



Section 58 of the Competition Act (Cap. 50B)

Grounds of Decision issued by the Competition Commission of Singapore

In relation to the acquisition by Nissan Motor Co., Ltd. of shares in Mitsubishi Motors Corporation

23 January 2017

Case number: CCS 400/007/16

Confidential information in the original version of this Decision has been redacted from the published version on the public register. Redacted confidential information in the text of the published version of the Decision is denoted by [X]

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I. Introduction

The notification

1. On 29 November 2016, Nissan Motor Co. Ltd. (“**Nissan**”) and Mitsubishi Motors Corporation (“**MMC**”) , pursuant to section 58 of the Competition Act (Cap. 50B) (“**the Act**”), jointly applied for a decision by the Competition Commission of Singapore (“**CCS**”) as to whether the acquisition by Nissan of a 34 percent shareholding in MMC, such that MMC became an affiliate of Nissan (“**the Transaction**”), has infringed the prohibition in section 54 of the Act.
2. Nissan is an affiliate of Renault, a French multinational company headquartered in Boulogne-Bilancourt, France and listed on Euronext, pursuant to an alliance entered into between Renault and Nissan in 1999 (“**the Renault-Nissan Alliance**”). In the framework of this alliance, Renault acquired an initial 36.8% equity participation in Nissan, which now amounts to 43.4%. Nissan, Renault, MMC are collectively referred to as “**the Parties**”.
3. The Transaction was entered into under the agreement dated 12 May 2016 (the “**Basic Agreement**”) and the agreement dated 25 May 2016 (the “**Strategic Alliance Agreement**”) for a strategic alliance between Nissan and MMC.¹
4. In reviewing the Transaction, CCS contacted eleven (11) other manufacturers of passenger vehicles and/or light commercial vehicles,² thirteen (13) distributors of passenger vehicles and/or light commercial vehicles,³ and thirty (30) corporate end-customers of passenger vehicles and/or light commercial vehicles⁴ (collectively referred to as “**Third-Parties**”).
5. Of the Third-Parties contacted, sixteen (16) replied,⁵ with twelve (12) of them providing substantive responses to CCS’s questions.⁶ These Third-Parties indicated they had no competition concerns with the Transaction and did not raise any concern that the Transaction was likely to have a major adverse impact on them.

¹ Paragraph 1.1 of Form M1.

² Manufacturers: [X].

³ Distributors: [X]

⁴ End-customers: [X]

⁵ Manufacturers: [X]. Distributors: [X]. End-customers: [X].

⁶ Manufacturers: [X]. Distributors: [X]. End-customers: [X].

6. At the end of the consultation process and after evaluating all the information, CCS concludes that the Transaction has not infringed section 54 of the Act.

II. The Parties to the Transaction

Nissan

7. Nissan is a Japanese multinational stock corporation headquartered in Kanagawa-Ku, Yokohama-shi, Kanagawa, Japan and listed on the Tokyo Stock Exchange. It is active globally in the development, manufacture, marketing, and sale of passenger vehicles, commercial vehicles, components, and spare parts, and vehicle financing for its own vehicles.⁷
8. In Singapore, Nissan is involved in the supply of automotive vehicles to third party distributors, including passenger vehicles and commercial vehicles, and of automotive spare parts for its own brands of vehicles.⁸ Nissan's registered entity in Singapore is Nissan Singapore Pte. Ltd. ("**Nissan Singapore**").⁹ Nissan Singapore oversees the sales of its Nissan and Infiniti vehicles to third party distributors in Singapore. Its office is located at 19 Ubi Road 4, #03-01 Singapore 408623.¹⁰
9. Nissan provides products and services in Singapore under the following brand names¹¹:
- a. 'Nissan'; and
 - b. 'Infiniti'.
10. Nissan's products under its Nissan brand are sold to its exclusive third-party distributor, Tan Chong Motor Sales Pte. Ltd. ("**TCMS**").¹²
11. Nissan's products under its Infiniti brand are sold in Singapore to its exclusive third-party distributor, Wearnes Automotive Pte. Ltd. ("**Wearnes Automotive**").

⁷ Paragraph 10.7 of Form M1.

⁸ Paragraph 10.8 of Form M1.

⁹ Paragraph 10.1 of Form M1.

¹⁰ Paragraph 10.9 of Form M1.

¹¹ Paragraph 10.4 of Form M1.

¹² Paragraphs 31.1 and 31.2 of Form M1.

12. The total (group) worldwide revenue for Nissan in the financial year ended 31 March 2016 was approximately [X].¹³ The total (group) revenue for Nissan in Singapore in the financial year ended 31 March 2016 was approximately [X].¹⁴

Renault

13. Renault is a French multinational automobile manufacturer headquartered in Boulogne-Billancourt, France.¹⁵ It is active globally in the development, manufacture, marketing, and sale of passenger vehicles, commercial vehicles, components, and spare parts, and vehicle financing for its own vehicles.¹⁶ Renault is active in the wholesale distribution of third party manufactured spare parts, through its subsidiary, Motrio. Motrio is mainly active in Europe, and to a lesser extent, in South America.¹⁷
14. In Singapore, Renault is involved in the supply of automotive vehicles to third party distributors, including passenger vehicles and commercial vehicles.¹⁸ Renault's subsidiary, Motrio, is not active in the wholesale distribution of third party manufactured spare parts in Singapore.¹⁹ Renault has the following subsidiaries and affiliates registered in Singapore²⁰:
- a. Renault Finance S.A.; and
 - b. Renault Singapore Pte. Ltd.
15. Renault provides products and services in Singapore under the brand name, "Renault".²¹ Its products are sold in Singapore to its exclusive third party distributor, Wearnes Automotive.
16. The total (group) worldwide revenue for Renault in the financial year ended 31 December 2015 was approximately [X].²² The total (group) revenue for Renault in Singapore in the financial year ended 31 December 2015 was approximately [X].²³

¹³ Paragraph 13.1 of Form M1.

¹⁴ Paragraph 13.4 of Form M1.

¹⁵ Paragraph 7.8 of Form M1.

¹⁶ Paragraph 10.7 of Form M1.

¹⁷ Paragraph 1.1 of the Parties' Response to CCS's Information Request dated 6 December 2016.

¹⁸ Paragraph 10.8 of Form M1.

¹⁹ Paragraph 1.1 of the Parties' Response to CCS's Information Request dated 6 December 2016.

²⁰ Paragraph 10.2 of Form M1.

²¹ Paragraph 10.6 of Form M1.

²² Paragraph 13.2 of Form M1.

²³ Paragraph 13.5 of Form M1.

MMC

17. MMC is a Japanese multinational stock corporation headquartered in Minato-Ku, Tokyo, Japan and is listed on the Tokyo Stock Exchange.²⁴
18. MMC is active worldwide in the development, manufacture, marketing and sale of passenger vehicles, light commercial vehicles, components, spare parts and vehicle financing.²⁵
19. In Singapore, MMC supplies passenger and commercial vehicles to third party distributors and spare parts for its own brand of vehicles.²⁶ MMC does not have any subsidiaries or affiliates registered in Singapore.²⁷
20. The products and services in Singapore are provided under the brand name 'Mitsubishi Motors'.²⁸ MMC sells its products to its exclusive third party distributor, Cycle and Carriage Automotive Pte. Ltd. ("CCA").
21. The total (group) worldwide revenue for MMC in the financial year ended 31 March 2016 was approximately [¥].²⁹ The total (group) revenue for MMC in Singapore in the financial year ended 31 March 2016 was approximately [¥].³⁰

III. The Transaction

22. The Transaction involved the purchase of a 34 percent stake in MMC by Nissan.³¹
23. The aggregate consideration for Nissan's subscription of shares in MMC was JPY 237,362 million (approximately S\$3,119 million).³²
24. From the Parties' perspective, the strategic and economic rationale for the Transaction is as follows³³:

²⁴ Paragraph 7.10 of Form M1.

