. Faurecia usually develops a product specific assembly concept in response to an OEM's requested module assembly content. All OEMs would be able to produce in-house or to sponsor the entry of an alternative supplier of cockpit assembly services.[1116]

1110 Form CO, paragraph 687 (recliners) and paragraph 731 (length adjusters).
1111 Form CO, paragraph 820.
1112 Form CO, paragraph 690 (recliners), paragraph 734 (length adjusters) and paragraph 823 (hot ends).
1113 Form CO, paragraph 688 (recliners), paragraph 732 (length adjusters) and paragraph 821 for hot ends.
1114 Form CO, paragraph 689 (recliners) and paragraph 733 (length adjusters).
1115 Form CO, paragraph 822.
1116 Form CO, paragraph 774 and following.

9.2.3. Recliners and length adjusters

9.2.3.1. No input foreclosure

9.2.3.1.1. The Notifying Parties' view

(1821) The Notifying Parties argue that seat mechanisms are sourced together with the seat structures (see Section 9.1.3.1). On such a market comprising seat structures and mechanisms, Faurecia's market share is well below 30% at EEA level under any plausible market definition, and even lower at a worldwide level.[1117] Even if recliners and length adjusters were considered to constitute separate markets from seat structures, the Notifying Parties point out that this market would likely be global (see Section 9.1.3.2).[1118] OEMs organise worldwide or at least EEA-wide tenders for their requirements of seat structures (including recliners and length adjusters). On this basis, the Parties consider that recliners do not lead to any vertically affected market.[1119]

(1822) The Notifying Parties submit that Faurecia would have no ability or incentive to foreclose access to recliners and length adjusters, for the following reasons.

(1823) First, Faurecia accounts for only [30-40]% of the production of recliners and [30-40]% of the production of length adjusters in the EEA, and [10-20]% (recliners) and [10-20]% (length adjusters) worldwide. Many competitors are active in recliners and length adjusters, such as Adient, Brose, Lear, Daewon and DAS. They have substantial capacity and could increase production should Faurecia suddenly cease its supplies or raise its prices for recliners and/or length adjusters.[1120] Suppliers outside the EEA could compete as recliners and length adjusters are not voluminous and are easy to ship.[1121]

(1824) Second, recliners, as components of seat structures, account for a very small portion of the total cost of a vehicle. Therefore, an increase in the price of recliners upstream would have no material impact on the downstream prices of vehicles, rendering any foreclosure attempt by Faurecia pointless.[1122]

(1825) Third, the Notifying Parties argue that Faurecia's customers, most major OEMs and much larger than Faurecia, purchase very large volumes of various components and therefore have significant bargaining power.[1123]

(1826) Moreover, Faurecia would also have no incentive to foreclose. In case it foreclosed access to recliners and/or length adjusters for its customers, these would simply turn to other suppliers, not only for recliners and/or length adjusters but also for other components.[1124] As PSA only accounted for [10-20]% of Faurecia's overall sales in 2019 and FCA for [5-10]%, Faurecia would give up, or risk, [70-80]% of its annual worldwide sales if it attempted input foreclosure.[1125]

1117 Form CO, paragraph 686.
1118 Form CO, paragraph 676.
1119 Form CO, paragraph 678.
1120 Form CO, paragraph 695 (for recliners) and paragraph 739 (for length adjusters). Market share estimates tables 86 and 87.
1121 Form CO, paragraph 696 (for recliners) and paragraph 729 (for length adjusters).
1122 Form CO, paragraph 698.
1123 Form CO, paragraph 701 (for recliners) and paragraph 742 (for length adjusters).
1124 Form CO, paragraph 703 (for recliners) and paragraph 744 (for length adjusters).
1125 Form CO, paragraph 704 (for recliners) and paragraph 745 (for length adjusters).

(1827) Given the large number of alternative suppliers (see recital (1827)) the Parties would have nothing to gain downstream on the market for the production of light vehicles. Rival OEMs could easily switch to alternative sources of supply for recliners and length adjusters if the Parties engaged in a foreclosure strategy which would therefore not be profitable.[1126]

(1828) Finally, no concern has ever been raised about any attempts by Faurecia to foreclosure or otherwise discriminate against competitors of PSA. Such behaviour would be detrimental for Faurecia's business model which relies on orders from a large number of OEMs for various components.[1127] As for the relationship between PSA and Faurecia, the Notifying Parties also stress that Faurecia is operating independently from PSA and has an arm's length contractual relationship with PSA without any preferential treatment compared to other suppliers.[1128]

9.2.3.1.2. The Commission's assessment

A Ability

(1829) The Commission considers that the Parties do not have the ability to foreclose access to any type of recliners or length adjusters for other OEMs for the following reasons.

(1830) First, the Proposed Transaction will not result in any increment of the Parties' market share of this component, as Faurecia's activity of recliners and length adjusters precedes the Proposed Transaction. The merger does not therefore increase the ability to foreclose access to these inputs.

(1831) Second, the Phase I market investigation confirmed that OEMs usually source complete seats, or, more rarely, seat structures, but not the individual components (see Section 9.1.3.1). Faurecia's market share in the market for automotive seating are below 30% both at an EEA and worldwide level. Affected markets arise only on the narrowest plausible markets for individual components.

(1832) Third, even on these narrow markets, Faurecia has moderate market shares for most products. In recliner markets in the EEA, Faurecia's market share in 2019 only exceeded 30% in an overall market for recliners (with [30-40]%), a market for rotary recliners (with [30-40]%), a market for rotary manual recliners (with [40-50]%) and a market for lever recliners (with [30-40]%). At a worldwide level, Faurecia's share does not exceed 25% in any of these markets. In length adjuster markets in the EEA, Faurecia's share only exceeds 30% in an overall market for length adjusters (with [30-40]%) and a market for manual length adjusters (with [40-50]%). At worldwide level, no vertically affected markets arise for length adjusters. Faurecia therefore does not have a significant degree of market power in the upstream markets which would enable it to foreclose access to recliners and/or length adjusters, neither overall nor for a specific type.

(1833) Fourth, there are a number of credible competitors present on the upstream market for all types of recliners and length adjusters, notably Adient ([20-30]-[30-40]% EEA-wide market share estimate for each recliners and length adjusters) and Brose ([10-20]-[20-30]% EEA-wide market share estimate for recliners; [10-20]-[20-30]% for length adjusters). Other credible competitors are Lear ([0-5]-[10-20]% EEA-wide market share estimate for recliners and [0-5]-[10-20]% for length adjusters), Daewon

1126 Form CO, paragraph 705 (for recliners) and paragraph 746 (for length adjusters).
1127 Form CO, paragraph 708 (for recliners) and paragraph 749 (for length adjusters).
1128 Form CO, paragraph 689, paragraph 822.

([0-5]-[5-10]% EEA-wide market share estimate for recliners) and DAS ([0-5]-[10-20]% EEA-wide market share estimate for length adjusters). All of these automotive seating suppliers have a worldwide footprint.[1129] In the Phase I market investigation, a majority of automotive seating suppliers and OEMs confirmed the presence of competitors in all types of recliners and length adjusters, naming more than eight which produce all types of recliners and length adjusters.[1130] This indicates that the Parties would have no ability to foreclosure inputs of these products for other automotive manufacturers, as customers could buy these inputs elsewhere.

(1834) Fifth, the majority of suppliers consider that it is relatively easy for OEMs to switch suppliers at the time of tendering out contracts.[1131] As explained above in recital (1816), the contracts tend to be for the lifespan of a specific vehicle model (even if contractually it is possible for OEMs to de-source seat manufacturers).[1132] The Commission considers that even if switching is only possible when OEMs introduce a new vehicle model, the Parties would risk future contracts by engaging in a foreclosure strategy.

(1835) Sixth, a vast majority of suppliers stated that they could increase their supply in case of more customer orders, for all manual recliners (rotary), lever recliners, and manual length adjusters.[1133] This indicates that the there is sufficient spare capacity in the market to cover demand even in the unlikely case that Faurecia stopped supplying OEMs other than the Parties.

(1836) Finally, customers can switch away from Faurecia for other products. As the Parties only accounted for […] of Faurecia's overall sales in 2019, Faurecia is unlikely to put customer relationships with other OEMs at risk, as OEMs could switch to other suppliers in the future.

(1837) In view of the above, the Commission considers that the Parties will not have the ability to engage in foreclose (preventing access or raising input prices) of any type of recliners or length adjusters post-Transaction.

B Incentive

(1838) The Commission considers that the Parties do not have the incentive to engage in input foreclose in respect of automotive seating or any type of recliners or length adjusters for the following reasons.

(1839) First, PSA only accounted for […] of Faurecia's sales of automotive mechanisms and […] of automotive seating overall and FCA accounted for […] and […] respectively. In case Faurecia only supplied automotive seating or separate mechanisms such as recliners and length adjusters to the Parties, it would not be able to maximise its profits by participating in the bids for these products of other OEMs, which accounted for […] of Faurecia's sales of automotive seating in the EEA in 2019 and

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1129 Form CO, paragraph 685 (recliners) and paragraph 729 (length adjusters).

1130 Replies to question 31 of e-Questionnaire 2 to suppliers. Replies to questions 56.1 and 56.3 of e-Questionnaire 1 to competitors. For all of manual recliners (rotary), lever recliners and manual length adjusters, competitors named were, among others, Lear, Adient, Brose, Magna, and Fisher Dynamic, Shiroki, TS Tech and MTSK.

1131 Replies to question 34 and 34.1 of e-Questionnaire 2 to suppliers.

1132 Replies to question 34.1 of e-Questionnaire 2 to suppliers. Although contracts can be terminated at any point in time, ending a contract during the lifespan of a vehicle model may entail major economic costs. Replies to question 34.2 of e-Questionnaire 2 to suppliers.

1133 Replies to question 30 of e-Questionnaire 2 to suppliers.

[…] of its sales of mechanisms (such as recliners and length adjusters).[1134] As Faurecia has a number of credible competitors in the upstream market, these would win the contracts and thereby win market share from Faurecia.

(1840) As outlined in recital (1833), there are a number of competitors that produce all types of recliners and length adjusters to which OEMs could switch. Thus, the Parties would have no incentive to foreclose access to any type of recliner and/or length adjuster, as customers would in the medium to long term switch to other suppliers for these and other inputs.

(1841) In view of (i) the fact Faurecia would risk losing to its competitors contracts representing a large share of its actual and potential customers of recliners and/or length adjusters as well as (ii) the risk that customers might retaliate and switch to other suppliers also for other products of Faurecia, the Commission considers that the Parties will not have the incentive to foreclose access to any types of recliners and length adjusters post-Transaction.

C Conclusion on input foreclosure

(1842) Given that (i) Faurecia has moderate market shares in the markets for recliners and length adjusters under any plausible market definition, (ii) a significant number of competitors are active in the upstream market which can supply recliners and length adjusters to OEMs and (iii) the results of the Phase I market investigation show that there is spare capacity in the market for the manufacture of recliners and length adjusters, the Commission considers that, overall, the merged entity would not have the ability or the incentive to engage in input foreclose in respect of recliners or length adjusters in the EEA.

9.2.3.2. No customer foreclosure

9.2.3.2.1. The Notifying Parties' view

(1843) The Notifying Parties argue that the combined entity would have no ability to foreclose access to customers for Faurecia's competitors, for the following reasons.

(1844) The Proposed Transaction results in an increment of only [5-10]% in the downstream market for the manufacture and supply of PCs and LCVs. Therefore the Proposed Transaction would not have an impact on the structure of the market.[1135] Even if the Parties post-Transaction would purchase all their automotive seating from Faurecia (*quod non*), Faurecia's competitors would still have access to all other OEMs to which they could sell recliners and length adjusters. Overall, Faurecia's competitors would still have access to a customer base representing [70-80]% of the EEA market and [90-100]% of the global market for manufacture and supply of PCs and LCVs.[1136]

(1845) The Notifying Parties would also have no incentive for a customer foreclosure strategy, as it would not be profitable. Cases where customer foreclosure is profitable include those where the downstream division of the merged entity can be expected to benefit from higher prices in the downstream market resulting from the foreclosure strategy. This would not be the case here, because even if the Parties sourced exclusively from Faurecia, Faurecia's competitors would still have access to all other OEMs. As all manufacturers worldwide would continue to organise tenders in which

1134 Form CO, tables 95 and 96.
1135 Form CO, paragraph 713 and following (recliners) and paragraph 753 (length adjusters).
1136 Form CO, paragraph 717 (recliners) and paragraph 756 (length adjusters).

Faurecia and its competitors would compete, any attempt by Faurecia to raise prices would put its sales to other manufacturers (which constitute […] of its turnover) at risk.[1137]

(1846) Furthermore, the Notifying Parties argue that the combined entity would likely pay higher prices if sourcing exclusively from Faurecia in the absence of competitive pressure, and moreover, given PSA's stake in Faurecia is only 46%, the merged entity would only get 46% of any gain made by Faurecia.[1138]

(1847) The Notifying Parties add that the Proposed Transaction will have no effects on effective competition, as PSA and Faurecia are already part of the same economic group but maintain an arm's length relationship. They have never engaged in any foreclosure attempts and PSA sources from a variety of suppliers while Faurecia supplies a variety of manufacturers.[1139]

9.2.3.2.2. The Commission's assessment

A Ability

(1848) The Commission considers that the Parties do not have the ability to engage in customer foreclose of any type of recliners or length adjusters for the following reasons.

(1849) First, the Proposed Transaction will not result in the merged entity holding a significant degree of market power on the downstream market. The combined market share is [20-30]% with an increment of [5-10]% in 2019.[1140]

(1850) Second, there are many competitors present in the downstream market to which suppliers of automotive seating could supply. In 2019, ten OEMs sold more than […] light vehicles in the EEA market. Market leader VW accounted for almost […] vehicles, with a market share of [20-30]%. RNM ([10-20]%), Daimler ([5-10]%), BMW ([5-10]%) and Ford ([5-10]%) each sold more than a million vehicles.[1141] Suppliers could supply recliners and length adjusters to these customers, so the Parties would not be able to foreclose access to customers for seat manufacturers that compete with Faurecia.

(1851) Finally, the vertical relationship between the activities of PSA (which had a market share of [10-20]% in 2019) and Faurecia precede the Proposed Transaction and there is no evidence of customer foreclosure. To the contrary, PSA sources from seven different seat structure suppliers: […].[1142] The Commission considers that the increment of [5-10]% on the downstream market in this instance is unlikely to change this.

1137 Reply to RFI 13, paragraph 16.

1138 Reply to RFI 13, paragraph 17.

1139 Reply to RFI 13, paragraph 22 and following.

1140 Form CO, table 83. The geographic dimension of the market on which manufacturers purchase Faurecia's products and services and use these in the manufacture of PCs and LCVs is worldwide in scope. However, conservatively, the relevant downstream market could be considered to be EEA-wide. OEMs manufacture PCs and LCVs at least on an EEA-wide, if not a worldwide scope.

1141 Form CO, table 83. The geographic dimension of the market on which manufacturers purchase Faurecia's products and services and use these in the manufacture of PCs and LCVs is worldwide in scope. However, conservatively, the relevant downstream market could be considered to be EEA-wide. OEMs manufacture PCs and LCVs at least on an EEA-wide, if not a worldwide scope.

1142 Reply to RFI 13, paragraph 32.

B Incentive

(1852) The Commission considers that the Parties do not have an incentive to engage in customer foreclose for any type of recliners or length adjusters.

(1853) First, as outlined in recital (1850), there are various customers present in the downstream market for the manufacture and supply of PCs and LCVs, together accounting for [70-80]% of the market, to which automotive seating suppliers could sell recliners and length adjusters, rendering any customer foreclosure strategy unprofitable.

(1854) Second, the Commission notes that PSA currently sources from a large number of suppliers, although it already controls Faurecia. […].[1143] In the Phase I market investigation, a majority of suppliers replied that multi-sourcing of automotive seating is common.[1144] A vast majority of OEMs replied they multi-source recliners and length adjusters.[1145] According to a supplier of automotive seating "*it is possible to have two seat suppliers for one production facility, and this does happen. One supplier could be supplying seats for one production line, and another for a second production line*".[1146] As the Proposed Transaction has no impact on the structure of the upstream market and a limited impact on the structure of the downstream market, it would not change the incentives of the Parties to engage in customer foreclosure.

(1855) Third, no respondent considered that PSA/FCA is likely to insource all its purchases of automotive seating from Faurecia.[1147] On the contrary, all see reasons why PSA/FCA would continue to buy automotive seating from other sources than Faurecia, including the "*necessity to diversify sources of supply, length of ongoing contracts, evolution of the products' generations*".[1148] As explained by one competitor of Faurecia: "[manufacturers] *want to have their inhouse suppliers to be competitive and therefore have them bidding in a competitive environment where it is not a given that the inhouse supplier receives the order*."[1149] This supports the Commission's view that the Parties do not have an incentive to source all their supplies from Faurecia.

C Conclusion on customer foreclosure

(1856) Given that (i) a significant number of players is active in the downstream market for the manufacture and supply of PCs and LCV which purchase recliners and length adjusters in which the Parties have a moderate presence, (ii) the limited impact of the Proposed Transaction on the market structure and (iii) evidence suggesting that OEMs prefer to multi-source from various suppliers, the Commission considers that, overall, the merged entity would not have the ability or the incentive to engage in customer foreclose in respect of recliners or length adjusters in the EEA.

1143 Form CO, Tables 80 and 90.

1144 Replies to question 34.3 of e-Questionnaire 2 to suppliers.

1145 Replies to question 55 of e-Questionnaire 1 to competitors.

1146 Minutes of a call with an automotive seating supplier of 3 April 2020, paragraph 16.

1147 Replies to question 35 of e-Questionnaire 2 to suppliers.

1148 Replies to question 36 of e-Questionnaire 2 to suppliers. Non-confidential reply to question 36.1 of e-Questionnaire 2 to suppliers.

1149 Non-confidential reply to question 36.1 of e-Questionnaire 2 to suppliers.

9.2.4. Exhaust systems and hot ends

9.2.4.1. No input foreclosure

9.2.4.1.1. The Notifying Parties' view

(1857) The Notifying Parties submit that Faurecia would have no ability or incentive to engage in input foreclose in respect of exhaust systems and hot ends, for the following reasons.

(1858) First, Faurecia accounts for only [30-40]% of exhaust systems and [30-40]% of the production of hot ends in the EEA, and [20-30]% respectively worldwide. Within hot ends, Faurecia has a stronger presence in diesel hot ends (with a [40-50]% market share in the EEA in 2019 and [30-40]% worldwide) than in gasoline hot ends (with [30-40]% at EEA and [20-30]% at worldwide level).[1150] As diesel versions of PCs and LCVs are being phased out by OEMs, the market for diesel exhaust systems has been declining and will continue to do so.[1151]

(1859) A number of credible competitors are active in exhaust systems in the EEA (such as Eberspächer, Tenneco and Boysen) and at worldwide level (such as Tenneco, Sango and Calsonic Kansei).[1152] In hot ends, Eberspächer and Boysen are strong in the EEA, as well as Volkswagen Exhausts, Tenneco and Magneti Marelli, all of which also sell hot ends worldwide. These competitors have substantial capacity and could increase production should Faurecia suddenly cease its supplies or raise its prices for exhaust systems and hot ends.[1153] Suppliers outside the EEA could compete as hot ends are not voluminous and easy to ship.[1154]

(1860) Moreover, the Notifying Parties submit that some OEMs also have own production lines for exhaust systems. For these manufacturers an expansion of their own production would be an alternative solution, should Faurecia cease to supply them with these products – *quod non* – and should production capacities become scarce. OEMs could also establish their own production lines.[1155]

(1861) Second, the Parties argue that Faurecia's customers, most major OEMs and much larger than Faurecia, purchase very large volumes of various components and therefore have significant bargaining power.[1156]

(1862) Moreover, Faurecia would also have no incentive to foreclose. In case it foreclosed access to exhaust systems and hot ends for its customers, these would simply turn to other suppliers, not only for exhaust systems and hot ends but also for other components.[1157] As PSA only accounted for […] of Faurecia's overall sales in 2019 and FCA for […], Faurecia would give up, or risk, […] of its annual worldwide sales if it attempted input foreclosure.[1158]

(1863) Given the large number of alternative suppliers (see recital (1859)) the Parties would have nothing to gain downstream on the market for the production of light vehicles. Rival OEMs could easily switch to alternative sources of supply for exhaust systems

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1150 See Table 228.
1151 Form CO, paragraph 811.
1152 Form CO, paragraphs 876-877.
1153 Form CO, paragraph 827.
1154 Form CO, paragraph 282.
1155 Form CO, paragraph 881.
1156 Form CO, paragraph 831.
1157 Form CO, paragraph 833
1158 Form CO, paragraph 834.

and hot ends if the Parties engaged in a foreclosure strategy which would therefore not be profitable.[1159]

(1864) Finally, no concern has ever been raised about any attempts by Faurecia to foreclosure or otherwise discriminate against competitors of PSA. Such behaviour would be detrimental for Faurecia's business model which relies on orders from a large number of OEMs for various components.[1160] As for the relationship between PSA and Faurecia, the Notifying Parties also stress that Faurecia is operating independently from PSA and has an arm's length contractual relationship with PSA without any preferential treatment compared to other suppliers.[1161]

9.2.4.1.2. The Commission's assessment

A Ability

(1865) First, the Proposed Transaction will not result in any increment of the Parties' market share of these components, as Faurecia's activity of exhaust systems and hot ends precedes the Proposed Transaction. The merger does not therefore increase the ability to foreclose access to these inputs.

(1866) Second, even on the narrow markets, Faurecia has moderate market shares. In an EEA-wide market for exhaust systems, Faurecia's market share in 2019 only exceeded 30% in an overall market for exhaust systems (with [30-40]%), a market for hot ends (with [30-40]%), a market for diesel hot ends (with [40-50]%) and a market for gasoline hot ends (with [30-40]%). At a worldwide level, Faurecia's share remains below 30% in all these markets, except for diesel hot ends with [30-40]%. Faurecia therefore does not have a significant degree of market power in the upstream markets which would enable it to foreclose access to exhaust systems or any of the two types of hot ends.

(1867) Third, there are many competitors present on the upstream market for all exhaust systems and both types of hot ends, notably Eberspächer ([30-40]% EEA-wide market share estimate for hot ends) and Boysen ([10-20]-[10-20]% EEA-wide market share estimate for hot ends). Other credible competitors are Volkswagen Exhausts, Tenneco and Magneti Marelli (each with [5-10]-[10-20]% EEA-wide market share estimate for hot ends). All of these exhaust system suppliers have a worldwide footprint.[1162] In the Phase I market investigation, a majority of suppliers and OEMs confirmed the presence of competitors in exhaust systems and hot ends, naming more than seven out of which at least three offer both types of hot ends.[1163] This indicates that the Parties would have no ability to foreclosure inputs of these products for other automotive manufacturers, as customers could buy these inputs elsewhere.

(1868) Fourth, the majority of exhaust system suppliers consider that it is not very easy, but also not very difficult, for OEMs to switch suppliers at the time of tendering out

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1159 Form CO, paragraph 834.

1160 Form CO, paragraph 838.

1161 Form CO, paragraph 689, paragraph 822.

1162 Form CO, paragraph 819.

1163 Replies to question 47 of e-Questionnaire 2 to suppliers. Replies to questions 56.1 and 56.3 of e-Questionnaire 1 to competitors. For exhaust systems, competitors named were: Tenneco, Sango, Eberspächer, Futaba and others. For hot ends overall, competitors named were: MM, Benteler, Futaba, Wescast. For diesel hot ends, competitors named were: Eberspächer, Futaba, Tenneco. For gasoline hot ends, competitors named were: Tenneco, Sango, Eberspächer, Futaba.

contracts.[1164] As explained above in recital (1816), the contracts tend to be for the lifespan of a specific vehicle model (even if contractually it is possible for OEMs to de-source exhaust system manufacturers).[1165] The Commission considers that even if switching is only possible when OEMs introduce a new vehicle model, the Parties would risk future contracts by engaging in a foreclosure strategy.

(1869) Fifth, a vast majority of exhaust system suppliers stated that they could increase their supply in case of more customer orders, for both types of hot ends.[1166] This indicates that the there is sufficient spare capacity in the market to cover demand even in the unlikely case that Faurecia stopped supplying OEMs other than the Parties.

(1870) Finally, customers can switch away from Faurecia for other products. As the Parties only accounted for […] of Faurecia's overall sales in 2019, Faurecia is unlikely to put customer relationships with other OEMs at risk, as OEMs could switch to other suppliers in the future.

(1871) In view of the above, the Commission considers that the Parties will not have the ability to engage in foreclose (preventing access or raising input prices) of exhaust systems or any types of hot ends post-Transaction.

B Incentive

(1872) The Commission considers that the Parties do not have the incentive to engage in input foreclose in respect of exhaust systems or any type of hot ends for the following reasons.

(1873) First, PSA only accounted for […] of Faurecia's sales of exhaust systems and […] of hot ends and FCA accounted for […] and […] respectively. In case Faurecia only supplied exhaust systems and hot ends to the Parties, it would not be able to maximise its profits by participating in the bids for these products of other OEMs, which account for […] of Faurecia's sales of exhaust systems and […] of its hot end sales in the EEA in 2019.[1167] As Faurecia has a number of credible competitors in the upstream market, these would win the contracts and thereby win market share from Faurecia.

(1874) As outlined in recital (1867), there are a number of competitors that produce exhaust systems and all kinds hot ends to which OEMs could switch. Thus, the Parties would have no incentive to foreclose access to exhaust systems and hot ends, as customers would in the medium to long term switch to other suppliers for these and other inputs.

(1875) In view of (i) the fact Faurecia would risk losing to its competitors contracts representing a large share of its actual and potential customers of exhaust systems and any type of hot ends as well as (ii) the risk that customers might retaliate and switch to other suppliers also for other products of Faurecia, the Commission considers that the Parties will not have the incentive to foreclose access to exhaust systems and any type of hot ends post-Transaction.

1164 Replies to question 50 of e-Questionnaire 2 to suppliers.

1165 Replies to question 50.1 of e-Questionnaire 2 to suppliers. Although contracts can be terminated at any point in time, ending a contract during the lifespan of a vehicle model may entail major economic costs. Replies to question 50.2 of e-Questionnaire 2 to suppliers.

1166 Replies to question 46 of e-Questionnaire 2 to suppliers.

1167 Form CO, tables 102 and 103.

C Conclusion on input foreclosure

(1876) Given that (i) Faurecia has moderate market shares in the markets for exhaust systems and hot ends under any plausible market definition, (ii) a significant number of competitors are active in the upstream market which can supply exhaust systems and hot ends to OEMs and (iii) the results of the Phase I market investigation show that there is spare capacity in the market for the manufacture of exhaust systems and hot ends, the Commission considers that, overall, the merged entity would not have the ability or the incentive to engage in input foreclose in respect of exhaust systems and hot ends in the EEA, or in a worldwide market in the case of diesel hot ends.

9.2.4.2. No customer foreclosure

9.2.4.2.1. The Notifying Parties' view

(1877) The Notifying Parties argue that the combined entity would have no ability to foreclose access to customers for Faurecia's competitors, as the Proposed Transaction results in an increment of only [5-10]% in the downstream market for the manufacture and supply of PCs and LCVs. Therefore the Proposed Transaction would not have an impact on the structure of the market.[1168] Even if the Parties post-Transaction would purchase all their exhaust systems and hot ends from Faurecia (*quod non*), Faurecia's competitors would still have access to all other OEMs to which they could sell these products. Overall, Faurecia's competitors would still have access to a customer base representing [70-80]% of the EEA market and [90-100]% of the global market for manufacture and supply of PCs and LCVs.[1169] As there are no significant switching costs, OEMs would simply switch suppliers if a supplier attempted to increase prices.[1170]

(1878) The Notifying Parties would also have no incentive for a customer foreclosure strategy, as it would be too risky for the Parties to focus on just one supplier for their exhaust systems. The Notifying Parties argue that OEMs generally multi-source their components and specifically have different suppliers of exhaust systems to enhance competition between suppliers.[1171]

(1879) Moreover, customer foreclosure would not be profitable. Cases where customer foreclosure is profitable include those where the downstream division of the merged entity can be expected to benefit from higher prices in the downstream market resulting from the foreclosure strategy. This would not be the case here, because even if the Parties sourced exclusively from Faurecia, Faurecia's competitors would still have access to all other OEMs. As all manufacturers worldwide would continue to organise tenders in which Faurecia and its competitors would compete, any attempt by Faurecia to raise prices would put its sales to other manufacturers (which constitute […] of its turnover) at risk.[1172]

(1880) Furthermore, the Notifying Parties argue that the combined entity would likely pay higher prices if sourcing exclusively from Faurecia in the absence of competitive pressure, and moreover, given PSA's stake in Faurecia is only 46%, the merged entity would only get 46% of any gain made by Faurecia.[1173]

1168 Form CO, paragraph 843-844.
1169 Form CO, paragraph 846-847.
1170 FOm CO, paragraph 889.
1171 Form CO, paragraph 889.
1172 Reply to RFI 13, paragraph 16.
1173 Reply to RFI 13, paragraph 17.

(1881) The Notifying Parties add that the Proposed Transaction will have no effects on effective competition, as PSA and Faurecia are already part of the same economic group but maintain an arm's length relationship. They have never engaged in any foreclosure attempts and PSA sources from a variety of suppliers while Faurecia supplies a variety of manufacturers.[1174]

9.2.4.2.2. The Commission's assessment

A Ability

(1882) The Commission considers that the Parties do not have the ability to engage in customer foreclose of exhaust systems or any type of hot ends for the following reasons.

(1883) First, the Proposed Transaction will not result in the merged entity holding a significant degree of market power on the downstream market. The combined market share is [20-30]% with an increment of [5-10]% in 2019.[1175]

(1884) Second, there are many competitors present in the downstream market to which suppliers of exhaust systems and hot ends could supply. In 2019, ten OEMs sold more than […] light vehicles in the EEA market. The market leader, VW, accounted for almost […] vehicles, with a market share of [20-30]%. RNM ([10-20]%), Daimler ([5-10]%), BMW ([5-10]%) and Ford ([5-10]%) each sold more than […] vehicles.[1176] Suppliers could supply exhaust systems and hot ends to these customers, so the Parties would not be able to foreclose access to customers for exhaust system manufacturers that compete with Faurecia.

(1885) Finally, the vertical relationship between the activities of PSA (which had a market share of [10-20]% in 2019) and Faurecia precede the Proposed Transaction and there is no evidence of customer foreclosure. To the contrary, PSA sources from four different exhaust system suppliers: Faurecia, Tenneco, Eberspächer and Futaba.[1177] The Commission considers that the increment of [5-10]% on the downstream market in this instance is unlikely to change this.

B Incentive

(1886) The Commission considers that the Parties do not have an incentive to engage in customer foreclose for exhaust systems and any type of hot ends.

(1887) First, as outlined in recital (1884), there are various customers present in the downstream market for the manufacture and supply of PCs and LCVs, together accounting for [70-80]% of the market, to which automotive seating suppliers could sell exhaust systems and hot ends, rendering any customer foreclosure strategy unprofitable.

(1888) Second, the Commission notes that PSA currently sources from a large number of suppliers, although it already controls Faurecia. Faurecia was PSA's largest supplier

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1174 Reply to RFI 13, paragraph 22 and following.

1175 Form CO, table 83. The geographic dimension of the market on which manufacturers purchase Faurecia's products and services and use these in the manufacture of PCs and LCVs is worldwide in scope. However, conservatively, the relevant downstream market could be considered to be EEA-wide. OEMs manufacture PCs and LCVs at least on an EEA-wide, if not a worldwide scope.

1176 Form CO, table 83. The geographic dimension of the market on which manufacturers purchase Faurecia's products and services and use these in the manufacture of PCs and LCVs is worldwide in scope. However, conservatively, the relevant downstream market could be considered to be EEA-wide. OEMs manufacture PCs and LCVs at least on an EEA-wide, if not a worldwide scope.

