

Completed acquisition of 3G Truck & Trailer Parts Ltd by TVS Europe Distribution Limited

Decision on relevant merger situation and substantial lessening of competition

ME/6851/19

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

SUMMARY

1. On 3 February 2020, TVS Europe Distribution Limited (**TVS EDL**), the holding company of Universal Components (**UC**) acquired the entire issued share capital of 3G Truck & Trailer Parts Ltd (**3G**) (the **Merger**). TVS EDL, including its subsidiary UC, and 3G are together referred to as the **Parties** and, for statements referring to the future, the **Merged Entity**.
2. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of TVS EDL and 3G is an enterprise; that these enterprises have ceased to be distinct as a result of the Merger; and that the share of supply test is met. The four-month period for a decision has not yet expired. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
3. UC is active in the wholesale distribution of a wide range of commercial vehicle and trailer parts (including private label (**PL**) and original equipment supplier (**OES**) parts) to the independent aftermarket (**IAM**) in the UK.
4. Similarly, 3G is active in the wholesale distribution of a wide range of commercial vehicle and trailer parts (including PL and OES parts) to the IAM in the UK.
5. The CMA considered the impact of the Merger against the pre-Merger conditions of competition, with the exception that Truck and Trailer

Components (**TTC**) should no longer be considered a competitor to the Parties going forward, in light of its decision to cease trading imminently. The CMA took into account relevant market developments where appropriate in the competitive assessment.

Overview of the aftermarket for commercial vehicle and trailer parts

6. When a commercial vehicle is under warranty, the operator of that vehicle is likely to have it serviced and repaired by the manufacturer itself or by a member of the manufacturer's network of franchised or authorised service and repair centres (**Authorised Aftermarket**), using Original Equipment Manufacturer (**OEM**) parts. Once the warranty expires, the vehicle operator has the choice of continuing to have the vehicle serviced through the Authorised Aftermarket channel or having it serviced in the IAM.
7. The IAM is concerned with the manufacturing, distribution, retailing and installation of commercial vehicle and trailer parts by independent businesses (ie businesses which are independent from commercial vehicle manufacturers).
8. The Parties overlap in the wholesale supply of commercial vehicle and trailer parts to the IAM in the UK. The Parties supply motor factors which, in turn, supply garages, workshops, fleet operator and service centres. The Parties both supply OES and PL parts, with a majority of their sales constituting PL parts. OES parts carry the original equipment manufacturer's name and are typically functionally identical to OEM parts, although OES parts are usually cheaper and may be packaged differently (while OEM parts typically carry the vehicle manufacturer's name (eg DAF), OES parts' packaging usually bears the parts manufacturer's name (eg Bosch)). PL parts are manufactured on behalf of the wholesaler and usually carry the wholesaler's brand name, although sometimes they are unbranded. PL parts are typically cheaper than both OEM and OES parts.
9. The CMA found that independent wholesalers supplying to the IAM are differentiated and fall into distinct categories:
 - (a) *Wide range wholesalers*: wholesalers stocking spare parts for a large range of product groups. They offer a single point of purchase for customers for multiple product groups, and typically assign a higher priority to features such as service offering and a lower priority to technical knowledge, instead maintaining a broad but technically limited knowledge of general truck and trailer parts. The Parties are both wide range wholesalers.

- (b) *Narrow range wholesalers*: wholesalers stocking spare parts for a smaller number of product groups. For their chosen product groups they typically have a higher degree of technical knowledge and hold a wider range of parts.
- (c) *Niche wholesalers*: wholesalers specialising in the supply of a single product group. They typically place more emphasis on technical knowledge of their chosen product group and stock a greater variety of products within that particular group.
- (d) *Wholesalers that stock parts for specific brands only*: wholesalers who only stock spare parts for particular brands of commercial vehicle or trailer.
10. Some vehicle manufacturers also have an aftermarket arm of their businesses, called 'all makes' programmes. These 'all makes' wholesalers typically do not supply motor factors (ie the Parties' customers). Instead they directly supply garages, workshops, fleet operators and service centres, in competition with motor factors.
11. Both Parties are wide range wholesalers, offering PL and OES parts in a large number of product groups for all commercial vehicle and trailer makes. The CMA found that customers typically do not consider other types of wholesalers (including narrow range, niche, brand-specific and 'all makes') to be close substitutes for wide range wholesalers. The CMA also found that it would be difficult for narrow, niche or brand-specific wholesalers to quickly expand their range to become a wide range wholesaler. The CMA therefore found that the supply of parts by wide range wholesalers constitutes a separate product frame of reference from the supply of parts by other wholesaler types. The CMA considered the 'out-of-market' constraints on the Merged Entity from other types of wholesalers as part of the competitive assessment.
12. The CMA found that the competitive conditions in the UK are different from other jurisdictions. The CMA therefore assessed the impact of the Merger on a UK-wide basis. Within the UK, the CMA found that further segmentation was not appropriate as competitive conditions are the same across the UK.
13. The CMA therefore assessed the impact of the Merger in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK.

Competitive Assessment

14. The CMA found that UC is a large and well-established wholesaler of a wide range of parts for commercial vehicles and trailers, including both its own PL branded parts and OES parts; 3G also sells a wide range of PL and OES parts for commercial vehicles and trailers across a similar number of product groups.
15. The available evidence on shares of supply indicates that the Merged Entity would be the largest wide range wholesaler of commercial vehicle and trailer parts to the IAM in the UK, with a combined share of [40-50]% and there would be only one other wholesaler with a share above 10%.
16. The CMA found that wide range wholesalers are differentiated, for example in terms of the range of parts offered and their geographical location (ie within or outside UK), such that shares of supply may not fully reflect the impact of the Merger within the relevant frame of reference. The CMA therefore considered the shares of supply alongside the body of evidence on closeness of competition between the Parties and the extent to which other suppliers exert a competitive constraint on them.
17. Evidence from the Parties' internal documents, the Parties' own submissions and evidence from third parties indicated that the Parties are the closest competitors to each other. In particular, the CMA found that:
 - (a) the Parties submitted that UC accepts that it views 3G as its closest competitor, and 3G views UC as a strong or close competitor;
 - (b) the Parties offer similar ranges of part categories, on similar terms and serve similar customer bases;
 - (c) UC's internal documents describe 3G as its closest competitor, closely track 3G and recognise the constraint imposed by 3G;
 - (d) analysis of the Parties' pricing negotiations with customers indicated that customers mentioned the other Party considerably more often than any other competitor; and
 - (e) almost all customers and a large majority of competitors who responded to the CMA's market test considered UC and 3G to be close competitors.
18. The CMA assessed the strength of the constraint from alternative suppliers, including CV Logix, TTC, and other wide range wholesalers (including non-UK based wholesalers). The CMA found that CV Logix is the strongest third-party constraint on the Parties. However, the CMA did not consider that any

alternative suppliers, either individually or collectively, would exert a sufficiently strong constraint on the Merged Entity. In particular, the CMA found that:

- (a) CV Logix is part of a vertically integrated entity that operates buying groups, owns motor factors and acts as a wholesaler of commercial vehicle and trailer parts. At the wholesale level, it has a share of supply of [30-40]%, offers a wide range of parts comparable to the Parties, and was mentioned by a majority of competitors responding to the CMA's market test as a close competitor to the Parties. CV Logix [X] supplies members of its own buying group and its own subsidiaries and, for them, is likely to exert a constraint on the Merged Entity. However, these represent a minority of the Parties' revenue. For motor factors that are not AAG members, [X], the CMA considers that CV Logix is likely to exert a more limited competitive constraint on the Merged Entity, given that CV Logix [X]. CV Logix is also monitored less closely in the Parties' documents, appears significantly less frequently in the Parties' pricing negotiations with customers, and customers who responded to the CMA's market test did not consider it to be a close competitor to the Parties. Whilst the CMA considered that on balance the evidence indicates that CV Logix is likely to impose a moderate constraint on the Parties, it found that this would not be sufficient to mitigate the competitive harm from the Merger.
- (b) TTC is a long-established wide range wholesaler of commercial vehicle and trailer parts to the IAM. The CMA's market testing indicated that many customers and competitors see TTC's offering and range as being similar to the Parties. The Parties' internal documents also indicated that the Parties monitor TTC, although not as closely as each other. However, the CMA received evidence showing that TTC will withdraw from the UK market in June 2020 and will therefore cease to exercise a competitive constraint on the Merged Entity going forward.
- (c) None of the other wide range wholesalers has a share of supply above 10%. The Parties' internal documents, the CMA's analysis of the Parties' pricing practices and third party evidence indicated that these other suppliers pose only a limited constraint on the Parties. With respect to international wide range wholesalers located outside the UK that also serve UK-based customers, the CMA found that relatively few third parties consider them to be an alternative to the Parties. This is consistent with the importance that customers attach to speed of delivery, and the fact that these suppliers typically have longer delivery times than UK-based wholesalers.

19. Further, the CMA found that other types of wholesaler (including narrow range wholesalers, specialist wholesalers (including niche and brand-specific) and 'all makes' wholesalers), impose a limited constraint on the Parties. In particular, the CMA found that a majority of customers and competitors do not see these other suppliers as alternatives to the Parties. In addition, these other types of suppliers appeared only infrequently in the Parties' internal documents and pricing negotiations with customers. In relation to 'all makes' wholesalers, the Parties submitted that these imposed an indirect constraint (as they compete downstream at the motor factor level of the market, by directly supplying to garages, workshops and service centres), arguing that any increase in the Parties' prices would be constrained by motor factors' customers switching away. However, the CMA found that there was insufficient evidence to demonstrate how this potential indirect constraint currently impacts competition at the wholesale supply level where both Parties are active. In particular, the CMA did not receive any submissions from third parties highlighting this potential indirect constraint, and this was not mentioned in any of the Parties' internal documents.
20. Therefore, the CMA considers that the constraint on the Merged Entity imposed by alternative suppliers, including other wide range wholesalers and other types of wholesalers, either individually or in combination, would not be sufficient to prevent competition concerns arising from the Merger.
21. These findings are consistent with UC's internal documents, which suggest that the Merger is likely to result in increased market power, less customer choice, higher prices and/or lower rebates for customers. Responses to the CMA's market testing also indicated that a majority of respondents are concerned about the effect of the Merger on competition.
22. The CMA's market investigation and the Parties' internal documents indicated that barriers to entry and expansion are high. In particular, the CMA found that establishing or expanding a wholesale business to reach a similar scale and range to that of the Parties would involve significant cost and time to build sufficient inventory and establish the necessary customer and manufacturer relationships. The evidence did not suggest that entry or expansion of any of the existing competitors to the Parties would be likely, timely or sufficient in the foreseeable future.
23. In particular, the CMA considered whether Sampa, a Turkish PL manufacturer which has recently opened a warehouse in the UK to supply commercial vehicle and trailer parts to the IAM, could expand significantly in the foreseeable future and provide a similar service to that of the Parties. However, [REDACTED]. Further, a majority of customers and competitors who responded to the CMA's market test did not consider Sampa to be a close

competitor to the Parties. While this constraint may increase, the CMA does not consider, on the basis of the available evidence, that Sampa's potential expansion would be sufficient to exert a substantial constraint on the Merged Entity in the near future.

24. The CMA therefore found that the entry of a new wide range wholesaler, or the expansion of an existing wholesaler, would not be likely, timely or sufficient to mitigate any SLC arising in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK.
25. The Parties submitted that buying groups will continue to exert countervailing buyer power post-Merger. However, sales to buying group members only account for a minority of the Parties' sales revenue, such that those customers to whom a majority of Parties' sales are made will not be protected through association with a buying group. The CMA also notes that UC in particular is a key supplier to buying groups and therefore, post-Merger, the buying groups will not exert sufficient countervailing buyer power. Furthermore, the CMA found that the Merger will remove the closest competitor to each Party, leaving customers with less choice and reduced negotiating power. The CMA therefore found that buyer power will not pose an effective countervailing constraint on the Merged Entity.
26. The CMA therefore believes that the Merger gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects.
27. The CMA is considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (**the Act**). TVS EDL has until 9 June to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 22(1) and 34ZA(2) of the Act.

ASSESSMENT

Parties

28. TVS EDL is a private limited company and its principal activity is that of a holding company. TVS EDL had worldwide turnover of approximately £45.8 million in financial year 2018-19, approximately £[] of which was generated

in the UK.¹ TVS EDL is the holding company of UC, TVS Auto Electrics Ltd (**TVS AEL**) and Scuderia Car Parts Ltd (**Scuderia**).²

29. UC is a private limited company, with TVS EDL owning 95% of the shareholding and its CEO (David Kernahan) owning the remaining 5%.³ UC is engaged in the wholesale distribution of a wide range of commercial vehicle and trailer parts (including PL and OES parts) to the IAM.⁴ It sells to over thirty countries around the world including the UK (including Northern Ireland) and countries in Europe, Africa, the Middle East and Asia.⁵ UC had worldwide turnover of approximately £29 million in financial year 2018-19, approximately £[REDACTED] of which was generated in the UK.⁶
30. 3G is a private limited company that specialises in the procurement and supply of a wide range of commercial vehicle and trailer parts (including PL and OES parts) in the IAM throughout the UK (including Northern Ireland), Europe and other international markets.⁷ 3G had worldwide turnover of approximately £14.4 million in financial year 2018-19, approximately £10.8 million of which was generated in the UK.⁸

Transaction

31. On 3 February 2020, TVS EDL acquired 100% of the issued share capital of 3G for a total of £[REDACTED].⁹

Procedure

32. The Merger was considered at a Case Review Meeting.¹⁰

¹ Final Merger Notice, paragraphs 6.1 and 6.2.

² Final Merger Notice, paragraphs 2.1 and 2.3. TVS AEL is a wholesale distributor of auto-electrical spare parts for commercial vehicles, including but not limited to emissions control products, starters, alternators, CCTV kits, etc. and is active in the UK and Europe. TVS AEL [REDACTED] revenue in 2018/19 in the UK, and [REDACTED] (TVS EDL's response to question 1 of the fifth section 109 notice dated 8 April 2020). Scuderia is an e-commerce platform selling original equipment manufacturer parts for high performance, luxury and prestige cars directly from manufacturers to consumers. It is primarily active in the USA, shipping to several other countries worldwide.

³ Final Merger Notice, paragraph 2.2.

⁴ OES and PL parts are described in paragraph 45 below.

⁵ Final Merger Notice, paragraph 3.1.

⁶ Final Merger Notice, paragraph 6.2.

⁷ Final Merger Notice, paragraph 3.2.

⁸ Final Merger Notice, paragraph 6.3.

⁹ Final Merger Notice, paragraph 2.4.

¹⁰ See [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, from paragraph 7.34.

Jurisdiction

Relevant framework

33. In the context of a completed transaction, a relevant merger situation exists where the following conditions are satisfied: (a) two or more enterprises have ceased to be distinct within the statutory period for reference; and (b) either:
- (i) the value of the target enterprise's UK turnover exceeded £70 million in its last business year (the **turnover test**); or
 - (ii) the enterprises ceasing to be distinct have a share of supply or acquisition in the UK, or in a substantial part of the UK, of 25% or more in relation to goods or services of any description (the **share of supply test**).¹¹

Enterprises ceasing to be distinct

34. Each of TVS EDL and 3G is an enterprise. As a result of the Merger, these enterprises have ceased to be distinct.

The turnover test

35. 3G's turnover in the UK did not exceed £70 million in financial year 2018-19. Therefore, the turnover test in section 23(1)(b) of the Act is not satisfied.

The share of supply test

36. The Parties overlap in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK, with a combined share of supply in 2018 of [30-40]% with an increment of [10-20]% (based on value).¹² The CMA therefore believes that the share of supply test in section 23 of the Act is met.
37. The Merger completed on 3 February 2020 and the CMA was informed about it on 6 February 2020. Notice of material facts was not given at any point prior to 6 February 2020. The four-month deadline for a decision under section 24 of the Act is 6 June 2020.

¹¹ See [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, paragraph 4.3.

¹² The CMA's calculation is based on the data provided in the Final Merger Notice and Annex 12.1 to the Final Merger Notice as well as information provided by third parties. In accordance with section 23(9) of the Act, the CMA assesses whether the share of supply test is met at the time of its decision on reference. Accordingly, in calculating the Parties' combined share of supply for the purposes of the share of supply test, the CMA has accounted for TTC in the total value of goods supplied. However, consistent with the CMA's conclusion on the Counterfactual in view of TTC's imminent exit from the market (paragraphs 93-98 below), the CMA has excluded TTC's share of supply for the purposes of the competitive assessment.

38. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
39. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 2 April 2020 and the statutory 40 working day deadline for a decision is therefore 2 June 2020.

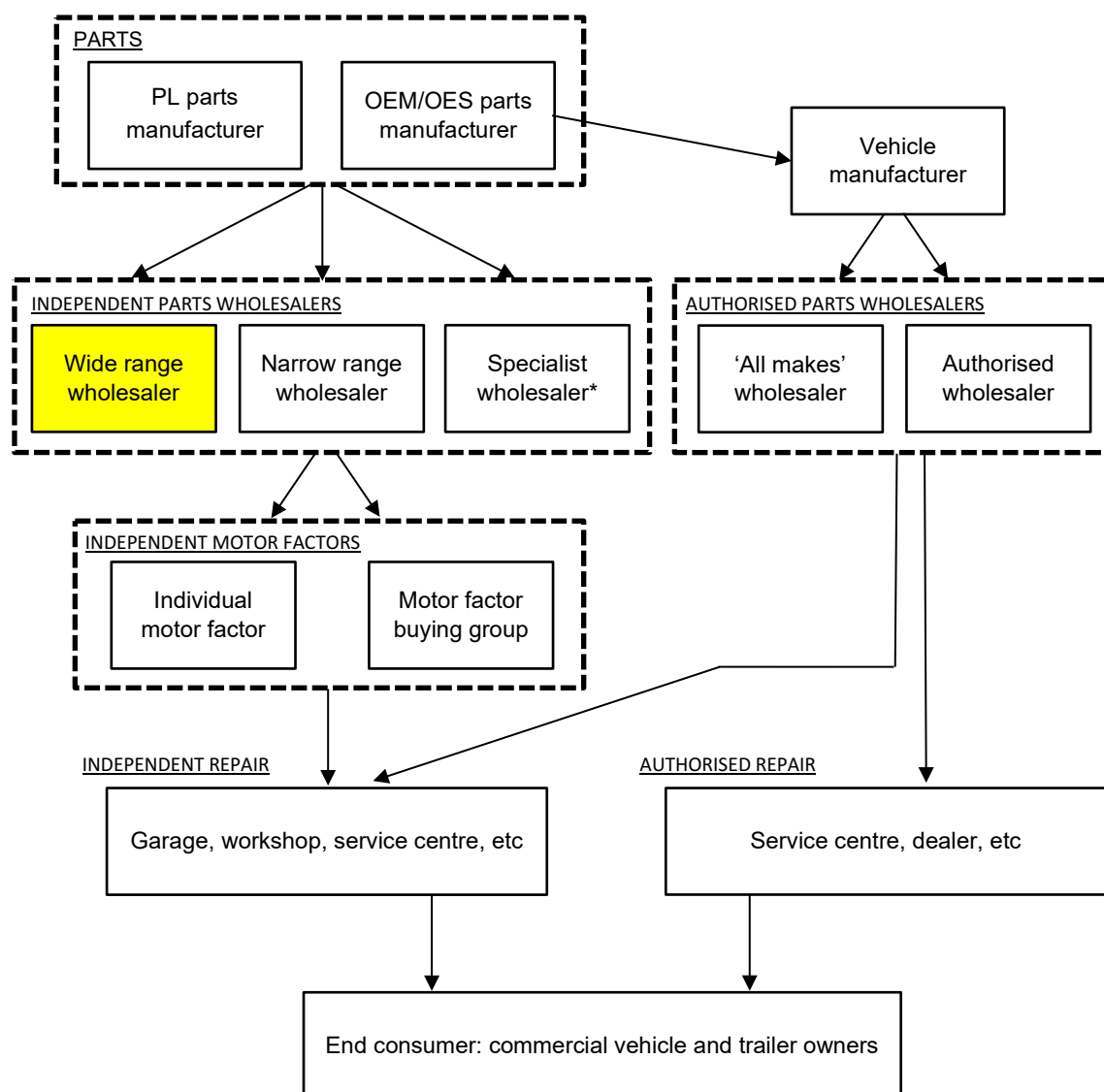
Background

Supply chain

40. The Parties are active in the wholesale distribution of a wide range of commercial vehicle and trailer parts to the IAM in the UK. The IAM forms part of the broader aftermarket for commercial vehicle and trailer parts, an overview of which is represented in Figure 1 below (the segment in which the Parties overlap is highlighted in yellow). UC estimated that the value of this aftermarket (ie including the IAM and the Authorised Market) is £1.2bn.¹³

¹³ Final Merger Notice, Annex 9.1, document titled 'UC Slides Presented to Board of Directors' slide 2, submitted to the CMA on 11 October 2019.

Figure 1: Stylised overview of the aftermarket for commercial vehicle and trailer parts



Source: CMA analysis based on the Parties' submissions and third-party calls.

* Includes both niche (ie those specialised in the supply of a particular product category) and brand-specific wholesalers.

Notes: The following market features are not reflected in Figure 1: (i) wholesalers may supply to each other in some instances; (ii) 'all makes' wholesalers may occasionally supply motor factors; (iii) some manufacturers may also supply motor factors directly; (iv) some wholesalers are based outside the UK; (v) some wholesalers are vertically integrated with motor factors; and (vi) wholesalers of authorised parts are usually vertically integrated with the vehicle manufacturer.

