

***Case No COMP/M.1873 -
COMPAGNIE DE
SAINT-GOBAIN /
MEYER
INTERNATIONAL***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 23/03/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, **23/03/2000**
SG (2000) **D/102580**

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 COMP/M. 1873-Saint-Gobain/Meyer

Notification of 22 February 2000 pursuant to Article 4 of Commission Regulation No. 4064/1998

1. On 22 February 2000 the Commission received a notification of a proposed concentration by which the undertaking Saint Gobain acquires sole control over the undertaking Meyer International plc («Meyer») by means of a public bid closed on 3 March 2000.
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 and with the functioning of the EEA Agreement.

I. THE PARTIES

3. The French Saint-Gobain group is involved in the production, processing and distribution of glass, high performance materials such as industrial ceramics and abrasives and building materials. In the UK Saint-Gobain is active in the distribution of certain building products through its subsidiary Oliver Ashworth (OAG).

4. Meyer is an UK-based company, which is principally involved in the merchandising of building materials and timber and the distribution of laminates and specialist timber products in the UK and overseas. Meyer is primarily active in the UK through its wholly owned subsidiaries Jewson and Graham.¹ Meyer also has operations in Ireland, The Netherlands and North America.

II. THE OPERATION

5. Saint-Gobain through a newly incorporated wholly owned UK subsidiary, Orchardflint plc, will acquire the entire issued share capital of Meyer by means of a recommended public cash offer. The offer document was posted on 11 February 2000 and the first closing date was 3rd March 2000². After completion of the concentration Meyer will be a wholly owned subsidiary of Saint-Gobain. The proposed operation constitutes a concentration according to Article 3 (1) (b) of the Merger Regulation.

III. COMMUNITY DIMENSION

6. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion³ (Saint-Gobain: 22,961 MEUR; Meyer: 2,644,917 MEUR). Each of the undertakings concerned have a Community-wide turnover in excess of EUR 250 million (Saint-Gobain: [...] MEUR; Meyer: [...] MEUR), 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. It does not constitute a co-operation case under the EEA Agreement pursuant to Article 57 of that Agreement.

IV. COMPATIBILITY WITH THE COMMON MARKET

a) Relevant product markets

7. The economic sectors involved in the concentration are a) the production and b) the distribution of various building materials.

¹ With the acquisition of Graham in September 1999 Meyer became the owner of the UK's largest building merchant.

² The closing has been extended to

³ 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.

Distribution of various building products

8. The parties have horizontal overlaps in the distribution of above ground soil and drainpipes, water pipes, sewer and drainpipes and municipal castings. The parties define the relevant product markets as follows:
- i) *above ground soil and drain pipes*: pipes of all materials used for the collection of soil or waste water and rain water, above ground, both inside and outside a building.
 - ii) *water pipes*: pipes of all materials used for the transportation of clean water to buildings (connection pipes) and pipes including the connection from the mains (mains pipes).
 - iii) *sewer and drainpipes*: pipes of all materials used for the transportation below ground of dirty water to sewerage treatment works.
 - iv) *municipal castings*: comprise manhole covers, duct covers, grates and surface boxes used in roads, pedestrian areas and buildings.

Manufacture and sale of various building products

9. The parties have vertical overlaps in the manufacturing and distribution of municipal castings abrasives, mortars, insulation products, tiles and glass.
- v) *abrasives*: products covering a wide variety of cutting, polishing and sanding products of varying capabilities and strengths, used in numerous industrial applications and in the consumer DIY sector.
 - iii) *mortars*: mortars for use inside and outside
 - iv) *insulation products*: insulation fibre glass
 - v) *glass*: float glass, tempered and laminated glass, double glazing and mirrors
 - vi) *tiles*: tiles of concrete and clay used in the building industry
10. The products mentioned above, though partially produced by the same suppliers, from a demand-side perspective are not substitutable by one another from wider markets. On the other hand, the Commission has not received any indication that product markets could be further subdivided into narrower markets. However, for the purposes of the present case the question whether the market can be further subdivided can be left open since with any alternative market definition the concentration will not lead to the creation of a dominant position.

b) *Relevant geographic markets*

Distribution of various building materials

11. The parties have horizontal overlaps in above ground soil and drain pipes, water pipes, sewer and drain pipes and municipal castings only in the UK. The parties indicate that the market for distribution of these products is national because the main players compete nationally in terms of products and services offered. Although customers shop locally the leading builders' merchants tend to operate nationally in terms of presentation, coverage, product offering, marketing and general policy. Most competitors including the parties select

their product range at national level and list selling prices are also determined nationally. For the purposes of the present case the relevant geographical market for distribution of building product can therefore be considered to include the UK.

