



DETERMINATION OF MERGER NOTIFICATION M/08/015 – FORD/LINDSAY

Section 21 of the Competition Act 2002

Proposed acquisition by Ford Retail Group Limited of sole control of Lindsay Cars Limited

Dated 12/05/08

Introduction

1. On 16 April 2008 the Competition Authority (“the Authority”), in accordance with section 18(1)(a) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposed acquisition by Ford Retail Group Limited (“Ford Retail”) of the remaining 50.83% of the issued share capital of Lindsay Cars Limited (“Lindsay”) from David Christopher Lindsay, Nicholas Edward Lindsay, Edward Ruscombe Lindsay and David John F T Sandford. Prior to the transaction, Ford Motor Company Limited, the parent company of Ford Retail, held 49.17% of the issued share capital of Lindsay.

The Undertakings Involved

The Acquirer

2. Ford Retail is a wholly-owned subsidiary of Ford Motor Company Limited. Ford Motor Company Limited is wholly-owned by Blue Oval Holdings, which in turn is wholly-owned by Ford Automotive Holdings (both of which are incorporated in England and Wales). Its ultimate parent company is Ford Motor Company, a company formed under the laws of the State of Delaware, USA, with its principal place of business in Dearborn, USA.
3. Ford Motor Company manufactures and distributes motor vehicles in around 200 countries.
4. For the year ending 31 December 2007, the Ford Group had consolidated worldwide aggregate turnover of US\$172.5 billion (approximately €112.7 billion¹). Henry Ford and Son Limited (the Ford Group company in Ireland) had a turnover of €396.7 million in the year ending 31 December 2006. Its turnover for the year ending 31 December 2007 is not yet available. As Ford Retail acts only as a holding company for operating subsidiaries, it had zero turnover in its most recent financial year.

The Target

5. Lindsay is a Ford car dealership operating in Northern Ireland only. Lindsay sells, hires and services motor vehicles in eight locations in Northern Ireland. Lindsay mostly sells Ford-branded motor vehicles, but also sells a small number of another Ford brand (Mazda) from two of these

¹ Based on ECB exchange rate on 8 May 2008 €1 = US\$1.53

locations. Lindsay has no physical presence in the Republic of Ireland and there are no plans for this situation to change after the transaction.

6. For the financial year ending 31 December 2007, Lindsay had a turnover of around STG£124 million (approximately €96.72 million²). This turnover was almost entirely achieved in Northern Ireland. Its sales into the Republic of Ireland were approximately STG£[...] (approximately €[...]³) which constituted less than [...] % of its turnover.

The Proposed Transaction

7. The proposed acquisition consists of the acquisition of sole control of Lindsay by Ford Retail. Ford Retail will acquire 50.83% of Lindsay's issued share capital as a result of the transaction, and post transaction the other 49.17% that is currently held by its parent company, Ford Motor Company Limited, will be transferred to Ford Retail.

Analysis

8. There are no horizontal overlaps on the island of Ireland between the parties. The Ford Group does not control, or have any shareholding in, any car dealerships on the island of Ireland (other than Lindsay). Lindsay does not operate anything other than car dealerships and none of its car dealerships are in the Republic of Ireland.
9. The Ford Group manufactures new passenger cars and light commercial vehicles ("LCVs"); Lindsay sells new passenger cars and LCVs and used passenger cars and LCVs. In Northern Ireland, the Ford Group sells only to Lindsay⁴ and one other main dealer. There is therefore some degree of vertical overlap in Northern Ireland. However, Lindsay mostly sells only one of the Ford Group's brands (the Ford brand itself), not Ford's other brands such as Volvo, Mercury or Lincoln to any significant extent.⁵ In addition, Lindsay is not the only dealer selling Ford-branded motor vehicles in Northern Ireland; Lindsay constitutes [...] % of the Ford brand's sales in Northern Ireland.
10. In the Republic of Ireland, the Ford Group sells new passenger cars and provides financial services to dealers. However, since Lindsay's sales in the Republic of Ireland amounted to only STG£[...] (approximately €[...]) in 2007, the vertical overlap is minimal. These sales are to customers who have travelled across the border to Northern Ireland to purchase their vehicles. Lindsay does not supply vehicles to dealers in the Republic of Ireland.
11. The proposed acquisition consists of the vertical integration of some retail outlets in Northern Ireland by a car manufacturer (which already owns 49.17% of them) and will not lead to any changes in the market situation. Lindsay's eight dealerships have only a [...] % share of retail sales of cars in Northern Ireland and the proposed acquisition will not lead to additional

² Based on ECB exchange rate on 8 May 2008 €1 = STG£0.78

³ Based on ECB exchange rate on 8 May 2008 €1 = STG£0.78

⁴ In addition, Lindsay supplies vehicles and parts to five independent retail dealers (i.e. sub-dealers). They represent about 6.5% of Lindsay's turnover and around 10% of Lindsay's vehicle sales. It is not envisaged that this situation will change materially post acquisition.

⁵ Lindsay does sell a small volume of Mazda cars in two of its eight retail outlets.

foreclosure of the market as Lindsay's dealerships already only sell the Ford Group's vehicles.

12. The parties submit that the vertical overlap would not constitute a vertically affected market for the purposes of a merger notification to the European Commission under the EC Merger Regulation⁶ because both parties' individual market shares, and their combined market shares at both levels of the supply chain, are less than 25%.
13. The Authority therefore considers that the proposed transaction does not raise competition concerns in the State.

Ancillary Restraints

14. The Authority also reviewed the restrictive arrangements agreed by the parties in their share purchase agreement and referred to in the notification of the merger. The share purchase agreement contains two-year non-compete covenants.
15. The Authority considers that the non-compete restrictions are directly related and necessary to the implementation of the proposed acquisition.

Determination

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Ford Retail Group Limited of sole control of Lindsay Cars Limited will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr. Paul K. Gorecki
Member of the Competition Authority

⁶ Regulation 139/2004/EC, *Council Regulation of 20 January 2004 on the control of concentrations between undertakings.*