41. When a commercial vehicle is under warranty, the operator of that vehicle is likely to have it serviced and repaired by the manufacturer itself or by a member of the manufacturer's network of franchised or authorised service and

repair centres (ie in the Authorised Aftermarket), using OEM parts.¹⁴ According to information received from one third party, OEM parts are typically in packaging bearing the vehicle manufacturer's name (eg, DAF) and part numbers. The Parties submitted that OEM parts are not typically made available to the IAM.¹⁵

42. The IAM is concerned with the manufacturing, distribution, retailing and installation of commercial vehicle and trailer parts by independent businesses (ie businesses which are independent from commercial vehicle manufacturers). Once the warranty expires, the vehicle operator has the choice of continuing to have the vehicle serviced and repaired by a member of the relevant franchised or authorised network or to have it serviced in the IAM.¹⁶
43. The Parties estimated that the size of the IAM in the UK is over £178 million.¹⁷ As shown in Figure 1, the supply chain within the IAM comprises several levels. The Parties operate at the wholesale level. Wholesalers in the IAM typically purchase PL and OES parts from manufacturers (many of which are located overseas) and then sell them to motor factors across the UK. Motor factors then sell these parts to local garages, fleet operators and local service centres, typically within a 15-20-mile radius.¹⁸
44. Third parties submitted that motor factors and downstream customers (such as garages, fleet operators or service centres) may also purchase directly from wholesalers and/or manufacturers. However, the Parties submitted that they do not deal directly with fleet operators, garages and service centres.¹⁹ Third parties also provided examples of wholesalers purchasing parts that they do not stock from each other.
45. The Parties supply both PL and OES parts. OES parts are typically functionally identical to OEM parts.²⁰ According to information received from the Parties and a third party, OES parts are usually cheaper than OEM parts and may be packaged differently (eg in packaging bearing the parts

¹⁴ Final Merger Notice, paragraphs 13.7 and 13.8. This is because fleet servicing contracts will often specify that they use OEM parts when vehicles are under warranty. A third party also mentioned that trucks under warranty will use the Authorised Aftermarket.

¹⁵ Final Merger Notice, paragraph 13.4.

¹⁶ Final Merger Notice, paragraph 13.8.

¹⁷ Final Merger Notice, paragraph 14.1. This figure relates to PL parts only and excludes imports from wholesalers without a physical presence in the UK. Final Merger Notice, Annex 9.1, document titled 'UC Slides Presented to Board of Directors' slide 2, submitted to the CMA on 11 October 2019.

¹⁸ Final Merger Notice, paragraph 15.3. Other evidence provided by the Parties gives a different figure, for example, a UC document says the UK IAM is £170m.

¹⁹ Final Merger Notice, paragraph 13.6.

²⁰ Final Merger Notice, paragraph 13.3.

manufacturer's name, such as Bosch).²¹ PL parts are manufactured on behalf of the wholesaler and usually carry the wholesaler's brand name, although sometimes they are unbranded and are referred to as a 'white box', 'white label' or 'brown box' parts.²² UC submitted that PL parts are usually 10-15% cheaper than OES parts and that this provides a financial incentive to the customer to choose a PL part over an OES part, given the perceived higher quality of OES parts.²³

46. The CMA found that both Parties predominantly sell PL parts: over the last three years, PL parts have on average accounted for [X]% and [X]% of UC's and 3G's UK sales by revenue, respectively.²⁴ Other independent wholesalers also supply both OES and PL parts in the UK and the majority of motor factors purchase both types of parts.²⁵
47. Historically, the Authorised Aftermarket operated separately from the IAM. However, the CMA found that vehicle manufacturers such as Scania, DAF and Volvo now have an aftermarket arm of their businesses called an 'all makes' programme. They sell parts that they manufacture via their own 'all makes' wholesalers. For example, in the UK, DAF supplies its 'all makes' parts through its TRP division, Scania through its VRS division, and Volvo through its Roadcrew division.²⁶ 'All makes' wholesalers offer parts for all brands of commercial vehicles and trailers.²⁷
48. 'All makes' parts are not generally made available to independent wholesalers, such as the Parties,²⁸ or to motor factors (ie the Parties' customers). They are instead supplied by 'all makes' wholesalers directly to garages, fleet operators and service centres in the IAM.²⁹
49. The Parties submitted that there are no material differences between 'all makes' parts and other PL parts in terms of price, quality and range.³⁰

²¹ Final Merger Notice, paragraph 13.3.

²² Final Merger Notice, paragraph 13.2.

²³ Paragraph 5.3.7 of the IL Response.

²⁴ CMA's calculation based on the data provided in the Final Merger Notice, paragraphs 3.1 and 3.2; paragraphs 23.13 – 23.16 and Annex 12.1 to the Final Merger Notice.

²⁵ Final Merger Notice, paragraph 13.10.

²⁶ Response to questions 2 and 3 of the fifth Request for Information dated 16 April 2020 (**RFI5**); Final Merger Notice, paragraph 15.11; and response to question 8 of the first Request for Information dated 18 October 2019 (**RFI1**).

²⁷ Final Merger Notice, paragraph 13.11.

²⁸ Response to question 2 of RFI5; Final Merger Notice, paragraph 15.11; and response to question 8 of RFI1.

²⁹ Paragraph 4.1.3(d) of the IL Response. The Parties submitted that motor factors will only use 'all makes' wholesalers for distress purchases. One third party also submitted that 'all makes' wholesalers predominantly sell to garage workshops but also to motor factors in some instances.

³⁰ Response to question 2(a) of RFI5.

However, the CMA did not receive any evidence to substantiate this statement.

50. The Parties submitted that 'all makes' wholesalers compete indirectly with independent wholesalers, such as the Parties, as 'all makes' wholesalers sell directly to garages etc downstream and therefore compete with the customers of independent wholesalers, ie motor factors.³¹
51. The CMA's assessment of the extent of any indirect constraint imposed by 'all makes' wholesalers on the Parties is set out at paragraphs 121-123 below.

Buying groups

52. Buying groups are trading groups of independent motor factors that negotiate supply deals with parts wholesalers on behalf of their members. According to the information received during the CMA's market testing, buying groups may also offer a number of other centralised functions to their members such as central invoicing, centrally collected rebates, central payment handling, marketing support, participation in trade events and training.
53. There are three main buying groups in the UK: Group Auto, United Aftermarket Network (**UAN**) and Independent Motor Trade Factors Association (**IFA**). Group Auto and UAN are both owned by Alliance Automotive Group (**AAG**). AAG is a distributor of passenger and commercial vehicle parts to the IAM in Europe and the UK. AAG also owns a wholesaler, CV Logix, that supplies a wide range of commercial vehicle and trailer parts. AAG also owns a number of motor factors.
54. The Parties supply parts to the members of these buying groups.³² The Parties negotiate preferential supply terms with each of these buying groups and discounted rates are offered in the form of rebates and/or discounts on the listed prices.³³ These preferential terms are extended to all members of the buying group. In some cases, if an individual member is able to obtain an even lower price, that price is extended to all members of the group.³⁴
55. According to the evidence received from third parties, buying groups may enter into supply agreements with wholesalers on the basis of tenders or

³¹ Paragraph 4.1.3(a) of the IL Response.

³² Final Merger Notice, paragraph 23.8. ☒.

³³ Final Merger Notice, paragraphs 23.2 and 23.4.

³⁴ Final Merger Notice, paragraph 23.4.

individual negotiations. The duration of the supply agreements with these buying groups is usually one to three years.

56. The Parties submitted that their customers do not typically run formal bidding processes, with the exception of the [X] which runs a bidding process every [X].³⁵

Types of wholesalers

57. The CMA found that independent (ie not owned by vehicle manufacturers) wholesalers supplying to the IAM are differentiated and fall into distinct categories:^{36, 37}
- (a) Wide range wholesalers: wholesalers stocking spare parts for a large number of product groups.³⁸ Examples include the Parties and TTC. They offer a single point of purchase for customers and typically assign a higher priority to features such as customer service and a lower priority to technical knowledge, instead maintaining a broad but technically limited knowledge of general truck and trailer parts.³⁹
 - (b) Narrow range wholesalers: wholesalers stocking spare parts for a smaller number of product groups. An example is Automint. For their chosen product groups, they typically have a higher degree of technical knowledge and hold a wider range of parts.⁴⁰
 - (c) Niche wholesalers: wholesalers specialising in a single product group. An example is Winnard. They typically place more emphasis on technical knowledge of their chosen product group and stock a greater variety of products within that particular group.⁴¹

³⁵ Final Merger Notice, paragraphs 15.9 and 16.1.

³⁶ These distinctions reflect the Parties' characterisation of the industry. Final Merger Notice, paragraph 15.5.

³⁷ The Parties submitted the breadth of each wholesaler's product range in "Annex 1 – Updated Annex 12.1" of their response to RFI5, and submitted as Annex 12.1 of the Final Merger Notice. Together with their response to the CMA's Issues Letter (**IL Response**), the Parties submitted the document "14 5 20 Copy of JB Copy of Top 80% UK and NI (Lines)," which presents different information on the breadth of firms' parts ranges. The CMA does not believe this updated document gives a reliable view of each wholesaler's offering: it is inconsistent with the Parties' previous submissions (including the Final Merger Notice and RFI responses) and the methodology used to identify relevant wholesalers and classify them as 'Wide', 'Narrow' or 'Niche' is not clear. As such, the CMA has placed very limited evidentiary weight on this submission in determining the breadth of wholesalers' ranges of parts and has used the Parties' classifications included in the Final Merger Notice. The CMA's view of the Parties' updated submission with respect to Shares of Supply is discussed in paragraph 148 below.

³⁸ A product group is a set of parts which serve similar purposes within the repair of commercial vehicles and trailers. Examples of product groups may be general chassis components or braking components.

³⁹ Response to question 4 of RFI5 and question 10 of the third Request for Information dated 11 March 2020 (**RFI3**).

⁴⁰ Response to question 4 of RFI5 and question 10 of RFI3.

⁴¹ Response to question 4 of RFI5 and question 10 of RFI3.

(d) Wholesalers that stock parts for specific brands only: wholesalers who only stock spare parts for certain brands of commercial vehicle or trailer (eg James Hart, which specialises in DAF spares, and MAN 365, which specialises in MAN spares).

58. While the majority of wholesalers are UK-based, some international wholesalers located outside the UK (eg Inter Cars based in Poland) may also serve UK-based customers. However, they typically have longer delivery times than UK-based wholesalers (up to a week), as discussed in further detail below.

Direct purchasing from manufacturers

59. Motor factors may also in some instances source spare parts directly from OES or PL manufacturers. However, according to evidence received from the Parties and third parties, direct purchasing typically involves longer delivery times, may involve higher minimum order requirements and may be more expensive.⁴² According to one third party, this route may be used by customers seeking rare parts which are not commonly stocked by wholesalers.

Competitive parameters

60. In light of the available evidence from the Parties and third parties, the CMA has found that wholesalers compete on price as well as other parameters such as range, delivery times (eg same day, next day or longer deliveries), product quality (especially in relation to specialist products with safety standards), technical expertise and reputation.⁴³
61. Third party evidence gathered during the CMA's merger investigation indicated a mixture of views about the relative importance of these competitive parameters. Some third parties stated that price, fast delivery times and reputation were important to motor factors. Other third parties suggested that quality/reputation may be particularly important for some categories of products (eg products with quality/safety requirements such as brake systems), whereas price may be more important for general consumable products.

⁴² Response to question 13 of RFI3.

⁴³ Final Merger Notice, paragraphs 15.6 to 15.10.

Pricing

62. The Parties submitted that published price lists are set by wholesalers and issued to their customers. These price lists are applicable nationwide.⁴⁴ However, some customers receive discounts:
- (a) the commercial team at UC (including a commercial director and regional sales managers) can offer [REDACTED];⁴⁵ and
 - (b) 3G creates [REDACTED].⁴⁶
63. The Parties submitted that they [REDACTED].⁴⁷ Some of the Parties' larger customers which are not members of buying groups may also [REDACTED].⁴⁸
64. Evidence from third parties indicated that rebates are commonplace in the market and are available for customers with a view to engendering customer loyalty. One customer stated that it has rebates in place predominantly with the Parties and therefore looks at sourcing products from them first. Third parties have confirmed that they negotiate with wholesalers on their price lists and/or their rebate proposals.
65. The Parties submitted that such agreements tend to promote a degree of repeat custom, but not necessarily exclusive (or majority) purchasing from the wholesaler.⁴⁹ One third party also submitted that the UK market is not characterised by long term or exclusive supply contracts.
66. Finally, the CMA found that at least some wholesalers may not actively pursue sales to smaller motor factors. The Parties expressed this in terms of minimum expected spend per year (£[REDACTED] for UC, and £[REDACTED] for 3G).⁵⁰ One competitor expressed this differently, and submitted that niche wholesalers will generally not actively pursue smaller customers (such as those with a turnover of £1 million), presumably because their expected expenditure is lower.

Range and delivery

67. Both garages and motor factors tend to hold only a small stock of parts. Wholesalers' business models involve holding a larger range and/or amount

⁴⁴ Final Merger Notice, paragraph 15.18.

⁴⁵ Final Merger Notice, paragraph 15.21.

⁴⁶ Final Merger Notice, paragraph 15.22.

⁴⁷ Final Merger Notice, paragraphs 23.9-23.10, responses to question 23 of RF13 and question 12 of RF11.

⁴⁸ Response to question 12 of RF11.

⁴⁹ Final Merger Notice, paragraph 15.28; Annex 23.3 to the Final Merger Notice ([REDACTED]).

⁵⁰ Paragraph 5.3.18 (c) of the IL Response.

of stock,⁵¹ so that downstream customers can rapidly replenish their own supplies or obtain the parts needed for a specific job.⁵²

68. The Parties submitted that the primary benefit of dealing with a wholesaler stocking a wide range of commercial vehicle and trailer parts (such as UC) is the ease of dealing with a single transaction for multiple parts.⁵³ This is in line with the evidence received in the CMA's market test: the majority of customers indicated that they would prefer going to wide range wholesalers, such as the Parties, because they can buy everything they need in one go.
69. The Parties submitted that wholesalers tend to deliver across the UK and the vast majority of them offer a nationwide next day delivery service and some offer a same day delivery service, which may be via a courier service provider.⁵⁴ The Parties submitted that there is a minimum order value to qualify for a free next day delivery. Both UC and 3G offer free next day delivery to addresses in mainland UK for orders with a value in excess of £125.⁵⁵ The Parties submitted that the geographic location within the UK of a wholesaler is not typically a consideration for motor factors when purchasing parts, as in the majority of instances the factor is merely replenishing its stocks of specific parts.⁵⁶ Therefore, according to the Parties, the location of the wholesaler does not matter so long as the motor factor receives their order by the next day.
70. The Parties submitted that for urgent same day requirements a wholesaler could use the services of a courier, for which the factor may incur a delivery charge.⁵⁷ According to the Parties, less than [X]% of UC's sales are made on a same day delivery basis and same day delivery is [X] for 3G. Also, customers located close to the wholesaler's warehouse may also collect parts themselves, which accounts for [X]% and [X]% of UC's and 3G's sales respectively.⁵⁸ The CMA considers that while customers who are located close to the Parties' sites may gain some benefits from being able to avoid minimum order quantities and carriage charges, these benefits are not sufficiently large to mean that it is appropriate to define any geographical

⁵¹ The range and stock that wholesalers hold is narrower or wider, depending on the type of wholesaler, as noted in paragraph 57 above.

⁵² A UC document stated that a characteristic of the wholesale level was 'Large inventory', in contrast to motor factors who are characterised by a 'Small inventory'. Final Merger Notice, Annex 9.1, Document titled 'UC Slides Presented to Board of Directors' slide 1, submitted to the CMA on 11 October 2019.

⁵³ Final Merger Notice, paragraph 15.12.

⁵⁴ Final merger notice, paragraph 15.4. This has also been confirmed by the evidence gathered by the CMA - almost all of the UK-based competitors who responded to the CMA's market investigation stated that they themselves offer next or same day delivery.

⁵⁵ Final merger notice, paragraph 15.4.

⁵⁶ Final merger notice, paragraph 15.4.

⁵⁷ Final merger notice, paragraph 15.4.

⁵⁸ Final merger notice, paragraph 15.4.

markets narrower than the UK, evidenced by the fact that most wholesalers serve the whole UK from a single site.⁵⁹

71. The evidence gathered from third parties during the CMA's investigation has confirmed that speed of delivery (same day or next day) is considered a very important competitive parameter by a majority of customers and of competitors. Almost all of the UK-based competitors who responded to the CMA's market investigation stated that they offer next or same day delivery. The customers who viewed this as less important all stated that this was because they hold large inventories of parts themselves.
72. Delivery times are longer when using suppliers located outside of the UK. For example, parts might be transported from a warehouse in continental Europe to a logistics centre in the UK, and from there to UK customers. As a result, delivery may take up to a week.
73. Evidence from third parties also indicated that minimum order sizes appear to be larger for overseas suppliers, with one overseas third party submitting that its minimum order value is larger than that of the Parties (£[REDACTED]).
74. As mentioned in paragraph 59, motor factors and end customers may also purchase parts directly from manufacturers. However, third parties have explained that receiving orders from manufacturers involves a longer lead time. According to the evidence received from third parties, if the manufacturer is based in the UK, the typical lead time between an order being placed and being delivered to a customer would be about a week (if it needs to be manufactured) or two to three days (if the manufacturer has the ordered parts available on its shelves). For parts purchased from overseas manufacturers, the usual timeframe for arrival into the UK is three to four weeks from Europe and three to four months from China or India.

Rationale for the Merger

The Parties' submissions

75. The Parties submitted that the Merger would allow the Merged Entity:
 - (a) To continue to offer competitively priced parts to its motor factor customers.⁶⁰ According to the Parties, over the last few years there has been a market consolidation trend in which major European businesses (eg LKQ, Diesel Technik and Inter Cars)(see endnote)ⁱ who operate at the

⁵⁹ Final merger notice, paragraph 15.4.

⁶⁰ Final Merger Notice, paragraph 2.13.

wholesale level have acquired companies at the motor factor level in the UK. According to the Parties, this places those companies at a significant competitive advantage, as the acquired motor factors tend to purchase parts from their own integrated wholesale partners and not other wholesalers such as the Parties.⁶¹ According to UC, if such vertical integration continues, there is a risk its business would reduce in scale.⁶² In order to remain a viable competitor in the UK to the vertically integrated commercial vehicle parts suppliers, UC submitted that acquiring 3G is the only credible option available.⁶³ The Merger would allow UC to further broaden the range of commercial vehicle parts it stocks and reduce its costs (eg, by securing volume-based cost reductions from its suppliers) to compete with the prices offered by the vertically integrated operators.⁶⁴

- (b) To expand internationally. According to the Parties, 3G already supplies various customers based outside the UK and UC hopes to exploit those relationships to increase the Merged Entity's export activities.⁶⁵
- (c) To achieve synergies. 3G submitted that, in light of the influx of wholesalers entering into the UK market, it needed a [X] and considered that the synergies of bringing its business together with UC to remain competitive against an over-supplied marketplace made good practical sense.⁶⁶

The Parties' internal documents

76. The CMA's analysis of internal documents provided by TVS EDL and UC indicates additional reasons for the Merger beyond those provided by the Parties. In particular, the following internal documents provide evidence of UC's rationale and strategic drivers for the Merger:

- (a) 'Project Alpha Business Case' (dated 12 April 2019);⁶⁷
- (b) 'Project Alpha Strategic Review' (dated 26 April 2019);⁶⁸
- (c) 'Revitalisation of UK Strategy' presentation (dated 17 May 2019);⁶⁹

⁶¹ Final Merger Notice, paragraph 2.9.

⁶² Final Merger Notice, paragraph 2.15.

⁶³ Final Merger Notice, paragraph 2.13.

⁶⁴ Final Merger Notice paragraph 2.13; paragraph 3.1 of the IL Response.

⁶⁵ Final Merger Notice, paragraph 2.14.

⁶⁶ Final Merger Notice, paragraph 2.17.

⁶⁷ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case', 12 April 2019.

⁶⁸ Final Merger Notice, Annex 9.1.c. 'Project Alpha Strategic Review', 26 April 2019.

⁶⁹ Final Merger Notice, Annex 9.1.d. 'Revitalisation of UK Strategy TVS EDL', 17 May 2019.

(d) 'TASL UK & European Strategy' presentation (dated 9 July 2019);⁷⁰ and

(e) 'UC Slides Presented to the Board of Directors' (dated early July 2019).⁷¹

The April 2019 documents

77. The 'Project Alpha Business Case' and 'Project Alpha Strategic Review' were produced by [REDACTED] Director, on 12 April 2019 and 26 April 2019 respectively. 'Project Alpha' is the project name for the acquisition of 3G. These documents indicate that UC's aims for the Merger included:

(a) strengthening UC's '*dominant*' market position in the UK IAM.⁷² The 'Project Alpha Business Case' notes that the Merger would increase UC's share of wholesale distributors with revenues of over £[REDACTED] in the UK IAM from [REDACTED]% to [REDACTED]% and would limit customers' choice of supplier.⁷³ The 'Project Alpha Strategic Review' notes that the Merger creates an opportunity for market consolidation and that the additional simultaneous acquisition of TTC's stock would further strengthen UC's control of the UK IAM and place the company in a position of critical importance to its customer base.⁷⁴ The same document also notes that the combination of increased market share (after these acquisitions), along with 'incremental pricing benefits' would reduce the risk of an adverse market reaction whilst further strengthening UC's position as market leader in the UK IAM;⁷⁵

(b) removing the constraint imposed by 3G. The 'Project Alpha Business Case' estimates that [REDACTED]% of 3G customer accounts also have accounts with UC.⁷⁶ It also indicates that UC's potential for current price increases is '*bound*' by 3G's potential cheaper prices. However, this document notes that the Merger would lead to the lack of an alternative cheaper product for customers, and UC's pricing policy would not be bound in the same way, resulting in margin gain.⁷⁷ The same document notes that the Merger would result in [REDACTED] and significant margin gains, as there will not be a viable alternative supplier;⁷⁸

⁷⁰ Final Merger Notice, Annex 9.1.g. 'TASL UK & European Strategy', 9 July 2019.

