

Case No COMP/M.6922 - TRITON/ LOGSTOR

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION

Date: 23/08/2013

***In electronic form on the EUR-Lex website under document
number 32013M6922***



EUROPEAN COMMISSION

Brussels, 23.8.2013
C(2013) 5577 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

**Subject: Case No COMP/M.6922 – TRITON/ LOGSTOR
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004¹**

1. On 19 July 2013, the European Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which the undertaking Tri-Langley Acquisition ApS, an acquisition vehicle that is ultimately controlled by Triton Managers III Limited and TFF III Limited ("Triton", Jersey) acquires within the meaning of Article 3(1)(b) of the Merger Regulation, sole control of LRA III ApS, ("Logstor", Denmark) by way of purchase of shares.² Triton is hereinafter referred to as "the Notifying Party" and Triton and Logstor are collectively referred to as "the Parties".

I. THE PARTIES AND THE OPERATION

2. Triton is a private equity investment firm, part of the Triton Group, which invests in medium-sized businesses headquartered in Northern Europe and is active in various

¹ 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.

² Publication in the Official Journal of the European Union No C 216, 30.07.2013, p. 33.

sectors with a focus on Austria, Germany, Switzerland and the five Nordic countries: Denmark, Finland, Iceland, Norway and Sweden. Triton is controlled, [...].

3. The core of Logstor's business, accounting for approximately [...] % of its turnover in the EEA, is manufacturing and sale of pre-insulated district heating and district cooling pipes. In addition Logstor also produces and sells pre-insulated pipes for oil and gas, marine and industry segments. Logstor is wholly owned by Lynx Holding ApS ("Lynx"). Lynx's shareholders are Montagu Private Equity LLP ([...] %), LRA II ApS (current and former employees of Logstor, [...] %) and the management ([...] %).
4. On 1 July 2013, a Share Sale and Purchase Agreement was signed, on the basis of which Triton will acquire sole control over Logstor, through an acquisition vehicle (Tri-Langley Acquisition ApS), ultimately controlled by Triton. Tri-Langley Acquisition ApS will acquire all the shares of Logstor from Lynx. Therefore the proposed transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

II. EU DIMENSION

5. The Parties have a combined aggregate worldwide turnover of more than EUR 2 500 million (Triton: EUR [...], Logstor: EUR 280 million). The Parties have a combined aggregate turnover of more than EUR 100 million in Denmark, Finland, Germany, [...] and Sweden and in those five Member States, the turnover of each of the Parties is more than EUR 25 million. Finally, the aggregate EU-wide turnover of each of Triton and Logstor is more than EUR 100 million (Triton: EUR [...], Logstor: EUR 240 million) and neither Triton nor Logstor achieve more than two-thirds of their EU-wide turnover within one and the same Member State.
6. The notified transaction therefore has an EU dimension under Article 1(3) of the Merger Regulation.

III. COMPETITIVE ASSESSMENT

7. There are no horizontal overlaps between the activities of Triton (and its controlled portfolio companies) and the activities of Logstor. The proposed concentration gives rise to vertical relationships, through Triton's portfolio company, Battenfeld-Cincinnati ("BC"). BC is a company active in the production and sale of plastic processing machines including single screw plastic extruders, a piece of machinery which is used in the production of pre-insulated pipes. BC and Logstor's activities are therefore vertically related and Logstor is currently one of BC's customers.

III.1. Relevant product market

8. The Notifying Party submits that the relevant product markets are: (i) the upstream market for the production and sale of plastic processing machines, including single screw extruders for the production of plastic pipes, and (ii) the downstream market for the production and sale of pre-insulated pipes.

