

***Case No COMP/M.1930 -
AHLSTROM / ANDRITZ***

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

Article 6(1)(b) NON-OPPOSITION
Date: 30/05/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 30.05.2000

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

Dear Sirs,

Subject: Case No COMP/M. 1930 – AHLSTRÖM/ANDRITZ

Notification of 25.4.2000 pursuant to Article 4 of Council Regulation No 4064/89¹

1. On 25 April 2000, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 (“the Merger Regulation”) by which the undertaking Andritz AG (“Andritz”) acquires joint control of Ahlström Machinery Corporation (“AMC”) within the meaning of Article 3(1)b of the Merger Regulation.
2. After examining 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

3. Andritz, based in Austria, is active world-wide in the production and distribution of machines for wood processing and the pulp and paper industry, hydraulic machines, environmental process technologies and feed technology. Andritz is jointly controlled by Carlyle Europe Partners LP (see case *M.1736 – UIAG/Carlyle/Andritz*).
4. AMC, a subsidiary of Ahlström Corporation, is a world-wide supplier of systems, equipment and services for the pulp and paper industry. AMC’s business is divided into

¹ OJ L 395, 30.12.89 p.1; corrigendum OJ L 257 of 21.09.90, p.13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 09.07.97, p.1, corrigendum OJ L 40, 13.02.98, p.17).

four areas: chemical pulp mill business, paper mill business, service business and construction business.

II. THE OPERATION

5. AMC is currently under the sole control of Ahlström. The proposed transaction consists of the acquisition of joint control of AMC by Andritz Patentverwaltungs GmbH, a wholly owned subsidiary of Andritz, through the purchase of a 50% shareholding and additional veto rights.

III. CONCENTRATION

6. As a result of the operation, AMC will be jointly controlled by Ahlström and Andritz. The board of directors of the joint venture will consist of [...] directors and [...] deputies for the directors. Andritz and Ahlström have the right each to appoint [...] directors and deputy directors. [...]. Andritz and Ahlström both have to agree on such strategic decisions as the annual budget and the business plan. Therefore, the Commission concludes that Ahlström and Andritz will exercise joint control over AMC.
7. AMC was operational before the transaction and it will continue to be a full function entity on the market also after the transaction.

IV. COMMUNITY DIMENSION

8. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5,000² (Andritz: EUR 6,716 million, Ahlström: EUR 2,438 million). Each of them have a Community-wide turnover in excess of EUR 250 million (Andritz: EUR 1,169 million, Ahlström: EUR 1,557 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, but does not constitute a cooperation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

V. COMPETITIVE ASSESSMENT

A. Relevant product markets

9. The parties submit that the relevant product markets are those for the supply of equipment, engineering and maintenance for chemical pulping, mechanical pulping, pulping of recycled materials, and spare parts and services related to the above processes. The parties have overlapping activities also in the paper machine approach system and in wood-handling. These will be briefly discussed below.
10. In *chemical pulping*, pulp is produced using a chemical process. A chemical pulp mill consists of two main parts: the chemical fiberline and the recovery island. The fiberline

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.

is the main production line of a chemical pulp mill. Its main function is to transform wood chips into pulp for the production of paper. The first component of a fiberline is a chemical digester, where wood chips are reduced to fibres. As a result of the process, part of the lignin, which binds the fibres, is dissolved. The resultant pulp is washed into so called brown stock washers, which remove the cooking chemicals from the pulp. The resulting pulp is then screened to remove unwanted particles. The pulp may also be bleached to increase the whiteness and brightness of the pulp by further reducing the lignin content of the pulp. The recovery island includes the components of the pulp mill which recover chemicals used in the production of pulp and produce energy to power the plant. The recovered chemicals are essentially evaporated, incinerated, mixed with other chemicals and filtered to be re-used.