²⁵ Paragraph 10.7 of Form M1.

²⁶ Paragraph 10.8 of Form M1.

²⁷ Paragraph 10.3 of Form M1.

²⁸ Paragraph 10.5 of Form M1.

²⁹ Paragraph 13.3 of Form M1.

³⁰ Paragraph 13.6 of Form M1.

³¹ Paragraph 11.1 of Form M1.

³² Paragraph 11.8 of Form M1.

³³ Paragraph 12 of Form M1.

- a. The Parties intend to create a long lasting and far reaching strategic alliance that will achieve significant synergies in every aspect of their global business, including, without limitation, R&D, product development (including vehicles, spare parts and accessories), joint procurement, manufacturing and distribution, and sales and marketing.
 - b. Through the Transaction, the Parties expect to be able to better compete in the intensely competitive automotive industry against strong and powerful rivals such as [X]
 - c. The Transaction is complementary and will broaden Nissan's presence in under-served areas like Southeast Asia, where Nissan has struggled to make inroads. [X]
 - d. [X].
25. The Parties submitted that the Transaction falls within section 54(2)(b) of the Act.³⁴ This is on the basis that, as a result of the Transaction, Nissan has acquired sole control over MMC within the meaning of control under the Act.³⁵ More specifically, pursuant to the Strategic Alliance Agreement, Nissan:
- a. Has acquired [X] newly issued shares of common stock of MMC, which represents a 34 percent equity participation (and 34.002 percent of voting shares in MMC. Nissan thus became the largest shareholder of MMC³⁶;
 - b. [X]
 - c. [X]
 - i. [X]
 - ii. [X]

³⁴ Paragraph 11.2 of Form M1.

³⁵ Paragraph 11.3 of Form M1.

³⁶ As of 21 October 2016, the other major shareholders of MMC include Mitsubishi Corporation (9.24% share), Mitsubishi Heavy Industries Ltd (8.34% share), The Bank of Tokyo-Mitsubishi UFJ Ltd (3.27% share) and MHI Investment Fund (1.60% share). All other remaining shareholders of MMC have a share of less than 2%.

- iii. [X]
- iv. [X]
- v. [X]³⁷

CCS's Conclusion on whether the Transaction constitutes a Merger under the Act

- 26. Based on the Parties' submission that Nissan has acquired sole control over MMC, CCS is of the view that the Transaction constitutes a merger pursuant to section 54(2)(b) of the Competition Act.

IV. Competition Issues

- 27. The Parties submitted that Nissan (together with Renault) and MMC overlap only in the supply of (i) passenger vehicles; and (ii) light commercial vehicles.³⁸
- 28. The Parties also submitted that for the purpose of this notification, there is no horizontal overlap in the supply of automotive spare parts.³⁹ In Singapore, the Parties are only involved in the supply of automotive vehicles to third party distributors, including passenger vehicles and commercial vehicles, and of automotive spare parts for their own respective brands of vehicles.⁴⁰
- 29. With respect to passenger vehicles, the Parties submitted that the MMC's models are in the category of mini cars, small cars, medium cars, and sports utility vehicles in Singapore,⁴¹ while Renault-Nissan's models are in the category of mini cars, small cars, medium cars, large cars, executive cars, sport coupes, multi-purpose cars and sports utility vehicles in Singapore.⁴² CCS understands that this classification of passenger vehicles, which is on the basis of a number of objective criteria like engine size or length of cars, has been used by the European Commission for many years in its merger decisions concerning various vehicle manufacturers, and corresponds to a

³⁷ Paragraph 11.3 of Form M1.

³⁸ Paragraph 15.1 of Form M1.

³⁹ Paragraph 15.3 of Form M1.

⁴⁰ Paragraph 1.1 of the Parties' Response to CCS's Information Request dated 6 December 2016.

⁴¹ Table 3 of the Parties' Response to CCS's Information Request dated 27 December 2016 and Paragraph 1.1 of the Parties' Response to CCS's Information Request dated 12 January 2017.

⁴² Table 1 and 2 of the Parties' Response to CCS's Information Request dated 27 December 2016.

large extent to industry segmentation.⁴³ In relation to passenger vehicles, CCS is of the view that the Parties overlap in the supply of mini cars, small cars, medium cars and sports utility vehicles (“SUV”) in Singapore.

30. With respect to light commercial vehicles, the Parties submitted that MMC is only involved in the supply of the L200 Triton, a category of pick-up trucks.⁴⁴ Renault-Nissan is involved in the supply of vans and pick-up trucks in Singapore.⁴⁵ Accordingly, CCS is of the view that the Parties overlap in the supply of pick-up trucks in Singapore.
31. The Parties also submitted that there are no vertical relationships between the Parties in Singapore.⁴⁶ In evaluating the potential impact of the Transaction, CCS considered whether the Transaction will lead to coordinated and/or non-coordinated effects that would substantially lessen competition or raise competition concerns in the relevant markets relating to passenger and light commercial vehicles.

V. Counterfactual

32. As stated at paragraph 4.14 of the *CCS Guidelines on the Substantive Assessment of Mergers 2016*, CCS will, in assessing mergers and applying the substantial lessening of competition (“SLC”) test, evaluate the prospects for competition in the future with and without the merger. The competitive situation without the merger is referred to as the “counterfactual”. The SLC test will be applied prospectively, that is, future competition will be assessed with and without the merger.
33. The *CCS Guidelines on the Substantive Assessment of Mergers 2016* also states that in most cases, the best guide to the appropriate counterfactual will be prevailing conditions of competition, as this may provide a reliable indicator of future competition without the merger. However, CCS may need to take into account likely and imminent changes in the structure of competition in order to reflect as accurately as possible the nature of rivalry without the merger.⁴⁷

⁴³ See for example EC Case No. M.8099 Nissan/Mitsubishi (2016); EC Case No. COMP/M.5518 Fiat/Chrysler (2009); EC Case No. COMP/M.2832 General Motors/Daewoo Motors (2002); EC Case No. IV/M.1452 Ford/Volvo (1999); EC Case No. COMP/M.1406 Hyundai/Kia (1999); EC Case No. IV/M.1519 Renault/Nissan; EC Case No. IV/M.1204 Daimler-Benz/Chrysler (1998); EC Case No. IV/M.416 BMW/Rover (1994).

⁴⁴ Table 7 of the Parties’ Response to CCS’s Information Request dated 27 December 2016.

⁴⁵ Table 7 of the Parties’ Response to CCS’s Information Request dated 27 December 2016.

⁴⁶ Paragraph 36.1 of Form M1.

⁴⁷ Paragraph 4.16 of *CCS Guidelines on the Substantive Assessment of Mergers 2016*.

The Parties' submissions

34. The Parties submitted that in the absence of the Transaction, there would be a loss of opportunity for the Parties to realise the pro-competitive synergies across their global businesses, including, without limitation, research & development, product development, joint procurement, manufacturing and distribution, and sales and marketing.⁴⁸ This, in turn, would result in a loss of benefits to consumers in the form of a more competitive marketplace.⁴⁹
35. The Parties further submitted that [X].⁵⁰
36. The Parties further submitted that in the absence of the Transaction, the Parties would continue their business operations, with the loss of opportunity to realize the pro-competitive synergies across their global businesses.⁵¹

CCS's Conclusion on the Relevant Counterfactual

37. CCS has considered the Parties' submissions. CCS notes that, although [X]⁵²
38. Apart from the abovementioned on [X], there is no information before CCS to suggest that without the Transaction, there are likely and imminent changes in the business operations relating to the supply of passenger and commercial vehicles in Singapore.
39. Accordingly, CCS accepts that the relevant counterfactual for the purposes of CCS's competition assessment is that absent the Transaction, the Parties will continue their business operations and compete in the supply of passenger and commercial vehicles in Singapore. [X]

VI. Relevant Markets

(a) Product Market

⁴⁸ Paragraphs 13.1 and 13.2 of the Parties' Response to CCS's Information Request dated 6 December 2016.