1177 Reply to RFI 13, paragraph 32.

in 2019, but its share constituted only […] of PSA's total purchases of exhaust systems.[1178] In the Phase I market investigation, a majority of exhaust system suppliers stated that multi-sourcing is common.[1179] As the Proposed Transaction has no impact on the structure of the upstream market and a limited impact on the structure of the downstream market, it would not change the incentives of the Parties to engage in customer foreclosure.

(1889) Third, a majority of respondents considered that the merged entity is unlikely to insource all its purchases of exhaust systems and hot ends from Faurecia.[1180] On the contrary, a majority see reasons why PSA/FCA would continue to buy exhaust systems and both types of hot ends from another source than Faurecia.[1181] As explained by one competitor of Faurecia: "*since cost is always a strong driver PSA/FCA would also use other sources*"; "*we believe PSA/FCA will not want to rely just on one supplier for exhaust Systems globally as this will make them highly dependent on Faurecia and will also lead to less innovation and higher prices for PSA/FCA*."[1182] This supports the Commission's view that the Parties do not have an incentive to source all their supplies from Faurecia.

C Conclusion on customer foreclosure

(1890) In the case of exhaust systems, […] of FCA's purchases (in value) were from Faurecia, so the impact is even less significant than the minor [5-10]% of FCA downstream. Given that (i) a significant number of players is active in the downstream market for the manufacture and supply of PCs and LCV which purchase exhaust systems and both types of hot ends in which the Parties have a moderate presence, (ii) the limited impact of the Proposed Transaction on the market structure and (iii) evidence suggesting that OEMs prefer to multi-source from various suppliers, the Commission considers that, overall, the merged entity would not have the ability or the incentive to engage in customer foreclose in respect of exhaust systems and any types of hot ends in the EEA, or in a worldwide market in the case of diesel hot ends.

9.2.5. Cockpit module and centre console assembly

9.2.5.1. No input foreclosure

9.2.5.1.1. The Notifying Parties' view

(1891) The Notifying Parties submit that Faurecia would have no ability or incentive to foreclose access to cockpit module and centre console assembly services, for the following reasons.

(1892) First, Faurecia/SAS accounts for a modest share of the market for assembly services in the EEA. Faurecia has a modest share of the supply of cockpit assembly services ([10-20]% at EEA level) and centre console assembly services ([5-10]% at EEA level) and would only have a larger share ([50-60]%) in the supply of cockpit module assembly services to third parties on a merchant market basis, i.e., a market excluding captive OEM supply, in the EEA.[1183] As outlined in Section 9.2.2,

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1178 Form CO, table 79.

1179 Replies to question 50.4 of e-Questionnaire 2 to suppliers.

1180 Replies to question 51 of e-Questionnaire 2 to suppliers.

1181 Replies to question 52 of e-Questionnaire 2 to suppliers.

1182 Replies to question 52.1 of e-Questionnaire 2 to suppliers.

1183 Form CO, paragraph 761 and following. Affected markets only arise when considering merchant market shares.

Faurecia's subsidiary SAS in practice competes not only with other third-party suppliers of assembly services, but with OEMs themselves as they can (and do) provide the assembly services in-house. Merchant market shares, therefore, over-state Faurecia's position in the assembly of cockpits and centre consoles.[1184] A number of credible competitors are active in assembly services of interior systems, such as Grupo Antolin, Yanfeng and Reydel).[1185] The Notifying Parties note that the number of third-party assembly providers is growing and includes new entrants from outside the automotive industry, notably logistics companies. Entry for logistics providers is possible because assembly services entail, to a great extent, the coordination of components procurement so as to ensure the assembly and timely delivery of the assembled module at an OEM assembly line. The physical assembly of modules does not require particularly complex equipment or techniques and can thus be easily developed or acquired by logistics companies.[1186] In case it attempted a foreclosure strategy, Faurecia would risk losing customers both to other external assembly service suppliers and to OEMs themselves.[1187]

(1893) Second, the Notifying Parties argue that Faurecia's customers, most major OEMs and much larger than Faurecia, purchase very large volumes of various components and therefore have significant bargaining power.[1188]

(1894) Moreover, Faurecia would also have no incentive to foreclose. In case it foreclosed access to cockpit module and centre console assembly services for its customers, these would simply turn to other suppliers, not only for cockpit module and centre console assembly services but also for other assembly services as well as automotive components.[1189] As PSA only accounted for […] of Faurecia's overall sales in 2019 and FCA for […], Faurecia would give up, or risk, […] of its annual worldwide sales if it attempted input foreclosure.[1190]

(1895) Given the large number of alternative suppliers (see recital (1892)) the Parties would have nothing to gain downstream on the market for the production of light vehicles. Rival OEMs could easily switch to alternative providers of cockpit module and centre console assembly services if the Parties engaged in a foreclosure strategy which would therefore not be profitable.[1191]

(1896) Finally, no concern has ever been raised about any attempts by Faurecia to foreclosure or otherwise discriminate against competitors of PSA. Such behaviour would be detrimental for Faurecia's business model which relies on orders from a large number of OEMs for various components.[1192] As for the relationship between PSA and Faurecia, the Notifying Parties also stress that Faurecia is operating independently from PSA and has an arm's length contractual relationship with PSA without any preferential treatment compared to other suppliers.[1193]

1184 Form CO, paragraph 768.
1185 Form Co, paragraph 865.
1186 Form CO, paragraph 801.
1187 Form CO, paragraph 786.
1188 Form CO, paragraph 787.
1189 Form CO, paragraph 789.
1190 Form CO, paragraph 790.
1191 Form CO, paragraph 790.
1192 Form CO, paragraph 794.
1193 Form CO, paragraph 689, paragraph 822.

9.2.5.1.2. The Commission's assessment

A Ability

(1897) First, the Proposed Transaction will not result in any increment of the Parties' market share of cockpit module and centre console assembly services, as Faurecia's activity in these potential markets precedes the Proposed Transaction. The merger does not therefore increase the ability to foreclose access to these inputs.

(1898) Second, in interior system markets in the EEA, Faurecia's market share in 2019 only exceeded 30% in on a merchant market for cockpit module assembly services (with [50-60]%) and centre console assembly services (with [30-40]%). At a worldwide level, Faurecia's share would be lower.[1194] If internal assembly of cockpit modules and centre consoles by OEMs is taken into account, Faurecia's market shares remained below 15% in 2019. Faurecia therefore does not a have a significant degree of market power in the upstream markets which would enable it to foreclose access to cockpit module and centre console assembly services.

(1899) Third, there are many competitors present on the upstream market for cockpit module and centre console assembly services. In a merchant market for cockpit module assembly services in 2019, the strongest competitors present are IAC ([10-20]% EEA-wide market share estimate for 2019), SMP ([10-20]% EEA-wide market share estimate for 2019) and Draxlmaier ([5-10]% EEA-wide market share estimate for 2019). In a merchant market for centre console assembly services, the strongest competitors are Grupo Sese ([30-40]% EEA-wide market share estimate for 2019) and Draxlmaier ([20-30]% EEA-wide market share estimate for 2019). In the Phase I market investigation, a majority of suppliers and OEMs confirmed the presence of competitors in cockpit module and centre console assembly services, naming more than six alternative providers of cockpit module assembly services and more than eight providers of centre console assembly services.[1195] This indicates that the Parties would have no ability to foreclosure inputs of these products for other automotive manufacturers, as customers could buy these inputs elsewhere.

(1900) Fourth, the majority of suppliers consider that it is easy or relatively easy[1196] for OEMs to switch suppliers at the time of tendering out contracts.[1197] As explained above in recital 430, the contracts tend to be for the lifespan of a specific vehicle model (even if contractually it is possible for OEMs to de-source external providers of cockpit module and centre console assembly services).[1198] The Commission considers that even if switching is only possible when OEMs introduce a new vehicle model, the Parties would risk future contracts by engaging in a foreclosure strategy.

1194 Market shares at worldwide level would be below those at EEA level. The analysis will focus on the narrowest plausible market which would be most affected, in this case the EEA market.

1195 Replies to question 62 of e-Questionnaire 2 to suppliers. Replies to question 56.1 and 56.3 of e-Questionnaire 1 to competitors. At least one OEM confirmed that it assembles cockpit modules and centre consoles in-house and another OEMs also mentioned it could switch to in-house assembly of cockpit modules and centre consoles. For cockpit module assembly services, competitors named were: Dräxlmaier, Grupo Antolin, IAC, SMP, Yanfeng and Grammer. For centre console assembly services, competitors named were: Dräxlmaier, Grupo Antolin, IAC, SMP, Yanfeng, Grammer, YFAI, and Toyoda Gosai.

1196 Replies to question 65 of e-Questionnaire 2 to suppliers.

1197 Replies to question 50 of e-Questionnaire 2 to suppliers.

1198 Replies to question 65.1 of e-Questionnaire 2 to suppliers. Although contracts can be terminated at any point in time, ending a contract during the lifespan of a vehicle model may entail major economic costs. Replies to question 65.2 of e-Questionnaire 2 to suppliers.

(1901) Fifth, a vast majority of interior system suppliers stated that they could increase their supply in case of more customer orders, for both cockpit module and centre console assembly services.[1199] This indicates that the there is sufficient spare capacity in the market to cover demand even in the unlikely case that Faurecia stopped supplying OEMs other than the Parties.

(1902) Finally, customers can switch away from Faurecia for other products. As the Parties only accounted for […] of Faurecia's overall sales in 2019, Faurecia is unlikely to put customer relationships with other OEMs at risk, as OEMs could switch to other suppliers in the future.

(1903) In view of the above, the Commission considers that the Parties will not have the ability to engage in foreclose (preventing access or raising input prices) of these inputs post-Transaction.

B Incentive

(1904) The Commission considers that the Parties do not have the incentive to engage in input foreclose in respect of cockpit module or centre console assembly services for the following reasons.

(1905) First, PSA only accounted for […] of Faurecia's sales of cockpit module assembly services and […] of centre console assembly services, whereas FCA did not purchase any assembly services of cockpit modules and centre consoles from Faurecia. In case Faurecia only offered cockpit module and centre console assembly services to the Parties, it would not be able to maximise its profits by participating in the bids for these products of other OEMs, which accounted for […] of Faurecia's sales of cockpit module assembly services and […] of its sales of centre console assembly services in the EEA in 2019.[1200] As Faurecia has a number of credible competitors in the upstream market, these would win the contracts and thereby win market share from Faurecia.

(1906) Second, in case of foreclosure for cockpit module and centre console assembly services, OEMs could retaliate by switching away from Faurecia for other products. As the Parties only accounted for […] of Faurecia's overall sales in 2019, Faurecia is unlikely to put customer relationships with other OEMs at risk, as OEMs could switch to other suppliers in the future.

(1907) In view of (i) the fact Faurecia would risk losing to its competitors contracts representing a large share of its actual and potential customers of cockpit module and centre console assembly services as well as (ii) the risk that customers might retaliate and switch to other suppliers also for other products of Faurecia, the Commission considers that the Parties will not have the incentive to foreclose access to cockpit module and centre console assembly services post-Transaction.

C Conclusion on input foreclosure

(1908) Given that (i) Faurecia competes not only with other external providers of cockpit module and centre console assembly services, but also with OEMs, many of which assemble these modules in-house, (ii) even on a merchant market, a number of credible competitors are active in the upstream market which can offer cockpit module and centre console assembly services to OEMs and (iii) the results of the Phase I market investigation show that there is spare capacity in the merchant market

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1199 Replies to question 61 of e-Questionnaire 2 to suppliers.

1200 Form CO, Table 99.

for cockpit module and centre console assembly services, the Commission considers that, overall, the merged entity would not have the ability or the incentive to engage in input foreclose in respect of cockpit module and centre console assembly services in the EEA or worldwide.

9.2.5.2. No customer foreclosure

9.2.5.2.1. The Notifying Parties' view

(1909) The Notifying Parties argue that the combined entity would have no ability to foreclose access to customers for Faurecia's competitors, for the following reasons.

(1910) First, the Proposed Transaction results in an increment of only [5-10]% in the downstream market for the manufacture and supply of PCs and LCVs. Therefore the Proposed Transaction would not have an impact on the structure of the market.[1201] Even if the Parties post-Transaction would purchase all their assembly services from Faurecia (*quod non*), Faurecia's competitors would still have access to all other OEMs to which they could sell assembly services for cockpit panels and centre consoles. Overall, Faurecia's competitors would still have access to a customer base representing [70-80]% of the EEA market and [90-100]% of the global market for manufacture and supply of PCs and LCVs.[1202]

(1911) The Notifying Parties would also have no incentive for a customer foreclosure strategy, as it would not be profitable. Cases where customer foreclosure is profitable include those where the downstream division of the merged entity can be expected to benefit from higher prices in the downstream market resulting from the foreclosure strategy. This would not be the case here, because even if the Parties sourced exclusively from Faurecia, Faurecia's competitors would still have access to all other OEMs. As all manufacturers worldwide would continue to organise tenders in which Faurecia and its competitors would compete, any attempt by Faurecia to raise prices would put its sales to other manufacturers (which constitute […] of its turnover) at risk.[1203]

(1912) Furthermore, the Notifying Parties argue that the combined entity would likely pay higher prices if sourcing exclusively from Faurecia in the absence of competitive pressure, and moreover, given PSA's stake in Faurecia is only 46%, the merged entity would only get 46% of any gain made by Faurecia.[1204]

(1913) The Notifying Parties add that the Proposed Transaction will have no effects on effective competition, as PSA and Faurecia are already part of the same economic group but maintain an arm's length relationship. They have never engaged in any foreclosure attempts and PSA sources from a variety of suppliers while Faurecia supplies a variety of manufacturers.[1205]

9.2.5.2.2. The Commission's assessment

A Ability

(1914) The Commission considers that the Parties do not have the ability to engage in customer foreclose of cockpit module and centre console assembly services for the following reasons.

1201 Form CO, paragraph 798 and following.
1202 Form CO, paragraph 800 and following.
1203 Reply to RFI 13, paragraph 16.
1204 Reply to RFI 13, paragraph 17.
1205 Reply to RFI 13, paragraph 22 and following.

(1915) First, the Proposed Transaction will not result in the merged entity holding a significant degree of market power on the downstream market. The combined market share is [20-30]% with an increment of [5-10]% in 2019.[1206]

(1916) Second, there are many competitors present in the downstream market to which suppliers of interior system assembly services could offer these services. In 2019, ten OEMs sold more than […] light vehicles in the EEA market. Market leader VW accounted for almost […] vehicles, with a market share of [20-30]%. RNM ([10-20]%), Daimler ([5-10]%), BMW ([5-10]%) and Ford ([5-10]%) each sold more than a million vehicles.[1207] Suppliers could offer cockpit module and centre console assembly services to these customers, so the Parties would not be able to foreclose access to customers for suppliers of interior system assembly services that compete with Faurecia.

(1917) Finally, the vertical relationship between the activities of PSA (which had a market share of [10-20]% in 2019) and Faurecia precede the Proposed Transaction and there is no evidence of customer foreclosure. To the contrary, PSA sources from 14 interior system suppliers: […].[1208] FCA's main tier-1 suppliers for interior systems in the EEA are […].[1209] The Commission considers that the increment of [5-10]% on the downstream market in this instance is unlikely to change this.

B Incentive

(1918) The Commission considers that the Parties do not have an incentive to engage in customer foreclose for cockpit module and centre console assembly services.

(1919) First, as outlined in recital (1916) there are various customers present in the downstream market for the manufacture and supply of PCs and LCVs, together accounting for [70-80]% of the market, to which automotive seating suppliers could sell cockpit module and centre console assembly services, rendering any customer foreclosure strategy unprofitable.

(1920) Second, the Commission notes that PSA currently sources from a large number of suppliers, although it already controls Faurecia. Faurecia was PSA's largest supplier in 2019, but its share constituted only […] of PSA's total purchases of interior systems.[1210] In the Phase I market investigation, a majority of suppliers stated that multi-sourcing interior systems is common.[1211] As the Proposed Transaction has no impact on the structure of the upstream market and a limited impact on the structure of the downstream market, it would not change the incentives of the Parties to engage in customer foreclosure.

(1921) Third, no respondent considered that PSA/FCA is likely to insource all its purchases of cockpit module and centre console assembly services from Faurecia.[1212]

1206 Form CO, table 83. The geographic dimension of the market on which manufacturers purchase Faurecia's products and services and use these in the manufacture of PCs and LCVs is worldwide in scope. However, conservatively, the relevant downstream market could be considered to be EEA-wide. OEMs manufacture PCs and LCVs at least on an EEA-wide, if not a worldwide scope.

1207 Form CO, table 83. The geographic dimension of the market on which manufacturers purchase Faurecia's products and services and use these in the manufacture of PCs and LCVs is worldwide in scope. However, conservatively, the relevant downstream market could be considered to be EEA-wide. OEMs manufacture PCs and LCVs at least on an EEA-wide, if not a worldwide scope.

1208 Reply to RFI 13 of 1 June 2020, paragraph 32.

1209 Form CO, paragraph 872.

1210 Form CO, table 80.

1211 Replies to question 65.3 of e-Questionnaire 2 to suppliers.

1212 Replies to question 66 of e-Questionnaire 2 to suppliers.

According to a competitor, "*it is unlikely that PSA/FCA will insource all of the cockpit assembly work currently outsourced to Faurecia, as this would likely be subject to floorspace availability and other constraints in many of their existing vehicle assembly operations*."[1213] On the contrary, all see reasons why PSA/FCA would continue to buy cockpit module and centre console assembly services from another source than Faurecia,[1214] as competitors of Faurecia explained that this would "*Increase competition and thereby potentially achieve price reductions for those services*"; "*Innovation and new developments arise with competition. We firmly believe that expanding supplier base and adding competition to Faurecia will benefit PSA-FCA.*"[1215] This supports the Commission's view that the Parties do not have an incentive to source all their supplies from Faurecia.

C Conclusion on customer foreclosure

(1922) Given that (i) a significant number of players is active in the downstream market for the manufacture and supply of PCs and LCV which purchase cockpit module and centre console assembly services, (ii) the limited impact of the Proposed Transaction on the market structure and (iii) evidence suggesting that OEMs prefer to multi-source from various suppliers, the Commission considers that, overall, the merged entity would not have the ability or the incentive to engage in customer foreclose in respect of cockpit module and centre console assembly services in the EEA or worldwide.

10. AUTOMOTIVE FINANCING AND RELATED SERVICES

(1923) The Notifying Parties provide automotive financing and related service through captive finance companies ("CFCs").

(1924) PSA provides retail financing to customers of the five PSA brands and corporate financing to the PSA brands dealer networks. PSA also provides and distributes insurance and other ancillary services. PSA provides these services in the EEA via two joint ventures: (i) a joint venture between PSA's subsidiary Banque PSA Finance and Santander Consumer Finance regarding the Peugeot, Citroën and DS brands (collectively referred to as "PCDF"), and (ii) a joint venture between PSA's subsidiary Banque PSA Finance and BNP Paribas ("BNPP") regarding the Opel / Vauxhall brands ("OVF", together with PCDF the "PSA CFCs").

(1925) PSA CFCs are active in 19 EEA Member States: Austria, Belgium, Bulgaria, Croatia, Estonia, France, Germany, Greece, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Poland, Romania, Slovenia, Spain, Sweden and the United Kingdom.

(1926) FCA provides financial services related to the sale of automotive vehicles through FCA Bank S.p.A. ("FCA Bank"), a joint venture between FCA's subsidiary FCA Italy and Crédit Agricole Consumer Finance S.A.

(1927) FCA Bank is active in 16 EEA Member States: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden and the United Kingdom.

1213 Reply to question 66.1 of e-Questionnaire 2 to suppliers.
1214 Replies to question 67 of e-Questionnaire 2 to suppliers.
1215 Replies to question 67.1 of e-Questionnaire 2 to suppliers.

10.1. Relevant markets.

10.1.1. Automotive financing services – motor vehicle lending

10.1.1.1. Product market definition

10.1.1.1.1. The Commission's decisional practice

(1928) In previous cases, the Commission considered that, within retail banking, consumer credit could constitute a distinct market. The Commission also considered that consumer credit for the purchase of motor vehicles (including lending) and consumer credit offered for the purchase of other consumer goods could constitute separate markets. Finally, within a market for automotive financing services the Commission has further considered a sub-segmentation into (i) the markets for motor vehicle lending and (ii) leasing services for motor vehicles.[1216]

(1929) In relation to motor vehicle lending, the Commission has previously considered a market for motor vehicle lending limited to non-captive activities (the 'merchant market'). This would exclude captive activities, i.e. the financing services offered by car manufacturers' financing subsidiaries to customers who purchase a vehicle of their own car brand.[1217] Ultimately, the Commission left the precise product market definition open.

(1930) In relation to leasing services for motor vehicles, the Commission has previously considered a possible distinction between financial and operational leases. In the case of financial leases the leasing company remains the owner and only the economic ownership is transferred. In the case of operational leases both the legal and economic ownership remain with the leasing company.[1218] Ultimately, the Commission left the precise product market definition open.[1219]

(1931) In any event, for the purposes of the present Decision, the exact product market definition for automotive financing services can be left open as the Proposed Transaction will not lead to a significant impediment to effective competition under the narrowest-plausible market definitions set out below.

10.1.1.1.2. The Notifying Parties' view

(1932) The Notifying Parties concur with the Commission's decisional practice and submit that the product market definition can be left open since the Proposed Transaction is unlikely to raise any competition concerns irrespective of the market definition.

10.1.1.1.3. The Commission's assessment

(1933) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate. In conclusion, for the purposes of this decision, the Commission will analyse the automotive financing market at the narrowest plausible markets of motor vehicle lending (based on a market of both captive and non-captive sales together, as well as for each of captive and non-captive separately), financial lease and operational lease.

1216 See COMP/M.8460 Peugeot/BNP Paribas/Opel Vauxhall FinCos (2017), recital 15.
1217 See COMP/M.8460 Peugeot/BNP Paribas/Opel Vauxhall FinCos (2017), recital 16.
1218 COMP/M.4844, 3 October 2007, Fortis/ABN AMRO Assets (2007), recital 61.
1219 COMP/M.5384, 3 December 2008, BNP Paribas/Fortis (2008), recital 65.

10.1.1.2. Geographic market definition

10.1.1.2.1. The Commission's decisional practice

(1934) In previous decisions, the Commission considered the geographic markets for automotive financing (lending and leasing services) to be national in scope, while leaving open whether the geographic scope for leasing services is wider than national.[1220]

10.1.1.2.2. The Notifying Parties' view

(1935) The Notifying Parties concur with the Commission's decisional practice and consider the markets for lending and leasing services on a national basis.

10.1.1.2.3. The Commission's assessment

(1936) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate. For the purposes of this decision the geographic market for automotive financing (lending and leasing services) is therefore considered national in scope for lending, and national or wider in scope for leasing services.

10.1.2. Lending to SMEs – lending to car dealers

10.1.2.1. Product market definition

10.1.2.1.1. The Commission's decisional practice

(1937) In previous decisions, the Commission has considered a segmentation of the corporate banking market based on the customer group, i.e. between (i) banking services to large corporate customers and (ii) banking services to SMEs. The Commission has also considered a segmentation of banking services to large corporate customers based on the category of products (e.g. loans, savings, etc.), as well as within banking services to SMEs a separate segment for lending to car dealers.[1221]

10.1.2.1.2. The Notifying Parties' view

(1938) The Notifying Parties submit the car dealer lending forms part of the wider market for loans to SMEs. No distinct lending market based on the business of the borrower should be identified, but in any event the exact product market definition can be left open as the Proposed Transaction is unlikely to raise any competition concern irrespective of the market definition.

10.1.2.1.3. The Commission's assessment

(1939) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate. For the purposes of the present decision, the exact product market definition can be left open between banking services to large corporate customers, possibly further segmented as explained above, and banking services to SMEs possibly further segmented for lending to car dealers separately, as the Proposed Transaction will not lead to a significant impediment to effective competition under any such plausible market definition.

1220 COMP/M.8460 Peugeot/BNP Paribas/Opel Vauxhall FinCos (2017), recital 17; COMP/M.5384 BNP Paribas/Fortis (2008), recital 76.

1221 See COMP/M.8460 Peugeot/BNP Paribas/Opel Vauxhall FinCos (2017), recital 19, COMP/M.5384 BNP Paribas / Fortis (2008), recital 72.

10.1.2.2. Geographic market definition

10.1.2.2.1. The Commission's decisional practice

(1940) In previous Decisions, the Commission has consistently considered the market for corporate banking, in particular the possible market for lending to SMEs, to be national in scope.[1222]

10.1.2.2.2. The Notifying Parties' view

(1941) The Notifying Parties concur with the Commission's decisional practice.

10.1.2.2.3. The Commission's assessment

(1942) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate. For the purposes of this Decision the market is therefore considered national in scope.

10.1.3. Insurance provision and distribution

(1943) The Commission has made a distinction between insurance production and insurance distribution.[1223] FCA does not produce any insurance products, but distributes insurance products sourced from third parties. PSA produces part of the insurance products it distributes, but exclusively distributes it through PSA CFCs' own channels. The Notifying Parties therefore only overlap in the distribution of insurance products in Austria, France, Germany, Italy, the Netherlands, Poland, Spain, and the United Kingdom. No vertical link exists given PSA does not distribute its insurance products via non-captive routes.

10.1.3.1. Product market definition

10.1.3.1.1. The Commission's decisional practice

(1944) In previous decisions, the Commission concluded that a downstream market for insurance distribution involves the procurement of insurance cover for individual and corporate customers through different distribution channels, whether comprised of direct writers, tied agents or intermediaries such as banks and brokers.[1224]

(1945) The Commission has left open the question as to whether the market for insurance distribution comprises exclusively all outward (i.e. non-owned and third-party) insurance distribution channels (e.g. brokers and agents), or if the sales forces and office networks of insurance undertakings (constituting a direct means of sale to end-customers) should also fall within the market for insurance distribution.[1225]

(1946) Also, the Commission has also considered that a distinction could be made between the distribution of non-life and life insurance products due to differences in the applicable regulatory regime and the fact that different providers are involved in the distribution of life and non-life insurance products.[1226] .

1222 See COMP/M.8460 Peugeot/BNP Paribas/Opel Vauxhall FinCos (2017), recital 22, COMP/M. 4844 Fortis/ABN AMRO Assets (2007), recital 80.

1223 See COMP/M.6957 IF P&C/Topdanmark (2013).

1224 See COMP/M.6053 CVC/Apollo/Brit Insurance (2011), recital 19.

1225 See COMP/M.6957 IF P&C/Topdanmark (2013), recital 23, COMP/M.6053 CVC/Apollo/Brit Insurance (2011), recital 20.

1226 See COMP/M.1307 Marsh & McLennan/Sedgwick (1998), recital 9.

10.1.3.1.2. The Notifying Parties' view

(1947) The Notifying Parties concur with the Commission's decisional practice.

10.1.3.1.3. The Commission's assessment

(1948) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate. For the purposes of this decision, the product market is therefore assessed at the narrowest level by distribution of non-life insurance.

10.1.3.2. Geographic market definition

10.1.3.2.1. The Commission's decisional practice

(1949) In previous decisions, the while recognising the national nature of insurance distribution channels, left the exact definition open, in particular with respect to the question as to whether the relevant geographic market is wider than national.[1227]

10.1.3.2.2. The Notifying Parties' view

(1950) The Notifying Parties concur with the Commission's decisional practice.

10.1.3.2.3. The Commission's assessment

(1951) The evidence in the Commission's file has not provided any indication that would suggest that departing from the Commission's decisional practice would be appropriate. For the purposes of this Decision the geographic market is therefore considered national in scope.

10.1.3.3. Conclusion

(1952) As to the distribution of insurance products, no affected market arises from the Proposed Transaction. Therefore, the Commission considers that the Proposed Transaction will not lead to a significant impediment to effective competition in respect of the markets for these products and these markets will therefore not be further discussed in this Decision.[1228]

10.1.4. Saving accounts

10.1.4.1. Product and geographic market definition

10.1.4.1.1. The Commission's decisional practice

(1953) In previous decisions, the Commission considered that retail banking comprises all banking services to private individuals, considering that some retail banking products such as savings accounts represent a separate relevant product markets.[1229]

(1954) In previous decisions, the Commission has considered the market to be national.[1230]

1227 See COMP/M.6957 IF P&C/Topdanmark (2013), recital 35.

1228 FCA does not produce any insurance products, but distributes insurance products sourced from third parties. PSA produces part of the insurance products it distributes, but exclusively distributes it through PSA CFCs' own channels. The Notifying Parties therefore only overlap in the distribution of insurance products in Austria, France, Germany, Italy, the Netherlands, Poland, Spain, and the United Kingdom, where their combined market share is limited (in each country where the Notifying Parties' activities overlap, each of the 3 CFCs have a market share of less than [0-5]% in (i) life insurance, (ii) non-life insurance, and (iii) motor vehicle insurance. On a potential separate market for (iv) extended warranties and maintenance contracts, FCA Bank and PSA's OVF would have market share of less than [0-5]%, and PSA's PCDF less than [10-20]%).

1229 See COMP/M.6168 RBI/EFG Eurobank/JV (2011), recital 12; COMP/M.4844 Fortis/ABN Amro Assets (2007), recital 40, 41.

10.1.4.1.2. The Notifying Parties' view

(1955) The Notifying Parties consider that savings accounts constitute a relevant market, which includes various types of deposits. The Notifying Parties concur with the Commission's decisional practice regarding the geographic scope of the market.

10.1.4.1.3. The Commission's assessment

(1956) The Commission has not received information in its file to deviate from its case practice. For the purposes of this Decision, the product market definition is left open in line with the Commission's decisional practice, and considered national in scope.

10.1.4.2. Conclusion

(1957) As to the offering of savings accounts, no affected market arises from the Proposed Transaction. Therefore, the Commission considers that the Proposed Transaction will not lead to a significant impediment to effective competition in respect of this market and it will not be further discussed in this Decision.[1231]

10.2. Competitive assessment horizontal non-coordinated effects

10.2.1. Legal test for the assessment of horizontal non-coordinated effects.

(1958) The legal test for the assessment of horizontal non-coordinated effects is set out in Horizontal Merger Guidelines, as described in Section 6.2.1.

10.2.2. The activities of the CFCs

(1959) CFCs typically supply their services to customers who purchase a vehicle of their automotive brand, or through the vehicle dealers distributing those brands.[1232] The primary business strategy of CFCs is to help their respective automotive groups sell more vehicles by offering competitive financing programmes through franchised vehicle dealerships. In addition to offering retail financing and lease programmes, CFCs also offer commercial lending products to dealerships, including floor plan financing (also known as wholesale or inventory financing) which is lending to finance the purchase of vehicle inventory, as well as dealer loans to finance improvements to dealership facilities, to provide working capital, and/or to purchase or finance dealership real estate.[1233]

(1960) PSA CFCs finance the acquisition of PSA-branded vehicles (i.e., Peugeot, Citroën, DS, Opel/Vauxhall). While PSA CFCs are exclusively tied to PSA brands, an exception occurs in the very infrequent situation where, at the time of purchasing a new PSA vehicle, a PSA vehicle dealer buys back the customer's non-PSA-branded used vehicle. This used vehicle will then be resold to another customer who could, if needed, use financing and related services offered by PSA CFCs.[1234]

(1961) FCA Bank finances the purchase of FCA-branded vehicles (i.e. Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional, Jeep, Lancia and Ram) and a limited number of other brands (namely, […]).[1235] The financing of these brands is

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1230 See COMP/M.4844 Fortis/ABN Amro Assets (2007), recital 85.

1231 The Notifying Parties' activities in the market for saving accounts only overlap in Germany where each of the Parties have a market share of less than [0-5]%.