11. In *mechanical pulping*, pulp is produced using a mechanical rather than a chemical process. Whereas in chemical pulping the woodfiber is separated from the input wood material by exposing it to different chemicals, in mechanical pulping the woodfiber separation is achieved through a mechanical pulping machine which applies either a refining or a grinding process to the input wood material.
12. *Recycled fibre pulping* involves the production of pulp from recycled paper and cardboard. The input of the recycled fiber pulping line is turned into a pulp solution for pulping machines. Screens are used in separating impurities from the pulp solution, deinking removes ink from recycled papers and cleaning is carried out in order to remove fine debris from the pulp solution. In the thickening/dewatering stage, water is removed from the pulp by disc filters or presses before it enters the next process stage. At the dispersion stage, the pulp is treated to make its quality more uniform.
13. The *paper machine approach system* is the first process stage at a paper and board mill. Pulp undergoes its final treatment at this stage before entering the paper machine. Pulp from chemical pulp, mechanical pulp or recycled fiber mills is fed into the paper machine approach area. The paper machine approach system consists of the following principal process stages: pulping, refining, mixing, screening, cleaning and deaerating.
14. *Wood-handling machinery* includes debarking drums, bark presses, chippers, chip storage and reclaiming, chip screening equipment and chip bins.
15. The parties' activities in pulp and paper equipment are largely complementary. Andritz is primarily active in mechanical pulping and dewatering equipment and has a small presence as a niche supplier in the chemical pulping and recycled fiber sectors. AMC is mainly active in chemical pulping equipment and in the paper mill approach and recycling segments while it is only a niche supplier in mechanical pulping. The parties' activities therefore overlap in a limited number of products. These products will be discussed below.
16. The Commission examined in detail the world-wide chemical pulping markets in case *IV/M.1431 – Ahlström/Kvaerner* in 1999. The operation was withdrawn before the Commission could take a decision. Because AMC was the other party investigated in that case, the parties have followed, for the purposes of the present case, the Commission's conclusions concerning the definition of the relevant product and geographic markets in the Statement of Objections in *Ahlström/Kvaerner* for those markets which are affected markets in the present case. The investigation carried out in the present case has confirmed that the market conditions have not materially changed since the investigation took place in *Ahlström/Kvaerner* at the end of last year.

a) Wood digesters and non-wood/sawdust digesters

17. In chemical pulping, the parties submit that wood digesters on one hand and non-wood/sawdust digesters on the other hand constitute separate markets. The parties contend that non-wood/sawdust digesters have significantly less capacity and are distinct from wood-digesters in terms of feeding systems, operation, design and technology.
18. Customers in their replies to the Commission's enquiries have indicated that it is not possible to switch from wood-digesters to non-wood/sawdust digesters or vice versa. In this respect, customers have indicated that the two digesters represent two separate technical solutions which are not interchangeable. The digesters also require different raw materials: wood chips in the case of wood digesters and non-wood/sawdust in the case of non-wood/sawdust digesters. Consequently, the pulp quality differs.
19. Although there are indications that, from the demand side, manufacturers of wood digesters could switch to producing non-wood/sawdust digesters because the technology has not changed for the past 50 years, some competitors have indicated that there is little incentive for such a switch as the market for non-wood/sawdust digesters is very limited. As for the question whether producers of non-wood/sawdust digesters could switch to manufacturing wood digesters, it has been indicated that this would be more complicated as wood digesters require significant research and development efforts. Moreover, some competitors have submitted that a supplier of non-wood/sawdust digesters would face significant difficulties in selling a wood digester due to its lack of a reference base and reputation in the field.
20. In *Ahlström/Kvaerner*, the Commission concluded that the supply of equipment and services in relation to chemical pulp digesters must be broken down into distinct markets, namely new, replacement and refurbishment digesters because customers have different needs for each of these activities and suppliers together with conditions of competition differ for each of these activities. The parties have accepted this division and the investigation in this case has not suggested otherwise. The exact market definition can, however, be left open as in all alternative market definitions considered, the transaction would not raise serious doubts in this area.

b) Washing equipment

21. The parties submit that washers are used in a number of places in the fiberline: immediately after the digester ("brown stock washing"), in the oxygen delignification stage and in the bleaching plant. The main function of washers is to remove chemicals and dissolved organic material from the pulp. The parties submit that the principal types of washers used in a chemical fiberline are filter washers, wash press washers, diffusion washers, drum washers (e.g. drum displacement washers) and belt washers.
22. In *Ahlström/Kvaerner*, the Commission's investigation showed that, with the exception of brown stock washing, there is a large degree of substitutability between different washers. With regard to brown stock washing, the investigation showed that not all the existing types of washers can be used for the first stage brown stock washing but normally a diffusion washer or a drum displacement washer would be chosen for this function.