⁴⁹ Paragraph 13.1 of the Parties' Response to CCS's Information Request dated 6 December 2016.

⁵⁰ Paragraph 4.2 of the Parties' Response to CCS's Information Request dated 27 December 2016

⁵¹ Paragraph 13.3 of the Parties' Response to CCS's Information Request dated 6 December 2016.

⁵² Annex 1 of the Parties' Response to CCS's Information Request dated 12 January 2017

40. The Parties submitted that the relevant markets for the purposes of this notification are⁵³:

- a. The market for the supply of passenger vehicles; and
- b. The market for the supply of light commercial vehicles.

Passenger Vehicles

41. The Parties submitted that passenger vehicles serve the general purpose of the transport of individual passengers on public roads, and unlike commercial vehicles, are not primarily designed for commercial use.⁵⁴
42. The import of passenger vehicles in Singapore is subject to approval by Singapore Customs, the payment of excise duty and good and services tax, and registration with the Land Transport Authority (“LTA”). The registration of passenger vehicles with the LTA is subject to the compliance of the vehicles with the emission standards set by the National Environment Agency.⁵⁵
43. The ownership of passenger vehicles in Singapore is also regulated by the LTA through initial purchase costs and recurring costs that passenger vehicles owners in Singapore are subject to.⁵⁶ In particular, the regulation of passenger vehicle ownership in Singapore is undertaken by the LTA through the Vehicle Quota System (“VQS”), which regulates the growth of passenger vehicles on Singapore roads at a rate that is sustainable with the rate of development of land transport infrastructure. Specifically, the LTA controls the number of new passenger vehicles allowed for registration under the Certificate of Entitlement (“COE”) scheme⁵⁷.
44. From a demand-side perspective, the Parties submitted that passenger vehicles with different characteristics may be substitutable with each other.⁵⁸ End-customers generally choose passenger vehicles taking into consideration a range of factors in combination, such as brand image and reputation, vehicle features, innovation and equipment, and price. In this regard, there is no single product characteristic, or single combination of

⁵³ Paragraph 20.1 of Form M1.

⁵⁴ Paragraph 19.1 of Form M1.

⁵⁵ Paragraph 18.5 of Form M1.

⁵⁶ Paragraph 18.6 of Form M1.

⁵⁷ Paragraph 18.6 of Form M1.

⁵⁸ Paragraph 19.2 of Form M1.

product characteristics, on which consumer preferences or supplier technologies concentrate sufficiently such that customers would consider two different passenger vehicles as not substitutable to some extent. The Parties further submitted that from a demand-side perspective, the basis on which individual consumers choose passenger vehicles varies across all consumers, such that there is a chain of substitution that exists across passenger vehicles with different characteristics.⁵⁹

45. From the supply-side perspective, the supply of passenger vehicles in Singapore is dynamic and competitive.⁶⁰ Vehicle manufacturers generally offer different models with different configurations so as to cater to customers with different price sensitivities.⁶¹

Light Commercial Vehicles

46. The Parties submitted that light commercial vehicles primarily consist of vans, mini-vans and pick-ups.⁶²
47. The Parties submitted that light commercial vehicles serve the general purpose of transport of goods.⁶³ The Parties further submitted that all light commercial vehicles are primarily designed to transport larger volumes of goods or materials for cargo transportation purposes. Pick-up trucks are designed to carry volumes of irregular loads that are not easily damaged by exposure to weather (e.g., ladders, felled wood, animals, tools or sports equipment such as skis, bicycles or surfboards). Vans are designed to transport volumes of goods or materials that must be protected from weather (e.g., food, fruit, bread, newspapers, electronic goods and equipment, etc.). In addition, vans also used to transport large groups of passengers and luggage that would not normally fit in a passenger car.⁶⁴
48. The import of light commercial vehicles in Singapore is subject to the same regulations as the import of passenger vehicles. This is with the exception of excise duty which does not apply to commercial vehicles, and the calculation of road tax, which is based on weight of vehicle, rather than engine capacity.⁶⁵

⁵⁹ Paragraph 19.2 of Form M1.

⁶⁰ Paragraph 18.11 of Form M1.

⁶¹ Paragraph 19.4 of Form M1.

⁶² Paragraph 7.1 of the Parties' Response to CCS's Information Request dated 6 December 2016.

⁶³ Paragraph 7.1 of the Parties' Response to CCS's Information Request dated 6 December 2016.

⁶⁴ Paragraph 7.3 of the Parties' Response to CCS's Information Request dated 6 December 2016.

⁶⁵ Paragraph 18.8 of Form M1.

49. The Parties submitted there is significant supply and demand-side substitutability between the different types of light commercial vehicles.⁶⁶
50. From the supply-side perspective, the Parties submitted that manufacturers of light commercial vehicles, like Renault, Nissan and MMC, are typically active across all segments of light commercial vehicles and the technology and components required to develop and manufacture a pick-up truck are largely similar to those required to manufacture a van or other types of light commercial vehicles. Thus, the same vehicle platforms can be used to manufacture all types of light commercial vehicles.⁶⁷
51. From the demand-side perspective, the Parties submitted that even if the different types of light commercial vehicles have elements that distinguish them from one another, they mostly have common features.
52. The Parties further referred to the decisions of the European Commission (“EC”) in its decisions in “Renault/Nissan”⁶⁸ that:
- “...LCVs need not be sub-segmented, given significant demand-side substitutability between the different types of vehicles involved.”*⁶⁹

CCS’s assessment of the relevant product markets

53. CCS has considered the possibility of narrower and/or broader product market definitions for light commercial vehicles and passenger vehicles.
54. With respect to passenger vehicles, CCS notes that the EC in its decisions for (i) *Fiat/Chrysler*⁷⁰; (ii) *Ford/Volvo*⁷¹; and (iii) *General Motors/Daewoo Motors*⁷², have left open the question of whether the market for passenger vehicles can be considered a single relevant product market or whether individual segments, defined by reference to objective criteria, such as engine size or length of vehicle could constitute separate product markets. CCS further notes that the narrowest segmentation of passenger vehicles considered by the EC are the markets for 1) mini cars; 2) small cars; 3) medium cars; 4) large cars; 5) executive cars; 6) luxury cars; 7) sports coupés; 8) multi-purpose cars; and 9) sports utility vehicles. In this regard, CCS will consider the narrowest possible market to conduct its competition assessment,

⁶⁶ Paragraph 7.1 of the Parties’ Response to CCS’s Information Request dated 6 December 2016.

⁶⁷ Paragraph 7.2 of Parties’ Response to CCS’s Information Request dated 6 December 2016.

⁶⁸ EC Case No. IV/M.1519 Renault/Nissan.

⁶⁹ Paragraph 7.5 of the Parties’ Response to CCS’s Information Request Dated 6 December 2016.

⁷⁰ EC Case No. COMP/M.5518 Fiat/Chrysler.

⁷¹ EC Case No. IV/M.1452 – Ford/Volvo.

⁷² EC Case No. COMP/M.2832 – General Motors/Daewoo Motors.

but also verify that there are no competition concerns in the broader markets in relation to passenger vehicles.

