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*Case No IV/M.1110 -  
VAW / REYNOLDS  
METALS*

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

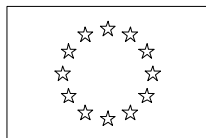
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Article 6(1)(b) NON-OPPOSITION

Date: 19/05/1998

*Also available in the CELEX database*

*Document No 398M1110*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 19.05.1998

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sirs,

**Subject: Case No IV/M.1110 - VAW/Reynolds Metals**

Notification of 15.4.1998 pursuant to Article 4 of Council Regulation No 4064/89

1. On 15.04.1998, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the undertaking VAW aluminium AG ("VAW") controlled by VIAG AG acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the undertakings Aluminium Walzwerk Hamburg GmbH, Reynolds Italy Slim S.p.A. and Industria Navarra del Aluminio S.A. (together referred to as "Reynolds"), which are part of the Reynolds Metals Group, by way of purchase of shares.
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 EEA Agreement.

**I. THE PARTIES' ACTIVITIES AND THE OPERATION**

3. VAW is a company active in the production and distribution of primary aluminium, flat rolled products, flexible packaging and related products. The transferred companies,

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

referred to as Reynolds, are active in the production and distribution of flat-rolled aluminium products mainly in Europe.

4. The aim of the operation is the acquisition of Reynolds' European flat-rolled aluminium business by VAW. For this purpose Reynolds will, prior to the proposed concentration, reorganise its activities in Germany, Italy and Spain. In Germany Reynolds will sell its flat-rolled products manufacturing and distributing activities to the newly created Aluminium Walzwerk Hamburg GmbH, which shares will then be sold to VAW. In Italy the Reynolds Italy Slim S.p.A. and in Spain the Industria Navarra del Aluminio S.A. will be disconnected of all assets or shares not involved in flat-rolled products activities and then be sold to VAW.

## **II. COMMUNITY DIMENSION**

5. Undertakings VIAG AG and Reynolds have a combined aggregate worldwide turnover in excess of ECU 5,000 million. Each of them has a Community-wide turnover in excess of ECU 250 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, but does not constitute a cooperation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

## **III. COMPETITIVE ASSESSMENT**

### **A. Relevant product market**

6. VAW and Reynolds are active in the aluminium sector. The aluminium sector can be divided in the product markets for primary aluminium, flat rolled aluminium products ("FRP") and extruded aluminium products<sup>2</sup>.
7. FRPs are produced in an extremely wide variety of shapes, sizes and compositions depending of the customer's specifications. They can be defined in three subsegments: plates, sheets and stripes; circles and blanks; slugs. The proposed operation only concerns the market segment of sheets and stripes.
8. The parties submit that most major aluminium producers can produce a full range of FRPs and that FRP producer can switch production among many types of FRPs easily and with very little cost by adjusting the width of the mill and the space between rollers. Therefore the parties propose that all FRPs together (excluding only special plates for the aeronautic and defence industry) form part of one product market, which is in line with the Commission's former decision<sup>3</sup>.
9. However, it is not necessary to further delineate the relevant product markets because, even in the narrowest market definition considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

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<sup>2</sup> Case No IV/M.675 - ALUMIX/ALCOA; case No IV/M.1003 - ALCOA/ INESPAL

<sup>3</sup> Case No IV/M.1003 - ALCOA/ INESPAL

## **B. Relevant geographic market**

10. There are no barriers to trade within the EEA region for FRPs and transportation costs do not seem to be substantial (between 2.5% and 4% of total production costs). More than 60% of the EEA wide production is traded between individual countries inside the EEA and country specific price differentials are small, beside product specific differentials caused by differences of quality, size and shape. The rate of duty for imports from countries outside the EEA to the EU is declining from 8.5% in 1997 to 7.5% in 1999. Imports from outside the EEA have a share of EEA total production of more than 10%. Therefore, and in line with former decisions cited above, the relevant geographic market for FRPs is at least the EEA.

## **C. Assessment**

11. Turnover from sales of FRP may be a poor reflection of the relative positions of market players in the present case, since the primary aluminium costs may/may not be taken into account in order to calculate the FRP turnover (depending on the customer bringing in its own primary aluminium or not). Production figures and capacity will be used here, as in previous decisions, since they describe the market position of a FRP producer more accurately.
12. VAW and Reynolds together will have a capacity for producing FRPs of 675 Ktonnes per year, which gives them a share of less than 18% of total capacity. Their main competitors have comparable capacity size (Alcan 935 kt, Pechiney 652 kt and Alcoa 487 kt). The parties' shares of total FRP production are even smaller (less than 15%) and comparable to the shares of their main competitors (Alcan 22%, Pechiney 16-18%, Alcoa 10-12%). VAW's and Reynolds' shares remain below 15% even for the narrower market of sheets and strips, which is the only market segment affected by the operation<sup>4</sup>.
13. VAW is a fully integrated firm. It also operates in the primary aluminium market and the downstream market of end products (flexible packaging). However, the proposed operation does not expand the vertical integration, but only strengthen VAW's capacity in the market of FRPs. Furthermore, main competitors are equally vertical integrated.
14. In view of the market position of the parties to the concentration, it appears that the notified operation will have *no* 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.

## **IV. ANCILLARY RESTRICTIONS**

15. The parties provide a non-compete obligation on the seller as ancillary restraint of the proposed concentration. It is time limited to 5 years. This clause allows to preserve the full value of the assets transferred and therefore it is covered by the present decision.

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<sup>4</sup> Numbers as given by the parties and confirmed in general by the Commission's investigation.

**V. CONCLUSION**

16. 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. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,