

Completed acquisition by HPI Limited of Carweb Limited

ME/5945/13

The OFT's decision on reference under section 22(1) given on 14 May 2013.
Full text of decision published 23 May 2013.

Please note that the square brackets indicate figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

PARTIES

1. **HPI Limited (HPI)** is a subsidiary of Solera Holdings, Inc, a global company active in the supply of software services to the automotive claims processing industry. HPI was originally founded in the 1930s and supplies vehicle specific data to both commercial organisations and consumers.
2. Solera's only other UK brand is **Audatex**, which provides services that facilitate the motor claims and repairs process for commercial customers. While it uses HPI's vehicle data services for the purpose of some of its products, it does not itself provide vehicle data services to its customers.
3. **CarweB Limited (CarweB)** has been operational since 2005. It specialises in the provision of technical data products and services in the automotive sector. CarweB's UK turnover for the financial year ending 31 May 2012 was £[].

TRANSACTION

4. HPI has purchased the entire issued share capital of CarweB for a consideration of up to £[]. The transaction completed on 6 December 2012, and was made public on 7 December 2012. Following Solera's press release the transaction was covered by certain trade publications.

5. The Office of Fair Trading (**OFT**) opened an investigation into the merger on 15 February 2013. Following the parties agreement to a 20 working day extension under section 25(1), the extended statutory deadline for a decision is 27 May 2013. The administrative deadline for a decision is 14 May 2013.

JURISDICTION

6. As a result of this transaction HPI and CarweB have ceased to be distinct. The parties overlap in the supply of vehicle data services in the UK and with an estimated combined share in the region of [45 - 55] per cent, the share of supply test in section 23 of the Enterprise Act 2002 (the Act) is met. The OFT therefore believes that it is or may be the case that a relevant merger situation has been created.

MARKET DEFINITION

7. The parties overlap in the provision of vehicle data services. Vehicle data services involve the supply of data on individual vehicles, linked to the vehicle registration mark (VRM). The main datasets used for the provision of vehicle data services is licensing data from the Driver and Vehicle Licensing Agency (DVLA) (in relation to vehicles already registered) and registration data from the Society of Motor Manufacturers and Traders (SMMT) (in relation to new vehicles that are registered for use on the roads). Access to these datasets is obtained under licence and there are currently six¹ bulk data licence holders with the DVLA.^{2,3}

¹ CAP Automotive Limited, CarweB Limited, CDL Vehicle Information Services Limited, Experian Limited, HPI Limited, and Vehicle Data Services Limited. DVLA's Bulk data guidance - V995/1, October 2012

² For example, providers wishing to obtain access to the DVLA dataset must apply for a bulk data customer licence, costing around £96,000 annually. Prospective customers must be listed on the Data Protection register, must be registered with HMRC and Companies House. They also must pass a financial credit check to provide DVLA with confidence that they are in a position to meet the payment of charges. The prospective customer must be able to demonstrate an acceptable 'reasonable cause' for access to the bulk data. In this context they must be able to demonstrate how their proposals will improve road safety, aid consumer protection, or deter vehicle theft.

³ Providers of vehicle data services may also obtain access to the datasets through an agreement with a bulk data license holder.

8. Vehicle data services cover a wide range of products, which differ depending on the amount and nature of the data that is provided to the customer. At the most basic level a vehicle enquiry service is available for free from the DVLA,⁴ where a user can input the VRM and obtain information about the vehicle that includes, the make and model, the year of first registration, year of manufacture, colour, engine size and fuel type, when its current tax disc is due to expire or any statutory off road notification expires, CO2 emissions, and the vehicle's current tax rate.
9. Providers of vehicle data services add value to the underlying datasets by 'cleansing' the data, thus reducing errors contained in the source data and/or supplementing these datasets with data obtained from other sources, depending on the customer needs and intended purposes of its use. For example the DVLA and SSMT datasets may be supplemented with data from the Finance and Leasing Association on outstanding vehicle finance, which allows users to check whether a vehicle being sold has such outstanding finance. Other supplementary data includes data on ABI codes⁵, parts and technical data, data from the Police National Database, total loss data and vehicle valuation data.
10. These data services are provided to both commercial customers and to consumers.