Upstream market for the production and sale of plastic processing machines including single screw extruders for the production of plastic pipes

9. In a previous decision, the Commission analysed the market for plastics and rubber processing machines and left open the question whether the market should be further segmented according to (i) processing technologies (i.e. injection moulding, extrusion and reaction processing) used to convert the input material or to (ii) end-use applications (such as rubber, film/sheet, foam, pipe, profile, compounding, wire, fibres, yarns and fabrics).³
10. The Notifying Party considers that the potential segment of pipe and profile extrusion machines as considered in the Commission's previous decision⁴ is not relevant for the assessment of the transaction as it would then encompass twin screw extruders which are used for the production of profiles, as opposed to single screw extruders used for the production of plastic pipes. In addition, according to the Notifying Party, the potential overall market for pipe and profile extrusion machines would also include machines designed to extrude PVC materials, while pre-insulated pipes are made of polyethylene and Logstor does not produce pipes made of PVC. Thus, the Notifying Party submits that, for the purpose of the assessment of this transaction, the relevant product market may be viewed as the market for single screw extruders for the production of plastic pipes.
11. The market investigation appears to confirm that specific extruders are required for different end-use applications, due to the properties of the various materials and the differences in required melt quality.⁵ As a result, different screw geometries and different forming tools are required for different end-use applications.⁶ With respect to the division between single and twin screw extruders, the majority of respondents in the market investigation confirmed that the former are indeed used for the manufacture of pre-insulated pipes, while the latter are used for the production of profiles and PVC pipes. It has also been confirmed that single screw extruders are not used for other applications than the production of pre-insulated pipes.⁷
12. The Commission also considered a further segmentation between high-end and low-end extrusion machines but ultimately left open the exact definition of the relevant product market.⁸
13. The Notifying Party itself categorises extruder manufacturers into three categories: (i) high-high-end EU-based and US-based manufacturers, (ii) low-high-end (mainly Chinese) manufacturers, and (iii) low-end (mainly Chinese) manufacturers. However,

³ Case COMP/M.6754 – *KM Holdings/KM Group*.

⁴ Case COMP/M.6754 – *KM Holdings/KM Group*.

⁵ Responses to question 6 of the Questionnaire Q1 Extruders – Manufacturers.

⁶ Responses to question 7 of the Questionnaire Q1 Extruders – Manufacturers.

⁷ Responses to question 11 of the Questionnaire Q1 Extruders – Manufacturers.

⁸ Case COMP/M.6754 – *KM Holdings/KM Group*.

contrary to the Commission's view in its previous decision,⁹ the Notifying Party submits that the relevant market should include both high-high-end manufacturers and low-high-end producers as it considers that low-high-end producers offer a viable alternative to their high-high-end competitors for the specific requirements of pre-insulated pipes producers. According to the Notifying Party, low-end manufacturers clearly distinguish themselves with regard to price and quality (e.g. life time of an extruder).

14. Both the producers and purchasers of extruders confirmed that there are indeed differences (in terms of quality, lifetime, precision of the process unit, design, components and technology used) between high-end and low-end extruders.¹⁰ However, the arguments of the Notifying Party concerning the potential segment for low-high-end extruders produced by Chinese manufacturers were not confirmed in the market investigation. None of the respondents ever sourced or considered sourcing extruders from Chinese suppliers, considering that the quality of their products is not equivalent to the European or North American products.¹¹ In particular one customer noted that the after sales service and the availability of spare parts are still problematic for the Chinese suppliers.¹² As to the producers of extruders, although they claim that the Chinese manufacturers do exercise competitive pressure on the producers in the EEA at the same time they do not consider the quality of Chinese plastic extruders to be comparable to those manufactured in Europe and North America.¹³
15. However, the exact delineation of the relevant product market(s) can be left open as the notified operation does not raise serious doubts as to its compatibility with the internal market under any plausible market definition.

Downstream market for the production and sale of pre-insulated pipes

16. A pre-insulated pipe consists of an inner service pipe, an outer plastic casing pipe and insulation material (typically foam) between the two pipes.¹⁴ There are different production methods of the pre-insulated pipes namely (i) the continuous method, for which extruders are necessary, (ii) the discontinuous method, in which the extrusion process and the foaming process can be separated.¹⁵
17. The Notifying Party submits that the relevant product market should be defined as the market for the production and sale of pre-insulated pipes. In the Notifying Party's view, the market for the production of pre-insulated pipes may also potentially be

⁹ Case COMP/M.6754 – *KM Holdings/KM Group*.

¹⁰ Responses to question 13 of the Questionnaire Q1 Extruders – Manufacturers and to question 31 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

¹¹ Responses to questions 30 and 31 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

¹² Response of Uponor Infra Ltd. to question 30 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

¹³ Responses to questions 29 and 30 of the Questionnaire Q1 Extruders – Manufacturers.