1232 Form CO, para 915.

1233 Form CO, para 926.

1234 Form CO, para's 915, 916, 917.

1235 This list is subject to the following amendments: (i) […]; (ii) FCA Bank entered into a new cooperation agreement with Lotus Cars on March 3, 2020; and (iii) FCA Bank entered into a new cooperation agreement with Groupe Pilote on March 3, 2020 (reply to RFI 56 of 10 November 2020, question 4b).

undertaken pursuant to arms' length commercial agreements between FCA Bank and the OEMs selling such brands.[1236] In 2018, FCA Bank's sales to non-captive brands constituted […]% by volume and […]% by value of its total sales in the EEA.[1237]

(1962) The Notifying Parties submitted that the Proposed Transaction will not impact the framework agreements setting up the Notifying Parties' CFCs which will continue to be in force post-closing. Although some strategic thinking will be done in the future by the new entity on all of its activities post-closing, to date the Parties have not taken any decision to change the way their CFC joint-ventures will operate post-merger and they have not engaged in any discussion with their respective banking partners in that respect. Besides, each joint-venture being with a different banking partner, any modification would necessarily require complex renegotiations.

(1963) In automotive financing and related services the only affected markets arising from the Proposed Transaction are (i) motor vehicle lending in Italy, and (ii) lending to car dealers in France, Italy, the Netherlands and Spain. Before assessing these affected markets, the Commission will first set out the Notifying Parties' position in respect of automotive financing (which is not country specific), and second, the Commission will address a more general concern raised in the market investigation regarding the Notifying Parties' CFCs.

10.2.3. Notifying Parties' view

(1964) The Notifying Parties first submit that PSA CFCs historically have not provided financing to any vehicle brands outside the PSA group. On that basis, there is no horizontal overlap in the Parties' financing activities.[1238]

(1965) As PSA's CFCs are exclusively tied to PSA brands while FCA Bank is largely tied to FCA brands, the Parties' CFCs are not competing with one another, but rather compete with players offering other financing solutions, in particular retail banks.[1239]

(1966) Second, the relationship between PSA's and FCA's vehicle manufacturing business and their respective vehicle financing businesses existed before the Proposed Transaction and will not change as a result of the Transaction (see Section 10.2.2). Post-Transaction, PSA CFCs will continue to operate a CFC business and finance the acquisition of vehicles sold under the PSA brands while FCA Bank will continue to finance the acquisition of vehicles sold under the brands it covers.[1240]

(1967) Third, with reference to recital (1959), the primary business scope of the Notifying Parties' CFCs is to support the Notifying Parties. The Notifying Parties submit that, as a result, from a demand-side perspective, CFCs' financing services are not substitutable: PSA CFCs' products are not an alternative to FCA Bank's products for consumers at the time of purchasing a vehicle under an FCA brand. Similarly, a consumer would not finance its PSA vehicle via FCA Bank.[1241]

(1968) Fourth, the Notifying Parties also submit that from a supply-side perspective, PSA CFCs are dedicated to the financing of PSA's brands. Similarly, FCA Bank primarily

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1236 FCA Capital Denmark, a subsidiary of FCA Bank, recently entered into a Cooperation Agreement with the Danish importer Interdan Bil for the purposes of providing financing products for the sale of vehicles distributed through Interdan Bil's network of dealers. […].

1237 Form CO, para 915, 921.

1238 Form CO, para 922.

1239 Form CO, para 917.

1240 Form CO, para 925.

1241 Form CO, para 927.

offers its financial services to consumers purchasing a vehicle from FCA. Therefore, the Notifying Parties consider that their CFCs have no overlapping activities have no overlapping activities.[1242]

10.2.4. General concern raised during the market investigation concerning CFCs

(1969) RNM considered that the Notifying Parties were particularly well positioned in the financing of their vehicles (and could offer more attractive conditions compared to competitors) and explained that "*the associations* [of the Notifying Parties' CFCs] *with the largest banks in the Euro zone, allow PSA and FCA, respectively, to secure access to refinancing at lower financing costs than those generally borne by captive banks in the absence of such partnership. positioning is likely to give PSA/FCA a competitive advantage for the following reasons (i) captive financing companies face a competitive interaction with one another, through the sale of vehicles they provide financing for, (ii) captive financing companies compete when accessing refinancing facilities, and (iii) vehicle manufacturers compete in the search for joint-venture partners to create captive financing companies likely to increase the competitiveness of their offers (while limiting competition from retail banks, pursuant to the non-compete commitments entered into by the joint-venture partners)*". [1243]

(1970) RCI Bank (RNM's CFC) made the same points and added that the Proposed Transaction would enable the Parties to raise the prices of their financing.[1244]

(1971) With regard to these views submitted in the market investigation, the Commission considers as follows:

(1972) First, when asked during the market investigation about the strength of the Parties in respect of motor vehicle financing, the majority of competitors replied that they did not know whether the Parties are particularly well positioned in the financing of their vehicles. Three competitors considered that the Notifying Parties were particularly well positioned in the financing of their vehicles in offering more attractive conditions compared to competitors while the other competitors expressing an opinion considered that the Notifying Parties position in the financing of vehicles merely reflects their market position in the sale of vehicles.[1245]

(1973) Second, the Commission recalls that the motor vehicle lending activities of the Notifying Parties' CFCs are largely captive in the sense that they are limited to offering financing for the purchase of the Parties' own brands (with the exception of a few third party brands for which FCA Bank provides lending). As shown in Table 229, PSA CFCs have only negligible non-captive sales resulting from financing the sale of used vehicles (when a PSA vehicle dealer has bought back the customer's non-PSA-branded used vehicle and provides financing to whomever buys that used vehicle). FCA Bank's sales are also largely captive sales […], financing the sales of FCA brands. There is thus little or no direct competition between the CFCs given that FCA Bank does not provide financing in competition with PSA CFCs to purchase PSA branded cars and vice versa. As such, the Parties' CFCs do not directly constrain each other.

1242 Form CO, para 928.

1243 RNM's non-confidential reply to question 46 of e-Questionnaire 9 to competitors. The same points were made by RCI Bank, RNM's CFC. Another market participant also mentioned that merging PSA's and FCA's CFCs would strengthen the Parties in automotive financing and insurance products, implying that the Parties would become even more competitive if they merged their CFCs.

1244 Letter of 2 November 2020.

1245 Reply to question 46 of e-Questionnaire 9 to competitors.

(1974) Even if, as suggested by RNM and RCI Bank, captive financing of different OEMs compete through the sale of the vehicles they finance, the Proposed Transaction will not change the competitive situation. […]. Were the Parties post-merger wish to amalgamate the three CFC businesses, that would most likely require a separate notification.[1246] In any event, to the extent CFCs face a competitive interaction with one another through the sale of vehicles they provide financing for, and even assuming the three CFCs were merged, this competitive interaction is reflected in the Notifying Parties' market position in the manufacturing and sale of their vehicles as addressed in Sections 6 for LCVs and 7 for PCs.

(1975) Third, the Commission also does not consider it likely that the Notifying Parties can raise prices of their financing package without losing a significant number of customers.[1247] There are many different players that offer financing solutions to customers in addition to CFCs, all traditional lenders and retail banks as well as many new online players. Transparency of the monthly instalments allows consumers to compare competing offers easily.[1248]

(1976) The Notifying Parties also submit that loan agreements and even financial leasing agreements can be bought back by customers during their lifetime if they find a more attractive personal loan provided by another financing player. According to PSA's best knowledge, in France for instance, around […]% of personal loans "new" contracts signed on this market are actually existing contracts which are bought back by another player.[1249]

(1977) Therefore, if a CFC were to raise prices for its financing package it risks to lose profits on the financing side, and the OEM to lose profits from the sale of vehicles (due to the higher price from the financing package).

(1978) Fourth, if the concern by competitors is that the merged entity will be able to provide better and more competitive financing terms to consumers buying the Parties' vehicles, this is only beneficial to consumers and not anticompetitive. The only way in which such an efficiency could lead to competition concerns is if all competitors were, as a result of these improved financing conditions, marginalised out of the market. No market participant has provided any such evidence.

(1979) Fifth, the Proposed Transaction does not change anything in respect of the limitations on competition from retail banks, pursuant to the non-compete commitments entered into by the joint-venture partners. The Proposed Transaction will not impact on the framework agreements setting up the Parties' CFC joint-ventures which will continue to be in force post-closing.

(1980) […].[1250] […] […]:[1251]

– […].[1252]

– […].[1253]

1246 The creation of each of PSA's CFCs and the creation of FCA Bank were notifiable transactions under the EU Merger Regulation.

1247 One third party suggested that the Proposed Transaction would enable the Parties to raise the prices of their financing.

1248 Reply to question 3 of RFI 56 of 10 November 2020.

1249 Reply to question 3 of RFI 56 of 10 November 2020.

1250 Reply to question 2 of RFI 56 of 10 November 2020.

1251 Reply to question 2 of RFI 56 of 10 November 2020.

1252 […].

(1981) […].[1254]

(1982) Moreover, […].[1255]

(1983) As regards FCA's CFC, […].[12561257]

(1984) The Proposed Transaction does not change the situation as the joint venture agreements will continue to be in force post-closing. […], the Notifying Parties will continue to face competition from BNPP and Santander as well as any other undertaking providing motor vehicle lending.

(1985) Also Credit Agricole can continue to provide financing products as long as these are not competing with those from FCA Bank. However, this restriction already applied pre-Transaction and is not impacted by the Proposed Transaction.

(1986) The restrictions that exist currently remain post-Transaction. The Proposed Transaction does not therefore change the possibilities for vehicle manufacturers to find joint-venture partners to create captive financing companies. The restrictions that Credit Agricole faces to provide such financing is not impacted by the Proposed Transaction. Both Santander and BNPP can continue to provide such financing. […]. This is a strong indication that both banks considered it a business opportunity to develop other cooperations, including in the territories where PSA's CFCs are active.

(1987) Sixth, none of the three joint-venture banks face constraints in providing refinancing to CFCs. PSA's joint venture agreements with Santander and BNPP do not constrain BNPP or Santander from providing refinancing to other CFCs, and there are no […].[1258]

(1988) As regards the Notifying Parties themselves, FCA Bank does not provide refinancing services outside FCA Bank's perimeter and its own needs and PSA is not providing refinancing services to third-parties.[1259]

(1989) The Notifying Parties explain that the refinancing market is a broad market comprising many different players providing a great number of possibilities for CFCs to refinance their activities at the international level. PSA's CFC in France would target systematically the three main European stock exchanges, i.e., London, Frankfurt and Paris. Up to several dozens of investors can propose funding. FCA's refinancing occurs in a variety of different markets/instruments, in most cases through cross-border transactions managed at HQ level.[1260] In any event, refinancing possibilities for competitors are unaffected by the Proposed Transaction.

10.2.5. Motor vehicle lending in Italy[1261]

(1990) In the market for motor vehicle lending, customers contract a loan to finance and acquire legal ownership of the vehicle. The lender typically obtains a security interest

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1253 […].

1254 Reply to question 2 of RFI 56 of 10 November 2020.

1255 Reply to question 2 of RFI 56 of 10 November 2020.

1256 […].

1257 Reply to question 2 of RFI 56 of 10 November 2020.

1258 Reply to question 2 of RFI 56 of 10 November 2020.

1259 Reply to question 2 of RFI 56 of 10 November 2020, and e-mail of 13 November 2020.

1260 Reply to question 2 of RFI 56 of 10 November 2020.

1261 In other countries where the motor vehicle lending activities of the Notifying Parties overlap, their combined market share is less than respectively [10-20]% (captive and non-captive) and [0-5]% (non-captive only) in each country even if the market shares of all CFCs are combined. (Form CO, Table 108; Reply to RFI 56 of 10 November 2020, Table 1).

in the vehicle to be protected from the risk of default by the customer in its payment obligations. PSA CFCs offer a range of loans essentially designed to finance the acquisition of PSA branded vehicles on the motor vehicle lending market. FCA Bank offers loans to customers for financing the acquisition of FCA-branded vehicles and a number of other vehicle brands (see recitals (1959) to (1961)).

(1991) The Table below provides the Notifying Parties' market share in the market for motor vehicle lending in Italy, the only country where an affected market would arise if the individual market shares based on value, and for each of the Notifying Parties' CFCs would be cumulated (see footnote 1261). If only captive activities are taken into account, the Notifying Parties' activities do not overlap since they do not provide financing to each other's brands.

Table 229: Motor vehicle lending (value 2018).

	Italy			
	Captive + non-captive sales		*Non-captive sales only*	
	Value (EUR mln)	**Market share**	**Value (EUR mln)**	**Market share**
PCDF	[…]	[0-5]%	[…]	[0-5]%
OVF	[…]	[0-5]%	[…]	[0-5]%
FCA Bank	[…]	[10-20]%	[…]	[0-5]%
Combined	[…]	[20-30]%	[…]	[0-5]%
Total Market	[…]	100%	[…]	100%

Source: Table 108 Form CO and Table 1 RFI 56.

10.2.5.1. The Commission's assessment

(1992) First, the Commission considers that in Italy the Notifying Parties' combined market share based on non-captive sales[1262] only is very limited. Even if the sales from all of the Notifying Parties' CFCs are cumulated, the combined market share on the merchant market for non-captive sales is less than [0-5]% with a negligible increment ([0-5]%). In Italy PCDF only generates captive sales and OVF almost only generates captive sales ([…] of OVF's sales in Italy are captive). This indicates that the motor vehicle lending activities of the Notifying Parties on the merchant market for non-captive sales only overlap to a negligible extent in Italy.

(1993) Second, even when all captive sales are taken into account, the Parties' combined market share remains relatively low at [20-30]% with an increment of [5-10]%, a level that indicates that the Proposed Transaction would not result in a significant impediment to effective competition.

1262 As regards PSA, captive sales comprise the financing of the brands of the PSA group (i.e., Peugeot, Citroën, DS, Opel/Vauxhall). As regards FCA, captive sales include the financing of the brands of the FCA group (i.e., Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional, Jeep, Lancia and Ram). (Form CO, para 920).

10.2.5.2. Conclusion

(1994) Based on the above considerations, the Commission concludes that the Proposed Transaction does not result in a significant impediment to effective competition in the market for motor vehicles lending in Italy.

10.2.6. Lending to SMEs and car dealers.

(1995) As regards the market for lending to SMEs, the Notifying Parties play only a very small role with each CFC having a market share of less than [0-5]% in every country where both Notifying Parties are active.

(1996) If a narrower market limited to lending to car dealers only is considered, the Notifying Parties submit that there is no available data for the total market of lending to vehicle dealers only. However, each network of vehicle dealers has similar financing needs and those financing needs are proportionate to the volume of passenger cars and LCVs sold by PSA and FCA. Therefore, the Parties believe that their market shares in the segment for lending to vehicle dealers only should be close to the market shares they hold in a combined market for PCs and LCVs.[1263]

(1997) On that basis, the Notifying Parties provided the estimated value of the financing solutions offered to vehicle dealers, and the Parties' market shares in PCs and LCVs in each Member State in which PSA CFCs and FCA Bank are both present. Based on these data, the Transaction would only lead to a market share equal or above [20-30]% in France, Italy, the Netherlands and Spain, if the individual market shares for each of the Notifying Parties' CFC would be cumulated. The data are presented in the table below.[1264]

Table 230: Lending to car dealers (value, PC and LCV, 2018), captive and non-captive sales

	France		Italy		The Netherlands		Spain	
	value (EUR mln)	share	value (EUR mln)	share	value (EUR mln)	share	value (EUR mln)	share
PCDF	[…]	[20-30]%	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
OVF	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
FCA Bank	[…]	[5-10]%	[…]	[20-30]%	[…]	[0-5]%	[…]	[5-10]%
Combined	[…]	[30-40]%	[…]	[40-50]%	[…]	[20-30]%	[…]	[20-30]%

Source: Form CO, tables 114 and 115.

(1998) The Notifying Parties are not able to break out the non-captive sales (i.e. lending to dealers other than those distributing the Parties' brands) from the data they have available for SME lending and lending to car dealers. However, FCA and PSA's financing businesses with SMEs other than the dealers and repairers in their networks or large corporate customers buying PSA or FCA branded vehicles is small. They are therefore unlikely to have any significant market share in non-captive SME lending or non-captive lending to car dealers (PSA's non-captive sales account for less than [0-5]% of its total captive and non-captive sales). The Parties

1263 Form CO, para 995.
1264 Form CO, para 996.

are comfortable that their market shares on the non-captive sales segments would be lower than their market shares based on captive and non-captive sales.[1265]

10.2.6.1. The Commission's assessment

(1999) In the market for lending to SMEs, four markets would be affected at the narrowest market of lending to car dealers in France, Italy, Spain and the Netherlands.

(2000) The activities of the Notifying Parties only overlap to a very small extent given that […] of PSA lending is captive. In other words, PSA's CFCs provide financing to car dealers distributing PSA brands. PSA's CFCs do not compete with FCA Bank in providing financing to e.g dealerships distributing FCA branded vehicles. The Proposed Transaction is therefore unlikely to have any significant impact on the competition in the market for lending to SMEs, or lending to car dealers if such market were considered.

(2001) No respondent to the market investigation brought forward any concern relating to the lending to car dealers by the Notifying Parties. As explained in Section 10.2.4, the Commission received a general concern regarding the activities of the Parties' CFCs but, first, no specific concern regarding lending to car dealers was raised and, second, as explained in Section 10.2.4, the Commission does not consider that the concerns raised regarding CFCs lead to a significant impediment of effective competition.

(2002) The above considerations apply equally to France, Italy, the Netherlands and Spain.

10.2.6.2. Conclusion

(2003) Based on the above considerations, the Commission concludes that the Proposed Transaction does not result in a significant impediment to effective competition in the market for lending to car dealers in France, Italy, the Netherlands or Spain.

11. COMMITMENTS

11.1. Analytical framework for the assessment of the Commitments

(2004) When a concentration raises competition concerns because it would significantly impede effective competition, the Notifying Parties may seek to modify the concentration so as to remove the significant impediment to effective competition identified by the Commission, with a view to having the concentration declared compatible with the internal market pursuant to Article 8(2) of the Merger Regulation.

(2005) In assessing whether or not commitments are likely to remove its competition concerns, the Commission must consider all relevant factors including, inter alia, the type, scale and scope of the commitments with reference to the structure and particular characteristics of the markets in which the Commission has identified a significant impediment to effective competition.[1266]

(2006) The commitments must eliminate the competition concerns entirely and must be comprehensive and effective in all respects.[1267] The commitments should also be

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1265 Reply to RFI 56 of 10 November 2020, question 4.

1266 Commission Notice on remedies acceptable under Council Regulation (EC) No 139/2004 and under Commission Regulation (EC) No 802/2004, 2008/C 267/01 (OJ C 267, 22.10.2008, p. 1) ('Commission Notice on Remedies'), paragraph 9.

1267 Merger Regulation, paragraph 30; see also paragraph 9 of the Commission Notice on Remedies.

proportionate to the competition concerns identified.[1268] Furthermore, the commitments must be capable of being implemented effectively within a short period of time as the conditions of competition on the market will not be maintained until the commitments have been fulfilled.[1269]

(2007) Under the Merger Regulation, the Commission must show that a concentration would significantly impede effective competition in the internal market or in a substantial part of it. By contrast, it is for the parties to the concentration to propose appropriate commitments. The Commission only has the power to accept commitments that are deemed capable of rendering the concentration compatible with the internal market so that they will prevent a significant impediment to effective competition in all relevant markets in which competition concerns were identified.

(2008) In assessing whether the proposed commitments will likely eliminate the competition concerns identified, the Commission considers all relevant factors including the type, scale and scope of the proposed commitments, judged by reference to the structure and particular characteristics of the market in which the competition concerns arise, including the position of the Parties and other participants on the market.[1270] As concerns the form of acceptable commitments, the Merger Regulation leaves discretion to the Commission as long as the commitments meet the requisite standard. Divestiture commitments are generally the best way to eliminate competition concerns resulting from horizontal overlaps, although other structural commitments, such as access remedies, may be suitable to resolve concerns if those remedies are equivalent to divestitures in their effects.[1271]

(2009) Pursuant to Article 10(2) of the Merger Regulation, the Commission has to take a clearance decision as soon as the serious doubts referred to in the decision initiating proceedings are removed as a result of the commitments submitted by the parties. This rule applies to commitments proposed in second phase proceedings before the Commission has issued a statement of objections.[1272]

(2010) It is against this background and the standard set out in the Commission Notice on Remedies that the Commission has assessed the viability, workability, effectiveness and ability of the proposed commitments to entirely eliminate the competition concerns identified.

11.2. Procedure

(2011) In order to render the notified concentration compatible with the internal market and with the Agreement on the European Economic Area ('EEA Agreement') in relation to the Small LCV markets in Belgium, Czechia, France, Greece, Italy, Lithuania, Poland, Portugal and Slovakia, the Notifying Parties have modified the notified concentration pursuant to the first paragraph Article 8(2) of the Merger Regulation by submitting commitments. The Notifying Parties submitted a first set of commitments on 25 September 2020 (the 'proposed Commitments'). At the same time, the Notifying Parties informed the Commission that PSA had entered into a binding agreement with Toyota on […] in line with the proposed Commitments.

1268 Merger Regulation, paragraph 30.
1269 Commission Notice on Remedies, paragraph 9.
1270 Commission Notice on Remedies, paragraph 12.
1271 Commission Notice on Remedies, paragraph 19.
1272 Commission Notice on Remedies, paragraph 18.

(2012) The Commission launched a market test of the proposed Commitments on 28 September 2020. E-Questionnaires were sent to (i) dealers and repairers, (ii) customers (importers, leasing and rental companies and corporate fleet customers) and (iii) competitors of the Notifying Parties.

(2013) Subsequently, the Notifying Party submitted a final, slightly revised version of the Commitments (the 'Final Commitments') on 27 October 2020.

11.3. Description of the proposed Commitments

(2014) The proposed Commitments contain a two-pronged remedy aimed at addressing the serious doubts identified in relation to the Small LCV markets as per Section 6. The first part of the remedy consists of an extension of the cooperation agreement currently in force between PSA and Toyota Motor Europe ("TME") (the 'Toyota cooperation remedy'). The second part of the remedy consists of an amendment of the agreements in force between PSA, FCA and their repairer networks in order to facilitate access for third-party OEMs to FCA and PSA's repair and maintenance networks for LCVs (the 'repair network remedy').

(2015) The purpose of the proposed Commitments is to ensure that, post-merger the combined entity will be subject to sufficient competitive constraints, by increasing the actual and potential competition that the combined entity would face absent the proposed Commitments. The Toyota cooperation remedy seeks to increase actual competition by facilitating the expansion of Toyota, a recent entrant in the Small LCV markets. The purpose of the repair network remedy is to incentivise potential competition by lowering one of the structural barriers to enter the LCV markets identified in Section 6.2.2.3, thus facilitating new entry.

11.3.1. Commitment to extend the Toyota cooperation in Small LCVs

(2016) PSA currently supplies Small and Medium LCV models – and the corresponding 'M-segment' PC versions of both models – to Toyota for sale under the Toyota brand. These models are the Toyota ProAce (Medium) and the Toyota ProAce City (Small). The ProAce City was launched by Toyota to the market at the end of 2019.[1273]

(2017) As regards Small LCVs, the cooperation in place[1274] contemplates the supply by PSA to Toyota of a Toyota-branded Small LCV model built on PSA's K9 platform – a derivative version of the PSA-branded K9 Small LCVs Citroën Berlingo and Peugeot Partner – for sale by Toyota mainly in the European Union. The capacity of Small LCVs reserved for Toyota under the existing cooperation agreement consists of an annual production capacity of […] Small ICE LCVs per year (the 'Initial Capacity').[1275]

(2018) According to the Parties, Toyota had already requested in […] to extend the current cooperation agreement by […] additional units of Small LCVs per annum, on the same terms and conditions as the initial […].

(2019) The Toyota cooperation remedy consists in an increase in the Initial Capacity and a reduction in the price of the vehicles and spare parts and accessories related to that capacity increase.[1276]

1273 Which explains why Toyota's sales are still not reflected in the 2019 market shares.

1274 […].

1275 See Commitments, paragraph 4.

1276 The Parties have already set out the terms and conditions of this capacity increase in two agreements […] signed on […].

11.3.1.1. Capacity increase

(2020) Under the Toyota cooperation remedy, the Parties commit to extend the Initial Capacity by […] additional units of Small LCVs per year (the 'Supplementary Capacity'), up to a total of […] yearly units until […]. The first additional […] units will be made available […], whereas the remaining additional […] units will be made available […].[1277] […].[1278] Toyota will remain free to sell the units supplied under the Supplementary Capacity in any […].

11.3.1.2. Price reduction

(2021) The units supplied as part of the Supplementary Capacity will be offered with the following discounts with respect to the transfer price currently in place for the Initial Capacity:[1279]

- A first portion of […] units of ICE vehicles and […] units of BEVs with a discount of EUR […] and EUR […], respectively, from the transfer price that applies to the Initial Capacity.
- A second portion of […] units of ICE vehicles and […] units of BEVs, with a discount of EUR […].
- As from […], a third portion of […] units, […] of which will be BEVs, will be made available with the same discount of EUR […].

(2022) Additionally, PSA will grant Toyota an increased discount on the service parts and accessories relating to the Supplementary Capacity:

- For service parts, PSA will grant Toyota a […] discount on the retail list price referenced in […], on the sales of […] service parts: above EUR […] for year […], above EUR […] for year […], above EUR […] for year […], above EUR […] for year […] and above EUR […] for year […] until the expiration […].
- For accessories, PSA will grant Toyota a […] discount on the retail list price referenced in […] on the sales of accessories above EUR […].[1280]

11.3.1.3. Other conditions

(2023) […][1281] […].[1282]

11.3.2. Toyota as a fix-it-first purchaser under the proposed Commitments

(2024) As explained in recital (2019) and footnote 1276, PSA and Toyota have entered into Addendum 1 and Addendum 2 Agreements to the existing cooperation agreement on 18 September 2020.

1277 See Commitments, paragraphs 4 and 5.

1278 See Addendum1 Agreement, Article 2: "*[…]*".

1279 See Commitments, paragraph 5.

1280 The reference to the list price was chosen as this is publically available and can therefore be monitored easily. The level of discounts was chosen such as to make PSA's margin equal to […]. This therefore allows Toyota to compete head-on with PSA, also as regards spare parts and accessories, as it will face the same cost structure. This is particularly relevant as (i) LCV customers are particularly concerned with TCO, as explained in Section (213); and (ii) it allows Toyota to compete more aggressively on the vehicle price by recouping some margin in the after-market, as is common practice in the industry. […].

1281 See Section 11.3.1.

1282 See Commitments, paragraph 7.

(2025) In a formal submission dated 25 September, the Notifying Parties explained that Toyota is a suitable purchaser for the additional K9 Small LCVs made available under the Toyota cooperation remedy.

(2026) First, the Notifying Parties have assessed the independence of Toyota vis-à-vis the Notifying Parties and have concluded that Toyota is fully independent of PSA and FCA, that there are no corporate ties and that the only contractual tie between the Parties and Toyota is the existing LCV cooperation (recital (2014)) which is at arm's length and on which the remedy is built.

(2027) Second, the Notifying Parties have assessed whether Toyota has the financial resources, proven expertise and incentives to become a viable competitor for Small LCVs. The Notifying Parties consider that Toyota is an extremely significant OEM with one of the most well-known and popular car brands in Europe and in the world. Toyota produces more than 10 million vehicles per year and achieved a turnover of EUR 253 billion in 2019. Post-Transaction, Toyota will remain larger than the Parties at a worldwide level.

(2028) In the EEA, Toyota is an effective competitor with nine manufacturing plants in the EEA and a strong sales, repair and maintenance network. In terms of network, Toyota has a well-established and extensive sales and repair and maintenance network for PCs which can easily be used for LCVs, in particular Small LCVs. Toyota's network in the EEA comprises around 2 000 dealers and a service network of 2 700 repairers. The Notifying Parties conclude that Toyota's sales network provides it with wide territorial coverage, and its service network allows it to provide a full range of repair and maintenance services to LCV customers.

(2029) Moreover, the Notifying Parties submit that Toyota has recently launched a dedicated LCV brand, "Toyota Professional", which shows its willingness to expand in the LCV market. The Toyota Professional brand is based on a dedicated network with specialised staff which focuses on services to LCV customers. Toyota Professional also includes the new "Toyota BusinessPlus" website and services, targeting small businesses. The Notifying Parties consider that this new brand strategy will help Toyota become a strong competitor on the market for LCVs.

(2030) Third, the Notifying Parties have assessed whether the Toyota cooperation remedy would raise *prima facie* competition concerns or risks of delays in the process of implementation of the remedy. The Notifying Party considers that this would not be the case, because Toyota had no market share in Small LCVs in the EEA in 2019. The purpose of the remedy is precisely to enable Toyota to gain significant market share in this segment. The Toyota cooperation remedy also does not give rise to any risk of delay because the agreement between PSA and Toyota it is already signed and does not require any internal or regulatory approval to enter into force, with the exception of the Commission's approval.

11.3.3. Commitment to open up the LCV repair network

(2031) The repair network remedy applies only with respect to repair shops located in Belgium, Czechia, France, Greece, Italy, Lithuania, Portugal, Poland and Slovakia. It consists in a commitment to amend current repair and maintenance agreements for LCVs and PCs in accordance with certain principles and to observe the same principles in any future agreements.

(2032) In particular, the Parties commit to amend the agreements they have entered into with their authorised dealers and/or importers and repairers for LCVs ('LCV Repair and Maintenance Agreements') to ensure that they shall:[1283]

"*(a) not require Repairers to obtain prior approval, from either or both Parties, to become an authorised repairer for another OEM's LCV brand, provided that the Parties may still require Repairers to provide prior notice of such a change without requiring them to provide additional information / elements;*

(b) not require Repairers to obtain prior approval, from either or both Parties, to change the location of their LCV repair shops, provided that the Parties may still require Repairers to provide prior notice of such a change without requiring them to provide additional information / elements;

(c) not prohibit Repairers from using any tooling and equipment acquired by the Repairer – including tooling and equipment acquired with financial support provided by the Parties – to service third-party branded LCVs, provided this does not infringe the Parties' proprietary and intellectual property rights;

(d) limit corporate identity requirements to the minimum identification standard, without any specific brand requirements regarding furniture, colours and materials, floor, wall, ceiling and lighting;

(e) require only signage and logos of the same size as the other brands (with no requirement that the PSA or FCA brand signage and logos be displayed in a more visible form than third-party brands), and neutral colours (outside and inside the premises);

(f) not require Repairers to remove other brands' signage and logos, provided the Parties' requirements relating to the display of the Parties' signage and logos are complied with;

(g) have a minimum workshop area requirement of 80 square metres (including two working areas) which shall not be required to be dedicated to PSA and FCA LCV repair activity;

(h) not require Repairers to have a reception area dedicated to PSA or FCA LCV customers;

(i) not require Repairers to have an entrance dedicated to PSA or FCA LCV customers;

(j) not require Repairers to have a reception desk dedicated to PSA or FCA LCV customers, provided that the Parties may require signage and logos relating to their brands to be displayed and visible at a shared reception desk;

(k) not require Repairers to have a waiting area dedicated to PSA or FCA LCV customers;

(l) not require Repairers to have a parking area dedicated to PSA or FCA LCV customers;

(m) not require Repairers to have a stock space area dedicated to PSA and FCA branded LCVs, provided that FCA may require its primary repairers (i.e., repairers that are also dealers) to have a warehouse space of at least 50 square metres;

[1283] See Commitments, paragraphs 12 and 15.

(n) not require Repairers to have staff dedicated or mainly dedicated to PSA and FCA LCV repair activity;

(o) not require Repairers to have any workshop role either exclusively-brand dedicated or principally brand-dedicated, provided that the Parties may require Repairers to have technicians that are trained and certified to service PSA and FCA LCVs (but they can also operate on other brands' LCVs);

(p) not require Repairers to have PSA or FCA branded courtesy cars for PSA or FCA LCV repair activity;

(q) […]

(r) not prohibit Repairers from carrying out (joint) advertising with other brands, provided that this does not infringe PSA and FCA's intellectual property rights and does not result in brand confusion".[1284]

(2033) The Parties commit to ensure that any new LCV Repair and Maintenance Agreements entered into after the closing of the Proposed Transaction will comply with the same principles set out in recital (2032).[1285]

(2034) Additionally, the Parties commit to amend the agreements they have entered into with repairers with repair shops that are less than 360 square metres in size and which have a single workshop entrance ('Small Repairers'),[1286] for the repair of PCs ('PC Repair and Maintenance Agreements')[1287] to ensure that they shall:

"(a) not prohibit Repairers from using a single after-sales entrance, with multi-brand identification on a neutral façade, for both LCV and PC customers;

(b) require only signage and logos of the same size as the other brands (with no requirement that the PSA or FCA brand signage and logos be displayed in a more visible form than third-party brands);

(c) not prohibit Repairers from having a multi-branded welcome desk for LCV repair in the same area as the welcome desk for PC repair;

(d) not prohibit Repairers from using the same workshop to service both PCs and LCVs;

(e) not require Repairers to have a waiting area dedicated to PSA or FCA customers;

(f) not require the PC waiting area to be larger than 10 square meters; and

(g) not require Repairers to have a parking area dedicated to PSA or FCA customers

(2035) The Parties commit to ensure that any new PC Repair and Maintenance Agreement entered into with Small Repairers after the closing of the Proposed Transaction complies with the principles set out in recital (2034).