23. It is not necessary to reach a final conclusion on the relevant product market in this case, because on all alternative market definitions considered, the transaction would not lead to the creation or strengthening of a dominant position with regard to washers.

c) Screens

24. Screens are used to remove impurities from the pulp. The first screening stage takes place immediately after the first washing process. A final re-screening stage is found after the bleaching plant.
25. In *Ahlström/Kvaerner*, the Commission found that screening can be considered to constitute an independent process separate from the rest of the fiberline. The Commission further found that screens are very seldom refurbished and that the supply of screens both for new mills and for replacement purposes constitutes one separate relevant product market.
26. The parties manufacture screens for chemical pulp mills, recycled fiber pulp mills, mechanical pulp mills and paper machine approach systems. They argue that screens used in chemical pulp mills, recycled fiber pulp mills, mechanical pulp mills and paper machine approach systems carry out the same processes and share a very similar method of operation, design and technology. The parties further submit that supply-side substitutability exists between screens designed for different types of mills. The parties therefore contend that a wider market exists for the supply of screens for chemical pulp mills, recycled fiber pulp mills, mechanical pulp mills and paper and board mills.
27. Third parties in their replies to the Commission's enquirers have supported the parties' view of a wider relevant product market. More particularly, competitors have indicated that screens for different purposes in the pulp industry and in the paper machine approach processes are similar and a switch from manufacturing one type of a screen to another is possible. Also customers have indicated that it is possible to switch between different types of screens as there are no major technical differences between them.
28. It is not necessary, however, to exactly define the relevant product market because on all alternative market definitions considered the operation is unlikely to lead to the creation or strengthening of a dominant position in the market for screens.

d) Filters

29. Filters are used to remove water from the pulp solution in mechanical and secondary fiberline as well as in paper machine approach systems.
30. The parties manufacture filters for mechanical and secondary fiberlines and paper machine approach systems. As with regard to screens, the parties argue that the disc filters used for mechanical and secondary fiberlines and paper machine approach systems are essentially substitutable. Therefore, the parties argue that filters used for such different applications should be treated as belonging to the same market.
31. The Commission's market investigation appears to support the parties' submission of a wider relevant product market. Third parties in their replies have indicated that filters for mechanical and secondary fiber lines and paper approach systems are essentially substitutable, both from the demand and the supply side.

32. The exact definition of the relevant product market can, however, be left open because even on the narrowest market definition possible, the transaction would not lead to adverse competition effects.

e) Oxygen delignification

33. The delignification process is used to eliminate the lignin from the pulp. The installation of these systems in a fiberline allows to make the bleaching easier, by reducing the need to use chlorine or other polluting chemicals. Delignification systems, therefore, are one type of equipment that diminish the environmental impact of the pulp manufacture.
34. Oxygen delignification carries on the delignification process started in the digester. In the oxygen stage, alkali (sodium hydroxide) and oxygen are mixed with the pulp. The delignification takes place in reactors. Washers are used after the reactors to remove dissolved lignin and sodium hydroxide from the pulp so that the lignin is not carried into the bleach plant.
35. The Commission's investigation in *Ahlström/Kvaerner* showed that oxygen delignification can be considered as an independent and self-contained process in the fiberline. More particularly, the Commission found that, in most tenders, the oxygen delignification stage is specifically tendered for and that oxygen delignification can be and normally is installed independently of the bleaching line in order to improve the environmental performance of the mill. The Commission further found that the conditions of competition for the supply of oxygen delignification equipment for new mills and for existing mills are similar and, therefore, both activities should be included in the same market. Refurbishment of oxygen delignification equipment was found to be rare. The results of the Commission's investigation therefore showed that the supply of oxygen delignification equipment for new mills and for replacement constitutes a single relevant product market. The investigation in this case does not suggest otherwise.