¹⁴ Responses to question 5 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

¹⁵ See minutes of conference calls of 19 July 2013 with Isoplus, and of 10 July 2013 with Inpal et Wannitube.

segmented further into four segments: (i) pre-insulated pipes for district heating and district cooling applications, (ii) pre-insulated pipes for oil and gas (iii) pre-insulated pipes for marine, and (iv) pre-insulated pipes for industrial applications. But the Notifying Party claims that the same product is, in essence, provided to customers in all four segments and that the same extruders are used for the production of pre-insulated pipes across all four segments. However, the Notifying Party submits that, for the purpose of the assessment of the transaction, the exact product market definition can be left open.

18. The Notifying Party submits that on-site insulation (where pipes are not pre-insulated but delivered to the construction site and insulated there) constitutes an important alternative to pre-insulated pipes, but not necessarily in the district heating and district cooling systems (which is the biggest segment of pre-insulation pipes) which rely on underground pipes. In addition, it claims that steel-in-steel pipes (i.e. pre-fabricated pipe systems with a steel service pipe insulated with mineral wool and an outer casing of steel) can be used as a replacement for pre-insulated pipes for district heating systems.
19. All producers of pre-insulated pipes confirmed the division of pre-insulated pipes into the four segments mentioned in paragraph 17 above.¹⁶ Most of the manufacturers of pre-insulated pipes also agreed that the same extruders are used for producing pipes for all these segments.¹⁷
20. It has been confirmed in the market investigation that on-site insulation could be in direct competition with pre-insulated pipes only in those segments in which pipes are installed above the ground (for instance oil and gas, marine onshore, and some industrial applications) as opposed to those where pipelines are installed in the ground (in particular district heating and district cooling, and offshore marine).¹⁸ Another reason noted by some respondents as to why on-site insulation is not always an alternative to pre-insulated pipes is that the latter are of better quality, cheaper and can be installed faster.¹⁹ The results of the market investigation did not confirm the argument of the Notifying Party that steel-in-steel pipes constitute an alternative to pre-insulated pipes.²⁰
21. However, the exact definition of the relevant product market(s) can be left open since the notified operation does not raise serious doubts as to its compatibility with the internal market under any plausible market definition.

¹⁶ Responses to question 6 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

¹⁷ Responses to question 12 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

¹⁸ Responses to question 7 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

¹⁹ Responses to question 7 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

²⁰ Responses to question 8 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

III.2. Relevant geographic market

Upstream market for the production and sale of plastic processing machines including single screw extruders for the production of plastic pipes

22. In a previous decision,²¹ the Commission considered the geographic scope of the market for extrusion machines to be at least EEA-wide, if not worldwide. However, the exact delineation of the relevant geographic market(s) was left open.
23. Despite market participants having different market shares on an EU-wide basis and on a worldwide basis, the Notifying Party submits that the market for plastic processing machines as well as the potential market for single screw extruders for the production of plastic pipes should be defined as worldwide or at least as EEA-wide because (i) producers offer and sell the same range of products on a global level, (ii) customers source their requirements worldwide through competitive bidding processes; and (iii) there are generally no significant price differences around the world.
24. All of the producers of the extruders who responded to the market investigation stated that they participate in tenders and supply the single screw extruders either globally or at the EEA level.²² The absence of price differences across countries/regions within the EEA, coupled with the fact that transport costs do not exceed 5% of the extruders' price at the EEA level and the absence of duties, quotas or other legal trade barriers to export extruders to the EEA²³, confirm that the potential market for single screw extruders for the production of plastic pipes is at least EEA-wide if not global.
25. In any case, the exact definition of the relevant geographic market can ultimately be left open since the proposed transaction does not raise serious doubts as to its compatibility with the internal market under any plausible geographic market definition.

Downstream market for the production and sale of pre-insulated pipes

26. The Notifying Party submits that the market for pre-insulated pipes should be defined as EEA - wide²⁴ or regional (i.e. Northern Europe, Central Europe, Central Eastern Europe, Balkans)²⁵, except for the oil and gas and marine segments which should be defined as worldwide. The Notifying Party submits that, for the purpose of the assessment of the transaction, the exact geographic market definition can be left open.

²¹ Case COMP/M.6754 – *KM Holdings/KM Group*.