⁷¹ Final Merger Notice, Annex 9.1 'UC Slides Presented to the Board of Directors'.

⁷² Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case', 12 April 2019, page 7.

⁷³ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case', 12 April 2019, page 7.

⁷⁴ Final Merger Notice, Annex 9.1.c. 'Project Alpha Strategic Review', 26 April 2019, slide 13. The divestment of TTC's stock is discussed further below.

⁷⁵ Final Merger Notice, Annex 9.1.c. 'Project Alpha Strategic Review', 26 April 2019, slide 13. The divestment of TTC's stock is discussed further below.

⁷⁶ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case', 12 April 2019, page 6.

⁷⁷ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case', 12 April 2019, page 7.

⁷⁸ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case', 12 April 2019, page 7.

- (c) strengthening UC's negotiating position vis-à-vis customers and suppliers. The 'Project Alpha Business Case' indicates that the Merger would limit customer choice due to 'the lack of availability of the majority of UC parts on a next day service from any other supplier'.⁷⁹ This document also indicates that the Merger would lead to a significant reduction of wholesale supply options for UK IAM factor businesses, leading to a short/medium-term increase in revenue to UC. The same document also notes that UC would be [REDACTED];⁸⁰ and
- (d) raising barriers to entry and expansion. The 'Project Alpha Business Case' indicates that the Merger would result in significant costs for a viable competitor to establish its presence in the UK.⁸¹ The 'Project Alpha Strategic Review' states that the Merger would restrict the establishment of alternative supply options for an extended period of time (4-5 years).⁸²

78. The Parties submitted that the CMA should not place significant weight on the April 2019 documents referred to above:

- (a) In relation to the 'Project Alpha Business Case' the Parties submitted that:⁸³
 - (i) The document was an exploratory board paper outlining the potential impact of acquiring 3G;
 - (ii) [REDACTED] (the author) was relatively new to TVS EDL/UC and had limited knowledge of the market and how it operated;
 - (iii) [REDACTED] erroneously focussed only on those wholesalers that he believed stocked a comprehensive range of PL spare parts for commercial vehicles and which he believed had revenues of more than £1 million from sales of such parts in the UK;
 - (iv) with time and better understanding of the market, it became clear to [REDACTED] that the market for commercial vehicle and trailer parts in the UK was made up of a much broader range of competing wholesalers; and

⁷⁹ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case', 12 April 2019, page 7.

⁸⁰ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case', 12 April 2019, page 9.

⁸¹ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case', 12 April 2019, page 7.

⁸² Final Merger Notice, Annex 9.1.c. 'Project Alpha Strategic Review', 26 April 2019, slide 8.

⁸³ Response to question 5 of the fourth section 109 notice dated 23 March 2020.

(v) [X] wrongly believed, at the time of preparing the document, that a viable competitor would need a large stockholding of spare parts in order to be able to directly compete with the merged business.⁸⁴

(b) In relation to the 'Project Alpha Strategic Review' the Parties submitted that: 'This document was prepared by the author ([X]) at a time when he had not long been with the Universal Components business, and when his knowledge and understanding of the market for spare parts for commercial vehicles and trailers in the UK was relatively limited'.⁸⁵

79. In respect of the documents prepared by [X] in April 2019, as discussed above, the Parties also stated that these documents reflected his understanding of the market at the time they were produced and that, whilst in theory any inaccuracies in such board documentation could have been subsequently corrected or revised, any such updating or correction process did not happen with respect to these documents.⁸⁶ The Parties stated that 'the later documents reflect [X] improved and increased knowledge and understanding of this market'.⁸⁷

80. While noting the submissions from the Parties in paragraphs 78 and 79 above, the CMA notes the following:

(a) The explanations provided by the Parties in respect of the two documents dated April 2019 and produced by [X] do not dispute all of the points referenced in paragraph 77 above in terms of rationale for the Merger. They do not undermine the key propositions that the acquisition of 3G would lead to the removal of UC's key competitor, further strengthening UC's existing leading position in the UK IAM and reducing price competition and choice for customers.

(b) [X] was appointed on [X] as [X] Director to [X].⁸⁸ He was therefore a senior level manager and had been at UC for approximately [X] at the time of drafting the documents 'Project Alpha Business Case' and the 'Project Alpha Strategic Review', both of which were considered by the Board of UC.⁸⁹ [X] would have been expected to have gathered

⁸⁴ Response to question 18 of the fourth Request for Information dated 26 March 2020 (RFI4).

⁸⁵ Response to question 17 of RFI4.

⁸⁶ Response to question 4(b) of the fifth section 109 notice dated 8 April 2020.

⁸⁷ Response to question 4(b) of the fifth section 109 notice dated 8 April 2020.

⁸⁸ Response to question 4(a) of the fifth section 109 notice dated 8 April 2020.

⁸⁹ Submitted in response to question 9 of the Final Merger Notice. The Parties described the 'Project Alpha Business Case' (dated 12 April 2019) as an 'exploratory board paper' (response to question 5 of the fourth section 109 notice dated 23 March 2020) and stated that the 'Project Alpha Strategic Review' was a 'board document' (response to question 4(b) of the fifth section 109 notice dated 8 April 2020, referring to the response to question 17 of RFI4).

experience of the industry during the [redacted] whilst he was working at UC. However, notwithstanding this point, to the extent that he was less experienced than his colleagues, the CMA considers it unlikely that a senior manager would have prepared detailed, factually-based and industry-specific commentary to inform strategic decision making by the Board of Directors without input and involvement from other (more experienced) colleagues.⁹⁰

- (c) The Parties have also not provided any evidence that the contents of the 'Project Alpha Business Case' and the 'Project Alpha Strategic Review' were corrected or disputed at any point, including by the Board of Directors following presentation of this material. On the contrary, as discussed below, similar material in terms of the rationale for the Merger as set out in paragraph 75 above was produced across multiple later documents.

The documents from May to July 2019

81. From May to July 2019, further internal documents were produced that provide further evidence on UC's rationale for the Merger. Contrary to the Parties' submissions, these documents contain similar material and do not suggest a departure from the aims set out in the April 2019 documents:

- (a) The 'Revitalisation of UK Strategy' presentation (dated 17 May 2019)⁹¹ referred to 'establish market dominance',⁹² distinguished between wholesalers with revenues above and below £[redacted],⁹³ referred to the benefits of market consolidation being 'Reduced risk of competitor's entry into the UK market',⁹⁴ referred to viable competition to UC earlier than 4-5 years as 'highly unlikely'⁹⁵ and noted that the lack of fragmentation of the UK market would make foreign entry into the UK IAM highly unlikely.⁹⁶ This presentation described the acquisition of 3G as placing UC 'in a position of strength within the UK IAM', as it would be 'the largest stockist of [commercial vehicle] aftermarket spare parts in the United Kingdom'.⁹⁷

⁹⁰ In this respect, the CMA notes that the Parties submitted that the 'UC Slides Presented to the Board of Directors' (Annex 9.1 to the Final Merger Notice) were prepared "with input from the Commercial Director where required". Final Merger Notice, paragraph 9.1.

⁹¹ Final Merger Notice, Annex 9.1.d 'Revitalisation of UK Strategy TVS EDL', 17 May 2019.

⁹² *Ibid*, slide 24.

⁹³ *Ibid*, slide 25.

⁹⁴ *Ibid*, slide 36.

⁹⁵ *Ibid*, slide 38.

⁹⁶ *Ibid*, slide 39.

⁹⁷ *Ibid*, slide 39.

This presentation also noted the opportunity for price rises (resulting in gross margin gains), [redacted].⁹⁸

- (b) The 'TASL UK & European Strategy' presentation (dated 9 July 2019)⁹⁹ referred to 'wide product-range wholesalers',¹⁰⁰ described 3G as a 'key competitor'¹⁰¹ and UC's 'closest competitor', and stated that the transaction aimed to 'further strengthen the position of TVS ASL in the UK Commercial Independent Aftermarket as market leader [with an] ... enhanced position of strength'.¹⁰² This document also referred to one of TVS ASL's 'Strategic Vision & Actions' as being 'Consolidation of the UK private label market' through the acquisition of 3G.¹⁰³
- (c) The 'UC Slides Presented to the Board of Directors' (dated early July 2019)¹⁰⁴ referred to 'wide product range wholesalers'¹⁰⁵ and described the Merger objective as 'to acquire our closest competitor, 3G [...] and to further strengthen the position of TVS ASL in the UK Commercial Independent Aftermarket as market leader [with an] enhanced position of strength'.¹⁰⁶ This document also noted the 'current lack of strong competition to UC [and 3G] is expected to be time-limited' and stated that 'the acquisition of [3G] would restrict the establishment of alternative supply options for an extended period of time (4-5 years)'.¹⁰⁷

82. The Parties submitted the following explanations in response to the CMA's observations set out in paragraph 80 above, in relation to how the TVS Group perceives board documents and why weight should not be assigned to the evidence contained in them:

⁹⁸ *Ibid*, slide 29.

⁹⁹ Final Merger Notice, Annex 9.1.g. 'TASL UK & European Strategy', 9 July 2019.

¹⁰⁰ *Ibid*, slide 4.

¹⁰¹ *Ibid*, slide 5.

¹⁰² *Ibid*, slide 6. See also slide 11 for a repetition of the statements that, post-Merger, UC would be the largest stockist of aftermarket spare parts in the UK, that the Merger would place UC in a position of strength within the UK IAM and that the lack of fragmentation of the UK market would make foreign entry into the UK IAM highly unlikely. See also slide 12 for a repetition of the statement that the positioning of a viable competitor to UC earlier than the estimated 4-5-year time frame was 'highly unlikely'.

¹⁰³ *Ibid*, slides 5 and 6.

¹⁰⁴ Final Merger Notice, Annex 9.1 'UC Slides Presented to the Board of Directors'. The Parties stated in the Final Merger Notice that this document was presented to the Board in 'early July'. The CMA notes that the document properties of the version of the document provided to the CMA indicate that the document was created and last modified by [redacted] on 30 August 2019.

¹⁰⁵ Final Merger Notice, Annex 9.1.d. 'Revitalisation of UK Strategy TVS EDL', 17 May 2019, slides 3 and 6.

¹⁰⁶ *Ibid*, slide 5. See also slide 4 for a repetition of the statement that 3G is UC's key competitor.

¹⁰⁷ *Ibid*, slide 9. See also slide 8 for a repetition of the 4-5 years' time frame regarding the establishment of a viable competitor.

- (a) 'The independent aftermarket as a whole is operated on a relatively informal basis and Universal Components has never had reason to explain and set out an analysis of their competitors.'¹⁰⁸
- (b) 'Universal Components was aware [...] that it did not have a sophisticated view of the market and it took steps to develop its understanding. Since Universal Components invested time and effort to properly consider the competitive landscape, its view of the market has corresponded to that which it holds today and that which it has presented to the CMA.'¹⁰⁹
- (c) 'After approving the transaction in principle, TVS ASPL did not request or consider the need for any information on the competitive landscape (only being interested in transaction progress and timing). This explains why no board documents that corrected Universal Components' understanding of the market were ever created [...]'¹¹⁰
- (d) 'TVS ASPL is a family business and that board discussions including TVS EDL are not particularly formal in nature. Board documents are used by TVS ASPL as a prompt for discussion. There is not a significant emphasis on the contents of documents and documents are not commonly reviewed by the TVS EDL directors in advance of meetings. Furthermore, the attendees would see no need to amend a document referred to in a meeting if it was not intended for external consumption. At the time these documents were prepared and discussed, the board members had no idea that the documents would ever be considered so closely or used as to evidence of their conclusive view of the competitive landscape.'¹¹¹
- (e) 'The board attendees would not think to amend a document that had been referred to during a meeting, on the assumption that it would never need to be referred to again.'¹¹²
- (f) 'Universal Components does not foresee a large price increase on the parts it offers for sale going forward, since it would lose a considerable volume of sales were it to apply such a price increase.'¹¹³

¹⁰⁸ Paragraph 2.3 of the IL Response.

¹⁰⁹ Paragraph 2.3 of the IL Response.

¹¹⁰ Paragraph 2.4 of the IL Response.

¹¹¹ Paragraph 2.5.2 of the IL Response.

¹¹² Paragraph 2.5.4 of the IL Response.

¹¹³ Paragraph 3.4 of the IL Response.

The CMA's assessment of the weight to be placed on the Parties' internal documents

83. The CMA has carefully considered the Parties' submissions as regards the internal documents, but it does not consider them persuasive. The CMA does not find it credible that the Board of TVS would have had no regard to the content of a series of different (but consistent)¹¹⁴ documents put before them between 12 April 2019 and 9 July 2019 intended to inform their decision-making in relation to the commercial rationale for the acquisition of 3G. Equally, the documentary evidence cannot be dismissed on the Parties' claim that TVS ASPL is a 'family business' that runs its operations on an informal basis: it is in fact a multi-national entity with a global revenue of £[~~3~~], and the documents in question were both formal and detailed in nature.
84. The CMA accepts that, at the time these internal documents were produced and submitted to the Board, TVS may not have expected them to be the subject of external scrutiny; but the CMA considers that this enhances these documents' evidential value in terms of assessing the Parties' views around the Merger rationale, rather than diminishing it.
85. The Parties submitted that their view of the competitive landscape of the market has evolved and changed since they received legal advice (see endnote).ⁱⁱ¹¹⁵ However, the CMA considers that the Parties' increased understanding of the merger control process does not undermine the evidential value of internal documentation created prior to the receipt of such advice. The CMA notes that UC has been active in the market for many years; its views about the dynamics of the market, its key competitors and the impact of the Merger, as reflected in the internal documents referenced in paragraphs 75 and 77 above, are therefore highly informative. The CMA considers that there is no basis for UC's understanding of the fundamental commercial dynamics of the market to have changed so materially after receiving advice from external legal counsel, as recently as July 2019.

Financial modelling of the Merger

86. In addition to their arguments around the content and context of the internal documents, the Parties also provided further information and commentary surrounding their financial modelling for the Merger. In support of their submission that there would not be a large increase in the prices of parts post-Merger, the Parties referred to UC modelling from 24 May 2019.¹¹⁶ The

¹¹⁴ See paragraphs 76 and 81 above.

¹¹⁵ Paragraphs 2.3, 2.2.6 and 3.3.1 of the IL Response.

¹¹⁶ Document titled 'tvs edl consolidated irp fy19-fy24 including alpha (1).xlsx', provided with the IL Response.

Parties submitted that, since revenue is expected to [REDACTED], this implies that there would not be a large price rise post-Merger.¹¹⁷

87. However, the CMA notes the following:

- (a) The 24 May 2019 model provides only high-level figures without any commentary on the changes within the revenue and cost items.
- (b) The Parties' combined sales figure under best-case scenario in the April 2019 business plan document mentioned in paragraph 77 above¹¹⁸ is the same as the figures included in the 24 May 2019 model. The CMA considers that this suggests those earlier documents continued to be relevant to the Parties' view of the Merger, as of 24 May 2019.
- (c) The 24 May 2019 model shows that: (i) 3G's gross margin (before adjustment) increases from [REDACTED]% (FY 2021) to [REDACTED]% (FY 2024), and that the gross margin (after adjustment) increases from [REDACTED]% (FY 2021) to [REDACTED]% (FY 2024); and that (ii) the Merged Entity combined gross margin (before adjustment) increases from [REDACTED]% (FY2021) to [REDACTED]% (FY2024).¹¹⁹ Even if the Parties' explanation ([REDACTED])¹²⁰ is correct then this suggests that competitive pressures on the Merged Entity are insufficient for it to need to pass cost savings on to customers.
- (d) Given that the gross margin synergy discussed in one of the April 2019 documents mentioned in paragraph 77 above¹²¹ is 'revenue increase' due to 'price alignment post-acquisition' (see paragraph 169(d)), the CMA considers that the margin increase in the 24 May 2019 model likely includes price increases. Similarly, as discussed above, the Parties' April 2019 internal documents state that margin gains would not be solely due to cost savings but also the result of [REDACTED] post-Merger.¹²²

Conclusion on the rationale for the Merger

88. On the basis of the evidence above, the CMA believes that it is appropriate to assign material weight to the Parties' internal documents when assessing the rationale for the Merger. These documents indicate that the Parties' rationale and aims for the Merger included the strengthening of UC's market position and the removal of the constraint posed on UC by 3G, which would enable

¹¹⁷ Paragraph 3.4 of the IL Response.

¹¹⁸ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case', 12 April 2019, page 10.

¹¹⁹ Appendix 1 of the IL Response.

¹²⁰ Paragraph 3.4.2 of the IL Response.

¹²¹ Final Merger Notice, Annex 9.1.d. 'Revitalisation of UK Strategy TVS EDL (17/5/2019)', page 29.

¹²² Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case', 12 April 2019, page 7; Final Merger Notice, Annex 9.1.c. 'Project Alpha Strategic Review', 26 April 2019, slides 5-7. UC intends to save approximately £[REDACTED] in a worst-case and mid-case scenario, and £[REDACTED] in a best-case scenario.

price rises and reductions in customer rebates and raise barriers to entry and expansion. The CMA considers that the evidence contained in these documents on the expected impact of the Merger is in line with other evidence, including the evidence gathered from third parties and the evidence on the Parties' pricing negotiations, as discussed further below.

Counterfactual

89. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For completed mergers the CMA generally adopts the pre-merger conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it believes that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.¹²³
90. The description of the counterfactual is affected by the extent to which events or circumstances and their consequences are foreseeable, enabling the CMA to predict with some confidence.¹²⁴ However, the CMA may still consider the effects of the merger in the context of an event or circumstance occurring even if that event or circumstance is not sufficiently certain to include in the counterfactual.¹²⁵
91. In this case, the Parties submitted that the CMA should assess the competitive effects of the Merger against the current competitive situation, taking into consideration the recent developments involving overseas-based wholesalers opening warehouses in the UK to serve UK-based customers.¹²⁶
92. To the extent that non-UK based suppliers are operating in the UK, the CMA considers that they form part of the pre-Merger conditions of competition and do not require the adoption of an alternative counterfactual. The CMA considers the competitive constraint imposed by these non-UK based suppliers within the competitive assessment.

¹²³ See [Merger Assessment Guidelines](#) (OFT1254/CC2) (**Merger Assessment Guidelines**), September 2010, from paragraph 4.3.5. The [Merger Assessment Guidelines](#) have been adopted by the CMA (see [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, Annex D).

¹²⁴ See [Merger Assessment Guidelines](#) paragraph 4.3.2.

¹²⁵ See [Merger Assessment Guidelines](#) paragraph 4.3.2.

¹²⁶ Final Merger Notice, paragraph 11.1.

93. During its investigation into the Merger, the CMA received evidence that TTC, a wide range wholesaler of commercial vehicle trucks and trailer parts, will shortly exit the UK market. This decision was taken by TTC's owner, Unipart Group Limited (**Unipart**), due to [X], exacerbated by the Coronavirus (COVID-19) crisis, which led to a refocusing of investment and resources in alternative operations within the Unipart group. Unipart informed the CMA that [X] and TTC will cease trading in the UK in June 2020.¹²⁷ The CMA understands that TTC communicated this decision to its customers and suppliers on 28 May 2020.
94. UC informed the CMA that it had expressed an intention to purchase TTC's stock of spare parts for commercial vehicles and trailers¹²⁸ but that this acquisition was put on hold due to the Coronavirus (COVID-19) situation. UC submitted that it [X], which was likely to be after the Coronavirus (COVID-19) restrictions are lifted.¹²⁹
95. The Parties submitted that, if the CMA considered that TTC's exit is foreseeable, the CMA should include TTC's exit in the counterfactual and should take account of the reasons for TTC's exit in its analysis.¹³⁰ In addition, the Parties submitted that, in the event of such exit, it is possible that a competitor to the Parties would acquire TTC's stock and its competitive position would be accordingly strengthened. The Parties stated that they expected multiple companies to be interested in purchasing TTC's stock.¹³¹
96. In light of the available evidence, the CMA believes that it is foreseeable that TTC will shortly exit the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK. To that extent, the CMA considers that the appropriate counterfactual for assessment of the Merger should not include TTC as an independent competitor.
97. However, there remain uncertainties as to who will purchase TTC's stock and how its exit will impact the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK. Unipart informed the CMA that it intends to sell TTC's stock on the open market to different third parties.¹³² Therefore, the CMA considers it uncertain that a single company will purchase all of TTC's stock and, based on the available evidence, that this outcome is

¹²⁷ Unipart informed the CMA on 28 May 2020 that TTC had informed customers and suppliers the same day that it would cease trading this quarter and that orders could be placed for fulfilment up until 12 June whilst stock lasted.

¹²⁸ UC's response to question 3(b) of RFI3.

¹²⁹ UC's response to question 5 of RFI5.

¹³⁰ Paragraph 5.3.3 of the IL Response.

¹³¹ Paragraphs 5.3.3 and 5.3.4 of the IL Response

¹³² Note of a call with Unipart on 26 May 2020.

unlikely. The planned sale of TTC's stock [REDACTED].¹³³ As a result, the CMA considers that it is uncertain that the mere transfer of TTC stock to potential purchasers would lead to any impact on the competitive landscape. In light of the above, the CMA has not taken into account the potential purchase of TTC's stock by any particular suppliers in the counterfactual.