Commercial customers

11. Vehicle data services are provided to a variety of commercial customers to support both internal and external business functions. These include:
 - a. Car dealerships for valuing second hand vehicles which they buy or sell.
 - b. Finance houses for ensuring that vehicles for which finance is being sought do not have outstanding finance obligations.
 - c. Insurance providers for 'front-end' services such as providing insurance quotes or 'back-end' services such as settling insurance claims.
 - d. Garages and repair shops, which may use vehicle data services in order to identify and order spare parts for vehicles undergoing repairs.

⁴ www.taxdisc.direct.gov.uk/EvlPortalApp/app/enquiry?execution=e1s1

⁵ This gives a 'weighting' to a certain vehicle type and allows insurers to calculate insurance premiums.

- e. Other companies such as roadside recovery companies, car park operators and those involved in the recycling of spare car parts.
12. The extent of the information and degree of accuracy of vehicle data services provided to commercial customers depends on the individual business needs and the relevant agreement with the data provider.⁶ Therefore vehicle checks provided to commercial customers can range from basic vehicle detail checks to detailed vehicle provenance checks, which may also include checks on related aspects such as outstanding vehicle finance. Access to vehicle data services may be through an online facility, bespoke software systems, integration to the provider's database or acquisition of the required dataset from the provider.

Consumers

13. Vehicle data services are sold to consumers through online portals or by telephone (including calls, text and mobile applications). Consumers typically purchase individual vehicle checks as part of the process of buying vehicles, although certain providers offer multiple check products at a discounted per check cost. Consumer products vary in the detail of information provided and cost, ranging from basic vehicle detail checks which are similar to the DVLA's free information, to detailed vehicle provenance checks, which may include additional services such as vehicle valuation services.
14. Basic vehicle services are available for around £3 and offer basic checks such as whether the vehicle has been reported stolen or it has been written off for insurance purposes. These basic checks are known as 'sub-prime services.'
15. Some vehicle data services offer additional services such as valuation services, details on outstanding finance and complementary insurance covering the consumer against the information provided being proved wrong (for example mileage information being wrong and the consumer finding out after committing to buying the vehicle). Vehicle data services

⁶ For example insurance providers which offer online vehicle insurance quotes combine basic vehicle checks with the ABI vehicle 'weighting' data to provide consumers with online insurance quotes quickly.

offering these additional services typically cost around £20-£25 and are known as 'prime services'.

Product scope

16. The parties submitted that there is a single overall market for the provision of vehicle data services, regardless of the customer type. The parties argued that this was for the following reasons:
- a. Vehicle data services to commercial customers and consumers involved the same core datasets. Furthermore, additional data necessary to fulfil the requirements of a particular customer group is fairly easy to obtain.
 - b. The same suppliers of vehicle data services are active across both the consumer and commercial segments. Suppliers can and do switch between the two.
 - c. Many of the underlying systems were carried online, making switching between customer groups straightforward.
 - d. In relation to the consumer segment, there was a range of products, differentiated according to the package of data which each offering contains. While products at the ends of the package spectrum may be too different in price to represent substitutes, in between there is a range of products available to consumers.
 - e. In relation to the commercial segment, the type and granularity of information required by such customers varies significantly. However providers are able to supply data services to new customers for new uses with little or no delay or adjustment to their systems.

Commercial vs consumer segment

17. The parties submitted that the OFT should assess the merger in relation to an aggregated market for the provision of vehicle data services, which includes services offered to both consumers and commercial customers. They noted that while the manner in which sales were made to the two

segments differed,⁷ the core of the product is the same across the two segments.

