

***Case No COMP/M.1876 -
KOHLBERG KRAVIS &
ROBERTS / WASSALL /
ZUMTOBEL***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 13/04/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 13/4/2000

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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. COMP/M.1876 - Kohlberg Kravis Roberts / Wassall / Zumtobel
Notification of 10.03.2000 pursuant to Article 4 of Council Regulation No 4064/89

1. On 10.03.2000, the Commission received a notification of a proposed concentration by which Kohlberg Kravis Roberts & Co LP ("KKR") and the original shareholders of Zumtobel AG ("Zumtobel") acquire **joint control** of the new entity resulting from the merger of Wassall PLC ("Wassall"), UK, and Zumtobel.
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. KKR is US-based private equity firm. The business of the KKR group is to make equity investments in management buyouts either through controlling ownership or strategic minority positions. Wassall, a subsidiary of KKR, is a diversified British group which is active in the manufacture and supply of light fittings and components for light fittings; the manufacture and distribution of bottle tops and other closures; and the manufacture of trailer axles and related products.
4. The original shareholders of Zumtobel are various family members and family trusts. Zumtobel, a company incorporated in Austria, manufactures and supplies professional light fittings and lighting components.
5. Following the structure of the proposed concentration the original shareholders of Zumtobel will hold an interest of approximately 66.37% in the combined entity resulting from the merger of Zumtobel and Wassall, and the KKR group an interest of approximately 33.63%. The arrangements set out in the shareholders' agreement give to the KKR group veto rights

over strategic business decisions relating to the new entity. It follows that both parties will have joint control of the new entity.

6. The joint venture resulting from the merger of Wassall and Zumtobel will perform on a lasting basis all the functions of an autonomous economic entity, and therefore it will be a full function company. The KKR group will not keep any activity on the markets of the joint venture or in any markets closely related.

II. COMMUNITY DIMENSION

7. KKR group and Zumtobel have a combined aggregate world wide turnover in excess of EUR 5,000 million. (KKR group, EUR 10,460 million; and Zumtobel, EUR 711 million). Each of them has a Community-wide turnover in excess of EUR 250 million. (KKR group, EUR 2,778 million; and Zumtobel EUR 372 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 within the meaning of Article 1(2) of the Merger Regulation.

III. COMPETITIVE ASSESSMENT

A. Relevant product markets

8. The two merging companies are present in the sector of lighting installation, in particular in light fittings for professional use and components for light fittings. The typical lighting installation consists of the light source (lamp/bulb) and the light fitting. The light source is the device which converts electrical current into visible light. The light fitting controls the distribution of light and heat, ensures the delivery of the correct electricity and provides the optical assembly which houses the light bulb.
9. In Case No IV/M.258 CCIE / GTE, Decision of 25 September 1992, the Commission found that a product market exists for lamps for general purpose and another for light fittings for professional use (also called “lighting fixtures for non-residential use”) including architectural fittings and industrial/commercial fittings.
10. The parties submit that the relevant product markets where the both Wassall and Zumtobel are present are :
 - a) Light fitting for professional use. Two segments can be distinguished, interior and exterior light fittings.
 - b) Components for light fittings to optimise performance and to facilitate effective control. Main components are fluorescent chokes, HID chokes, electronic transformers, magnetic transformers, ignitors and electronic ballast.
11. However, it is not necessary to further delineate the relevant product markets because, in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

B. Relevant geographic markets

12. The parties state that the geographical market for light fittings for professional use is national in scope. They refer to the above mentioned Commission decision where it was argued that the bulk of the production was accounted for by a large number of small, specialised companies

operating generally on a national basis as well as the national consumer tastes and preferences. However, the parties argue that there is a beginning of a trend towards more cross-border distribution of professional light fitting products.

13. In its decision in CCIE/GTE the product market for light fittings for professional use was held to be national in scope.
14. It is not necessary to decide whether the market for light fittings for professional use is still national in scope or EEA-wide because under neither of these geographic market definitions, effective competition would be significantly impeded in the EEA or any substantial part of that area.
15. The parties hold that the geographical market for components is at least European in scope. They argue inter alia that the sourcing of components takes places on an EU-wide basis. Whilst components used in Western Europe are also manufactured in this area to a very large extent, the parties are of the view that the trend is towards globalisation in the sourcing of components and that sales of cheap imports from outside the EU and EFTA are increasing. However, it is not necessary to decide whether the market is EEA-wide or world-wide as in neither case the present concentration would raise competition concerns.

C. Assessment

a) Light fittings for professional use.

16. On an overall market for these fittings, the concentration would nor lead to competition problems in any of the national markets considered : UK (Wassall [15-25]% and Zumtobel [less than 5]%; followed by Philips [10-20]%), Ireland (Wassall [30-40]% and Zumtobel [less than 5]%; followed by Philips [10-20]%), Austria (Wassall [less than 5]% and Zumtobel [20-30]%; followed by Siteco [5-15]% and Philips [5-15]%), France (Wassall [10-20]% and Zumtobel [less than 5]%), Sweden (Wassall [15-25]% and Zumtobel [less than 5]%), Denmark (Wassall [15-25]% and Zumtobel [less than 5]%; after Louis Pousen [25-35]%) and Norway (Wassall [30-40]% and Zumtobel [less than 5]%; followed Glamox [25-35]%) - there is a small overlap ([less than 5]%). In the other national markets of the EAA, the parties combined share are below 15%. A number of competitors of comparable size operate in each of the national markets considered.
17. If the relevant geographic market were held to be EEA-wide the parties estimate that their combined market share would be [less than 15]%.
18. Wassall is active in both the interior and the exterior segment. Zumtobel does not manufacture exterior light fittings. There is thus no horizontal overlap in the latter segment.
19. The interior segment accounts for 80% of the professional light fitting market. If the relevant product market were considered to be interior professional light fittings the parties estimate their combined shares as follows: UK (Wassall [15-25]% and Zumtobel [less than 5]%), Ireland (Wassall [25-35]% and Zumtobel [less than 5]%), Austria (Wassall [less than 5]% and Zumtobel [25-35]%), France (Wassall [5-15]% and Zumtobel [less than 5]%), Sweden (Wassall [10-20]% and Zumtobel [less than 5]%), Denmark (Wassall [15-25]% and Zumtobel [less than 5]%) and Norway (Wassall [25-35]% and Zumtobel [less than 5]%). In the other national markets of the EAA, the parties combined share are below 15%. The competitors mentioned with regard to the overall market (para 17) are also present in the interior segment with comparable figures.

20. If the relevant geographic market for interior fittings were held to be EEA-wide the parties estimate that their combined market share would be less than 15%.
- b) Components for light fittings
21. In the EEA market, there are only small overlaps in HID chokes (Zumtobel [5-15]% and Wassall [less than 5]%, the first competitor is Vossloh Schwabe [25-35]%) and in electronic ballasts (Zumtobel [15-25]% and Wassall [less than 5]%, the first is Osram/Siemens [20-30]%). There is not overlap in Fluorecst chokes ([...]); electronic transformer ([...]); magnetic transformer ([...]), ignitors ([...]). In view of these figures, the concentration would not raise competition problems on an EEA market, whether one bases the assessment on separate product markets for the various components or on one single product market for all components.
22. On a world-wide market the combined shares of the parties would be less than 15]% under any of the product market definitions considered.
23. It appears thus that the notified operation does not create or strengthen a dominant position as a result of which effective competition will be significantly impeded in the EEA or any substantial part of that area.

IV. 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 the functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89 and Article 57 of the EEA Agreement.

For the Commission,

Signed by Mr Monti
Member of the Commission