Case ME/6851/19

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

Response to Phase 1 Decision[1]

1. Introduction and Executive Summary

1.1 This response to the Competition and Markets Authority's (**CMA**) Phase 1 decision of 2 June 2020 (the **Decision**) in its review of the completed acquisition by TVS Europe Distribution Limited (**TVS EDL**) of 3G Truck & Trailer Parts Ltd (**3G**)(the **Transaction**) is submitted on behalf of TVS EDL, its wholly-owned subsidiary Universal Components (**UC**), and 3G (together, the **Parties**). The Parties are disappointed that the CMA has decided to refer the Transaction for a Phase 2 review. In particular, the Parties believe that the Decision is predicated on an inappropriately narrow frame of reference which, in turn, has led the CMA to disregard very significant competitive constraints on the Parties.

1.2 Specifically, the Decision considers the likely impact of the Transaction under a frame of reference restricted to 'the wide range wholesale supply of commercial vehicle and trailer parts to the independent aftermarket'. This is not a frame of reference that reflects the reality of competition for the Parties. Instead, the available evidence shows that competition for the wholesale supply of commercial vehicle and trailer (**CVT**) parts takes place on a category-by-category basis. On the customer side, if the price of a product (say, brake discs) in one CVT category were to rise significantly, customers would not substitute that product with one from another CVT category (say, cabin panels). On the supply side, there are different competitors in the different CVT categories, all with different strengths. The Parties believe that aggregating these differing demand and supply constraints into a single 'parts supply market' may be one of the reasons why the CMA wrongly concluded in the Decision that competitors focused on particular categories do not impose a meaningful constraint on the Parties.

1.3 Instead, when considered from the correct perspective, it is clear that the relevant product markets in this case should be defined according to overlapping CVT part categories. This also explains why the vast majority of CVT parts are supplied at the wholesale level by businesses with deep technical expertise and experience of a relatively small number of core CVT part categories. These category experts are in fact a very significant competitive constraint on the Parties, and yet the Decision dismisses them as merely 'niche' or 'narrow' out-of-market players simply because they don't supply all parts across all categories. However, in almost every market in which the Parties overlap, the Parties' largest competitor is not a so-called 'wide range' wholesaler, but rather a competitor focused on the relevant CVT parts category.

1.4 The Decision also inappropriately fails to give any weight whatsoever to the important competitive constraints posed by: (i) CVT original equipment suppliers (**OES**) who sell directly to the Parties' customers; (ii) Europe's (and indeed the world's) largest CVT manufacturers through their 'all makes' wholesale supply businesses; and (iii) the supply of original equipment manufacturer (**OEM**) parts through the authorised aftermarket (**AA**).

1.5 The Parties' response to the Decision is set out in more detail below as follows:

(a) section 2 briefly reiterates the Parties' position on certain elements of the Decision discussed with the CMA at Phase 1, in particular transaction rationale and countervailing customer buyer power;

[1] Information shaded pink this document is TVS information that is confidential vis-à-vis 3G. Information shaded green in this document is 3G information that is confidential vis-à-vis TVS.

(b) section 3 outlines the CVT replacement part value chain;

(c) section 4 explains why each main CVT part category constitutes a separate product market;

(d) section 5 considers the Transaction's impact in each relevant market;

(e) section 6 explains why the CMA was wrong to ignore the constraint posed by CVT vehicle manufacturers supplying parts under their 'all makes' and OEM brands; and

(f) section 7 concludes the Parties' response to the Decision.

1.6 The Parties look forward to engaging constructively with the CMA in its Phase 2 investigation and are confident that the evidence available to the CMA (including evidence not available at Phase 1) will demonstrate that the Transaction does not give rise to a substantial lessening of competition (**SLC**) and should accordingly be cleared unconditionally.

2. <u>The Parties' response in relation to rationale and countervailing customer buyer power</u>

<u>Transaction rationale and internal documents</u>

2.1 In the Decision, the CMA suggests that the Parties' rationale for the transaction includes "*the strengthening of UC's market position and the removal of the constraint posed on UC by 3G, which would enable price rises and reductions in customer rebates and raise barriers to entry and expansion*."[2]

2.2 TVS strongly disagrees with this assessment of its rationale for acquiring 3G and reiterates the submissions on this point made to the CMA during its Phase 1 review. In particular, as set out in the Merger Notice (e.g., at paragraphs 2.9 to 2.18) and the response to the Issues Letter (e.g., at paragraphs 3.1 to 3.4), the merger rationale is very much pro-competitive insofar as [redacted – UC confidential information].

2.3 Related to this, TVS reiterates its disagreement with the weight placed by the CMA at Phase 1 on certain statements contained in early versions of internal documents assessing the potential Transaction. In particular, TVS reiterates its submissions on this point as set out in paragraphs 2.1 to 2.5 of its response to the Issues Letter.

<u>Countervailing buyer power</u>

2.4 The Decision largely dismisses the possibility of countervailing buyer power – including from large, vertically integrated buying groups – on the basis that "*the extent of countervailing buyer power will depend on the number of options a customer can choose from… the CMA found that the Parties represent the two closest alternatives for their customers…and that alternative suppliers do not exert a significant constraint on the Parties*".[3] In fact, as set out in detail below, in every single relevant market in which the Parties overlap, the merged entity will continue to face a large number of competitors (in many cases larger than the merged entity itself) to whom its customers could very easily switch.

2.5 The Parties therefore strongly disagree with the Decision's assessment of countervailing buyer power and reiterate the submissions made on this point during the CMA's Phase 1 review.[4]

3. <u>Overview of the UK commercial vehicle parts supply chain</u>

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2 Decision, paragraph 88.
3 Decision, paragraph 284.
4 E.g., at paragraph 23 of the Merger Notification.

‘PL’, ‘OES’, ‘OEM’ and ‘all makes’ branding

3.1 The Parties both supply a range of CVT replacement parts to motor factors in the UK. Broadly, CVT replacement parts may be branded as private label (**PL**), OES or OEM. However, it is important to note that in many cases a single CVT replacement part, produced by the same manufacturer, may be supplied in the UK as either a PL, OES or OEM branded product. There is therefore often little – if any – physical difference between the CVT replacement parts supplied under these categories and in many cases the different types of parts may all be made in the same factory or by the same manufacturer.

(i) PL parts are parts manufactured on behalf of the relevant supplier by a third party contract manufacturer (**CM**). PL parts generally carry the wholesaler’s brand name (unbranded PL parts are referred to as ‘white box’, ‘white label’ or ‘brown box’ parts). Manufacturers of PL parts will often produce the same part but attach different wholesalers’ brand names; a specific PL part produced by any given CM will therefore be functionally identical across different suppliers at the wholesale level.

(ii) OES parts typically carry the branding of large automotive component parts manufacturers such as Bosch. However, as with PL parts, physical production of the parts themselves is often outsourced by OES suppliers to CMs operating further up the supply chain. As discussed in more detail below, OES parts are typically functionally identical to the parts used by the CVT manufacturer when the vehicle was first manufactured. Further, multiple OES suppliers may supply functionally equivalent versions of a single component for any given make of CVT through the IAM. Most importantly for the purposes of the CMA’s assessment of the Transaction, the largest OES manufacturers, including Bosch, Hella, Haldex, Fontaine, Mann & Hummel, ZF and Truck-Lite, all supply OES parts direct to motor factors in the UK and therefore compete directly with the Parties’ PL and OES sales.

(iii) OEM parts are essentially physically identical to OES parts, with the only difference being that the packaging of OEM parts typically bears the branding of the CVT manufacturer (c.f. the OES supplier). To that extent, the Parties agree with the CMA’s finding in the Decision that “*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))*”.[5]

(iv) In addition to the supply of ‘OEM’ parts, several of the world’s largest CVT manufacturers (including Daf, Volvo, Scania and MAN) also supply a range of parts for all major makes of commercial vehicles and trailers under separate ‘all makes’ brands.

3.2 For the purposes of this response, ‘all makes’ branded parts are referred to as ‘OES’ parts. However, the Parties submit that they could just as easily be classified as OEM (in the sense that they are supplied by the large CVT manufacturers) or PL (in the sense that they are supplied under separate branding). More generally, given that the same CM may be used by non-vertically integrated CVT parts wholesalers (like the Parties), OES suppliers and/or CVT vehicle manufacturers to produce a particular component, often there is no physical or functional difference between the PL, OES, OEM and/or ‘all makes’ versions of any given CVT part supplied in the UK. Rather, the difference is primarily one of branding and associated brand premium.

