

***Case No IV/M.1653 -
BUHRMANN /
CORPORATE
EXPRESS***

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

Article 6(1)(b) NON-OPPOSITION
Date: 08/09/1999

*Also available in the CELEX database
Document No 399M1653*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 08.09.1999
SG(99) D/7265

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

Subject: Case No IV/M.1653 – BUHRMANN / CORPORATE EXPRESS

Notification of 12 August 1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 12 August 1999, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89¹ by which the undertaking Buhrmann N.V. (“Buhrmann”), The Netherlands, acquires within the meaning of Article 3(1)(b) of the Council Regulation sole control of Corporate Express Inc. (“CorpExpress”), USA.
2. After examining the notification, the Commission has concluded that the notified concentration 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 functioning of the EEA Agreement.

¹ 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 L40, 13.2.1998, p. 17.

I. THE PARTIES

3. Buhrmann is a distributor of office products and computer products, paper and graphic systems for business-to-business purposes, and offers related services. Buhrmann has operations mainly in the EEA and to a small extent in the U.S..
4. CorpExpress is active as a distributor for mainly the same products as Buhrmann except graphic systems and paper. CorpExpress operates subsidiaries in the U.S., Canada, Australia, and in some Member States, namely France, Germany, Italy, Ireland, the Netherlands, and United Kingdom.

II. THE OPERATION

5. The notified operation concerns the acquisition of sole control of CorpExpress by Buhrmann by way of purchase of shares.

III. CONCENTRATION

6. The acquisition by Buhrmann of CorpExpress constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion². Each of them has an aggregate Community-wide turnover in excess of EUR 250 million. None of the undertakings does 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. It does not constitute a co-operation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

V. COMPETITIVE ASSESSMENT

A. Relevant product markets

8. The notifying party submits that the relevant product markets concerned by the proposed operation are the markets of distribution of office products, distribution of information systems, distribution of graphic systems, and distribution of graphic paper.
9. As far as the distribution of office products and distribution of information systems are concerned, the notifying party suggests further sub-categories. Moreover, on the wholesale level, a distinction can be made between distributors and wholesalers³. The former purchases their products directly from the manufacturers whereas the latter receive their products from distributors or purchase from other source typically on a wide geographic scope. Distributors and wholesalers, however, are in competition with the distribution of their products to retailers and large accounts. For the purpose of this case, however, it is not necessary to further delineate the definition of the relevant

² Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

³ IV/M.1099 – Otto Versand / Actebis.

market, since, even on narrower definitions, there would be no creation or strengthening of a dominant position.

10. In the distribution of graphic systems only Buhrmann has activities. In a previous Commission's decision⁴, a precise definition of this product market has been given supporting the view of the notifying party that graphic systems are completely different product categories and, therefore, to be considered isolated from Buhrmann's other distribution activities. For the purpose of this case, however, it is not necessary to decide on the precise definition of the relevant product market, since the proposed operation would not lead to the creation or strengthening of a dominant position.

Distribution of graphic paper

11. The notifying party submits that graphic paper is the common name for different kinds of coated and uncoated general printing and writing paper, excluding envelopes and newsprint. In a previous Commission's decision⁵, a precise definition of this product market has been given.
12. Distribution of graphic paper is done through either direct sales channels, i.e. the paper manufacturer delivers to the final customers, or paper merchants respectively distributors. The former sales channel involves typically large quantities of graphic paper and long-term relationships. The latter sales channel, which is far larger by volume, serves customers with smaller quantities and involves very regularly supply, even on a daily basis. Moreover, contracts are of short-term nature.
13. For the purpose of this case, however, it is not necessary to decide on the precise definition of the relevant product market, since the proposed operation would not lead to the creation or strengthening of a dominant position.

B. Relevant geographic markets

Distribution of office products

14. The notifying party has taken the view that office products are distributed on a national basis. Catalogues offering these products are produced for national markets as almost no European sales organisation exist for office products. Moreover, each country has its own range of products of which only a small part is sold in other Member States. Orders or requests for offers, which are made by international operating customers, are usually forwarded to the national sales agencies. However, it is not necessary in the present case to define the geographic scope precisely because the transaction does not raise competition concerns under the Merger Regulation.

Distribution of information systems

15. The notifying party claims that information systems are distributed on a national basis. Supply of information systems is mainly organised on a national basis. In a previous Commission's decision⁶, the geographic scope has been seen at least EU-wide. However, it is not necessary in the present case to define the geographic scope precisely

⁴ IV/M.291 – KNP / Bührmann-Tetterode / VRG.

⁵ IV/M.291 – KNP / Bührmann-Tetterode / VRG; IV/M.884 – KNP BT / Bunzl / Wilhelm Seiler.

⁶ IV/M.1099 – Otto Versand / Actebis.

because the transaction does not raise competition concern under the Merger Regulation.

Distribution of graphic systems

16. Graphic systems are distributed on a national basis. The kind of product, related with its highly complex technologies and therefore intensive service requirements, relies on proximity to customers. Furthermore, training for these products is typically organised by distributors and is given in the appropriate language. The Commission agrees with the market definition as it is largely in line with a previous Commission's decision⁷.

Distribution of graphic paper

17. The notifying party states that the relevant geographical market is national. The European graphic industry is highly fragmented, as approximately 95% of the customers are small printers with fewer than 50 people employed. Delivery of graphic paper, therefore, has been organised almost nationally in view of the small order volumes involved. The view of the notifying party is largely in line with previous Commission's decisions⁸.

C. Competitive Assessment

Distribution of office products

18. The proposed operation would lead to a combined market share in the range between 3%-7.2% on a national basis, for example 7% in Austria, 7.2% in Sweden, and 2.8% in the Netherlands. If considering the market shares on narrower product categories, the combined market share would add up in the range between 1%-7%. On the market for distribution of office products, numerous competitors are active with market shares in the range between 1-7% on a national basis.

Distribution of information systems

19. The combined market share of the new entity would add up in the range between 1%-4.1% on a national basis, for example 2.2% in France, 4.1% in the Netherlands. In the event of considering the combined market shares on narrower product categories, the range would be between 3-5%, with the exception in software of 13% in the Netherlands. A significant number of competitors have activities and enjoy market shares in the range between 2-10% on a national basis.

Distribution of graphic systems

20. Buhrmann has activities on this market but not CorpExpress. Therefore, the proposed operation has no overlaps. Moreover, no vertical links exist either within Buhrmann or with CorpExpress as the kind of product is of completely different kind of nature.

Distribution of graphic paper

21. The proposed operation would not lead to any overlap, as only Buhrmann is active in distribution of graphic paper but not CorpExpress. However, the competitive impacts of vertical relationships, in which both parties have operations through their respective paper merchant operations, need to be further assessed.

⁷ IV/M.291 – KNP / Bührmann-Tetterode / VRG.

⁸ IV/M.291 – KNP / Bührmann-Tetterode / VRG; IV/M.884 – KNP BT / Bunzl / Wilhelm Seiler.

22. CorpExpress purchases approximately 250 tons of graphic paper from Buhrmann, which is less than 1% of Buhrmann's total sales volume. CorpExpress receives this graphic paper in smaller, cutted size. Therefore, CorpExpress sells it for office use only. The market share of Buhrmann, however, would remain unchanged as a result of the proposed operation as CorpExpress' purchases have already been included in Buhrmann's sales figures.

Summary

23. It can be concluded from the above that the proposed operation would 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.

VI. CONCLUSION

24. 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,