55. In respect of light commercial vehicles, Renault-Nissan overlaps with MMC only with regard to pick-up trucks. In view of the above, CCS notes there may be a narrower market for the supply of pick-up trucks. It appears that the Parties also recognise that vans and mini-vans satisfy a different demand segment from pick-up trucks - paragraph 90 of the EC Decision in *"Nissan/Mitsubishi"* stated that *"The Notifying Party also claims that MMC is not a close competitor of Renault-Nissan because of its very limited market share [X] and because MMC's L200 is a pick-up, whereas the Renault models are vans and mini-vans, thus satisfying a different demand segment."*⁷³ For the purpose of conducting the competition assessment of the Transaction, CCS will consider the narrowest possible market to conduct its competition assessment, but also verify that there are no competition concerns in the broader markets in relation to light commercial vehicles.

56. Accordingly, as the Parties overlap in the supply of mini cars, small cars, medium cars, sports utility cars, and pick-up trucks in Singapore, CCS is of the view that the relevant product markets for the competition assessment of the Transaction are:

- (i) the market for the wholesale supply of mini cars;
- (ii) the market for the wholesale supply of small cars;
- (iii) the market for the wholesale supply of medium cars;
- (iv) the market for the wholesale supply of sports utility vehicles; and
- (v) the market for the wholesale supply of pick-up trucks.

(b) Geographical Market

57. The Parties submitted that the relevant geographical markets for the supply of passenger and light commercial vehicles are global, with vehicle distributors able to purchase vehicles from manufacturers globally.⁷⁴

58. The Parties further submitted that all vehicles sold in Singapore are imported. Most vehicle manufacturers are multinational companies that manufacture and sell automobiles to an international market.⁷⁵

CCS's assessment of the relevant geographical markets

⁷³ EC Case No. M.8099 Nissan/Mitsubishi.

⁷⁴ Paragraph 20.2 of Form M1.

⁷⁵ Paragraph 19.7 of Form M1.

59. CCS has considered the Parties' submissions regarding the geographical market. The Parties themselves import passenger and light commercial vehicles into Singapore and sell these vehicles in Singapore to distributors. Feedback from Third-Parties also indicated that some vehicle distributors do not import passenger and light commercial vehicles into Singapore, but purchase vehicles from vehicle manufacturers in Singapore.⁷⁶

60. In light of the above, CCS is of the view that the relevant geographic markets for the supply of passenger vehicles and light commercial vehicles to be Singapore.

(c) Conclusion on relevant markets

61. Given the considerations set out above, CCS is of the view that the relevant markets for the competition assessment of the Transaction are:

- (i) the market for the wholesale supply of mini cars in Singapore;
- (ii) the market for the wholesale supply of small cars in Singapore;
- (iii) the market for the wholesale supply of medium cars in Singapore;
- (iv) the market for the wholesale supply of sports utility vehicles in Singapore; and
- (v) the market for the wholesale supply of pick-up trucks in Singapore. (collectively, the "**Relevant Markets**").

62. CCS will consider these Relevant Markets in its competition assessment, and verify that there are no competition concerns in the broader markets in relation to passenger vehicles and light commercial vehicles.

VII. Market Structure

(a) Market shares and market concentration

The Parties submission

63. The Parties submitted that market shares in the automobile industry are traditionally measured by sales volume as the supply of vehicles cannot be meaningfully compared by value, given that the price range of different vehicle models both within and amongst different vehicle brands can vary significantly.⁷⁷ Accordingly, the Parties provided market share figures for the

⁷⁶ Paragraph 1 of [X]'s Response to CCS's invitation to Comment dated 7 December 2016; and Paragraph 1 of [X]'s Response to CCS's Invitation to Comment dated 7 December 2016.

⁷⁷ Paragraph 21.2 of Form M1.

passenger vehicle and the light commercial vehicle markets globally and in Singapore, using its transaction data as well as data from Information Handling Services (“IHS”), which is a database service provided by IHS Inc⁷⁸.

(A) *Supply of passenger vehicles*

64. The Parties provided the market share estimates by volume of the supply of passenger vehicles globally (see Table 1).

Table 1: Supply of passenger vehicles globally (by volume)

Supplier	April 2013 – March 2014		April 2014 – March 2015		April 2015 – March 2016	
	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)
Nissan	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Renault	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
MMC	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Parties Combined	[X]	[10-20]%	[X]	[10-20]%	[X]	[10-20]%
Volkswagen	[X]	[10-20]%	[X]	[10-20]%	[X]	[10-20]%
Toyota	[X]	[10-20]%	[X]	[10-20]%	[X]	[10-20]%
Hyundai	[X]	[10-20]%	[X]	[10-20]%	[X]	[0-10]%
General Motors	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Honda	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Ford	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
FCA	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
PSA	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Suzuki	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
BMW	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Daimler	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Mazda	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Geely	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Fuji Heavy	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%

⁷⁸ According to IHS, it has over 800 worldwide experts in 14 countries covering the automotive industry.

Changan	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Great Wall	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Others	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Total	[X]	100.0%	[X]	100.0%	[X]	100.0%

65. The Parties provided the market share estimates by volume of the supply of passenger vehicles in Singapore (see **Table 2**).

Table 2: Supply of passenger vehicles in Singapore (by volume)

Supplier	April 2013 – March 2014		April 2014 – March 2015		April 2015 – March 2016	
	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)
Nissan	[X]	[0-10]%	[X]	[0-10]%	[X]	[10-20]%
Renault	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
MMC	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Parties Combined	[X]	[0-10]%	[X]	[10-20]%	[X]	[10-20]%
Toyota	[X]	[10-20]%	[X]	[10-20]%	[X]	[10-20]%
Daimler	[X]	[10-20]%	[X]	[10-20]%	[X]	[10-20]%
Mazda	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Volkswagen	[X]	[10-20]%	[X]	[10-20]%	[X]	[0-10]%
Hyundai	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Honda	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
BMW	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Fuji Heavy ⁷⁹	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Geely ⁸⁰	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
PSA	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%

⁷⁹ Fuji Heavy Industries Ltd. ("Fuji Heavy") is a Japanese multinational corporation known for its lines of Subaru automobiles.

⁸⁰ Zhejiang Geely Holding Group Co., Ltd. ("Geely") is a Chinese multinational automobile manufacturing company. It sells passenger cars under the Geely and Volvo brands and taxis under the London Taxi brand.

Tata ⁸¹	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Others	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Total	[X]	100.0%	[X]	100.0%	[X]	100.0%

66. In response to CCS's request for information, the Parties further provided the market share estimates by volume of the various sub-segments of passenger vehicles, namely⁸²:

- a. Mini Cars;
- b. Small Cars;
- c. Medium Cars
- d. Large cars;
- e. Executive Cars;
- f. Luxury Cars;
- g. Sport Coupes;
- h. Multi-purpose Cars; and
- i. Sports Utility Vehicles.

67. The Parties provided the market share estimates by volume of the supply of mini cars in Singapore (see **Table 3**).

Table 3: Supply of Mini Cars in Singapore (by volume)

Supplier	April 2013 – March 2014		April 2014 – March 2015		April 2015 – March 2016	
	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)
Nissan	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Renault	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
MMC	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Parties Combined	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Chrysler Fiat	[X]	[20-30]%	[X]	[10-20]%	[X]	[60-70]%
Suzuki	[X]	[0-10]%	[X]	[70-80]%	[X]	[30-40]%
Perodua	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Chery	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%

⁸¹Tata Motors Limited is an Indian multinational automotive manufacturing company. Its principal subsidiaries include Jaguar Land Rover Limited and Tata Daewoo Commercial Vehicle Company.