Supply of CVT parts to independent motor factors

5 The Decision, at para 8.

3.3 The Parties supply replacement parts for use in commercial vehicles and trailers; end consumers for these products are commercial vehicle operators (**CVOs**) and it is therefore CVOs from whom demand for the Parties' products is ultimately derived. For the purpose of this response, the fitting of replacement parts by commercial vehicle repair and maintenance providers, including garages, workshops, fleet operators and service centres, will be referred to as the retail level. Those repair and maintenance providers are collectively referred to as commercial vehicle repair providers or **CVRPs**. CVRPs may be either part of a CVT manufacturer's 'authorised' repair network (including CVRPs owned or franchised by a CVT manufacturer) or independent of any CVT manufacturer. The Decision refers to CVRPs in the former category as constituting part of the 'authorised aftermarket' (**AA**) and CVRPs in the latter as forming part of the 'independent aftermarket' (**IAM**).

3.4 Within the IAM channel, CVRPs are able to purchase CVT replacement parts from:

(i) independent motor factors (i.e., the Parties' customers); or

(ii) large CVT manufacturers such as DAF, Scania, Volvo and MAN under their respective 'all makes' brands.

3.5 Independent motor factors, in turn, purchase CVT replacement parts from suppliers with a range of different business models, including businesses (such as the Parties) that supply parts across a relatively large number of component categories, businesses that chose to specialise in the supply of parts from a smaller number of categories or the supply of parts for a particular make of CVT, as well as OES suppliers such as the largest OES manufacturers, including Bosch, Hella, Haldex, Fontaine, Mann & Hummel, ZF and Truck-Lite.

3.6 Once a factor customer has established that a potential supplier has a sufficiently good reputation (as well as availability of the required product), in choosing which supplier to purchase from motor factors will consider both price and the level of service offered. Customer service, in turn, may include elements such as the level of technical support available, credit terms and returns policy. For many purchases, motor factor customers expect next day delivery, which is a service virtually all suppliers (including most OES direct suppliers) of CVT parts with a physical presence in the UK offer to motor factors. However, for components that are more commonly required (so-called 'fast moving' products), motor factors will typically keep a certain level of stock which may be replenished on a regular basis – and so may not require next day delivery for these products. As discussed in more detail below, all things being equal, suppliers that focus on particular categories of CVT parts are typically able to offer a greater level of technical support in respect of those products than suppliers that offer a wider range of components.

Supply of CVT parts to independent CVRPs

3.7 In addition to purchasing through a motor factor, CVRPs are also able to purchase OES parts directly from CVT manufacturers under their respective 'all makes' brands.[6] Specifically, several of the world's largest CVT manufacturers namely, Daf (under its 'TRP' brand), Volvo (under its 'Road Crew' brand), Scania (under its 'VRS' brand) and MAN (under its 'MAN 365' brand) supply CVRPs with OES parts for all major makes of commercial vehicles and trailers. These parts are in direct competition with parts supplied to CVRPs by motor factors and therefore are an important indirect constraint on the Parties.

3.8 The Parties therefore agree with the CMA's finding in the Decision that the direct supply of parts by vehicle manufacturers to CVRPs is "*in competition with motor factors*".[7] The Parties also note that one customer to the CMA's phase 1 market testing submitted that 'all makes' suppliers were "*close competitors*" of the Parties.

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6 As noted above, the Parties submit the 'all makes' parts could just as easily be classified as OEM or PL.
7 The Decision, at para 10.

Supply of CVT replacement parts in the AA channel

3.9 For the period that a CVT is under warranty, the operator of that vehicle is likely to have it serviced and repaired in the AA, by a CVRP owned, franchised or authorised by the relevant CVT manufacturer. However, once the vehicle comes out of warranty, the operator must pay for any repairs itself and is therefore not commercially restricted to using the AA. Instead, as the CMA correctly notes in the Decision, from that point "*...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.*"[8]

3.10 The Parties do not dispute the CMA's Phase 1 finding that "*parts used by authorised service centres are exclusively provided by authorised parts wholesalers, including 'all makes' wholesalers*".[9] However – almost by definition – there is no material functional distinction between a given CVT part supplied and fitted through the AA and one supplied and fitted through the IAM (consistent with the CMA's finding that CVT operators have a choice of using either channel). As discussed in more detail below, therefore, notwithstanding that the Parties are unable to supply their products through the AA (because they are not owned, franchised or otherwise authorised by a CVT manufacturer), CVT parts supplied through the AA pose a competitive constraint on the Parties; a vehicle operator switching from the IAM to the AA will equate to lost potential sales from the Parties to the independent motor factors that would otherwise have supplied the parts ultimately used by that operator.

Summary of CVT replacement parts value chain

3.11 To summarise, a particular CVT component produced by a given third party CM may be supplied to end customers in the UK through a number of alternative distribution channels. There may be little or no physical difference, therefore, between CVT components supplied by:

(i) non-vertically integrated wholesalers such as the Parties as a PL product via independent motor factors;

(ii) OES suppliers to non-vertically integrated wholesalers such as the Parties;

(iii) OES suppliers directly to motor factors;

(iv) CVT manufacturers as an OEM product bearing the vehicle's main brand (e.g. 'Scania') in the AA channel; and/or

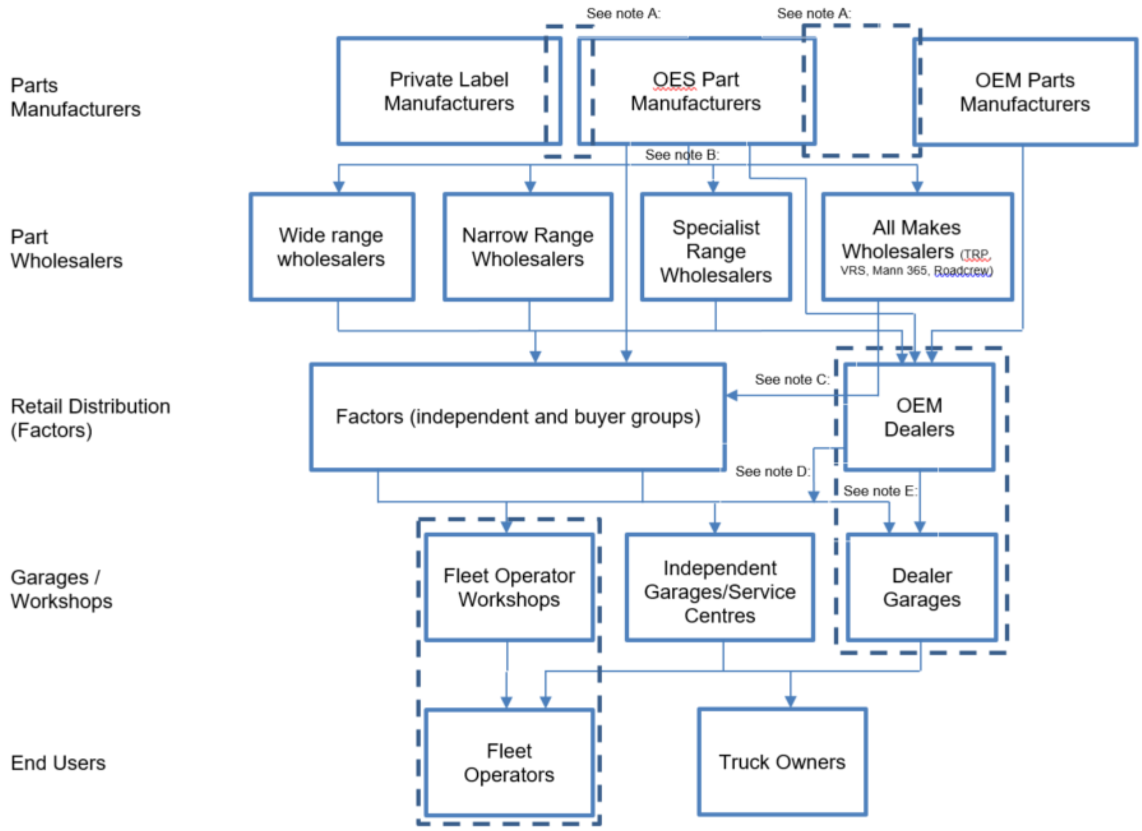
(v) CVT manufacturers as an OES product bearing the relevant 'all makes' brand (e.g. 'VRS') either in the AA channel or directly to independent CVRPs.

3.12 In light of this, the Parties believe that 'Stylised overview of the aftermarket for commercial vehicle and trailer parts' included at Figure 1 of the Decision does not accurately reflect competition in the relevant markets. In particular, that stylised overview fails to include the important direct constraint faced by the Parties from OES suppliers selling directly to their customers – independent motor factors.

3.13 The Parties set out below a diagrammatic representation of the CVT parts value chain. For the reasons discussed above, the Parties believe that this is a more accurate representation of the CVT value chain than the diagram included at Figure 1 of the Decision.

Figure 1, The CVT Parts Value Chain

8 The Decision, at para 42.
9 The Decision, at para 107.



Note A: Some manufactures will manufacture PL, OES and OEM parts but simply rebadge or manufacture to different specifications.

Note B: OES parts manufacturers sell through wholesalers, but also direct to factors and OEM dealers.