²² Responses to questions 15, 16 of the Questionnaire Q1 Extruders – Manufacturers, response to questions 14, 15 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

²³ Responses to questions 17, 18, 20 of the Questionnaire Q1 Extruders – Manufacturers.

²⁴ Although there are no merger precedents with respect to the market for pre-insulated pipes, in previous merger decisions the Commission has found that the markets for various types of tubes are at least EEA-wide. (For instance: IV/M.917 *Valinox/Timet*; IV/M.1014 *British Steel/Europipe*; COMP/M.2382 – *Usinor/Arbed/Aceralia*)

²⁵ Costs of transporting pre-insulated pipes can still be significant, which might imply that the geographic scope of the market is narrower than EEA.

27. Whether the market for pre-insulated pipes should be considered as EEA-wide or regional (or even national) can be left open as the notified transaction does not raise serious doubts as to its compatibility with the internal market under any plausible geographic market definition.

III.3. ASSESSMENT

28. On the upstream market(s) for the high-end and low-end single screw extruders for pre-insulated pipes, the market shares of BC and its competitors on a worldwide basis and in the EU²⁶ in 2012 are presented in the table below.

	<i>High – end single screw extruders for the production of pre-insulated pipes</i>		<i>Low – end single screw extruders for the production of pre-insulated pipes</i>	
	<i>EU</i>	<i>Worldwide</i>	<i>EU</i>	<i>Worldwide</i>
BC	[30-40]%	[40-50]%	[30-40]%	[30-40]%
Krauss Maffei/Davis Standard	[30-40]%	[10-20]%	[30-40]%	[10-20]%
Weber	[10-20]%	[0-5]%	[10-20]%	[0-5]%
Reifenhäuser	[5-10]%	[0-5]%	[5-10]%	[0-5]%
Technomatik	[5-10]%	[0-5]%	[5-10]%	[0-5]%
Jwell	[5-10]%	[5-10]%	[5-10]%	[0-5]%
Theyson	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Rollepaal	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Milacron	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Others	[0-5]%	[20-30]%	[0-5]%	[40-50]%

Table 1: Market shares in the upstream market

Source: Parties' estimates on the basis of statistics gathered by Verband Deutscher Maschinen- und Anlagenbau (VDMA)

29. BC has the highest market share both in the EU and worldwide but in the EU it shares this position with Krauss Maffei/Davis Standard. In addition to these two strong players there are numerous other suppliers of single screw extruders for pre-insulated pipes, both in the high-end and low-end segment. However, they all have lower market shares, with the largest, Weber, accounting for [10-20]% of the EU market.
30. According to the estimations of the Notifying Party, BC's average market share in the installed base of extruders in the last ten years in the EU is almost [40-50]%. On a yearly basis, the installed base has been gradually declining from [...] % in 2003 to [...] % in 2012.

²⁶ The Notifying Party was not able to provide precise market share figures for the EEA but estimates that the inclusion of the EFTA States would not materially affect the market share estimates.

31. On the downstream market for pre-insulated pipes, the Notifying Party considers that, (i) on the segment of pre-insulated pipes for oil and gas industry, Logstor's market share would amount to approximately [10-20]% on a worldwide basis and [10-20]% on an EEA-wide basis, (ii) in pre-insulated pipes for marine use, it would amount to [10-20]% on a worldwide basis and [10-20]% on an EEA-wide basis, and (iii) in the pre-insulated pipes for industrial applications, it would amount to [30-40]% on an EEA-wide basis. The Notifying Party was not able to provide market shares of Logstor's competitors on these segments
32. On the segment for pre-insulated pipes for district heating and district cooling, the Notifying Party estimates that the markets shares of Logstor and its competitors in 2012 were the following²⁷:

<i>Market for pre-insulated pipes for district heating and cooling</i>		
	<i>EEA</i>	<i>Worldwide</i>
Logstor	[30-40]%	[20-30]%
Isoplus	[20-30]%	[10-20]%
Brugg	[5-10]%	[5-10]%
German Pipe	[5-10]%	[0-5]%
KWH	[5-10]%	[0-5]%
Powerpipe	[0-5]%	[0-5]%
INPAL/Wannitube	[0-5]%	[0-5]%
ZPU Górzeński	[0-5]%	[0-5]%
ZPU Jońca	[0-5]%	[0-5]%
Others	[5-10]%	[40-50]%

Table 2: Market shares in the downstream market
Source: Parties' estimates

33. Although Logstor is the strongest player, with a market share of [30-40]%, the number two player, Isoplus, has seen its market share increase over the last years. There is also a variety of smaller manufacturers of pre-insulated pipes for district heating and cooling with market shares of [5-10]% and lower.

