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ICN AEWG TELESEMINAR – NON-HORIZONTAL MERGERS

Singapore

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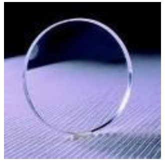
CONGLOMERATE MERGER – PHASE 2 FOR ESSILOR/LUXOTTICA



Essilor — Merger — Luxottica

Active in the manufacture and wholesale supply of ophthalmic lenses

Active in the wholesale supply of sunglasses and spectacle frames

Moved to Phase 2 Review –
CCCS's Concerns:

- Parties are two large players in their respective markets in Singapore
- Merged entity may have substantial market power for ophthalmic lenses, prescription frames and sunglasses
- Products are complementary, and merged entity may decide not to separately sell products individually or only at higher prices

CONGLOMERATE MERGER – PHASE 2 FOR ESSILOR/LUXOTTICA

THEORY OF HARM: “PORTFOLIO POWER”

- Merged entity has ability and incentive to require customers to purchase a range of their products, whether through tying or bundling of products

→ Luxottica’s market power in wholesale distribution of eyewear is sufficient to confer on merged entity the ability to foreclose competition in the market for wholesale distribution of ophthalmic lenses

→ Essilor’s market power in wholesale distribution of ophthalmic lenses is sufficient to confer on merged entity the ability to foreclose competition in the market for wholesale distribution of eyewear

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CONGLOMERATE MERGER – PHASE 2 FOR ESSILOR/LUXOTTICA

Can merged entity leverage market position in eyewear to foreclose competition for ophthalmic lenses?

- Despite absence of strong countervailing buyer power, most retailers indicated they source from multiple suppliers for sunglasses and prescription frames, and are able and willing to switch suppliers
- Although switching will be limited for Luxottica’s Ray-Ban and Oakley brands, these are unlikely to be “must-have” brands for retailers
- Distributors indicated they have spare capacity to handle surge in orders
- Difficult for merged entity to tie sunglasses to ophthalmic lenses (so tying across all products will not be a successful strategy)

CONGLOMERATE MERGER – PHASE 2 FOR ESSILOR/LUXOTTICA

Can merged entity leverage market position in ophthalmic lenses to foreclose competition for eyewear?

- Despite absence of strong countervailing buyer power, most retailers indicated they source from multiple lens suppliers, and are able and willing to switch suppliers
- Distributors indicated they have spare capacity to handle surge in orders
- End consumers generally display low brand awareness of ophthalmic lenses, so Essilor’s Crizal and Transitions brands are unlikely to be “must-have” brands for retailers

ASSESSMENT OF VERTICAL EFFECTS – GRAB/UBER MERGER

Grab

Acquired Uber's Southeast Asian business

Uber

Acquired 27.5% stake in Grab

Parties overlapped in the provision of ride-hailing platform services in Singapore

CCCS issued Infringement Decision against Grab and Uber on 24 September 2018

- Imposed directions on Parties to restore market contestability
- Imposed over S$13 million fine on Parties

ASSESSMENT OF VERTICAL EFFECTS – GRAB/UBER MERGER

- Although the transaction did not involve Grab acquiring the car rental/leasing assets or business of Uber in Singapore (i.e., it was not a vertical merger), the CCCS took the view that the vertical effects of the merger had to be considered
  - Because access to fleet of vehicles is essential for potential new entrant to build minimum critical mass
- CCCS's assessment of chauffeured private hire cars (CPHC) rental car market:
  - Drivers have insignificant countervailing buyer power
  - Barriers to expansion are significant in terms of time and upfront capital expenditure to build a sizeable car rental network
  - Concentrated CPHC rental car market: 50-60% of CPHC rental cars in Singapore are owned by Grab Rentals, Grab rental fleet partners (contractually exclusive to Grab) and Lion City Rentals (owned by Uber). Remaining market is fragmented, with next largest player having very low market share of 0-10%

ASSESSMENT OF VERTICAL EFFECTS – GRAB/UBER MERGER

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- CCCS imposed the following remedies to address vertical effects in CPHC rental car market:

- Parties to remove all exclusivity obligations, lock-in periods and termination fees on all drivers who rent a vehicle from Lion City Rentals, Grab Rentals and Grab's rental fleet partners so that these drivers can drive for any ride-hailing platform
- Lion City Rentals shall not be sold to Grab without CCCS's approval
- If any new entrant/existing ride-hailing service provider makes a reasonable offer to purchase Lion City Rentals, Uber must accept the offer unless CCCS objects
- Purchase Agreement must be modified to remove any restriction on whom Lion City Rentals could be sold to and the Parties shall not place any restriction in relation to the use of Lion City Rentals' vehicles by the acquirer

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