Note C: All makes wholesalers distribute their All makes parts via their respective dealer networks

Note D: Independent garages will generally buy PL or OES parts from factors but in some cases will buy OEM parts from OEM dealers

Note E: OEM Dealer Garages will generally buy OEM or OES parts, but in some cases will buy P/L parts from factors

4. <u>The Decision is based on an inappropriately narrow frame of reference</u>

<u>The Decision's frame of reference is based on a fundamental and obvious circularity</u>

4.1 The assessment of the Transaction's impact on competition in the Decision is fundamentally flawed insofar as the CMA has dismissed out of hand (in four extremely short paragraphs over an 83 page Decision) the most important – and obvious – dynamic of competition relevant to the Transaction: that suppliers of CVT parts compete within markets no wider than the relevant product category.

4.2 Indeed, the Decision accepts that "*From a demand-side perspective, different product groups (eg braking or suspension components) are **clearly non-substitutable**, as they serve **entirely different end-uses***" (emphasis added).[10] The Parties agree. For each individual purchase, customers will consider the range of available suppliers on a category-by-category basis. Intuitively, a customer looking to buy a component in one category (say, axel braking) would not, in response to an increase in price for that component, switch to purchasing a component in a different category (say, exhausts).

4.3 However, in the space of four lines, the Decision proceeds to dismiss that obvious demand-side dynamic on the basis that "*…from the supply side perspective, wide range wholesalers supply a range of different product groups across different brands. The CMA has not seen any evidence to suggest that the conditions of competition are different for any particular product category*." However, that position is logically circular:

[10] Decision, paragraph 130.

(i) the Decision defines 'wide range wholesalers' as "*wholesalers stocking spare parts for a large number of product groups*";[11]

(ii) notwithstanding that there is little or no physical difference between a given CVT part supplied under PL, OES or OEM branding, the Decision goes on to exclude all other suppliers of CVT parts from its frame of reference;[12]

(iii) having excluded any supplier that *does not* stock parts across multiple product groups, the CMA apparently concludes that the fact that different product groups are 'clearly non-substitutable' on the demand side of the relevant markets should be ignored on the basis that all suppliers within the chosen frame of reference "*supply a range of different product groups across different brands*".

4.4 Extraordinarily, the Decision appears to accept that the only basis for dismissing the obvious and evidence-based demand-side dynamic of markets defined on a product category basis in favour of an unsupported 'all market' supply side dynamic in which suppliers offer a wide range of products, is because the CMA chose, *a priori*, to exclude all other suppliers from its frame of reference. Specifically, footnote 173 of the Decision justifies this position on the basis that "*…other wholesaler types do not form part of the same frame of reference as wide range wholesalers*".[13]

4.5 Instead, the Parties consider that conditions of competition vary significantly between categories of CVT parts. Within each category, in addition to other wide range wholesalers, the Parties face strong competition from suppliers with different business models, including suppliers focused on one or a smaller number of product categories – so-called 'narrow' or 'niche' wholesalers. Consistent with this, a number of internal documents submitted to the CMA at Phase 1 consider competitors on a category-by-category basis. For example, [redacted – UC confidential information].

4.6 In contrast, the CMA's frame of reference at Phase 1 was largely based around a single observable characteristic of the Parties' respective competitive positioning: namely that each supplies a relatively wide range of CVT components. By using that characteristic as the defining basis for the CMA's Phase 1 frame of reference, the Decision has failed to give any significant weight to the direct constraint posed by a number of the Parties' most significant competitors in any given category of CVT parts – including 'narrow' or 'niche' competitors, as well as OES suppliers selling directly to motor factors. Whilst the Parties accept that different competitors may provide different degrees of competition, the Phase I decision appears to have applied an overly simplistic binary distinction between competitors: 'narrow' or 'niche' competitors have been attributed as having effectively zero constraint, regardless of the fact that in some of the product categories they are as big or bigger than the parties, whilst 'wide range' competitors are considered as full competitors again regardless of their strength in a particular category.

4.7 The following paragraphs therefore consider the likely impact of the Transaction in relation to each of the main categories of CVT parts supplied by the Parties. However, the Parties believe it is important to first reiterate a number of observations submitted to the CMA at Phase 1 in relation to the constraint posed by competitors that supply a more focused range of CVT parts (referred to as 'narrow' or 'niche' suppliers) and OES parts suppliers.

<u>Competitive constraint posed by 'narrow' or 'niche' suppliers</u>

4.8 When considering potential effects arising from the Transaction from the perspective of the Parties' customers, it is clear that purchasing decisions are in fact made on a category-by-category basis.

[11] Decision, paragraph 57(a).
[12] Decision, paragraphs 109 to 118.
[13] Decision, paragraph 131 and footnote 173.

Within each of the main CVT parts categories, the Parties therefore face constraints from a wide range of suppliers which means that the loss of one Party would not allow them to increase their prices.

4.9 In particular, the competitive constraint exerted by CVT parts suppliers focused on one or a smaller number of categories (referred to in the Decision as 'niche' and 'narrow' suppliers respectively) or on one particular make of CVT is significant. The CMA market investigation itself has confirmed that most motor factors purchase from wide range, narrow range and niche wholesalers.

4.10 Consistent with this, when setting prices for specific product categories, the Parties take account of the prices charged by all significant competitors that supply CVT parts to motor factors, including those with a greater focus on particular component categories, as well as OES suppliers that supply directly to motor factors (discussed further below). [redacted – UC confidential information].

4.11 [redacted – UC confidential information].

4.12 This is not at all surprising as wholesalers that focus on a smaller number of CVT part categories will typically carry a very extensive number of lines within their core range(s), while also benefitting from a reputation for expertise and greater technical service and support levels. They typically have a much wider choice of specific parts within their core categories than is offered by wider range wholesalers (who are more likely to stock only the highest selling parts in any given category), and have a commensurately greater degree of technical knowledge of those parts. At the same time, these more focused wholesalers, like all wholesalers in the UK, offer next day delivery to motor factors.

4.13 As such, for each of the categories of CVT parts they offer, in addition to other wide range wholesalers the Parties face significant competition from wholesalers who offer competitive prices, deep expertise and a wide portfolio of quality products within their core categories.

4.14 Consistent with this, [redacted – UC confidential information].

Figure 2, [redacted – UC confidential information]

4.15 [redacted – UC confidential information].

4.16 More generally, TVS has conducted a more detailed assessment of competitors in each relevant market for the purposes of estimating the market shares set out below (e.g., including reviewing accounts filed at Companies House). For this reason the Parties submit that the market share tables set out below provide a more robust estimate of market shares in the relevant markets than the data included in the 9 February 2020 Project Alpha Steering Committee presentation.

Competitive constraint posed by OES manufacturers

4.17 The Decision notes that "*From the supply side perspective, the available evidence shows that a majority of wide range wholesalers supply all types of parts, including PL and OES parts*",[14] concluding 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*".[15] However, the CMA dismisses the direct supply by OES parts manufacturers to motor factors as a competitive constraint on the basis that "*the companies' websites indicate that they are parts manufacturers, not wholesalers. 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*."[16] The Decision also states that "*Motor factor customers may also choose to source directly from parts manufacturers…the*

14 The Decision, para 126.
15 The Decision, para 127.
16 The Decision, para 128.

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)."[17]

4.18 While it is correct that certain OES parts manufacturers will require a higher minimum order value to qualify for free delivery than the Parties (TVS has a minimum order value of £125), this is not the case for all OES suppliers. Indeed, several OES suppliers offer delivery free of charge, regardless of order value (i.e., have no minimum order value at all). For illustration, the table below shows the current minimum order volume for free carriage of some of the largest OES suppliers. This table also illustrates that not only do the major OES suppliers supply to the wholesale level (e.g. to the Parties) but also to the Parties' customers (motor factors) and, in the case of Fontaine, even directly to end customers.

Table 1, OES Delivery Service Offerings

	Min. order for free delivery	Order cut-off time	Service	Supply to wholesale?	Supply to motor factors?	Supply to CVT fleets (end customer)?
Mann & Hummel	£150	14:00	Next Day	√	√	X
Hella	£125	17:30	Next Day	√	√	X
Haldex	£250	16:30	7 days	√	√	X
Truck-Lite	£500	15:30	Next Day	√	√	X
Jost	£0	13:00	Next Day	√	√	X
Fontaine	£0	12:00	Next Day	√	√	√
TMD Friction	£100	17:00	Next Day	√	√	X
Boydell & Jacks	£500	14:00	Next Day	√	√	X
Unitruck	£0	14:00	Next Day	√	√	X
Jonesco	£250	12:00	Next Day	√	√	X
Tube Gear	£150	16:00	Next Day	√	√	X

Source: publicly available information and Parties' market knowledge

4.19 Moreover, the Parties believe it is nonetheless often cheaper for motor factors to purchase directly from an OES supplier as doing so avoids having to pay the mark-up charged by CVT wholesalers such as the Parties. [redacted – 3G confidential information].