Risk of customer foreclosure for BC's competitors

34. The Notifying Party submits that the transaction does not give rise to customer foreclosure risks as BC's competitors' access to the market will not be affected. The Notifying Party submits that following the transaction, BC's current or potential competitors will have access to a sufficient customer base and that a possible

²⁷ Even though market shares of Logstor in some regions or in some individual Member States are higher, given that at the upstream level the competitors are active at the EEA-basis, this does not affect the analysis of customer or input foreclosure.

foreclosure strategy will, in any event, not reduce the competitors' abilities or incentives to compete in the market for single screw plastic extruders for plastic pipes.

35. The results of the market investigation confirmed that the merged entity would not have the ability to foreclose access to downstream markets.
36. First, all of the competitors of BC who responded to the market investigation stated that the proposed transaction would not have any impact on their business, while a majority of the respondents considered that their capacity to sell extruders to Logstor would not decrease as a result of the transaction.²⁸
37. Second, a sufficient number of customers for single screw extruders would remain in the market after the transaction.
38. Finally, it should be noted that sales of extruders for the production of pre-insulated pipes are only a small part of BC's and its competitors' activity. The Notifying Party estimates that sales to district heating pipes producers account for approximately [...] % of BC's global sales within the infrastructure segment. Competitors of BC confirmed that sales of extruders which are used in the production of pre-insulated pipes do not constitute an important part of their businesses.²⁹ Overall therefore Logstor cannot be considered as an important customer for manufacturers of extruders.
39. In light of the above, it can be concluded that, after the completion of the notified transaction, competitors of BC will have sufficient alternative customers. As a consequence, the notified transaction does not raise serious doubts as to its compatibility with the internal market with respect to possible customer foreclosure.

Risk of input foreclosure for Logstor's competitors

40. The Notifying Party submits that the transaction does not give rise to input foreclosure risks as the merged entity will have neither the ability nor the incentive to limit Logstor's competitors' access to input in terms of (i) new extruders or (ii) spare parts for BC's extruders.
41. As regards sales of new single screw extruders, the Notifying Party submits that BC is not in a position to set its price independently of its competitors as it faces competition from both EU- and US-based competitors offering the same quality level as BC, as well as competition from Asian, especially Chinese, producers. The Notifying Party also argues that (i) extruders do not constitute a critical input as their purchase and maintenance costs represent a limited part of the total operational costs, (ii) in response to an input foreclosure strategy by BC, its customers would have the possibility to integrate upstream, and (iii) as the purchase of an extruder is a significant investment which occurs rarely, the scope for input foreclosure as regards purchase of extruders is narrow.
42. The results of the market investigation confirmed that the merged entity would not have the ability to foreclose access to new extruders.

²⁸ Responses to questions 40, 41 of the Questionnaire Q1 Extruders – Manufacturers.

²⁹ See responses to question 26 of the Questionnaire Q1 Extruders – Manufacturers.

43. Respondents to the market investigation indicated that competition in extruders is strong and the market prices for extruders have declined.³⁰ Purchasers source plastic extruders through competitive bidding processes, with some of them requiring quotations from at least three potential suppliers.³¹ One of the producers of single screw extruders described this market as a "purchaser market",³² suggesting that none of the players is able to profitably raise prices of single screw extruders.
44. The majority of Logstor's competitors consider that there are sufficient alternatives to BC in the market for plastic extruders and in particular single screw extruders in the EEA.³³ Although Logstor's competitors appreciate the quality of BC's extruders,³⁴ they state that there is no single screw extruder that would be produced solely by BC³⁵ and there is no technology that would only be developed by BC,³⁶ which implies that BC does not have a particular competitive advantage over its rivals.
45. Similarly, the majority of BC's competitors do not consider BC to have any specific advantage in terms of price, product quality, reliability, after-sales service or technology.³⁷ According to the majority of manufacturers of single screw extruders their clients apply a multi-sourcing strategy.³⁸
46. Finally, the majority of Logstor's competitors is of the opinion that as a result of the transaction their ability to source new extruders from BC would not decrease.³⁹
47. In light of the above, it can be concluded that, after the transaction, the merged entity would not have the ability to foreclose access to new extruders.
48. During the market investigation, one of Logstor competitors expressed concerns regarding the possibility for BC to delay its intervention to provide services such as replacement of spare parts or reparation.

