

***Case No COMP/M.1880 -
MINNESOTA MINING
AND
MANUFACTURING /
QUANTE***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 31/03/2000

*Also available in the CELEX database
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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 31. 03. 2000

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sirs,

Subject: Case No COMP/M.1880 – MINNESOTA MINING AND MANUFACTURING / QUANTE

Notification of 29.02.2000 pursuant to Article 4 of Council Regulation (EEC) No 4064/89

1. On 29.02.2000, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which Minnesota Mining & Manufacturing Company (3M) acquires sole control of the whole of Quante Aktiengesellschaft (Quante AG) by way of purchase of all voting shares from Quante Holding GbR (50% of the issued and outstanding stock). In a second step 3M will launch a public bid on the rest of Quante's preferred, non-voting stock traded on the stock exchange and held by the public.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

I. THE PARTIES AND THE OPERATION

3. 3M, a US company, is a diversified manufacturer of some 50.000 products, with activities around the world in six major markets: electronic and communications equipment; consumer and office; health care; industrial, speciality materials; and transportation and safety materials.
4. Quante AG is active in the manufacture and supply of system components for public and private network products in the telecommunications market.
5. The proposed operation consists in the acquisition of Quante AG either by 3M itself or through the latter's fully owned subsidiary SuSE Verwaltungs GmbH. Following the acquisition of all the voting stock, 3M will have sole control over Quante AG.

II. CONCENTRATION

6. The notified operation concerns the acquisition of sole control by 3M over Quante, an undertaking previously independent of the former, and therefore constitutes a concentration within the meaning of article 3(1) (b) of the Merger Regulation.

III. COMMUNITY DIMENSION

7. The combined aggregate worldwide turnover of the undertakings concerned exceeds € 5.000 million (3M €12.400 million, Quante AG €344,776 million). The aggregate Community-wide turnover of each party exceeds €250 million (3M €3.754 million, Quante AG €258,34 million). They do not achieve more than two-thirds of their aggregate Community-wide turnover within in one and the same Member State. The notified operation, therefore, has a Community dimension according to Article 1(2) of the Merger Regulation.

IV. THE RELEVANT MARKETS

A. Relevant product markets

8. The relevant product markets concerned by the proposed operation relate to the overall market for telecommunications and data systems. 3M and Quante are essentially designers and manufacturers of a wide range of components and systems for incorporation in equipment used in the data- and telecommunications market. The provision of telecommunications services as such, i.e. voice or data services, is not concerned.
9. According to the parties, telecommunication and data networks can be divided into the private (network) products market on the one hand and the public (network) products market on the other hand, with a distinct market for support services. The distinction between the public network products market (or network operator owned equipment market) and the private network products market (or the customer owned equipment market) is based on the regulatory history of the telecommunications industry and this distinction is supported by fact-finding in the market. Furthermore, the distribution channels are different and the applications in which the equipment is used is subject to different standards.
10. The parties submit that telecommunication network products can be distinguished into narrower sub-categories. Within the **public market**, it is relevant to further distinguish on the one hand passive components (such as cabling, termination products, enclosure products and connecting products) and on the other hand Network Electronics Equipment (such as active transmission systems). Equally, for the **private market**, a distinction between passive components (cabling, terminating and distribution systems) and Network Electronics Equipment (Local Area Network equipment such as hubs, switches) is appropriate and in line with the definitions used in previous cases¹.
11. The **services market** includes any type of provisioning, constructing or maintaining the telecommunications network.

1. Case M/IV.1800: Marconi/Bosch Public Systems, Case IV/M.1711: Tyco/Siemens, Case IV/M.651: AT&T/Philips

Product segmentation

12. Although the parties have argued the possibility of a number of possible subdivisions, they submit that further product market differentiation is not relevant, irrespective of the different fields of use of the different components. It is the Commission's understanding, based on third parties' comments, that these relevant product markets could indeed be further divided into smaller sub-markets or segments according to physical characteristics and final industrial applications.
13. In any event, it is not necessary to further define this market because in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of it.

B. Relevant geographic market

14. The parties take the view that the relevant product markets have at least an EEA-wide dimension. Although there are different product and system standards between Europe and the US, most of the products sold in one location can be sold in any other as products can be quickly adapted to local customer needs. As confirmed by market investigation, standards worldwide are vastly similar in the private market. The public market however, is still subject to differences between Europe and the US concerning software protocols (network electronics) and standards (passive segment).
15. In any event, for the purpose of this case, it is not necessary to further define the relevant geographic market, since, even on the basis of the narrowest possible geographical definition, effective competition would not be significantly impeded in the EEA or any substantial part of it.

V. ASSESSMENT

16. On the basis of the parties' market shares in the markets as defined above, there is no significant overlap in the **public passive market**. 3M's strong position in Copper splicing products ([35%-60%] of the EEA market) will not be reinforced by the operation as Quante does not produce such products. Quante does re-sell splicing products (mainly 3M products), but quantities are small ([0,5%-2%] of the EEA market) and sales are only directed to regions outside Europe. The only product segments for which there is a (limited) overlap, i.e. fiber optic connectors, closures and terminating systems, show combined EEA market shares for the parties of [between 1% and 10%]. These results are not different if this analysis were to be made on a member state basis. In the **public networks electronic market**, there is only limited addition of market shares as the activities of the parties are focused on different product groups and most of 3M's product lines are oriented towards the US standards. The only product group for which there is an overlap (test and measurement equipment) shows a combined EEA market share of [0,5%-5%].
17. As for the **private market**, there is no product overlap between 3M and Quante. In this market, the only product 3M markets in Europe is a local area network solution that competes with much stronger competitors. Quante's products are in other product market segments for which it holds only minor market shares. Concerning the **services market**, there is no overlap as 3M is not active in this market.

18. In view of the fact that, even on the basis of the narrowest product market definition, the operation does not result in any affected market, the operation will not have a significant impact on competition in the EEA. Consequently, the proposed concentration does not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

VI. CONCLUSION

19. For the above reasons, the Commission decides not to oppose the notified operation and to declare it compatible with the common market and with the functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,