4.20 In addition, the Parties believe that the higher order threshold to qualify for free carriage is often easily met in practice by motor factors given that these OES manufacturers all supply 'fast moving' (and therefore high volume) CVT parts.[18]

4.21 As noted above the Parties believe that in many cases OES suppliers will outsource the manufacture of a particular component to a third party CM who may also produce equivalent components at the same manufacturing facilities for supply by the Parties and their competitors as PL products. [redacted – UC confidential information]. As such, given that the same CM may be used by non-vertically integrated CVT parts wholesalers (like the Parties), OES suppliers and/or CVT vehicle manufacturers to produce a particular component, often there is no physical or functional difference between the PL,

[17] The Decision, footnote 144.
[18] [redacted – UC confidential information].

OES and OEM versions of that particular component supplied in the UK. Rather, the difference is primarily one of branding and associated brand premium.

4.22 In dismissing parts sold by OES suppliers to motor factors, the CMA has therefore failed to give adequate weight to a very significant direct competitive constraint on the Parties.

The Parties expect an increasing competitive constraint from overseas suppliers

4.23 As explained in response to the Issues Letter (see paragraphs 4.2.1 and following), the Parties are of the view that non-UK based wholesalers will continue to increase their foothold in the UK. While Inter Cars does not yet have a physical presence in the UK, it is a large international player able to offer very competitive prices. Inter Cars already ships parts to the UK twice a week, and would have no difficulties in expanding its presence further. The Turkish wholesaler Sampa has recently opened a warehouse in Manchester, and competes aggressively with short delivery times and low prices. The Parties expect these players to expand their presence further in the coming years.

5. Overview of market shares

5.1 For the reasons set out above, the relevant markets affected by the Transaction should be assessed on a product category by category basis, taking into account (at a minimum) all competitors that sell CVT parts within that category to independent motor factors. The Parties set out below their best estimates of market shares on this basis, using the top 23 categories in which TVS generates sales (these 23 categories account for [redacted – UC confidential information]% and [redacted – 3G confidential information]% of TVS and 3G's total sales respectively).

5.2 The market share tables below include each Party's actual turnover (for calendar year 2019) in a given product category, along with estimates of turnover made by the leading competitors in that category. These estimates, in turn, have been prepared by TVS and 3G on the basis of publicly available information, in combination with each Parties' knowledge of the relevant markets. Specifically, TVS considered competitors' turnover as reported in their most recently published annual accounts (discounted by any recorded export sales or, if export sales were not split out, according TVS's best estimate of likely exports). Where competitors filed abbreviated accounts at Companies House (and as such no turnover data was available), TVS estimated turnover using a combination of a ratio of debtor days and/or stock holding[19] and again discounted for estimated export sales. For competitors that had no separate accounts filed with Companies House (e.g., where the relevant competitor was part of a wider business), TVS estimated revenues using its market knowledge and experience. Finally, as discussed with the CMA, TVS's estimates of competitor shares were reviewed by 3G and in certain cases adjusted to ensure that the data below represents the Parties' agreed best estimates of competitor sales and market shares.

5.3 Table 2 below summarises the Parties' combined shares in each relevant market.

Table 2, Summary of Parties' Estimated Market Shares

Product Field	Turnover (£'000)			Market Share (%)		
	UC	3G	Combined	UC	3G	Combined
GENERAL, FRONT & REAR LIGHTING	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
CABIN	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
AIR SUSPENSION	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[19] TVS believes that CVT parts distribution businesses usually have approx. 60 debtor days and a 5x or 6x turn on stock.

ENGINE ELECTRICAL	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
CHASSIS COMPONENTS	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
ELECTRICAL ACCESSORIES	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
AIR BRAKE	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
AXLE BRAKING	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
BODY FITTING	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
HUB COMPONENT PARTS	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
STEERING	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
AIR BRAKE COILS & COUPLINGS	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
HUBS	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
FIFTHWHEEL	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
REGULATION REQUIREMENTS	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
EXHAUST	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
FILTRATION	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
COOLING	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
FITTINGS	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
FUEL SYSTEM	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
SLACK ADJUSTERS	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
STORAGE & SECURITY DEVICES	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
CABIN SUSPENSION	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

5.4 As is apparent from Table 1 above, of TVS's 23 top selling categories, the Parties are relatively minor players in every product category:

(a) UC's market share is below 5% in 5 of the 23 product categories; below 10% in 17 of the 23 product categories; and there is only one product category where UC's market share marginally exceeds 15%.

(b) 3G's presence is even more modest, with a market share below 5% in 15 of the 23 product categories; below 10% in 21 of 23 product categories; and there is only one product category where its market share marginally exceeds 15%.

5.5 As a result, the combined presence of the Parties is modest across all product categories with a combined share below 15% in 15 of 23 product categories and a combined share below 25% in 22 of 23 product categories. There is only one market where the Parties' combined share exceeds 30% (hub components, and even then the share is only marginally in excess of 30%). However in this market, the Parties face strong competition from both CV Logix and Schaeffler (each of whom is discussed in more detail below).

5.6 The Parties believe that, if anything, these market shares over-state the competitive constraint each Party poses on the other to the extent that they do not include:

(i) revenues from competitors other than the 5 largest of the Parties' competitors in each category. For example, the hub components market share table excludes revenues from a large number of competitors active in this market;

(ii) CVT parts supplied by CVT manufacturers under their 'all makes' brands directly to independent CVRPs and also through the AA; and

(iii) CVT parts supplied by CVT manufacturers under their OEM brands through the AA.

5.7 With these important caveats, the Parties set out below their best estimates of market shares in each of TVS's top 23 product categories.

(i) General, Front & Rear lighting

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Truck-Lite	[redacted]	[redacted]	https://www.truck-lite.com/
Ecco	[redacted]	[redacted]	https://www.eccoesg.co.uk/gb/en
Hella	[redacted]	[redacted]	https://www.hella.com/hella-com/index.html
Aspock	[redacted]	[redacted]	https://www.aspoeck.com/en
Vignal	[redacted]	[redacted]	https://www.amipart.co.uk/
Bosch	[redacted]	[redacted]	https://www.bosch.com/
Granning / J4	[redacted]	[redacted]	https://granningaxles.ie/
CV Logix	[redacted]	[redacted]	https://cvdistributors.co.uk/about-us/cv-logix/
Amipart/Gardener	[redacted]	[redacted]	https://www.amipart.co.uk/
Total	[redacted]	**100.0%**	N/A
Other competitors include: Unitruck, Intercars, Guardian, Durite, Febi, DT Truck, Emmerre Truck & Trailer, Valeo, Imexpart, Bison Parts , Leyland, Dss, Amber Valley, LED Autolamps	N/A	N/A	http://www.unitruck.co.uk/ https://www.intercars.eu/en https://www.guardianauto.co.uk/ https://www.durite.co.uk/ https://www.febi.com/en/ https://www.dt-spareparts.com https://www.emmerre.eu/en https://www.valeo.com/en/ https://www.imexpart.com/ https://www.bisonparts.co.uk/ http://www.leylandauto.com/ http://www.direct-sourcing-solutions.com/ https://amber-valley.com/ http://www.ledautolamps-uk.com/

5.8 In relation to **general, front & rear lighting** products, the combined share of the merged entity will be modest ([redacted]%), with a *de minimis* increment ([redacted]% for 3G). Truck-Lite ([redacted]%), Ecco ([redacted]) and Hella ([redacted]%) are the largest competitors by far on that market. In addition, the Parties will continue to face the constraint of several smaller players, such as Aspock ([redacted]%), Vignal ([redacted]%) and Bosch ([redacted]%).

(ii) Cabin

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Unitruck	[redacted]	[redacted]	http://www.unitruck.co.uk/
Granning / J4	[redacted]	[redacted]	https://granningaxles.ie/
Amipart/Gardener	[redacted]	[redacted]	https://www.amipart.co.uk/
Ashtree Vision & Safety	[redacted]	[redacted]	https://www.avsuk.co/
Total	[redacted]	**100.0%**	N/A
Other competitors include: Mekra, Febi, Bison Parts	N/A	N/A	https://www.mekra.de/en https://www.febi.com/en/ https://www.bisonparts.co.uk/

5.9 In relation to **cabins**, as can be seen in the table above, the Parties have a limited combined share of [redacted]%, with a very modest increment as a result of the Transaction ([redacted]% for 3G). Unitruck is the clear leader with a share of [redacted]%. The Parties will also continue to face the constraint of multiple competitors, such as Granning ([redacted]%) and Amipart ([redacted]%).