98. Therefore, the CMA found the pre-Merger conditions of competition to be the relevant counterfactual, save that TTC should no longer be considered a competitive constraint on the Parties due to its imminent exit from the UK market. The CMA has taken into account other relevant market developments where appropriate in the competitive assessment.

Frame of reference

99. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.¹³⁴

Product scope

Parties' submissions

100. The Parties submitted that the relevant product frame of reference is the wholesale supply of PL and OES parts for commercial vehicle and trailers to the IAM and should include all different types of wholesaler, including 'all makes' wholesalers.^{135,136}

CMA's assessment

101. When selecting a candidate market in horizontal mergers, the CMA will include at least the substitute products (narrowly defined) of the merging companies.¹³⁷ The Parties overlap in the wholesale supply of a wide range of

¹³³ Paragraphs 2.2-2.4 of briefing note submitted to MIC; response to question 5(f) of the section 109 notice issued to Unipart Group on 14 April 2020 – '[REDACTED]'.
¹³⁴ See [Merger Assessment Guidelines](#), paragraph 5.2.2.
¹³⁵ Final Merger Notice, paragraphs 13.1 and 14.1.
¹³⁶ 'All makes' wholesalers are included in the shares of supply table submitted by the Parties in the Final Merger Notice, paragraph 14.1. See also paragraphs 4.1.3-4.1.5 of the IL Response.
¹³⁷ See [Merger Assessment Guidelines](#), paragraph 5.2.11.

commercial vehicle and trailer parts to the IAM in the UK. The CMA has considered whether it is appropriate to widen or further segment the product frame of reference.

Application of the SSNIP test

102. The Parties submitted that the CMA should be guided in its assessment of the relevant frame of reference by the SSNIP, or Hypothetical Monopolist Test.¹³⁸ They argued that for the hypothetical monopolist to find a small but significant non-transitory increase in price (SSNIP) unprofitable – thus indicating that a frame of reference should be broader than that proposed – it is only necessary that some customers be willing and able to switch away from the hypothetical monopolist, even if the majority of customers do not. Given this, the Parties submitted that a finding that even a minority of customers are willing and able to switch could imply that a broader frame of reference is appropriate. The Parties' suggested that the CMA's third party questionnaire may have found that sufficient marginal customers would switch.¹³⁹
103. The CMA's approach to defining the relevant frame of reference is not mechanistic.¹⁴⁰ When determining the appropriate frame of reference, the CMA considers that it is important to reflect the competitive dynamics of the particular industry in which the merging parties are active.
104. In this case, wholesalers have various ways of setting different prices for different customers, including rebates and net pricing – as outlined in paragraphs 62 to 63. Due to this ability to price differentiate, customers who are willing and able to switch away from the Parties cannot be relied on to protect all of the Parties' customers from price increases. As a result, even if some marginal customers were present, a narrow frame of reference would be appropriate for assessing the impact of the Merger on the other (non-marginal) customers.
105. In any event, answers to the CMA's third party questionnaires should not be interpreted as estimates of the number of marginal customers (as the Parties appear to do).¹⁴¹ The CMA did not frame those questions by asking customers about their response to a SSNIP.
106. In any case, as noted at paragraph 99 above, the boundaries of the frame of reference do not determine the outcome of the analysis of the competitive

¹³⁸ For further details see [Merger Assessment Guidelines](#), paragraphs 5.2.10-5.2.14.

¹³⁹ Paragraphs 4.1.4 and 5.3.22 of the IL Response.

¹⁴⁰ See [Merger Assessment Guidelines](#) paragraph 5.2.2.

¹⁴¹ Paragraph 5.3.22 of the IL Response.

effects of the merger. The CMA has considered the impact of any out-of-market constraints in its competitive assessment.

Distinction between supply to the IAM and supply to authorised dealer service centres

107. The CMA found that the parts used by authorised service centres are exclusively provided by authorised parts wholesalers, including ‘all makes’ wholesalers, rather than by IAM wholesalers, such as the Parties. In addition, the Parties are only active in the supply to the IAM.¹⁴² The CMA therefore considers that the supply of commercial vehicle and trailer parts to authorised dealers and service centres constitutes a separate product frame of reference and has focused its assessment on the supply of commercial vehicle and trailer parts to the IAM only.¹⁴³

Distinction between types of wholesaler

108. As set out in more detail in the Background section above, the CMA has found that the wholesale supply of commercial vehicle and trailer parts is differentiated, with different types of wholesalers offering a variety of products, brands and ranges.¹⁴⁴ The CMA has therefore considered whether these different types of wholesalers all fall within the same product frame of reference.

Distinction based on range of parts supplied

109. As noted in the Background section above, wholesalers can be categorised into the following groups based on the range of parts they supply: (i) wide range wholesalers, (ii) narrow range wholesalers, (iii) niche wholesalers and (iv) brand-specific wholesalers.¹⁴⁵

110. These distinctions reflect the Parties’ characterisation of the industry.¹⁴⁶ The Parties subsequently submitted that the difference between a narrow range wholesaler and a wide range wholesaler can be vague and small.¹⁴⁷

¹⁴² Final Merger Notice, paragraphs 13.4 – 13.7. For more detail, see also the Background section.

¹⁴³ This is also the view held by the Parties, see Final Merger Notice, paragraphs 13.1 – 13.12.

¹⁴⁴ Motor factor customers may also choose to source directly from parts manufacturers. As set out in paragraph 74, the CMA has found that this is done less commonly (eg ordering directly from manufacturers would usually lead to longer delivery times and higher minimum order requirements, both important competitive parameters, than ordering directly from wholesalers). This is corroborated by other evidence showing that manufacturers exert only a limited constraint on the Parties (see section on Alternative Suppliers below for more detail).

¹⁴⁵ See paragraph 57 above.

¹⁴⁶ Final Merger Notice, paragraph 15.5.

¹⁴⁷ Paragraph 5.3.15 of the IL Response.

111. The Parties submitted that most motor factors tend to purchase commercial vehicle and trailer parts from a range of wholesalers, suggesting that it is easy for customers to source products from a variety of types of wholesalers.¹⁴⁸ The Parties submitted that a wholesaler does not need to stock the same number of parts as the Parties in order to exert a significant competitive constraint on them.¹⁴⁹
112. Nearly all motor factors that responded to the CMA's market test were able to name five different suppliers from which they had purchased parts in the last year, and most respondents had purchased from both wide range and narrow, niche and brand-specific wholesalers. This suggests that multi-sourcing is a feature of this market. However, the CMA notes that the fact that customers multi-source from different suppliers does not necessarily indicate that these suppliers are close substitutes, as the different suppliers may be serving different customer needs and as such are complementary to each other rather than competing with each other.
113. For example, the Parties submitted that their customers typically make predictable purchases every day.¹⁵⁰ UC also stated that it supplies both 'fast moving' parts as well as 'slower moving' parts (eg, for older vehicles) that are purchased on a less frequent basis.¹⁵¹
114. In this respect, the evidence seen by the CMA indicates that wide range wholesalers are serving different business needs from narrow-range, niche and brand-specific wholesalers. In particular, the CMA found that:
- (a) Nearly all the competitors identified by the Parties as their closest competitors (see Table 3 below) offer a wide range of products.
 - (b) The CMA's analysis of the Parties' pricing negotiations (see Table 2 below) shows that wide range wholesalers are the type of wholesaler most closely monitored by the Parties, with nearly three quarters of each Party's discussions on competitor pricing mentioning a wide range wholesaler (as opposed to narrow range, niche and brand-specific wholesalers, which received significantly fewer mentions).
 - (c) This is also consistent with the Parties' internal documents and third-party views, which consider wide range wholesalers to be the closest

¹⁴⁸ Eg, UC's top five customer purchased only a small proportion of their requirements from UC, Final Merger Notice, paragraph 15.6.

¹⁴⁹ Paragraph 5.3.15 of the IL Response.

¹⁵⁰ Minutes of Issues Meeting held with the Parties on 13 May 2020.

¹⁵¹ Final Merger Notice, paragraph 15.6.

alternatives to the Parties (as discussed in the Alternative suppliers section below).¹⁵²

115. The CMA's investigation also revealed that when asked about their willingness to substitute purchasing from a wide range wholesaler, such as the Parties, with purchasing from a number of narrow range or niche or brand specific wholesalers, the majority of customers who responded to the CMA's market test considered that it would be difficult or extremely difficult to do so. In particular, the main difficulties cited by customers were (i) the need to reach a minimum order quantity/value requirement each day with each supplier in order to avoid delivery charges, (ii) the need to increase stock holding facilities to be able to store large product volumes and (iii) the increased administration costs of dealing with multiple accounts.¹⁵³ Some customers also mentioned that over longer periods of time, rebates can also be an incentive for customers to focus their purchases on a small group of wholesalers, which will therefore favour procurement from wide range wholesalers.¹⁵⁴
116. The CMA has found some evidence indicating that customers' willingness to switch from wide range wholesalers to using multiple narrow range, niche and/or brand-specific wholesalers may be associated with a particular customer's size and business needs. Evidence from competitors indicated that they believe that small motor factors would face some difficulty in procuring the parts they need from a range of wholesalers. Several competitors considered that small motor factors are less able to bear the administrative cost of maintaining multiple accounts, and the additional inventory costs it may involve, compared to larger motor factors. The need to focus purchases on a small group of suppliers in order to achieve rebates was mentioned by competitors as a reason for all types of motor factor to prefer fewer suppliers.¹⁵⁵
117. From a supply-side perspective, the available evidence indicates that it would not be easy for a smaller wholesaler supplying a niche or narrow range of products to quickly increase their range to become a wide range wholesaler (see the section on Barriers to entry and expansion for more detail). The CMA

¹⁵² See Section on Alternative suppliers below.

¹⁵³ As mentioned at paragraph 68 above, this has been also acknowledged by the Parties, as they have submitted that the primary benefit of dealing with a wholesaler stocking a wide range of commercial vehicle and trailer parts (such as UC) is the ease of the transaction (Final Merger Notice, paragraph 15.12).

¹⁵⁴ The Parties disagreed that these factors are likely to limit switching between wholesalers – see IL Response, paragraphs 5.3.17-5.3.19. The Parties' arguments are summarised at paragraphs 227-229 but, as discussed in paragraphs 230-235 of the competitive assessment the CMA believes that their submissions are not supported by the available evidence given all of these reasons were raised by customers.

¹⁵⁵ This is consistent with the Parties' views that rebates have a positive impact on subsequent sales to a customers and UC provided some examples of this happening in the past, see Final Merger Notice, paragraph 15.12 and response to question 2 of RFI4.

believes that this is consistent with different types of wholesaler falling into separate product frames of reference.¹⁵⁶

118. The CMA's view is that, according to the available evidence, other types of wholesalers do not seem to be a sufficiently close substitute to wide range wholesalers to be included in the same relevant product frame of reference. Accordingly, the CMA found that other wholesaler types do not form part of the same product frame of reference as wide range wholesalers.

Distinction between wide range wholesalers and 'all makes' wholesalers

119. The CMA also considered whether 'all makes' wholesalers should be part of the same product frame of reference as wide range wholesalers.
120. The Parties submitted that 'all makes' wholesalers compete indirectly with wide range wholesalers. The Parties submitted that if a wide range wholesaler increased its prices then this would result in an increase in motor factors' prices. This, in turn, would result in motor factors' downstream customers (ie garages, etc.) instead buying spare parts from 'all makes' wholesalers. The Parties submitted that, due to the indirect nature of this constraint, this may not have been highlighted by the CMA's investigation.¹⁵⁷
121. 'All makes' wholesalers supply parts across a broad range of product categories. However, responses to the CMA's market investigation indicate that motor factors generally do not view 'all makes' wholesalers as alternatives to wide range wholesalers. In particular, only one customer responding to the CMA's market test indicated that 'all makes' wholesalers are close competitors to the Parties. Consistent with this, the Parties submitted that motor factors will only use 'all makes' wholesalers for 'distress' purchases since they view 'all makes' wholesalers as their competitors.¹⁵⁸
122. In principle, the frame of reference can be widened to reflect indirect constraints.¹⁵⁹ However, when defining the product frame of reference, the CMA takes into account the most significant competitive alternatives available to the customers of the merging firms.¹⁶⁰ As mentioned in paragraph 240, the

¹⁵⁶ While the boundaries of the relevant product frame of reference are generally determined by reference to demand-side substitution alone, the CMA may also consider supply-side factors and other market characteristics. For example, this may be done when production assets can be used by firms to supply a range of different products that are not demand-side substitutes, and the firms have the ability and incentive quickly (generally within a year) to shift capacity between these different products depending on demand for each see [Merger Assessment Guidelines](#), paragraph 5.2.6 and 5.2.17.

¹⁵⁷ Paragraph 4.1.3 of the IL Response. The CMA notes that the Parties did not make any submissions about the indirect nature of any constraint exerted by 'all makes' wholesalers prior to the Issues Meeting.

¹⁵⁸ Paragraph 4.1.3(d) of the IL Response.

¹⁵⁹ See [Merger Assessment Guidelines](#), paragraph 5.2.20, first bullet.

¹⁶⁰ See [Merger Assessment Guidelines](#), paragraph 5.2.1.

evidence available to the CMA does not indicate that ‘all makes’ wholesalers exert a close indirect constraint on wide range wholesalers. Accordingly, the CMA considers that ‘all makes’ wholesalers do not form part of the same product frame of reference as wide range wholesalers.

Segmentation between PL and OES parts

123. The CMA has assessed potential segmentation within the wide range wholesale supply of parts between PL parts and OES parts.
124. The Parties submitted that theoretically it may be possible to define further separate product frames of reference for (i) PL parts; and (ii) each different brand of OES parts. However, the Parties did not consider that the market should be segmented on either of these bases.¹⁶¹
125. From a demand-side perspective, there is some evidence of substitutability between PL and OES parts. These parts are functionally equivalent and may be considered substitutable by the end-user (eg garage) in some cases. However, the available evidence suggests that there are certain differences between PL and OES parts in terms of their substitutability:
 - (a) PL parts are cheaper and are sometimes perceived to be lower quality than OES parts (as discussed in the Background section above). The Parties submitted that when a vehicle has only just come out of warranty, the vehicle operator may wish to use the closest equivalent to an OEM part, which is an OES part. However, once a vehicle is over four years old, it is much more likely to be serviced and repaired using PL parts.¹⁶²
 - (b) The CMA’s market investigation also indicated that motor factors’ purchases and willingness to substitute between OES and PL parts is largely driven by their own customers’ (ie garages, etc) requirements, which often have very specific preferences for the type of parts they purchase. Evidence from motor factors also showed that motor factors would be more willing to use PL parts than OES parts in circumstances where the parts are not safety critical.
126. From the supply side perspective, the available evidence shows that a majority of wide range wholesalers supply all types of parts, including PL and

¹⁶¹ Final Merger Notice, paragraphs 13.10-13.12. The Parties submitted that all types of wholesalers still stock both OES and PL parts (although the requirement to stock OES parts is particularly strong for niche and narrow range wholesalers). The Parties also submitted that all of their motor factor customers tend to purchase both PL parts and a number, if not all, of the main OES part brands.

¹⁶² Final Merger Notice, paragraph 13.9.

OES parts.¹⁶³ However, the CMA has also seen evidence of some differences between PL and OES parts on the supply side:

- (a) The CMA notes that some wide range wholesalers appear to be focused on different market segments: for example, UC, and to a lesser extent, 3G, focus on the supply of PL parts,¹⁶⁴ while other wholesalers such as CV Logix [REDACTED].¹⁶⁵
- (b) The Parties' internal documents also refer to the 'UK private label market' and refer to the aim of consolidating this market by acquiring 3G.¹⁶⁶

127. Although there are some indications of differentiation between the supply of PL and OES parts, the CMA considers that the available evidence suggests that the conditions of competition for the supply of PL and OES parts by wide range wholesalers are sufficiently similar to be assessed within the same frame of reference.¹⁶⁷

128. In contrast to those suppliers included in their Final Merger Notice, the Parties later submitted that certain 'OES-only suppliers' should be included in the product frame of reference.¹⁶⁸ However, the companies' websites indicate that they are parts manufacturers, not wholesalers.¹⁶⁹ The CMA has not seen any evidence indicating that these suppliers are active in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK, or that they offer a close alternative to the Parties. In particular, none of these suppliers were mentioned by any third party as part of the CMA's market test. The CMA has therefore not included these suppliers within the product frame

¹⁶³ Final Merger Notice, paragraph 15.8.

¹⁶⁴ The Parties submitted that each of UC and 3G 'predominantly sells private label parts', Final Merger Notice, paragraphs 3.1 and 3.2. PL parts accounted for [REDACTED]% of UC's and [REDACTED]% of 3G's sales by value over the last three years, on average -Final Merger Notice, paragraphs 23.13 to 23.16.

¹⁶⁵ Call with CV Logix on 29 April 2020, PL parts account for less than [REDACTED]% of CV Logix's overall business turnover.

¹⁶⁶ Final Merger Notice, Annex 9.1.g. 'TASL UK and European Strategy July 2019', slides 5 and 6; 'UC Slides Presented to the Board of Directors' (dated early July 2019), slides 4 and 5.

¹⁶⁷ Where the same firms compete to supply different products which may not necessarily be substitutable from the demand side perspective and the conditions of competition between the firms are the same for each product, the CMA will usually aggregate the supply of these products and analyse them as one market, as this would not have a material effect on the competitive assessment in any event – see [Merger Assessment Guidelines](#), paragraph 5.2.17.

¹⁶⁸ Paragraph 5.1.1 of the IL Response. The Parties mentioned 'Relex & Allen' (which the CMA assumes is a reference to Reflexallen), Meritor and Fontaine.

¹⁶⁹ The CMA notes that in the 'CMA Analysis' document provided as an attachment to the Parties' IL Response, 'Relex & Allen' (which the CMA assumes is a reference to Reflexallen) and Fontaine are described as 'Manufacturer (Private Label)'.

of reference.¹⁷⁰ These suppliers were not mentioned in the Final Merger Notice.¹⁷¹

Segmentation by product group

129. The CMA has also assessed potential segmentation within the wide range wholesale supply of parts by product group.
130. From a demand-side perspective, different product groups (eg braking or suspension components) are clearly non-substitutable, as they serve entirely different end-uses.
131. However, from the supply side perspective, wide range wholesalers supply a range of different product groups across different brands.¹⁷² The CMA has not seen any evidence to suggest that the conditions of competition are different for any particular product category.¹⁷³
132. In light of the above, the CMA has not further segmented the wide range wholesale supply of commercial vehicle and trailer parts to the IAM by product group.

Conclusion on product frame of reference

133. For the reasons set out above, the CMA has considered the impact of the Merger in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM.¹⁷⁴ However, where appropriate, the CMA has considered the supply by other types of wholesalers as out-of-market constraints within the competitive assessment.

Geographic scope

134. The Parties submitted that the market for the supply of commercial vehicle and trailer parts to the IAM is at least UK-wide and may be wider:¹⁷⁵

¹⁷⁰ See also paragraph 59 above on direct purchasing from manufacturers.

¹⁷¹ Final Merger Notice, paragraphs 13.10 and 15.8. All the firms listed in Annex 12.1 to the Final Merger Notice supply at least some PL parts.

¹⁷² Supply side factors are relevant to the frame of reference. See [Merger Assessment Guidelines](#), paragraph 5.2.17.

¹⁷³ Particularly given that other wholesaler types do not form part of the same frame of reference as wide range wholesalers.

¹⁷⁴ Going forward, any reference to the wide range wholesale supply of commercial vehicle and trailer parts should be understood as referring to the supply of such parts only by wide range wholesalers to the IAM.

¹⁷⁵ Final Merger Notice, paragraphs 13.13.

(a) both Parties have activities outside the UK – in the financial year 2018/19 export activities accounted for [X]% and [X]% of UC's and 3G's sales, respectively;¹⁷⁶ and

(b) some international wholesalers, such as Inter Cars, supply parts to the UK.

135. The CMA considers that it is appropriate to focus on the wide range wholesale supply of commercial vehicle and trailer parts to IAM customers in the UK. Evidence gathered during the CMA's investigation indicates that competitive conditions in the UK are likely to be different from those in other jurisdictions:

(a) Third party views and the Parties' internal documents often discuss separately the competitive conditions in the 'UK IAM'.¹⁷⁷

(b) The CMA has found that the vast majority of wholesalers active in the IAM in the UK, including the Parties, are UK-based (see paragraph 58 above).

136. The CMA has found that certain non-UK based wholesalers supply to motor factors in the UK (see paragraph 92 above). The CMA has therefore included them in the frame of reference. However, according to the available evidence, non-UK based wholesalers offer considerably longer delivery times (at least several working days and up to a week). Given the importance that motor factors and wholesalers place on speed of delivery (same day or next day – see paragraph 71 above for more detail), the CMA has taken this into account in the competitive assessment.

137. On the basis of the available evidence, the CMA considers that competitive conditions are the same across the UK, with the same wholesalers active across the entire territory (including Northern Ireland). In addition, prices are set nationally, and products tend to be delivered across the UK from wholesalers' central warehouses.¹⁷⁸ Therefore, the CMA considers that further segmentation within the UK does not appear appropriate.

Conclusion on geographic frame of reference

138. For the reasons set out above, the CMA considers that a UK-wide geographic frame of reference is appropriate.

¹⁷⁶ The Parties submitted that in 2018 UC was also looking into [X] – see paragraph 4.2.2 of the IL Response.

¹⁷⁷ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', pages 7 and 9; Final Merger Notice, Annex 9.1.b. 'Project Alpha Strategic Review (24/04/2019)', page 8; Final Merger Notice, Annex 9.1.d. 'Revitalisation of UK Strategy TVS EDL (17/5/2019)', page 39.