18. The parties told the OFT that this was most noticeable in the fact that the customer base for providers of vehicle data services, spanned the consumer and commercial customer segments. The parties noted that the parties both offered products aimed at the consumer segment, as well as various commercial customers, including insurance companies, auto trade customers, finance companies, insurers and other commercial customers. This was also true of their other main competitors, Experian and Cheshire Data Limited (CDL).
19. The OFT considers that demand-side considerations could warrant defining separate product markets for the provision of vehicle data services to each of the consumer and commercial customer segments. That is, following a small yet significant non-transitory increase in price by a hypothetical monopolist of the commercial customer segment, it is unlikely that a sufficient number of commercial customers would switch to the consumer segment, and vice versa, such that the price rise would become unprofitable. This is for a number of reasons, not least the different pricing points,⁸ differences in underpinning agreements,⁹ differences in requirements for granularity¹⁰ and differences in delivery methods.¹¹ Furthermore, competition for the provision of vehicle data services for commercial customers typically occurs through tenders, whereas providers to the consumer segment compete to provide individual checks as part of the process of buying second-hand vehicles, for example by undertaking promotional activities for their services such as online advertising.

⁷ For example consumers typically purchased a single vehicle check whereas commercial customers typically had agreements for bulk vehicle checks.

⁸ The OFT was told that commercial vehicle data services typically cost a few pence per check, whereas services to consumers start from around £3. [].

⁹ Consumers typically pay for individual vehicle checks, whereas commercial customers typically have agreements for bulk vehicle checks.

¹⁰ For example the parties told the OFT that commercial customers involved in the provision of spare parts required significant accuracy, since small errors could result in the wrong parts being ordered.

¹¹ For example vehicle data services to consumers are typically delivered online or via telephony services, whereas services to commercial customers may require the development of bespoke systems.

20. In relation to supply-side considerations the OFT notes that vehicle data services provided to both commercial customers and consumers rely on the same core datasets, namely the DVLA database and data from the SMMT on new vehicle registrations. Depending on the needs of the user, this data may be supplemented by data from other sources, as described in paragraph nine above. Furthermore, providers of vehicle data services may switch between the consumer and commercial customer segments. For example, CarweB entered the consumer segment in 2011, having previously been active in the supply of vehicle data services to the commercial segment. The parties submitted that [], meaning that switching between the two segments is feasible.
21. The OFT however notes that the competitive conditions are not sufficiently similar across the consumer and commercial segments. Of the six bulk data licence holders, only four are active in the consumer segment,¹² while all six operate in the commercial segment. Third parties also suggested that the costs of promoting products aimed at consumers were significant and as such switching may be more difficult than suggested by the parties.
22. Therefore, without concluding on the precise delineation in respect of the distinction between the consumer and commercial segments, the OFT adopts a cautious approach and assesses the effects of the transaction on each of the consumer and commercial segments separately.

Prime and sub-prime¹³ consumer segments

23. The parties submitted that in relation to the consumer segment, there are a range of different product offerings, each with different sets of information being provided and carrying different prices. At one end of the scale are basic checks, the simplest of which is information available from the DVLA website for free. At the other end of the scale, providers of vehicle data services offer detailed vehicle provenance checks, including information on outstanding finance. HPI for example offers a Premium Check service which retails at around £25 and offers information from police databases

¹² HPI, CarweB, Experian and CDL.

¹³ The parties defined prime vehicle check products as those that also included outstanding vehicle finance checks.

and also carries a financial guarantee against the provision of wrong information.¹⁴

24. The parties told the OFT that the various products across this spectrum were so differentiated so as not to represent demand-side substitutes. However in between the extremes of the spectrum, it is likely that substitution possibilities exist between products of similar information and prices. For example the parties stated that the HPI Platinum Check retails for £11.99, while CarweB's Gold Check with Finance Check add-on, was available for £15.49. [].
25. Furthermore, the parties noted that suppliers of consumer vehicle data services could easily and readily switch across the different product offerings. They told the OFT that this was due to the different products being based on the same datasets, meaning switching costs were minimal.
26. The OFT received few comments from third parties on the extent of consumer switching between sub-prime and prime products.
27. HPI's internal documents suggest that sub-prime providers had been competing aggressively for market share. [] [].¹⁵
28. The OFT has not concluded on the precise product market definition with respect to prime and sub-prime vehicle data services for consumers. Instead the effects of the merger on a combined consumer segment, including both prime and sub-prime products has been considered, assessing the extent to which products across these two segments are substitutable from the consumer's perspective and as a result the extent to which competitive constraints span these segments.

