



FAIR TRADING COMMISSION

Summary Report

TITLE: Proposed Acquisition of Interamericana Trading Corporation Barbados and Simpson Motors Limited by Inchcape International Holdings Limited [Inchcape/ Interamericana]: Analysis and the Commission's Determination

DATE: May 20, 2022

DETERMINATION OF MERGER APPLICATION

Acquisition of Interamericana Trading Corporation Barbados and Simpson Motors Limited by Inchcape International Holdings Limited

Section 20 of the Fair Competition Act, CAP.326C of the Laws of Barbados

Dated: May 20, 2022

Introduction

1. The Fair Trading Commission, (hereafter, the 'Commission'), pursuant to Section 20(1) of the *Fair Competition Act* CAP. 326C (the "Act" or the "FCA") considered the Application filed on December 23, 2021 by Inchcape International Holdings Limited¹ (hereafter, "Inchcape" or "the Purchaser") and Simpson Group Limited (Cayman Islands)² - (hereafter "Simpson Group" or "the Seller"). Collectively, Inchcape and Simpson Group are referred to as the "Applicants" or the "Parties".
2. This report provides an overview of the transaction and the Commission's determination regarding same.

¹ Inchcape International Holdings is represented by Chancery Chambers, Attorneys-at-Law located at Chancery House, High Street, Bridgetown, St. Michael, Barbados.

² Simpson Group Limited is represented by LEX Caribbean, Attorneys-at-Law located at Worthing Corporate Centre, Worthing, Christ Church, Barbados.

The Transaction

3. The Application sought formal approval for the acquisition of Interamericana Trading Corporation Cayman (hereafter 'I.T.C. Cayman') which will result in the control of I.T.C. Barbados and Simpson Motors by way of Inchcape purchasing 100% of the shareholding from I.T.C. Cayman's parent company, the Simpson Group Limited.
4. The transaction is executed through a Sale and Purchase Agreement (SPA), which has been executed by both parties.
5. The basis of the review of the proposed transaction rested on one critical component: the determination of whether an enterprise, by itself or together with any other enterprise with which it intends to effect the merger, is likely to control not less than 40% of any market (Section 20(1) of the FCA). The FCA requires firms that satisfy the market share threshold to submit an application to the Commission seeking permission to consummate the transaction. In this regard, Simpson Motor's 47.34% market share in the supply, maintenance and repair of dealer-authorized automotive vehicles and genuine parts in Barbados triggered the review. It is on this basis therefore, that the review sought to determine whether the proposed transaction would have adverse effects on competition in the relevant market(s).
6. The principals of Inchcape have noted that this transaction will expand the company's global footprint, with entry into the Caribbean providing the ability to further increase their presence in the Americas. The principals further note that the takeover will strengthen the company's geographic reach and relationship with existing brands such as Suzuki, Mercedes Benz and Subaru, as well as broaden current Original Equipment Manufacturer ('OEM') relationships.

7. It is noteworthy that there will be an internal restructuring prior to the determination made by the Fair Trading Commission. This restructuring would result in I.T.C Barbados being the sole shareholder of all of the issued and outstanding shares in the capital of Simpson Motors Limited. Additionally, Simpson Finance will be held separate and continue its operations post-merger independent of Inchcape. Therefore, Simpson Finance will not be a direct party to the transaction.

The Undertakings Involved

Purchaser: Inchcape International Holdings Limited (Inchcape)

8. **Inchcape** is a wholly-owned subsidiary of Inchcape plc, a United Kingdom listed company. Inchcape plc is a multi-brand automotive distributor with operations that span countries on five continents. The company operates as a partner through long-standing relationships with leading automotive groups to bring both used and new vehicles to market for retail. Inchcape has a relationship with its OEM partners that spans more than 20 years. These OEMs include such core brands as Toyota, Jaguar Land Rover, Suzuki, Mercedes Benz and BMW.
9. Inchcape proposes to acquire I.T.C. Cayman from the Simpson Group and as a result will acquire control of certain Barbados-based subsidiaries of **I.T.C. Cayman**, namely **I.T.C. Barbados** and **Simpson Motors Limited**.

Targets: Interamericana Trading Corporation (Cayman Islands)

10. **ITC Cayman** is a company incorporated under the laws of the Cayman Islands. I.T.C. Cayman is an automotive distribution entity which operates in 32 countries in Latin America and the Caribbean with brand partnerships including Suzuki and FUSO.

11. **Simpson Motors ('SML')** is an authorized dealer of automotive vehicles in Barbados. The brands it represents include Suzuki, Chevrolet, Mercedes Benz, Subaru, Isuzu and industrial brands such as JCB, John Deere and FUSO. SML is a vertically integrated business with the inclusive feature of automotive finance through **Simpson Finance**.
12. **Simpson Finance** is a finance company providing automotive finance. The company started operations in 1989 to deliver a one-stop shopping experience for customers of SML in Barbados. In 2010, Simpson Finance implemented a regional expansion plan which resulted in additional operations in St. Lucia, Jamaica and Trinidad.