¹⁷⁸ See Background section above.

Conclusion on frame of reference

139. For the reasons set out above, the CMA has considered the impact of the Merger in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK.

Competitive assessment

Horizontal unilateral effects

140. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.¹⁷⁹ Horizontal unilateral effects are more likely when the merging parties are close competitors.

141. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC in relation to horizontal unilateral effects in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK.

142. The CMA's concern under this theory of harm is that the removal of one Party as a competitor could allow the Merged Entity to increase prices, lower service quality and/or reduce the range of its services. After the merger, it is less costly for a merging company to raise prices (or lower quality) because it will recoup the profit on recaptured sales from those customers who would have switched to the offer of the other merging party.

143. In order to assess the likelihood of the Merger resulting in horizontal unilateral effects, the CMA considered the following factors:

- (a) shares of supply;
- (b) closeness of competition between the Parties; and
- (c) competitive constraints from alternative suppliers.

Shares of supply

144. In the Final Merger Notice, the Parties submitted estimates of shares of supply of PL parts to the IAM in the UK, estimating their combined share of supply to be [10-20]%.¹⁸⁰ However, for the reasons set out in the Frame of

¹⁷⁹ See [Merger Assessment Guidelines](#), from paragraph 5.4.1.

¹⁸⁰ Final Merger Notice, paragraph 14.1.

Reference section above, the CMA does not consider this to be the appropriate frame of reference and therefore the CMA has not placed weight on these particular shares of supply.

145. Consistent with the frame of reference set out above, the CMA has calculated shares of the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK. The CMA has based these estimates on submissions from the Parties, supplemented (where available) by evidence from third parties on actual revenues.¹⁸¹ The CMA's estimates of the shares of supply based on this data are presented in Table 1.¹⁸²

¹⁸¹ The Parties submitted revised share of supply data in the IL Response. For the reasons set out in paragraphs 149-150, the CMA does not consider that this revised data is reliable.

¹⁸² Following the Issues Letter, the CMA gathered further information from one third party (Imex) in relation to their revenues and has revised its shares of supply accordingly. Additionally, the CMA has now included Inter Cars in its estimated shares of supply, using the estimate for its revenue supplied by the Parties in the IL Response.

Table 1: Shares of supply by wide range wholesalers of commercial vehicle and trailer parts to the IAM in the UK based on revenues

Wholesaler	Share of supply
UC	[20-30]%
3G	[10-20]%
Combined	[40-50]%
CV Logix	[30-40]%
TTC†	-
Granning	[5-10]%
Amipart	[0-5]%
DSS	[0-5]%
Febi	[0-5]%
Imex	[0-5]%
DT Trucks	[0-5]%
Majorsell	[0-5]%
Inter Cars	[0-5]%
Sampa/Auger	[0-5]%

† TTC had a [5-10]% share of supply based on 2018 revenue. However, given that TTC will imminently exit the market (see paragraph 90 above), the CMA has excluded TTC from Table 1. In adjusting for TTC's exit, the CMA has reallocated its sales amongst the other suppliers on a pro-rata basis. However, as explained in paragraphs 182-192, TTC is a relatively close competitor to the Parties. The Parties may therefore be expected to capture a disproportionate share of TTC's sales.

Source: CMA analysis based on figures provided in Parties' response to RF15, Annex 1 – Updated Annex 12.1, Final Merger Notice, Parties' IL Response, and third party figures on revenues.

146. These share of supply estimates demonstrate that UC has a strong existing position (as the only player together with CV Logix with a share above 20%). This will be further strengthened post-Merger by the addition of the third largest supplier, 3G. According to these estimates, the Merged Entity would be, by some margin, the largest wide range wholesaler in the supply of commercial vehicle and trailer parts to the IAM in the UK, with a combined share of supply of [40-50]% (excluding TTC from the calculations). Post-Merger, with the exception of CV Logix, all other wholesalers would have a share of less than 10% and fall behind the Merged Entity to a significant extent.
147. The CMA considers that these estimated shares of supply may understate the Parties' position. The CMA understands that approximately [X]% of CV Logix's sales are made to its own vertically integrated motor factors. The Parties provided examples where motor factors' sales fell after they were acquired by AAG.¹⁸³ This suggests that these sales may not be fully

¹⁸³ Paragraph 5.3.5 (b) of the IL Response - Figures from 3G indicate that sales revenue to one motor factor fell by over 80% after it was acquired by AAG; for another motor factor sales revenues fell by around a third.

contestable by other firms.¹⁸⁴ Adjusting the shares of supply in Table 1 to take account of this would result in the Parties having a combined share of supply of [50-60%] post-Merger.

148. The Parties submitted updated share of supply calculations in response to the CMA's Issues Letter. The Parties stated that they had updated the set of competitors to the Parties to: (i) include 'OES-only' suppliers which had previously been excluded from the Parties' submissions; (ii) include sales made into the UK by wholesalers of OES and PL parts which do not have a physical presence in the UK; and (iii) include 'all makes' wholesalers.¹⁸⁵ The Parties submitted that on the basis of these updated figures their combined share of supply is [10-20]% under the CMA's frame of reference and [0-5]% under their own preferred frame of reference (which also includes other types of suppliers).¹⁸⁶
149. The CMA has not placed any evidentiary weight on the revised estimates provided by the Parties for the following reasons:
- (a) These updated figures represent a significant departure from the figures provided by the Parties in the Final Merger Notice. The table submitted by the Parties as the source of its revised figures¹⁸⁷ contains estimated revenue figures for a large number of suppliers that had not previously been mentioned in the Final Merger Notice or in any of the Parties' previous submissions. Furthermore, the Parties have not explained their methodology for calculating these estimated figures and have not provided any evidence in their support.¹⁸⁸
 - (b) Many of the suppliers listed in the source table fall outside the relevant frame of reference, as set out above. For example, some of the companies listed do not appear to be wholesalers,¹⁸⁹ others are 'all makes' wholesalers,¹⁹⁰ and others only appear to supply a narrow range

¹⁸⁴ The Parties submitted that motor factors have the option to join or leave AAG (CV Logix's owner), and that CV Logix supplies to all motor factors in the marketplace (paragraph 5.1.4(b), IL Response). The CMA notes that these points do not engage with the motivation for this adjustment, namely that sales to CV Logix's own vertically integrated motor factors may not be contestable by *other* wholesalers.

¹⁸⁵ Paragraphs 5.1.1 and 5.1.2 of the IL Response.

¹⁸⁶ Paragraph 5.1.3 of the IL Response.

¹⁸⁷ '14 5 20 Copy of JB Copy of Top 80% UK and NI (Lines).xlsx' submitted with IL Response.

¹⁸⁸ In paragraph 5.1.1 of the IL Response, the Parties stated that 'in the Merger Notice the Parties had excluded sales made into the UK by European PL wholesalers selling parts in the UK market, but without a physical presence in the UK, since the Parties had no information on their sales.' In the absence of any information on these companies' sales, it is not clear how the Parties subsequently estimated these revenues for the purposes of their revised share of supply estimates.

¹⁸⁹ For example, Bosch, 'Relex & Allen' (which the CMA assumes is a reference to Reflexallen), Meritor and Fontaine.

¹⁹⁰ For example, TRP and VRS.

of parts (based on the unverified information contained in the source table).¹⁹¹

(c) The Parties' revised estimates are not consistent with the other evidence gathered during the CMA's investigation, including the Parties' internal documents and third party responses to the CMA's market test (as discussed in the Alternative Suppliers section below).

150. For the reasons explained above, the CMA considers that the shares of supply as presented in Table 1 represent the most accurate representation of the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK, on the basis of the available evidence.

151. These share of supply estimates indicate that post-Merger the Parties will have a strong position in the relevant frame of reference, well ahead of all other wide range wholesalers other than CV Logix. The CMA notes that the offerings of wide range wholesalers are differentiated, such that shares of supply may not fully reflect the impact of the Merger within the relevant frame of reference. The CMA has therefore considered the shares of supply alongside the body of evidence on closeness of competition between the Parties and the strength of the competitive constraint imposed by alternative suppliers (including out-of-market constraints).

Closeness of competition between the Parties

Parties' submissions

152. UC submitted that it views 3G as its closest competitor,¹⁹² while 3G submitted that it views UC as a close competitor.¹⁹³

153. The Parties further submitted that, notwithstanding their acceptance of the closeness of competition between them, they differ on account of the OES/PL split of their sales and in their share of sales to buying group members.¹⁹⁴

CMA assessment

154. In assessing the closeness of competition between the Parties, the CMA has considered:

¹⁹¹ For example, CBF, Nationwide Trailer Parts and Lema.

¹⁹² Response to question 17 of RFI1.

¹⁹³ Response to question 17 of RFI1; reiterated in paragraph 5.2.1 of the IL Response.

¹⁹⁴ Paragraph 5.2.2 of the IL Response.

- (a) the similarity in the Parties' product/service propositions;
- (b) the evidence from the Parties' pricing negotiations;
- (c) the Parties' internal documents; and
- (d) third-party evidence on closeness of competition.

- *The Parties' product/service propositions*

155. The CMA considers that both Parties have very similar product/service propositions:

- (a) Both Parties are wide range wholesalers, offering a large selection of products: UC supplies around [X] SKUs and 3G lists around [X] SKUs, of which it holds stock of around [X].¹⁹⁵
- (b) UC's and 3G's ranges cover both PL and OES parts, with a particular focus on PL parts, which accounted for [X]% of UC's and [X]% of 3G's sales by value over the last three years, on average.¹⁹⁶ The CMA does not agree with the Parties' submission that their offerings differ significantly on account of the OES/PL split of their sales.¹⁹⁷ While the precise split is not identical, both Parties have a strong PL offering, along with a broad range of OES parts.
- (c) The Parties offer similar delivery times and charges (eg, both Parties offer free next day delivery to customers in mainland UK for orders in excess of £125).¹⁹⁸

156. The Parties' internal documents (see paragraphs 162-171) and third-party views gathered during the CMA's market investigation support this finding. A majority of third party respondents confirmed that the Parties offer similar product ranges and serve similar customer bases (see paragraphs 172 to 175).

¹⁹⁵ Response to question 24 of RFI1.

¹⁹⁶ Final Merger Notice, paragraphs 23.13 – 23.16. The Parties' focus on PL parts is also evident in some of UC's internal documents focusing on the supply of PL parts, see eg Final Merger Notice, Annex 9.1.d. 'Revitalisation of UK Strategy TVS EDL (17/5/2019)', pages 5-6.

¹⁹⁷ Paragraph 5.2.2 of the IL Response.

¹⁹⁸ The charges in NI differ, eg to qualify for a free next day delivery a customer needs to spend £[X] with 3G, response to question 8 of RFI3 and Final Merger Notice, paragraphs 15.4.

157. While the CMA notes that the Parties differ in terms of their share of sales to buying groups,¹⁹⁹ the CMA nonetheless considers their propositions to be very similar for the reasons set out above.

- *Evidence from the Parties' pricing negotiations*

158. As noted in paragraph 62 above, both Parties publish national price lists, but prices are regularly negotiated with customers. The Parties submitted that customers who have not agreed special supply terms with wholesalers routinely ask for better prices and will often place their order with another wholesaler if the Parties are unable to offer better prices.²⁰⁰ The Parties provided to the CMA existing records of their sales managers' pricing negotiations discussing competitors' pricing which have taken place in the last 12 months. The CMA used this information to calculate how often different competitors were mentioned in each Party's pricing negotiations with customers or in the Parties' internal emails discussing competing offerings.²⁰¹

159. The CMA's analysis shows that 3G was mentioned in [X] (ie [30-40]%) of UC's pricing negotiations and UC was mentioned in [X] (ie [30-40]%) of 3G's pricing negotiations. Each Party appears to be mentioned considerably more often than any of the other suppliers. In particular, no other competitor got more than [10-20]% of mentions in either Party's documents and most competitors got fewer than [5-10]% of mentions – see Table 2 below for further details. The Parties did not contest this analysis or its results.²⁰²

160. The CMA considers that this evidence indicates that the Parties compete closely against each other when negotiating on pricing with their customers. The CMA believes this is consistent with the Parties being each other's closest competitors.

¹⁹⁹ Paragraph 5.2.2 of the IL Response. During the last three years, sales to buying group members on average accounted for around [X]% of UC's sales revenue and [X]% of 3G's sales revenue. Final Merger Notice, paragraphs 23.13-23.16.

²⁰⁰ Response to question 3 of the second Request for Information dated 11 November 2010 (**RFI2**) and Final Merger Notice, paragraphs 15.18 – 15.24.

²⁰¹ With respect to 3G, some of these emails also include competitor price lists shared with 3G by its customers.

²⁰² Paragraphs 5.4.4 to 5.4.13 of the IL Response, the Parties provided some anecdotal evidence of some Parties' customers asking to match the prices given by other suppliers. However, the Parties did not contest the CMA's analysis of these pricing negotiations.

Table 2: Competitors mentioned in the Parties' pricing negotiations

Party mentioned	Competitor type	UC		3G	
		Times mentioned	% of all mentions	Times mentioned	% of all mentions
UC	Wide			[X]	[30-40]%
3G	Wide	[X]	[30-40]%		
Amipart	Wide	[X]	[0-5]%	[X]	[0-5]%
CV Logix	Wide	[X]	[5-10]%	[X]	[10-20]%
DSS/VTP*	Wide	[X]	[0-5]%	[X]	[0-5]%
DT Trucks	Wide	[X]	[0-5]%	[X]	[0-5]%
Febi	Wide	[X]	[0-5]%	[X]	[0-5]%
Granning	Wide	[X]	[0-5]%	[X]	[0-5]%
Imex	Wide	[X]	[0-5]%	[X]	[0-5]%
Majorsell	Wide	[X]	[0-5]%	[X]	[0-5]%
TTC	Wide	[X]	[10-20]%	[X]	[0-5]%
Automint	Narrow	[X]	[0-5]%	[X]	[0-5]%
Borg & Beck	Narrow	[X]	[0-5]%	[X]	[0-5]%
Durite	Narrow	[X]	[0-5]%	[X]	[0-5]%
EBS	Narrow	[X]	[0-5]%	[X]	[0-5]%
Guardian	Narrow	[X]	[0-5]%	[X]	[0-5]%
Juratek	Narrow	[X]	[0-5]%	[X]	[0-5]%
Unitruck	Narrow	[X]	[0-5]%	[X]	[0-5]%
Dinex	Niche	[X]	[0-5]%	[X]	[0-5]%
Nissens	Niche	[X]	[0-5]%	[X]	[0-5]%
Winnard	Niche	[X]	[0-5]%	[X]	[0-5]%
Woods	Niche	[X]	[0-5]%	[X]	[0-5]%
DAF-TRP	All makes	[X]	[0-5]%	[X]	[0-5]%
Arinsdale	Manufacturer	[X]	[0-5]%	[X]	[0-5]%
Capus	Manufacturer	[X]	[0-5]%	[X]	[0-5]%
Schaeffler	Manufacturer	[X]	[0-5]%	[X]	[0-5]%
SDC	Manufacturer	[X]	[0-5]%	[X]	[0-5]%
Trucklite	Manufacturer	[X]	[0-5]%	[X]	[0-5]%
Total mentions		[X]		[X]	

Source: CMA analysis using Parties' data. Excludes pricing negotiations where a particular competitor could not be identified.

* UC groups DSS/VTP as one entity therefore their mentions are counted together.

Note: The competitor types are based on the segmentation provided by the Parties in the Final Merger Notice, Annex 15.3 and adjusted, where relevant, in light of the evidence obtained during the CMA's market testing and research.

- *Internal documents*

161. The CMA has considered the extent to which the Parties view each other as close competitors based on their internal documents.²⁰³
162. The Parties submitted that when referring to each other as being a close competitor in their internal documents, they were not specifically referring to the concept of ‘closeness of competition’ as used in competition economics and that the use of the term ‘close’ reflects the fact that UC and 3G are of a similar business type. The Parties also submitted that they refer to each other more than other similar businesses because of their familiarity with each other’s businesses.²⁰⁴
163. The CMA considers that the explanation offered by the Parties is not incompatible with the inference that they are close competitors. In any event, for the reasons set out in the following paragraphs and having assessed the Parties’ documents, the CMA considers that they show that the Parties are close competitors. As set out below, these documents discuss issues such as the constraint 3G exerts on UC’s pricing as well as other matters that relate to closeness of competition.
164. The CMA’s analysis of UC’s internal documents indicates that UC views 3G as the second largest wide range wholesaler in the supply of commercial vehicle and trailer parts to the IAM in the UK and as UC’s closest competitor.²⁰⁵
165. One internal document submitted by UC indicates that it views 3G as one of its ‘main competitors’, with a similar product proposition and customer base, and that UC closely tracks its activities. For example, this document states that:
- (a) ‘It is apparent that 3G’s competitive strategy is to offer products of equivalent quality to UC, but at roughly [X] % cheaper. 3G’s pricing adjustments appear to mirror those of UC, leading to this assumption’;²⁰⁶

²⁰³ The CMA notes that the Parties provided only a limited number of internal documents to the CMA. See section on Rationale for the Merger for the CMA’s position with respect to the weight attached to these internal documents.

²⁰⁴ Paragraph 5.4 of the IL Response.

²⁰⁵ Final Merger Notice, Annex 9.1.p. ‘Steering Committee Kick-Off Meeting (9/2/2020)’, pages 4 and 5; Final Merger Notice, Annex 9.1.d. ‘Revitalisation of UK Strategy TVS EDL (17/5/2019)’, pages 25-26; Final Merger Notice, Annex 9.1.a. ‘Project Alpha Business Case (12/4/2019)’, page 7; Final Merger Notice, Annex 9.1.g. ‘TASL UK and European Strategy July 2019 (09/07/2019)’, page 7.

²⁰⁶ Final Merger Notice, Annex 9.1.a. ‘Project Alpha Business Case (12/4/2019)’, page 3.

- (b) 'It is estimated that [REDACTED]% of [3G] customer accounts also have accounts with UC';²⁰⁷ and
- (c) 'Universal Components are currently the market leaders in terms of annual revenue, followed by 3G'.²⁰⁸
166. The same UC document further states that the Merger would lead to reduced pressure on UC's pricing and [REDACTED], in turn leading to expected price increases:
- (a) 'UC's potential for price increases is currently bound by the risk that [3G's] products would be significantly cheaper should they choose to hold their prices, resulting in a loss of revenue to UC. Should the acquisition of [3G] occur, [...] an alternative cheaper product will not be available to the customer, and UC's pricing policy wont [sic] be bound in the same way, resulting in margin gain';²⁰⁹ and
- (b) 'UC are currently under pressure to match [3G's] [REDACTED], costing the business £[REDACTED] in FY19. [...] Should the acquisition of [3G] occur, the lack of a viable alternative supplier would result in a [REDACTED] and significant margin gains. [REDACTED] from year 1 post-acquisition'.²¹⁰
167. Another UC internal document of a later date refers to 3G as a 'key competitor'²¹¹ to UC and as UC's 'closest competitor'.²¹²
168. 3G has not provided any internal documents discussing market conditions or closeness of competition between the Parties. However, the CMA found that 3G's product price review which took place in October 2019 was undertaken on the basis of a comparison between 3G's and UC's prices and estimated sales margins.²¹³ One of 3G's emails containing pricing negotiations also mentioned that '[REDACTED]'.²¹⁴
169. UC's internal documents also indicate that it expects that, by removing a supplier that currently acts as a key competitive constraint to UC, the Merger will increase the Merged Entity's market power, resulting in increased prices

²⁰⁷ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', page 6.

²⁰⁸ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', page 2.

²⁰⁹ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', page 7.

²¹⁰ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', page 7.

²¹¹ Final Merger Notice, Annex 9.1.g. 'TASL UK & European Strategy July 2019 (09/07/2019)', slide 5.

²¹² Final Merger Notice, Annex 9.1.g. 'TASL UK & European Strategy July 2019 (09/07/2019)', slide 6.

²¹³ 3G's response to question 3 of CMA's draft section 109 notice shared with Parties on 11 November 2019, Annex 009 '2019 September Price Review.xlsx'. 3G submitted that [REDACTED] is much easier and that the benefit of [REDACTED], would be disproportionate to the effort involved paragraph 5.4 of the IL Response. However, the CMA notes that this reinforces the finding that the Parties are close competitors, given that 3G chooses UC and no other competitors to carry out this exercise.

²¹⁴ CMA's s109 notice dated 27 February 2020, Annex 054 'Correspondence - UC Exhaust gas temp sensors.msg'.

and margins, [X] and potentially making timely entry and/or expansion of competing wholesalers more difficult:

- (a) 'Post-acquisition, UC would be the largest stockist of CV [commercial vehicle] aftermarket spare parts in the United Kingdom, holding circa [X]. This outcome would place us in a position of strength within the UK IAM';²¹⁵
- (b) 'Strengthened position as the UK IAM leader: With the strengthening of UC's dominant position in the UK IAM should an acquisition occur, the cost for a viable competitor to establish a foothold in the market would be significant. The acquisition would therefore lessen the likelihood of a viable competitor establishing a presence in the UK';²¹⁶
- (c) 'Increased market share: From the wholesaler distributors with revenues of over £[X] in the UK IAM, UC would occupy [X]% of this market share, which would be up from the current percentage of [X]%. The acquisition would limit customer's choice of supplier due to the lack of availability of the majority of UC parts on a next day service from any other supplier';²¹⁷
- (d) 'Gross Margin Gains: Analysis has been concluded on "like-for-like" products held by both UC and 3G. A comparison between 3G's standard factor price and UC's average sell price showed that a [X]% revenue increase would result from price alignment post-acquisition. The same comparison using 3G's lowest sell price resulted in an [X]% revenue increase on these products. The expected increase post-acquisition is expected to be in excess of [X]%;'²¹⁸
- (e) 'The combination of increased market share gain, along with incremental pricing benefits to the business would reduce the risk of an adverse market reaction whilst further strengthening our position as market leader in the UK IAM';²¹⁹
- (f) 'In the event of the acquisition of [3G] by TVS Group 2 key effects on the on the market place are likely to occur: 1) Significant reduction of wholesale supply options for UK IAM factor business leading to short/medium-term increase in revenue to UC [...] the acquisition of [3G] would significantly increase the reliance of UK IAM factor business on UC,

²¹⁵ Final Merger Notice, Annex 9.1.d. 'Revitalisation of UK Strategy TVS EDL (17/5/2019)', page 39.