⁸² Annex 1 of the Parties' Response to CCS's Information Request dated 27 December 2016.

Others	[X]	[50-60]%	[X]	[0-10]%	[X]	[0-10]%
Total	[X]	100%	[X]	100.0%	[X]	100.0%

68. The Parties provided the market share estimates by volume of the supply of small cars in Singapore (see **Table 4**).

Table 4: Supply of Small Cars in Singapore (by volume)

Supplier	April 2013 – March 2014		April 2014 – March 2015		April 2015 – March 2016	
	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)
Nissan	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Renault	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
MMC	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Parties Combined	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Honda	[X]	[0-10]%	[X]	[20-30]%	[X]	[40-50]%
Mazda	[X]	[0-10]%	[X]	[0-10]%	[X]	[10-20]%
BMW	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Toyota	[X]	[40-50]%	[X]	[50-60]%	[X]	[0-10]%
Volkswagen	[X]	[20-30]%	[X]	[0-10]%	[X]	[0-10]%
Suzuki	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
General Motors	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
PSA	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Others	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Total	[X]	100.0%	[X]	100.0%	[X]	100.0%

69. The Parties provided the market share estimates by volume of the supply of medium cars in Singapore (see **Table 5**).

Table 5: Supply of Medium Cars in Singapore (by volume)

Supplier	April 2013 – March 2014	April 2014 – March 2015	April 2015 – March 2016
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	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)
Nissan	[X]	[0-10]%	[X]	[10-20]%	[X]	[0-10]%
Renault	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
MMC	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Parties Combined	[X]	[0-10]%	[X]	[10-20]%	[X]	[10-20]%
Toyota	[X]	[20-30]%	[X]	[20-30]%	[X]	[20-30]%
Mazda	[X]	[0-10]%	[X]	[10-20]%	[X]	[10-20]%
Hyundai	[X]	[0-10]%	[X]	[10-20]%	[X]	[10-20]%
Volkswagen	[X]	[20-30]%	[X]	[20-30]%	[X]	[10-20]%
Daimler	[X]	[10-20]%	[X]	[0-10]%	[X]	[0-10]%
Geely	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
BMW	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
PSA	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Ford	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
General Motors	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Honda	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Others	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Total	[X]	100.0%	[X]	100.0%	[X]	100.0%

70. The Parties provided the market share estimates by volume of the supply of sports utility vehicles in Singapore (see Table 6).

Table 6: Supply of Sports Utility Vehicles in Singapore (by volume)

Supplier	April 2013 – March 2014		April 2014 – March 2015		April 2015 – March 2016	
	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)
Nissan	[X]	[0-10]%	[X]	[10-20]%	[X]	[20-30]%

Renault	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
MMC	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Parties Combined	[X]	[0-10]%	[X]	[10-20]%	[X]	[30-40]%
Toyota	[X]	[10-20]%	[X]	[10-20]%	[X]	[10-20]%
Fuji Heavy	[X]	[0-10]%	[X]	[10-20]%	[X]	[10-20]%
Honda	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Volkswagen	[X]	[20-30]%	[X]	[10-20]%	[X]	[0-10]%
BMW	[X]	[10-20]%	[X]	[10-20]%	[X]	[0-10]%
Hyundai	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Daimler	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Geely	[X]	[10-20]%	[X]	[0-10]%	[X]	[0-10]%
Tata	[X]	[10-20]%	[X]	[0-10]%	[X]	[0-10]%
Mazda	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Others	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Total	[X]	100.0%	[X]	100.0%	[X]	100.0%

CCS's assessment

71. As set out in the *CCS Guidelines on the Substantive Assessment of Mergers 2016*, CCS is generally of the view that competition concerns are unlikely to arise in a merger situation unless the merged entity will have a market share of 40% or more, or the merged entity will have a market share of between 20% to 40% and with a post-merger CR3 at 70% or more.⁸³
72. The Parties' market shares for the broader market for the supply of passenger vehicles do not cross CCS's indicative thresholds of a merger situation that may raise competition concerns.
73. Furthermore, none of the Parties' market shares for each of the Relevant Markets with respect to passenger vehicles crosses CCS's indicative thresholds of a merger situation that may raise competition concerns.

(B) Supply of light commercial vehicles

⁸³ Paragraph 5.15 of *CCS Guidelines on the Substantive Assessment of Mergers 2016*.

74. The Parties provided the market share estimates by volume of the supply of light commercial vehicles globally (see **Table 7**).

Table 7: Supply of light commercial vehicles globally (by volume)

Supplier	April 2013 – March 2014		April 2014 – March 2015		April 2015 – March 2016	
	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)
Nissan	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Renault	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
MMC	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Parties Combined	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Ford	[X]	[10-20]%	[X]	[10-20]%	[X]	[10-20]%
General Motors	[X]	[0-10]%	[X]	[0-10]%	[X]	[10-20]%
SAIC-General Motors-Wuling	[X]	[10-20]%	[X]	[10-20]%	[X]	[0-10]%
Toyota	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
FCA	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Changan	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Volkswagen	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
PSA	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
BAIC	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Dongfeng	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Suzuki	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Daimler	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Isuzu	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Brilliance Auto	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Hyundai	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Jianghuai	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Jiangling	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Mahindra & Mahindra	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Tata	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Lifan	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Others	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Total	[X]	100.0%	[X]	100.0%	[X]	100.0%

75. The Parties provided the market share estimates by volume of the supply of light commercial vehicles in Singapore (see **Table 8**).

Table 8: Supply of light commercial vehicles in Singapore (by volume)

Supplier	April 2013 – March 2014		April 2014 – March 2015		April 2015 – March 2016	
	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)
Nissan	[X]	[30-40]%	[X]	[40-50]%	[X]	[30-40]%
Renault	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
MMC	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Parties Combined	[X]	[30-40]%	[X]	[50-60]%	[X]	[30-40]%
Toyota	[X]	[30-40]%	[X]	[10-20]%	[X]	[40-50]%
Daimler	[X]	[10-20]%	[X]	[10-20]%	[X]	[10-20]%
Isuzu	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
PSA	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Hyundai	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Others	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Total	[X]	100.0%	[X]	100.0%	[X]	100.0%

76. In response to CCS's request for information, the Parties provided the market share estimates by volume of the supply of pick-up trucks in Singapore (see **Table 9**).

Table 9: Supply of pick-up trucks in Singapore (by volume)

Supplier	April 2013 – March 2014		April 2014 – March 2015		April 2015 – March 2016	
	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)	Volume (unit)	Share (by volume)
Nissan	[X]	[10-20]%	[X]	[0-10]%	[X]	[20-30]%
Renault	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
MMC	[X]	[20-30]%	[X]	[60-70]%	[X]	[40-50]%
Parties Combined	[X]	[40-50]%	[X]	[60-70]%	[X]	[60-70]%
Isuzu	[X]	[10-20]%	[X]	[10-20]%	[X]	[10-20]%

Mahindra & Mahindra	[X]	[30-40]%	[X]	[10-20]%	[X]	[10-20]%
Toyota	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Others	[X]	[0-10]%	[X]	[0-10]%	[X]	[0-10]%
Total	[X]	100.0%	[X]	100.0%	[X]	100.0%

77. The Parties further submitted that the market share figures of the market for pick-up trucks was not indicative of the competitive situation in Singapore for the following reasons⁸⁴:

- a. In April 2015 to March 2016, sales of pick-ups in Singapore represented [X] of total vehicle sales in Singapore and [X] of the total Singapore sales in the light commercial vehicle segment]. Due to the low demand for pick-ups in Singapore, [X], a small change in sales from year to year will cause the market share to vary significantly. As such, the supplier's shares of the pick-up trucks segment are not reliable indicators of competitive significance.
- b. Other manufacturers, whose sales are not reflected in the IHS dataset include strong competitors such as [X]
- c. Nissan's own sales of pick-ups in Singapore demonstrates that shares of sales in any given year are not indicative of competitive significance. [X]. The difference in Nissan's sales between FY 2014 ([0-10]%) and FY 2015 ([20-30]%) demonstrates how quickly shares can shift from one year to the next.
- d. In its review of the transaction, the European Commission considered the relevant product market to be light commercial vehicles. Neither the European Commission nor any other reviewing agency found a relevant market consisting of only pick-ups.