(2036) The amendments to the PC Repair and Maintenance Agreements apply only with respect to Small Repairers since, due to their limited size, the amendments introduced only in the LCV Repair and Maintenance Agreements would be rendered

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1284 See Commitments, paragraphs 12 and 15.

1285 See Commitments, paragraph 13.

1286 See Commitments, Section A. *Definitions*.

1287 PSA's PC Repair and Maintenance Agreements and LCV Repair and Maintenance Agreements are in the same contracts (see Initial Commitments, Section A. *Definitions*).

ineffective if the Small Repairer was obliged to comply with the existing standards concerning PCs.[1288]

(2037) The Commitments include a schedule in which the Parties identify each clause of the LCV Repair and Maintenance Agreements of each of their brands which needs to be amended to comply with the principles set out above, and the proposed amendment for each of the clauses.[1289]

11.4. Results of the market test

(2038) The Commitments were market tested among the following groups of market players: (i) dealers and repairers, (ii) customers (importers, leasing and rental companies and corporate fleet customers) and (iii) competitors.

(2039) A majority of the dealers and repairers that expressed a view considered that the combination of the Toyota cooperation remedy and of the repair network remedy would address the serious doubts identified by the Commission, whereas a slight majority of customers and of competitors who expressed an opinion responded negatively to that question. However, the majority of respondents did not take any view, i.e. responded "I don't know".[1290] At the same time, a clear majority of all dealers and repairers as well as a majority of the customers and competitors that expressed a view were of the opinion that after the implementation of both remedies the combined entity would not have the incentive and ability to raise prices.[1291]

(2040) As regards the Toyota cooperation remedy, a majority of the dealers and repairers that expressed an opinion considered that this remedy would allow Toyota to become a significant competitor in the Small LCV markets, whereas the majority of customers who expressed an opinion were of the opposite view for varying reasons set forth in recital (2041), although a still larger group of customers stated that they do not know. Competitors did not take a majoritarian view in either direction.[1292]

(2041) Some of the market respondents questioned whether the agreed prices for the Small LCVs will allow Toyota to be competitive in the market.[1293] Others expressed reservations as to whether Toyota would be capable of placing in the market all the new capacity – or whether it would be capable of doing it in the nine Member States where concerns have been identified – due to limitations of their sales or repair network, to the lack of reputation of Toyota as an LCV brand or to the home advantage of certain brands (such as Fiat in Italy or French brands in France).[1294] Some respondents considered that even the total volume of the remedy would not be

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1288 See Commitments, paragraph 18.

1289 See Commitments, Schedule II.

1290 Replies to question 2 of the e-Questionnaires to dealers and repairers, customers and competitors.

1291 Replies to question 3 of the e-Questionnaires to dealers and repairers, customers and competitors.

1292 Replies to question 4 of the e-Questionnaires to dealers and repairers, customers and competitors. Of a total of 44 dealers and repairers who answered this question, 18 answered "yes", 17 answered "no", 7 responded "I don't know" and 2 "other". As regards customers, out of 55 respondents, 11 answered "yes", 17 "no", 23 "I don't know" and 4 "other". Finally, 13 competitors answered to this question, of which 2 answered "yes", 2 "no", 7 "I dont know" and 2 "other".

1293 Replies to question 2 of the questionnaire to customers. Replies to question 4 of the questionnaire to customers. Some market respondents, in particular, questioned Toyota's ability to be competitive with large fleet customers (reply to question 2 of the questionnaire to customers and to question 2 of the questionnaire to dealers/repairers).

1294 Replies to question 2 of the questionnaire to customers. Replies to question 4 of the questionnaire to customers. Reply to question 4 of the questionnaire to dealers/repairers. Reply to question 4 of the Questionnaire to competitors.

sufficient to make of Toyota a relevant player and to replace the competitive pressure that FCA exerts pre-merger.[1295] Finally, a customer indicated Toyota was already commercialising the ProAce City, so the Toyota cooperation remedy would not add a new option in the market.[1296]

(2042) Besides these reservations shared with other respondents, RNM has put forward some other arguments. First, RNM claims that Toyota is a small player and recent entrant in Small LCVs. Second, according to RNM, Toyota vehicles would be less close substitutes to PSA's than FCA's vehicles. Third, RNM considers that Toyota's capacity would be lower than the share increment brought about by the Proposed Transaction. Fourth, RNM submits that Toyota would have to pay a margin to PSA which would make it less competitive. Fifth, RNM is of the view that the Toyota cooperation remedy would not address innovation/diversity/quality and would be limited to 10 years. Sixth, RNM considers that the Toyota dealership/repair network is small. Seventh, RNM submits that the remedy itself can increase PSA's market power and lead to collusion between PSA and Toyota. Eighth, RNM argues that the remedy could increase PSA's bargaining power towards suppliers and potentially prevent competitors from gaining access to capacity of suppliers. Similarly, Ford refers to the increased scale and cost advantages acquired by PSA, which will make it harder for others to compete. Ninth, RNM considers that the fast-track arbitration clause only creates incentives for the arbitrators to act quickly but it does not guarantee the swift issuance of an award, especially if complex technical issues require the appointment of an expert.[1297]

(2043) RNM also expressed some concerns in relation to the commitment to open up the Parties' LCV repair network. First, RNM considers that if the goal of this part of the remedy is to ensure that Toyota would have access to a sufficiently dense repair network, it should be drafted in a way that addresses that goal. Second RNM, considers that it is unclear that repairers would have the incentive to take additional brands considering that for each new brand they would need to invest in training staff, purchasing diagnostic equipment and other tools, etc. and that repair shops might face capacity constraints. Third, RNM considers that this part of the remedy is often vague (referring to the obligation to use a "neutral colour") and that, while it prohibits certain kinds of behaviour there is no mechanism that would prevent the merging parties from incentivizing (whether financially or under another form) repairers not to be affiliated with other brands. Fifth, RNM believes that this part of the remedy would be difficult to implement and very uncertain in view of the number of agreements that need to be amended and that it would require a long period of implementation in view of the existence of a notice period in the contracts.[1298] Finally RNM criticises that the fast track arbitration clause does not apply to the commitment to open up their LCV repair network.[1299]

(2044) However, despite the reservations expressed, a majority of all groups (dealers/repairers, customers and competitors) considered that:

1295 Replies to question 2 of the questionnaire to customers. Replies to question 4 of the e-Questionnaire to dealers/repairers.

1296 Reply by a customer to question 2 of e-Questionnaire 15 to customers.

1297 Reply by RNM to question 2 of e-Questionnaire 15 to competitors.

1298 Reply by RNM to question 2 of e-Questionnaire 15 to competitors.

1299 Reply by RNM to question 2 of e-Questionnaire 15 to competitors.

– Toyota has the incentives and commercial capability to place in the market more volumes than it currently does.[1300]

– Toyota has the necessary service network and the technical capacity to be considered as an alternative to the current manufacturers of Small LCV customers.[1301]

– Toyota is a viable and commercially attractive brand to market Small LCVs.[1302]

– ProAce and ProAce City are competitive in terms of quality, particularly when compared to the Parties' LCVs.

– ProAce and ProAce City are competitive in terms of prices, particularly when compared to the Parties' LCVs.

(2045) Finally, the majority of customers stated that they would consider purchasing a ProAce City as an alternative to the Parties' Small LCVs.[1303]

(2046) As regards the repair network remedy, the replies to all questions were in general supportive of the adequacy of the remedy. Although some customers and competitors had some reservations as to whether repairers would have the ability to service other brands' LCVs as a result of the remedy, many commented on substance that repairers already now had this possibility, at least formally.[1304]

(2047) In any case, most respondents of all groups considered that the remedy would increase the incentives for repairers to take more brands[1305] and that no further contractual requirements or standards should be eliminated or softened.[1306] Moreover, a majority of repairers indicated that they would consider servicing other brands' LCVs as a result of the remedy.[1307] Finally, the new entrants consulted in the market test indicated that they would consider proposing to the Parties' repairers to become authorised repairers for their LCVs.[1308]

11.5. The Commission's assessment of the proposed Commitments

(2048) In the present case, the Commitments must aim at compensating for the post-Transaction loss of competitive pressure on the markets for Small LCVs in Belgium, Czechia, France, Greece, Italy, Lithuania, Poland, Portugal and Slovakia (see Section 6). For the reasons set out in recitals (2049) to (2080), the proposed Commitments eliminate the serious doubts of the Commission as to the Proposed Transaction's

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1300 Replies to question 5 of the e-Questionnaire to dealers and repairers and customers, question 6 of the Questionnaire to competitors.

1301 Replies to question 6 of e-Questionnaire 16 to dealers and repairers and Questionnaire 17 to customers, question 7 of Questionnaire 15 to competitors.

1302 Replies to question 7 of e-Questionnaire 16 to dealers and repairers and Questionnaire 17 to customers, question 8 of e-Questionnaire 15 to competitors. Only competitors did not express a majoritarian view in either direction.

1303 Replies to question 10 of e-Questionnaire 17 to customers.

1304 Replies to question 13 of e-Questionnaire 15 to competitors and Questionnaire 17 to customers.

1305 Replies to question 12 of e-Questionnaire 15 to competitors and Questionnaire 17 to customers and replies to question 11 of e-Questionnaire 16 to dealers and repairers.

1306 Replies to question 14.1 of Questionnaire 15 to competitors and customers and replies to question 12.1 of Questionnaire 16 to dealers and repairers.

1307 Replies to question 12 of e-Questionnaire 16 to dealers and repairers.

1308 Reply to question 14 of e-Questionnaire 15 to competitors, and Minutes of a call with a competitor of 7 October 2020.

compatibility with the internal market and are comprehensive and effective from all points of view.

(2049) The comments received in the market test which express doubts as to the efficacy of the remedy, when put into context, do not lead to a negative view of the proposed Commitments. In fact, the Commission notes that a majority of all respondents indicated that, after the implementation of the proposed Commitments, the Parties would not have the incentive or ability to raise prices in the Small LCV market.[1309]

(2050) Prior to assessing the remedies in the context of the results of the market test, the Commission notes the following in relation to the Toyota supply remedy.

(2051) First, the remedy would allow Toyota to reach a market share of [10-20]% in the EEA (see recital (2058)). This is in fact equivalent to FCA's current EEA-wide market share.

(2052) Second, the discount of EUR […] represents PSA's current average margin on the sale of Small LCVs to Toyota.[1310] This means that for the second and third portion ([…] out of the total […] units) of the remedy, PSA will be selling the vehicles to Toyota at […] cost. Toyota will thus be in a similar financial position as PSA when selling those vehicles to the market.

(2053) Third, even though for the first portion ([…] vehicles), PSA will be making a profit, this will be less than on pre-existing volumes. As mentioned in recital (2018), Toyota had already requested from PSA the supply of […] units at the transfer price currently in force, which means it had the ability and incentive to place those volumes in the market at the pre-existing prices. For these units, consequently, the remedy constitutes a substantial improvement in Toyota's position, as it will pay […] less per vehicle than what it had requested.

(2054) Fourth, whilst the capacity is offered to Toyota […], the pricing is now structured […] which effectively incentivises Toyota to sell those additional marginal volumes.

(2055) Fifth, […]. […].

(2056) Finally, in addition, PSA will grant Toyota increased discounts on the service parts ([…]% discount on the retail list price) and accessories ([…]% discount) leaving PSA a margin of […]%, which according to the Parties is the minimum necessary to […] and to limit the loss of competitiveness of its own repairers. This means that, as usual in the industry, Toyota can price more aggressively when selling the vehicle and recoup some of the lost profit margin in repair and maintenance. More specifically, it means that, also as regards spare parts and accessories, Toyota can compete with PSA (and indeed other competitors) head-on, […].

(2057) Turning to the comments received during the market test the Commission notes that, as regards observations that the volumes and discounts offered to Toyota under the proposed Commitments are insufficient, the exact volumes and discounts were confidential. Many of the reservations expressed were thus made without having access to this confidential information.

(2058) First, comments questioning whether the volumes granted to Toyota would be sufficient to allow Toyota to replace the competitive pressure that FCA exerts pre-merger or that Toyota's capacity would be lower than the share increment brought

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1309 Replies to question 3 of e-Questionnaire 16 to dealers and repairers, Questionaire 15 to competitors and Questionnaire 17 to customers.

1310 Parties' reply to RFI 37 of 28 August 2020, question 1.

about by the Proposed Transaction are incorrect. In the first place, the Commission notes that, to restore effective competition, the remedy does not need to eliminate the overlap but to impose sufficient competitive constraint in addition to the constraint imposed by existing competitors. In the second place, in any event, the EEA-wide increment brought by FCA is [10-20]% and the total capacity that Toyota has a right to would allow it to reach a market share of [10-20]%.[1311]

(2059) Second, contrary to the views of a competitor that Toyota vehicles would be less close substitutes to PSA's than FCA's vehicles, this is unfounded. In fact, given that the Toyota Small LCV is built on the same platform as PSA's Small LCVs, technically these vehicles are very close substitutes and also perceived as such in the market.[1312] Moreover, PSA's internal documents clearly show (i) that PSA has felt the competitive pressure of Toyota in Medium LCVs and Small LCVs, in particular in markets where the Commission has serious doubts like Czechia, Slovakia and Poland, (ii) that Toyota is seen as a maverick in the market, i.e. a new entrant which is undercutting PSA and other competitors with aggressive prices and commercial policies, (iii) that PSA is suffering a cannibalisation of its own sales in Medium and expects the same to take place in Small LCVs and this is due to the fact that Toyota's and PSA's vehicles are identical, (iv) that PSA foresees to adapt its commercial strategy in response to the pressure felt from Toyota in Medium and in Small LCVs.[1313]

(2060) The expectation that Toyota will be a close competitor to PSA is also supported by the fact that Toyota exerts a disproportionately strong constraint upon PSA in Medium LCVs, relative to its more moderate market share in that segment: In the big-5 countries on average, […]% of PSA's customers would switch to Toyota as their main alternative, compared to only […]% expected purely based on its market share. Also in France and Italy, the only countries out of the nine countries for which the Transaction, as originally notified, raised serious doubts in respect of Small LCVs for which hesitation data are available, the diversion ratio based on hesitation data exceeds that which would be implied by its moderate market share: […]% cf. […]% in Italy and […]% cf. […]% in France. This constitutes evidence that a Toyota-branded LCV manufactured by PSA on its own platform exerts a disproportionately strong constraint on PSA.

(2061) Third, although some respondents to the market test considered that Toyota is a small player with no strong reputation in the LCV market, being a recent entrant, the Commission notes the objective of the remedy is precisely to address this. The volume and price structure set out in the remedy (both for vehicles and spare parts and accessories) is such as to enable and incentivise Toyota to build itself into a significant competitor. The Commission also considers that Toyota is a large OEM worldwide with the required experience to build a strong brand reputation in LCVs, as it has done in PCs. Moreover, as explained in recital (2029) above, Toyota has already started to enhance its LCV activities through the creation of the "Toyota

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1311 The Commission notes that given that […].

1312 […].

1313 […].
[…].
[…].
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[…].
[…].
[…].

Professional" brand which includes the "Toyota BusinessPlus" website and services, targeting small businesses. The proposed Commitments give Toyota a further incentive to invest in its LCV branding strategy. Toyota has also clearly indicated that with the launch of the ProAce City, it is putting dedicated sales persons in place to become more credible in the future, and is trying to differentiate its brand from competitors, thanks to more customer focused service network and increased warranty periods.[1314] PSA's internal documents reviewed by the Commission indeed indicate Toyota's aggressive positioning of its brand in LCV and […].[1315] Furthermore, the majority of market test respondents supported, as indicated in recital (2044), that Toyota is seen as a viable and commercially attractive brand to market Small LCVs and that it can increase its sales in the market. In fact, as pointed out by one importer, "*Toyota is rising sharply with the new LCV product portfolio*".[1316]

(2062) Fourth, although some respondents in the market investigation considered that the Toyota dealership/repair network is small, the Commission considers that Toyota's dealership and network is sufficiently large and strong. As outlined in (2044), the majority of market test respondents consider Toyota has the necessary service network to be considered an alternative to current larger suppliers. In fact, Toyota's dealer and repair network appears to be comparable to those of other major brands in most of the EEA Member States.[1317] Moreover, Toyota's increased focus on professional customers and its recently launched LCV-dedicated network will simply enhance Toyota's reputation in respect of LCVs.

(2063) Fifth, the Commission rejects the argument put forward by RNM that the proposed Commitments would increase PSA's market power and lead to collusion between PSA and Toyota. In the first place, the lower transfer prices agreed in the proposed Commitments make it harder for PSA to move toward a collusive outcome by raising these prices. The lower transfer prices will allow Toyota to profitably reduce prices for customers to gain market share and increase overall profits. In the second place, as explained in Section 6.2.2.1, cooperation supply agreements are a common feature in the LCV industry due to the LCV markets' relatively small size. All OEMs either supply or are supplied by, at least to some extent, their competitors in the LCV markets. To date, there is no evidence that such cooperation would have led to collusion. In the third place, the proposed Commitments precisely mean that PSA will not, post-Transaction, have market power that would result in a significant impediment to effective competition. In the fourth place, collusion is unlikely to succeed given the market shares of the Parties and Toyota indicating a larger player (e.g. RNM) would have to join for collusion to work. In the fifth place, the number of vehicles produced and sold by Toyota is known by PSA already pre-Commitments, the only change is that the commonality of costs between PSA and Toyota increases as Toyota's transfer prices come closer to PSA's cost. That, however, will increase incentives to compete as Toyota's reduced costs will allow Toyota to price more aggressively and gain market share. In the sixth place, PSA internal documents indicate that Toyota is already undercutting PSA with aggressive

1314 See minutes of call with Toyota of 2 September 2020.
1315 See footnote 1313.
1316 Reply to question 41 of e-Questionnaire 10 to importers.
1317 See Parties' reply to RFI 9, questions 1 and 2.

pricing and commercial conditions.[1318] The Commitment lowers Toyota's costs, so it will incentivise it to continue doing so.

(2064) Sixth, despite comments of a competitor that the Commitments do not address innovation, diversity and quality and that the validity period of 10 years was insufficient, the Commission notes that the proposed Commitments in fact include an undertaking by PSA to increase the quality of the vehicles[1319] and […]% of the vehicles supplied will be BEV. Moreover, Toyota differentiates its Small LCVs by utilising certain body parts that are Toyota design specific (e.g. chrome bumpers). Product differentiation is also obtained by commercial policies such as the extension of the product warranty and the quality of the after-sales service. As regards the 10-year period, the Commission considers this sufficient for the following reasons. In the first place, a 10-year term for capacity reservation is significant in the LCV business. […]. In the third place, whilst the Commission considers that market conditions for Small LCVs will change less dramatically and quickly than for PCs, it is true that evolution is expected over the next 10 years in terms of LEVs. As explained in Section 6.2.2.4 the exact pace of electrification of Small LCVs is still uncertain which means that it is unlikely that any OEM would wish to commit to such an agreement beyond this horizon. In the fourth place, this duration is also consistent with the principles laid down in the Commission's Remedy Notice with respect to the duration of divestiture remedies, which states that "*in order to maintain the structural effect of a remedy* […] *the commitments will normally have to foresee that no reacquisition of material influence is possible for a significant period, generally of 10 years*".[1320]

(2065) Seventh, two competitors argue that the proposed Commitments could increase PSA's bargaining power towards suppliers and make it harder for other OEMs to compete in this respect (meaning that suppliers would reserve their capacity for the largest buyer in the market and give the best discounts to that buyer). However, the Commission notes that the total volumes of components ordered for the […] would be unlikely to increase significantly as in the longer term, without additional capacity, PSA would have to reduce its own production volumes in order to produce all the volumes Toyota has a right to.[1321] Furthermore, OEMs source components for a programme which includes more than one vehicle model and might not be limited to Small LCVs (see Section 9). In any case, competition for supply contracts takes place at a broader level than the Small LCV market: as outlined in Section 9.1, the Commission has consistently defined the market for automotive components as at least EEA-wide and including components for all light vehicles (LCVs and PCs). Suppliers participate in tenders for components for all light vehicles at EEA-level (or at worldwide level) and would not find it profitable to reserve their capacities for the Small LCV market in a specific EEA Member State. The Commitments would not have a notable change in the market structure considering that the market for light vehicles to which components are supplied counted more than 4 million vehicle sales in 2019.

(2066) As outlined in Section 9, the Parties do not have significant market power post-Transaction in the downstream market for light vehicles in the EEA, with a

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1318 See footnote 1313.

1319 The Addendum 2 to the existing agreements provides for certain quality targets that need to be within certain deadlines. See […] (see also Article 1).

1320 Commission Notice on Remedies, paragraph 43.

1321 See footnote 1311.

combined market share of [20-30]% in 2019 (following VW with [20-30]%). Toyota has a market share of [0-5]%,[1322] but will continue to source components itself for most of its vehicles. Suppliers would in any case still have sufficient capacity and business interests to supply the remaining [70-80]% of the downstream market (see e.g. Section 9.2). The effect of the proposed Commitments on overall automotive components demand is therefore small.

(2067) Eighth, in relation to comments made by a few market participants as to how the proposed Commitments ensure that the volumes are sold in the nine Member States where serious doubts arise, the Commission notes that this might not be the case unless the Parties raise their prices. However, were the Parties to raise their prices in a particular Member State, Toyota would have every incentive to divert sales to that Member State and undercut PSA. The Toyota Small LCVs are close substitutes to PSA's vehicles and the pricing structure in the proposed Commitments is such as to allow Toyota to be price competitive against PSA. Therefore, it allows Toyota to be the challenger. Furthermore, Toyota has a broad network across all countries, including the home countries of PSA and FCA. In France, Toyota has 260 point of sale for the Toyota brand and in Italy it has 146 points of sale for the Toyota brand.[1323] As explained in PSA internal documents reviewed by the Commission, pre-Commitments Toyota […], even in some of the Member States where the Commission raises serious doubts.[1324] The proposed Commitments will only increase the ability and incentives of Toyota to do so. This is also supported by the fact that Toyota's sales of Medium LCVs take place throughout the EEA and are particularly high in some of the more problematic countries in Southern Europe and CEE.[1325] The Commission furthermore notes that a number of market respondents which specifically considered the remedy as effective are either based in the Member States where serious doubts arise or refer specifically to the positive effects the remedy would have in these markets.[1326]

(2068) Given all of the above, the Commission considers that the Toyota cooperation remedy would be effective in removing its serious doubts.

1322 Form CO, Table 83.

1323 See Parties' reply to RFI 38, question 4.

1324 See footnote 1313.

1325 In 2019 in Medium LCVs, Toyota achieved market shares of [10-20]% in Czechia, [10-20]% in Greece, [10-20]% in Lithuania, [10-20]% in Poland, [0-5]% in Portugal and [5-10]% in Slovakia, compared to [0-5]% in the EEA as a whole. This constitutes evidence that Toyota enjoys a particularly good brand reputation in these countries, in which the Transaction, as originally notified, raised serious doubts in respect of Small LCVs.

1326 See for instance the responses by (i) a French customer (Bouygues Construction): "*Helping Toyota to increase its sales in Europe without extra costs (by providing […] to […] units of Small LCV with significant discounts) permits to maintain healthy competition in Europe*"; (ii) a German customer (Deutsche Post DHL): "*Yes, we believe the mentioned measures with regards to production capacity, pricing and workshop network could allow Toyota to become a stronger LCV player in the 9 mentioned markets*"; (iii) A Greek rental company (Autohellas Tourist / Hertz Autohellas): "*Toyota is a strong market stakeholder in Greece. It is financially robust with a very well-established network; therefore, we believe that a fine and varying product will make it a significant competitor to PSA/FCA and the other market players in Greece in due time*"; (iv) a leasing company in Italy (Leasys): "*Being Toyota a global player in the automotive sector, already present in all the Member States and equipped of the right technical and commercial capabilities, we believe that its expansion will be reflected in an improvement of its sale volumes in the selected area*"; (v) a dealership on Slovakia (Dealers Grif): "*Toyota is one of the largest carsmaker in the world and enjoys great popularity in Slovakia and has a good reputation, so we think that they will be competitive in the segment of LCVs*".

(2069) The Commission also considers that the Toyota cooperation remedy would also be proportionate as it exceeds the increment in the nine Member States where the Commission identified serious doubts (approx. […]), but remains below the EEA-wide increment (approx. […]).

(2070) Finally, the Commission does not consider that the fact that it is Toyota who is the remedy taker raises any *prima facie* competition concerns for all the reasons explained as to how this remedy will *increase* competition.

(2071) In relation to the repair remedy, the Commission considers it effective for the following reasons.

(2072) First, results of the in-depth market investigation identified access to service networks as a barrier to entry and key to compete in the market. Although some respondents in the market test noted that dealers and repairers formally have the right to offer services to as many LCV brands they would like, the Commission considers that practical barriers prevent many dealers and repairers from doing so. The remedy removes these barriers. RNM's argument that it is unclear that repairers will have an incentive to take additional brands as they need to invest in training and tools for each brand and might face capacity constraints is irrelevant: the purpose of the repair remedy is precisely to reduce these obstacles and the need for additional investments. As explained in recital (2032), under the commitments agreements with authorised dealers and/or importers and repairers will be amended and for instance tooling and equipment, also if acquired with financial support provided by the Parties, can be used to service third-party branded LCVs.[1327] Importantly, most respondents to the market investigation, of all groups, considered that the remedy would increase the incentives for repairers to take more brands and that no further requirements should be eliminated or softened. And most importantly, a majority of repairers confirmed that they would consider servicing other brands' LCVs as a result of the remedy.[1328]

(2073) Changes to the contract standards include softening contract requirements for multi-branding, allowing repairers to equally display other brands on their workshop facades, reception areas, etc., facilitating cross-brand use of investments, […] and eliminating the requirement to have fully dedicated staff and technicians for the Parties' brands as well as branded courtesy cars. In this regard, the Commission rejects RNM's argument that this part of the remedy is too vague. The proposed Commitments, indeed, contain a detailed list of the proposed changes in the contracts of each of the Parties' brands, including the specific clauses of each agreement that need to be amended and in which sense.[1329]

(2074) Second, although many competitors of the Parties noted they would not extend their maintenance and repair network to the Parties' dealers and repairers, the Commission notes that the repair remedy intends to offer access to a service network to new entrants rather than established OEMs with their own networks. Notably, potential new entrants Rivian and Arrival replied in the market test that they would consider all possibilities to be able to offer maintenance and repair services for the LCVs.[1330] In this regard, the Commission wishes to clarify that, contrary to what RNM

1327 In any event, even if some brand specific investments were required by an OEM, the remedy at least leaves the choice to the repairer as to whether or not to make such an investment.

1328 See recital Section 11.4.

1329 See Schedule II to the Commitments.

1330 See reply to question 14 of the e-Questionnaire to competitors, and Minutes of a call with a competitor of 7 October 2020.

suggests, the remedy is not addressed to Toyota, which as explained in recital (2062) already has a dense repair network which does not need to expand. Of course, were Toyota to wish to conclude contracts with repairers in the PSA or FCA network, it would be free to do so.

(2075) Third, the repair remedy would be proportionate as the scope of the measures would be limited to the nine Member States where the Commission still has serious doubts following its in-depth investigation. The Commitments would cover all LCVs, as it would be unnatural and not credible for a repairer to only repair some types of LCV. In this sense, the scope of the repair remedy goes beyond Small LCVs and may also lower barriers to entry for Medium and Large LCVs to potential new entrants.

(2076) Fourth, contrary to what RNM indicates, the remedy is not difficult to implement or uncertain. It requires only sending out amendment letters to repairers, which the Parties have committed to doing within […] of the closing of the Proposed Transaction, and there is no reason why repairers would not accepted the proposed amendments given they are all to their advantage.

(2077) Finally, the Commission does not agree with the concern that the fast track arbitration is not available for the repair part of the remedy, but only for Toyota under the extension of the cooperation agreement. First, it would not be efficient to have this fast track procedure applicable for several hundred contracts that the Parties have with their repairers. Second, even if not under the fast track procedure, repairers have in any case still other means of redress in case the Parties do not comply with the agreements.

11.6. The Final Commitments

(2078) On 27 October, the Notifying Parties submitted a final revised version of the Commitments (the 'Final Commitments'). The modifications did not concern the substance of the Commitments but rather certain wording changes required by the Commission to make the Toyota commitment text clearer. Moreover, the Final Commitments include an anti-abuse clause prohibiting the Parties from taking any action with respect to agreements with their repairers or via any other means that could directly or indirectly impede, reduce or somehow limit the ability or incentives of the repairers to become authorised repairers for other brands[1331] and to bring the arbitration clause in line with the Commission's standard practice,[1332] addressing in this way two of the comments in relation to the repair remedy.[1333]

11.7. The Commission's assessment of the Final Commitments

(2079) In light of its assessment of the proposed Commitments, taking into account the results of the market test, the Commission considers that the Final Commitments remove in full the serious doubts as to the compatibility of the Proposed Transaction with the internal market that the Commission still had following its in-depth investigation in respect of the markets for Small LCVs in Belgium, Czechia, France, Greece, Italy, Lithuania, Poland, Portugal and Slovakia.

(2080) The Commission therefore concludes that, subject to full compliance with the Final Commitments given by the Notifying Parties, the Proposed Transaction would not significantly impede effective competition in the internal market or a substantial part

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1331 Final Commitments, paragraph 31.
1332 Final Commitments, paragraphs 10 and following.
1333 See recital (2043).

thereof. The Proposed Transaction should therefore be declared to be compatible with the internal market and the EEA agreement pursuant to Article 2(2) and Article 8(2) of the Merger Regulation and Article 57 of the EEA Agreement, subject to full compliance with the commitments in Annex to this Decision.

12. CONDITIONS AND OBLIGATIONS

(2081) Pursuant to the second subparagraph of Article 8(2) of the Merger Regulation, the Commission may attach to its decision conditions and obligations intended to ensure that the undertakings concerned comply with the commitments they have entered into vis-à-vis the Commission with a view to rendering the concentration compatible with the internal market.

(2082) The fulfilment of the measure that gives rise to the structural change of the market is a condition, whereas the implementing steps which are necessary to achieve this result are generally obligations on the parties. Where a condition is not fulfilled, the Commission's decision declaring the concentration compatible with the internal market is no longer applicable. Where the undertakings concerned commit a breach of an obligation, the Commission may revoke the clearance decision in accordance with Article 8(6) of the Merger Regulation. The undertakings concerned may also be subject to fines and periodic penalty payments under Articles 14(2) and 15(1) of the Merger Regulation.

(2083) In accordance with the basic distinction described in Recital (2081) as regards conditions and obligations, this Decision should be made conditional on the full compliance by the Notifying Parties with the Section B, including Schedules I to II (but not Schedule III), of the commitments submitted by the Notifying Parties on 27 October 2020 and all other Sections should be obligations within the meaning of Article 8(2) of the Merger Regulation. The full text of the commitments is attached as Annex 2 to this Decision and forms an integral part thereof.

HAS ADOPTED THIS DECISION:

Article 1

The notified operation whereby Peugeot S.A. and Fiat Chrysler Automobiles N.V. enter into a full merger within the meaning of Article 3(1)(a) of the Merger Regulation is hereby declared compatible with the internal market and the EEA Agreement.

