

***Case No COMP/M.3004 -  
BRAVIDA / SEMCO /  
PRENAD /  
TOTALINSTALLATÖRE  
N/BACKLUNDS***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 13/12/2002

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 13/12/2002

SG (2002) D/233111

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 party**

Dear Sir/Madam,

**Subject: Case No COMP/M.3004 – Bravida /Semco /Prenad /Totalinstallatören /Backlunds  
Notification of 12.11.2002 pursuant to Article 4 of Council Regulation No 4064/89<sup>1</sup>**

1. On 12/11/2002, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 (the Merger Regulation) by which the Norwegian undertaking Bravida ASA (“Bravida”), jointly controlled by Procuritas Capital Partners II, LP and Procuritas Capital Partners II-B, LP (Procuritas) and Telenor Installasjon Holding AS, acquires within the meaning of Article 3(1)(b) of the Council Regulation sole control of the undertakings Semco Danmark A/S (“Semco”, Denmark), Totalinstallatören EVV AB (“Totalinstallatören”, Sweden), Prenad AB (“Prenad”, Sweden) and Backlunds Elservice AB (“Backlunds”, Sweden) by way of purchase of shares.
2. After examining the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation 4064/89 and that it does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

**I. THE PARTIES**

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<sup>1</sup> OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

3. **Bravida** is the parent company of 11 companies with more than 12,000 employees. The Bravida group is active in Norway, Sweden and has some activities in Denmark. Bravida provides technical installation services within electrical, ventilation, water and sanitation, telecommunication and data networks and information and communication technology. Bravida is jointly controlled by Procuritas and ultimately by the Norwegian telecommunication company Telenor.
4. **Semco** provides services within the fields of electrical installations, ventilation installations and water and sanitary installations including pipe-systems. Semco is only active in Denmark. **Totalinstallatören** is a provider of technical installations and maintenance service pertaining to ventilation in Sweden. **Prenad** is active in the Swedish markets for electrical installations and water and sanitation installations. **Backlunds** is a provider of electrical installations in Sweden.

## II. THE OPERATION

5. On the 19 December 2001 C.W. Obel A/S of Denmark and Bravida, through its Swedish subsidiary Bravida Öst AB, signed a Share Sale and Purchase Agreement whereby Bravida Öst AB acquires sole control of Obel's wholly owned subsidiary Backlunds. The acquisition was cleared by the Swedish Competition Authority on 23 January 2002. On the 9 October 2002 Bravida and Obel signed a new Share Sale and Purchase Agreement, whereby Bravida purchases all the shares in Obel's subsidiaries Semco, Prenad and Totalinstallatören. Given that Article 5(2) of the Merger Regulation provides that two or more transactions which take place within a two-year period between the same undertakings shall be treated as one and the same concentration arising on the date of the last transaction, both transactions are notified as one concentration and assessed as one concentration by the Commission.

## III. CONCENTRATION

6. In the light of the above, it can be concluded that the notified transactions constitute a concentration within the meaning of Article 3 (1)(b) of the Merger Regulation.

## IV. COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>2</sup> [Bravida/Procuritas/Telenor [...] million, Semco DK/S [...] million]. Each of the undertakings have a Community-wide turnover in excess of EUR 250 million [Bravida/Procuritas/Telenor [...] million Semco [...] million], but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.

## V. RELEVANT MARKETS

### *(a) Product markets*

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<sup>2</sup> Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

### Electrical installations

8. The parties submit that there is a distinct market for the provision of electrical installations encompassing high (V220 to V380) and low (V0 to V48) voltage installations, service and maintenance. In their view, this is supported by the fact that a majority of all installation companies in Scandinavia provide both high and low voltage installations and that customers (building owners, construction firms and installation firms) generally demand both high and low voltage installations at the same time.
9. The parties also find that it may be possible to distinguish a market segment for large electrical installations as compared to smaller projects although they do not see such installations as a separate product market. The parties define large installation projects as projects, which continuously require 30 or more installation engineers and typically involve on-site management and separate accounting.
10. The Commission has in previous decisions found that the supply of electrical installations may be seen as one single market or instead segmented into high and low voltage installations, service and maintenance. Further, a distinction might be able to be made between large and small installation projects<sup>3</sup>.
11. The Commission's market investigation in this case has shown that customers and suppliers in Sweden and Denmark generally agree with the parties proposition that the provision of electrical installations constitutes a separate product market, which encompasses high and low voltage installations, service and maintenance as a distinct product. As regards the distinction between large and small projects, the market investigation has shown that there is no clear consensus on this issue. Some respondents agree with the parties delineation whereas other argued that large projects involving more than 30 engineers are seldom conducted, and thus large project should be defined as projects involving not more than 10-30 engineers. A majority of respondents, however, agree that large projects require management skills etc., which small firms do not normally have available such as project managers, project controllers, planning and purchasing specialist, who can be allocated for one single project. Thus, a majority agrees that a distinction can be made between large and small projects.
12. However, for the purpose this decision it is not necessary to decide on the relevant market definition since irrespective of market definition used, the proposed transaction would not lead to any competition concerns (see further below).