f) Bleaching lines

36. The bleaching plant treats the pulp once it has been cooked and delignified in order to increase its brightness. It consists of a number of bleaching stages with washers removing the bleaching chemicals from the pulp in between them. In each bleaching state, one or more chemicals are mixed into the pulp in a bleaching tower and are allowed to react with the pulp. The pulp is then pumped to a storage tower where it is stored before being pumped to the stock preparation area of a paper mill or to a pulp dryer.
37. The Commission's investigations in *Ahlström/Kvaerner* showed that there are several alternative technologies available for the bleaching process. Originally chlorine was the most used bleaching agent but it has been replaced by other less pollutant chemicals like chlorine dioxide, peracetic acids or ozone. Different combinations of some of these technologies allow the mill to obtain the desired pulp quality and brightness as well as to achieve acceptable environmental standards. On the basis of the investigation, the Commission concluded that ozone bleaching should be considered as a separate product market because it is one of the most effective systems to produce the so called total chlorine free pulp (TCF). The investigation further showed that there are currently two technologies of ozone bleaching: the so called high consistency (HC) and medium

consistency (MC) ozone bleaching systems. In this respect, the Commission found that MC ozone bleaching is considered to be the best of the two technologies and it is five times cheaper to install than HC technology.

38. The Commission found further that the conditions of competition for the supply of bleaching equipment for new mills and for existing mills are similar and, therefore, both activities should be included in the same market. Refurbishment of bleaching equipment was found to be rare. Therefore, this does not need to be taken into account in this analysis. The results of the investigation do not suggest that any other market definition should be used.
39. As in *Ahlström/Kvaerner*, the question whether MC and HC ozone bleaching should be regarded as distinct relevant product markets can be left open, because irrespective of the market definition used, the operation would not give rise to the creation or strengthening of a dominant position.

g) Mixers

40. Mixers are used as components of the bleaching plant to mix the pulp with bleaching chemicals. Several mixers are normally used in a bleaching plant.
41. The Commission's enquiries in *Ahlström/Kvaerner* showed that when a new bleaching plant is supplied, mixers are normally already incorporated in the equipment by the supplier of the whole plant. The supplier of the whole bleaching plant, however, does not need to incorporate its own mixers and the customer might have preferences for other mixers. Mixers are replaced more often than the whole bleaching plant and, in these cases, the mill owner purchases them directly from the engineering company that supplies mixers. The investigation showed that mixers are never refurbished.
42. In *Ahlström/Kvaerner*, the Commission left open the question whether providers of mixers for other industries could switch to supply mixers for the pulp industry. The question whether the supply of mixers for the pulp industry represents a market on its own or whether it belongs to the wider market of supply of mixers can be left open also in this case because the operation does not give rise to competition concerns even if the narrowest market definition possible was used.
43. The investigation in this case suggests that separate product markets might exist for high consistency (HC) and medium consistency (MC) mixers. Third parties have indicated that the two types of mixers are different from the manufacturing point of view. Customers have indicated that it is not possible to change from HC mixers to MC mixers and vice versa.
44. This question can, however, be left open in this case because in all alternative market definitions considered, the operation would not give rise to competition concerns.

h) MC pumps

45. Pumps are used at different stages of the fiberline to transfer pulp between different components of the line.
46. The Commission found in its investigation in *Ahlström/Kvaerner* that there are three types of pumps currently used in fiberlines: low consistency (LC) pumps, high consistency (HC) pumps and medium consistency (MC) pumps. The investigation

showed that although the majority of the installed base consists of LC pumps, they are gradually being replaced by the more modern HC and MC pumps. The investigation also showed that HC pumps are not technically substitutable for modern MC pumps. Compared to HC pumps, MC pumps are both more cost-effective and environmental friendly. With regard to the substitutability between MC and LC pumps, the Commission found that MC pumps offer technical and economic advantages over LC pumps and the two types of pumps are not substitutable.