(iii) Air suspension

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Automint	[redacted]	[redacted]	http://www.automint.com/
Granning / J4	[redacted]	[redacted]	https://granningaxles.ie/
Sampa	[redacted]	[redacted]	https://www.sampa.com/en
Capus / Roadlink	[redacted]	[redacted]	https://www.capus.co.uk/
DT Truck	[redacted]	[redacted]	https://www.dt-spareparts.com
Total	[redacted]	**100.0%**	N/A
Other competitors include: Amipart/Gardener, ZF, Febi, CV Logix	N/A	N/A	https://www.amipart.co.uk/ https://www.zf.com/ https://www.febi.com/en/ https://cvdistributors.co.uk/about-us/cv-logix/

5.10 The table above shows that the Parties will only have a limited market share in relation to **air suspension** post-Transaction ([redacted]%), with a relatively small increment ([redacted]% for 3G). Automint is the clear leader on this market with a share of [redacted]%, while other players include Granning ([redacted]%), Sampa ([redacted]%), as well as other competitors (such as Capus/Roadlink and DT Truck).

(iv) Engine Electrical

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A

Prestolite Electric	[redacted]	[redacted]	http://www.prestolite.com/Corporate
Delco Remy	[redacted]	[redacted]	http://www.delcoremy.com/
Bosch	[redacted]	[redacted]	https://www.bosch.com/
Wood Auto Supplies	[redacted]	[redacted]	https://www.woodauto.com/
Dinex	[redacted]	[redacted]	https://www.dinex.net/
Total	[redacted]	**100.0%**	N/A
Other competitors include: Hella, Febi, Borg & Beck, Amipart/Gardener	N/A	N/A	https://www.hella.com/hella-com/index.html https://www.febi.com/en/ https://www.borgandbeck.com/ https://www.amipart.co.uk/

5.11 On the market for **engine electrical parts**, the combined share of the Parties is very limited, around [redacted]% (and 3G is hardly active with a share of [redacted]%). There will be three competitors with a greater share than the merged entity, namely Prestolite Electric ([redacted]%), Delco Remy ([redacted]%) and Bosch ([redacted]%), in addition to other competitors such as Wood Auto Supplies ([redacted]%) and Dinex ([redacted]%).

(v) Chassis components

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Jonesco	[redacted]	[redacted]	https://www.jonesco-plastics.com/
Boydell & Jacks	[redacted]	[redacted]	https://www.featherwing.com/
Pommier	[redacted]	[redacted]	https://www.pommier.eu/en/
Jost	[redacted]	[redacted]	https://www.jostuk.co.uk/
Vernon Devlopments	[redacted]	[redacted]	http://www.vernondevelopments.co.uk/
Total	[redacted]	**100.0%**	N/A
Other competitors include: Polymer Products, Capus / Roadlink	N/A	N/A	https://www.polymers.co.uk/ https://www.capus.co.uk/

5.12 The merged entity will also be a relatively minor player on the market for **chassis components** (with a combined share of [redacted]%), far behind the market leaders Boydell & Jacks and Jonesco (both having estimated shares of around [redacted]%). The merged entity will also continue to face competition from other players such as Pommier ([redacted]%) and Jost ([redacted]%).

(vi) Electrical accessories

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Ecco	[redacted]	[redacted]	https://www.eccoesg.co.uk/gb/en
Reflexallen	[redacted]	[redacted]	https://www.reflexallen.com/

Brigade	[redacted]	[redacted]	https://brigade-electronics.com/
Autac	[redacted]	[redacted]	https://www.autac.co.uk/
Capus / Roadlink	[redacted]	[redacted]	https://www.capus.co.uk/
Total	[redacted]	**100.0%**	N/A
Other competitors include: Legrand, Borg & Beck, Amber Valley, Febi	N/A	N/A	https://www.legrand.com/en/landing https://www.borgandbeck.com/ https://amber-valley.com/ https://www.febi.com/en/

5.13 Likewise, the merged entity will be a relatively minor player on the market for **electrical accessories** ([redacted]%), far behind the market leader Ecco ([redacted]%) and Reflexallen ([redacted]%). It will continue to be constrained by other competitors such as Brigade ([redacted]%) and Autac ([redacted]%).

(vii) Air brake

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Wabco	[redacted]	[redacted]	https://www.wabco-auto.com/emea/home
Knorr Bremse	[redacted]	[redacted]	https://www.knorr-bremse.co.uk/en/
EBS	[redacted]	[redacted]	https://ebs.co.uk/
Haldex	[redacted]	[redacted]	https://www.haldex.com/en/Europe/
New World	[redacted]	[redacted]	http://www.newworldairbrake.com/
Total	[redacted]	**100.0%**	N/A
Other competitors include: Cv Air Brake Bremsen Technic, Cojali, T&G/Gigant, Fgh Airbrake, Exb, Air Brake Connections, Drakefield, Fleetparts, Erentek	N/A	N/A	http://www.bremsentechnik.co.uk/ https://www.cojali.com/en http://www.tg-automotive.com/en/ https://www.fghairbrake.com/ https://www.exbuk.com/ https://www.airbrakeconnections.co.uk http://www.drakefield.com/ https://fleetparts.co.uk/ http://www.erentek.co.uk/

5.14 Both parties are marginal players on the market for **air brakes**, and the merged entity will therefore have a very small combined market share ([redacted]%), behind at least five other players (namely, Wabco with [redacted]%; Knorr Bremse with [redacted]%; EBS with [redacted]%; Haldex with [redacted]%; and New World with [redacted]%).

(viii) Axle braking

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A

TMD Friction	[redacted]	[redacted]	https://tmdfriction.com/
Winnards	[redacted]	[redacted]	https://winnard.co.uk/
Juratek	[redacted]	[redacted]	https://www.juratek.com/
Borg & Beck	[redacted]	[redacted]	https://www.borgandbeck.com/
Granning / J4	[redacted]	[redacted]	https://granningaxles.ie/
Total	[redacted]	**100.0%**	N/A
Other competitors include: EBS, Ims / George Fischer, Cv Air Brake Bremsen Technic, Jurid, Automint	N/A	N/A	https://ebs.co.uk/ https://www.georgfischer.com/ http://www.bremsentechnik.co.uk https://www.jurid.co.uk/ http://www.automint.com/

5.15 On the market for **axle braking**, the merged entity will again be a minor player ([redacted]%), behind the clear market leader TMD Friction ([redacted]%), and at least three other competitors (namely, Winnards with [redacted]%; Juratek with [redacted]%; and Borg & Beck with [redacted]%)**.**

(ix) Body fitting

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Cbf	[redacted]	[redacted]	https://www.cbf.uk.com/
Arinsdale	[redacted]	[redacted]	http://www.arinsdale.com/
Freight Products	[redacted]	[redacted]	https://www.fpluk.com/
Vernon Devlopments	[redacted]	[redacted]	http://www.vernondevelopments.co.uk
Jonesco	[redacted]	[redacted]	https://www.jonesco-plastics.com/
Total	[redacted]	**100.0%**	N/A
Other competitors include: Langver, Polymer Products	N/A	N/A	http://www.langver-engineering.com/ https://www.polymers.co.uk/

5.16 The Parties are both small players on the market for **body fitting** CVT components, with a limited combined share of [redacted]%. The clear market leader is CBF with a share of [redacted]% followed by Arinsdale ([redacted]%). Both Vernon Developments and Freight Products have a market share similar to the merged entity (i.e., [redacted]% each)**.**

(x) Hub component parts

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
CV Logix	[redacted]	[redacted]	https://cvdistributors.co.uk/about-us/cv-logix/
Schaeffler	[redacted]	[redacted]	https://www.schaeffler.co.uk/content.schaeffler.co.uk/en/index.jsp
Intercars	[redacted]	[redacted]	https://www.intercars.eu/en
Amipart/Gardener	[redacted]	[redacted]	https://www.amipart.co.uk/

Winnards	[redacted]	[redacted]	https://winnard.co.uk/
Total	[redacted]	**100.0%**	N/A
Other competitors include: Ims / George Fischer, Lema, Dss, DT Truck, Imexpart, Majorsell, Leyland, Juratek, Timken, Freight Products, Febi, Granning/J4, Automint, Meritor, Peters, EBS, Stud Extract, Emmerre Truck & Trailer, Bison Parts, St Templin, Skf	N/A	N/A	https://www.georgfischer.com/ http://www.lema-parts.it/indexGB http://www.direct-sourcing-solutions.com/ https://www.dt-spareparts.com https://www.imexpart.com/ https://majorsell.co.uk/ http://www.leylandauto.com/ https://www.juratek.com/ https://www.timken.com/ https://www.fpluk.com/ https://www.febi.com/en/ https://granningaxles.ie/ http://www.automint.com/ https://www.meritor.com/ http://www.original-pe.com/ https://ebs.co.uk/ http://stud-extract.co.uk/ https://www.emmerre.eu/en https://www.bisonparts.co.uk/ https://www.st-uk-parts.co.uk/ https://www.skf.com/uk

5.17 The Parties estimate that their combined share on the market for **hub component parts** is around ([redacted]%). However, as noted above, the Parties believe this is likely to over-state their competitive position as a large number of competitors active in this market have not been included for the purposes of calculating market shares.