Other potential delineations

29. The parties submitted that in the commercial segment, the parties' businesses were largely complementary. HPI, for example, focuses on the provision of detailed checks, which include finance information, to finance houses, dealerships and the back-end of the insurance process (for example

¹⁴ The parties noted that some of these products may be too differentiated to be clear substitutes for the consumer. See paragraph 16(d).

¹⁵[].

settling insurance claims). While CarweB, by contrast, provides basic vehicle data services to the front-end of the insurance process (for example providing insurance quotes) and also to customers in the vehicle spare parts and repairs business, [].

30. Several third parties broadly confirmed the parties' submission, noting that they had quite different commercial propositions, particularly with CarweB focused on the provision of vehicle data services to the vehicle aftercare market (for example car parts and repair workshops), whereas HPI's business was strongest in the supply of vehicle data services to the motor trade such as vehicle dealerships.
31. Therefore, there may be a case for considering drawing a distinction between the various sectors in the commercial segment. However, the OFT has not concluded on the precise delineation with respect to the type of commercial customer to which vehicle data services are supplied, instead assessing the strength of constraint that the parties posed on each other prior to the merger and the competitive conditions post-merger.
32. The OFT also considered whether free vehicle data services, such as the DVLA's VRM look up service, act as a credible substitute to paid-for services. Respondents were unanimous in dismissing free vehicle data services as a credible substitute to paid-for services, not least since these lacked the level of detail required for both consumers and (particularly) commercial customers. Furthermore, the majority of customers required the additional information provided by paid-for services such as vehicle valuation information obtained from the Association of British Insurers. The exceptions were in cases where consumers wanted to verify the basic details of a vehicle and for the insurance aggregator segment.
33. Therefore the OFT has excluded free vehicle data services from the relevant product market and considers paid-for vehicle data services solely.

Geographic scope

34. The parties submitted that the relevant geographic market was for the supply of vehicle data services in the UK. The basic dataset used for the supply of these data services is UK-centric since it based on UK VRM information and as such not substitutable with such data from other geographic areas. The parties told the OFT that, where they had overseas

operations,¹⁶ these were country-specific offerings, including the data and the customer base.

35. The OFT considers that on the basis of the aforementioned considerations, the relevant geographic market is likely to be at most UK-wide. On the demand-side both commercial customers and consumers considering vehicle data services, require access to information on UK registered vehicles. On the supply-side restrictions on access to the datasets are likely to discourage overseas firms from entering the market.¹⁷ While the OFT has not needed to conclude on the precise geographic market definition it has assessed the effects of the merger on the basis of a UK-wide geographic market.

Conclusion on the relevant frame of reference

36. The OFT has not found it necessary to conclude on the precise boundaries of the relevant market, since it does not impact on the OFT's conclusions. However, the OFT has considered the effects of the merger on the market for the supply of vehicle data services to UK commercial customers separately from the effects on the market for the supply of vehicle data services to UK consumers.

HORIZONTAL ISSUES

37. The parties overlap in the provision vehicle data services to UK consumers and commercial customers.

The supply of vehicle data services to UK consumers

38. The parties provided estimates of the market shares for the supply of vehicle data services to UK consumers, as shown in Table 1 below. On the basis of these figures, the parties have combined shares of [35-45] per cent (increment [0-10] per cent) in value terms and circa [25-35] per cent (increment [15-25] per cent) in volume terms.

¹⁶ For example CarweB has small operations in the Republic of Ireland, Portugal and France, which represent [] of turnover.

¹⁷ For example applicants for access to the DVLA bulk dataset must be listed on the Data Protection register, and must be registered with HMRC and Companies House.