47. Given the limited substitutability of MC pumps with other pumps, the supply of MC pumps, both for new mills and for replacement, was found to constitute a separate relevant product market.

i) Pulping machines (pulpers)

48. AMC produces a pulper called the Fiber Flow Drum for recycled fiber processes. The parties submit that this pulper integrates some other functions and differs in terms of price and efficiency from conventional pulpers. AMC is not active in conventional pulpers for recycled fiber lines which are the only pulpers Andritz manufactures.
49. The Commission's investigation suggests that Fiber Flow Drum is substantially different from conventional pulpers and switching from manufacturing one type to the other would be difficult. In this respect, it has been indicated that Fiber Flow systems are continuous systems whereas conventional pulpers tend to be batch systems and, therefore, not directly substitutable.
50. The exact market definition can, however, be left open as the operation as notified would not give rise to competition concerns on all alternative market definitions considered.

j) Chip bins

51. Andritz manufactures a complete line of wood handling equipment while AMC only supplies chip bins. This is therefore the only area where the parties' activities overlap. Chip bins are used as part of wood-handling in the beginning of the fiberline. Chips are pre-conditioned (i.e., heating and air removal) before they are moved into the digester.
52. The investigation shows that chip bins can be tendered and bought as separate units. Therefore, for the purposes of this decision, chip bins are considered to constitute a separate relevant product market from wood-handling and fiberline.

k) Maintenance services

53. The Commission's investigation in *Ahlström/Kvaerner* showed in line with case *M.1489 – Valmet/Rauma/YIT* that, as far as maintenance is concerned, two different types of services can be distinguished. First, a pulp mill requires general maintenance services (like servicing the air conditioning or cleaning), to ensure that its processes function correctly. These are services that can be provided by a large number of companies. In most cases, however, this type of service is totally or partially performed by the mill's own employees. Second, specific components of the mill require specialised maintenance. Specialised maintenance can normally be provided only by the manufacturer of the component or by other manufacturers sharing the same technology and know-how.

54. The investigation in the present case does not suggest that any other market definition should be used for the assessment of maintenance services.

B. Relevant geographic markets

55. The Commission found in *Ahlström/Kvaerner* that manufacturers of chemical pulp mill equipment respond to tenders and supply equipment on a world-wide basis. Therefore, the Commission concluded that the relevant geographic market for the supply of new equipment and for the refurbishment activities can be considered to be world-wide. The results of the investigation in the present case support the findings in *Ahlström/Kvaerner*. In particular, competitors and customers have indicated that the sourcing of equipment for chemical pulp mills, mechanical pulp mills, recycled fiber mills, paper approach systems and wood-preparation takes place on a global basis. Therefore, for the purposes of this decision, the relevant geographic market is considered to be world-wide.
56. With regard to maintenance services, the investigation in *Ahlström/Kvaerner* showed that the markets for specialised maintenance activities are world-wide. As for general maintenance activities, the investigation in that case showed that a more local presence is required and, therefore, the geographic scope is more limited than that of special maintenance. The exact market definition was, however, left open. Accordingly, it is not necessary to conclude on the geographic scope of the market in the present case either because, on the narrowest market definition possible, the notified operation will not lead to adverse competition effects on general maintenance services.

C. Assessment

57. In *Ahlström/Kvaerner*, the Commission noted that for most of the markets related to chemical pulp mills, there are only a few tenders launched every year. Therefore, yearly market shares may vary substantially from one year to another. The Commission therefore considered that, in order to assess the market position of the players, it is appropriate to take into account a longer period of time. The investigation in the present case does not suggest that the situation would be different for the supply of equipment for mechanical pulp mills, recycled fiber mills, paper approach systems or wood-handling.
58. In *Ahlström/Kvaerner*, averaged market share data for 1990-1998 was used. The parties in this case have accepted this method and have provided market share data over a period of 1990-1999. Where the parties have accepted the Commission's market share calculations in *Ahlström/Kvaerner*, as for instance in washers, this data is used.
- a) Wood digesters and non-wood/sawdust digesters*
59. Andritz is not active in replacement or refurbishment. Therefore, for the assessment of this case, only the market for new digesters is relevant.
60. On the hypothesis of one overall market comprising both wood-digesters and non-wood/sawdust digesters, the parties would attain a world-wide market share of [15-25%] in the supply of new digesters. Valmet has some [25-35%] of the market and Kvaerner some [20-30%].