³⁰ Responses to question 24.1 of the Questionnaire Q1 Extruders – Manufacturers, minutes of conference call of 10 July 2013 with Krauss-Maffei.

³¹ Responses to question 26 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

³² Response of Theysohn Extrusionstechnik GmbH to question 28 of the Questionnaire Q1 Extruders – Manufacturers.

³³ Responses to question 27 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

³⁴ Responses to question 22 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

³⁵ Responses to question 28 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

³⁶ Responses to question 29 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

³⁷ Responses to question 24 of the Questionnaire Q1 Extruders – Manufacturers.

³⁸ Responses to question 27 of the Questionnaire Q1 Extruders – Manufacturers.

³⁹ Responses to question 45 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

49. The Notifying Party submits that BC would not have the ability and incentive to foreclose Logstor's competitors from accessing spare parts for BC single screw extruders. In particular, the Notifying Party considers that there are a number alternative spare parts suppliers (e.g. extruder manufacturers, suppliers of components, local toolmakers), and submits that any foreclosure strategy would hurt BC's reputation among customers and therefore would affect purchase decisions for new extruders.
50. Contrary to the competitor's concern, the market investigation demonstrated that the merged entity would not have the ability and incentive to engage in foreclosure behaviour with respect to spare parts for BC extruders.
51. The results of the market investigation revealed that, although the purchasers of single screw extruders usually source spare parts from the original manufacturers,⁴⁰ the majority considers that they could also source those parts from other companies⁴¹ because "[t]here are many companies specialised in supplying spare parts to extruders so if a customer chooses to buy non-original parts that is possible."⁴² One of the customers confirmed that he has already bought spare parts for a BC's extruder from another supplier.⁴³
52. As regards incentives, it should be noted that, according to the results of the market investigation, clients consider that after-sales support is an important factor when choosing a supplier of extruders.⁴⁴ Therefore, any foreclosure strategy regarding spare parts would expose BC to a risk of losing orders for new extruders.⁴⁵ This would be particularly detrimental as a large proportion of BC's revenues are derived from sales of new extruders: [...] % of BC's revenue is derived from the sale of spare parts and services and the profit margins on spare parts are only slightly higher than the margins on new extruders.
53. In addition, it should be pointed out that, while BC's profit margins on the upstream market have been fluctuating, Logstor's profit margin has been consistently decreasing over the last three years. In view of the decreasing downstream margins, the merged entity also faces the risk that the long term profit to be derived from the foreclosure of spare parts might not make up for the profits lost upstream.⁴⁶

40 Responses to question 35 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

41 Responses to question 36 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

42 Response of Uponor Infra Ltd. to question 37 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

43 Response of Uponor Infra Ltd. to question 38 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

44 Responses to question 21 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.

45 The same applies to any concerns that BC would, post-transaction, pass on to Logstor information on Logstor's competitors' confidential know-how or technology (to which it may gain some access during service visits to Logstor's competitors).

46 Commission Guidelines on the assessment of non- horizontal mergers under the Council Regulation on the control of concentrations between undertakings, OJ C265, 18.10.2008, p. 6, paragraphs 40, 41.

54. Finally, it should be noted that a large majority of the respondents in the market investigation were of the opinion that their capacity to source parts from BC will not decrease after the transaction.⁴⁷
55. In light of the above, it is concluded that the proposed transaction does not raise concerns as to possible input foreclosure, neither with respect to new extruders nor with respect to spare parts.

IV. CONCLUSION

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

*For the Commission
(signed)*

*Connie HEDEGAARD
Member of the Commission*

⁴⁷ Responses to question 46 of the Questionnaire Q2 Pre-insulated pipes – Manufacturers.