### Water and sanitation installations

13. The parties submit that there is a distinct market for water and sanitation installations, which includes installation, service and maintenance for water, pipe-systems, sanitation, energy, heating, cooling and sprinkler facilities. Energy in this case refers to the pipes inside the house transporting warm water from distinct heating plants and cooling to pipes transporting water on the inside of aggregates for cooling purposes. The parties consider the installation of cooling facilities to form part of the ventilation market.
14. The parties base their proposed product market definition on the fact that customers generally tender all these products in one contract. All customers may not need the

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<sup>3</sup> Case COMP/M. 2118 - Telenor/Procuritas/ISAB/JV. Commission's decision of 25.09.2002.

whole range of products, but the customers purchasing more than one of the listed products normally purchase the products in one contract. From a supply side perspective, the parties submit that the market also comprises all of the listed products since suppliers are able to offer the whole package to customers. As it was the case for electrical installations, the parties suggest that a market segment could be distinguished for large water and installation projects. The parties do not, however, consider the supply of large installations constitutes a distinct product market.

15. The market investigation has confirmed the view of the parties that water and sanitary installations in Denmark and Sweden in general can be considered to constitute a separate product market. Concerning the possible sub-product market for large water and installation projects, the market investigation did not, as was the case for other types of installations, show a clear-cut picture. Nevertheless, for the purpose of this decision, it can be left open whether water and sanitary installations constitute a separate product market. Likewise it can be left open, whether large water and sanitary installations constitute a separate product market, since in all alternative market definitions, the transaction will not create any competition concerns.

#### *Ventilation installations*

16. According to the parties, there is a distinct market for the provision of ventilation installations, which includes installations, service and maintenance related to air conditioning, climate control and air treatment. Furthermore, as for other installations, the parties submit that it is possible to make a distinction between large and small ventilation projects since large installation projects normally involves 30 or more installation engineers and normally require management skills, which small firms do not necessarily possess. Such large projects typically also involve on-site management and separate accounting. The parties do not, however, consider the supply of large installations constitutes a distinct product market.
17. The market investigation confirmed that the provision of ventilation installations could constitute a separate product market. As regards other types of installation services some respondents have argued that large ventilation projects could be seen as a distinct market but should be defined as involving less than 30 installation engineers. Other respondents have suggested that large installation projects should be defined on the basis of the contract value. There was, however, no consensus among the respondents on this issue and very different values were suggested (from EUR 1 million to EUR 10 million) on the possible delineation of such a market.
18. However, given that the proposed transaction does not lead to competition concerns, irrespective of market definition chosen, there is no need to conclude on the relevant product market definition.

#### ***(b) Geographic markets***

19. The parties regard the geographic scope of the market for electrical installations, water and sanitation installations and for ventilation installations in Denmark and Sweden as national in scope. This is partly based on the need for a local presence and knowledge of the local market conditions. Customers' generally tender contracts by approaching several suppliers in the national market or by using public announced tenders. Further, only suppliers with presence within the actual country have participated in tender procedures or won contracts. Foreign suppliers may participate but this has normally

only happened when these suppliers enter into a consortium with a supplier located within the country in question.