Article 2

Article 1 is subject to compliance with the conditions set out in Section B (including Schedules I to II) of Annex 2.

Article 3

Peugeot S.A. and Fiat Chrysler Automobiles N.V. shall comply with the obligations set out in the remaining Sections of Annex 2 not referred to in Article 2.

Article 4

This Decision is addressed to:

Fiat Chrysler Automobiles N.V.

25 St. James's Street

SW1A 1HA London

United Kingdom

Peugeot S.A.

7 Rue Henri Sainte-Claire Deville

92500 Rueil-Malmaison

France

Done at Brussels, 21.12.2020

For the Commission

(Signed)
Margrethe VESTAGER
Executive Vice-President

M.9730 – FCA/PSA

Economic Annex on LCVs

1. INTRODUCTION

1. This annex summarises the quantitative evidence relied upon in the LCV-related sections of this Decision.

2. The annex is structured as follows. Section 2 considers the quantitative evidence with respect to product market definition. Specifically, it considers consumers' switching patterns between different types of LCVs (i.e., diversion ratios between different LCV segments). Moreover, it analyses differences in product attributes between different segments (such as average load space and price levels). These analyses consistently indicate that Small, Medium and Large LCVs constitute different product markets.

3. Section 3 provides a brief background on the calculation of market shares. Since automotive supply is a differentiated product market, Section 4 then considers closeness of competition between different suppliers. In particular, the Commission analyses hesitation data provided by the Notifying Parties, which allows deriving estimates of diversion ratios between the Parties and other competitors in the market. Moreover, we consider market participants' e-questionnaire responses on closeness of competition and compare the price ranges of different manufacturers. These analyses show that the Parties' (large) market shares provide an accurate measure of closeness of competition in the affected markets and appear to reflect the Parties' respective competitive positioning well.

4. Section 5 undertakes a quantitative assessment of the likely competitive effects of the Proposed Transaction. In particular, it considers the two main measures of upward pricing pressure to calibrate the anticompetitive potential of the Proposed Transaction: GUPPIs and CMCRs. These measures can also be used as indicators of potential price effects.

5. Section 6 then considers the efficiency defences brought forward by the Notifying Parties. As will be explained there, the Notifying Parties have failed to substantiate these efficiencies to the requisite legal standard. For the sake of argument, the Commission nonetheless considers whether *potentially* justifiable efficiencies would have been sufficient to overturn the upward pricing pressure caused by the Proposed Transaction. However, this is not the case.

6. Section 7 responds to the economic arguments advanced by the Notifying Parties in response to the Commission's Art. 6(1)(c) Decision. Section 8 assesses the remedies proposed by the Notifying Parties. And Section 9, finally, provides a list of literature references cited in this annex.

2. MARKET DEFINITION

7. With respect to geographic market definition, it can be noted that market shares vary substantially between countries. Moreover, a clear "home advantage" for local producers can be observed across Member States. Finally, there is evidence that suppliers struggle to expand their position in countries in which they have historically been weak. This lends support to the precedents, which have defined national geographic markets for automotives despite the absence of legal barriers to supply-side substitution across EEA Member States.[1]

8. With respect to product market definition, the distinction between different segments of LCVs is prima facie less clear and the case law is less rich. For this reason, the Commission has undertaken quantitative analyses to support the correct delineation of the relevant product markets.

9. In past cases, the Commission has not segmented LCV markets further, while in the Art. 6(1)(c) Decision, it left open whether different LCV segments constitute separate markets or merely segments of a single, differentiated product market.

10. As regards supply-side substitution, it appears clear that there is little to no substitutability across segments (Small, Medium, Large), as manufacturers produce vehicles of different segments using different platforms, different production lines, and different parts.[2] This section will therefore focus on a quantitative analysis of demand-side substitution.

11. Section 2.1 starts by providing an overview of the available data. Section 2.2 then considers diversion ratios between different LCV segments to assess the extent to which customers switch between segments. Section 2.3, finally, considers product attributes such as price ranges and load volumes of different LCV segments, to consider whether customers can reasonably switch between segments.

2.1. Data availability

12. The Parties purchase in the regular course of business so-called "***hesitation data***" that asks purchasers of new vehicles which vehicle they considered as the main alternative to the vehicle they actually purchased. In addition, the Parties also purchase so-called "inflow" and "outflow" data from the same data provider, which shows the previous vehicle owned by customers that purchase a new vehicle. These two "flow" datasets are identical, but are re-arranged for presentational purposes. Specifically, the number of customers who previously bought vehicle A and now buy vehicle B is the same in both data sets, but the inflow data presents it as a

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1 This said, the Commission acknowledges that there can be a certain degree of out-of-market constraints from other EEA member states, in particular for Medium and Large LCVs. Such constraints are likely to be of limited significance as regards Small LCVs due to the Parties' large combined market share at EEA level in this segment.

2 That said, it is clear that from a supply-side perspective, semi-finished LCV products, including for camper vans, are perfect substitutes for finished LCVs.

percentage of B-customers, while the outflow data presents it as a percentage of A-customers.

13. The flow data have the advantage of being based on actual purchasing decisions (i.e., revealed preferences), whereas the hesitation data are based on stated preferences. Even so, the flow data may in many cases reflect a change of life circumstances (e.g., in income or family size) or business needs (e.g., load space or payload) rather than current substitutability of old and new model for a given customer, which is what we are ultimately interested in understanding. Such a trade-off has previously arisen in other Commission decisions, for example in mobile telecoms mergers, where the Commission has typically relied more heavily on survey data (equivalent to hesitation data) than on number portability data (equivalent to flow data).[3]

14. In the present case, the advantage of hesitation data is particularly pertinent, as vehicles are purchased at relatively long intervals. Moreover, factors susceptible to change, such as transport needs and financial means, are particularly relevant purchasing criteria for motor vehicles. At the same time, the potential disadvantage of hesitation data is likely to be of limited importance in this industry, since purchasing a new vehicle is a decision of such financial importance that the customer is likely to have considered it carefully. We therefore use the hesitation data for the estimation of diversion ratios, and disregard the flow data.

15. Hesitation data are available annually for 2016-2019, for the "big 5" markets Germany, France, Italy, Spain and the UK. The data provider has corrected a potential sampling bias, as each answer is weighted according to the purchased model's market share.

2.2. Out-of-segment diversion

16. The Parties have provided hesitation data for all of their main models. In the data, a segment is attributed to each purchased model and to each model that was considered as an alternative (Small, Compact, Medium, Large, LCVs>3.5t, Pick-Up, or Passenger Car).

17. The Commission has used these data to derive estimates of diversion ratios ("DRs") between different LCV segments. The diversion ratio between two products A and B measures the percentage of customers who bought A who considered B as their next best alternative. Diversion ratios are therefore a measure of the closeness of substitution between different products (here: segments). This allows assessing whether customers predominantly substitute between products within-segment or whether there is considerable out-of-segment diversion.

18. The Commission has computed diversion ratios by segment on the basis of the Parties' hesitation data, using the following steps:

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[3] See, for example, the mobile telecoms merger decisions in the UK and Italy: M.7612, and M.7758 respectively.

a. We have disregarded instances where the OEM of the vehicle bought equals the OEM of the vehicle considered as the alternative, since this does not constitute competitive diversion.

b. We have focused on the three most recent years of data and therefore disregarded the older 2016 dataset.

c. We have disregarded observations where the segment of the purchased or alternative model is unknown, as this information is indispensable for the present exercise.

d. We have computed diversion ratios by year, country and segment of vehicle bought.

e. We have computed the weighted average over time by weighting each year with its respective market size.

f. We have also computed a weighted average across the big-5 countries by weighting each country with its respective market size.

19. This results in the following table of diversion ratios between segments. In this table, countries are denoted by FR = France, DE = Germany, IT = Italy, ES = Spain, and UK = United Kingdom. Segments are denoted by S = Small, C = Compact, M = Medium, L = Large, LCV 3.5-6t = LCVs from 3.5 to 6t, PU = Pick-up trucks, and PC = passenger cars.

20. For instance, the last row in this table can be interpreted as follows. In the big-5 countries overall, purchasers of Large LCVs in [70-80]% of the cases considered another Large LCV as their alternative. [10-20]% considered a Medium LCV as their alternative. All other segments are considered as an alternative in only [0-5]% or fewer of the cases each.

Table 1: Out-of-segment diversion

Ctry.	Seg.	S	C	M	L	LCV 3.5-6t	PU	PC
FR	S	[20-30]%	[50-60]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[10-20]%
FR	C	[5-10]%	[50-60]%	[5-10]%	[0-5]%	[0-5]%	[0-5]%	[20-30]%
FR	M	[0-5]%	[0-5]%	[60-70]%	[5-10]%	[0-5]%	[0-5]%	[10-20]%
FR	L	[0-5]%	[0-5]%	[10-20]%	[80-90]%	[0-5]%	[0-5]%	[0-5]%
DE	C	[5-10]%	[70-80]%	[5-10]%	[0-5]%	[0-5]%	[0-5]%	[10-20]%
DE	M	[5-10]%	[5-10]%	[40-50]%	[5-10]%	[0-5]%	[0-5]%	[30-40]%
DE	L	[0-5]%	[0-5]%	[10-20]%	[70-80]%	[0-5]%	[0-5]%	[5-10]%
IT	S	[30-40]%	[40-50]%	[5-10]%	[0-5]%	[0-5]%	[0-5]%	[10-20]%
IT	C	[5-10]%	[50-60]%	[5-10]%	[0-5]%	[0-5]%	[0-5]%	[20-30]%
IT	M	[0-5]%	[5-10]%	[60-70]%	[10-20]%	[0-5]%	[0-5]%	[10-20]%
IT	L	[0-5]%	[0-5]%	[10-20]%	[70-80]%	[0-5]%	[0-5]%	[0-5]%
ES	S	[30-40]%	[40-50]%	[5-10]%	[0-5]%	[0-5]%	[0-5]%	[10-20]%
ES	C	[5-10]%	[50-60]%	[10-20]%	[0-5]%	[0-5]%	[0-5]%	[10-20]%
ES	M	[0-5]%	[5-10]%	[60-70]%	[5-10]%	[0-5]%	[0-5]%	[20-30]%
ES	L	[0-5]%	[0-5]%	[10-20]%	[80-90]%	[0-5]%	[0-5]%	[0-5]%
UK	C	[5-10]%	[60-70]%	[5-10]%	[5-10]%	[0-5]%	[0-5]%	[10-20]%
UK	M	[0-5]%	[5-10]%	[60-70]%	[5-10]%	[0-5]%	[0-5]%	[10-20]%
UK	L	[5-10]%	[0-5]%	[30-40]%	[60-70]%	[0-5]%	[0-5]%	[0-5]%
Big 5	S	**[30-40]%**	**[40-50]%**	[5-10]%	[0-5]%	[0-5]%	[0-5]%	[10-20]%
Big 5	C	[5-10]%	**[60-70]%**	[5-10]%	[0-5]%	[0-5]%	[0-5]%	[20-30]%
Big 5	M	[0-5]%	[5-10]%	**[60-70]%**	[5-10]%	[0-5]%	[0-5]%	[20-30]%
Big 5	L	[0-5]%	[0-5]%	[10-20]%	**[70-80]%**	[0-5]%	[0-5]%	[0-5]%

Source: Commission calculation based on NVBS hesitation data provided by the Parties.

21. Table 1 shows that there are some differences between the individual countries. Even so, the following observations apply more generally as well as for the big-5 countries overall:

    a. With the exception of Small LCV customers, which consider Compact LCVs as the main alternative, the vast majority of customers considers LCVs of the same segment as the main alternative. In the big-5 countries on aggregate, this is the case for [70-80]% of Large LCV customers, [60-70]% of Medium LCV customers, and jointly more than [70-80]% of Small and Compact LCV customers (when considering Small and Compact LCVs as belonging to the same market).

b. Neighbouring LCV segments impose very limited constraints on LCVs of a given segment. Typically, the main constraint instead appears to derive from passenger cars. The Commission cautions, however, that it is not clear whether this indicates genuine substitutability or merely constitutes a data inaccuracy. In particular, the Commission notes that a number of Small, Compact and Medium LCVs share the same or similar names with passenger-car models that are built on the same platform.

c. Larger LCVs with a GVW above 3.5t (which require a different driver's licence) and pick-ups (which do not protect their load from rain or theft) unsurprisingly do not constrain the other LCVs.

22. Taken together, the evidence from the hesitation data indicates an absence of significant demand-side substitutability across LCV segments, with the exception of Compact LCVs being close substitutes for Small LCVs.

2.3. Technical specifications and pricing

23. From an economic perspective, market definition is based on demand- and supply-side substitution. The diversion ratios that have been derived from hesitation data in the previous section are a direct measure of this substitution, and are therefore the primary source of evidence used by the Commission.

24. Indirect measures such as differences in product attributes and/or prices can sometimes be misleading and tend to be less reliable than direct measures of customer diversion. Even so, the similarities and differences in product characteristics and prices may provide useful complementary information about substitutability (or lack thereof). The Commission has therefore also considered quantifiable differences between LCV segments.

25. While the lines between separate product markets are rarely entirely clear-cut in differentiated goods markets, this does not undermine the usefulness of defining separate markets for classes of products that are only weak substitutes for one another. A sensible starting point can be dividing lines recognised by market participants in their regular course of business. This section will analyse the quantitative evidence in this regard.

26. PSA and FCA use almost identical segmentations in their regular course of business. The main difference in approach is that FCA divides PSA's Small category into "Small" and "Compact" (but sometimes uses only "Small"), whereas PSA sometimes segments Small LCVs into "Small" and "CDV" (Car-Derived Vans; sometimes using only "Small" instead). As indicated in Section 2.2, Small and Compact vans are indeed to some extent substitutable from the perspective of customers.

27. As discussed in more detail in the main part of the Decision, the Commission has classified CDVs to the corresponding passenger-car segment. This is because these cars are closer demand- and supply-side substitutes to passenger car models. Specifically, CDVs are built on the same platform and production line as passenger cars, and are mostly used by white-collar employees (such as sales representatives)

who need little load space and instead want a car that "looks and feels like" a passenger car. In many cases, the use of a CDV appears to be due to tax advantages afforded in some Member States.

28. Besides this difference, the Parties' segmentations are essentially identical – both for their own models and for all competitors' models. There are two minor exceptions: (i) […]; (ii) […]. In order to avoid inconsistency, and given that FCA internally uses two different systems of classification (one from Fiat and one from Chrysler), the Commission used PSA's segmentation for the purposes of this Decision (excluding CDVs, as noted above). This segmentation is in any case almost identical to FCA's main ("global") classification. Throughout the remainder of this Annex, "Small" should therefore be understood as meaning "Small and Compact excluding CDVs".

29. The Commission notes that the data provider IHS does not segment the LCV segment further (i.e., not even into above or below 3.5t GVW, vans or pick-ups). However, industry reports and the specialised press do use such further segmentations, as do the Parties in their internal segmentations. One reason why IHS does not segment LCVs further may be that the total market for LCVs is smaller than that of several passenger car segments. Indeed, the LCV market overall is approximately eight-times smaller than the passenger-car market (1.95 vs. 15.75 million units in the EEA in 2019).

30. Table 2 below shows the main models competing in the respective segments as per the Commission's market definition. As can be seen there, each of the Parties' brands offers one model per segment (with the exception of Fiat offering two Small LCV models).

Table 2: Model-segment mapping

1. Segment	2. Models
3. Small	4. Citroen Berlingo, Opel Combo, Peugeot Partner, Fiat Doblo & Fiorino 5. Renault Kangoo, Nissan NV200, Dacia Dokker Van 6. Ford Transit Connect 7. VW Caddy Van 8. Daimler Citan
9. Medium	10. Citroen Jumpy, Opel Vivaro, Peugeot Expert, Fiat Talento 11. Renault Trafic, Nissan NV300 12. Ford Transit Custom 13. VW Transporter 14. Daimler Vito

1. Segment	2. Models
15. Large	16. Citroen Jumper, Opel Movano, Peugeot Boxer, Fiat Ducato 17. Renault Master, Nissan NV400 18. Ford Transit 19. VW Crafter 20. Daimler Sprinter

21. Source: PSA segmentation provided in response to RFI 17

31. Before diving into a complete analysis of technical specifications for the above segments, the most immediately visible difference between segments, as illustrated by the following image, is size (as measured most importantly by load space).

Figure 1: PSA LCV range



Source: PSA: https://me.peugeot.com/offers/peugeot-professional-range/

32. As can be seen in Figure 1, a "typical" (median) vehicle of one segment has almost twice the load space of a "typical" vehicle of the next smaller segment.[4] This fact alone constitutes strong evidence against substitutability.[5] Indeed, it reflects both a

[4] The median of a series of observations (here: models) is defined such that one-half of all observations are larger and one-half are smaller than the median. Specifically, the median Large LCV has 98% more load space than the median Medium LCV, which in turn has 76% more load space than the median Small LCV.

[5] The Commission also notes that the differences between neighbouring LCV segments are substantially larger than those between neighbouring passenger segments (otherwise an E-segment passenger car would have to have almost 15-times more load space than an A-segment passenger car, as these segments are four segments apart, with load space almost doubling each time the difference would have to be close to 2^4, i.e. approx. 15).

substantially different use case (on the side of demand) as well as different production capabilities (on the side of supply).

33. Next, the Commission considers the differences between LCV segments according to several relevant technical specifications. Specifically, the following table sets out concrete quantitative thresholds between different segments in terms of GVW, load space, payload and list price, as well as the percentage of sales that fall within those thresholds. The first row of this table, for example, should be read as follows: More than 99% of the vehicles that the Parties as "Small LCV" in their regular course of business consider have a load GVW below 2.6t. 98% of those they consider as "Medium LCV" have a GVW of 2.6t to 3.2t. And 90% of those they consider as "Large LCV" have a GVW of 3,200 kg or more.

Table 3: Technical specifications and list prices by segment

	Small	|	**Medium**	|	**Large**
GVW	>99%	2,600 kg	98%	3,200 kg	90%
Load Space[6]	99%	4.6 m^3	94%	7.25 m^3	>99%
Payload	78%	810 kg	81%	1,280 kg	65%
List Price	89%	23,000 €	72%	31,500 €	68%

22. Source: Parties' response to RFI 24, Annex Joint 38

34. Overall, whilst there is some limited overlap between the segments as regards payload and list price, the vast majority of LCVs do fall into well-defined, non-overlapping specification ranges, especially as regards GVW and load space.

35. As regards the list price, some degree of overlap is natural, due to the differentiated nature of these segments, different levels of extras and accessories, and the different price points at which the different OEMs are active. As regards payload, while there is some overlap in the range as a whole, the median payloads by segment are still substantially different: 671, 1,075 and 1,403kg respectively for the Small, Medium and Large segments.[7]

36. These data points show that Small, Medium and Large LCVs are substantially different in terms of both functional attributes and pricing. Overall, the evidence on differentiation is therefore consistent with the evidence on diversion between

6 As regards load space, this analysis only considers models with 3 or fewer seats, since the people-carrier versions of these LCVs have much lower load space and would therefore distort the results: whilst a people carrier version of a Large LCV may have similar load space to a two-seater Small LCV, this does not make it a close substitute in terms of technical characteristics.

7 The median Large LCV thus has 31% more payload than the median Medium LCV, which in turn has 60% more payload than the median Small LCV.

segments and the conclusion that Small, Medium and Large LCVs constitute separate product markets.

3. MARKET SHARES

37. Market shares have been provided by the Parties based on IHS data. LCV models were segmented according to Table 2 above and following the classification used by the Parties in the regular course of business, as described in Section 2.3 of this annex. As noted there, CDV models were re-allocated to the passenger-car segment from which they are originally derived.

38. Paragraph 55 of the Market Definition Notice points out that "*both volume sales and value sales provide useful information. In cases of differentiated products, sales in value and their associated market share will usually be considered to better reflect the relative position and strength of each supplier.*" In the present case, the Notifying Parties were unable to provide market shares by value.

39. The Commission notes that […]. Moreover, these OEMs have a relatively small volume share in the problematic countries. As a result, value shares are unlikely to differ substantially from the volume shares used in this Decision. The Commission therefore considers that the Parties' volume shares likely also well-reflect their value shares.

4. CLOSENESS OF COMPETITION

40. Market shares can provide a good indicator of the likely competitive consequences of proposed mergers. However, in differentiated product markets, market shares may sometimes over- or underestimate the degree of competition between merging parties. This depends on the closeness of substitution between the merging products relative to each other (and compared to rivals' products).

41. As regards the analysis of closeness of competition, the Decision is based on three sets of quantitative evidence: (i) diversion ratios as per the hesitation data, (ii) perceived closeness as per e-questionnaires sent to market participants, and (iii) closeness in terms of price points. These three pieces of evidence are discussed in Sections 4.1 to 4.3 below.

4.1. Diversion Ratios

42. Market shares can be a useful proxy for the degree of competition between two firms. However, in a differentiated-goods market, market shares may sometimes be a less reliable indicator to the extent that they fail to fully account for consumers' potentially heterogeneous switching patterns between different products. In cases where consumers do not switch between LCVs of different OEMs in proportion to market shares, market shares may mis-represent the actual degree of competition between two merging parties.

43. As noted in Section 2 above, diversion ratios more directly measure the competitive interaction between different products by indicating consumers' switching preferences between different brands. If the diversion ratio from brand A to brand B is large, then this indicates that B is a particularly important competitive alternative

for product A. In differentiated product markets, the Commission therefore routinely analyses closeness of substitution based on the diversion ratios between different brands.[8]

44. Based on the hesitation data used by the Parties in the regular course of business, the Commission has computed within-market diversion ratios[9] as follows:

    a. We have disregarded instances where the OEM of the vehicle bought equals the OEM of vehicle considered as an alternative, since this does not constitute a competitive constraint.

    b. We have focused on the three most recent years of data and therefore disregarded the older 2016 dataset.

    c. We have disregarded observations where the segment of the model bought or considered as an alternative is not known, as this information is indispensable for the present exercise.

    d. We have considered only those replies where the model considered as an alternative belongs to the same segment (Small/Medium/Large) as the model bought, since this permits a like-for-like comparison of within-market diversion with market shares.

    e. We have computed a diversion ratio by year, country and segment of vehicle bought.

    f. We have computed the weighted average over time by weighting each year with its respective market size.

    g. We have also computed a weighted average across the big-5 countries by weighting each country with its respective market size.

45. In order to facilitate the presentation of diversion between the Parties, the Commission expresses diversion ratios as so-called "implied market shares" here.[10] Implied market shares indicate how large the Parties' market shares *would have to be* for them to give rise to the observed diversion ratios.[11] When the Parties' implied market shares exceed their actual market shares, then the Parties compete more closely with each other than their market shares suggest. Conversely, if the implied

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8 See, for example, the mobile telecoms mergers M.7612 and M.7758 referred to above. See also Horizontal Merger Guidelines, paragraphs 28-29.

9 The Commission only considers within-segment diversion in this section in order to compare like-for-like figures, since also market shares abstract from potential out-of-market constraints.

10 See Valletti and Zenger (2020). See also case M.8744 Daimler/BMW/Car Sharing JV. This decision went as far as to not report any actual market shares when assessing the horizontal effects of the transaction, relying instead exclusively on implied market shares, since the product market was difficult to define appropriately.

11 Specifically, if diversion occurred in proportion to market shares, the diversion ratio from firm 1 to firm 2 would equal $d_{12} = s_2/(1 - s_1)$, where s_1 and s_2 denote the market shares of firms 1 and 2, respectively. Similarly, $d_{21} = s_1/(1 - s_2)$. Solving this pair of equations for s_1 and s_2 then gives the Parties' implied market shares as a function of both diversion ratios, $s_1 = [d_{21}(1 - d_{12})]/(1 - d_{12}d_{21})$ and $s_2 = [d_{12}(1 - d_{21})]/(1 - d_{12}d_{21})$.

market shares are below the actual market shares, then the Parties compete less closely with each other than market shares suggest.

46. Table 4 below shows the results of the Commission's diversion analysis, expressed in terms of implied market shares. Country and segment abbreviations are identical to Table 1 above. The table shows the market shares of FCA, PSA and the combined entity ("Comb."); in each case first their actual market share ("real sh.") and then their implied market share ("impl.sh").

Table 4: Closeness of Competition

Ctry.	Seg.	FCA real sh.	FCA impl.sh	PSA real sh.	PSA impl.sh	Comb. real sh.	Comb. impl.sh
EEA	S	[10-20]%	[5-10]%	[30-40]%	[30-40]%	**[40-50]%**	**[40-50]%**
EEA	M	[0-5]%	[5-10]%	[20-30]%	[20-30]%	**[20-30]%**	**[20-30]%**
EEA	L	[10-20]%	[10-20]%	[10-20]%	[30-40]%	**[30-40]%**	**[40-50]%**
FR	S	[5-10]%	[0-5]%	[40-50]%	[40-50]%	**[50-60]%**	**[50-60]%**
FR	M	[0-5]%	[0-5]%	[30-40]%	[30-40]%	**[40-50]%**	**[30-40]%**
FR	L	[10-20]%	[5-10]%	[20-30]%	[30-40]%	**[30-40]%**	**[40-50]%**
DE	S	[5-10]%	[0-5]%	[10-20]%	[30-40]%	**[20-30]%**	**[30-40]%**
DE	M	[0-5]%	[0-5]%	[10-20]%	[20-30]%	**[10-20]%**	**[30-40]%**
DE	L	[5-10]%	[10-20]%	[10-20]%	[10-20]%	**[20-30]%**	**[30-40]%**
IT	S	[40-50]%	[40-50]%	[20-30]%	[20-30]%	**[60-70]%**	**[60-70]%**
IT	M	[10-20]%	[30-40]%	[30-40]%	[10-20]%	**[40-50]%**	**[50-60]%**
IT	L	[20-30]%	[40-50]%	[10-20]%	[10-20]%	**[30-40]%**	**[60-70]%**
ES	S	[10-20]%	[10-20]%	[20-30]%	[30-40]%	**[30-40]%**	**[40-50]%**
ES	M	[5-10]%	[0-5]%	[30-40]%	[30-40]%	**[30-40]%**	**[40-50]%**
ES	L	[10-20]%	[20-30]%	[20-30]%	[20-30]%	**[40-50]%**	**[40-50]%**
UK	S	[0-5]%	[0-5]%	[50-60]%	[40-50]%	**[50-60]%**	**[40-50]%**
UK	M	[0-5]%	[0-5]%	[20-30]%	[10-20]%	**[20-30]%**	**[10-20]%**
UK	L	[5-10]%	[5-10]%	[20-30]%	[40-50]%	**[20-30]%**	**[50-60]%**

Source: Commission calculation based on Parties' NVBS hesitation data.
Notes: The table shows actual and implied market shares. The EEA rows show EEA-wide actual and implied market shares, where the ratio of actual to implied market shares for the big-5 countries (which together account for approx. 70% of the EEA LCV market) is applied to EEA-wide market shares.

47. Table 4 shows that:

    a. Overall, the Parties compete as closely as their market shares suggest in Small LCVs (though somewhat closer in Germany and Spain and somewhat less close in the UK).

    b. The Parties also compete as closely as their market shares suggest in Medium LCVs (though somewhat closer in Germany, Italy and Spain and somewhat less close in France and the UK).

    c. Finally, the Parties compete significantly more closely than their market shares suggest in Large LCVs (especially in Germany, Italy and the UK, but also to a lesser extent in France and Spain).

48. Market shares therefore appear to be a good indicator for the competitive constraint that the Parties exert upon each other, especially as regards Small LCVs. The diversion ratios additionally capture some smaller nuances in closeness of substitution (such as the particular degree of closeness in Spain). The Commission therefore concludes that the Parties' high market shares in the relevant affected markets rightly point to a significant competition concern.

49. In addition, the Commission has analysed diversion ratios from each of the Parties to all of its competitors. It then compared these actual diversion ratios to the diversion ratios that would be observed if diversion occurred in proportion to market shares.[12] While the analysis immediately above is useful for assessing the overall constraint that the Parties impose upon each other, this analysis instead allows an assessment of the constraint that FCA and third party competitors impose on PSA, as well as a separate assessment of the constraint that PSA and third party competitors impose on FCA. The results are shown in the following two tables, in this order. For example, the first two rows of Table 5 show that the two strongest constraints on FCA in Small LCVs in the big-5 countries overall are exerted by PSA (with [40-50]% of FCA customers diverting to PSA) and RNM ([20-30]%). Moreover, they show that the constraint exerted by PSA is marginally higher than what its very high market share in these 5 countries would suggest ([40-50]% diversion). Conversely, the constraint imposed by RNM on FCA is substantially lower than its market share would imply ([20-30]%<[20-30]%) and only about one-half as strong as that imposed by PSA ([20-30]% cf. [40-50]%). Lines 3 to 5 show that the smaller players Ford, VW and Daimler exert a constraint that is slightly higher than their small market shares would suggest, but substantially lower than that imposed by PSA.

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12 As noted in the previous footnote, if diversion occurred in proportion to market shares, the diversion ratio from firm 1 to firm 2 would equal $d_{12} = s_2/(1 - s_1)$, where s_1 and s_2 denote the market shares of firms 1 and 2, respectively. Similarly, $d_{21} = s_1/(1 - s_2)$.

