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***Case No COMP/M.6808 - PAI PARTNERS/ INDUSTRIAL  
PARTS HOLDING***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 11/02/2013

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## EUROPEAN COMMISSION

Brussels, 11.2.2013  
C(2013) 874 final

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

### **To the notifying party:**

Dear Sir/Madam,

**Subject: Case No COMP/M.6808 - PAI partners/ Industrial Parts Holding  
Commission decision pursuant to Article 6(1)(b) of Council Regulation  
No 139/2004<sup>1</sup>**

1. On 7 January 2013, the European Commission received a notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertaking PAI partners S.A.S ("PAI", France) acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control of the whole of the undertaking Industrial Parts Holding SAS ("IPH", France) by way of purchase of shares.<sup>2</sup> PAI is hereinafter designated as the "notifying party" and together with IPH as "the parties."

#### **I. THE PARTIES**

2. IPH is a business-to-business (B2B) multi-specialist distributor of industrial supplies. As such, it provides a logistic link between a wide range of suppliers and a fragmented customer base. The IPH Group operates in France, Germany, the Netherlands, Belgium

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<sup>1</sup> OJ L 24, 29.1.2004, p. 1 ("the Merger Regulation"). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ("TFEU") has introduced certain changes, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this decision.

<sup>2</sup> Publication in the Official Journal of the European Union No C 10, 15.1.2013, p. 6.

and Romania through seven autonomous commercial networks (Anfidis, Biesheuvel Techniek, D'Hont, Novotech, Orexad, Wilhelm Jung, Zitec).<sup>3</sup>

3. PAI is a private equity firm, focused on the acquisition of medium to large-sized companies, headquartered or managed in Europe and operating in different industry sectors. PAI's portfolio includes, inter alia, Perstorp AB ("Perstorp"), active in the chemical industry, FTE Automotive GmbH ("FTE"), active in the production and sale of hydraulic clutch and hydraulic brake actuation systems and components, and Swissport International AG ("Swissport"), active in ground handling services.

## **II. THE OPERATION**

4. The proposed transaction consists in the acquisition of sole control by PAI, through the investment funds it manages and advises, over IPH, including all its direct and indirect subsidiaries (together, the IPH Group).
5. [...] <sup>4</sup> [...] after the completion of the transaction, PAI will have sole control over IPH.
6. In view of the above, the notified transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **III. EU DIMENSION**

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million<sup>5</sup> (PAI: EUR [...]; IPH: EUR [...]). Each of them has an EU-wide turnover in excess of EUR 250 million (PAI: EUR [...]; IPH: EUR [...]). [...].
8. Therefore, the notified operation has an EU dimension pursuant to Article 1(2) of the Merger Regulation.

## **IV. COMPETITIVE ASSESSMENT**

9. IPH is active in the market for the supply of industrial parts for machinery used in industrial/manufacturing operations and sold by manufacturers and distributors/wholesalers. None of the companies controlled by PAI is engaged in business activities in the same relevant markets as IPH. Consequently, the proposed transaction does not give rise to any horizontal overlap between the parties.
10. Given the fact that IPH offers a wide range of industrial supplies to a diversified portfolio of professional clients, there are some minor existing vertical relationships and some potential vertical relationships between IPH and PAI's portfolio companies. The proposed transaction therefore leads to a number of vertically affected markets. However, there are only three companies controlled by PAI, namely Perstorp, FTE, and

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<sup>3</sup> IPH is controlled by Investcorp, a provider and manager of alternative investment products, which is wholly-owned by Investcorp Bank B.S.C., a wholesale bank domiciled in Bahrain.

<sup>4</sup> The notifying party estimates that [...] will reinvest a total of approximately EUR [...], i.e. the equivalent of less than [...] of IPH's equity.

<sup>5</sup> Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C 95, 16.4.2008, p. 1).

Swissport that may have market shares of 25% or above in their respective downstream market(s).

