

***Case No COMP/M.1460 -
LAFARGE / TITAN***

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

Article 6(1)(b) NON-OPPOSITION
Date: 03/03/1999

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

Brussels, 03-03-1999

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

MERGERS PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sirs

Subject: Case No IV/M.1460 – LAFARGE/TITAN

Notification of 9 February 1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 9th February 1999 the Commission received a notification of a proposed concentration by which Lafarge and Titan acquire joint control of the Egyptian company Beni Suef. This will be accomplished through the purchase of 76% of the shares in Beni Suef and the setting up of a company to hold these shares, which will be jointly controlled by the parties.

I. THE PARTIES

2. Financière Lafarge SA (“Lafarge”) is a major producer of building materials particularly cement and ready mix concrete. Lafarge is principally active in France, where it has a [%] share of cement sales.
3. Titan Cement Company SA (“Titan”) is active in the production of building materials, particularly cement and ready mix concrete. Titan is principally active in Greece, where it has a [%] share of cement sales.
4. Beni Suef Cement Co. (“Beni Suef”) is being privatised and its shares being offered for sale by. The Mining and Refractories Co (an Egyptian state-owned company). Beni Suef is an Egyptian company active on the Egyptian cement market, where it holds a market share of [%].

II. THE OPERATION

5. The concentration will occur in three distinct stages. Lafarge has entered into a binding agreement with The Mining and Refractories Co to acquire control of Beni

Suef through the purchase of a 76% shareholding in the company. Lafarge will then establish a company (“the joint venture”), to which it will transfer its shareholding in Beni Suef. Finally, Lafarge will transfer to Titan, and Titan will acquire 50 % of the shares of the joint venture.

Joint Control

6. The joint venture company will be jointly controlled by Lafarge and Titan with each holding 50% of the shares. Both parties will appoint the same number of directors and will have exactly the same rights and obligations in regard to the joint venture. They will also both nominate an equal number of the directors of Beni Suef. All major decisions of the Board of Beni Suef, including the hiring of key personnel, the budget and the business plan of the company require the consent of all the directors nominated by both parties. Lafarge and Titan will have joint control of Beni Suef.

Full Function Joint Venture

7. Lafarge will transfer its 76% shareholding in Beni Suef to the joint venture, which will therefore have sole control of Beni Suef. Beni Suef has a management dedicated to its day to day operations and access to sufficient resources to give it autonomy. The joint venture can therefore be seen as full function

III. COMMUNITY DIMENSION

8. The combined aggregate world-wide turnover of the undertakings concerned exceeds EUR 5 000 million. The aggregate Community wide turnover of each exceeds EUR 250 million. They do not achieve more than two thirds of their turnover in one and the same member state. The operation therefore has a Community dimension but does not constitute a co-operation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

IV. COMPATIBILITY WITH THE COMMON MARKET

Relevant Product Market

9. Beni Suef is active in the cement business. The notifying parties consider that the relevant product market is cement. 98% of the cement produced in Egypt is grey cement, which, it was held in a previous decision, may constitute a separate market.¹ However, in this case the question of whether grey cement does indeed constitute a separate market can be left open, as the competitive analysis will be the same under both definitions.

Relevant Geographical Market

10. Beni Suef is only active in Egypt. The joint venture will not have any activities on any market in the EU or the EEA. Therefore the relevant geographical market is the Egyptian market. This market can be seen as clearly distinct from any European or EEA market for several reasons.

¹ Holdercim/Cedest Decision IV/M.460 of 6th July 1994

11. Logistical considerations such as distance and the Egyptian transport infrastructure hamper exports of cement from Egypt into Europe. Sales of cement from Egypt into Europe are further discouraged by the fact that the Egyptian market for cement is suffering from under-capacity. As a result, substantial imports of cement into the Egyptian market are necessary from the Mediterranean, the Red Sea and Saudi Arabia in order to meet present demand. Exports of cement from Egypt into the EEA are also subject to customs duties.

V. ASSESSMENT

12. The joint venture will only be active on the Egyptian cement market, which is clearly distinct from Europe and the EEA. The proposed concentration will therefore have no direct impact on any EU or EEA market.
13. There is only a minimal overlap between the activities of the parties in the EU and the EEA. The joint venture is also a very small operation in the context of the relative size of the operations of the notifying parties, and is therefore not likely to affect the parties' incentives to engage in any co-ordination of their behaviour within the EEA.

VI. CONCLUSION

14. For the foregoing reasons, the Commission has decided 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 (EEC) No 4064/89.

For the Commission,