5.18 Moreover, the merged entity will continue to face strong competition from two large players, namely (i) CV Logix, a well-established wholesaler, whose market share ([redacted]%) demonstrates that it is more than capable of competing effectively with the merged entity for the supply of these CVT components; and (ii) Schaeffler, with an estimated share of [redacted]% for hub component parts. Smaller players, such as Intercars ([redacted]%), Amipart ([redacted]%) and Winnards ([redacted]%), will also constrain the merged entity in this market.

(xi) Steering

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
ZF	[redacted]	[redacted]	https://www.zf.com/
Borg & Beck	[redacted]	[redacted]	https://www.borgandbeck.com/
Febi	[redacted]	[redacted]	https://www.febi.com/en/
Imexpart	[redacted]	[redacted]	https://www.imexpart.com/
DT Truck	[redacted]	[redacted]	https://www.dt-spareparts.com
Total	[redacted]	**100.0%**	N/A

Other competitors include: Seltech, Emmerre Truck & Trailer, Ims / George Fischer, CV Logix, Winnards, Peters, Lema, EBS, Moog, Timken, Automint, Granning/J4, Bison Parts, Majorsell, Delphi, Juratek, Leyland, Optimal, Freight Products, Dss, St Templin, Intercars, Meritor, Skf, Schaeffler	N/A	N/A	https://sep.uk.com/ https://www.emmerre.eu/en https://www.georgfischer.com/ https://cvdistributors.co.uk/about-us/cv-logix/ https://winnard.co.uk/ http://www.original-pe.com/ http://www.lema-parts.it/indexGB https://ebs.co.uk/ https://www.moogparts.co.uk/ https://www.timken.com/ http://www.automint.com/ https://granningaxles.ie/ https://www.bisonparts.co.uk/ https://majorsell.co.uk/ https://www.delphi.com/ https://www.juratek.com/ http://www.leylandauto.com/ http://www.optimal-uk.com/ https://www.fpluk.com/ http://www.direct-sourcing-solutions.com/ https://www.st-uk-parts.co.uk/ https://www.intercars.eu/en https://www.skf.com/uk https://www.schaeffler.co.uk/content.schaeffler.co.uk/en/index.jsp

5.19 On the market for **steering products**, the merged entity will have a modest combined share of [redacted], with a *de minimis* increment ([redacted]% for 3G). ZF is the clear leader on the market with a share of [redacted]%, and the Parties will continue to face the constraint of multiple other competitors, such as Borg & Beck ([redacted]%), Febi ([redacted]%) and Imexpart ([redacted]%).

(xii) Air brake coils & couplings

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Wabco	[redacted]	[redacted]	https://www.wabco-auto.com/emea/home
Reflexallen	[redacted]	[redacted]	https://www.reflexallen.com/
Tube Gear	[redacted]	[redacted]	http://www.tube-gear.com/
Exb	[redacted]	[redacted]	https://www.exbuk.com/
EBS	[redacted]	[redacted]	https://ebs.co.uk/
Total	[redacted]	**100.0%**	N/A
Other competitors include: Febi, Amipart/Gardener, Air Brake Connections,	N/A	N/A	https://www.febi.com/en/ https://www.amipart.co.uk/ https://www.airbrakeconnections.co.uk/ https://www.fpluk.com/

Freight Products, Air Brake Direct			https://airbrakedirect.com/

5.20 On the market for **air brake coils & couplings**, the merged entity will also have a limited combined share of [redacted]%, with a modest increment ([redacted]% for 3G). In addition, two competitors will have a share larger than the merged entity (namely, Wabco with [redacted]% and Reflexallen with [redacted]%). Smaller players will also constrain the parties, including Tube Gear ([redacted]%), EXB ([redacted]%) and EBS ([redacted]%).

(xiii) Hubs

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Stud Extract	[redacted]	[redacted]	http://stud-extract.co.uk/
Winnards	[redacted]	[redacted]	https://winnard.co.uk/
CV Logix	[redacted]	[redacted]	https://cvdistributors.co.uk/about-us/cv-logix/
Complete Hub Technologies	[redacted]	[redacted]	https://completehubtech.com/
Sampa	[redacted]	[redacted]	https://www.sampa.com/en
Total	[redacted]	**100.0%**	N/A
Other competitors include: DT Truck, Intercars, Ims / George, Fischer, Dss, Granning/J4, Juratek, Leyland, Peters, Skf, Majorsell, EBS, Lema, Freight Products, Febi, Bison Parts, Timken, Meritor, St Templin, Amipart/Gardener, Automint, Imexpart, Schaeffler	N/A	N/A	https://www.dt-spareparts.com https://www.intercars.eu/en https://www.georgfischer.com/ http://www.direct-sourcing-solutions.com/ https://granningaxles.ie/ https://www.juratek.com/ http://www.leylandauto.com/ http://www.original-pe.com/ https://www.skf.com/uk https://majorsell.co.uk/ https://ebs.co.uk/ http://www.lema-parts.it/indexGB https://www.fpluk.com/ https://www.febi.com/en/ https://www.bisonparts.co.uk/ https://www.timken.com/ https://www.meritor.com/ https://www.st-uk-parts.co.uk/ https://www.amipart.co.uk/ http://www.automint.com/ https://www.imexpart.com/ https://www.schaeffler.co.uk/content.schaeffler.co.uk/en/index.jsp

5.21 In relation to **hubs**, as can be seen in the table above, the Parties have a combined share of [redacted]%. The Parties will continue to face the constraint of multiple other competitors, such as Stud Extract ([redacted]%),Winnards ([redacted]%), CV Logix ([redacted]%), Complete Hub Technologies ([redacted]%) and Sampa ([redacted]%).

(xiv) Fifth wheel

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Jost	[redacted]	[redacted]	https://www.jostuk.co.uk/
Fontaine	[redacted]	[redacted]	http://fontainechassis.com/
Ims / George Fischer	[redacted]	[redacted]	https://www.georgfischer.com/
Vbg	[redacted]	[redacted]	https://www.vbg.eu/en/
Total	[redacted]	**100.0%**	N/A

5.22 The Parties are both small players in relation to CVT **fifth wheel** components, with a limited combined share ([redacted]%), far behind the market leaders Jost and Fontaine ([redacted]% each). Other competitors include George Fischer and VBG ([redacted]% each).

(xv) Regulation requirements

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Freight Products	[redacted]	[redacted]	https://www.fpluk.com/
Reflexallen	[redacted]	[redacted]	https://www.reflexallen.com/
Cbf	[redacted]	[redacted]	https://www.cbf.uk.com/
Arinsdale	[redacted]	[redacted]	http://www.arinsdale.com/
Durite	[redacted]	[redacted]	https://www.durite.co.uk/
Total	[redacted]	**100.0%**	N/A
Other competitors include: Digital 2000	N/A	N/A	https://digital2000.co.uk

5.23 For products related to **regulation requirements**, the Parties have a limited combined share ([redacted]%), behind the market leader Freight Products ([redacted]%). The Parties will continue to face the constraint of several other competitors, such as Reflexallen ([redacted]%), CBF ([redacted]%), Arinsdale ([redacted]%) and Durite ([redacted]%).

(xvi) Exhaust

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Dinex	[redacted]	[redacted]	https://www.dinex.net/
CV Logix	[redacted]	[redacted]	https://cvdistributors.co.uk/about-us/cv-logix/
Bensons	[redacted]	[redacted]	http://www.bensonexhausts.com
Dss	[redacted]	[redacted]	http://www.direct-sourcing-solutions.com/

Granning / J4	[redacted]	[redacted]	https://granningaxles.ie/
Total	[redacted]	**100.0%**	N/A

5.24 In relation to **exhaust products**, the Parties have a combined share of [redacted]%, far behind the clear leader in the market, Dinex (with [redacted]%). The Parties will also continue to compete with other players such as CV Logix and Bensons ([redacted]% each).

(xvii) Filtration

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Fleetguard	[redacted]	[redacted]	https://www.cumminsfiltration.com/homepage
Sogefi group (Fram/Coopers Fiamm)	[redacted]	[redacted]	https://www.sogefigroup.com/en/index.html
Mann & Hummel	[redacted]	[redacted]	https://www.mann-hummel.com/en/
Donaldson	[redacted]	[redacted]	https://www.donaldson.com/en-be/
Bosch	[redacted]	[redacted]	https://www.bosch.com/
Total	[redacted]	**100.0%**	N/A
Other competitors include: Febi, Delphi, Fleetparts	N/A	N/A	https://www.febi.com/en/ https://www.delphi.com/ https://fleetparts.co.uk/

5.25 The Parties have a *de minimis* combined share of [redacted]% on the market for **filtration products**. There will be at least five competitors with a share exceeding that of the merged entity.