## **A. Relevant market definition**

### **1. Upstream (IPH)**

#### *Relevant product market*

11. The notifying party submits that the relevant product market to be taken into account is the market for supply of industrial parts for machinery used in industrial/manufacturing operations and sold by manufacturers and distributors/wholesalers. [...].<sup>6</sup>
12. There is no Commission precedent as to the exact definition of the market for the purchase and distribution of industrial parts.<sup>7</sup>
13. For the purposes of this decision, however, the precise delineation of the relevant product market can be left open as the notified operation does not raise serious doubts as to its compatibility with the internal market either on the basis of an overall market for the supply of industrial parts for machinery used in industrial/manufacturing operations or any of its potential sub-segments, irrespective of a further distinction between sales made by manufacturers on the one hand and distributors/wholesalers on the other.

#### *Relevant geographic market*

14. The notifying party considers that the sale of industrial parts is national and will remain so in the short term although it notes that an increasing number of clients purchase industrial parts on an EU-basis.
15. There is no Commission precedent as to the geographic definition of the market for the purchase and distribution of industrial parts.
16. IPH's competitors noted in response to the Commission's requests for information in the present case that industrial parts sales departments are organized at national level, thereby pointing towards the existence of national markets.<sup>8</sup> Some customers, however, noted that sourcing departments could be organized also at EEA and worldwide levels.<sup>9</sup>

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<sup>6</sup> The French competition authority has taken the view that industrial parts constitute one single product market, including both manufacturers and distributors/wholesalers. The French competition authority has also considered that there may be seven sub-segments in the industrial parts markets, transmission and automation being two independent segments.

<sup>7</sup> See case COMP/M.5563 – *SHV/Eriks* where the Commission took note of the parties' activities in industrial components but did not take a final position on the exact relevant product market definition.

<sup>8</sup> Replies to question 4 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to IPH's Competitors dated 15 January 2013.

<sup>9</sup> Replies to question 5 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to IPH's Customers dated 15 January 2013.

17. For the purposes of this decision, however, the exact geographic market definition can be left open since the notified operation does not raise serious doubts as to its compatibility with the internal market even on the basis of national markets.

## **2. Downstream**

18. PAI controls three companies, namely Perstorp, FTE and Swissport, which may have markets shares above 25% in a number of markets that could be considered to be downstream of IPH. Perstorp is active in the chemical industry, and provides a range of chemical products including: (i) oxo acids, (ii) caprolactone, (iii) formaldehyde, and (iv) formaldehyde catalysts. FTE is active in the sector of development and production of drive train and brake system applications for the automotive industry. Swissport is active in aircraft ground handling services and air cargo handling services.

### **2.1 Chemical industry (Perstorp)**

#### (i) Oxo acids

19. Perstorp produces certain oxo acids that are derived from various oxo aldehydes through an oxidation process. According to the notifying party, oxo acids are used primarily in the safety glass market and the lubricant market, but are also used in other products such as specialty plasticizers and plastic additives.
20. The Commission has considered certain oxo acids, such as 2-ethylhexanoic acid (“2-EHA”) in a number of previous decisions, but has left open both the product market and the geographic market definition.<sup>10</sup>
21. The notifying party considers that the geographic market for oxo acids is likely to be at least EEA-wide in scope.
22. For the purposes of this decision, the exact delineation of the market can be left open as the notified operation does not raise competitive concerns under any possible approach.

#### (ii) Caprolactone

23. Caprolactone monomer is either sold on the merchant market as a distinct product or further processed to produce caprolactone derivatives via a polymerisation process. In a previous decision, the Commission recognized the existence of a market of caprolactone monomer but left the precise definition of this market open. The Commission held that the relevant geographic market for caprolactone monomer and its derivatives would be worldwide or at least EEA-wide.<sup>11</sup>
24. For the purposes of this decision, the exact delineation of the market can be left open as the notified operation does not raise competitive concerns under any possible approach.

#### (iii) Formaldehyde

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<sup>10</sup> See for example Case COMP/M.6542 – Eastman Chemical Company/Solutia.

<sup>11</sup> See Case COMP/M.4957 - *Perstorp Holding/Solvay Interlox*.