61. On the hypothesis that both wood-digesters and non-wood/sawdust digesters constitute two separate markets, no overlap would occur in wood digesters as Andritz does not manufacture this type of digesters. On the market for non-wood/sawdust digesters, no overlap would occur, as AMC is not active in the supply of new digesters.
62. On the basis of the foregoing and in view of the parties' relatively low market shares, the Commission concludes that competition concerns are unlikely to arise in wood-digesters or non-wood/sawdust digesters.

b) Washing equipment

63. With regard to washers, the parties have accepted the Commission's market share calculations in *Ahlström/Kvaerner*. Based on the investigation in *Ahlström/Kvaerner*, the parties would have jointly [20-30%] of the overall world-wide market comprising all types of washers. Beloit would account for [20-30%] of the market, Sunds [20-30%] and Kvaerner [10-20%]. Other manufacturers include GL&V [5-15%] and Thermo Black Clawson [<5%].
64. With regard to brown stock washers, the parties submit that while AMC supplies both diffusion and drum displacement washers, Andritz has a *de minimis* presence in this sector. [business secrets]. The parties submit further that, until 1995, Andritz had a licence from Impco (now GL&V) and produced some brown stock washing systems in their name. The parties argue that the installed base should now be attributed to GL&V.
65. If taking the Impco sales into account, the data collected in *Ahlström/Kvaerner* shows that Andritz and AMC together had [35-45%] of the market for brown stock washing systems in 1990-98. At the same time, Kvaerner had [35-45%] of the market. In terms of the number of washers, the parties' combined share was [40-50%]. Kvaerner, the largest competitor, had [30-40%] of the market. If excluding the sale of washers produced under the Impco licence, the parties' combined market share during that period was some [30-40%] in terms of value. In volume, the parties' market share was [30-40%].
66. The Commission considers that, whichever way the market shares are calculated, they are not indicative of a dominant position being created or strengthened. Most particularly, the Commission considers that the past market shares relating to brown stock washing systems in this particular case are not indicative of the future strength of the combined entity, as the large majority of the brown stock washers [business secrets] sold by Andritz in the 1990s were sold under the licence and trademark of Impco. Given the fact that Andritz no longer sells brown stock washers under this licence and that [business secrets], the Commission considers that the addition of Andritz's market share will not give rise to serious doubts on this market. Moreover, the Commission notes that Kvaerner will continue to be a significant player on this market. During the period of 1990-98, Kvaerner's market shares exceeded those of AMC both in value and volume and the investigation does not suggest that Kvaerner should not be considered to be a major player on the market also in the future. Finally, the Commission notes that the Impco brown stock washers are now attributable to GL&V and, therefore, GL&V must be considered as another actual competitor balancing the market position of the new entity.

67. On the basis of the foregoing, the Commission concludes that there are no serious doubts as to the compatibility of the operation with the common market either in the overall market for washers or in brown stock washing systems.

c) Screens

68. Based on the information submitted by the parties, their combined world-wide market share in the overall market for the supply of screens for chemical pulp mills, recycled fiber pulp mills, mechanical pulp mills and paper and board mills would amount to [5-15%]. On this market, Valmet would have some [25-35%] of the total sales and Thermo-Fibertek [15-25%]. If considering the supply and replacement of screens for chemical pulp mills, mechanical pulp mills, recycled pulp mills and paper and board mills separately, the parties' market shares would not materially affect the assessment of the case. The parties have estimated that their combined market share both in chemical pulping and in paper machine approach would be [15-25%] respectively. In recycled pulping, the parties would account for [<10%] of the market and in mechanical pulping [5-15%]
69. On the basis of the foregoing, the Commission draws the conclusion that the operation as notified would not lead to the creation or strengthening of a dominant position in the market for screens.

