

***Case No IV/M.1308 -
WOLSELEY / HALL***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 30/09/1998

*Also available in the CELEX database
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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 30.09.1998

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

Subject: Case No IV/M.1308 – WOLSELEY/HALL

Notification of 31.08.98 pursuant to Article 4 of Council Regulation N/ 4064/89

1. On 31 August 1998, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the undertakings Wolseley plc ("Wolseley") acquires within the meaning of Article 3(1)(b) sole control over Hall & Co. Ltd ("Hall"), 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 No. 4064/89 and does not raise serious doubts as to its compatibility with the common market or with the functioning of the EEA Agreement.

I THE PARTIES AND THE OPERATION

3. Wolseley is an international group principally active in the distribution of building materials in the USA and in the UK, France and Austria. It operates a number of chains (trading as Plumb Center, Builder Center, Pipeline Center, Drainage Center, Controls Center, Crangrove and RSJ).
4. Hall, currently owned by RMC Group Plc ("RMC"), is a UK company engaged in the distribution of building material within the UK. The company is currently called RMC Retail & Merchanting Limited. Its name will be changed into Hall & Co Limited after an internal reorganisation of RMC, by which Hall will be attributed the assets currently operating under the names Hall & Co. and RMC Catherwood Scotland.

5. The operation will be effected by way of a share purchase. Wolseley will acquire the entire share capital of Hall from RMC.

II CONCENTRATION

6. The proposed operation constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

III COMMUNITY DIMENSION

7. The parties to the notified concentration have a combined aggregate world-wide turnover in excess of ECU 5 000 million. The aggregate Community-wide turnover of each of Wolseley and Hall exceeds ECU 250 million. Wolseley does not achieve more than two-thirds of its aggregate Community-wide turnover within one Member State. Thus the concentration has a Community dimension within the meaning of Article 1(2) of the Merger Regulation. It does not constitute a cooperation case under Article 57 of the EEA Agreement.

IV COMPATIBILITY WITH THE COMMON MARKET

A. The relevant product markets

8. The parties are both active in the distribution of building materials in the UK, which includes various routes to market (general builders' merchant, specialist lightside merchant, DIY shops, direct sales by manufacturers). They consider that the relevant market is the builders' merchant market, i.e. the supply of a range of building/plumbing materials to trade customers, and may include other routes to market such as DIY out-of-town warehouse outlets.
9. The builders' merchant market can be segmented by type of building products, i.e. heavyside products (bricks, blocks, aggregates, cement, plasterboard, decorative concrete, etc.), lightside products (ironmongery, plumbing, drainage, heating, paint, decorating materials, kitchens and bathrooms, etc.) and timber materials (sawn timber, prepared timber, manufactured joinery (doors and windows), sheet materials, etc.). The market could also be defined according to type of customers (large builders, specialists/tradesmen, small builders, non-professionals), but in this case merchants would be subject to competition by other types of suppliers such as DIY and direct sales by manufacturers.
10. However, a precise product market definition can be left open in this case, since no competition issues arise whatever definition is adopted.

B. The relevant geographic market

11. Both Wolseley and Hall are builders' merchants. According to the notification, whilst from the demand side the builder's merchant market has a local dimension, corresponding to the merchants' catchment area (typically at most fifteen miles), leading merchants compete at a national scale on price, product range and quality, service level, advertising and geographical location of branches.
12. However, a precise geographic market definition can be left open in this case, since no competition issues arise whatever definition is adopted.

C. Assessment

13. According to the notification, the merged entity will have at UK level a share of around 12% of the builders' merchant market. It will face strong competition from a number of national operators, including Jewson/Harcros (11%), Travis Perkins (7%), Graham (7%) Keyline (4%) and many others with shares below 2%, and from a large number of regional merchants and local independents (together taking more than 50% of the market). As to individual product areas, the parties' share never exceeds 15%, except in plumbing and heating materials, where Wolseley has [less than 25%] of the UK market but Hall has only a minor presence (0.1%).
14. The picture does not change substantially when looking at regional levels. The only area where the parties' share will exceed 15% is the Greater London area [(less than 25%)]. At local level, the parties' activities overlap in some 17 UK towns. The Commission's investigation has shown that in these locations no significant competitive issues will arise as a consequence of the merger.

V ANCILLARY RESTRICTIONS

15. RMC has agreed not to compete with Hall, nor to solicit its employees for a period of two years. These clauses are to guarantee the full value of the transferred businesses and are in line with the Commission notice regarding restrictions ancillary to concentrations¹.

VI CONCLUSION

16. For the above reasons, the Commission decides not to oppose the notified operation and to declare it compatible with the common market and with the functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation No 4064/89.

For the Commission,

¹ OJ C 203, 14.8.1990, p. 5