

17th Annual ACE Conference 2019

Horizon / Brink

14 November 2019
Copenhagen



Bundeskartellamt

The views expressed are those of the
presenter and do not necessarily reflect
those of the Bundeskartellamt

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Horizon / Brink merger was abandoned

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Timeline

- Filed at BKartA in January 2018
- Second phase initiated in February 2018
- SO 17 May 2018 and SO supplement 24 May 2018
- UK CMA: second phase initiated in June 2018
- Merger filing withdrawn in June 2018

Products concerned: tow-bars

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- Tow-bar: fitted onto a vehicle with a view to attaching another vehicle or trailer to the towing vehicle
- Typically consists of
 - metal crossbar
 - side brackets
 - tow ball hitch bracket
- Directly fitted to the rear panel of the vehicle
- Three categories:
 - fixed tow-bars
 - detachable systems
 - retractable tow-bars



Focus on OEM market

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- Separate independent after market (IAM)
- “Original Equipment” sold to car manufacturers and their authorized dealers / repair centers
 - close cooperation between tow-bar manufacturer and car manufacturer regarding technical features and design
 - contract is per car type (and generation)
 - contracts concluded on the basis of bidding processes and run over several years typically covering vehicle production life cycle
 - high requirements of the car manufacturers regarding product quality and (lasting) delivery reliability
- EEA-wide market
 - higher quality / specific safety requirements for EEA
 - manufacturers purchase tow bars for EEA cars only in the EEA

In essence three (and a half) relevant OEM suppliers

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- Most companies named by parties as actual or potential tow-bar suppliers unknown to car manufacturers, others rated poorly
- Who is your #1, #2, #3 preferred tow-bar supplier?
 - ➔ car manufacturers only named Bosal, Brink and Horizon
- Reach of four fringe competitors very limited:
 - Prof Svar mainly active for Volkswagen
 - Aragon, Lafuente and MVG do not directly supply car manufacturers but rather importers / repair centers
 - even these 4 suppliers unknown to most car manufacturers
- Market shares: Horizon 40-45%, Bosal 35-40%, Brink 15-20%, sum of all others <10% ➔ HHI post merger >4.250, delta >1.200

Two different bidding data sets used by BKartA and parties' economists

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BKartA

data retrieved from customers

tender = when customer says that it was a tender

bidders = named by the customer

ranking = provided by the customer

prices = provided by the customer

Parties' economists

data based on Horizon/Brink info

tender = when Horizon or Brink say that it was a tender

bidders = Horizon/Brink's belief about who else submitted a bid

price „proxies“ by Horizon/Brink

How often do suppliers meet each other in tenders?

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		then also ... submitted a bid in X% of those tenders			
		Horizon	Brink	Bosal	Prof Svar
If ... submitted a bid,	Horizon		[40-50]%	[60-70]%	[10-20]%
	Brink	[80-90]%		[40-50]%	[0-10]%
	Bosal	[80-90]%	[30-40]%		[10-20]%
	Prof Svar	[80-90]%	[10-20]%	[90-100]%	

When the winner was ..., who came second?

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		then ... came second in X% of those tenders			
		Horizon	Brink	Bosal	Prof Svar
When the winner was ...,	Horizon	[0-10]%	[20-30]%	[50-60]%	[0-10]%
	Brink	[80-90]%	[0-10]%	[10-20]%	[0-10]%
	Bosal	[60-70]%	[0-10]%	[10-20]%	[0-10]%
	Prof Svar	[50-60]%	[0-10]%	[40-50]%	[0-10]%

Note: Grey-shaded cells indicate tenders where there was no second (ranked) bid

No countervailing buyer power / entry

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- 14 of 15 car manufacturers claimed to not have the technical competencies to produce tow-bars themselves
- Car manufacturers not interested in producing tow-bars
- Car manufacturers skeptical about sponsoring entry post-merger
 - lacking patents/know-how of potential entrants
 - less concentration on buyer side
 - lacking individual incentive to sponsor entry
- Car manufacturer views about the proposed merger:
 - critical 14
 - neutral 2
 - positive 1

Ideal bidding market?

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- Demand is not really “lumpy”
- Future market success depends on past market success
- Bidders are not identical
- Merger reduces number of relevant OEM bidders from 3 to 2
- Unilateral and coordinated effects likely

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