²¹⁶ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', page 7.

²¹⁷ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', page 7.

²¹⁸ Final Merger Notice, Annex 9.1.d. 'Revitalisation of UK Strategy TVS EDL (17/5/2019)', page 29.

²¹⁹ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', page 13.

which would result in immediate revenue gains. UC would be in a position of strength with regard to negotiating [redacted];²²⁰ and

(g) 'This acquisition aims to unlock the significant synergistic savings available to ensure short-term ROI, and to further strengthen the position of TVS ASL in the UK Commercial Independent Aftermarket as market leader. This enhanced position of strength will allow the business to pursue further strategic objectives such as vertical integration, international expansion and alignment with TASL India'.²²¹

170. The CMA considers the internal documentary evidence set out above to be consistent with the Parties being each other's closest competitors and the Merger removing a key competitive constraint in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK.

- *Third-party views*

171. As part of the CMA's investigation into the Merger, customers and competitors were requested to list the suppliers they considered to be the closest competitors to each of UC and 3G, and to assign each of them a score on a scale of one to five, with five indicating a close competitor and one a remote competitor. The evidence gathered showed that:

(a) Almost all customers who responded listed UC and 3G as being close competitors to each other – of these, no customer listed any other competitor as being closer to the Parties than they are to each other. Almost all customers who listed UC and 3G as competitors to each other assigned them a score of five, indicating close competition. Several customers listed the Parties as the only alternatives to each other.

(b) A large majority of competitors listed UC and 3G as being close competitors to each other, with almost all of these assigning a score of five for the closeness of competition.

172. In addition to the evidence described above, other responses to the CMA's market investigation also revealed the following:

(a) The CMA asked customers to list their top five parts suppliers. Almost half of them indicated that they source from both of the Parties, in each case stating that they purchased parts from a range of categories from them.

²²⁰ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', page 9.

²²¹ Final Merger Notice, Annex 9.1.g. 'TASL UK & European Strategy July 2019 (09/07/2019)', slide 6.

- (b) Customers generally described the Parties as being close competitors with a similar product range and business model – for example:
 - (i) one customer described each Party as being the ‘only viable alternative’ to the other;
 - (ii) another customer noted that the Parties were the ‘only two we use/call for same range/products’;
 - (iii) another customer stated that the Parties ‘mirror each other’; and
 - (iv) another customer noted that the Parties have a ‘similar product and service level offering’.
- (c) While competitors generally identified a wider range of competitors to the Parties, a large majority view the Parties as each other’s closest competitor. This evidence is discussed in further detail in the section on Alternative suppliers. For example:
 - (i) one competitor described 3G as ‘the fastest growing in the market and direct competitor’ to UC;
 - (ii) another competitor described 3G as a ‘total competitor’ to UC, with ‘ex UC staff and expertise’;
 - (iii) another competitor noted that the Parties’ ‘core business model is identifiably similar’; and
 - (iv) another competitor stated that the Parties ‘particularly in the trailer market both have a very similar product and customer base’.

173. In addition, a majority of respondents to the CMA’s investigation were concerned about the effect of the Merger on competition. In particular:

- (a) multiple customers stated in their responses that they believe that the result of the Merger would be to reduce competition and that the Merged Entity will have a strong position in the market, with some responses giving their key concern as being price increases or not having an alternative supplier offering the same range as the Merged Entity; and
- (b) many competitors also expressed similar concerns about the effects of the Merger on competition. In particular, many competitors submitted that the Merger will reduce competition in the market, with some of them indicating that this will allow the Merged Entity to charge higher prices.

174. On the basis of the evidence set out above, the CMA found that customers and competitors view the Parties as each other's closest competitor.

CMA's conclusion on closeness of competition

175. The Parties have confirmed to the CMA that they view each other as close (or closest) competitors. The CMA considers that the evidence obtained during its investigation strongly supports this view, in particular: (i) the similarity of the Parties' offerings – the Parties offer similar product ranges on similar terms and serve similar customer bases; (ii) the evidence from the Parties' pricing negotiations with customers; (iii) the Parties' internal documents, which show that each considers the other to be a key competitor in this market; and (iv) evidence from third parties, in particular customers, which indicate that the Parties are close competitors.

Alternative suppliers

176. Unilateral effects are more likely where customers have little choice of alternative supplier.²²² The CMA has considered whether there are alternative suppliers which would provide a competitive constraint to the Merged Entity.

Parties' submissions

177. The Parties submitted that customers have a wide range of wholesaler options to choose from, including wide range, narrow range, niche and brand-specific wholesalers. In addition, 'all makes' wholesalers also supply compatible parts.²²³
178. Table 3 below displays a list of suppliers of commercial vehicle and trailer parts to the IAM in the UK that the Parties named as their close competitors in the Final Merger Notice.^{224,225}

²²² [Merger Assessment Guidelines](#), paragraph 5.4.5.

²²³ Final Merger Notice, paragraphs 15.15 - 15.17.

²²⁴ UC submitted that, aside from 3G, it views TTC, DT Trucks, PE Automotive, J4, Febi, Inter Cars and Sampa as its close competitors. Final Merger Notice, paragraphs 15.15 – 15.16 and response to question 17 of RF11.

²²⁵ 3G submitted that, aside from UC, it also considers TTC, CV Logix, Granning, Inter Cars, Sampa/Auger, DT Trucks and Febi to be its close competitors, with EBS, Amipart, DSS, Juratek and Winnard also providing a competitive threat. Final Merger Notice, paragraph 15.17 and response to question 17 of RF11.

Table 3: Overview of the product/service propositions of competitors identified by the Parties in the Final Merger Notice

Party	Range supplied	Parts supplied	Delivery times
UC	Wide	OES, PL	Same day‡, next day
3G	Wide	OES, PL	Same day, next day
TTC	Wide	OEM, OES, PL	Same day, next day
DT Trucks	Wide	PL	Same day, next day
PE Automotive	Wide	PL	Same day, next day
Febi	Wide	PL	Next day
Inter Cars	Wide	OES, PL	Slower than next day delivery
Sampa/Auger*	Wide	PL	Next day
CV Logix	Wide	OES, PL	Same day, next day
Granning	Wide	OES, PL	Same day, next day
Amipart	Wide	OES, PL	Next day
DSS	Wide	OES, PL	Next day
EBS	Narrow	OES, PL	Same day, next day
Juratek	Narrow	OES, PL	Next day
Winnard	Niche	OES, PL	Same day, next day
J4	Niche	PL	Same day, next day

Source: Parties' submissions.

* Auger was listed as a separate competitor by 3G, but the CMA understands it is owned by Sampa.

‡ Same day delivery includes collection services.

¶ Competitors that also appear in the Parties' pricing negotiations – see Table 2 above.

179. As set out below, the Parties made more detailed submissions in relation to specific competitors.

CMA's assessment

180. The CMA has assessed the aggregate constraint that other wholesalers would exert on the Merged Entity, drawing on the Parties' submissions and internal documents, competitors' shares of supply, their product/service propositions and the evidence from the CMA's market test.
181. The assessment is structured as follows. Given the particular circumstances around TTC, including its imminent exit, the CMA considers it separately. Based on the evidence discussed below, the CMA believes that CV Logix is the closest remaining alternative to each of the Parties and the CMA has therefore also considered it separately below. In addition, the CMA separately discusses the constraint from Inter Cars and Sampa, given the Parties' submissions on the growing constraint from these two international wholesalers. The CMA then considers the competitive constraint from the other wide range wholesalers, before discussing the out-of-market constraint from other types of wholesalers, including narrow range, niche and 'all makes' wholesalers.

TTC

- *The Parties' submissions*

182. The Parties accepted that TTC is likely to exit the market.²²⁶ The Parties submitted that it is possible that a competitor to the Parties will strengthen its competitive position by acquiring TTC's stock.²²⁷
183. The Parties also submitted that the anticipated exit of TTC shows that the Merger is not likely to result in an SLC. They submitted that if TTC foresaw higher prices and fewer competitive constraints following the Merger then they would have chosen to remain active.²²⁸

- *The CMA's assessment*

184. TTC was listed by both Parties as one of their key competitors, with UC submitting that it viewed TTC as its second closest competitor after 3G.²²⁹ As mentioned in Table 1 above, prior to its exit TTC held a [5-10] % share of supply by value in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK.
185. According to the evidence gathered by the CMA:
- (a) TTC had a similar product service/proposition to the Parties, stocking a wide range of OES and PL parts;²³⁰
 - (b) most third parties considered TTC to be the next closest competitor to UC and 3G after each other;
 - (c) UC's internal documents indicated that, after 3G, TTC is the competitor that is mentioned most often, although these documents also suggest that TTC's constraint on UC was somewhat limited;²³¹ and
 - (d) the CMA's analysis of the Parties' pricing negotiations shows that TTC was the second and third most frequently mentioned competitor in UC's

²²⁶ Paragraph 5.3.2 of the IL Response.

²²⁷ Paragraph 5.3.4 of the IL Response.

²²⁸ Paragraph 5.3.3 of the IL Response.

²²⁹ Final Merger Notice, paragraphs 15.15 – 15.16 and response to question 17 of RF11.

²³⁰ See Table 3 above.

²³¹ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', page 3-4 and 9. Other than the documents covering 3G's pricing negotiations, 3G did not provide any internal documents which discuss market conditions and the competitive constraint of other wholesalers.

and 3G's pricing negotiations, respectively (although TTC was mentioned considerably less often than each of the Parties).²³²

186. Accordingly, on the basis of the evidence set out above, the CMA considers that TTC has to date competed relatively closely with the Parties. However, TTC does not appear to have been as close a competitor to the Parties as they are to one another.
187. Moreover, as set out in the Counterfactual section (see paragraphs 93 to 98 above), the CMA believes that it is foreseeable that TTC will imminently exit the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK. This will remove any competitive constraint TTC imposes on the Parties post-Merger. The CMA therefore does not consider it appropriate to regard TTC as exercising a continuing constraint on the Merged Entity going forward.
188. The CMA has considered the two submissions made by the Parties in respect of TTC's exit from the market. The first submission related to the possibility that a competitor to the Parties will strengthen its competitive position by acquiring TTC's stock.²³³ In this respect, at the time of its decision, it is not clear to the CMA to whom TTC's current stock will be sold, and in what proportions.²³⁴ Indeed, it is possible that the stock may be acquired by customers rather than competitors.²³⁵ Further, Unipart informed the CMA that it intends to sell TTC's stock on the open market to different third parties.²³⁶ The CMA therefore considers that there is no basis to assume that any particular competitor will acquire the large majority of TTC's stock.
189. Moreover, even if all TTC's stock were sold to a single purchaser (which, for the reasons mentioned in the previous paragraph, seems unlikely) the CMA notes that [REDACTED].²³⁷ Therefore, the CMA considers that merely purchasing TTC's stock is unlikely to strengthen the position of any potential purchasers (even if they were to acquire all of TTC's stock).

²³² See Table 2 above.

²³³ Paragraph 5.3.4 to the IL Response.

²³⁴ The CMA has found that UC was itself in negotiations with Unipart to acquire TTC's stock but this acquisition was put on hold due to the Coronavirus (COVID-19) situation that it [REDACTED], which was likely to be after the Coronavirus (COVID-19) restrictions are lifted. However, as set out in the Counterfactual section Unipart informed the CMA that [REDACTED] and TTC will cease trading in the UK in June 2020.

²³⁵ Unipart informed the CMA on 28 May 2020 that it had informed customers and suppliers the same day that TTC would cease trading this quarter and that orders could be placed for fulfilment up until 12 June whilst stock lasted.

²³⁶ Note of a call with Unipart on 26 May 2020.

²³⁷ Paragraphs 2.2-2.4 of briefing note submitted to MIC; response to question 5(f) of the section 109 notice issued to Unipart Group on 14 April 2020 – '[REDACTED]'.

190. However, the CMA considers that, irrespective of who purchases TTC's stock, this would not in itself be sufficient to affect the CMA's overall assessment of the Merger. TTC's exit from the market will eliminate the constraint imposed by TTC on the Parties in the near future, a constraint which in any event does not appear to have been as strong as the constraint that the Parties exert on one another.²³⁸
191. The CMA has also considered the Parties' second submission relating to the exit of TTC, namely that TTC's decision to exit notwithstanding the Merger undermines the proposition that there would be a substantial loss of competition brought about the Merger (see paragraph 184 above). The CMA considers this reasoning to be flawed. There is no evidence to suggest that TTC's decision to exit the market would be affected by the outcome of the Merger. In any case, TTC may well be aware that the CMA would not allow the Merger to proceed without remedies if it concluded that it resulted in a substantial loss of competition and as such result in higher prices and fewer competitive constraints.

CV Logix

- *The Parties' submissions*

192. The Parties submitted that CV Logix poses a significant competitive threat to the Parties. According to the Parties, CV Logix supplies both PL and OES parts to members of its AAG buying group (which motor factors can choose to join) as well as to non-member customers. Furthermore, the Parties submitted that CV Logix imposes an indirect constraint by acquiring motor factors and shifting their sales volume from UC and 3G to CV Logix.²³⁹

- *The CMA's assessment*

193. CV Logix is a wide range wholesaler, supplying products across a broad range of categories. Like the Parties, it also provides a next day delivery service.
194. Based on the shares of supply estimates in Table 1, CV Logix holds a [30-40%] share of supply by value in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK. Around [] of this

²³⁸ See paragraph 185 above.

²³⁹ Paragraph 5.3.5 of the IL Response; also paragraphs 5.3.18 and 5.6.1 refer to motor factors having the option of joining a buying group.

share of supply represents sales to CV Logix's vertically integrated motor factors (see paragraph 148 above).

195. The CMA has found that CV Logix's business model is different to that of the Parties in that [REDACTED] vertically integrated motor factors and the members of AAG's buying groups (around [REDACTED] of CV Logix's sales are made to its vertically integrated motor factors and [REDACTED] of its sales are made to members of AAG buying groups). AAG also submitted that [REDACTED].²⁴⁰ Therefore, the CMA considers that CV Logix's constraint on the Merged Entity is likely to be stronger with respect to motor factors that are AAG members. However, according to the available evidence, CV Logix does not closely compete with the Parties for the majority of their sales, as the majority of the Parties' sales are to motor factors that are not members of AAG's buying groups.²⁴¹
196. As part of its investigation, the CMA requested third parties to list the suppliers they consider to be the closest competitors to the Parties and to rate them on how closely they considered each of these suppliers compete with each of the Parties:
- (a) Customers do not view CV Logix as a close competitor to UC or 3G, with only one of them mentioning CV Logix as a competitor to the Parties.
 - (b) A majority of competitors mentioned CV Logix as a competitor to UC and 3G, putting them behind the Parties and TTC. These competitors emphasised CV Logix's offering across a wide range of parts categories and its fast growth recently.
197. CV Logix does not appear to be closely monitored in the Parties' internal documents.²⁴² One UC internal document provides a brief overview of CV Logix's suppliers, split into those in common with UC and those not directly sourced by UC, without providing any further insights into CV Logix's competitive strength.²⁴³ Another UC document mentions CV Logix '[REDACTED]' among 'challenges'.²⁴⁴
198. The CMA's analysis of the evidence from the Parties' pricing negotiations (see Table 2 above) showed that CV Logix was mentioned in [REDACTED] (ie [5-10]%) out

²⁴⁰ [REDACTED]. CV Logix response to the CMA dated 5 May 2020 and note of call with CV Logix on 29 April 2020.

²⁴¹ In 2018, sales to members of AAG's buying groups accounted for [REDACTED]% and [REDACTED]% of UC's and 3G's revenues, respectively. This implies [REDACTED]% and [REDACTED]% of the Parties' revenue (respectively) came from non-AAG members. To calculate the total revenues associated with sales to AAG members, the CMA has taken into account the revenues associated with the sales to the members of GAU [Group Auto], UAN and, in the case of data provided by UC, Alliance groups. See Annex 1 'CMA RFI2 Data - UC Customer Information.xlsx' and Annex 3 '3G CUSTOMERS IN BUYING GROUPS.xlsx' to RFI2.

²⁴² Other than the documents covering 3G's pricing negotiations, 3G did not provide any internal documents which discuss market conditions or competitive constraints of other wholesalers.

²⁴³ Final Merger Notice, Annex 9.1.e. 'UCUK Board Report FY20 (06/06/2019), page 6.

²⁴⁴ Final Merger Notice, Annex 9.1.h. 'UCUK Board Report FY20 (10/07/2019), page 4.

of [REDACTED] discussions relating to UC's pricing and [REDACTED] (ie [10-20]%) out of [REDACTED] discussions relating to 3G's pricing. While this makes CV Logix the second and third most frequently mentioned competitor in 3G's and UC's pricing negotiations, respectively, it also shows that CV Logix is mentioned considerably less often than each of the Parties: 3G is mentioned [REDACTED] times and UC is mentioned [REDACTED] times in each other's discussions.

199. The CMA has also considered the Parties' submission that CV Logix effectively imposes a constraint on the Parties by acquiring motor factors and shifting their sales volume from UC and 3G to CV Logix.²⁴⁵ In this respect, the Parties submitted that they may lose sales to CV Logix where an existing customer is acquired by AAG. However, the CMA has not seen any evidence that the Parties' pricing or competitive offering is constrained by the threat of motor factors vertically integrating with CV Logix.
200. With regard to the possibility of a customer joining an AAG buyer group, the CMA considers that this is a possibility for some of the Parties' customers, and may therefore represent a competitive constraint to the Parties.²⁴⁶ However, the CMA has not seen any evidence of the Parties reacting to customers joining or threatening to join the AAG buyer group.
201. Overall, the CMA considers that the available evidence indicates that CV Logix is a competitor to the Parties in the wide range wholesale supply of commercial vehicle and trailer parts in the UK but this constraint is moderate. CV Logix [REDACTED] AAG members and, for them, is likely to exert a constraint on the Merged Entity. However, these represent a minority of the Parties' revenue. For motor factors that are not AAG members, which represent the majority of the Parties' revenue, the CMA considers that CV Logix is likely to exert a more limited competitive constraint on the Merged Entity, given that [REDACTED]

Inter Cars

- *The Parties' submissions*

202. The Parties submitted that Inter Cars is a close competitor.²⁴⁷ The Parties submitted that Inter Cars has rapidly expanded its UK customer base and is shipping parts into the UK twice per week.²⁴⁸ The Parties submitted that Inter

²⁴⁵ Paragraph 5.3.5 of the IL Response.

²⁴⁶ The CMA has not received evidence on the process for joining an AAG buying group or whether there are any impediments or drawbacks to doing so.

²⁴⁷ Final Merger Notice, paragraphs 15.15 – 15.16 and response to question 17 of RFI1.

²⁴⁸ Response to Issues Letter, paragraph 4.2.3(a).

Cars poses a competitive constraint because customers are willing to trade off between price and delivery time. The Parties submitted that this constraint is not specific to any group of customers.²⁴⁹

203. In this regard, the Parties also submitted that there is a distinction between: (i) vehicle off road (VOR) sales; and (ii) stock replenishment sales. While VOR sales are time sensitive, stock replenishment sales are significantly less so. Premium timed delivery accounts for around [X]% of 3G's consignments. The Parties submitted that this indicates that only a marginal amount of 3G's sales are VOR. Orders where there is a single line entry (as opposed to multi-line entries) account for roughly [X] of UC's sales. The Parties submitted that this indicates that VOR sales are a minority for UC.²⁵⁰

- *The CMA's assessment*

204. Based on the shares of supply estimates in Table 1, Inter Cars holds a [0-5%] share of supply by value in the market for the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK.

205. Inter Cars is a Polish wholesaler supplying a wide range of products, covering a wide range of OES parts as well as its own PL products. Inter Cars' products are shipped from its warehouses outside the UK and hence entail significantly longer delivery times ([X]) and higher delivery charges (its minimum order value to qualify for free delivery is £[X]).

206. In the Final Merger Notice, the Parties submitted that many motor factors need to provide parts to end users quickly and due to their size they have limited ability to hold an inventory of parts. This means they are reliant on receiving fast deliveries from their suppliers in order to fulfil their downstream orders.²⁵¹

207. Accordingly, in view of the longer delivery times for Inter Cars' products to be shipped in the UK, the CMA believes that Inter Cars only represents a credible alternative to customers with large stock holding facilities that are merely seeking to replenish their stock and do not require quick product delivery. The Parties acknowledged that '[i]f a factor needs a part to be supplied the next

²⁴⁹ Response to Issues Letter, paragraph 5.3.8.

²⁵⁰ Response to Issues Letter, paragraph 4.2.3(b).