CCS's assessment

78. CCS notes that the post-Transaction market share of the Parties for the broader market for the supply of light commercial vehicles is [30-40]%. Further, the post-merger CR3 of the broader market for the supply of light commercial vehicles is [80-90]%, which is above CCS's indicative thresholds of a merger situation that may raise competition concerns.

⁸⁴ Paragraph 4.7 of the Parties' Response to CCS's Information Request dated 27 December 2016.

79. CCS notes that the post-Transaction market share of the Parties for the Relevant Market in relation to pick-up trucks is [60-70]%, which crosses the indicative threshold of 40%. The post-merger CR3 of the pick-up trucks segment is [90-100]%, which is above CCS's indicative thresholds of a merger situation that may raise competition concerns.

(b) Barriers to entry and expansion

80. In assessing barriers to entry and expansion, CCS considered whether entry by new competitors or expansion by existing competitors may be sufficient in likelihood, scope and time to deter or defeat any attempt by the merger parties or their competitors to exploit the reduction in rivalry flowing from the Transaction (whether through coordinated or non-coordinated strategies).

The Parties' Submission

81. The Parties submitted that the barriers to entry for both passenger and light commercial vehicle manufacturers in Singapore are low.⁸⁵ There are no special considerations relating to planning restraints, technology, R&D requirements, regulatory barriers, import restrictions (tariffs, licensing, quarantine), IP rights, availability of raw materials, or length of contracts in Singapore that affect entry in the passenger vehicle and light commercial vehicle markets.⁸⁶
82. The Parties further submitted that the scale of annual expenditure relative to sales is not prohibitive for an entrant to achieve a five per cent market share.⁸⁷ Nissan's expenditure on advertising and promotion over the last three years in Singapore is around [X].⁸⁸
83. The time and cost required for a potential entrant to set up a distribution network for supplying vehicles to Singapore consumers is not prohibitive, given Singapore's small geographical size.⁸⁹
84. A global vehicle manufacturer would likely only need to establish one distributor, given Singapore's small geographical size.⁹⁰ The distributor in turn would sell the imported vehicles to new or existing dealerships. The Parties highlighted that a network of dealers can be set up at minimum cost

⁸⁵ Paragraph 35.3.2 of Form M1.

⁸⁶ Paragraph 28.1 of Form M1.

⁸⁷ Paragraph 27.1 of Form M1.

⁸⁸ Paragraph 17.2 of the Parties' Response to CCS's Information Request dated 6 December 2016.

⁸⁹ Paragraph 26.1 of Form M1.

⁹⁰ Paragraph 26.1 of Form M1.

since dealerships are not paid by the manufacturer but instead dealers typically buy vehicles and resell them at a mark-up.⁹¹

85. The Parties further submitted that there would be little to no cost for an existing manufacturer that already supplies certain vehicles in Singapore to supply additional models as the manufacturer can leverage on its existing passenger vehicle distribution network to switch supply to light commercial vehicles and vice versa.⁹²
86. Accordingly, new manufacturers and/or brands of passenger vehicles have entered in Singapore in recent years. These include:⁹³
- a. In or around 2011, Nissan's "Infiniti" brand of passenger vehicles entered Singapore through a third party distributor, Wearnes Automotive;
 - b. In or around 2012, McLaren Automotive Limited entered Singapore through the appointment of a third party distributor, Wearnes Automotive; and
 - c. In or around 2014, ALPINA Burkard Bovensiepen GmbH + Co. KG entered Singapore through the appointment of a third party distributor, Munich Automobiles Pte. Ltd.

Feedback from Third Parties

87. Third Parties provided feedback that the supply of light commercial vehicles and passenger vehicles are competitive, given there are numerous manufacturers from Japan, Europe and Korea.⁹⁴
88. Feedback from competitors did not reveal any barriers to entry and/or expansion in the Relevant Markets and the broader markets in relation to the supply of passenger vehicles and light commercial vehicles.

CCS's assessment

89. With respect to passenger vehicles, CCS notes the Parties' submissions that there are new manufacturers and/or brands of passenger vehicles that entered

⁹¹ Paragraph 26.1 of Form M1.

⁹² Paragraph 26.2 of Form M1.

⁹³ Paragraph 29.1 of Form M1.

⁹⁴ Paragraph 6 of [X]'s Response to CCS's Invitation to Comment dated 13 December 2016; and Paragraph 8 of [X]'s Response to CCS's Invitation to Comment dated 6 December 2016.

Singapore in recent years. The emergence of these new entrants suggest barriers to entry (e.g., costs incurred in entering the Singapore market) are not insurmountable to deter new manufacturers from supplying passenger vehicles.

90. With respect to light commercial vehicles, CCS notes that the Parties have not identified any instances of market entry and exit in relation to light commercial vehicles in Singapore in recent years.⁹⁵ However, CCS notes that there would be little cost for an existing manufacturer (e.g., Suzuki) that already supplies passenger vehicles in Singapore to supply light commercial vehicles as the manufacturer can leverage on its existing passenger vehicle distribution network to supply light commercial vehicles.
91. In light of the above, CCS considers that barriers to expansion and entry are not significantly high or prohibitive in the Relevant Markets or the broader markets in relation to the supply of passenger and light commercial vehicles..

(c) Countervailing Buyer Power

The Parties' Submission

92. The *CCS Guidelines on the Substantive Assessment of Mergers 2016* provide that the ability of a merged entity to raise prices may be constrained by the countervailing power of customers.⁹⁶

Customer preferences

93. The Parties submitted that competition for end-customers is intense and dynamic. End-customers typically consider multiple brands and change regularly from manufacturer to manufacturer. Manufacturers compete with regard to price, vehicle features, image, reputation and quality.⁹⁷

Marginal switching costs

94. The Parties submitted that each party has one or two exclusive distributors for each of its brands in Singapore. The distributors in turn, either sell passenger and light commercial vehicles directly to end customers or sell them to dealerships.⁹⁸

⁹⁵ Paragraph 18.1 of the Parties' Response to CCS's Information Request dated 6 December 2016.

⁹⁶ Paragraph 5.60 of *CCS Guidelines on the Substantive Assessment of Mergers 2016*.

⁹⁷ Paragraph 32.1 of Form M1.

⁹⁸ Paragraphs 31.1 and 31.2 of Form M1.

95. At the distributor level, the costs involved in switching from one vehicle manufacturer to another are generally not prohibitive. Given an increase in the price, a distributor can purchase and sell vehicles from other vehicle manufacturers.⁹⁹
96. At the consumer level, the switching cost such as the transactional cost of going to the dealership, choosing the vehicle and its features and negotiating the price; is negligible in relative to the cost of the vehicle itself.

