

***Case No COMP/M.4887 -
DOOSAN / BOBCAT***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 19/10/2007

***In electronic form on the EUR-Lex website under document
number 32007M4887***



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 19/10/2007

SG-Greffe (2007) D/206249

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.4887 – DOOSAN / BOBCAT
Notification of 17/09/2007 pursuant to Article 4 of Council Regulation
No 139/2004¹**

1. On 17/09/2007, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which Doosan Group ("Doosan", South Korea) acquires sole control of three business units of Ingersoll Rand Company ("Ingersoll", USA), namely Bobcat, Ingersoll Rand Utility Equipment and Ingersoll Rand Attachments (altogether "the Target").

I. THE PARTIES AND THE TRANSACTION

2. The acquirer, Doosan, is active inter alia in engineering, manufacture and marketing of construction equipment, machine tools, engine and materials, forklifts, defense products. As regards construction equipment, Doosan is primarily active in heavy equipment and has only a small presence in compact equipment.
3. The Target consists of Bobcat, Ingersoll Rand Utility Equipment and Ingersoll Rand Attachments, active in the manufacturing and sale of compact construction equipment, utility equipment, attachments and tools for construction equipment. The Target has no activity in heavy equipment.

¹ OJ L 24, 29.1.2004 p. 1.

II. THE CONCENTRATION

4. Pursuant to an asset and share purchase agreement signed by the parties on 29/07/2007, Doosan will acquire the whole of the issued share capital of the Bobcat, Utility Equipment and Attachments business units of Ingersoll. This will confer sole control to Doosan of the Target and therefore constitutes a concentration in the meaning of Article 3 of the Merger Regulation.

III. COMMUNITY DIMENSION

5. Doosan achieved a world-wide turnover of € 10,739 million and a Community-wide turnover of € [...] million in 2006. The Target achieved a world-wide turnover of € 2,108 million and a Community-wide turnover of € [...] million in 2006.
6. It follows that Doosan and the Target have a combined aggregate world-wide turnover of more than 5 billion EUR. Each of them has an aggregate Community-wide turnover in excess of 250 million EUR and none of them achieves more than two-thirds of its aggregate Community-wide turnover within one and the same Member State. Therefore, the notified operation has a Community dimension within the meaning of Article 1 of the Merger Regulation.

IV. COMPETITIVE ASSESSMENT

7. The present transaction will combine the parties' activities in earthmoving and construction equipment but will only give rise to minor horizontal overlaps as Doosan is mainly active in heavy construction equipment and has limited sales in the EEA, whereas the Target is only active in compact construction equipment. The only affected market resulting from the present transaction is in relation to skid steer loaders, on the basis of the narrowest market definition.

A. Relevant markets

1. Relevant product market

8. In previous decisions², the Commission found that heavy and compact construction equipment belong to separate product markets and that compact equipment could be further sub-segmented into individual type of products such as (i) light excavators, (ii) skid steer loaders, (iii) mini wheel loaders and (iv) backhoe loaders.
9. According to the parties, it is no longer appropriate to consider each of the individual products as a separate market citing inter alia the high degree of substitutability between the different individual equipment types. This would be supported by the fact that presently (i) there is a growing demand from large distributors and rental companies for a substantial full range of products and (ii) there are an increasing number of various attachments allowing interchangeability between different types of products.
10. Accordingly, the parties submit some alternative wider market definitions such as (i) the market for the all construction equipment including both heavy and compact

² - See cases COMP M.1571-New Holland/Case and COMP M.2369 - CNF/FHE.

equipment, (ii) the market for all compact construction equipment and (iii) the market for compact equipment by application (excavating and loading).

11. This submission is consistent with the result of the market investigation where competitors and customers unanimously approved the alternative market definitions proposed by the parties and confirmed the existence of a great degree of substitution between different equipment both from the demand and the supply side. However, for the purpose of the present transaction, the exact product market definition can be left open considering that no competition problem is likely to arise even under the narrowest market definition i.e. the market for skid steer loaders.

