

Acquisition by LKQ Corporation of Uni-Select Inc.

ME/7039/23

Notice under paragraph 2(1) of Schedule 10 to the Enterprise Act 2002 (the **Act**) – consultation on proposed undertakings in lieu of reference pursuant to section 73 of the Act.

INTRODUCTION

1. LKQ Corporation (**LKQ**) agreed to acquire Uni-Select Inc. (**Uni-Select**) on 26 February 2023 (the **Merger**). LKQ and Uni-Select are together referred to as the **Parties**.¹
2. On 21 July 2023, the Competition and Markets Authority (**CMA**) decided under section 33(1) of the Enterprise Act 2002 (the **Act**) that it is or may be the case that the Merger consists of arrangements that are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation, and that this may be expected to result in a substantial lessening of competition (**SLC**) within a market or markets in the United Kingdom (the **SLC Decision**). The text of the SLC Decision is available on the CMA webpages.²
3. On 21 July 2023, LKQ offered undertakings in lieu of reference to the CMA for the purposes of section 73(2) of the Act.
4. On 28 July 2023, the CMA gave notice to LKQ, pursuant to section 73A(2)(b) of the Act, that it considers that there are reasonable grounds for believing that the undertakings offered, or a modified version of them, might be accepted by the CMA under section 73(2) of the Act and that it is considering LKQ's offer (the **UIL Provisional Acceptance Decision**).

THE UNDERTAKINGS OFFERED

5. As set out in the SLC Decision, the CMA found that the Merger gives rise to a realistic prospect of an SLC as a result of from horizontal unilateral effects in:

¹ On 1 August 2023, the Parties completed the Merger. In advance of completion, the CMA served an initial enforcement order on LKQ, Euro Car Parts Limited, 121222 Holdco Limited (owner of GSF Car Parts) and its subsidiaries on 31 July 2023 (see [LKQ Corporation / Uni-Select merger inquiry - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/lkq-corporation-uni-select-merger-inquiry)).

² See [LKQ Corporation / Uni-Select merger inquiry - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/lkq-corporation-uni-select-merger-inquiry).

- (a) the supply of car parts³ to local independent motor trade (**IMT**)⁴ customers in 145 of 172 local overlapping areas;
 - (b) the supply of car parts to Key Account⁵ customers nationally;
 - (c) the supply of car parts to retail customers in all 172 local overlapping areas; and
 - (d) the supply of garage equipment⁶ to local IMT customers in 145 of 172 local overlapping areas.
6. As set out in the UIL Provisional Acceptance Decision, to address the SLC identified by the CMA, LKQ has offered undertakings to divest Uni-Select's entire UK business, GSF Car Parts (the **Divestment Business**). Specifically, the divestment comprises all the shares in 121222 Holdco Limited (and each of its direct and indirect subsidiaries), the holding company for GSF Car Parts. The Divestment Business includes all assets, intellectual property, operational functions, customer and supplier contracts, and key staff used in the running of GSF Car Parts. The text of the undertakings is available on the CMA webpages (the **Proposed Undertakings**).⁷
7. As set out at paragraph 13 of the UIL Provisional Acceptance Decision, the CMA does not consider it necessary to seek an upfront buyer in respect of the Divestment Business.

CMA ASSESSMENT

8. The CMA currently considers that, subject to responses to the consultation required by Schedule 10 of the Act, the Proposed Undertakings will resolve the SLC identified in the SLC Decision in a clear-cut manner; ie, the CMA currently does not have material doubts about the overall effectiveness of the Proposed Undertakings or concerns about their implementation.⁸ This is because, as set out in the Provisional Acceptance Decision, the Proposed Undertakings would eliminate all horizontal overlaps between the Parties in the UK in which the CMA identified an SLC. As such, the Proposed Undertakings may result in replacing the competitive constraint provided by Uni-Select that would otherwise be lost following the Merger.

³ 'Car parts' refer to parts for cars and other light commercial vehicles.

⁴ 'Independent motor trade' or 'IMT' customers include independent (or franchised) garages, workshops, car dealers and fast-fit centres that purchase car parts to repair and service vehicles.

⁵ 'Key Account' customers refer to IMT customers active on a national or multi-regional basis, such as national garage chains, vehicle fleets associated with county councils or the emergency services, or specialist and commercial fleets.

⁶ 'Garage equipment' refers to products used by garages for the repair and maintenance of vehicles.

⁷ [LKQ Corporation / Uni-Select merger inquiry - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/lkq-merger-remedies).

⁸ [Merger remedies \(CMA87\)](#), December 2018, Chapter 3, paragraph 3.28.

9. The CMA also considers that the Proposed Undertakings would be capable of ready implementation, because, as set out in the Provisional Acceptance Decision, the Divestment Business operates largely as a standalone business, with minimal operational links to Uni-Select.⁹ The Divestment Business will include all assets, intellectual property, operational functions, customer and supplier contracts, and key staff (including GSF Car Parts' current senior management team) required for the Divestment Business to operate on the same basis as it does currently. Furthermore, based on the latest financial information provided to the CMA, the Divestment Business is profitable.

Proposed decision and next steps

10. For the reasons set out above, the CMA currently considers that the Proposed Undertakings are, in the circumstances of this case, appropriate to remedy, mitigate or prevent the competition concerns identified in the SLC Decision and form as comprehensive a solution to these concerns as is reasonable and practicable.
11. The CMA therefore gives notice that it proposes to accept the Proposed Undertakings in lieu of a reference of the Merger for a phase 2 investigation. The text of the proposed undertaking is available on the CMA web pages.¹⁰
12. Before reaching a decision as to whether to accept the Proposed Undertakings, the CMA invites interested parties to make their views known to it. The CMA will have regard to any representations made in response to this consultation and may make modifications to the Proposed Undertakings as a result. If the CMA considers that any representation necessitates any material change to the Proposed Undertakings, the CMA will give notice of the proposed modifications and publish a further consultation.¹¹
13. Representations should be made in writing to the CMA and be addressed to:

Luc Rosenberg
Mergers Group
Competition and Markets Authority
The Cabot
25 Cabot Square
London
E14 4QZ

⁹ The Divestment Business currently receives legal and financial direct services and guidance, and some global insurance policies, from Uni-Select. The CMA understands that the Divestment Business will take over these functions post-divestment.

¹⁰ See [LKQ Corporation / Uni-Select merger inquiry - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/lkq-merger-inquiry).

¹¹ Under paragraph 2(4) of Schedule 10 to the Act.

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Deadline for comments: 1 September 2023