Feedback from Third-parties

97. Feedback from Third-Parties suggest that distributors and large corporate end-customers have the buyer power to engage in price negotiations. Feedback from Third-Parties indicated that the Transaction had not affected the ability for an existing distributor to negotiate with the vehicle manufacturer.¹⁰⁰
98. Third-Party feedback also suggested that the ability to bargain by large corporate end-customers is unlikely to be affected by the Transaction. This is because these end-customers tended to make bulk purchases through a competitive tender approach and this provides a platform for effective price negotiation with the authorized distributors.¹⁰¹

CCS's assessment

99. CCS notes that the Third-Party feedback indicates that distributors and large corporate end-customers have the buyer power to engage in price negotiations and that the Transaction is unlikely to affect the large corporate end-customers and distributors' abilities to negotiate for a better price.
100. In light of the above, CCS is of the view that some distributors and large corporate end-customers may enjoy some form of countervailing buyer power in the Relevant Markets and the broader markets in relation to the supply of passenger and light commercial vehicles.

⁹⁹ Paragraph 32.2 of Form M1.

¹⁰⁰ Paragraph 9 of [X]'s Response to CCS's Invitation to Comment dated 7 December 2016; Paragraph 9 of [X]'s Response to CCS's Invitation to Comment dated 7 December 2016; and Paragraph 9 of [X]'s Response to CCS's Invitation to Comment dated 7 December 2016.

¹⁰¹ Paragraph 13 of [X]'s Response to CCS's Invitation to Comment dated 13 December 2016; and Paragraph 11 of [X]'s Response to CCS's Invitation to Comment dated 13 December 2016.

VIII. Competition Assessment

(a) Non-coordinated effects

101. Non-coordinated effects may arise where, as a result of the Transaction, the merged entity finds it profitable to raise prices (or reduce output or quality) because of the loss of competition between the merged entities.¹⁰²

Supply of passenger vehicles in Singapore

102. The Parties submitted that the Transaction would not give rise to non-coordinated effects in the market for the supply of passenger vehicles in Singapore for the following reasons:
- a. There are low barriers to entry for vehicle manufacturers to enter Singapore. Any manufacturer of passenger vehicle can enter Singapore quickly and easily by establishing as few as one distributor in Singapore, due to the small size of Singapore.¹⁰³
 - b. Distributors in Singapore can switch easily between vehicle manufacturers in response to a price increase. End-customers have the ability to switch freely and easily from one vehicle manufacturer to another at negligible costs.¹⁰⁴
 - c. The combined share of the Parties in the passenger vehicle market in Singapore is under 20%. The combined market shares of the Parties in the respective segments of the passenger vehicle market in Singapore do not cross CCS's indicative thresholds. In addition, MMC has a low market share in Singapore, such that the increment in Renault-Nissan's share of passenger vehicle sales in Singapore is *de minimis*.¹⁰⁵
 - d. Renault-Nissan and MMC are not close competitors in Singapore as MMC is a small player. The Parties face fierce competition from

¹⁰² Paragraph 5.21 of the *CCS Guidelines on the Substantive Assessment of Mergers 2016*.

¹⁰³ Paragraph 34.2 of Form M1.

¹⁰⁴ Paragraph 34.3 of Form M1.

¹⁰⁵ Paragraph 34.5 and 34.6 of Form M1.

many other suppliers of passenger vehicles. There are eight other suppliers of passenger vehicles with larger shares in Singapore than MMC. These include BMW, Daimler, Fuji Heavy, Honda, Hyundai, Mazda, Toyota and Volkswagen.¹⁰⁶

Feedback from Third-Parties

103. Third-Parties provided feedback that the impact of the Transaction on competition is minimal as there is a fair selection of brands, makes and models that end-customers are able to procure passenger vehicles from.¹⁰⁷
104. One of the Third-Parties provided feedback that it would be unlikely that the Parties would be able to raise prices or decrease the quality of passenger vehicles in Singapore as a result of the Transaction. This is because the market for passenger vehicles is highly competitive and consumers in Singapore are very price sensitive.¹⁰⁸

CCS's assessment and conclusion on non-coordinated effects for the supply of passenger vehicles in Singapore

105. CCS is of the view based on the Parties' submission which have been corroborated by several Third-Parties¹⁰⁹ that MMC and Renault-Nissan are not close competitors in Singapore and that the Parties will continue to face fierce competition from other manufacturers of the different segments of passenger vehicles.
106. Given the above, CCS is of the view that non-coordinated effects are unlikely to arise in the Relevant Markets and the broader markets in relation to the supply of passenger vehicles.

Supply of light commercial vehicles in Singapore

107. The Parties submitted that the Transaction would not give rise to non-coordinated effects in the market for the supply of light commercial vehicles in Singapore for the following reasons:

¹⁰⁶ Paragraph 34.7 of Form M1.

¹⁰⁷ Paragraph 7 of [X]'s response to CCS's Invitation to Comment dated 7 December 2016.

¹⁰⁸ Paragraph 4.1 of [X]'s response to CCS's Invitation to Comment dated 7 December 2016.

¹⁰⁹ Paragraph 8 of [X]'s response to CCS's Invitation to Comment dated 7 December 2016; Paragraph 6 of [X]'s response to CCS's Invitation to Comment dated 13 December 2016; and Paragraph 4.1 of [X]'s response to CCS's Invitation to Comment dated 7 December 2016.

- a. There are low barriers to entry for vehicle manufacturers to enter Singapore. Any manufacturer of light commercial vehicles can enter Singapore quickly and easily by establishing as few as one distributor in Singapore, due to the small size of Singapore.¹¹⁰
 - b. Distributors in Singapore can switch easily between vehicle manufacturers in response to a price increase. End-customers have the ability to switch freely and easily from one vehicle manufacturer to another at negligible costs.¹¹¹
 - c. The combined share of the Parties in the light commercial vehicle market in Singapore is about [30-40]%. However, MMC has a [0-10]% market share in Singapore, such that the increment in Renault-Nissan's share of light commercial vehicle sales in Singapore is *de minimis*.¹¹²
 - d. Renault-Nissan and MMC are not close competitors in Singapore as MMC is a small player. In Singapore, the Parties face strong competition in the light commercial vehicle market from Daimler, Hyundai, Isuzu, PSA and Toyota.¹¹³
108. In relation to the segment for pick-up trucks, the Parties submitted that the combined market shares of the Parties is about [60-70]%.¹¹⁴ The Parties also note that market shares are not reliable indicators of competitive significance in this segment, as the market shares of suppliers displayed considerable volatility on an annum basis.¹¹⁵
109. The Parties submitted that at the global level, Nissan's and MMC's models are not within the top 10 selling pick-up trucks models (See **Table 10**).¹¹⁶ Other suppliers, [X] will continue exercising strong competitive pressure over the Parties. Finally, other manufacturers, whose sales are not reflected in the IHS database, include strong competitors [X].¹¹⁷

¹¹⁰ Paragraph 34.2 of Form M1.

¹¹¹ Paragraph 34.3 of Form M1.

¹¹² Paragraph 34.10 of Form M1.

¹¹³ Paragraph 34.11 of Form M1.

¹¹⁴ Annex 1 of Parties' Response to CCS's Request for Information dated 27 December 2016.

¹¹⁵ Paragraph 4.7 of Parties' Response to CCS's Request for Information dated 27 December 2016.

¹¹⁶ Paragraph 4.4 of Parties' Response to CCS's Request for Information dated 27 December 2016.

¹¹⁷ Paragraph 4.7 of Parties' Response to CCS's Request for Information dated 27 December 2016.