Table 1: Supply of vehicle data services to UK consumers (2012)

Provider	Value (£m)	Value (percent)	Volume ('000)	Volume (percent)
HPI ^{18,19}	[]	[25-35]	[]	[10-20]
CarweB ²⁰	[]	[0-10]	[]	[15-25]
Combined	[]	[35-45]	[]	[25-35]
Experian	[]	[25-35]	[]	[5-15]
CDL ²¹	[]	[25-35]	[]	[45-55]
Total ²²	[]	100.0	[]	100.0

Source: parties' calculations

39. The parties submitted that, for a number of reasons, the market share figures in Table 1 were likely to over-estimate their position in the consumer segment and also by implication under-estimate the positions of their competitors:

- a. Given the significant amount of uncertainty with the parties' calculations, they had tended to adopt a cautious approach in their estimates of their competitors' revenues and volumes. Therefore they expected the size of shares of their competitors to be significantly higher than would appear in Table 1.
- b. The parties' offerings are largely complementary and as such the extent to which they compete with each other is limited. For example HPI is largely focused on the provision of prime vehicle data services, that is those which [], whereas CarweB focuses mainly on the provision of sub-prime vehicle data services. They told the OFT that this distinction was most visible when comparing the parties' shares in terms of volumes and value. For example CarweB has a share of around [15-25] per cent in volume terms and only around [0-10] per cent in value terms.

¹⁸ HPI's figures are for the financial year ending in 2012, with the exception of figures for CarSpotters and carstatuscheck.co.uk.

¹⁹ Includes HPI's prime offering (hpcheck.com), its sub-prime offering (carstatuscheck.co.uk) and third party resellers AA, RAC, Ebay and CarSpotters.

²⁰ Includes online checks (icarcheck) and mobile phone text based checks (itextcheck).

²¹ Parties' estimates on the basis of internet traffic to CDL's mycarcheck website and also estimating CDL sales of mobile phone text based checks (mytextcheck).

²² May not sum to 100 due to rounding errors.

- c. Given their differentiated product offerings, the parties were not each other's closest competitor. The parties submitted that CarweB's closest competitor is CDL, which focuses at the sub-prime end of the vehicle data services, whereas HPI's closest competitor was Experian, given their overlapping products.
40. Given this uncertainty around some of the estimates that make up the market share figures in Table 1, the OFT calculated its own estimates of relevant market shares in the consumer segment in volume terms. On the basis of these calculations, the parties' combined share of supply is [25-35] per cent (increment [five-15] per cent) which is similar to the parties' estimate.
41. The parties submitted that the merger would not lead to a substantial lessening of competition, since the merged entity would face a significant constraint from the remaining competitors going forward. Furthermore, as described above, the parties' products are substantially differentiated in the consumer segment, with HPI focusing on prime vehicle data services, whereas CarweB is focused at the sub-prime end of the market. Further, to the extent that CarweB provides any 'enhanced' services, these are through agreements with Experian, under which CarweB offers Experian's outstanding vehicle finance check through a white label agreement.
42. The OFT considered whether the parties overlapped in the consumer segment in between the prime and sub-prime segment, by providing similarly priced products.²³ That is, whether the CarweB product which is offered as a combination of checks and HPI's basic product, are important substitutes from the consumer's perspective.
43. The parties told the OFT that while the products overlapped in terms of price, there were substantial differences in terms of the features offered, with HPI's Classic Check offering more features overall.²⁴ Furthermore

²³ CarweB provides a vehicle checks service with add-ons (Ultimate Check, Mileage Check and Outstanding Finance Check), while HPI's basic product (Classic Check), both of which retail for £19.99.

²⁴ For example HPI's Classic Check offers a guarantee of £30,000 against wrong vehicle check information being provided to the consumer. The service also offers the possibility of a telephone check (at additional cost) as well as additional information, such as CO2 emissions and a condition check. CarweB does not offer any of these services.

CarweB only offers the add-on services (outstanding finance check at an additional £6.50 and the Mileage Check at an additional £3.50) through []. Therefore the competitive constraint from Experian at the prime end of the consumer segment (through services provided on its own website and through its other white label agreements) and from CDL at the sub-prime end would continue following the merger.