Determining the Relevant Product and Geographic Market

13. For the Commission to analyse the structure of the market or the intensity of competition therein, it was necessary to first define the relevant market(s) concerned in the merger. An accurate definition of the relevant market is essential for ensuring that market shares or other indicators provide evidence about the extent of the firms' market power. Generally, a market can be described as the area over which a hypothetical monopolist could exercise a significant degree of market power.
14. The definition of the market is a critical starting point in the analysis of any merger transaction. The products concerned in the relevant market include those goods and services supplied by the merging firms and their competitors, and the goods and services that could plausibly serve as their substitutes. Therefore, correctly defining the relevant market has a crucial impact on the entire investigation.

15. For clarity, it is fundamental to note that the concept of relevant market in competition law and policy is different to that used in other frameworks. Firms often use “relevant market” to indicate the entire industry in which they operate or markets where they supply their goods and services. In competition law and policy frameworks the relevant market is much narrower and includes two dimensions in its definition: product characteristics, and geographical components.
16. The Commission determined that the relevant market(s) in this instant are as follows:
- The market for the supply, maintenance, repair of dealer-authorized automotive vehicles and genuine parts in Barbados.**
17. The rationale for this assertion rests with the fact that the transaction under review is concerned with the distribution side of the supply chain—in other words the supply of the OEM motor vehicle to the domestic market. The relationship between the OEM and the distributor is governed by a Distributor Agreement, which can be exclusive or selective. This agreement gives the distributor a right to supply and market the OEM’s goods and services in a specific market.
18. The Distributor Agreement provides a facility for the Distributor to identify and choose specific Franchised Dealers to retail the OEM’s products to final customers, notwithstanding certain restrictions and obligations on both the Distributor and the Franchised Dealer. Such obligations on the Dealer’s end include the provision of authentic replacement automotive parts, the provision of servicing and repair services, meeting of sales targets, showroom requirements and other facilities, standards for the delivery of customer service, marketing and advertising, and the continuous training of employees in the changing technologies.

Competitive Analysis

19. The Commission considered the potential impacts of the proposed transaction on the relevant product markets in Barbados. Since Section 20(7)(d) and (e) of the FCA does not require the Commission to prove future conduct, the analyses are *ex ante* in nature and enable the Commission to contemplate potential impacts of the proposed transaction.

20. As a measure of the market concentration in the relevant market for the supply, maintenance and repair of dealer-authorized vehicles in Barbados, the Herfindahl-Hirschman Index (HHI), pre- and post-merger were calculated using market shares based on revenue. Given the structure of the transaction, i.e., takeover of the Target's operations with the Purchaser having no interest or business affiliations on island, in the relevant market or otherwise, the pre- and post-merger HHI score was 3064 which shows moderately-high concentration in the market. However, a delta of zero indicates no change in concentration levels post-merger and the inference of no likelihood of competitive harm that can be attributed specifically to the merger.

Post-Merger Effects

21. Owing to the structure of the transaction and pre- and post-merger arrangements thereof, the Commission determined that the transaction will not result in a change of any concentration given the takeover of shares by Inchcape, a company not operating in the relevant market. Such a transaction will have no effects on the structure of the market, *per se*, and therefore the market concentration will remain the same post-merger as it did pre-merger.

Conclusion

22. The following findings regarding the proposed transaction were made:
- **Inchcape does not operate in any of the relevant markets pertaining to the merger transaction in Barbados.**
 - **The proposed transaction will not result in a change in the distribution of market power or market concentration.**
 - **The acquisition of the shares by Inchcape would likely result in more competition, since Inchcape's influence on the distribution arm of the business can lead to the introduction of new products/services for consumers. However, the Commission is mindful of the implications of Inchcape introducing brands that are already represented by an authorised dealer.**
23. In light of the foregoing, the Commission resolved that the merger as currently structured and presented qualifies to be permitted under Section 20 of the FCA.

The Commission's Determination

24. The Commission is of the view that the proposed transaction is unlikely to cause anticompetitive effects as it represents the transfer of ownership of I.T.C. Barbados and Simpson Motors Limited, through its parent company I.T.C. Cayman to Inchcape Holdings Limited.
25. Having considered the Application made by Inchcape International Holdings Limited, Interamericana Trading Corporation Barbados and Simpson Motors Limited for approval for the acquisition of Interamericana Trading Corporation Cayman which will result in the control of Interamericana Trading Corporation Barbados and Simpson Motors Limited, the Commission pursuant to Section 20 of the Fair Competition Act, CAP.326C of the Laws of Barbados determined that the transaction is permitted.
26. The Commission noted that Inchcape has a widened portfolio of automotive brands, and that some of these brands are already on offer by competing

authorised dealers. In this regard, and given the competitive harm that may occur from foreclosures within the market, Inchcape is required to notify the Commission if it plans to introduce any new brands to its portfolio of offerings that are already represented in Barbados.