Table 10: Top-selling pick-ups globally in 2015¹¹⁸

Rank 2015	Rank 2014	Model	Sales in 2015	Sales in 2014
1	1	Ford F-Series	920,632	907,652
2	3	Chevrolet Silverado	670,187	592,512
3	2	Toyota Hilux	580,613	597,310
4	4	Ram Pick-up	542,559	528,554
5	5	GMC Sierra	289,797	270,621
6	6	Isuzu DMax	273,744	260,988
7	7	Ford Ranger	204,699	187,617
8	8	Toyota Tacoma	199,964	174,009
9	11	Toyota Tundra	131,433	129,639
10	30	Chevrolet Colorado	108,107	29,040

Feedback from Third-Parties

110. Third-Parties, including an end-customer that uses pick-up trucks, provided feedback that the impact of the Transaction on competition is minimal as the light commercial vehicles sector is very competitive.¹¹⁹ There are many suppliers of light commercial vehicles in Singapore that end-customers can procure light commercial vehicles from.¹²⁰
111. An end-customer of pick-up trucks also indicated that it would be fairly easy to switch between suppliers of light commercial vehicles, since the types and specifications of the light commercial vehicles required are generally available across many brands, makes and models.¹²¹

CCS's assessment and conclusion on non-coordinated effects for the supply of light commercial vehicles in Singapore

¹¹⁸ Table 4 of Parties' Response to CCS's Request for Information dated 27 December 2016.

¹¹⁹ Paragraph 8 of [X]'s response to CCS's Invitation to Comment dated 7 December 2016; and Paragraph 6 of [X]'s response to CCS's Invitation to Comment dated 13 December 2016.

¹²⁰ Paragraph 7 of [X]'s response to CCS's Invitation to Comment dated 7 December 2016; and Paragraph 5 of [X]'s response to CCS's Invitation to Comment dated 13 December 2016.

¹²¹ Paragraph 10 of [X]'s response to CCS's Invitation to Comment dated 7 December 2016.

112. CCS notes from the Parties' submissions, which have been corroborated by some Third-Parties¹²² that the Parties face strong competition from the light commercial vehicles of Daimler, Hyundai, Isuzu, PSA and Toyota ¹²³
113. In relation to pick-up trucks, CCS notes that there is considerable degree of volatility in the market shares of both the Parties and their competitors. For instance, [X]. The difference in Nissan's sales between 2014 [0-10]% share and 2015 [20-30]% share demonstrates how quickly shares can shift from one year to the next.¹²⁴ This suggests that the shares of pick-up trucks in any given year may not be reliable indicators of competitive significance.
114. CCS is of the view that, other suppliers of pick-up trucks, such as Toyota, and Isuzu, which are present in Singapore, will be able to pose a strong competitive constraint to the Parties.
115. CCS also notes that [X] ¹²⁵¹²⁶. Accordingly, the Transaction is unlikely to lead to a significant increase in the market power of the Parties.
116. Given the above, CCS is of the view that non-coordinated effects are unlikely to arise in the Relevant Markets and the broader markets in relation to the supply of light commercial vehicles in Singapore.

(b) Coordinated effects

117. A merger may also lessen competition substantially by increasing the possibility that, post-Transaction, firms in the same market may coordinate their behavior to raise prices, or reduce quality or output. Given certain market conditions, and without any express agreement, tacit collusion may arise merely from an understanding that it will be in the firms' mutual interests to coordinate their decisions. Coordinated effects may arise where a merger reduces competitive constraints from actual or potential competition in a market, thus increasing the probability that competitors will collude or strengthening a tendency to do so.¹²⁷

¹²² Paragraph 6 of [X]'s response to CCS's Invitation to Comment dated 13 December 2016; and Paragraph 8 of [X]'s response to CCS's Invitation to Comment dated 7 December 2016;

¹²³ Paragraph 34.11 of Form M1.

¹²⁴ Paragraph 4.7 of the Parties' Response to CCS's Request for Information dated 27 December 2016.

¹²⁵ Paragraph 4.2 of the Parties' Response to CCS's Request for Information dated 27 December 2016.

¹²⁶ Paragraph 4.2 of the Parties' Response to CCS's Request for Information dated 27 December 2016.

¹²⁷ Paragraph 5.35 of the *CCS Guidelines on the Substantive Assessment of Mergers 2016*.

Parties' submission

118. The Parties submitted that the Transaction will not result in any increase in the risk of coordinated effects, given that the three conditions set out in the *CCS Guidelines on the Substantive Assessment of Mergers 2016* are not met, namely¹²⁸:
- a. The Parties and other competitors are not able to align their behavior in either the passenger vehicles or the light commercial vehicle market;
 - b. The Parties and other competitors do not have the incentive to maintain the coordinated behavior, as there is no credible deterrent mechanism that can be activated if deviation is detected; and
 - c. Coordinated behavior is not sustainable in the face of other competitive constraints in the passenger vehicle and light commercial vehicle markets.
119. This is in view of the following¹²⁹:
- a. Competition in the passenger and light commercial vehicle markets is driven by numerous price and non-price factors and end-customers' purchase considerations, such as quality, image, reputation, innovation and vehicle features, and it would accordingly be very difficult for competitors to coordinate their behavior;
 - b. There are low barriers to entry for both passenger and light commercial vehicle manufacturers to enter Singapore, and any coordinated behavior may be easily disrupted by an opportunistic new entrant. New entry would also be further facilitated by the ease of switching by end-customers between vehicle manufactures; and
 - c. There is significant spare production capacity in the passenger and light commercial vehicle industries globally. There is incentive for competitors, both currently present in Singapore and overseas manufacturers that are not currently selling in Singapore, to expand output and vehicle sales to utilize the capacity, instead of maintaining any coordinated behavior.

¹²⁸ Paragraph 35.2 of Form M1.

¹²⁹ Paragraph 35.3 of Form M1.

CCS's assessment and conclusion on coordinated effects

120. In relation to the Relevant Markets and the broader markets in relation to the supply of passenger and light commercial vehicles, CCS notes that there is robust competition from many other suppliers.
121. Furthermore, CCS notes from the Parties' submission that there is significant spare production capacity in the passenger and light commercial vehicle markets globally.¹³⁰ The excess capacity in the supply of passenger and light commercial vehicles will make coordination more difficult as suppliers have a strong incentive to utilize their excess capacity.
122. In relation to the market for the supply of pick-up trucks, CCS notes that the market shares for pick-up trucks are highly volatile. This volatility in the market shares would also disrupt any attempts to coordinate behavior among suppliers.
123. In light of the above, CCS concludes that the Transaction does not raise concerns in terms of coordinated effects on competition in the Relevant Markets and the broader markets in relation to the supply of passenger and light commercial vehicles.

IX. Efficiencies

Parties' submission

124. The Parties submit that the strategic and economic rationale of the Transaction is the creation of a long lasting and far reaching strategic alliance between Nissan and MMC that will achieve significant synergies in every aspect of their global business including, without limitation, research & development, product development (including vehicles, spare parts and accessories), joint procurement, manufacturing and distribution, and sales and marketing. Through the Transaction, the Parties expect to be able to better compete in the intensive automotive industry against strong and powerful rivals such as FCA, Ford, GM, Hyundai, Toyota and Volkswagen.¹³¹

¹³⁰ Paragraph 24.7 of Form M1.

¹³¹ Paragraph 42.1 of Form M1.

CCS's assessment

125. CCS notes that in the assessment of net economic efficiencies, merger parties are required to show that these efficiencies will be sufficient to outweigh the adverse effects resulting from SLC caused by the merger.¹³²
126. Given that the above competition assessment did not point to an SLC, CCS is of the view that it is not necessary to make an assessment on the claimed efficiencies by the Parties.

X. Conclusion

127. For the reasons above and based on the information available, CCS has assessed that the Transaction has not infringed section 54 of the Act.



Toh Han Li
Chief Executive
Competition Commission of Singapore

¹³² Paragraphs 7.3 of the *CCS Guidelines on the Substantive Assessment of Mergers 2016*.