44. Third party comments were broadly supportive of the view that the parties' products in the consumer segment were differentiated. Third parties noted that there were a number of other players active in the market competing with the parties. Where they considered that the parties competed closely in the consumer segment, they noted that the parties were also competing against Experian and CDL.
45. The parties' internal documents corroborated their submissions. []. []. Furthermore, [] and this constraint will remain post merger.
46. The OFT also considered whether HPI's entry into the consumer segment meant that the parties were competing strongly through their sub-prime offering. The OFT asked the parties for a split of their revenues and volumes of checks performed according to whether these were prime checks (including an outstanding finance check) or sub-prime checks (excluding outstanding finance check). These figures highlighted the different positioning of the parties' products, with CarweB mainly focused in the sub-prime segment and HPI at the prime end of vehicle data services (Table 2).

Table 2: Split of parties' activities by prime and sub-prime (FY 2012)

	Sub-prime		Prime	
	Value (£'000)	Volume ('000)	Value (£'000)	Volume ('000)
HPI	[]	[]	[]	[]
CarweB	[]	[]	[]	[]

Source: parties' calculations

47. The OFT also asked HPI for projected revenues and volumes for the carstatuscheck.co.uk brand, since the merger may have removed a significant competitor to CarweB in the sub-prime segment in the near

future. HPI estimated that carstatuscheck.co.uk would achieve revenues of [] checks within two years of launch. Therefore, even allowing for the growth potential of HPI's sub-prime brand, it would only be expected to build a presence of [] in the sub-prime segment.

48. On the basis of the above evidence, the OFT concludes that the merger does not raise a realistic prospect of a substantial lessening of competition based on unilateral effects in the supply of vehicle data services to UK consumers. The parties' products are differentiated to a significant degree, with minimal overlap in their price/product mix, in relation to CarweB's higher priced product and HPI's basic check service. Therefore, to the extent to which the merger serves to remove a competitor, this is likely to be in relation to a narrow overlap in products. Furthermore, the merged entity would face a significant constraint from the remaining competitors in the consumer segment, Experian in the prime segment and CDL in the sub-prime segment.

The supply of vehicle data services to UK commercial customers

49. The parties provided the OFT with estimates of their relative positions in the commercial customer segment in revenue terms.²⁵ Table 3 below shows market shares, indicating that the parties have a combined share of [45-55] per cent (increment of [five-15] per cent) in revenue terms.

Table 3: Market shares for the provision of vehicle data services to UK commercial customers (2012)

Provider	Value (£m)	Value (%)
HPI	[]	[35-45]
CarweB	[]	[0-10]
Combined	[]	[45-55]
Experian	[]	[25-35]
CDL	[]	[0-10]
Others ²⁶	[]	[10-20]
Total	[]	100.0

Source: parties' data

²⁵ The parties told the OFT that they could not estimate their competitors' volumes to a significant degree of certainty and as such had not attempted the exercise.

²⁶ Includes Autodata, Vehicle Data Services and CAP Automotive.

50. The parties told the OFT that the market share figures were again likely to over-estimate their competitive position in the supply of vehicle data services to commercial customers since:
- a. The revenue figures for the parties' competitors were the parties best estimates and subject to uncertainty. The parties had also adopted a cautious approach in estimating these, meaning their competitors' shares were likely to be higher.
 - b. The parties' commercial customer base is mainly divided because of their differentiated offerings. HPI offers detailed vehicle data services ([]), which are particularly relevant to finance companies and vehicle dealerships. CarweB's offering on the other hand is particularly important to the spare parts commercial segment, []. CarweB also has a strong position in the technical data services to commercial customers involved in repairs, servicing and roadside assistance. HPI in contrast does not provide these services to these commercial customers. The parties provided the OFT with a split of revenues by commercial customer segment, which is shown in Table 4.
 - c. The parties told the OFT that, while they overlapped in the supply of vehicle data services to insurance customers, HPI was predominantly focused on supplying such services for back-end processes (for example settling of insurance claims), whereas CarweB focused on the front-end of the insurance segment (for example the provision of quotation). The parties suggested that [].