25. Formaldehyde is a colourless gas made from methanol and is manufactured by oxidizing methanol with air over a catalyst in high temperature. In previous decisions, the Commission has considered that formaldehyde constitutes a separate product market, and that the relevant geographic market for trading formaldehyde is limited and, at most, regional.<sup>12</sup>

26. For the purposes of this decision, the exact delineation of the market can be left open as the notified operation does not raise competitive concerns under any possible approach.

(iv) Formaldehyde catalysts

27. In the production of formaldehyde, a catalyst is needed for oxidation and dehydrogenation of the methanol. Two technologies can be employed to produce formaldehyde: the silver catalyst process and the metal (oxide) process. In a previous decision, the Commission has left open the question whether the products resulting from the two catalyst processes should be regarded as constituting one single product market or whether two product markets should be defined. Concerning the geographical dimension of the market, the Commission has considered that the market for formaldehyde catalysts is global in scope.<sup>13</sup>

28. For the purposes of this decision, the exact delineation of the market can be left open as the notified operation does not raise competitive concerns under any possible approach.

## 2.2 Automotive industry (FTE)

29. In previous decisions the Commission has established a distinction between systems and components for light vehicles, on the one hand, and systems and components for heavy vehicles, on the other hand.<sup>14</sup> Furthermore, the markets for automotive components were further divided into products for original equipment manufacturers (OEMs), including products for the original equipment service (OES) businesses, and replacement parts sold to the independent aftermarket.<sup>15</sup> In the Commission's previous decisions the geographic scope of all possible products markets is at least EEA-wide.<sup>16</sup>

30. For the purposes of this decision, the exact delineation of the market can be left open as the notified operation does not raise competitive concerns under any possible approach.

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<sup>12</sup> See Case COMP/M.1813 - *Industri Kapital (Nordkem)/Dyno*; Case COMP/M.2396 - *Industri Kapital/Perstorp (II)*.

<sup>13</sup> See Case COMP/ M.2396 - *Industri Kapital / Perstorp (II)*.

<sup>14</sup> See Case COMP/M.4456 - *Mahle/Dana EPG* and Case COMP/M.6003 - *Renco Group/Body Systems*.

<sup>15</sup> See Case COMP/M.3789 - *Johnson Controls/Robert Bosch/Delphi SLI* and Case COMP/M.6003 - *Renco Group/Body Systems*.

<sup>16</sup> See Case M.5799 - *Faurecia/Plastal*; Case M.4239 - *Plastic Omnium/Inopart*; Case M.4043 - *Plastal/Dynamit* and Case COMP/M.6003 - *Renco Group/Body Systems*.

## 2.3 Aircraft handling services (Swissport)

### (i) Aircraft ground handling

31. In previous decisions, the Commission has identified a distinct market for the provision of ground handling services which encompasses both passenger and aircraft handling. The Commission concluded that the relevant geographic market for the provision of ground handling services was in principle the area of a specific airport but ultimately left the question open<sup>17</sup> and considered that a wider geographic market could be defined encompassing other airports within a catchment area.<sup>18</sup>
32. For the purposes of this decision, the exact delineation of the market can be left open as the notified operation does not raise competitive concerns under any possible approach.

### (ii) Air cargo handling

33. Air cargo handling refers to the loading, unloading, packing and unpacking of air cargo. There is no Commission precedent as to the geographic definition of the market for air cargo handling.
34. For the purposes of this decision, the exact delineation of the market can be left open as the notified operation does not raise competitive concerns under any possible approach.

## B. Competitive assessment

35. According to the notifying party, it cannot be excluded that Perstorp's market shares might be in excess of 25% in the case of: (i) oxo acids, (ii) caprolactone, (iii) formaldehyde, and (iv) formaldehyde catalysts.
36. In a similar fashion, the notifying party submits that FTE might have a market share in the EEA exceeding 25% in a number of automotive component markets and that Swissport's market share for aircraft ground handling might be in excess of 25% in the following airports: Fuerteventura (Spain), Munich (Germany), Brussels and Liège (Belgium) and for air cargo handling in: Brussels and Liège (Belgium), Nice and Lille (France), Dresden, Hanover, Hamburg, Nuremberg and Berlin Tegel Airport (Germany).
37. The proposed transaction may therefore lead to markets being vertically affected in certain downstream markets in which the three above-mentioned companies within PAI's portfolio (Perstorp, FTE and Swissport) may have market shares of over 25%.
38. At a European level, IPH's market share in the upstream market for the supply of industrial parts for machinery used in industrial/manufacturing operations and sold by manufacturers and distributors/wholesalers is very limited at [0-5]%. Even if sales made only by distributors/wholesalers are taken into account, IPH's share would only reach [0-5]%.