²⁵¹ The Parties submitted that customers, especially motor factors, have a requirement of next day delivery – Final Merger Notice, paragraph 2.17. The Parties also submitted that customers submit orders to them every day. On an average, 3G shipped [X] consignments every day in 2019 (Paragraph 4.2.3.b of the IL Response).

day, or on the same day [...] Inter Cars will not necessarily be an obvious choice for such a factor'.^{252,253}

208. The CMA does not consider that the figures presented by the Parties in paragraph 203 are a reliable guide to the proportion of the Parties' sales that are not time sensitive. The fact that the majority of 3G's sales are on a next day delivery basis (rather than a premium, expedited basis) does not imply that its customers would be willing to wait several more days for those orders to be delivered (as would be the case if they used an overseas wholesaler like Inter Cars).
209. A majority of customers that responded to the CMA's market investigation gave same day or next day delivery the maximum score of five for its importance as a feature for a wholesaler. The customers who viewed this as less important all stated that they hold large inventories of parts themselves. A buying group noted that Inter Cars is used primarily on an *ad hoc* basis for components, if there is no time constraint.
210. The CMA has seen the following further evidence which shows that Inter Cars is not generally viewed as a close alternative to the Parties:
- (a) No customers listed Inter Cars as a close competitor to UC or 3G and only a small number of competitors mentioned Inter Cars as a competitor to the Parties.
 - (b) As seen from Table 2 above, Inter Cars was [redacted] the Parties' documents containing pricing negotiations.
 - (c) While Inter Cars was mentioned in UC's internal documents, it was mentioned in the context of potential future challenges rather than current competitive constraints (see section on Barriers to entry and expansion for further detail on the CMA's assessment on the likely effects of future entry and/or expansion on the Merged Entity):²⁵⁴

²⁵² Final Merger Notice, paragraph 13.14.

²⁵³ The Parties inferred that if Inter Cars ships parts into the UK twice a week then this implies delivery times for UK customers can be as short as two or three days – see paragraph 4.2.3 of the IL Response. The CMA does not agree with this logic – the frequency with which orders arrive in the UK does not shed light on how far in advance those orders were placed.

²⁵⁴ This is also consistent with UC's submissions, which highlighted Sampa's and Inter Cars' growing presence in the UK – see Final Merger Notice, paragraphs 15.15 – 15.16 and response to question 17 of RF11. Other than the documents covering 3G's pricing negotiations, 3G did not provide any internal documents which discuss market conditions and competitive constraint of other wholesalers.

- (i) one UC document mentioned Inter Cars increasing the amount of products entering into the UK among [REDACTED];²⁵⁵ and
- (ii) another UC document mentions Inter Cars as potential acquirers of TTC's stock: '[w]ith the heightened activity in the UK aftermarket of large European wholesalers, this [TTC] stock purchase would deny the likes of [REDACTED] ... the opportunity to acquire [REDACTED] in gaining significant presence in the UK aftermarket'.²⁵⁶

211. On the basis of the evidence set out above, the CMA considers that Inter Cars currently poses only a limited competitive constraint on the Parties. The Parties' arguments that suppliers (including Inter Cars) are expanding in the UK have been assessed as part of the section on Barriers to entry and expansion.²⁵⁷

Sampa

- *The Parties' submissions*

212. The Parties submitted that Sampa is a close competitor.²⁵⁸ The Parties submitted that Sampa is a significant competitive threat due to its global presence and the number of PL parts it supplies. Further to this, the Parties pointed out that Sampa has only recently established a physical presence in the UK. The Parties noted that this may explain the relatively small number of third parties currently regarding it as a competitor to the Parties, and its lack of mentions in the Parties' existing internal documents concerning pricing negotiations. Accordingly, the Parties submitted that this evidence may understate the competitive constraint Sampa will represent in the future. Finally, the Parties submitted [REDACTED].²⁵⁹

- *The CMA's assessment*

213. Sampa is a Turkish PL manufacturer which is also active in the wholesale supply of commercial vehicle and trailer parts. It supplies a wide range of product groups and offers similar delivery times in the UK to the Parties when shipping from its UK-based warehouse ([REDACTED]). In order to qualify for free

²⁵⁵ Final Merger Notice, Annex 9.1.b. 'UCUK Board Report FY20 (26/04/2019)', page 5.

²⁵⁶ Final Merger Notice, Annex 9.1.o. 'TVS EDL February 2020 Board Update (12/2/2020)', pages 13 and 14.

²⁵⁷ With reference to UC's own expressed concern in its internal documents about the potential competitive impact of Inter Cars acquiring TTC's stock, see paragraph 189 above.

²⁵⁸ Final Merger Notice, paragraphs 15.15 – 15.16 and response to question 17 of RF11.

²⁵⁹ Paragraphs 5.3.9 to 5.3.12 of the IL Response.

delivery within the UK, Sampa requires a minimum spend of £[REDACTED], compared to £125 required by the Parties.

214. Based on the shares of supply estimates in Table 1, Sampa holds a [0-5] % share of supply by value in the market for the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK.

215. The CMA has seen the following evidence which shows that currently Sampa is not generally viewed as a close alternative to the Parties:

(a) Relatively few customers who responded to the CMA's investigation see Sampa as an alternative to the Parties.

(b) Sampa was listed by a minority of competitor respondents as a competitor to UC and 3G of moderate closeness. Competitors emphasised the comparability of Sampa's range of categories of PL parts to those of UC and 3G on the one hand, but also Sampa's newness to the UK wholesale market. Some of these third parties also mentioned that Sampa's range and stockholding facilities are significantly smaller than UC's. According to third parties, Sampa may provide some competition to the Parties on some product lines but this would not be significant. Sampa is regarded by some third parties primarily as a manufacturer, rather than a wholesale competitor to the Parties.²⁶⁰

(c) As seen from Table 2 above, Sampa was [REDACTED] the Parties' documents containing pricing negotiations.

(d) While Sampa was mentioned in UC's internal documents, it was mentioned in the context of potential future challenges rather than current competitive constraints (see section on Barriers to entry and expansion for further details on the CMA's assessment on the likely effects of future entry and/or expansion on the Merged Entity):²⁶¹

(i) one UC document mentioned Sampa/Auger's Trafford Park site among '[REDACTED]';²⁶²

²⁶⁰ Sampa itself said during a call with the CMA that it does not consider UC and 3G to be its competitors. Rather, it considers them to be its partners, whom Sampa relies on for introducing its products into the UK market. However, [REDACTED] (paragraph 5.3.12 of the IL Response). It is possible that this will prompt Sampa to regard the Parties more as competitors.

²⁶¹ This is also consistent with UC's submissions, which highlighted Sampa's and Inter Cars' growing presence in the UK – see Final Merger Notice, paragraphs 15.15 – 15.16 and response to question 17 of RF11. Other than the documents covering 3G's pricing negotiations, 3G did not provide any internal documents which discuss market conditions and competitive constraint of other wholesalers.

²⁶² Final Merger Notice, Annex 9.1.b. 'UCUK Board Report FY20 (26/04/2019)', page 5.

(ii) another UC document mentions ‘Sampa/Auger Will Be Ready to Trade from [redacted] Increasing the range of [redacted];²⁶³ and

(iii) another UC document mentions Sampa as a potential acquirer of TTC’s stock: ‘[w]ith the heightened activity in the UK aftermarket of large European wholesalers, this [TTC] stock purchase would deny the likes of [redacted] the opportunity to acquire [redacted] in gaining significant presence in the UK aftermarket’.²⁶⁴

216. On the basis of the evidence set out above, the CMA considers that Sampa currently poses only a limited competitive constraint on the Parties. The Parties’ arguments that suppliers (including Sampa) are expanding in the UK have been assessed as part of the section on Barriers to entry and expansion below.

Constraint from other wide range wholesalers

- *The Parties’ submissions*

217. As seen from Table 3 above, the Parties have listed a number of other wholesalers, the large majority of which supply a wide range of products, as close competitors.

218. Among the other wide range wholesalers, the Parties submitted that they view DT Trucks, Febi, PE Automotive, Granning, Amipart and DSS as strong competitors which pose a significant competitive constraint on the Parties.²⁶⁵

- *The CMA’s assessment*

219. The CMA has found that the Parties’ submissions are not corroborated by the available evidence, as set out below.

220. The CMA’s investigation did not indicate that any of these wholesalers pose a significant competitive constraint on the Parties:

(a) DT Trucks was named by a single customer as a competitor to the Parties, although this customer also submitted that it is a more distant competitor to the Parties than the Parties are to each other. A minority of competitors named DT Trucks as a competitor to the Parties, but some of these stated that it is not competitive with the Parties on price;

²⁶³ Final Merger Notice, Annex 9.1.h ‘UCUK Board Report FY20 (10/07/2019)’, page 4.

²⁶⁴ Final Merger Notice, Annex 9.1.o. ‘TVS EDL February 2020 Board Update (12/2/2020)’, pages 13 and 14.

²⁶⁵ Paragraph 5.3.13 of the IL Response.

- (b) Febi was not named by any customers as being a competitor to the Parties. Only two competitors named Febi as a competitor to the Parties, but all stated it to be a more distant competitor to both of the Parties than the Parties are to each other;
- (c) PE Automotive was not named by any customers or competitors as being a competitor to the Parties;
- (d) Granning was named as a competitor to the Parties by a minority of customers, but all customers naming it noted that Granning's range of parts was inferior to the Parties and that it is not a close competitor to the Parties. Only two competitors named Granning as a competitor to the Parties, but all stated it to be a more distant competitor to both of the Parties than the Parties are to each other;
- (e) Amipart was named by a single customer as a competitor to the Parties, although this customer also submitted that Amipart is a more distant competitor to the Parties than the Parties are to each other. Only two competitors named Amipart as a competitor to the Parties, but all stated it to be a more distant competitor to both of the Parties than the Parties are to each other; and
- (a) DSS was named by a single customer and a single competitor as being a competitor to the Parties. Both mentioned DSS supplying a wide range of categories of parts.

221. As seen from Table 2 above, DT Trucks, Febi and PE Automotive were [REDACTED] in UC's internal documents containing pricing negotiations. Granning and DSS were each mentioned [REDACTED], and Amipart [REDACTED]. This compares to [REDACTED] mentions of 3G and [REDACTED] mentions of CV Logix. In 3G's internal documents containing pricing negotiations, Granning, Amipart and DSS were each mentioned [REDACTED] times, DT Trucks and Febi each [REDACTED], and PE Automotive [REDACTED]. All were mentioned significantly less often than UC (which was mentioned [REDACTED]) and CV Logix (which was mentioned [REDACTED] occurrences).
222. Aside from the internal documents directly addressing pricing negotiations, both Amipart and DSS were mentioned alongside 3G and TTC as part of UC's [REDACTED]. Amipart have an annual turnover of circa £[REDACTED] and hold [REDACTED] lines of stock compared to UC's [REDACTED] lines, and DSS have an annual turnover of circa £[REDACTED] with [REDACTED] product lines'.²⁶⁶

²⁶⁶ Final Merger Notice, Annex 9.1.a. 'Project Alpha (Business Case (12/4/2019))', pages 3-4.

223. Therefore, based on the third-party evidence obtained in the CMA's investigation and the CMA's review of the evidence from the Parties' pricing negotiations and internal documents, the CMA considers that DT Trucks, Febi, PE Automotive, Granning, Amipart and DSS all pose a limited competitive constraint on the Parties.
224. The CMA has also considered the constraint posed by the other two wide range wholesalers identified by the Parties, ie Majorsell and Imex, which were not listed as close competitors in their submissions.²⁶⁷ There were only limited mentions of these wholesalers in the Parties' pricing negotiations and the responses to the CMA's market investigation.²⁶⁸ Neither of these two wholesalers appears in the Parties' other internal documents. The CMA has also found that these providers supply a considerably smaller range of products than the Parties.²⁶⁹ On the basis of this evidence, the CMA therefore considers that Majorsell and Imex pose a limited competitive constraint on the Parties.
225. With regards to international wide range wholesalers (ie, those without a UK warehouse from which to dispatch orders) that are able to serve UK customers, the CMA's market investigation revealed that relatively few third parties mentioned such suppliers as being alternatives to the Parties. This is also consistent with the importance that customers attach to delivery times, given that the CMA found evidence that wholesalers without a physical presence in the UK typically have longer delivery times than those which are UK-based (see paragraphs 71 and 210 above). In line with the discussion of Inter Cars above (which is an example of this type of wholesaler), the CMA therefore believes that international wide range wholesalers that are able to serve UK customers pose a limited constraint on the Parties.
226. Accordingly, the CMA considers that none of the other wide range wholesalers, either alone or in combination, are likely to exert a significant competitive constraint on the Merged Entity.

Out-of-market constraint from other types of wholesaler

227. The CMA has also examined the competitive constraint from other types of wholesaler, including narrow range wholesalers, specialist wholesalers (including niche and brand-specific) and 'all makes' wholesalers.

²⁶⁷ Annex 1 – Updated Annex 12.1 to RFI5 indicates that these wholesalers sell a wide range of parts. However, neither wholesaler was mentioned by either Party as a close competitor in their response to question 17 of RFI1.

²⁶⁸ Majorsell was mentioned only once by one customer and by one competitor. Imex was mentioned by a small number of competitors, but no customers identified it as a close competitor to the Parties.

²⁶⁹ Annex 7 'Updated Annex 15.3.xlsx' to RFI3.

Narrow range, niche and brand- specific wholesalers

- *The Parties' submissions*

228. In the Final Merger Notice, UC also submitted that it views J4, a niche wholesaler supplying body panels, as a close competitor; 3G submitted that it also views two narrow range wholesalers, EBS and Juratek, and a niche wholesaler specialising in braking components, Winnard, as providing a competitive threat (see Table 3 above).
229. More generally, the Parties submitted that narrow range wholesalers are a significant competitive constraint on the Parties because a sufficient number of their customers are willing and able to multi-source parts from a number of wholesalers.²⁷⁰ Further, the Parties stated that a large proportion of their sales by value are accounted for by [X].²⁷¹ As a result, narrow and niche range wholesalers which supply these part categories will significantly constrain the Parties, especially where these narrow range suppliers account for a large share of supply within that particular product category.²⁷²
230. With regard to the obstacles to switching from purchasing a wide range of parts from the Parties to sourcing those parts from multiple narrow or niche range wholesalers, the Parties submitted that minimum order quantities, customers' stockholding facilities, increased administrative costs, and the use of rebates would not prevent their customers from switching to multi-sourcing. In particular, they submitted:
- (a) with regard to minimum order quantities, only a minority of their orders fail to meet minimum order quantities and so pay a carriage charge;
 - (b) with regard to stockholding facilities, no additional facilities are required to handle the same volume of parts from one supplier or multiple suppliers;
 - (c) with regard to administrative costs, customers are already observed to purchase from multiple suppliers implying that these costs do not prohibit switching;
 - (d) with regard to rebates, the Parties' use of rebates is pro-competitive and benefits customers through lower prices;

²⁷⁰ Paragraph 5.3.14 of the IL Response.

²⁷¹ For example, last year, just under 20% of the part numbers stocked by 3G accounted for [X]% of its revenue. Just over 20% of the SKUs sold by UC last year accounted for [X]% of its revenue. In FY20, [X]% of UC's revenue came from three product categories. Paragraphs 5.3.15(a) and 5.3.15(c) of the IL Response.

²⁷² Paragraph 5.3.15(d) of the IL Response.

- (e) the prospect of losing even a minority of customers will prevent the Parties from profitably increasing their prices; and
- (f) the CMA should not be concerned that small customers may face additional obstacles to switching, because they account for too small a proportion of the Parties' sales to materially influence the Parties' pricing decisions.²⁷³

- *The CMA's assessment*

231. As discussed in paragraphs 34111 and 112, motor factors appear to use a variety of wholesalers to serve distinct business needs. A majority of both customers and competitors responding to the CMA's investigation stated that the range of parts was an important or very important feature in determining customers' choice of wholesaler. Among competitors, several mentioned the desirability of a "one-stop shop" to customers.
232. As set out in Table 3 above, the large majority of the wholesalers the Parties identified in the Final Merger Notice as close competitors supply a wide range of commercial vehicle and trailer parts.
233. The evidence obtained by the CMA indicates that narrow and niche or brand-specific wholesalers exert only a weak competitive constraint on the Parties:
- (a) The CMA's investigation indicated that the narrow range and niche or brand-specific wholesalers are not widely viewed as being close competitors to the Parties. In particular, J4 and Juratek were not mentioned by any third parties as being competitors to UC or 3G. Winnard was mentioned only by a small number of competitors and customers as a competitor to the Parties. EBS was mentioned by some competitors as a competitor to the Parties, but not as a close competitor. Other narrow range and niche or brand-specific wholesalers were named only by small minorities of customers and competitors.
 - (b) As seen from Table 2 above, neither narrow range nor specialist (ie niche and brand-specific) wholesalers were often mentioned in the Parties' pricing negotiations. Narrow range wholesalers were mentioned in [redacted] (ie [redacted] [10-20]%) out of [redacted] of UC's pricing negotiations and niche wholesalers were mentioned [redacted] times (ie [redacted] [5-10]%). J4, which was named by UC as a close competitor, [redacted]. With respect to 3G, narrow range wholesalers were mentioned in [redacted] (ie [redacted] [5-10]%) out of [redacted] of 3G's pricing negotiations and niche wholesalers were mentioned [redacted]

²⁷³ Paragraphs 5.3.17 to 5.3.24 of the IL Response.

times (ie [REDACTED]5-10]%). All three competitors mentioned by 3G as providing a competitive threat (EBS, Juratek and Winnard) were mentioned [REDACTED]. Brand-specific wholesalers, such as James Hart and MAN 365, were [REDACTED].²⁷⁴

(c) No wholesalers included in any of these wholesaler categories were discussed as competitors in the Parties' other internal documents.²⁷⁵

234. As discussed in paragraph 115 above, the majority of customers who responded to the CMA's market test considered that it would be difficult or extremely difficult to substitute purchasing from a wide range wholesaler, such as the Parties, with purchasing from a number of narrow range or niche or brand-specific wholesalers.
235. The CMA notes that a minority of customers stated that it would not be difficult to switch from sourcing parts from the Parties to sourcing the same parts from multiple narrow or niche range suppliers. However, the CMA believes that this would not be sufficient to prevent the Parties from increasing their prices: the Parties have multiple means by which they can charge different prices to different customers (see paragraphs 62 to 65 above), meaning marginal customers cannot be relied upon to prevent harm to the majority of customers.
236. Finally, with respect to the Parties' submissions regarding minimum order quantities, stockholding facilities, increased administration costs and rebates not representing obstacles to switching from the Parties to multiple wholesalers, the CMA believes that these submissions are not supported by the available evidence. In particular, all of these reasons were raised by customers in the CMA's investigation as obstacles to substituting purchasing from a wide range wholesaler with purchases from a number of narrow range or niche or brand-specific wholesalers (see paragraph 115 above).

²⁷⁴ The CMA has also seen in the Parties' pricing negotiations some mentions of parts' manufacturers ([REDACTED], [0-5]%) of the total) and one mention of what appears to be one of UC's customers. However, as discussed in paragraphs 59 and 74 above, the CMA does not consider that any of these pose any meaningful constraint to the Parties.

²⁷⁵ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', page 9 refers to J4 as a 'key supplier to TTC' rather than as a competitor. The CMA understands that different wholesalers also supply each other. Juratek and EBS were also mentioned in another UC internal document which lists rebates policies held by a large number of wholesalers active in the UK, see Final Merger Notice, Annex 9.1.b. 'UCUK Board Report FY20 (26/04/2019)', page 4.

'All makes' wholesalers

- *The Parties' submissions*

237. The Parties submitted that 'all makes' wholesalers pose an indirect competitive constraint on the Parties. The Parties stated that if a wide range wholesaler increased its prices then this would result in an increase in motor factors' prices. This, in turn, would result in garages, workshops, fleet operators etc. instead buying spare parts from all makes wholesalers.²⁷⁶

- *CMA's assessment*

238. 'All makes' wholesalers supply a wide range of products: TRP (DAF's 'all makes' wholesaler), VRS (Scania's 'all makes' wholesaler) and Roadcrew (Volvo's 'all makes' wholesaler) all supply products across a similar wide range to that covered by UC.²⁷⁷

239. The evidence available to the CMA does not indicate that 'all makes' wholesalers exert a close indirect constraint on wide range wholesalers such as the Parties.²⁷⁸ In particular, the CMA notes that:

(a) None of the third parties' submissions received by the CMA highlighted this potential indirect constraint. On the contrary, responses to the CMA's market investigation indicate that most third parties do not view 'all makes' wholesalers as alternatives to wide range wholesalers.²⁷⁹

(b) 'All makes' wholesalers were mentioned only once in each Party's discussions involving competitor pricing (see Table 2 above) and were not discussed in any of the Parties' other internal documents.

Conclusion on out-of-market constraints

240. On the basis of the evidence described above, the CMA believes that none of the other types of wholesaler, either alone or in combination, is likely to exert a significant out-of-market competitive constraint on the Merged Entity.

²⁷⁶ Paragraph 4.1.3 of the IL.

²⁷⁷ Paragraph 5.3.6 of the IL Response.

²⁷⁸ The Parties have provided an example regarding a contract for [REDACTED] that was won by the 'all makes' wholesaler [REDACTED]. However, it is not clear how representative this example is. Moreover, it is unclear from the details provided how strongly wholesale prices influenced the downstream customer's ([REDACTED]) decision.

²⁷⁹ Only a minority of competitors stated that 'all makes' wholesalers are close competitors to the Parties, largely on the basis of the similarity of the range of categories of part offered. A vehicle manufacturer which runs an 'all makes' programme stated that they do not view the Parties as competitors.

Conclusion on alternative suppliers

241. Based on the evidence above, the CMA believes that the Merged Entity would face only a limited competitive constraint from other entities in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK.
242. The CMA considers that none of the other wide range wholesalers, either alone or in combination, is likely to exert a significant competitive constraint on the Merged Entity.
243. The CMA also considers that the competitive constraint on the Merged Entity from other types of wholesalers, including narrow range and niche wholesalers and 'all makes' wholesalers, is unlikely to be significant.