Table 5: Diversion ratios away from FCA

Country	Segment	Diversion to	Real DR from FCA	Share-implied DR from FCA
Big-5-Avg	S	PSA	[40-50]%	[40-50]%
Big-5-Avg	S	RNM	[20-30]%	[20-30]%
Big-5-Avg	S	FORD	[10-20]%	[10-20]%
Big-5-Avg	S	VW	[10-20]%	[10-20]%
Big-5-Avg	S	DAIMLER	[5-10]%	[0-5]%
Big-5-Avg	S	OTHER	[0-5]%	[0-5]%
FRANCE	S	PSA	[40-50]%	[50-60]%
FRANCE	S	RNM	[30-40]%	[40-50]%
FRANCE	S	FORD	[10-20]%	[5-10]%
FRANCE	S	VW	[5-10]%	[0-5]%
FRANCE	S	DAIMLER	[0-5]%	[0-5]%
FRANCE	S	OTHER	[0-5]%	[0-5]%
GERMANY	S	VW	[30-40]%	[20-30]%
GERMANY	S	PSA	[30-40]%	[10-20]%
GERMANY	S	DAIMLER	[10-20]%	[10-20]%
GERMANY	S	FORD	[5-10]%	[10-20]%
GERMANY	S	RNM	[5-10]%	[20-30]%
GERMANY	S	OTHER	[0-5]%	[5-10]%
ITALY	S	PSA	[30-40]%	[30-40]%
ITALY	S	RNM	[20-30]%	[20-30]%
ITALY	S	FORD	[10-20]%	[10-20]%
ITALY	S	VW	[10-20]%	[10-20]%
ITALY	S	DAIMLER	[0-5]%	[0-5]%
ITALY	S	OTHER	[0-5]%	[5-10]%
ITALY	S	TOYOTA	[0-5]%	[0-5]%
SPAIN	S	PSA	[50-60]%	[30-40]%
SPAIN	S	RNM	[20-30]%	[30-40]%
SPAIN	S	DAIMLER	[10-20]%	[0-5]%
SPAIN	S	FORD	[5-10]%	[10-20]%
SPAIN	S	VW	[5-10]%	[5-10]%
SPAIN	S	OTHER	[0-5]%	[0-5]%
UK	S	PSA	[40-50]%	[50-60]%

Country	Segment	Diversion to	Real DR from FCA	Share-implied DR from FCA
UK	S	FORD	[30-40]%	[20-30]%
UK	S	VW	[10-20]%	[10-20]%
UK	S	RNM	[5-10]%	[5-10]%
UK	S	DAIMLER	[0-5]%	[0-5]%
Big-5-Avg	M	RNM	[30-40]%	[10-20]%
Big-5-Avg	M	FORD	[20-30]%	[20-30]%
Big-5-Avg	M	PSA	[20-30]%	[20-30]%
Big-5-Avg	M	DAIMLER	[10-20]%	[10-20]%
Big-5-Avg	M	TOYOTA	[0-5]%	[0-5]%
Big-5-Avg	M	VW	[0-5]%	[10-20]%
FRANCE	M	RNM	[40-50]%	[30-40]%
FRANCE	M	PSA	[30-40]%	[40-50]%
FRANCE	M	FORD	[10-20]%	[10-20]%
FRANCE	M	TOYOTA	[5-10]%	[0-5]%
FRANCE	M	DAIMLER	[5-10]%	[5-10]%
FRANCE	M	VW	[0-5]%	[5-10]%
GERMANY	M	DAIMLER	[30-40]%	[20-30]%
GERMANY	M	PSA	[30-40]%	[10-20]%
GERMANY	M	FORD	[20-30]%	[10-20]%
GERMANY	M	RNM	[10-20]%	[10-20]%
GERMANY	M	TOYOTA	[0-5]%	[0-5]%
GERMANY	M	VW	[0-5]%	[20-30]%
ITALY	M	RNM	[30-40]%	[10-20]%
ITALY	M	PSA	[20-30]%	[30-40]%
ITALY	M	DAIMLER	[20-30]%	[5-10]%
ITALY	M	FORD	[10-20]%	[20-30]%
ITALY	M	TOYOTA	[0-5]%	[0-5]%
ITALY	M	VW	[0-5]%	[5-10]%
SPAIN	M	PSA	[30-40]%	[30-40]%
SPAIN	M	RNM	[30-40]%	[10-20]%
SPAIN	M	FORD	[10-20]%	[10-20]%
SPAIN	M	DAIMLER	[10-20]%	[10-20]%
SPAIN	M	TOYOTA	[0-5]%	[0-5]%

Country	Segment	Diversion to	Real DR from FCA	Share-implied DR from FCA
SPAIN	M	VW	[0-5]%	[10-20]%
UK	M	FORD	[50-60]%	[40-50]%
UK	M	RNM	[30-40]%	[10-20]%
UK	M	PSA	[10-20]%	[20-30]%
UK	M	TOYOTA	[0-5]%	[0-5]%
UK	M	DAIMLER	[0-5]%	[5-10]%
UK	M	VW	[0-5]%	[10-20]%
Big-5-Avg	L	PSA	[30-40]%	[20-30]%
Big-5-Avg	L	DAIMLER	[20-30]%	[20-30]%
Big-5-Avg	L	RNM	[10-20]%	[10-20]%
Big-5-Avg	L	VW	[10-20]%	[5-10]%
Big-5-Avg	L	IVECO	[5-10]%	[10-20]%
Big-5-Avg	L	FORD	[0-5]%	[10-20]%
Big-5-Avg	L	OTHER	[0-5]%	[0-5]%
FRANCE	L	PSA	[30-40]%	[20-30]%
FRANCE	L	RNM	[30-40]%	[30-40]%
FRANCE	L	IVECO	[10-20]%	[10-20]%
FRANCE	L	DAIMLER	[5-10]%	[10-20]%
FRANCE	L	VW	[5-10]%	[5-10]%
FRANCE	L	FORD	[0-5]%	[5-10]%
FRANCE	L	OTHER	[0-5]%	[0-5]%
GERMANY	L	DAIMLER	[40-50]%	[30-40]%
GERMANY	L	PSA	[20-30]%	[10-20]%
GERMANY	L	VW	[10-20]%	[10-20]%
GERMANY	L	RNM	[10-20]%	[10-20]%
GERMANY	L	FORD	[5-10]%	[10-20]%
GERMANY	L	IVECO	[0-5]%	[5-10]%
GERMANY	L	OTHER	[0-5]%	[0-5]%
ITALY	L	PSA	[30-40]%	[20-30]%
ITALY	L	DAIMLER	[20-30]%	[10-20]%
ITALY	L	RNM	[10-20]%	[10-20]%
ITALY	L	IVECO	[10-20]%	[20-30]%
ITALY	L	FORD	[5-10]%	[10-20]%

Country	Segment	Diversion to	Real DR from FCA	Share-implied DR from FCA
ITALY	L	VW	[5-10]%	[5-10]%
ITALY	L	OTHER	[0-5]%	[0-5]%
SPAIN	L	PSA	[30-40]%	[20-30]%
SPAIN	L	VW	[10-20]%	[10-20]%
SPAIN	L	RNM	[10-20]%	[20-30]%
SPAIN	L	IVECO	[10-20]%	[10-20]%
SPAIN	L	DAIMLER	[10-20]%	[10-20]%
SPAIN	L	FORD	[0-5]%	[10-20]%
SPAIN	L	OTHER	[0-5]%	[0-5]%
UK	L	PSA	[50-60]%	[20-30]%
UK	L	DAIMLER	[10-20]%	[20-30]%
UK	L	IVECO	[5-10]%	[0-5]%
UK	L	VW	[5-10]%	[5-10]%
UK	L	RNM	[5-10]%	[5-10]%
UK	L	OTHER	[0-5]%	[0-5]%
UK	L	FORD	[0-5]%	[30-40]%

Source: Commission calculation based on Parties' NVBS hesitation data.

Table 6: Diversion ratios away from PSA

Country	Segment	Diversion to	Real DR from PSA	Share-implied DR from PSA
Big-5-Avg	S	RNM	[30-40]%	[30-40]%
Big-5-Avg	S	FORD	[20-30]%	[20-30]%
Big-5-Avg	S	VW	[20-30]%	[10-20]%
Big-5-Avg	S	FCA	[10-20]%	[10-20]%
Big-5-Avg	S	DAIMLER	[5-10]%	[5-10]%
Big-5-Avg	S	OTHER	[0-5]%	[0-5]%
FRANCE	S	RNM	[60-70]%	[70-80]%
FRANCE	S	FORD	[10-20]%	[5-10]%
FRANCE	S	VW	[10-20]%	[5-10]%
FRANCE	S	FCA	[5-10]%	[10-20]%
FRANCE	S	DAIMLER	[0-5]%	[0-5]%
FRANCE	S	OTHER	[0-5]%	[0-5]%
GERMANY	S	VW	[40-50]%	[30-40]%

Country	Segment	Diversion to	Real DR from PSA	Share-implied DR from PSA
GERMANY	S	RNM	[20-30]%	[20-30]%
GERMANY	S	FORD	[10-20]%	[10-20]%
GERMANY	S	DAIMLER	[10-20]%	[10-20]%
GERMANY	S	FCA	[5-10]%	[5-10]%
GERMANY	S	OTHER	[0-5]%	[5-10]%
ITALY	S	FCA	[50-60]%	[50-60]%
ITALY	S	RNM	[20-30]%	[20-30]%
ITALY	S	FORD	[10-20]%	[5-10]%
ITALY	S	VW	[5-10]%	[5-10]%
ITALY	S	DAIMLER	[0-5]%	[0-5]%
ITALY	S	OTHER	[0-5]%	[5-10]%
SPAIN	S	RNM	[30-40]%	[50-60]%
SPAIN	S	FORD	[20-30]%	[10-20]%
SPAIN	S	FCA	[10-20]%	[10-20]%
SPAIN	S	VW	[10-20]%	[5-10]%
SPAIN	S	DAIMLER	[10-20]%	[0-5]%
SPAIN	S	OTHER	[0-5]%	[0-5]%
UK	S	FORD	[60-70]%	[50-60]%
UK	S	VW	[20-30]%	[20-30]%
UK	S	DAIMLER	[5-10]%	[5-10]%
UK	S	RNM	[0-5]%	[10-20]%
UK	S	FCA	[0-5]%	[5-10]%
Big-5-Avg	M	FORD	[30-40]%	[30-40]%
Big-5-Avg	M	DAIMLER	[20-30]%	[10-20]%
Big-5-Avg	M	RNM	[20-30]%	[20-30]%
Big-5-Avg	M	TOYOTA	[10-20]%	[0-5]%
Big-5-Avg	M	FCA	[5-10]%	[0-5]%
Big-5-Avg	M	VW	[0-5]%	[20-30]%
FRANCE	M	RNM	[30-40]%	[40-50]%
FRANCE	M	DAIMLER	[30-40]%	[10-20]%
FRANCE	M	FORD	[10-20]%	[10-20]%
FRANCE	M	TOYOTA	[5-10]%	[0-5]%
FRANCE	M	FCA	[0-5]%	[5-10]%

Country	Segment	Diversion to	Real DR from PSA	Share-implied DR from PSA
FRANCE	M	VW	[0-5]%	[10-20]%
GERMANY	M	DAIMLER	[40-50]%	[20-30]%
GERMANY	M	FORD	[30-40]%	[20-30]%
GERMANY	M	RNM	[10-20]%	[10-20]%
GERMANY	M	FCA	[0-5]%	[0-5]%
GERMANY	M	TOYOTA	[0-5]%	[0-5]%
GERMANY	M	VW	[0-5]%	[30-40]%
ITALY	M	FCA	[40-50]%	[20-30]%
ITALY	M	FORD	[20-30]%	[30-40]%
ITALY	M	RNM	[10-20]%	[20-30]%
ITALY	M	DAIMLER	[10-20]%	[10-20]%
ITALY	M	TOYOTA	[0-5]%	[0-5]%
ITALY	M	VW	[0-5]%	[10-20]%
SPAIN	M	RNM	[30-40]%	[20-30]%
SPAIN	M	FORD	[30-40]%	[20-30]%
SPAIN	M	DAIMLER	[20-30]%	[20-30]%
SPAIN	M	FCA	[0-5]%	[5-10]%
SPAIN	M	TOYOTA	[0-5]%	[5-10]%
SPAIN	M	VW	[0-5]%	[10-20]%
UK	M	FORD	[40-50]%	[50-60]%
UK	M	DAIMLER	[20-30]%	[5-10]%
UK	M	TOYOTA	[10-20]%	[0-5]%
UK	M	RNM	[10-20]%	[10-20]%
UK	M	FCA	[0-5]%	[0-5]%
UK	M	VW	[0-5]%	[20-30]%
Big-5-Avg	L	RNM	[20-30]%	[20-30]%
Big-5-Avg	L	DAIMLER	[20-30]%	[20-30]%
Big-5-Avg	L	FCA	[20-30]%	[10-20]%
Big-5-Avg	L	VW	[10-20]%	[10-20]%
Big-5-Avg	L	IVECO	[5-10]%	[10-20]%
Big-5-Avg	L	FORD	[0-5]%	[10-20]%
Big-5-Avg	L	OTHER	[0-5]%	[0-5]%
FRANCE	L	RNM	[50-60]%	[30-40]%

Country	Segment	Diversion to	Real DR from PSA	Share-implied DR from PSA
FRANCE	L	FCA	[10-20]%	[20-30]%
FRANCE	L	VW	[10-20]%	[5-10]%
FRANCE	L	DAIMLER	[10-20]%	[10-20]%
FRANCE	L	IVECO	[5-10]%	[10-20]%
FRANCE	L	FORD	[0-5]%	[5-10]%
FRANCE	L	OTHER	[0-5]%	[0-5]%
GERMANY	L	DAIMLER	[30-40]%	[30-40]%
GERMANY	L	VW	[20-30]%	[10-20]%
GERMANY	L	FCA	[20-30]%	[5-10]%
GERMANY	L	RNM	[10-20]%	[10-20]%
GERMANY	L	FORD	[5-10]%	[10-20]%
GERMANY	L	IVECO	[0-5]%	[5-10]%
GERMANY	L	OTHER	[0-5]%	[0-5]%
ITALY	L	FCA	[50-60]%	[20-30]%
ITALY	L	IVECO	[10-20]%	[20-30]%
ITALY	L	RNM	[10-20]%	[10-20]%
ITALY	L	DAIMLER	[5-10]%	[10-20]%
ITALY	L	FORD	[0-5]%	[10-20]%
ITALY	L	VW	[0-5]%	[5-10]%
ITALY	L	OTHER	[0-5]%	[0-5]%
SPAIN	L	RNM	[20-30]%	[20-30]%
SPAIN	L	FCA	[20-30]%	[20-30]%
SPAIN	L	DAIMLER	[10-20]%	[10-20]%
SPAIN	L	VW	[10-20]%	[10-20]%
SPAIN	L	IVECO	[10-20]%	[10-20]%
SPAIN	L	FORD	[0-5]%	[10-20]%
SPAIN	L	OTHER	[0-5]%	[0-5]%
UK	L	DAIMLER	[40-50]%	[30-40]%
UK	L	RNM	[20-30]%	[5-10]%
UK	L	VW	[10-20]%	[5-10]%
UK	L	FCA	[10-20]%	[5-10]%
UK	L	IVECO	[0-5]%	[0-5]%
UK	L	OTHER	[0-5]%	[0-5]%

Country	Segment	Diversion to	Real DR from PSA	Share-implied DR from PSA
UK	L	FORD	[0-5]%	[30-40]%

Source: Commission calculation based on Parties' NVBS hesitation data.

50. The relationship between real and share-implied diversion ratios observed for the big-5 countries on aggregate can also be extrapolated to smaller countries for which hesitation data are not available. For example, they show that diversion occurs roughly in proportion to shares, so in a country where PSA is by far the largest competitor to FCA (in terms of share), PSA can also be expected to be FCA's closest competitor.

51. Overall, an analysis of the hesitation data indicates that the Parties' (high) combined market shares are a good indicator for the competitive constraint they impose on each other.

4.2. E-Questionnaire

52. In addition to hesitation data, the Commission had access to a second source of data on closeness of substitution: responses to the questionnaire sent to market participants during the in-depth investigation asking respondents to rate competing brands according to their closeness to each of the Parties' four brands.

53. Compared to the more complete evidence provided by the hesitation data, these data have certain limitations (owing to the more cursory nature of questioning possible in an e-questionnaire):

    a. The data only allow for a relative ranking of closeness (closest, second closest, etc.) rather than a quantification of the degree of closeness in the form of a diversion ratio, which is what ultimately matters for likely price effects.[13] For illustration, consider two hypothetical scenarios. In scenario 1, the DR from firm A to firm B is 25%, and it is 15% to each of five remaining competitors. In scenario 2, the diversion ratio from A to B is 35%, that to firm C is 45%, and that to each of the remaining four competitors is 5%. Clearly, firm B is a closer competitor to firm A in the second scenario than in the first, as expressed by the higher diversion ratio. A merger between A and B would therefore be more likely to cause a significant price increase in the second scenario, other things equal. Even so, firm B is firm A's "closest" competitor in scenario 1 but not in scenario 2.

    b. Second, as is the case for the hesitation data, the e-questionnaire data consider each of PSA's brands separately. What ultimately matters for the competitive assessment is of course the overall constraint imposed by all PSA brands together on Fiat. This additivity can be easily reflected by diversion ratios through simple summation. But unfortunately, such summation cannot be

[13] E.g., see Valletti and Zenger (2020) or Miller and Sheu (2020).

undertaken with the e-questionnaire data, which only provides a relative ranking of brands rather than an (absolute) quantification of the degree of closeness of substitution between brands.

54. With these caveats in mind, the diagrams below in Figure 2 show the average closeness of competition of the different OEMs to each of the Parties' four brands for Small LCVs for each of the nine countries for which a SIEC was found: Belgium, Czechia, France, Greece, Italy, Lithuania, Poland, Portugal and Slovakia. In the diagrams, the further on the left a brand is located, the closer respondents to the e-questionnaire perceive it be to the brand in question.[14]

[14] The graphs are based on the following number of responses, where ranges are due to differing numbers of responses by brand: 7 responses for each of Czechia and Slovakia, 8 for Lithuania, 9 for Greece, 10 for Belgium and Portugal, 12 for Poland, 14-15 for Italy and 18-20 for France.

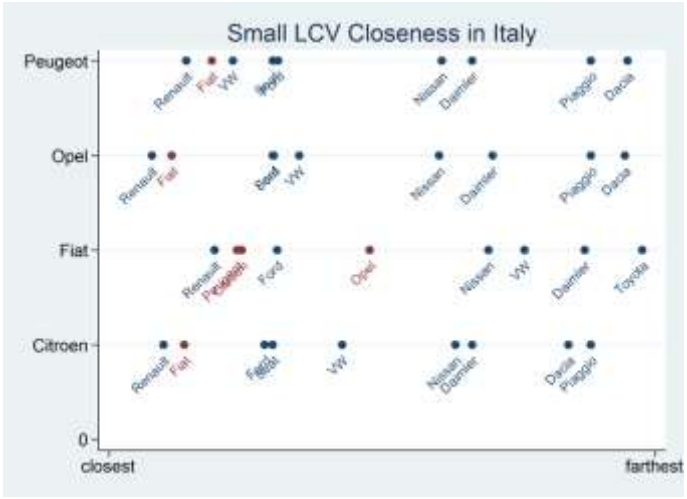
Figure 2: Closeness of competition according to e-questionnaire








Small LCV Closeness in Greece
Peugeot
Opel
Fiat
Citroen
0
closest
farthest


Small LCV Closeness in Italy
Peugeot
Opel
Fiat
Citroen
0
closest
farthest


Small LCV Closeness in Lithuania
Peugeot
Opel
Fiat
Citroen
0
closest
farthest







Source: Commission calculation based on responses to its market investigation.

55. Figure 2 is consistent with the analysis of the hesitation data presented in Section 4.2. In particular, the diagrams show that the Parties' brands are perceived to

compete closely in all of the affected countries, being plotted near the left edge of the diagrams throughout (even before adding up the constraints imposed by each of PSA's brands on FCA).[15] PSA overall appears to exert a particularly strong constraint on FCA. Also this analysis is therefore consistent with the Parties being close competitors to each other. Conversely, these data do not suggest that market shares might overstate the competitive constraint exerted upon each other by the Merging Parties.

4.3. Prices

56. Finally, the Commission has considered the similarity of prices as a third potential indicator of closeness of substitution. The Commission acknowledges that a comparison of price levels can at best provide indicative evidence of closeness of substitution. Products with similar prices may sometimes be in different markets. Conversely, products with different prices may sometimes compete closely with each other (e.g., because the higher price is compensated by a higher quality with similar net value for customers overall).

57. Even so, inspecting price differences in the current market may provide some indications about closeness of substitution. Indeed, it appears likely that vehicle models with higher prices may operate in a more premium segment of the market, whereas models with lower prices may operate at the lower end of the market, and therefore may be less close substitutes.

58. Importantly, both the e-questionnaire and the hesitation data analysed above implicitly take price into consideration as one of the relevant factors considered by respondents. It is nonetheless instructive to consider price also as a factor of its own, given its particular importance in a market where different brands' models have relatively similar technical characteristics.

59. There are three sources of price data. First, the Commission has considered list prices as provided by the Parties. These can only serve as a first indication since final prices are often significantly discounted. The Commission has analysed the list price data nonetheless, as they are the only data that are complete and based on publicly available information. Second, the Commission has considered end prices

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15 The label "closest" at the very left of the horizontal axis corresponds indeed to "closest", while the label "farthest" at the very right of the horizontal axis corresponds to "11th closest", and brands not plotted are thus less close than 11th. Further technical note: A rank has to be attributed to missing values, i.e. to brands to which a particular respondent did not attribute any rank, since to ignore these observations would be to disregard the information that if a respondent ranks, say, 5 brands, any unranked brands must be outside the top-5, i.e. 6th closest or less close. The question is then which rank to attribute to such brands. The questionnaire asked about 16 brands which all appear in the IHS LCV market share data. Attributing rank 6 would appear excessively close, while attributing rank 11 (the average of the minimum possible, 6th, and the maximum, 16th) would make the ranking dependent on the addition of irrelevant alternatives. The Commission therefore disregarded all brands which are mentioned less than 5% of the times (whenever these brands are not mentioned, but retaining them in those few instances where they are mentioned). It then attributed the rank (x+y)/2 to all unranked alternatives, where x is the number of non-irrelevant options and y is one rank below the least closest ranked (i.e., 6th in the example above).

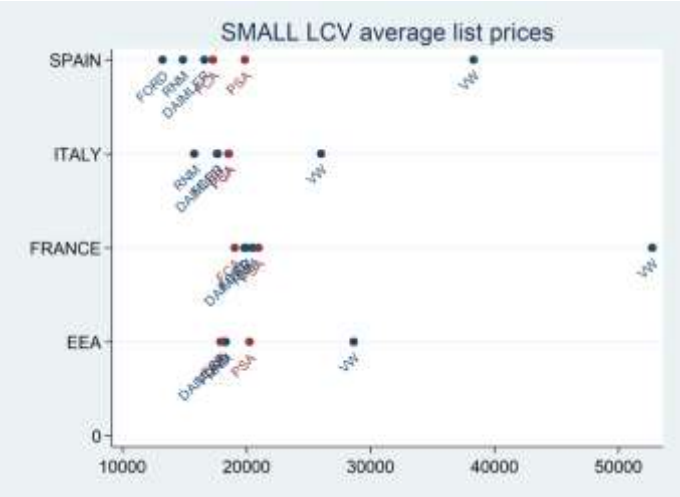
according to FCA's mystery shopping exercise conducted in 2018, whereby employees pretended they want to buy an LCV in order to determine end prices. […]. Third, the Commission has considered end prices as per the Parties' and their competitors' (confidential) replies to Commission RFIs.

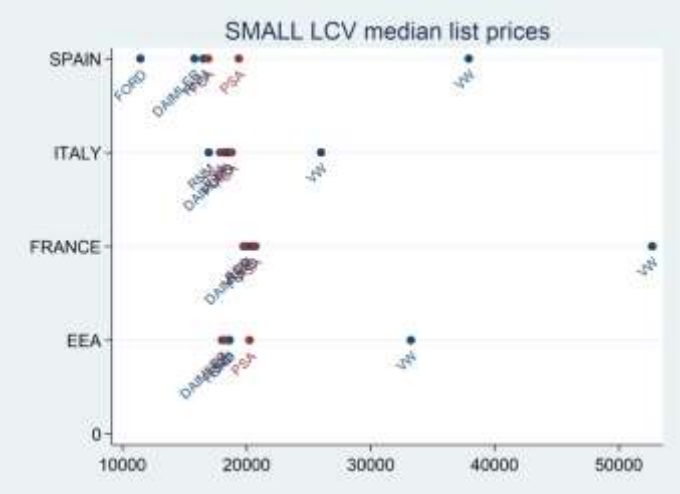
4.3.1. List prices

60. The Parties provided list price data in their response to the Art. 6(1)(c) Decision and in response to a follow-on RFI for France, Italy, Spain and the EEA as a whole.

61. The diagrams in Figure 3 below plot the following list prices for Small LCVs: mean price (i.e., "average" price), median price (i.e., "typical" price, such that one-half of all vehicles sold are more expensive and one-half are less expensive) and the cheapest price (after removing the cheapest 5% of each brand's sales to remove potential outliers).

Figure 3: List prices







Source: Commission calculation based on Notifying Parties' data.

62. Overall, these diagrams show that the different OEMs' list prices are mostly quite similar. The clear exception is Volkswagen, which is substantially more expensive in all countries and according to all measures, except when looking at the cheapest versions EEA-wide. The available evidence on list prices therefore does not provide significant (additional) information on closeness.

4.3.2. End prices according to FCA's Mystery Shopping exercise

63. FCA's mystery shopping exercise collected three sets of end prices: prices excluding other costs, prices including other costs, and price when financed. The diagrams in Figure 4 below show all three variables, in this order, for Small LCVs. Data are available only for the six countries shown here.

Figure 4: End prices according to FCA's mystery shopping exercise

[…]

[…]

[…]

Source: Commission calculation based on FCA's data.

64. First, it is interesting to note that […].

65. Second, overall, these diagrams are overall similar. They show that the Parties' brands, Ford and Renault are often priced similarly, while Volkswagen is more expensive and Dacia is cheaper.

66. Third, Fiat is the closest-priced competitor to at least one of PSA's brands in Spain, Germany, France and Belgium.[16] Conversely, at least one of PSA's brands is the closest-priced competitor to Fiat in Spain, Germany, and France.[17]

4.3.3. End prices according to OEMs' replies to Commission RFIs

67. The Commission also analysed end prices based on the Parties' and some of their main competitors' replies to Commission RFIs. The competitors' replies are confidential, so the results cannot be reproduced here in detail. Overall, they confirm the observation that the Parties' prices tend to be similar, as are the prices of some, but not all, of their competitors.

4.3.4. Conclusion on prices

68. Overall, the different pieces of evidence presented in this sub-section 4.3 indicate that FCA and PSA compete head-on with similarly priced models, but that Renault and Ford also sell similarly priced models. Dacia is substantially cheaper, while Volkswagen is substantially more expensive. This means that the market shares of RNM (as the owner of Dacia) and VW are likely to overstate the competitive constraint that these companies exert on the Parties. Moreover, the sheer breadth of models produced by PSA naturally leads to a situation where some of its models are priced very similarly to those of FCA. Moreover, its ability to set different prices for each brand in each country would allow it to fine-tune any price increases (as estimated in the next section) in such a manner as to ensure their profitability.

4.4. Conclusion on Closeness

69. Overall, the Commission therefore concludes that the different pieces of evidence on closeness of competition presented in this Section 4 all indicate that PSA and FCA compete very closely and approximately as closely as their high combined market shares in Small LCVs suggest. While some other competitors offer models with similar prices as the Parties, switching preferences between the Parties' models are very substantial, as accurately reflected by very high combined market shares and diversion between each others' brands.

5. CALIBRATION OF COMPETITIVE EFFECTS

70. Next, the Commission calibrates the strength of the upward pricing pressure caused by the Proposed Transaction. Section 5.1 explains the two standard measures of competitive effects that are calibrated by the Commission in this case (GUPPIs and CMCRs). Section 5.2 summarizes the inputs used for the calibration. Section 5.3, finally, presents the results of the calibration.

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16 This is when paying cash, irrespective of whether other costs are included. It does not hold true when financing the purchase in Germany or Belgium.

17 This is when paying cash, irrespective of whether other costs are included. It does not hold true when financing the purchase in Germany.

5.1. Framework of calibrating competitive effects

71. As a result of the Transaction, PSA and FCA's products are brought under common ownership. As competition between PSA and FCA's products is eliminated, the Transaction may therefore generate incentives for the merged entity to raise prices.

72. More specifically, the prices absent the transaction reflect the trade-off between earning more per unit and selling more units for each of the merging firms separately. This trade-off changes as a consequence of the transaction, as some of the lost customers after a price increase will switch to the other merging party and therefore still contribute to the merged entity's profits. Put differently, the Transaction internalises the negative externality that competing through lower prices imposes on the other merging party.

73. A merger can therefore be thought of as introducing a "cost of competing" on the merged entity, as it attempts to reduce the mutual cannibalization of sales. The magnitude of this upward pricing pressure primarily depends on two factors: the diversion ratios between the merging parties (a measure of closeness of substitution) and the variable cost margin of the merging parties (a measure of market power).[18]

74. In antitrust practice, the two most common measures of upward pricing pressure are GUPPIs (gross upward pricing pressure index) and CMCRs (compensating marginal cost reduction).[19] The GUPPI for firm 1 is defined as $GUPPI_1 = d_{12} m_2 p_2 / p_1$, where d_{12} again denotes the diversion ratio from firm 1 to firm 2, m_2 denotes the variable (percentage) margin of firm 2 and p_i denotes the price of firm i.[20] The CMCR for firm 1 is in turn defined as $CMCR_1 = (d_{12} m_2 p_2 / p_1 + d_{12} d_{21} m_1)/(1 - d_{12} d_{21})$.[21]

75. GUPPIs are a (conservative)[22] measure of the "cost of competing" faced by the merged entity once they take account of the impact of their pricing on their new merger partner. GUPPIs therefore measure the hypothetical tax on the merging parties' prices that would be equivalent to the upward pricing pressure caused by a merger. As shown in the academic literature, GUPPIs are also a conservative measure of the merged entity's incentive to raise prices.[23]

76. While GUPPIs ask which pre-merger tax on the merging products would be equivalent to the proposed merger, CMCRs ask which post-merger subsidy would be required to offset the upward pricing pressure caused by a transaction. CMCRs

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18 See Sheu and Miller (2020) or Valletti and Zenger (2020) for an overview.

19 See Farrell and Shapiro (2010) and Werden (1996).

20 The GUPPI for firm 2 is defined analogously with indices 1 and 2 exchanged.

21 The CMCR for firm 2 is defined analogously with indices 1 and 2 exchanged. We use the definition of CMCRs as a percentage of price here (see Valletti and Zenger, 2020). This has two advantages. First, it allows for a direct comparison of CMCRs and GUPPIs, since GUPPIs are also expressed as a percentage of price. Second, it simplifies the comparison to efficiencies, which can easily be converted into a percentage of revenues.

22 Conservative as they do not take into account feedback effects between the Parties, see also the following paragraph and the two following footnotes.

23 See Miller, Remer, Ryan and Sheu (2017).

therefore measure likely competitive effects in terms of the cost reduction (efficiency) necessary to prevent a price increase. CMCRs are generally larger than the respective GUPPIs, as they take into account the feedback effects between the merging parties.[24] They also represent a measure of the merged entity's incentive to raise price if the pass-through rate is one.

77. GUPPIs and CMCRs can usefully contribute to assessing competitive effects in differentiated product markets (in conjunction with other important pieces of evidence, including market structure), where considered appropriate and useful as assessed on a case-by-case basis. In this case, they, first, reflect the overall intensity of competition in the market (as quantified by margins) as well as the degree of relative closeness of substitution between the merging parties (as quantified by diversion ratios); second, they are independent of market definition, and thus also account for out-of-market constraints; and third, they allow for efficiencies to be seamlessly integrated into the analysis (as will be assessed in Section 6 below).

78. CMCRs are a directional measure of anti-competitive effects, which reflects the upward pricing pressure caused by a merger. In other words, CMCRs are a measure of the strength of post-merger incentives to raise prices. The exact price effect that will be caused by a merger depends on the extent to which this upward pricing pressure is passed-through into final prices. Under the assumption of a pass-through rate of one, CMCRs can also be used as a measure of potential price effects.[25]

5.2. Inputs for the calibration of likely competitive effects

79. As noted in the previous section, the computation of GUPPIs and CMCRs relies upon two inputs: diversion ratios and margins.

80. Based on the hesitation data used by the Parties in the regular course of business, the Commission has computed diversion ratios as follows:

    a. We disregard instances where the OEM bought equals the OEM that is considered as an alternative, as this does not constitute diversion in the sense relevant for the competition assessment of this Transaction.

    b. We again focus on the three most current years of data (2017-2019).

    c. We disregard observations where the segment of the model bought is not known, as this information is indispensable for the present exercise.

    d. We compute a diversion ratio by year, country and segment of vehicle bought.

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24 That is, they take into account the fact that in addition to the GUPPI that each Party faces at current prices, the fact that the other merging party increases its prices would lead to additional pressure for each Party to increase prices. Neither the GUPPIs nor the CMCRs take into account feedback effects between the Parties and their competitors, i.e. the fact that independent competitors have an incentive to increase prices in response to a price increase by the merged entity (similar to the "umbrella effect" in the antitrust literature), which in turn generates a further incentive for the merged entity to increase prices even further.

25 Depending on the shape of demand, cost pass-through may be larger, smaller or identical to one; and the price effects may therefore be larger, smaller or identical to CMCRs. See Valletti and Zenger (2020).

e. We compute the weighted average over time by weighting each year with the respective market size.

f. We compute the weighted average across the big-5 countries by weighting each country with the respective market size.

g. We adjust all diversion ratios downwards to account for possible diversion to the outside good.[26]

81. For profit margins, the Commission relied on variable cost margins at the segment-brand-country level, as provided by the Parties. Note that the segment-brand level essentially corresponds to the model-level for PSA (whereas FCA has two Small LCV models).

5.3. Results

82. Note that the GUPPI and CMCR formulas in the previous section produce different levels of upward pricing pressure for the two firms (FCA and PSA). For ease of exposition, the Commission has therefore constructed an average GUPPI and average CMCR to indicate the average upward pricing pressure caused by the transaction for the merging parties, by weighting each party's measure by its market share.

83. Table 7 provides calibrated values of the upward pricing pressure (i.e., GUPPIs and CMCRs) for those countries where the combined market share exceeds 30% and the increment exceeds 1%.