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<sup>17</sup> See Case COMP/M.1913 - *Lufthansa/Menzies/LGS/JV*; COMP/M.4164 - *Ferrovial/Quebec/GIC/BAA*; COMP/M.5830 - *Olympic/Aegean*.

<sup>18</sup> See case COMP/M.2315 - *The Airline Group/NATS*; COMP/M.5830 - *Olympic/Aegean*.

39. At national level, IPH's market shares on the distribution/wholesale segment do not exceed [5-10]% in any country where it is active ([0-5]% when taking into account the direct sales of manufacturers). In 2011, IPH accounted for [5-10]% of the sales made by distributors in France (approximately [5-10]% taking into account the sales of the manufacturers), between [0-5]% and [0-5]% of the sales of distributors in the Netherlands (approximately [0-5]% taking into account the sales of manufacturers), between [0-5]% and [0-5]% of the sales of distributors in Belgium (approximately [0-5]% taking into account the sales of manufacturers) and less than [0-5]% of the sales in Romania (even lower taking into account the sales of manufacturers). With respect to Germany, which IPH entered in early 2012 with the simultaneous acquisitions of Zitec and Wilhelm Jung, IPH's share of sales of industrial supplies sold by distributors/wholesalers is [0-5]%.
40. In each Member State, even considering the narrowest possible segmentation, that is to say the split into transmission & automation, machining, assembly, tools, equipment and protection and taking into account only the sales of distributors, IPH's market shares remain below [10-20]%.
41. During the market investigation, the majority of respondents confirmed the notifying party's view that there are many alternative suppliers to IPH<sup>19</sup> and that the transaction will not lead to competition concerns.<sup>20</sup>
42. In light of the above, it can be concluded that IPH has limited market power on the upstream market for the supply of industrial parts for machinery used in industrial operations and sold by manufacturers and distributors/wholesalers both at European and national levels and that consequently the proposed transaction will not result in input foreclosure.
43. In addition, as will be explained below, Perstorp, FTE and Swissport are not major clients in the industrial parts market meaning that customer foreclosure concerns are also unlikely to arise.
44. Perstorp's total purchases of industrial supplies amount to approximately EUR [...] which represents less than [0-5]% of its total purchases (approx. EUR [...]). Perstorp [...] and those that it does buy from [...] are used as part of the production process and are therefore not incorporated in the final product sold to its customers.
45. FTE's total purchases of industrial supplies amounted to EUR [...] in 2011, representing less than [0-5]% of its total purchases (EUR [...] in 2011). [...]). The products purchased [...] are tools used for maintenance purposes and are not incorporated in FTE's final products.
46. Swissport estimates that its yearly industrial supplies purchases are in the range of EUR [...], of which EUR [...] are dedicated to Personal Protection Equipment (PPE). The

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<sup>19</sup> Replies to question 9 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to IPH's Customers dated 15 January 2013.

<sup>20</sup> Replies to question 12 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to IPH's Competitors and IPH's Customers dated 15 January 2013.



remainder of its industrial purchases is related to the [...] and [...] categories and is used for the maintenance of its equipment. Swissport's purchases of industrial supplies, including PPE, represent [0-5]% of its total purchases ([...]). [...]

47. In light of the above, it can be concluded that the transaction does not raise serious doubts as to its compatibility with the internal market in relation to any of the relevant markets.

## **V. CONCLUSION**

48. For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation.

*For the Commission  
(signed)*

*Joaquín ALMUNIA  
Vice-President*