Table 4: Parties' revenues by commercial segment (2012)

	Dealers	Finance	Parts	Technical	Insurance	Other
HPI	[]	[]	[]	[]	[]	[]
CarweB	[]	[]	[]	[]	[]	[]

51. Third party views were broadly supportive of the parties' submissions, commenting that CarweB's technical and spare part data gave it an advantage in the supply of vehicle data services to these segments, where it predominantly competed with Vehicle Data Services. Third parties were generally of the view that HPI and Experian were particularly close

competitors. Although, several customers in the insurance segment considered that HPI and CarweB were very close competitors [].²⁷

52. The parties provided instances of formal tendering procedures in which they had participated between 2010 and 2012. This showed that the parties both participated in [] tenders that took place between 2010 and 2012 and where at least one of the parties participated.²⁸ There are [] instances in which the parties were the only two bidders (known to the parties).²⁹
53. The parties also provided data on instances where HPI had been requested to provide a quote.³⁰ Between 2010 and 2012, there were [] instances where HPI was asked to provide a quote for major accounts (all of which are vehicle dealerships) and in each case it was competing against Experian for the business. During the same period, HPI provided [] quotes to other account holders, again in each case competing with Experian. CarweB had only provided quotes in [] of these requests for bids.
54. HPI's internal documents broadly suggest that HPI's closest competitor in the commercial segment is Experian. One internal document notes that []. Another document states that Experian is HPI's main competitor, while a third describes []. Another internal document notes that [].
55. On the basis of the evidence above, the OFT has concluded that the merger does not raise a realistic prospect of a substantial lessening of competition with respect to unilateral effects in the supply of vehicle data services to commercial customers. The OFT considers that the parties compete in the commercial sector, as suggested by the third party comments and some of the tendering data. However, the OFT also considers that a significant portion of the parties' commercial business is

²⁷ However, the OFT was told [] that going forward they were likely to approach a number of the other DVLA bulk data licence holders.

²⁸ This is likely to be a subset of all vehicle data services tenders set by commercial customers, since there are likely to be tenders in which neither party participated.

²⁹ []

³⁰ The parties told the OFT that CarweB, due to being of much smaller size than HPI, did not keep a record of instances where it was asked for a quote by commercial customers. However to give an indication of business size obtained this way, CarweB receives around [] requests for quotes on average every month and is able to secure about [] of these as new customers.

focused on specialist areas, such as CarweB's focus on car parts and technical data segment, where HPI does not have a strong presence.

56. Where the parties overlap to a significant degree and where some third party concerns were raised, namely the insurance segment, they also face significant competition from Experian and to a lesser extent CDL, Vehicle Data Services and Autodata. Several of these customers noted that they had not considered other providers in the past, but would consider these when tendering contracts in the future. In their relative specialist areas, the merged entity will continue to face significant competitive constraints from other providers, such as Vehicle Data Services and Autodata in technical and parts data, and Experian in the supply of vehicle data services to dealerships.

BARRIERS TO ENTRY AND EXPANSION

57. The parties submitted that the market for the provision of vehicle data services to both commercial customers and consumers was growing at a significant pace, offering opportunities for new entrants. In the commercial customer segment, there were significant opportunities in developing and marketing new products to customers. In the consumer segment, only a small proportion of consumers currently undertook a vehicle data check as part of the process of buying second hand cars, as confirmed by the OFT market study into the second hand car market.³¹
58. The parties also told the OFT that they faced the genuine prospect of new entry or switching by existing players moving into new business areas within the vehicle data services sector. The parties suggested, as an example, that CAP Automotive had recently obtained access to the DVLA dataset as a bulk dataset user and, they thought, were in the latter stages of product development in relation to a consumer vehicle data check service.³² In the consumer segment, the parties highlighted that CarweB entered the segment only two years ago and in that time had gained a noteworthy share of the segment. The parties told the OFT that CarweB

³¹ See www.of.gov.uk/shared_of/reports/676408/oft1217.pdf, at paragraph 5.8

³² CAP Automotive specialise in the provision of vehicle valuation products. These are used by providers of vehicle data services offering such services as part of their offered package or as an additional bolt-on service. The OFT has not received any separate evidence to support the parties' contention.

had invested circa [] in order to enter the consumer segment (already having been active in the commercial segment) [].