20. In terms of large installation projects, the large players on the market are represented on a national basis through a network of branches. This could indicate that large installation projects could constitute a national market. On the contrary general installation business seems to be more local in scope. Local installation businesses normally offer their services within 100 km from their facilities. The transport cost associated with conducting installation works over longer distances would make it less economically attractive to participate in for smaller businesses'. Some respondents have therefore argued that as regards Sweden, given the large distances between e.g. southern and northern Sweden, Sweden should be divided into regional sub-markets. In particular it was suggested that a distinction should be made between e.g. southern Sweden (the Skåne region), the Gothenburg region and the Stockholm region.
21. The market investigation has confirmed that installation projects are normally tendered on a national basis in both Sweden and Denmark. However, due to available resources and local presence, there might be regional differences in the strength of the suppliers in question and large players tend to compete for tenders in all parts of the country whereas small suppliers are normally competing locally. It is confirmed by the investigation that local presence is important since installation services are carried out locally at the customer's site and that manpower should be familiar with local conditions. Further, customers value quality and speed of follow-up for service and maintenance. One respondent also indicated that local suppliers are preferable since this enables the customer to have knowledge about the contractor's reputation and skills.
22. The market investigation has further indicated that locally based suppliers will most likely bid for and be able to participate in projects in their respective "catchment area" whereas larger players like Bravida, ABB, Skanska and others are able to participate in projects throughout the country. Thus, it might be argued that there might be a number of smaller "catchment areas", at least for smaller projects, overlapping with each other. However, there appears to be a large degree of overlap between different regional catchment areas and there also appears to be competitive interactions between the geographically proximate areas. It also appears that the size of the catchment area appears to depend on the value and scope of the project in question – a "large" contract normally attracts suppliers from a more widely dispersed geographic area than "smaller" contracts.
23. For the purpose of the current case it is, however, not necessary to conclude on geographic scope of these markets since irrespective of geographic market definition chosen, the proposed transaction will 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 thereof.

## **VI. COMPETITIVE ASSESSMENT**

24. The transaction will give rise to horizontal overlaps in the activities of the parties for the provision of electrical installations, water and sanitation installations and ventilation installations in both Denmark and Sweden. However, irrespective of geographic market definition proposed it is only in Sweden that the parties will reach market shares above 15%.

### *Electrical installations in Sweden*

25. On the basis of a national market for electrical installations the parties combined estimated market shares is well below 15%. The same applies for large installation projects [ $<5\%$ ] and if a distinction are to be made between high and low voltage installations [5-15% and 0-10%] respectively. It is only if a segmentation is made into regional markets as suggested by third parties that the parties would reach a market share above 15% and this would be limited to southern Sweden (Skåne) where the parties combined market share would be about [15-25]% of the electrical installation market<sup>4</sup>. Irrespective of how the market is defined, the markets are highly fragmented and the parties are faced with a number of local and regional players as well as large national players.

### *Water and sanitary installations in Sweden*

26. As with electrical installations, the parties combined market share in Sweden, irrespective of product and geographic market definition proposed, will be well below 15% except on the hypothetical regional market of Skåne. On such a hypothetical market the parties combined market share would reach about [15-25]% ([10-15]% and [5-10]% respectively).
27. The Swedish water and sanitary installation market is highly fragmented. Main competitors in this market are NVS and Calor VVS with estimated market share of about [5-15]% each. In the Skåne region, these parties have estimated market shares of [5-15]% and [5-15]% respectively. Bravida estimates that sales from other players account for between 50-65% of the Swedish market, depending on the geographic delineation made.

### *Ventilation installations in Sweden*

28. Bravida is a large provider of ventilation installations in Sweden with a market share of about [25-35]%. However, the proposed transaction would not significantly add to this market share and the combined market share post-merger is estimated to be around [25-35]% (an addition of about [ $<5\%$ ]). The ventilation market is very fragmented and Bravida estimates that other players represent more than 45% of the sales in this market. The merged entity's main competitors are companies such as ABB, which holds a market share of about [5-15]% and Skanska, which holds a market share of about [5-15]%. Further, the parties are faced with a number of large customers such as Skanska, Peab and NCC.
29. If a segmentation is made on a regional basis, the only part of Sweden the parties would reach a combined market share over 15% is in Skåne which the estimated market share post-merger would be [15-25]%. Main competitors in such a hypothetical market would be Sydtotal ([10-20]%), Skanska ([5-15]%), ABB ([0-10]%) and Bi Vent ([0-10]%). The proposed transaction would not add any additional market shares for the provision of large installation projects.

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<sup>4</sup> The proposed transaction does not lead to any overlaps in the Gothenburg region. In Stockholm, the parties only have overlapping activities within the electrical installation market. Based on the information from the parties, the combined market shares post-merger would be about [5-15]%.

## VI. CONCLUSION

30. The Commission's market investigation has also shown that whilst the proposed transaction will lead to an increased concentration in the different installation markets no customer or competitor has argued that the proposed transaction would lead to either the creation or strengthening of a dominant position for the merged entity. For that and the reasons set out above, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission

(signed)

Mario MONTI  
Member of the Commission

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