Table 7: Gross static price effects

		Gross GUPPI – based on:			Gross CMCR – based on:		
Seg.	Ctry.	Shares	DRs	Min.	Shares	DRs	Min.
S	BE	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	CR	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	CY	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	CZ	[0-5]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%	[0-5]%
S	DK	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	EE	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	FR	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	GR	[0-5]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%	[0-5]%
S	HU	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%

[26] The hesitation data does not allow for the option not to buy any new vehicle in response to a price increase (e.g., to postpone the purchase or to buy a used vehicle). This may play a role for some customers, however. In order to take this possibility into account, all diversion ratios are adjusted by a factor that can be approximated by $1 - m\varepsilon$ (following Moresi and Zenger, 2018), where m is the respective firm's average percentage margin and ε is the market-wide price elasticity of demand, which we conservatively assume to be equal (in absolute terms) to 2. This is based on a review of the available literature in this regard, which tends to find elasticities in the range of 0.3 to 3.2, with the majority of the estimates (point estimates and mid-points of any range estimates) being between 1 and 2. This approach is highly conservative, as it implies substantially lower predictions of anticompetitive price effects than would be the case if the unadjusted diversion ratios implied by the hesitation data were used.

		Gross GUPPI – based on:			Gross CMCR – based on:		
Seg.	Ctry.	Shares	DRs	Min.	Shares	DRs	Min.
S	IE	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	IT	[0-5]%	[5-10]%	[5-10]%	[0-5]%	[5-10]%	[5-10]%
S	LV	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	LI	[0-5]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%	[0-5]%
S	LU	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	MT	[5-10]%	[0-5]%	[0-5]%	[5-10]%	[5-10]%	[5-10]%
S	NL	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	NO	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	PL	[5-10]%	[0-5]%	[0-5]%	[5-10]%	[5-10]%	[5-10]%
S	PT	[0-5]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%	[0-5]%
S	SK	[0-5]%	[0-5]%	[0-5]%	[5-10]%	[5-10]%	[5-10]%
S	SI	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	ES	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	UK	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
M	BE	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
M	CZ	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
M	FR	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
M	GR	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
M	IT	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
M	LU	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
M	NL	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
M	PT	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
M	SK	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
M	ES	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	AT	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	BE	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	CR	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	CZ	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	EE	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	FR	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	GR	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%
L	HU	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	IT	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[5-10]%	[5-10]%
L	LU	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	NO	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%
L	PL	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	SK	[0-5]%	[5-10]%	[0-5]%	[5-10]%	[5-10]%	[5-10]%
L	SI	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%
L	ES	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%

Source: Commission calculation based on Parties' data.

Notes: The table shows GUPPIs and CMCRs based on market shares (except for the big-5 countries for which actual diversion ratios are available), based on diversion ratios, and the minimum of the two. The former assumes diversion occurs in proportion to market shares, while the latter uses the diversion ratios computed from the hesitation

data as described above. That is, it applies the ratio of actual to implied diversion observed on aggregate for the big-5 to the diversion ratios implied by the market shares in the respective small country.

84. Table 7 shows that even according to the most conservative measure, the transaction gives rise to CMCRs of up to [5-10]% for Small LCVs (in Italy, as well as approx. [5-10]% in Poland and Slovakia and [5-10]% in the small market of Malta), of only up to [0-5]% for Medium LCVs, and of up to [5-10]% for Large LCVs (in Slovakia). The Transaction is therefore likely to produce significant anticompetitive effects, in view especially of the large volume of sales involved.

6. ASSESSMENT OF CLAIMED EFFICIENCIES

85. Next, the Commission undertakes an economic assessment of the Notifying Parties' efficiency claims. Section 6.1 first describes the specific claims raised by the Notifying Parties. Section 6.2 then evaluates the substance of these claims from an economic perspective. Finally, Section 6.3 quantitatively compares the size of potentially admissible efficiencies with the likely price-increasing effects caused by the Proposed Transaction using the standard economic tool to conduct such comparisons (CMCRs).

86. The Commission shows there that – even if one takes a relatively favourable view of the claimed efficiencies – these would in any event be much smaller than the upward pricing pressure caused by the Proposed Transaction.

6.1. The Notifying Parties' efficiency claims

87. During the course of the investigation, the Notifying Parties made several efficiency claims. The Notifying Parties argued that, even if the Proposed Transaction gave rise to competition concerns, these would in any event be more than compensated by the claimed efficiencies.

88. Specifically, the Notifying Parties made a substantiated synergies submission on 3 July 2020. This submission was based on a preliminary assessment that was "being refined and assessed by the Parties' key experts with a view to quantifying them as precisely as possible."[27] On 22 July 2020, the Notifying Parties made a second efficiency submission as part of a response to a Commission RFI with significantly increased efficiency estimates. According to the Notifying Parties, these updated estimates were also still preliminary.[28] On 11 September 2020, the Notifying Parties explained in response to a further Commission RFI that the previously submitted estimates were "the latest available estimates."[29] For this reason, the Commission takes these estimates as the basis for assessing the Notifying Parties' efficiency claims.

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27 "Additional submission of the Parties on synergies of 3 July 2020", paragraphs 2 and 5.
28 Notifying Parties' reply to RFI 27, paragraph 11.
29 Notifying Parties' reply to RFI 44, paragraph 2.

89. The Notifying Parties estimate that the Proposed Transaction will generate worldwide "synergies" (i.e., cost reductions) across all products of EUR […].[30] This constitutes an increase of 57% compared to the synergy estimate of EUR […] which the Parties had made internally during their due diligence of the Proposed Transaction (which also formed the basis of their first efficiency submission of 3 July). EUR […] of the revised synergies are expected to arise in EMEA.[31]

90. The Notifying Parties acknowledge that not all of these claimed synergies constitute efficiencies in the sense of competition law. Indeed, according to their efficiency submissions, a significant proportion of the overall synergies relates to different geographic or product markets, may not be merger-specific or constitutes fixed cost savings that would be unlikely to be passed on to consumers. The Notifying Parties therefore go on to assess which proportion of the claimed synergies could potentially lead to price-reducing effects in the affected markets.

91. Specifically, the synergies claimed by the Notifying Parties belong to four families:

    a. synergies relating to volume expansion;

    b. synergies relating to platform, vehicle and powertrains (planning, engineering and manufacturing);

    c. synergies relating to purchasing; and

    d. synergies relating to other functions.

92. The first synergy category (volume expansion) concerns increasing the Parties' product offerings to customers beyond their standalone portfolios and is expected to amount to EUR […] p.a. globally across all vehicles. These synergies have not been substantiated or explained further, nor assessed as regards their merger-specificity. They are claimed to be variable, as they directly relate to volumes produced.

93. The second synergy category (platform, vehicles and powertrains) concerns cost savings arising from joint investments and post-merger production improvements. Specifically, the Notifying Parties expect a "consolidation of investments on vehicle platforms, top hats, tooling and power trains," which are expected to lead to synergies of EUR […], of which EUR […] are expected to arise in EMEA.[32] The Notifying Parties acknowledge that […] of these are merger-specific, whereas the remaining […]% could also be achieved through a more limited scope of collaboration.[33] Moreover, the Notifying Parties acknowledge that […] of the synergies (namely those relating to manufacturing) are variable cost efficiencies, which are more likely to be passed on to consumers.[34]

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30 Here, and in what follows, possible efficiencies are expressed as annual expected savings in the steady state after 2030 (unless otherwise noted).

31 Notifying Parties' reply to RFI 27, paragraph 11. Data are not provided separately for the EEA.

32 Notifying Parties' reply to RFI 27, Figure 1 and Table 1.

33 "Additional submission of the Parties on synergies of 3 July 2020", paragraphs 28-32.

34 Horizontal Merger Guidelines, paragraph 80.

94. The third synergy category (purchasing) arises because the Notifying Parties expect to be able to negotiate better purchasing conditions post-transaction due to their increased buyer power. Specifically, the Notifying Parties estimate that they will be able to save […] in EMEA. According to the Notifying Parties, EUR […] of these are variable cost savings.[35] These savings are expected to arise from (i) aligning purchasing prices to the lower of the two prices paid by each of the Parties pre-merger (EUR […]); (ii) a further price reduction due to increased purchasing volumes (EUR […]); (iii) savings from converging on the best technical solutions (EUR […]); and (iv) cost savings on the purchasing of EV-components (EUR […]).

95. The fourth synergy category (other functions) arise in more general administrative functions such as sales, general and administrative expenses (SG&A) and finance. These synergies are expected to amount to EUR […] overall, of which EUR […] are said to accrue in the EMEA. Of the latter, EUR […] are claimed to relate to variable costs.[36]

96. The Commission can – in principle – only take into account those synergies that accrue to LCV customers in the EEA, as the synergies should benefit consumers in those markets where it is otherwise likely that competition concerns would occur.[37]

97. The Notifying Parties submit that […]% of the synergies that accrue to EMEA customers accrue to EEA customers, in proportion to vehicle sales by volume.[38] The Notifying Parties also estimated which share of each of the synergies apply to LCVs. Taken together, this gives rise to a synergy estimate of EUR […] p.a. for LCV customers in the EEA as of 2031, with somewhat different yearly amounts for the period 2021-2030 as shown in the table below.

Table 8: Claimed synergies for LCVs in the EEA, EUR million

Synergy lever	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	SS
Volume Expansion	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**
Planning/Eng/Mfg	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**
Platforms	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Tophats	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
ICE Convergence	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
xEV Convergence	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Engineering Best of Best	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Manufacturing Efficiencies	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Powertrain Capex	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Modules & Systems	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
CAFx	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Purchasing	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**	**[…]**
Best Price	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]

35 Notifying Parties' reply to RFI 27, Figure 1 and Table 1.
36 Notifying Parties' reply to RFI 27, Figure 1 and Table 1.
37 Horizontal Merger Guidelines, paragraph 79.
38 Notifying Parties' reply to Question 1 of RFI 52.

Synergy lever	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	SS
Vol Effect	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Technical Savings	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
xEV Components	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Indirect	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Supply Chain	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Quality & Warranty	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
SG&A	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Aftermarket	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Used Cars	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Mobility	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
ICT/Digital	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
FinCo	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Tax	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Insurance and Loss Prevention	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Regions	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Total	*[…]*	*[…]*	*[…]*	*[…]*	*[…]*	*[…]*	*[…]*	*[…]*	*[…]*	*[…]*	*[…]*

Source: Reproduced from Notifying Parties' Annex Joint 52 submitted in response to RFI 53.

98. The Notifying Parties have not been able to attribute these efficiencies to specific countries or LCV segments, but submit that the most reasonable estimate is to allocate them in proportion to revenues.

6.2. The Commission's assessment of the efficiency claims

99. In the following paragraphs, the Commission analyses each of the four families of claimed efficiencies in turn. In doing so, the Commission must assess whether each of the alleged synergies meets the three cumulative criteria of verifiability, merger-specificity and benefitting consumers.[39] The following Section 6.3 then considers whether the level of potentially relevant efficiency claims would be sufficient to compensate the anticompetitive potential caused by the Proposed Transaction.

100. *First*, it is necessary to consider the alleged synergies relating to volume expansion. Whilst any such efficiencies would in principle indeed appear to be directly proportional to volumes sold, they have not been substantiated or explained to the requisite standard.[40] Moreover, their merger-specificity has not been demonstrated.[41] The Commission therefore cannot consider these synergies.

101. *Second*, it is necessary to consider the alleged synergies relating to reduced product investments and manufacturing costs. As noted in the previous section, the

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39 Horizontal Merger Guidelines, paragraph 78.

40 For example, to which vehicles and geographies they relate.

41 It has merely been claimed that it follows the same logic as for purchasing efficiencies, which in any case can only partially be considered to be merger specific (see below in the same section). Moreover, the Commission cannot transpose the logic of purchasing conditions to sales or marketing conditions of vehicles. For example, it appears plausible that vehicles could be sold in different geographies under a different brand using a supply agreement with re-badging as is common in the industry (e.g. between PSA and Toyota for Small and Medium LCVs).

Notifying Parties claim that overall EMEA synergies of this type amount to EUR […] (of which EUR […] for LCVs in the EEA), of which […]% are claimed to be merger-specific, while around […]% are expected to reduce marginal costs.

102. The Commission agrees that variable cost reductions that lower the production cost of vehicle manufacturing can be valid pro-competitive efficiencies that benefit consumers, since lower variable costs provide an incentive to compete more aggressively on price. Even so, the Commission is not in a position to accept the specific efficiency claim raised by the Notifying Parties. Indeed, the Notifying Parties have merely asserted, but not substantiated, that a proportion of […]% of the alleged synergies is merger-specific. The synergy submissions do not point out which part of the claimed platform synergies is expected to be merger-specific and which part is not (and why). Even aside from the question whether the claimed estimates are realistic, the Commission is therefore not in a position to verify whether the Proposed Transaction could lead to credible production cost savings. Moreover, the Commission is therefore also not in a position to assess whether any of the variable-cost efficiencies are merger specific, or whether the […]% of variable cost efficiencies relate to those […]% that are not even claimed to be merger-specific. In any case, the claimed efficiencies are extremely limited and far too small to be able to materially affect the balancing undertaken in Section 6.3.[42]

103. *Third*, it is necessary to consider the synergies related to purchasing, which the Notifying Parties estimate to amount to EUR […]. The Commission agrees that lower per-unit purchasing costs for inputs into the production process can be a pro-competitive efficiency, since lower input costs provide an incentive to compete more aggressively on price. One credible source of such efficiencies can be an expected alignment of purchasing costs post-merger. Indeed, it is reasonable to assume that the merged entity will try to renegotiate the inferior of the two prices with its current supplier and that it will threaten to switch all its volumes to the supplier that offers superior terms. Similarly, it appears plausible that larger purchasing volumes may allow the merged entity to negotiate lower prices. While the Notifying Parties have failed to substantiate these efficiencies to the requisite standard,[43] the Commission nonetheless assess which of these efficiencies appear generally plausible, and therefore computes an upper bound to the purchasing efficiencies that the Transaction may give rise to.

104. With respect to merger-specificity, the Notifying Parties claim that they would not be able to achieve the same level of cost savings through a less anti-competitive

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42 […]% (claimed to pertain to marginal costs) of […]% (claimed to be merger specific) of EUR […] (overall claimed amount) would equal EUR […].

43 For example, whether they relate to the exact same parts, which these parts are, and what the price difference is; whether price differences could be explained by the location they are delivered to; whether the parts are sold by the same supplier; if not, whether the Party using the more expensive supplier has certified or homologated the less expensive supplier; and whether the price difference may be due to contracts having been concluded at different points in time.

agreement.[44] This argument appears valid for parts (i) and (iii) of the claimed efficiencies (aligning purchasing prices to the lower of the two prices paid by each of the Parties (EUR […]) and converging on the best technical solutions (EUR […])), as these require sharing confidential contractual information and know-how/IP, respectively. However, it cannot be accepted for part (ii) of the claim (a further price reduction due to increased purchasing volumes of EUR […]), as volumes could in principle also be increased through a JV, supply agreement or purchasing alliance. The Notifying Parties provide no argument or evidence why such an alternative would not be possible. As regards part (iv) (cost savings on EV-components of EUR […]), the Notifying Parties have failed to explain how the EV-related efficiencies are split between best-price and volume expansion effects. For the sake of argument, the Commission considers the case where the same proportion of EV-related efficiencies are related to best-price alignment as for the ICE-related efficiencies, and may therefore be merger-specific, which would correspond to EUR […].[45] Finally, the Notifying Parties claim indirect purchasing efficiencies without explaining or substantiating them further, which the Commission can therefore not take into account.

105. At most, the Transaction could therefore be expected to give rise to approx. EUR […] of purchasing efficiencies in the steady state.[46]

106. *Fourth*, it is necessary to consider the synergies related to SG&A, finance and other functions. Of the claimed synergies, only the following eight efficiencies are claimed to relate at least partly to variable cost savings: financial, supply chain, quality, aftermarket, used cars, mobility, tax and insurance. Of these, only the aftermarket and used cars efficiencies have been plausibly substantiated as regards their merger-specificity, as none of the other types of agreement that are common in the industry, other than a merger, would lead the Parties to combine these functions. For the financial services and logistics (supply chain) efficiencies, it is simply claimed that they would be significantly reduced in case of a less anti-competitive agreement. However, the supply chain efficiencies, in particular, would appear to be implementable through a JV or supply agreement, as is common practice in the industry. The financial efficiencies in turn accrue mostly only after […], and the Notifying Parties have not demonstrated their merger-specificity in any event. The remaining four types of efficiencies have not been substantiated or explained at all, nor assessed in terms of their merger-specificity. Therefore, the Commission considers that at most the aftermarket and used cars efficiencies could potentially constitute efficiencies. They amount to EUR […] respectively p.a. in the steady state, for LCV customers in the EEA.

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44 Notifying Parties' reply to RFI 27, paragraph 28; and "Additional submission of the Parties on synergies of 3 July 2020", Section 3.2.2.

45 For ICE vehicles, the Notifying Parties claim EUR […] p.a. for best-price and EUR […] p.a. for the volume effect. Applying this split to the EUR […] of EV components would give rise to EUR […] of best-price effect for EV components.

46 EUR […] (difference due to rounding).

107. *Finally*, the following table summarises the potentially admissible efficiencies on a yearly basis for the period 2021-2030 and the steady state in the most favourable scenario.

Table 9: Total potentially admissible efficiencies (EUR million p.a.)

Potential Efficiency	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	SS
Volume Expansion	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Planning/Eng/Mfg	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Purchasing	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Best Price	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Technical Savings	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
xEV Components	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Others	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Aftermarket	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Used Cars	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]	[…]
Total	***[…]***	***[…]***	***[…]***	***[…]***	***[…]***	***[…]***	***[…]***	***[…]***	***[…]***	***[…]***	***[…]***

Source: Commission calculation based on Notifying Parties' data.

6.3. Comparison of efficiency claims and likely anti-competitive effects

108. As the Parties' combined LCV revenues in the EEA are EUR […] p.a., one can convert the above-mentioned efficiencies from Euros into a percentage of price. For simplicity, we compute an average for the period 2021-2025, and a separate average for the (almost) steady state as of 2026.[47] Throughout, the Commission assumes for simplicity that revenues remain constant during this period (which is conservative, as increasing revenues in line with inflation or economic growth would decrease the efficiencies as a percentage of revenues).

Table 10: Average annual efficiency potential as a percentage of revenues

	2021-2025	SS from 2026
Efficiencies (EUR million)	[…]	[…]
Revenues (EUR million)	[…]	[…]
Efficiencies (% of revenues)	[…]%	[…]%

Source: Commission calculation based on Notifying Parties' data.

109. Whether a given level efficiencies is sufficient to compensate for the upward pricing pressure caused by a transaction can be quantitatively assessed with CMCRs. As discussed above, CMCRs measure the level of marginal cost efficiencies that would be necessary to prevent upward pricing pressure.

110. By subtracting the level of efficiencies from the CMCRs, one can compute CMCRs net of synergies for each market (which is a measure of net upward pricing

47 As regards the first five years, this presentation is highly favourable to the Parties as the efficiencies only ramp up over time. As regards the steady state, the variation is minimal and we use the intermediate value of EUR […].

pressure). If these net CMCRs are positive, a merger is expected to harm consumers. If it is negative, a merger is expected to benefit consumers.

111. As it turns out, net CMCRs are positive in a large proportion of markets even using the hypothetical maximum level of potential efficiencies that might be generated by the Transaction (as derived in Section 6.2 above).

112. Specifically, the following table reports all markets whose size exceeds 1000 units, where the Parties' combined market share exceeds 30%, and the Net CMCR from 2026 is positive.

Table 11: Net static price effects

		Net CMCR 2021-25 – based on:			Net CMCR from 2026 – based on:		
Seg.	**Ctry.**	**Shares**	**DRs**	**Min**	**Shares**	**DRs**	**Min.**
S	BE	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	CR	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	CY	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	CZ	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	EE	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	FR	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	GR	[5-10]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	HU	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	IT	[0-5]%	[5-10]%	[5-10]%	[0-5]%	[5-10]%	[5-10]%
S	LV	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	LI	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	LU	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	MT	[5-10]%	[5-10]%	[5-10]%	[5-10]%	[5-10]%	[5-10]%
S	PL	[5-10]%	[5-10]%	[5-10]%	[5-10]%	[0-5]%	[0-5]%
S	PT	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	SK	[5-10]%	[5-10]%	[5-10]%	[5-10]%	[0-5]%	[0-5]%
S	SI	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
S	ES	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
M	GR	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
M	IT	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
M	LU	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
M	SK	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	AT	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	BE	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	CR	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	CZ	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	EE	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%

		Net CMCR 2021-25 – based on:			Net CMCR from 2026 – based on:		
Seg.	**Ctry.**	**Shares**	**DRs**	**Min**	**Shares**	**DRs**	**Min.**
L	FR	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	GR	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	HU	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	IT	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	LU	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	NO	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	PL	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	SK	[5-10]%	[5-10]%	[5-10]%	[0-5]%	[5-10]%	[0-5]%
L	SI	[0-5]%	[5-10]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
L	ES	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%

Source: Commission calculation based on Parties' data.
Notes: The table shows CMCRs based on market shares, based on diversion ratios, and the minimum (lower of the two), as in the previous table. Efficiencies have been subtracted assuming that they are distributed across segments and countries in proportion to revenues, as the Parties were not able to provide synergy estimates by country and segment.

113. Even under the most favourable assumptions on efficiencies, the Transaction could therefore be expected to lead to positive net static price effects of up to [5-10]% in Small LCVs (Italy), up to [0-5]% in Medium LCVs (Italy) and up to [0-5]% in Large LCVs (Slovakia).

114. Moreover, even under the most favourable assumptions on efficiencies, the Transaction would lead to positive net static price effects in each of the nine Small LCV markets in which the Transaction, as notified, raised serious doubts.[48]

115. It must once again be noted that the Parties have not substantiated these efficiencies to the requisite standard.

7. RESPONSE TO THE PARTIES' ARGUMENTS IN THEIR REPLY TO THE ART. 6(1)(C) DECISION

116. This section addresses the Notifying Parties' economic arguments regarding the more quantitative aspects of market definition, closeness of competition and static price effects. The other arguments, including in particular the detailed country-by-country assessment of Section 6 of the Reply, are addressed in the main body of this Decision.

[48] The list of markets in which the Transaction, as notified, raised serious doubts does not correspond to those markets with the highest estimated pricing pressure, as the Commission must undertake an overall assessment also taking into account other factors, such as responses to the market investigation or out-of-market constraints in Medium and Large LCVs from other countries.

117. As regards product market definition, the Notifying Parties presented evidence that there is significant overlap as regards load space and payload between the different LCV segments.[49] However, this analysis suffers from at least two flaws: First, it considers LCVs with any number of seats. It is therefore not surprising that it finds that a Small LCV (with 2 seats) can have more load space than the people-carrier version of a Large LCV with 17 seats, but this does not make the 17-seater a good substitute for a Small 2-seater LCV. Second, it covers the full range of models, rather than focusing on more common models or analysing the percentage of models that falls within a certain range. If this is done (as the Commission has undertaken in Section 2 of this annex), it becomes obvious that the different types of LCVs fall into essentially non-overlapping ranges for the different technical specifications, as shown in Table 3 above.

118. A further demand-side argument put forward by the Notifying Parties is that load space is not mentioned by customers as one of the main reasons for choosing a particular model of new LCV.[50] However, the Notifying Parties fail to explain how this can constitute evidence for demand-side substitutability *across* segments when the hesitation data show that the main alternative considered is usually an LCV of the *same* segment.

119. The Notifying Parties also present arguments regarding supply-side substitution both across segments (for the product dimension) and across countries (for the geographic dimension). As regards the product dimension, the Notifying Parties consider the plant level, rather than the platform and parts level, and find that models of different segments are often produced in the same plants.[51] As regards the geographic dimension, the Parties (rightly) explain that there are no barriers to distributing models produced in one EEA Member State across the entire EEA.[52]

120. First, with respect to the geographic dimension, the Notifying Parties' response fails to explain the persistent heterogeneity in market shares across the EEA, the home advantage of domestic brands, foreign brands' difficulties of expanding in a market with strong domestic players, and the strongly differing national preferences.[53] This being said, the Commission acknowledges the presence of some degree of out-of-market constraints from other countries.

121. Even so, it has to be noted that geographic out-of-market constraints are limited for Small LCVs as the Parties are strong in Small LCVs across the EEA. Such constraints are a much more significant factor for the few Medium and Large LCV markets in which the Parties are strong, given their more moderate shares at EEA-level (and the corresponding presence of several strong competitors in these segments).

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49 Notifying Parties' reply to the Art. 6(1)(c) Decision, Table 2 at paragraph 21.
50 Notifying Parties' reply to the Art. 6(1)(c) Decision, Section 1.2.2.
51 Notifying Parties' reply to the Art. 6(1)(c) Decision, Section 1.2.1.
52 Notifying Parties' reply to the Art. 6(1)(c) Decision, Section 1.1.
53 See e.g., Market Definition Notice, paragraphs 28 and 46.

122. Second, with regard to the product dimension, as discussed in more detail in the body of this Decision, production in the same plant is not the relevant criterion to assess supply-side substitutability, as the ease and cost of switching instead depends on the parts and machinery used, i.e. on the platform and production line.

123. As regards the competitive assessment, and more specifically closeness of competition, the Notifying Parties start from the mistaken premise that the relevant question for competitive effects is whether the Parties are each other's "closest" competitors.[54] For the determination of competitive effects, however, the relevant question is not whether the merging Parties are "closest" competitors in a relative sense, but whether they are close competitors in an absolute sense.[55]

124. The Merging Parties moreover present tables which purportedly show that competitors sell models in the same price range as the Parties. When undertaking this comparison, the Notifying Parties define price ranges which are so wide that the upper bound is often more than twice as large as the lower bound.[56] With such wide price ranges, it is therefore not surprising to find that there is some degree of overlap with rivals in the same category. Moreover, the Commission's analysis of means, medians and lowest available prices of different OEMs in Section 4.3 shows that Dacia is substantially cheaper than the merging parties while Volkswagen and Daimler (to the extent data are available) are substantially more expensive. In addition, as discussed in Section 4.3.2, FCA's own mystery shopping data indicate that the Parties' models are each other's closest-priced Small LCV competitors in […]. This being said, the Commission agrees that Ford and Renault often charge similar prices as the Parties. However, as evidenced by both market shares and diversion ratios, this does not take away the fact that switching between the Merging Parties makes up a substantial proportion of the relevant competitive interaction in these markets.

125. On static price effects, the Notifying Parties argue that the GUPPIs and CMCRs presented in the Article 6(1)(c) Decision for LCVs overall (up to 3.5t excluding pick-ups) are modest and do "not support the proposition that the Transaction would result in a SIEC". They point out that this is due to the "moderate contribution margins" observed in the industry.[57]

126. The Commission disagrees with this argument. First, even "small" percentage price increases in this industry would easily add up to hundreds of millions of euros consumer harm. Second, as shown in Section 6 of this annex, the upward pricing pressure caused by the Proposed Transaction exceeds potential pro-competitive effects by a large degree. Third, the hypothetical "all LCVs" market proposed by the

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54 Notifying Parties' reply to the Art. 6(1)(c) Decision, Section 3.

55 See to this effect the example in paragraph 54 above and more generally Valletti and Zenger (2020) (showing that measures of price effects generally depend on the absolute level of diversion ratios rather than on the size of diversion ratios relative to other competitors).

56 Notifying Parties' reply to the Art. 6(1)(c) Decision, Tables 17 through 20 at paragraph 197.

57 Notifying Parties' reply to the Art. 6(1)(c) Decision, paragraph 259.

Notifying Parties (and indeed considered in the static price effect analysis of the Art. 6(1)(c) Decision) does not properly reflect the competitive interaction in these markets. As shown in Section 5 above, the potential price effects of the Proposed Transaction are considerably larger once one focuses on the relevant product market of Small LCVs. Finally, the fact that the automotive industry, compared to many other industries, appears to be a high-volume industry with moderate margins, rather than a highly-specialised niche industry with low volumes and higher margins, does not mean that a merger between two large, close competitors cannot cause significant consumer harm. For one thing, LCV margins are similarly high as, if not higher than, in those of passenger cars. Moreover, closeness of substitution between the Parties (as measured by diversion ratios) is exceptionally high in this case. It is therefore not surprising that standard measures of competitive effects show a significant anticompetitive potential.

127. Finally, the Reply raises three technical points of criticism against the estimated price effects, which shall be addressed in turn:[58]

    a. First, it claims that for those countries for which hesitation data are not available, the Commission should apply the *lowest*, rather than the *average*, ratio of implied to actual market shares observed for the big-5 countries for which data are available.[59] In response to this argument, the Commission, in this Decision, decided to follow the very conservative approach of considering the lower of two measures, for each of the GUPPI and CMCR, for those countries for which hesitation data are not available: (i) the price effects if diversion occurred in proportion to market shares; and (ii) the price effects if diversion occurred as per the hesitation data (using the average ratio of implied to actual market shares, applied to the market shares of the respective country). The big-5 countries together account for approx. 70% of the LCV market, and reflect a broad range of different markets, including markets where both Parties are foreign brands and each Party's home market. If anything, the Parties' home markets are over-represented (as none of the smaller markets are either Party's home market), and such markets where a domestic brand competes against a foreign brand are likely to be those where the Parties compete less closely (including in particular France, where there is another domestic competitor), relative to their market shares. There is therefore no reason to believe that this large and diverse sample of countries poorly represents the degree of closeness between the Parties, let alone to believe that closeness from a particular one of these countries (the one where the Parties compete least closely, as proposed by the Notifying Parties) would be a better proxy for closeness in any of the other, smaller markets.

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58 Notifying Parties' reply to the Art. 6(1)(c) Decision, paragraphs 265-271.

59 Quoting the same Judgment T-399/16 requiring a "high degree of probability" in support of this claim.

b. Second, the Reply rightly observes that the analysis does not take efficiencies into consideration. This was not feasible at the stage of the Article 6(1)(c) Decision, as the Parties had not substantiated any efficiency claims at that stage of the investigation, but is addressed in Section 6 of this Annex.

c. Third, it rightly observes, as indeed has been made clear in the Article 6(1)(c) Decision itself, as well as in the present Decision and in this Annex, that the estimates do not account for dynamic effects. As explained in Section 5 above, GUPPIs and CMCRs are measures of *static* price effects, which by design do not take into account dynamic effects, but, as described above, these measures are nonetheless well-established in the case law, and their underlying principles feature prominently in the guidelines. Dynamic effects are carefully considered and assessed in the section on competitive assessment in the body of this Decision.

8. REMEDY ASSESSMENT

128. While a more complete assessment of the remedy is undertaken in the main body of the Decision, this section makes some brief comments regarding the considerations of economic incentives that motivated the acceptance of this set of remedies despite its non-structural nature.