Conclusion on horizontal unilateral effects

244. As set out in paragraph 147 above, UC's existing strong position will be strengthened further by the addition of 3G. The Merged Entity would be the largest wide range wholesaler in the supply of commercial vehicle and trailer parts to the IAM in the UK with a share of supply of [40-50]%, with only one other wide range wholesaler with a share of supply above 10%.
245. Based on the evidence gathered during the CMA's investigation, including the Parties' internal documents and concerns raised by third parties, the CMA believes that the Parties are each other's closest competitor in the wide range wholesale supply of commercial vehicle and trailer parts in the IAM in the UK, they are exerting a strong competitive constraint on each other and that the remaining competitive constraints would not be sufficient to mitigate the loss of competition from the Merger.
246. Accordingly, the CMA found that the Merger raises significant competition concerns as a result of horizontal unilateral effects in relation to the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK.

Barriers to entry and expansion

247. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent an SLC, the CMA

considers whether such entry or expansion would be likely, timely and sufficient.²⁸⁰

248. To be considered a competitive constraint, entry or expansion should be of sufficient scope to deter or defeat any attempt by the merged firm to exploit any lessening of competition resulting from the merger.²⁸¹ The CMA will base its assessment on the evidence available and will not place weight on unsubstantiated claims by the merging parties.²⁸²
249. The CMA has first considered the Parties' submissions and the evidence on entry and expansion in general. The CMA has then considered the expansion of specific suppliers mentioned by the Parties.

General assessment of the likelihood of entry and/or expansion

250. In assessing the likelihood of entry or expansion, the CMA will consider whether firms will have the ability and incentive to enter the market post-merger.²⁸³

Parties' submissions

251. The Parties submitted that there are limited barriers for new entrant wholesalers to start supplying motor factors.²⁸⁴ However, the Parties recognised that wholesalers wishing to start supplying commercial vehicle and trailer parts in the UK would need to invest in staff, premises and a stock of spare parts as well as obtain knowledge of market conditions, customer requirements and the commercial vehicles being operated in the UK. The Parties also noted that wholesalers tend to have supply agreements in place with their key customers, although they submitted that these agreements are not necessarily exclusive and can be terminated with reasonable notice. For instance, both UC and 3G have formal agreements with their buying group customers which are valid for a period of [X] and can be terminated following [X], respectively.²⁸⁵

²⁸⁰ [Merger Assessment Guidelines](#), from paragraph 5.8.1.

²⁸¹ [Merger Assessment Guidelines](#), paragraph 5.8.10.

²⁸² The CMA exercises caution when assessing claims about entry and expansion. The CMA notes that a recent ex-post evaluation of mergers commissioned by the CMA found a mixed picture of whether predictions about entry and expansion were realised. See KPMG, [Entry and expansion in UK merger cases: An ex-post evaluation](#), April 2017, paragraph 8.

²⁸³ [Merger Assessment Guidelines](#), paragraphs 5.8.8 – 5.8.9.

²⁸⁴ Final Merger Notice, paragraphs 21.1 - 21.2. The Parties submitted that it was unlikely for a wholesaler to start supplying parts under a new PL brand. Wholesalers with existing operations and an established reputation in other European countries would find it easier to grow their PL brand in the UK. The Parties gave Sampa as an example. Paragraph 5.5.1(a) of the IL Response.

²⁸⁵ Final Merger Notice, paragraph 21.3 and response to question 23 of RF13.

The Parties also submitted that barriers to expansion for existing wholesalers are low. In particular, the Parties submitted that motor factors will purchase spare parts from existing wholesalers provided they are competitively priced, available for delivery and the wholesaler provides a good level of service.²⁸⁶ However, the Parties acknowledged that for a narrow range wholesaler to expand and start supplying a wide range of commercial vehicle and trailer parts, it would need to invest in stock, marketing, technical staff, warehouse capacity, infrastructure (such as forklift trucks, racking/shelving) and operational capability.²⁸⁷

CMA's assessment

252. In assessing the ease and likelihood of entry and expansion in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK, the CMA has considered evidence from third party views and the Parties' internal documents.

- *Third party views*

253. A majority of the Parties' competitors that responded to the CMA's investigation indicated that establishing a wholesale business of a similar scale and range to UC or 3G would be difficult and would involve a large cost. Long term relationships with customers and manufacturers, the investment needed to achieve a similar size and range of inventory to the Parties and the Parties' rebates agreements were among the reasons cited by competitors as limiting entry and/or expansion.²⁸⁸

254. 3G was mentioned in responses to the CMA's investigation as the only example of an entrant that managed to grow significantly in the last ten years. The fact that 3G was established by former UC staff with significant industry experience and contacts was cited as the main factor behind its quick growth.

255. In their responses to the CMA's investigation, customers' views were mixed on their willingness to purchase commercial vehicle and trailer parts from a new-to-market wholesaler. Customers that stated they would be willing to purchase from a new entrant emphasised that this would depend on the

²⁸⁶ Final Merger Notice, paragraph 21.8.

²⁸⁷ Final Merger Notice, paragraph 21.9.

²⁸⁸ Some competitors stated that entering or expanding as a niche wholesaler (ie, one focused on a particular category of parts) would be easier due to the lower initial cost and greater ease in acquiring narrow rather than broad expertise. However, the majority of competitors stated that this would still be very challenging due to cost and reputation concerns and the difficulty of competing with the Merged Entity. Moreover, niche wholesalers lie outside of the CMA's product frame of reference (see paragraph 117-118 above) and as set out in paragraph 232 above, the CMA considers that the constraint they exert on the Parties is unlikely to be significant.

entrant offering high-quality services such as next day delivery and warranties, products of assured quality and good prices. Wholesalers' reputation as a trusted supplier was mentioned as an important factor in customer choice of supplier, meaning that new entrants without any existing reputation may find it difficult to win new customers as well as secure supply arrangements with manufacturers.²⁸⁹ Moreover, third parties mentioned the need to accumulate a wide range of stock as a further barrier to entry and/or expansion.

- *Parties' internal documents*

256. UC's internal documents indicate that the Merger is likely to reduce the likelihood of competitive entry and/or expansion occurring:

- (a) One document refers to '[r]educed risk of competitor's entry into the UK'²⁹⁰ as one of the strategic benefits of market consolidation in the UK. The same document also mentions that 'the lack of fragmentation of the UK market would make foreign entry into the UK CV [commercial vehicles] IAM highly unlikely. The timeframe required for this task would be in excess of the timeframe required for UC to consolidate within the UK IAM, which would further reduce this risk'.²⁹¹
- (b) Another document mentions that 'with the strengthening of UC's dominant position in the UK IAM should an acquisition occur, the cost for a viable competitor to establish a foothold in the market would be significant. The acquisition would therefore lessen the likelihood of a viable competitor establishing a presence in the UK'.²⁹²

- *Conclusion on likelihood of entry and expansion*

257. The evidence set out above suggests that there is considerable uncertainty about the likelihood of entry and expansion in the wholesale supply of commercial vehicle and trailer parts to the IAM in the UK. This is a consequence of the barriers to entry and expansion identified above. Therefore, in general the CMA does not consider entry and/or expansion to be likely to constrain the Merged Entity and prevent any SLC from arising. The CMA has assessed below the entry and/or expansion of specific suppliers

²⁸⁹ The Parties also stated that the reputation of a wholesaler for reliability and quality is the first thing a motor factor will consider. See Final Merger Notice, paragraph 15.9.

²⁹⁰ Final Merger Notice, Annex 9.1.d. 'Revitalisation of UK Strategy TVS EDL (17/5/2019)', page 36.

²⁹¹ Final Merger Notice, Annex 9.1.d. 'Revitalisation of UK Strategy TVS EDL (17/5/2019)', page 39.

²⁹² Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', page 7.

mentioned by the Parties, to determine whether they are an exception to the general position.

General assessment of the timeliness of entry or expansion

258. In terms of timeliness, the CMA may consider entry or expansion within less than two years as timely (although this is assessed on a case-by-case basis).²⁹³
259. The Parties submitted that a wholesaler does not need to be as big as the Parties in order to compete effectively with the Parties.²⁹⁴ UC submitted that it could take between five to ten years for a new entrant without any established reputation to achieve a 5% share of supply in the IAM for the wholesale supply of PL commercial vehicle and trailer parts in the UK.²⁹⁵ By contrast, UC submitted that for a wholesaler with an existing, well regarded operation in an EU country it would take around two to three years to achieve a 5% share of supply in the UK.²⁹⁶ The Parties submitted that it would take between two to five years for a narrow range wholesaler to start supplying a wide range of commercial vehicle and trailer parts in the UK.²⁹⁷ The Parties also submitted that this timeframe could be shorter for existing wide range wholesalers operating elsewhere.²⁹⁸
260. TVS internal documents indicate that it does not expect entry and/or expansion which could meaningfully constrain the Merged Entity to occur in the next four to five years:
- (a) ‘the dominance of UC in the UK IAM would be time-limited, as the demand from factor business for alternative options of supply would become great, and competitors attempting to position themselves in this way would eventually see high-growth, with sales taken directly from UC. [...] It is estimated that this opportunity would be available from the date of acquisition of [3G], for 3-4 years before a valid alternative supplier establishes itself’;²⁹⁹
- (b) ‘The current lack of strong competition to UC and [3G] is expected to be time-restricted. The current makeup of the UK IAM indicates that the

²⁹³ [Merger Assessment Guidelines](#), paragraph 5.8.11.

²⁹⁴ Paragraph 5.5.1(c) of the IL Response.

²⁹⁵ Final Merger Notice, paragraph 21.5.

²⁹⁶ Final Merger Notice, paragraph 21.5.

²⁹⁷ Final Merger Notice, paragraph 21.9

²⁹⁸ IL Response, paragraph 5.5.1 (d).

²⁹⁹ Final Merger Notice, Annex 9.1.a. ‘Project Alpha Business Case (12/4/2019)’, page 9.

acquisition of [3G] would restrict the establishment of alternative supply options for an extended period of time (4-5 years);³⁰⁰

- (c) 'it is apparent that significant short-term revenue gains would be achievable during the 3-4 years post acquisition. The risk after this period is that a strong alternative competitor, who would be at a size capable of providing extra flexibility to service customer would establish itself in the marketplace';³⁰¹ and
- (d) 'The requirement for a large investment in premises and stock, along with the time required to integrate a new brand into the market and build customer trust, would make the positioning of a viable competitor to UC earlier than 4-5-year estimate time-frame highly unlikely'.³⁰²

- 261. This is also consistent with the views of third parties, who estimated that it would take at least 18 months to establish a wide range wholesale business and about five years to reach the size and scale of the Parties.
- 262. In light of the above evidence, the CMA does not believe that in general any entry and/or expansion would be timely enough to constrain the Merged Entity and prevent any SLC from arising. The CMA has assessed below the entry and/or expansion of specific suppliers mentioned by the Parties, to determine whether they are an exception to this general position.

Sufficiency of entry or expansion

- 263. In the light of the CMA's conclusions on likelihood and timeliness discussed above, in general it is not necessary to further consider whether entry or expansion would be sufficient to constrain the Merged Entity. However, the CMA has assessed below the entry and/or expansion of specific suppliers mentioned by the Parties.

Conclusion on barriers to entry and expansion in general

- 264. For the reasons discussed above, in general the CMA does not consider that any entry and/or expansion would be timely or likely to mitigate any SLC arising in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK. However, the CMA considers whether there are any exceptions to this general position below.

³⁰⁰ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', page 8.

³⁰¹ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', page 11.

³⁰² Final Merger Notice, Annex 9.1.d. 'Revitalisation of UK Strategy TVS EDL (17/5/2019)', page 38. See also Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', page 4.

Expansion of specific suppliers

The Parties' submissions

265. The Parties identified Sampa, Inter Cars and CV Logix as recent entrants into the UK.³⁰³ With respect to Sampa, the Parties submitted that it is a large competitor with a significant range that will expand over time.³⁰⁴ With respect to Inter Cars, the Parties' submitted that its strategy is to move into markets initially using franchises and then subsequently open its own facility, once it has information on the market.³⁰⁵

Sampa

266. Sampa opened a warehouse in Trafford Park in February 2020 in order to increase its customer base in the UK and Ireland. The CMA notes that it has received limited detail from Sampa about its expansion plans in the UK. However, Sampa's business has grown in the UK since February [✂].
267. Based on this evidence, the CMA considers that it is likely that Sampa will expand in the foreseeable future. The CMA has therefore assessed whether Sampa's expansion could be sufficient to constrain the Merged Entity and prevent any SLC from arising.
268. Sampa's UK wholesale business is currently small compared to the Parties and to CV Logix³⁰⁶ and was found in the competitive assessment to exert only a limited competitive constraint on the Parties (see paragraph 217). Accordingly, the CMA considers that any expansion by Sampa would need to be substantial to mitigate or prevent an SLC arising in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK. As noted above, Sampa's business is growing in the UK but the evidence does not support a finding that Sampa will rapidly expand to a sufficient degree to exert a substantial constraint on the Merged Entity. The CMA notes in this regard that [✂].
269. Based on the evidence set out above, the CMA considers that the (currently limited) constraint exerted by Sampa may increase. However, the CMA does

³⁰³ The Parties submitted that CV Logix entered the UK market at the wholesale level in 2017, Sampa opened a distribution centre in early 2020 and Inter Cars has an office/warehouse in the UK. Final Merger Notice, paragraphs 22.1 – 22.3. The CMA notes that CV Logix is part of AAG (which entered the UK market in 1997) and was formerly known as G-Logix, which operated a distribution centre for light vehicle products that opened in 2011. The CV Logix central distribution centre for commercial vehicle products opened in 2016. See <https://groupauto.co.uk/about-us/our-history/>.

³⁰⁴ Paragraph 4.2.1(b) of the IL Response.

³⁰⁵ Paragraph 4.2.1(a) of the IL Response.

³⁰⁶ Based on the shares of supply estimates in Table 1, Sampa holds a [0-5] % share of supply by value in the market for the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK.

not consider, on the basis of the available evidence, that any constraint posed by Sampa's likely expansion will be sufficient to exert a substantial constraint on the Merged Entity in the near future and prevent any SLC from arising.

Inter Cars

270. As mentioned in paragraph 209 above, the available evidence shows that currently Inter Cars is not generally viewed as a close alternative to the Parties.
271. Further, the CMA has found that Inter Cars [X].
272. Accordingly, the CMA does not consider that Inter Cars is likely to exert an increased constraint on the Merged Entity in the near future.

CV Logix

273. As set out in paragraph 193, CV Logix currently competes with the Parties in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK, although this constraint is moderate.
274. With respect to CV Logix's entry and expansion plans, CV Logix submitted that [X].
275. The CMA has not received any evidence to consider that the competitive constraint from CV Logix is likely to materially increase in the near future.

Conclusion on expansion of specific suppliers

276. For the reasons discussed above, the CMA does not consider that the expansion of the specific firms named by the Parties would be likely, timely and/or sufficient to mitigate any SLC arising in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK.

Countervailing buyer power

277. In some circumstances, an individual customer may be able to use its negotiating strength to limit the ability of a merged firm to raise prices. The CMA refers to this as countervailing buyer power.³⁰⁷

³⁰⁷ [Merger Assessment Guidelines](#), paragraph 5.9.1.

Parties' submissions

278. As set out in paragraphs 62-63, the Parties have formal rebate agreements in place with their buying group customers; other customers may benefit from [X] and other discounts.
279. The Parties submitted that all their customers (not only buying groups) demand competitive prices and will simply divert to other wholesalers if the prices offered by the Merged Entity are not competitive.³⁰⁸
280. UC offers [X].³⁰⁹ The Parties submitted that to the extent that any customer is able to join a buying group, the countervailing buying power of such a group would provide protection to all customers.³¹⁰
281. The Parties submit that [X]% of UC's customer base is made up of large accounts, of which buying groups constitute roughly [X]%.³¹¹ During the last three years, sales to buying group members on average accounted for around [X]% of UC's sales revenue and [X]% of 3G's sales revenue.³¹²

CMA's assessment

282. Where some prices are individually negotiated, as is the case for the Parties, the extent of any countervailing buyer power held by any one customer is unlikely to be sufficient to protect other customers from any adverse effects resulting from the Merger.^{313,314}
283. Importantly, the extent of countervailing buyer power will depend on the number of options a customer can choose from.³¹⁵ Despite the Parties arguing that their customers would be able to easily divert to other wholesalers if the prices offered by the Merged Entity were not competitive, the CMA found that the Parties represent the two closest alternatives for their customers (as discussed in the section on Closeness of competition between

³⁰⁸ Final Merger Notice, paragraph 23.7.

³⁰⁹ Final Merger Notice, paragraph 23.1-23.6.

³¹⁰ Paragraph 5.6.1 of the IL Response.

³¹¹ Appendix 7 to the IL response.

³¹² Final Merger Notices, paragraphs 23.13 – 23.16.

³¹³ [Merger Assessment Guidelines](#), paragraph 5.9.6.

³¹⁴ In relation to buying groups, as set out in paragraph 279 these account for a minority of the Parties' revenue, meaning that a large proportion of the Parties' customers would in any event be unable to benefit from any preferential terms negotiated by buying groups. As mentioned in paragraph 61, some of the Parties' larger customers which are not associated with a buying group may benefit from [X]. The CMA has not been able to estimate the proportion of the Parties' revenues associated with these other, non-buying group customers that [X]. Similarly, the CMA has not seen any evidence on the extent to which motor factors might consider joining buying groups as a result of the Merger. In any case, the CMA does not consider that this would have any material effect on its conclusions given the assessment set out in paragraphs 281-283 below.

³¹⁵ [Merger Assessment Guidelines](#), paragraph 5.9.2 – 5.9.3.

the Parties) and that alternative suppliers do not exert a significant constraint on the Parties (as discussed in the section on Alternative suppliers). In these circumstances, the Merger is likely to leave at least some customers with no significant alternatives to the Merged Entity.

284. Further, UC's internal documents indicate that UC expects the Merger to lead to significant reduction in customers' choice of supplier, in turn leading to higher margins [REDACTED]:

(a) '[REDACTED]',³¹⁶ and

(b) '[REDACTED]'.³¹⁷

285. This is consistent with the evidence received in the CMA's market test, which showed that a significant number of customers and competitors are concerned with the effects of the Merger on competition (see section on Closeness of competition above for more detail). In particular, several customers expressed concerns that, following the Merger, no alternative wholesalers capable of competing effectively with the Merged Entity would remain, limiting customers' choice and their ability to challenge the Merged Entity's position.

286. Based on the evidence set out above, the CMA considers that post-Merger the Parties' customers will not exert a sufficient degree of countervailing buyer power to mitigate any SLC arising in the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK.

Third party views

287. The CMA contacted customers and competitors of the Parties. The majority of customers and a number of competitors who responded to the CMA raised concerns regarding the Merger. Several buying groups also expressed concerns about the Merger. No other third parties raised concerns about the Merger.

288. Third party comments have been taken into account where appropriate in the competitive assessment above.

³¹⁶ Final Merger Notice, Annex 9.1.d. 'Revitalisation of UK Strategy TVS EDL (17/5/2019)', page 29.

³¹⁷ Final Merger Notice, Annex 9.1.a. 'Project Alpha Business Case (12/4/2019)', pages 7-9.

Conclusion on substantial lessening of competition

289. Based on the evidence set out above, the CMA believes that it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC as a result of horizontal unilateral effects in relation to the wide range wholesale supply of commercial vehicle and trailer parts to the IAM in the UK.

Decision

290. Consequently, the CMA believes that it is or may be the case that (i) a relevant merger situation has been created; and (ii) the creation of that situation has resulted, or may be expected to result, in an SLC within a market or markets in the UK.

291. The CMA therefore believes that it is under a duty to refer under section 22(1) of the Act. However, the duty to refer is not exercised whilst the CMA is considering whether to accept undertakings under section 73 of the Act instead of making such a reference.³¹⁸ TVS EDL has until 9 June 2020³¹⁹ to offer an undertaking to the CMA.³²⁰ The CMA will refer the Merger for a phase 2 investigation³²¹ if TVS EDL does not offer an undertaking by this date; if TVS EDL indicates before this date that it does not wish to offer an undertaking; or if the CMA decides³²² by 16 June 2020 that there are no reasonable grounds for believing that it might accept the undertaking offered by TVS EDL, or a modified version of it.

292. The statutory four-month period mentioned in section 24 of the Act in which the CMA must reach a decision on reference in this case expires on 6 June 2020. For the avoidance of doubt, the CMA hereby gives TVS EDL notice pursuant to section 25(4) of the Act that it is extending the four-month period mentioned in section 24 of the Act. This extension comes into force on the date of receipt of this notice by TVS EDL and will end with the earliest of the following events: the giving of the undertakings concerned; the expiry of the period of 10 working days beginning with the first day after the receipt by the CMA of a notice from TVS EDL stating that it does not intend to give the undertakings; or the cancellation by the CMA of the extension.

Joel Bamford
Senior Director, Mergers
Competition and Markets Authority

³¹⁸ Section 22(3)(b) of the Act.

³¹⁹ Section 73A(1) of the Act.

³²⁰ Section 73(2) of the Act.

³²¹ Sections 22(1) and 34ZA(2) of the Act.

³²² Section 73A(2) of the Act.

2 June 2020

ⁱ In response to a correction from the Parties, the text in brackets in paragraph 75 (a) is intended to read “(eg LKQ, BPW and AAG)”.

ⁱⁱ In response to a correction from the Parties, paragraph 85 is intended to read “The Parties submitted that their view of the competitive landscape of the market has evolved and changed since they invested time and effort to properly understand it”.