(xviii) Cooling

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Nissens	[redacted]	[redacted]	https://nissens.com/
CV Logix	[redacted]	[redacted]	https://cvdistributors.co.uk/about-us/cv-logix/
Sp Water Pumps	[redacted]	[redacted]	http://www.spwaterpumps.co.uk/
Borg & Beck	[redacted]	[redacted]	https://www.borgandbeck.com/
Mahle	[redacted]	[redacted]	https://www.mahle.com/
Total	[redacted]	**100.0%**	N/A
Other competitors include: Delphi, Sampa, Bosch, Febi, ZF, Cojali	N/A	N/A	https://www.delphi.com/ https://www.sampa.com/en https://www.bosch.com/ https://www.febi.com/en/ https://www.zf.com/ https://www.cojali.com/en

5.26 In relation to **cooling products**, the merged entity will have a modest market share ([redacted]%), behind Nissens ([redacted]%), CV Logix ([redacted]%) and SP Water Pumps ([redacted]%). In addition, Borg & Beck and Mahle ([redacted]% each) will both have market shares similar to that of the merged entity.

(xix) Fittings

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Tube Gear	[redacted]	[redacted]	http://www.tube-gear.com/
Air Brake Connections	[redacted]	[redacted]	https://www.airbrakeconnections.co.uk/
Norgren	[redacted]	[redacted]	http://pages.norgren.com/uk-new/
CV Logix	[redacted]	[redacted]	https://cvdistributors.co.uk/about-us/cv-logix/
Raufoss	[redacted]	[redacted]	https://www.kongsbergautomotive.com/contact-us/scandinavia/raufoss/
Total	[redacted]	**100.0%**	N/A
Other competitors include: Fgh Airbrake, DT Truck, Drakefield, Air Brake Direct, New World, Exb, Knorr Bremse, Vernon Devlopments, Borg & Beck, Cv Air Brake Bremsen Technic, Haldex, Wabco, Majorsell	N/A	N/A	https://www.fghairbrake.com/ https://www.dt-spareparts.com http://www.drakefield.com/ https://airbrakedirect.com/ http://www.newworldairbrake.com/ https://www.exbuk.com/ https://www.knorr-bremse.co.uk/en/ http://www.vernondevelopments.co.uk/ https://www.borgandbeck.com/ http://www.bremsentechnik.co.uk/ https://www.haldex.com/en/Europe/ https://www.wabco-auto.com/emea/home https://majorsell.co.uk/

5.27 The merged entity will have a very limited share ([redacted]%) on the market for **fittings**, behind two competitors with significantly larger shares (namely, Tube Gear and Air Brake Connections, each with [redacted]%). Smaller competitors will include Norgren ([redacted]%), CV Logix ([redacted]%) and Raufoss ([redacted]%).

(xx) Fuel systems

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Permoid	[redacted]	[redacted]	http://www.permoid.com/
Fuel Defend	[redacted]	[redacted]	https://fueldefend.com/
Fuel Cap Company	[redacted]	[redacted]	https://www.petrolcaps.co.uk/
Dss	[redacted]	[redacted]	http://www.direct-sourcing-solutions.com/

Imexpart	[redacted]	[redacted]	https://www.imexpart.com/
Total	[redacted]	**100.0%**	N/A

5.28 The Parties only have a small presence on the **market for fuel systems**, with a small combined share ([redacted]%). The largest player by far is Permoid ([redacted]%), and the merged entity will also continue to face the constraint of other competitors, such as Fuel Defend ([redacted]%).

(xxi) Slack adjusters

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Mei	[redacted]	[redacted]	https://www.meibrakes.com/
EBS	[redacted]	[redacted]	https://ebs.co.uk/
Knorr Bremse	[redacted]	[redacted]	https://www.knorr-bremse.co.uk/en/
Haldex	[redacted]	[redacted]	https://www.haldex.com/en/Europe
New World	[redacted]	[redacted]	http://www.newworldairbrake.com/
Total	[redacted]	**100.0%**	N/A
Other competitors include: Cojali, Fgh Airbrake, Febi, Winnards, Exb, Diesel Technic	N/A	N/A	https://www.cojali.com/en https://www.fghairbrake.com/ https://www.febi.com/en/ https://winnard.co.uk/ https://www.exbuk.com/ https://www.dieseltechnic.com/en/

5.29 In relation to **slack adjusters**, the Parties have a very limited combined share of [redacted]%. The clear leader in the market is Mei ([redacted]%). The Parties will also continue to face the constraint of several other competitors, such as EBS ([redacted]%), Knorr Bremse ([redacted]%) and Haldex ([redacted]%).

(xxii) Storage & security devices

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Jonesco	[redacted]	[redacted]	https://www.jonesco-plastics.com/
Parlok	[redacted]	[redacted]	https://www.parlok.fi/
Cbf	[redacted]	[redacted]	https://www.cbf.uk.com/
Boydell & Jacks	[redacted]	[redacted]	https://www.featherwing.com/
Fire Depot	[redacted]	[redacted]	https://www.firedepot.co.uk/
Total	[redacted]	**100.0%**	N/A
Other competitors include: Sampa	N/A	N/A	https://www.sampa.com/en

5.30 On the market for **storage & security devices**, the share of the merged entity will remain modest ([redacted]%), behind four larger players active in this market (namely, Jonesco with [redacted]%; Parlock with [redacted]%; CBF with [redacted]%; and Boydell & Jacks with [redacted]%).

(xxiii) Cabin suspension

Competitor	Turnover (£'000)	Market Share (%)	Website
UC	[redacted]	[redacted]	https://www.ucukltd.com/
3G	[redacted]	[redacted]	https://3gttp.com/
Combined	[redacted]	[redacted]	N/A
Granning / J4	[redacted]	[redacted]	https://granningaxles.ie/
Automint	[redacted]	[redacted]	http://www.automint.com/
Capus / Roadlink	[redacted]	[redacted]	https://www.capus.co.uk/
Sampa	[redacted]	[redacted]	https://www.sampa.com/en
DT Truck	[redacted]	[redacted]	https://www.dt-spareparts.com
Total	[redacted]	**100.0%**	N/A
Other competitors include: CV Logix, Febi, Peters, ZF, Imexpart, Amipart/Gardener	N/A	N/A	https://cvdistributors.co.uk/about-us/cv-logix/ https://www.febi.com/en/ http://www.original-pe.com/ https://www.zf.com/ https://www.imexpart.com/ https://www.amipart.co.uk/

5.31 In relation to **cabin suspensions**, the Parties' market share will be limited, around [redacted]% (with a *de minimis* increment of [redacted]%). Two competitors will be larger than the merged entity in this market, namely Granning ([redacted]%) and Automint ([redacted]%), in addition to a number of smaller players (including Capus / Roadlink, Sampa and DT Truck).

6. <u>Other significant constraints on the Parties</u>

6.1 In addition to the competitors identified above in relation to each product market, the Parties continue to face significant competitive constraints from both CVT manufacturers supplying CVRPs directly under their all makes brands, as well as from OEM parts supplied by CVT manufacturers via the AA channel.

<u>*All-makes suppliers*</u>

6.2 As noted above, the CMA rightly accepts that direct supply by vehicle manufacturers into the IAM is "*in competition with motor factors*"[20] and notes that one customer specifically indicated that 'all makes' suppliers were "*close competitors*" of the Parties. However, the CMA dismisses this important competitive constraint on the basis that "*Only a minority of competitors stated that 'all makes' wholesalers are close competitors to the Parties* [and]*...A vehicle manufacturer which runs an 'all makes' programme stated that they do not view the Parties as competitors*".[21] Again, the Parties submit that the available evidence shows that 'all makes' supply is in fact a significant competitive constraint on the Parties; each part supplied by a CVT manufacturer under an 'all makes' brand direct to a CVRP represents one less potential sale for the Parties through their own distribution channel.

[20] The Decision, at para 10.
[21] The Decision, at footnote 279.

6.3 CVT manufacturers that operate all makes programmes such as Daf (under its 'TRP' brand), Volvo (under its 'Roadcrew' brand), Scania (under its 'VRS' brand) and MAN (under its 'MAN 365' brand) supply CVT parts for a wide range of vehicle manufacturers, not just their own vehicles (hence, 'all makes'). CVT manufacturers supplying CVT parts under all makes brands are able to leverage the strength and coverage of their local dealership network to supply the IAM. The Parties believe that these CVT manufacturers use broadly similar (and in some cases, the same) third party CMs to manufacture the CVT parts supplied under their respective all makes brands as are used by the Parties' for the manufacture of parts supplied under their PL brands. [redacted – UC confidential information].