129. First, as regards the supply agreement with Toyota, this can be thought of as a quasi-structural remedy giving access to a part of a production facility. It is expected to strengthen Toyota from [0-5]% market share in 2019 to approx. [5-10]% (and in fact up to [10-20]% including the previously agreed volumes that are not remedy-specific) from 2025, if it takes all volumes offered and the market size remains constant. While the supply agreement of approx. […] vehicles falls somewhat short of the sum of the overlaps across all EEA member states of approx. […] units, it substantially exceeds the aggregate overlap across the nine SIEC-countries of approx. […] units. Overall, this remedy will allow the creation of a competitor who would, together with the volumes it had contracted pre-Transaction, reach an EEA-wide size comparable to that of FCA. This competitor will be able to constrain the merged entity, in addition to the remaining large competitors such as Renault and Ford. Its model will be technically identical to those of PSA, meaning that it can be expected to be a close competitor,[60] benefitting moreover from Toyota's excellent brand reputation and recognition, as well as its extensive service network in all EEA

60 This is also confirmed by the disproportionately strong constraint that Toyota exerts upon PSA in Medium LCVs, relative to its more moderate market share in that segment: In the big-5 countries on average, [5-10]% of PSA's customers would switch to Toyota as their main alternative, compared to only [0-5]% expected purely based on its market share. Also in France and Italy, the only countries out of the nine countries for which the Transaction, as originally notified, raised serious doubts in respect of Small LCVs for which hesitation data are available, the diversion ratio based on hesitation data exceeds that which would be implied by its moderate market share: [0-5]% cf. [0-5]% in Italy and [5-10]% cf. [0-5]% in France. This constitutes evidence that a Toyota-branded LCV manufactured by PSA on its own platform exerts a disproportionately strong constraint on PSA.

member states. In addition, Toyota will benefit from reduced prices equal to PSA's own cost of production for marginal units. Finally, the reduction in the price Toyota has to pay for spare parts and accessories should allow it to compete more vigorously on the new vehicle price, earning profits in the aftermarket instead, as is common practice in the industry. Even if Toyota were to struggle to sell to some of the largest and most sophisticated fleet customers who are able to negotiate particularly large discounts thanks to their buyer power, these customers can in any case more easily play the remaining competitors against each other using tenders. These customers are therefore less likely to be adversely affected by the Transaction. A positive consequence of such a situation would be that Toyota may have more vehicles available (and be incentivised to compete even more fiercely) for all other (smaller) customers, who are more likely to be harmed by market concentration. As regards the geographic distribution of sales, Toyota would be able to redirect large volumes far exceeding the increment to any specific country if the merged entity were to increase prices in any one country. Toyota's sales of Medium LCVs, which take place throughout the EEA and are particularly high in some of the more problematic countries in Southern Europe and CEE,[61] are a further indicator that Toyota's brand enjoys a good reputation in all of the countries in which the Transaction, as originally notified, would have given rise to a SIEC.

130. Regarding the second leg of the remedy, the easing of restrictions on official repairers, this can be thought of as an access remedy lowering the barriers to entry and expansion. This is likely to benefit at least two categories of (potential) competitors: on the one hand, established players who may not have as dense maintenance networks in some of the rural areas of the SIEC-countries in which they are less strong than the Parties, in particular Italy and France; and, on the other hand, new entrants, both electric and conventional, who have no maintenance network at all but may have significant scale (the other main barrier to entry) thanks to sales in their home region. Moreover, by reducing wasteful duplication of resources, it may help to directly bring down the cost of maintenance and servicing in the industry overall.

131. The remedy, together with other factors such as out-of-market constraints from other EEA member states, the presence of two to three remaining large competitors with some spare capacity, and the plausible efficiencies, therefore renders this Transaction compatible with the Single Market.

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61 In 2019 in Medium LCVs, Toyota achieved market shares of [10-20]% in Czechia, [10-20]% in Greece, [10-20]% in Lithuania, [10-20]% in Poland, [5-10]% in Portugal and [5-10]% in Slovakia, compared to [0-5]% in the EEA as a whole. This constitutes evidence that Toyota enjoys a particularly good brand reputation in these countries, in which the Transaction, as originally notified, raised serious doubts in respect of Small LCVs.

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Dated 27 October 2020



Fiat Chrysler Automobiles N.V.

and



Peugeot S.A.

CASE NO. COMP/M.9730 – FCA / PSA

Commitments to the European Commission

[…] […]

CASE NO. COMP/M.9730 – FCA / PSA
Commitments to the European Commission

Pursuant to Articles 8(2) and 10(2), of Council Regulation (EC) No. 139/2004 (the "**Merger Regulation**"), Peugeot S.A. ("**PSA**") and Fiat Chrysler Automobiles N.V. ("**FCA**") (the "**Parties**") hereby enter into the following Commitments (the "**Commitments**") vis-à-vis the European Commission (the "**Commission**") with a view to rendering the contemplated combination of the two automotive companies PSA and FCA, through the merger of PSA with FCA, as provided for by the Combination Agreement of 17 December 2019 as amended on 14 September 2020 (the "**Concentration**") compatible with the internal market and the functioning of the EEA Agreement.

This text shall be interpreted in the light of the Commission's decision pursuant to Article 8(2) of the Merger Regulation to declare the Concentration compatible with the internal market and the functioning of the EEA Agreement (the "**Decision**"), in the general framework of European Union law, in particular in the light of the Merger Regulation, and by reference to the Commission Notice on remedies acceptable under Council Regulation (EC) No 139/2004 and under the Commission Regulation (EC) No 802/2004.

Section A. Definitions

1. For the purpose of the Commitments, the following terms shall have the following meaning:

Affiliated Undertakings: undertakings controlled by the Parties and/or by the ultimate parents of the Parties, whereby the notion of control shall be interpreted pursuant to Article 3 of the Merger Regulation and in the light of the Commission Consolidated Jurisdictional Notice under Council Regulation (EC) No 139/2004 on the control of concentrations between undertakings.

BEV: battery electric vehicle.

Confidential Information: any business secrets, know-how, commercial information, or any other information of a proprietary nature that is not in the public domain.

Conflict of Interest: any conflict of interest that impairs the Monitoring Trustee's objectivity and independence in discharging its duties under the Commitments.

Effective Date: the date of adoption of the Decision.

FCA Repairers: authorised repairers in FCA's repair and maintenance network for LCVs (whether or not they also service FCA's PCs).

ICE: internal-combustion engine.

K9 Agreement: the K9 Product Cooperation Framework Agreement entered into by PSA Automobiles S.A. and TME on […] for the development, manufacture and supply of, in particular, small-compact LCVs, both ICE and BEV versions, manufactured by PSA on its EMP2 (K9) platform in its Vigo plant and which are to be marketed by Toyota as the Toyota ProAce City.

K9 LCVs: small-compact LCVs, in ICE and/or BEV versions, that are manufactured by PSA on its EMP2 (K9) platform under the K9 Agreement and Supplementary Addendum Agreement.

LCV: light commercial vehicles.

LCV Repair and Maintenance Agreements: (a) agreements entered into between (i) FCA or its Affiliated Undertakings, FCA's authorised dealers and/or FCA's importers and (ii) repairers, by which the repairers become authorised repairers in FCA's repair and maintenance network for LCVs and (in the case of primary repairers) suppliers of FCA spare parts; and (b) agreements entered into between (i) PSA or its Affiliated Undertakings and/or PSA's importers and (ii) repairers, by which the repairers become authorised repairers in PSA's repair and maintenance network for LCVs, it being noted that currently PSA's PC Repair and Maintenance Agreements and LCV Repair and Maintenance Agreements are in the same contracts.

Monitoring Trustee: one or more natural or legal person(s), who is/are approved by the Commission and appointed by the Parties, and who has/have the duty to monitor the Parties' compliance with the conditions and obligations attached to the Decision.

New Standards: terms to be incorporated into the LCV Repair and Maintenance Agreements and/or PC Repair and Maintenance Agreements (as applicable) in order for the LCV Repair and Maintenance Agreements and PC Repair and Maintenance Agreements to comply with the principles set out in paragraphs 34 and 38 respectively.

PC: passenger car.

PC Repair and Maintenance Agreements: (a) agreements entered into between (i) FCA or its Affiliated Undertakings, FCA's authorised dealers and/or FCA's importers and (ii) repairers, by which the repairers become authorised repairers in FCA's repair and maintenance network for PCs and (in the case of primary repairers) suppliers of FCA spare parts; and (b) Repair and Maintenance agreements to be amended between (i) PSA or its Affiliated Undertakings and/or PSA's importers and (ii) repairers, by which the repairers will become authorised repairers in PSA's repair and maintenance network for PCs only.

PSA Automobiles S.A.: a company established in accordance with the laws of France, having its registered office at 2-10 boulevard de l'Europe, 78300 POISSY, France, registered at the Versailles Register of Companies under the number B 542 065 479.

PSA Repairers: authorised repairers in PSA's repair and maintenance network for PCs and LCVs (currently covered in a single Repair and Maintenance agreement) including Opel dealers which have a single sales and service agreement for PCS and LCVs.

Repairers: FCA Repairers and PSA Repairers.

TME: Toyota Motor Europe NV/SA, a company duly established and validly existing under the laws of Belgium with its registered office at Avenue du Bourget 60, 1140 Brussels, Belgium and approved by the Commission as the acquirer of the K9 LCVs under the Supplementary Addendum Agreement with PSA Automobiles S.A.

Schedule(s): the schedules (1, 2 or 3) to these Commitments.

Small Repair Shop: a repair shop that is less than 360 square metres in size and which has a single workshop entrance.

Supplementary Addendum Agreement: the agreement signed on 18 September 2020 between PSA Automobiles S.A. and TME as defined in Section B.

Section B. The commitments

Section B.1 Commitment to expand PSA's existing cooperation with TME in relation to small-compact LCVs

2. On […], PSA Automobiles S.A. and TME entered into the K9 Agreement under which PSA agreed to allocate to TME a share of its K9 vehicle production capacity for sale under the Toyota brand.

3. In order to maintain effective competition in the EEA, the Parties commit to make available to TME, in addition to the annual production capacity foreseen in the K9 Agreement, the supplementary annual production capacity for K9 LCVs specified in paragraph 4 at the conditions set out in paragraphs 5 and 6.

4. PSA will make available to TME a supplementary annual production capacity for up to […] K9 LCVs, to be added to the […] K9 LCVs already currently supplied by PSA to TME under the K9 Agreement. The supplementary annual production capacity will enable TME to reach a total volume of up to […] K9 LCVs until July 2030.

5. More precisely, the supplementary annual production capacity of up to […] K9 LCVs made available to TME under these Commitments will be subject to the following main conditions:

(a) From the entry into force of the Supplementary Addendum Agreement until the expiration of that agreement in July 2030:

(i) A first additional portion of […] units of the ICE version of the K9 LCVs will be offered to TME at a […]€ discount on the pre-agreed transfer price under the K9 Agreement and […] units of the BEV version of the K9 LCVs will be offered to TME at a […]€ discount on the pre-agreed transfer price under the K9 Agreement;

(ii) A second additional portion of […] units of the ICE version of the K9 LCVs and […] units of the BEV version of the K9 LCVs offered to TME at a […]€ discount on the pre-agreed transfer price under the K9 Agreement.

(b) From 1 January 2025 to the expiration of the Supplementary Addendum Agreement in July 2030:

(i) A third additional portion of […] K9 LCVs, […] of which will be comprised of the BEV version, will be offered to TME at a […]€ discount on the pre-agreed transfer price under the K9 Agreement.

6. […][1] […].

7. […].[2] […].

8. In addition, the Parties commit to grant TME an increased discount on the service parts and accessories relating to the three abovementioned additional portions of K9 LCVs:

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1 […].
2 […].

(a) For service parts, PSA will grant TME a […] discount on the retail list price referenced in the K9 Agreement,[3] on the sales of K9 and K0 service parts: above €[…] for year 2021, above €[…] for year 2022, above €[…] for year 2023, above €[…] for year 2024 and above €[…] for year 2025 until the expiration of the Supplementary Addendum Agreement in […];[4]

(b) For accessories, PSA will grant TME a […] discount on the retail list price referenced in the K9 Agreement,[5] on the sales of K9 accessories above €[…].

9. On 18 September 2020 PSA Automobiles S.A. and TME entered into a Supplementary Addendum Agreement which modifies the K9 Agreement in order to make available to TME the supplementary annual production capacity for K9 LCVs specified in paragraph 4 at the conditions set out in paragraphs 5 and 6.

Fast Track Dispute Resolution Procedure

10. In the event that TME claims that the Parties are failing to comply with their obligations arising from these Commitments, TME may invoke the dispute settlement procedure described in the following paragraphs.

11. TME shall notify the Parties and the Monitoring Trustee of its request in writing and specify the reasons why it believes that the Parties are failing to comply with the Commitments. The Parties shall use their best efforts to resolve all differences of opinion and to settle all disputes of which it has been notified through co-operation and consultation within a reasonable period of time, not to exceed fifteen working days after receipt of the request.

12. The Monitoring Trustee shall present its own proposal for resolving the dispute within eight working days, specifying in writing the action, if any, to be taken by the Parties to ensure compliance with the Commitments vis-à-vis TME, and be prepared, if requested, to facilitate the settlement of the dispute.

13. Should TME and the Parties fail to resolve their differences of opinion through cooperation and consultation, TME may initiate the arbitration process described below. The arbitration process shall be used only to resolve disputes regarding compliance with the Commitments.

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3 Average for the following main countries: France, Germany, Spain, Italy.

4 These thresholds are calculated taking into account the sales of service parts to TME for both K0 and K9 vehicles, because for service parts PSA is not able to distinguish between K0 and K9 vehicles.

5 Average for the following main countries: France, Germany, Spain, Italy.

14. To initiate the arbitration process, TME shall give written notice to the Parties nominating an arbitrator and stating the specific nature of the claim, the factual basis of its position and the relief requested. The Parties shall appoint another arbitrator within 14 calendar days after receipt of the written notice. The arbitrators so appointed shall appoint a third arbitrator to be president of the arbitral tribunal within seven calendar days after both arbitrators have been nominated. Such third arbitrator shall not be a citizen of Japan, Belgium or France. Should the Parties fail to nominate an arbitrator, or if the two arbitrators fail to agree on the president, the default appointment(s) shall be made by the International Chamber of Commerce ("ICC").

15. The three-person arbitral tribunal shall herein be referred to as the "Arbitral Tribunal".

16. The dispute shall be finally resolved by arbitration under the ICC Rules of Arbitration, with such modifications or adaptations as foreseen herein (the "Rules"). The arbitration shall be conducted in Paris, France in the English language.

17. The procedure shall be a fast-track procedure. For this purpose, the Arbitral Tribunal shall shorten all applicable procedural time-limits under the Rules as far as appropriate in the circumstances.

18. The Arbitral Tribunal shall, as soon as practical after the confirmation of the Arbitral Tribunal, hold an organisational conference to discuss any procedural issues with the parties to the arbitration. Terms of reference shall be drawn up and signed by the parties to the arbitration and the Arbitral Tribunal at the organisational meeting or thereafter and a procedural time-table shall be established by the Arbitral Tribunal. An oral hearing shall, as a rule, be established within two months of the confirmation of the Arbitral Tribunal.

19. In order to enable the Arbitral Tribunal to reach a decision, it shall be entitled to request any relevant information from the Parties and/or their Affiliated Undertakings or TME, to appoint experts and to examine them at the hearing, and to establish the facts by all appropriate means. The Arbitral Tribunal is also entitled to ask for assistance by the Monitoring Trustee in all stages of the procedure if the parties to the arbitration agree.

20. The arbitrators shall agree in writing to keep any confidential information and business secrets disclosed to them in confidence. The Arbitral Tribunal may take the measures necessary for protecting confidential information in particular by restricting access to confidential information to the Arbitral Tribunal, the Monitoring Trustee and outside counsel and experts of the opposing party.

21. The burden of proof in any dispute governed under the Rules shall be as follows:

(a) TME must produce evidence of a prima facie case;

(b) if TME does so, the Arbitral Tribunal must find in favour of TME unless the Parties can produce evidence to the contrary.

22. The Commission shall be allowed and enabled to participate in all stages of the procedure by:

(a) receiving all written submissions (including documents and reports, etc.) made by the parties to the arbitration;

(b) receiving all orders, interim and final awards and other documents exchanged by the Arbitral Tribunal with the parties to the arbitration (including terms of reference and procedural time-table);

(c) filing any Commission amicus curiae briefs; and

(d) being present at the hearing(s) and being allowed to ask questions to parties, witnesses and experts.

23. The Arbitral Tribunal shall forward, or shall order the parties to the arbitration to forward, the documents mentioned to the Commission without delay.

24. In the event of disagreement between the parties to the arbitration regarding the interpretation of the Commitments, the Arbitral Tribunal shall inform the Commission, and seek the Commission's interpretation of the Commitments before finding in favour of any party to the arbitration and shall be bound by the Commission's interpretation.

25. The Arbitral Tribunal shall decide the dispute on the basis of the Commitments and the Decision. The Commitments shall be construed in accordance with the Merger Regulation, EU law and general principles of law common to the legal orders of the Member States without a requirement to apply a particular national system. The Arbitral Tribunal shall take all decisions by majority vote.

26. Upon request of TME, the Arbitral Tribunal may make a preliminary ruling on the dispute. The preliminary ruling shall be rendered within one month after the confirmation of the Arbitral Tribunal, shall be applicable immediately and, as a rule, remain in force until a final decision is rendered.

27. The Arbitral Tribunal shall, in the preliminary ruling as well as in the final award, specify the action, if any, to be taken by the Parties to comply with the Commitments vis-à-vis TME. The final award shall be final and binding on the parties to the arbitration and shall resolve the dispute and determine any and all claims, motions or requests submitted to the Arbitral Tribunal. The arbitral award shall also determine the reimbursement of the costs of the successful party and the allocation of the arbitration costs. In case of granting a preliminary ruling or if otherwise appropriate, the Arbitral Tribunal shall specify that terms and conditions determined in the final award apply retroactively.

28. The final award shall, as a rule, be rendered within three months after the confirmation of the Arbitral Tribunal. The time-frame shall, in any case, be extended by the time the Commission takes to submit an interpretation of the Commitments if asked by the Arbitral Tribunal.

29. The parties to the arbitration shall prepare a non-confidential version of the final award, without business secrets. The Commission may publish the non-confidential version of the award.

30. Nothing in the above-described arbitration procedure shall affect the powers of the Commission to take decisions in relation to the Commitments in accordance with its powers under the Merger Regulation and the Treaty on the Functioning of the European Union.

Section B.2 Commitment to facilitate access for third-party original equipment manufacturers ("OEMs") to FCA and PSA's repair and maintenance networks for LCVs

31. In order to maintain effective competition, subject to paragraph 33 below, the Parties commit to (i) amend their respective LCV Repair and Maintenance Agreements in order to comply with the principles set out in paragraph 34 below in accordance with paragraphs 40 and 41 of these Commitments and (ii) refrain from taking any action with respect to their LCV Repair and Maintenance Agreements or via any other means that could directly or indirectly impede, reduce or somehow limit the ability or incentives of Repairers to become authorised repairers for other OEMs' LCV brands.

32. In addition, the Parties commit to ensure that any new LCV Repair and Maintenance Agreements entered into after the closing of the Concentration comply with the principles set out in paragraph 34 below in accordance with paragraphs 40 and 41 of these Commitments.

33. The Commitments set out in paragraphs 31 and 32 above apply only with respect to repair shops located in Belgium, the Czech Republic, France, Greece, Italy, Lithuania, Portugal, Poland and Slovakia.

34. The Parties' LCV Repair and Maintenance Agreements shall:

(a) not require Repairers to obtain prior approval, from either or both Parties, to become an authorised repairer for another OEM's LCV brand, provided that the Parties may still require Repairers to provide prior notice of such a change without requiring them to provide additional information / elements;

(b) not require Repairers to obtain prior approval, from either or both Parties, to change the location of their LCV repair shops, provided that the Parties may still require Repairers to provide prior notice of such a change without requiring them to provide additional information / elements;

(c) not prohibit Repairers from using any tooling and equipment acquired by the Repairer – including tooling and equipment acquired with financial support provided by the Parties – to service third-party branded LCVs, provided this does not infringe the Parties' proprietary and intellectual property rights;

(d) limit corporate identity requirements to the minimum identification standard, without any specific brand requirements regarding furniture, colours and materials, floor, wall, ceiling and lighting;

(e) require only signage and logos of the same size as the other brands (with no requirement that the PSA or FCA brand signage and logos be displayed in a more visible form than third-party brands), and neutral colours (outside and inside the premises);

(f) not require Repairers to remove other brands' signage and logos, provided the Parties' requirements relating to the display of the Parties' signage and logos are complied with;

(g) have a minimum workshop area requirement of 80 square metres (including two working areas) which shall not be required to be dedicated to PSA and FCA LCV repair activity;

(h) not require Repairers to have a reception area dedicated to PSA or FCA LCV customers;

(i) not require Repairers to have an entrance dedicated to PSA or FCA LCV customers;

(j) not require Repairers to have a reception desk dedicated to PSA or FCA LCV customers, provided that the Parties may require signage and logos relating to their brands to be displayed and visible at a shared reception desk;

(k) not require Repairers to have a waiting area dedicated to PSA or FCA LCV customers;

(l) not require Repairers to have a parking area dedicated to PSA or FCA LCV customers;

(m) not require Repairers to have a stock space area dedicated to PSA and FCA branded LCVs, provided that FCA may require its primary repairers (i.e., repairers that are also dealers) to have a warehouse space of at least 50 square metres;

(n) not require Repairers to have staff dedicated or mainly dedicated to PSA and FCA LCV repair activity;

(o) not require Repairers to have any workshop role either exclusively-brand dedicated or principally brand-dedicated, provided that the Parties may require Repairers to have technicians that are trained and certified to service PSA and FCA LCVs (but they can also operate on other brands' LCVs);

(p) not require Repairers to have PSA or FCA branded courtesy cars for PSA or FCA LCV repair activity;

(q) have a reduced subscription fee for LCV technical information; and

(r) not prohibit Repairers from carrying out (joint) advertising with other brands, provided that this does not infringe PSA and FCA's intellectual property rights and does not result in brand confusion.

35. Subject to paragraph 37 below, and solely for the purpose of enabling the Commitment in paragraph 31 to be effective to facilitate access for third-party OEMs to FCA and PSA's repair and maintenance networks for LCVs, the Parties commit to amend their respective PC Repair and Maintenance Agreements to comply with the principles set out in paragraph 38 in accordance with paragraphs 40 and 41 of these Commitments.

36. In addition, subject to paragraph 37 below, and solely for the purpose of enabling the Commitment in paragraph 32 to be effective to facilitate access for third-party OEMs to FCA and PSA's repair and maintenance networks for LCVs, the Parties commit to ensure that any new PC Repair and Maintenance Agreements entered into after the closing of the Concentration comply with the principles set out in paragraph 38 in accordance, to the extent applicable, with paragraphs 40 and 41 of these Commitments.

37. The Commitments in paragraphs 35 and 36 shall apply only with respect to Small Repair Shops for which, due to their limited size, the Commitments in paragraph 31 and 32 respectively would be rendered ineffective if the Repairer was obliged to comply with the existing standards concerning PCs.

38. Subject to paragraphs 35-37 above, the Parties' PC Repair and Maintenance Agreements shall:

(a) not prohibit Repairers from using a single after-sales entrance, with multi-brand identification on a neutral façade, for both LCV and PC customers;

(b) require only signage and logos of the same size as the other brands (with no requirement that the PSA or FCA brand signage and logos be displayed in a more visible form than third-party brands);

(c) not prohibit Repairers from having a multi-branded welcome desk for LCV repair in the same area as the welcome desk for PC repair;

(d) not prohibit Repairers from using the same workshop to service both PCs and LCVs;

(e) not require Repairers to have a waiting area dedicated to PSA or FCA customers;

(f) not require the PC waiting area to be larger than 10 square meters; and

(g) not require Repairers to have a parking area dedicated to PSA or FCA customers.

39. Further details of how the principles set out in paragraphs 34 and 38 above will be implemented in the Parties' LCV Repair and Maintenance Agreements are provided in Schedule 2 and examples of how these principles may be implemented in practice are set out in Schedule 3 (provided for illustration purposes only).

40. FCA will, within […] from the closing of the Concentration, under the supervision of the Monitoring Trustee, and with respect only to repair shops located in the nine Member States identified in paragraph 33:

(a) […];

(b) […]

(c) […].

41. PSA will, within […] from the closing of the Concentration, under the supervision of the Monitoring Trustee:

(a) […];

(b) […];

(c) […].

(i) […];

(ii) […].

(d) […].

(e) […].

42. The Parties shall be deemed to have complied with the Commitments in paragraphs 31 and 35 if they have undertaken all of the steps set out in paragraphs 40 and 41 above within […] from the closing of the Concentration.

43. The Commitments in paragraph 34 and 38 shall apply for a period of 10 years from the Effective Date. For the sake of clarity, non-material modifications to the LCV Repair and Maintenance Agreements and PC Repair and Maintenance Agreements will remain possible without prior approval from the Commission but under the supervision of the Monitoring Trustee.

Section C. Reporting

44. For the Commitment in Section B.1, the Parties shall confirm to the Commission the entry into force of the Supplementary Addendum Agreement no later than 10 days after the closing of the Concentration.

45. For the Commitments in Section B.2, the Parties shall confirm to the Commission no later than 10 days after the period of three months after the closing of the Concentration that it has undertaken the steps mentioned above in paragraphs 40 and 41 of these Commitments.

Section E. Monitoring Trustee

I. Appointment procedure

46. The Parties shall appoint a Monitoring Trustee to carry out the functions specified in these Commitments. The Parties commit not to close the Concentration before the appointment of a Monitoring Trustee.

47. The Trustee shall:

(a) at the time of appointment, be independent of the Parties and their Affiliated Undertakings;

(b) possess the necessary qualifications to carry out its mandate, for example have sufficient relevant experience; and

(c) neither have nor become exposed to a Conflict of Interest.

48. The Trustee shall be remunerated by the Parties in a way that does not impede the independent and effective fulfilment of its mandate.

Proposal by the Parties

49. No later than two weeks after the Effective Date, the Parties shall submit the name or names of one or more natural or legal persons whom the Parties propose to appoint as the Monitoring Trustee to the Commission for approval. The proposal shall contain sufficient information for the Commission to verify that the person or persons proposed as Monitoring Trustee fulfil the requirements set out in paragraph 47 and shall include:

(a) the full terms of the proposed mandate, which shall include all provisions necessary to enable the Monitoring Trustee to fulfil its duties under these Commitments; and

(b) the outline of a work plan which describes how the Monitoring Trustee intends to carry out its assigned tasks.

Approval or rejection by the Commission

50. The Commission shall have the discretion to approve or reject the proposed Monitoring Trustee(s) and to approve the proposed mandate subject to any modifications it deems necessary for the Monitoring Trustee to fulfil its obligations. If only one name is approved, the Parties shall appoint or

cause to be appointed the person or persons concerned as Monitoring Trustee, in accordance with the mandate approved by the Commission. If more than one name is approved, the Parties shall be free to choose the Monitoring Trustee to be appointed from among the names approved. The Monitoring Trustee shall be appointed within one week of the Commission's approval, in accordance with the mandate approved by the Commission.

New proposal by the Parties

51. If all the proposed Monitoring Trustees are rejected, the Parties shall submit the names of at least two more natural or legal persons within one week of being informed of the rejection, in accordance with paragraphs 46 and 50 of these Commitments.

Monitoring Trustee Nominated by the Commission

52. If further proposed Monitoring Trustees are rejected by the Commission, the Commission shall nominate a Monitoring Trustee, whom the Parties shall appoint, or cause to be appointed, in accordance with a Monitoring trustee mandate approved by the Commission.

II. Functions of the Monitoring Trustee

53. The Monitoring Trustee shall assume its specified duties and obligations in order to ensure compliance with the Commitments. The Commission may, on its own initiative or at the request of the Monitoring Trustee or the Parties, give any orders or instructions to the Monitoring Trustee in order to ensure compliance with the conditions and obligations attached to the Decision.

Duties and obligations of the Monitoring Trustee

54. The Monitoring Trustee shall:

(a) propose in its first report to the Commission a detailed work plan describing how it intends to monitor compliance with the obligations and conditions attached to the Decision;

(b) act as a contact point for TME in case of question or issue in relation to the performance of Section B.1 of these Commitments;

(c) monitor the implementation by the Parties of Section B.2 of these Commitments in relation to the LCV Repair and Maintenance Agreements and PC Repair and Maintenance Agreements;

(d) promptly report in writing to the Commission, sending the Parties a non-confidential copy at the same time, if it concludes on reasonable grounds that the Parties are failing to comply with these Commitments;

(e) assume the other functions assigned to the Monitoring Trustee under the conditions and obligations attached to the Decision.

III. Duties and obligations of the Parties

55. The Parties shall provide and shall cause their advisors to provide the Monitoring Trustee with all such co-operation, assistance and information as the Monitoring Trustee may reasonably require to perform its tasks. The Monitoring Trustee shall have full and complete access to any of the Parties' books, records, documents, management or other personnel, facilities, sites and technical information necessary for fulfilling its duties under the Commitments and the Parties shall provide the Monitoring Trustee upon request with copies of any document. The Parties shall make available to the Monitoring Trustee one or more offices on their premises and shall be available for meetings in order to provide the Monitoring Trustee with all information necessary for the performance of its tasks.

56. The Parties shall indemnify the Monitoring Trustee and its employees and agents (each an "**Indemnified Party**") and hold each Indemnified Party harmless against, and hereby agrees that an Indemnified Party shall have no liability to the Parties for, any liabilities arising out of the performance of the Monitoring Trustee's duties under the Commitments, except to the extent that such liabilities result from the wilful default, recklessness, gross negligence or bad faith of the Monitoring Trustee, its employees, agents or advisors.

57. At the expense of the Parties, the Monitoring Trustee may appoint advisors (in particular for corporate finance or legal advice), subject to the Parties approval (this approval not to be unreasonably withheld or delayed) if the Monitoring Trustee considers the appointment of such advisors necessary or appropriate for the performance of its duties and obligations under the Mandate, provided that any fees and other expenses incurred by the Monitoring Trustee are reasonable. Should the Parties refuse to approve the advisors proposed by the Monitoring Trustee the Commission may approve the appointment of such advisors instead, after having heard the Parties. Only the Monitoring Trustee shall be entitled to issue instructions to the advisors. Paragraph 56 of these Commitments shall apply mutatis mutandis.

58. The Parties agrees that the Commission may share Confidential Information proprietary to the Parties with the Monitoring Trustee. The Monitoring Trustee shall not disclose such information and the principles contained in Article 17 (1) and (2) of the Merger Regulation apply mutatis mutandis.

59. The Parties agree that the contact details of the Monitoring Trustee are published on the website of the Commission's Directorate-General for Competition.

60. For the duration of the Commitments as specified in paragraphs 4 and 42, the Commission may request all information from the Parties that is reasonably necessary to monitor the effective implementation of these Commitments.

IV. Replacement, discharge and reappointment of the Monitoring Trustee

61. If the Monitoring Trustee ceases to perform its functions under the Commitments or for any other good cause, including the exposure of the Monitoring Trustee to a Conflict of Interest:

(a) the Commission may, after hearing the Monitoring Trustee and the Parties, require the Parties to replace the Monitoring Trustee; or

(b) the Parties may, with the prior approval of the Commission, replace the Monitoring Trustee.

62. If the Monitoring Trustee is removed according to paragraph 61 of these Commitments, the Monitoring Trustee may be required to continue in its function until a new Trustee is in place to whom the Trustee has effected a full hand over of all relevant information. The new Trustee shall be appointed in accordance with the procedure referred to in paragraphs 46-51 of these Commitments.

63. Unless removed according to paragraph 61 of these Commitments, the Trustee shall cease to act as Trustee only after the Commission has discharged it from its duties after all the Commitments with which the Trustee has been entrusted have been implemented. However, the Commission may at any time require the reappointment of the Monitoring Trustee if it subsequently appears that the relevant remedies might not have been fully and properly implemented.

Section F. The review clause

64. The Commission may further, in response to a reasoned request from the Parties showing good cause waive, modify or substitute, in exceptional circumstances, one or more of the undertakings in these Commitments. This request shall be accompanied by a report from the Monitoring Trustee, who shall, at the same time send a non-confidential copy of the report to the Parties. The request shall not have the effect of suspending the application of the undertaking and, in particular, of suspending the expiry of any time period in which the undertaking has to be complied with.

Section G. Entry into force

65. The Commitments shall take effect upon the date of adoption of the Decision.

Place and date: Paris, 27 October 2020

Signature:

Name/s, and position: […]

On behalf of: Peugeot S.A.

Signature:

Name/s, and position: […]

On behalf of: Peugeot S.A.

Place and date: London, 27 October 2020

Signature:

Name/s, and position: […]

On behalf of: Fiat Chrysler Automobiles N.V.

Schedule I: TME remedy

Supplementary Addendum Agreement

[…]

Schedule II:
Aftersales LCV remedy – Implementation in LCV Repair and Maintenance Agreements

Section A: PSA's LCV Repair and Maintenance Agreements

[…]

Schedule III:
Aftersales LCV remedy – Examples of Implementation in Practice (for illustration purposes only)

[…]