Manufacture and sale of various building products

12. The parties have vertical overlaps in abrasives, mortars, insulation products, tiles and glass. Saint-Gobain is manufacturing these products and Meyer⁴ is distributing these products in the UK. The parties consider that the markets for production and sale of these products are European if not international due to a number of factors such as increasing imports from the EU (20% of the total UK market in municipal castings) and third countries (e.g. in abrasives, semi-finished products tend to be imported from Korea, China, Japan and North America. Furthermore, standards for many products are gradually being harmonized and international standards (ISO) and European standards (EN) have been introduced (for example for water pipes). However, the question whether the relevant product markets are still national or European/international can be left open because the present concentration with any possible market definition does not raise serious competitive concerns.

c) Competitive Assessment

Horizontal overlaps⁵

13. The parties have horizontal overlaps only in the UK where both Meyer through its subsidiaries Jewson and Graham and Saint-Gobain through its subsidiary OAG distribute above ground soil and drain pipes, water pipes, sewer and drain pipes and municipal castings. It has to be noted that Jewson/Graham are general builders' merchants selling a wide range of products whereas OAG is a specialist distributor selling only products intended for use in the water industry.
14. In above ground soil and drainpipes OAG has a market share of [below 5] % and Jewson/Graham have [5-10] %. Combined market shares will therefore amount to around [10-15] %. In below ground sewage and drainage pipes OAG has a market share of [below 5] % and Jewson/Graham have [10-15] %. Combined market shares will amount to 10-15] %. In municipal castings OAG has [10-15] % and Jewson/Graham have [below 5] %, combined shares will therefore amount to [10-15] %. In municipal castings OAG's share of distribution is [5-10] %, while Jewson/Graham only add [below 5] %. Combined shares therefore will amount to [below 10] %. In all product markets there are important competitors active in the UK.

⁴ Meyer has no manufacturing activities.

⁵ Market shares given in the notification (1999).

15. On the overall market for water pipes (including both connection and mains pipes) OAG has a share of [15-20] % and Jewson/Graham have [below 5] %, combined shares being [15-20] %. There are important competitors active in the distribution of water pipes such as Fusion with [10-15] %, WT Burden, Cappa/Glynwed ([5-10] %), Roban ([5-10] %) or FWB (below 10%).
16. Moreover, it has to be considered that the common customer base of Jewson/Graham and OAG is very small: OAG primarily sells water pipes to the water utilities whereas Jewson/Graham's customers are primarily small building contractors. Therefore, there is only a limited overlap in the products distributed by the parties. The majority of OAG's sales of pipes are sales of mains pipes (15.2 million pounds out of 16.2 million), which are pipes with a diameter of 80 to 1800 mm used by the water companies for the transportation of clean water. Jewson/Graham sells only connection pipes, which are pipes of 40 mm or less, used to transport water from the mains to a building.
17. If one considers the distribution of connection pipes to be a separate market, OAG and Meyer each have a market share of [below 5] %, the combined shares being approximately [5-10] %.
18. Therefore, the concentration will not lead to a dominant position in any of product markets where the parties have horizontal overlaps.

Vertical relationship

19. The parties have vertical overlaps in The Netherlands, where Meyer distributes and Saint-Gobain produces insulation products, mortars and roof tiles. However, Saint gobain' market shares in these three products are below 25% with strong competitors active on the market. Meyer's share in the distribution of these products are very low (insulation: less then 5%; mortars and roof tiles: [lees than 5] %).
20. In the UK there is a vertical relationship between the parties with respect to water pipes, municipal castings, abrasives, mortars, insulation products, tiles and glass. Of the products, which Saint-Gobain can or could supply to Jewson/Graham, these products account for only a small proportion of Meyer's business.⁶ Saint-Gobain has market shares in the upstream market of production of above 25% only in municipal castings and abrasives. However, in both markets there is strong competition from other manufacturers. Furthermore, it has to be noted that these products are not core products for Jewson/Graham or any other builders' merchants. Therefore, no market foreclosure effects will arise from the vertical integration of the parties. Finally, the new entity will not have a dominant position in the distribution of municipal castings and abrasives and will be exposed to active competition.
21. In municipal castings, Saint-Gobain has a market share in production and sale in the EU of [15-20] %. However, there are a number of important competitors

⁶ Overall sales from Saint-Gobain to Meyer in the UK 1999 amounted to 4.5% of Saint-Gobain's total UK sales.

active on the market like for example Norinco ([10-15] %), Buderus ([10-15] %), Meier ([5-10] %), Passavant and Hydrotec (each [below 5] %), etc. In the UK Saint Gobain has market share in the production and sale of municipal castings of [25-35] % but is faces competition from a number of other players such as for example Clarksteel ([10-15] %), Peter Savage Ltd ([5-10] %), Thomas Dudley ([5-10] %) or Selflock Ltd. ([below 5] %), etc. The new entity will have market shares of 10-15] % in the distribution market and continue to be exposed to competition from a number of other distributors.

22. In abrasives, Saint-Gobain's market share in production and sale in the UK is [25-30] %. There are also important players active on the market such as for example 3M ([10-15] % market share) or Carborundum with around [5-10] %. In the EU Saint-Gobain's market share is [15-25] %. Also on the EU level there are a number of important players active such as for example 3M ([5-10] %), Tyrolit ([5-10] %), Daimant Boart ([below 5] %), etc. On the UK distribution market, the market shares of the new entity will be very modest (below 5%) and no dominant position will result from the present operation.
23. Therefore, the concentration will not lead to a dominant position in any of product markets where the parties have vertical overlaps.

VII. 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,