6.4 Nor is there any material difference between the level of service offered by CVT manufacturers under their all makes brands and those of the Parties; the Parties believe that all makes suppliers each offer next day delivery as standard and same day delivery where required by the customer. Indeed, as noted above, all makes suppliers have a significant advantage over non-vertically integrated CVT part wholesalers such as the Parties insofar as they are able to offer same day delivery on parts by supplying customers through their network of local dealerships and local vans. It is only if parts are not in stock at the relevant local dealerships that all makes suppliers will deliver products to customers on a next day basis (in which case the part will be transported overnight from the CVT manufacturer's UK central warehouse to the relevant local dealership and, from there, delivered the next day to the customer using that dealership's fleet of vans). As such, in many cases the only material difference between a part supplied by a CVT manufacturer under an all makes brand and the CVT parts supplied by the Parties (whether PL or OES) is simply the brand that appears on the outer packaging and the corresponding brand premium.

6.5 As noted in the Parties' response to the Issues Letter, a concrete example of an all makes brand directly competing against CVT wholesale suppliers can be seen in TRP's successful tender to supply a wide range of CVT parts to the Royal Mail for use in its fleet of commercial vehicles. [redacted – UC confidential information].

6.6 More information on the major UK all makes brands is set out below.

(i) DAF's '**TRP**' brand has been operating since 1995. With a central warehouse in Chorley, the Parties believe that DAF generates around £22 million in annual revenue from the supply of TRP CVT parts to customers located in the UK across around 80,000 product lines. More information on TRP is available at https://trp.eu/en-GB and https://www.trptruckandtrailerparts.com/. TRP's Great Britain website includes the following description:

Largest Range of All Makes Truck Parts, Trailer Parts & Workshop Consumables

Welcome to the TRP Truck Parts and Trailer Parts website. This site has been developed to provide you with easy access to current information on truck and trailer parts relative to your business.

TRP can save you time and money

Whatever marque of trucks you operate, or whatever your trailer 'running gear', quality parts are obviously a priority.

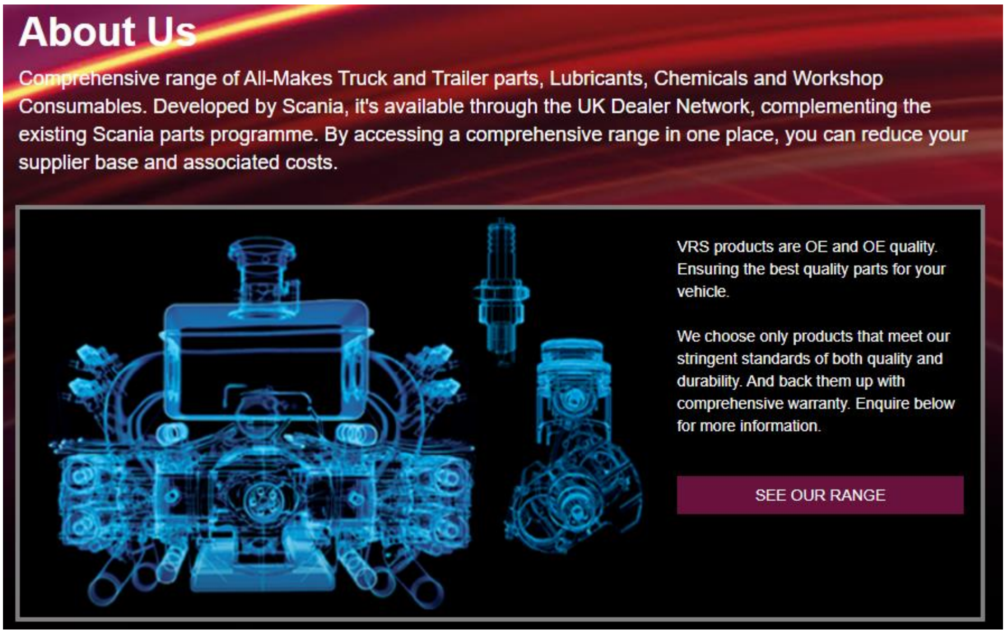
That's why DAF offer TRP, the largest range of All Makes truck parts and trailer parts in the UK, available 24 hours a day, seven days a week. After all, in today's economic climate, who can afford to fit inferior parts and run the risk of unnecessary downtime? It just doesn't make financial, business or any other kind of sense.

TRP offers everything you need...

- Comprehensive range of truck parts and trailer parts and workshop consumables - a complete parts solution
- Off the shelf availability of truck parts and trailer parts through a National Dealer Network for same day and next day delivery
- Value for money quality truck parts and trailer parts that meet the demands of maximum vehicle uptime
- Skilled, fully trained parts staff to identify the right part first time.

Use our extensive online truck parts search to access the truck part or trailer part you need now!

(ii) Scania established its ‘Vehicle Related Services’ or ‘**VRS**’ brand in 2010. With a central warehouse in Milton Keynes, the Parties believe that Scania generates around £2.5 million in annual revenue from the supply of VRS CVT parts to UK independent CVRP customers, including offering same day delivery from 84 Scania/VRS authorised local dealerships and garages. More information on VRS is available at http://vehiclerelatedservices.co.uk/about-us/, which describes the VRS offering as follows:



(iii) MAN operates its ‘MAN 365’ brand offering next day delivery from its central warehouse in Swindon, in addition to same delivery from 66 MAN 365 sites across the UK. MAN does not advertise its all makes brand online but instead leverages that network of local MAN dealerships to market and sell MAN 365 CVT components to CVRPs in each local area.

(iv) Volvo established its 'Roadcrew' brand in 2000. Roadcrew offers next day delivery from a central warehouse in Rugby, as well as same day delivery from 53 Roadcrew/Volvo sites across the UK. The Parties estimate that Roadcrew generates annual sales of around £4 million from the supply of TRP CVT parts to customers located in the UK. More information on Roadcrew is available at https://www.road-crew.com/page/12/about-us, which describes the Roadcrew offering as follows:

> **About Us**
>
> **Part of Volvo Group UK limited, Roadcrew support Volvo and Renault truck dealers and their customers by providing a comprehensive range of parts and services designed to meet the needs of truck and bus operators in the UK and Ireland.**
>
> Founded in 2000, Roadcrew understands the need for both high quality and economical pricing coupled with first class availability and technical back-up.
>
> Roadcrew makes available, through Volvo and Renault dealers, everything you need in addition to genuine Volvo and Renault parts and service to maintain trucks and trailers and operate your workshop. We make the Volvo and Renault dealer your one source supplier.
>
> Roadcrew's supply partners are selected for their high quality products and reputation, giving you peace of mind as you will receive the highest levels of reliability and efficiency.
>
> Roadcrew have to offer:
>
> - Roadcrew Range
> - A wide range of all-makes products
> - AdBlue from 10 litre containers to bulk supply
> - A comprehensive range of trailer parts backed by an industry leading catalogue
> - A range of truck and bus accessory products
> - All your health and safety requirements
> - Workshop consumables
> - Chemicals and lubricants
> - Workshop tools and major equipment with a full installation service
> - Cleaning and hygiene products

AA

6.7 As the CMA correctly notes in the Decision "*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*".[22] However, the Decision completely disregards the existence of the AA on the basis that parts used by authorised service centres are exclusively provided by authorised parts wholesalers (including 'all makes' wholesalers), rather than by IAM wholesalers, while the Parties are only active in the supply to the IAM. The Parties submit that failing to consider the competitive constraint posed by the AA has exacerbated the already unjustifiably narrow frame of reference used in the CMA's Phase 1 assessment.

6.8 Indeed, the Parties believe that the option open to a CVO to use an authorised CVRP after the expiration of the relevant vehicle warranty is itself clear evidence of a competitive constraint on any CVT wholesaler that does not have access to the AA. As noted above, therefore, the market shares provided by the Parties in this response – which do not include any competitor sales made though the AA channel – are likely to overstate to a significant extent the competitive constraints posed by each Party on the other. The Parties therefore urge the CMA to conduct a meaningful assessment of this indirect competitive constraint as part of its Phase 2 review.

7. Conclusion

7.1 The CMA's Phase 1 assessment of the Transaction's likely impact on competition is based on a fundamentally flawed approach that excludes competitors supplying identical products to precisely the same customers as served by the Parties (and other 'wide range' wholesalers). Likewise, the exclusion from the Decision's frame of reference of competitors supplying the same end customers as ultimately served by Parties but through alternative distribution channels, has resulted in the CMA failing to take into account very significant competitive constraints on the Parties.

7.2 Instead, the evidence above shows clearly that in each product market in which the Parties overlap the merged entity will continue to face numerous – and in almost every case, larger – competitors. Indeed, the Parties' combined share only exceeds 30% in one market, and even then it is clear the Parties will remain constrained by a number of strong competitors. When the significant constraint posed by CVT

[22] The Decision, at para 42.

manufacturers (whether through the supply of parts under their 'all makes' brands, or through the AA) is taken into account, the Parties believe that the CMA should conclude that the Transaction *does not* give rise to an SLC and should accordingly be cleared unconditionally.

7.3 The Parties look forward to continuing to engage with the CMA in its investigation and would be happy to expand on any of the points made above if that would be of assistance.

Allen & Overy LLP
3 July 2020