59. Third parties were generally of the view that there were significant barriers to entry in the provision of vehicle data services. They told the OFT that these include the significant costs of entry, such as obtaining access to the necessary datasets, the costs of 'cleansing'³³ the datasets, the cost of obtaining the necessary expertise to combine the various datasets and devise useful customer products, and the costs of marketing the services. Third parties noted that there were only six DVLA bulk data licence holders, which highlighted the restrictions which this part of the process placed on those interested in obtaining access to this core dataset.
60. The OFT notes that it does not have to conclude on the existence and scope of barriers to entry in the supply of vehicle data services, since the merger does not raise a realistic prospect of a substantial lessening of competition.

THIRD PARTY VIEWS

61. The majority of third parties noted that the parties' businesses were substantially differentiated both in the consumer segment and (particularly) in the commercial customer segment. These arguments have been set out in more detail above. Some third parties noted that the merger was expected to result in higher prices in the commercial customer segment, since the customers had in the past played the parties against each other to obtain improved offers. However upon further consideration, several of these noted that, following the merger, several realistic alternatives to the merged entity would remain, not least Experian and CDL.

³³ 'Cleansing' involves the process of checking the various underlying datasets used in this sector, for inconsistencies and errors. This is mainly done by comparing the same data fields across a number of datasets and where diverging results are identified, various processes take place to identify the correct information. The extent and effort that is placed in this area varies by product and area. For example []. [].

ASSESSMENT

62. Prior to the merger, the parties overlapped in the provision of vehicle data services to UK consumers and commercial customers. HPI also provides white label vehicle data services to a number of customers.
63. The OFT has assessed the potential effects of the merger in relation to the supply of vehicle data services to the following:
 - a. Consumers who use these services as part of the vehicle purchasing process. These are accessed mostly through online portals or through mobile telephony services.
 - b. Commercial customers use vehicle data services in a number of ways, including as part of the process of providing insurance quotes or garages seeking to identify spare parts for repairs.
64. In each relevant market, the OFT has assessed whether the merger serves to remove a significant constraint on one or both of the merger parties and as such raises a realistic prospect of a substantial lessening of competition.
65. In the provision of vehicle data services to both consumers and commercial customers, the OFT concludes that the parties' products were differentiated to a degree. In relation to services offered to consumers, CarweB focuses in the sub-prime segment, whereas HPI's products are aimed at the prime segment.
66. In the commercial segment, CarweB has a strong position in relation to aftermarket customers, whereas HPI has built a strong customer base in the dealerships and the back-end of the insurance process (settling claims).
67. In both the consumer and commercial sector, the OFT notes that the parties face significant competition from the other major providers, CDL and Experian. In relation to services to consumers, the parties also face the prospect of switching from existing providers of commercial services, who have access to the DVLA dataset as bulk data licence holders (there are six such providers including the parties). CarweB itself entered the consumer segment having previously been a provider of vehicle data services to commercial customers. In the commercial segment, the parties also face

competition from specialist providers, for example Vehicle Data Services, which is a significant competitor to CarweB in the provision of vehicle data services to aftermarket commercial customers (for example garages). The OFT also notes that access to the DVLA dataset as a bulk data licence holder, while costly, is possible as evidenced by CAP's recent acquisition of the DVLA licence, and that it is possible for other providers to access the DVLA data through agreements with the Bulk Data licensees.

68. A number of third parties initially raised concerns in relation to the merger. However upon further consideration, several of these considered that the merger was unlikely to raise issues going forward. For example one respondent noted that in the past their choice of provider may have been restricted, but in the future they were able and likely to consider alternative providers.
69. Consequently, the OFT does not believe that it is or may be the case that the merger has resulted or may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

DECISION

70. This merger will therefore **not be referred** to the Competition Commission under section 22(1) of the Act.