2. Relevant geographic market

12. In the above mentioned decisions, the Commission found that the markets for construction equipment are at least EEA-wide in geographic scope. It was supported by the facts that (i) suppliers tend to operate on a world-wide basis with products manufactured in limited number of facilities and then exported to distributors, (ii) national preferences and technical standards have been legally harmonized by EC directives so that there are no barriers to trade between different Member States, (iii) the prices and market shares tend to be similar in the EEA and (iv) transport costs are not significant in comparison to the overall cost of the products.
13. The parties broadly agree with this approach but take the view that the correct geographic market definition in relation to the present transaction can be considered as worldwide, if not at least EEA-wide. This view was also to some extent confirmed by the market investigation. However, the exact geographic market definition may be left open in the present case as it does not affect the competitive assessment.

B. Assessment

14. On the basis of a market including all construction equipment, the combined entity has a market share of less than 5% in the EEA. The parties' combined market share in the EEA is [10-20%] with an increment of [0-5%] if only compact construction equipment is considered.
15. Under the narrowest market definition, i.e. by product type, the only affected market in relation to the present transaction is the market for skid steer loaders. In 2006, the Target sold, through Bobcat, [4000-6000] skid steer loaders in the EEA. These sales represented [40-50%] of skid steer loaders sales in the EEA. Doosan sold only [0-1000] skid steer loaders in the EEA, giving it an EEA share of supply of [0-5%]. Therefore, although the parties' combined EEA market shares amount to [40-50%] in volume and [40-50%] in value on the market of skid steer loaders, the merger will only lead to a minimal increment of [0-5%] in the EEA.
16. On the basis of a worldwide market for skid steer loaders, the combined market share of the merged entity is slightly lower than at EEA level and amount to [30-40%], with an increment of less than [0-5%] in value and [40-50%], with an increment of [0-5%] in volume³. The concentration will therefore not significantly change the current market structure, be it at EEA level or on a worldwide basis. This was confirmed by the market

³ In 2006, Doosan sold globally [0-1000] skid steer loaders.

investigation which also revealed the presence of numerous effective competitors in the market for skid steer loaders.

17. Indeed, according to customers, the new merged entity will continue to face important competition from global market players offering a similar wide range of compact and heavy equipment such as Gehl, Komatsu, Caterpillar, New Holland and John Deere. In the market for skid steer loaders, Gehl, Komatsu, Caterpillar have an EEA market share of [10-20%], [10-20%] and [0-10%], respectively. On a possible global market for skid steer loaders, New Holland, Caterpillar and John Deere have a market share of [10-20%], [10-20%] and [0-10%], respectively.
18. The market investigation also revealed that skid steer loaders offered by the merging parties are not considered as the closest substitutes. Indeed, Bobcat offers a complete range of products, enjoys a good reputation and owns a well developed distribution network whereas Doosan has a weak brand image, a limited range of products and a small customer network. Most of the market players consider the products of rival suppliers such as Caterpillar and Gehl as the closest substitutes for Bobcat's skid steer loaders. Accordingly, Bobcat's distributors will be able to switch to rival suppliers in case of a significant increase in price for skid steer loaders.
19. In addition, the market investigation also indicated that operators, already active in other types of construction equipment, are likely to enter into the market for the skid steer loaders.
20. Moreover, the parties submit that customers of skid steer loaders and of construction equipment in general usually work with a number of suppliers to create an entire product range covering all types of construction equipment. For the moment, even the largest manufacturers are unable to offer an entire product range. Accordingly, distributors can change suppliers without encountering significant switching cost.
21. Finally, it has to be noted that no third party raised any specific competition concerns with respect to the impact of the transaction.

V. CONCLUSION

22. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement.
23. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EC) No 139/2004.

For the Commission
signed
Andris PIEBALGS
Member of the Commission