d) Filters

70. Based on the information submitted by the parties, they would jointly have [15-25%] of the world-wide market of disc filters for mechanical and secondary fiberlines and paper machine approach systems. The world-wide market leader would be GL&V with some [50-60%] of the market. The assessment of the case would not be materially affected if filters for mechanical and secondary fiberlines as well as for paper machine systems were considered separately. With regard to filters supplied for mechanical pulping, the parties' combined market share would be [20-30%]. In recycled fiber, the parties would attain a market share of [15-25%] and in paper approach [15-25%]. As AMC is not currently active in providing filters for chemical pulping, no overlap occurs in this segment.
71. On the basis of the foregoing, the Commission considers that the operation is unlikely to lead to adverse competition effects in filters.

e) Oxygen delignification

72. The parties submit that Andritz is only marginally active in oxygen delignification. The parties contend that they would jointly attain a world-wide market share of [15-25%]. The parties have estimated that Valmet has some [35-45%] of the market and Kvaerner [20-30%]. These market shares are largely in line with the Commission's findings in *Ahlström/Kvaerner*.
73. On the basis of the foregoing, competition concerns are unlikely to arise in oxygen delignification.

f) Bleaching lines

74. The parties have estimated that their global market share in bleaching lines would be [20-30%]. Valmet would be the market leader with some [35-45%] of the world-wide

market, Kvaerner would have [15-25%] and GL&V a market share of [10-20%]. In ozone bleaching, the parties have estimated that they would account for [25-35%] of the market. Valmet and Kvaerner would each have some [30-40%] of this market. If the market was divided into MC and HC ozone bleaching, no overlap would occur between the parties as Andritz is only producing MC bleaching systems and Andritz HC bleaching equipment.

75. The parties' estimates of their combined market position is somewhat lower than the data collected in *Ahlström/Kvaerner* suggests. In that case, the Commission estimated that, in 1990-98, AMC accounted for [30-40%] of all bleaching equipment world-wide in terms of turnover and [20-30%] in terms of units sold. The Commission further estimated that Andritz accounted for [<5%] of bleaching lines in terms of value and [0-10%] in terms of volume. Although, based on these figures, the parties would attain a market share of [30-40%] in terms of value, the Commission considers that the market position of the parties does not give rise to serious doubts. Indeed, the Commission has estimated that, during the same period, Valmet accounted for [30-40%] of the market and Kvaerner had a market share of [25-35%]. It is further to be noted that while the parties had a combined market share of [25-35%] in terms of volume, during the same period Valmet accounted for [35-45%] and Kvaerner [25-35%] of all systems sold. Competition concerns are therefore unlikely to arise.
76. On the basis of the foregoing, the Commission considers that the operation as notified is unlikely to lead to adverse competition effects in bleaching equipment.

g) Mixers

77. The parties submit that Andritz supplies both MC and HC mixers and AMC supplies only MC mixers. Andritz has very limited activities in mixers. It has [<5%] of the world wide market in MC mixers. The parties have estimated that the combined market share of the parties in MC mixers would be in the region of [5-15%]. The market position of the parties would not be materially affected if all mixers were taken into account because the share of Andritz of all mixers sales is [<5%]. There are several competitors present in the market, such as Valmet, GL&V and Goulds Pumps. In *Ahlström/Kvaerner*, the Commission's investigation showed also that barriers to entry are low and new entry is likely.
78. Therefore, serious doubts as to the compatibility of the operation with the common market do not exist on the market for mixers.

h) MC pumps

79. In line with the assessment in *Ahlström/Kvaerner*, the Commission considers also in the present case that the market share of Ahlström Pumps, a subsidiary of Ahlström, must be taken into account in the market share calculations. In *Ahlström/Kvaerner*, the Commission noted that although Ahlström Pumps will not be part of the transaction, given the structural links between Ahlström Pumps, the Ahlström Group and the new entity and given the combined market share of Ahlström Pumps and the parties together with the structure of the market, one company will not compete against the other one.
80. The parties together with Ahlström Pumps would achieve a combined market share of [55-65%] on the world-wide market. Given that the next largest competitor, Valmet,

has only [15-25%] of the market and Kvaerner some [15-25%], the operation would raise serious doubts in this area.

81. The Commission takes, however, note of the fact that Ahlström is in the process of selling Ahlström Pumps to the Swiss company Sulzer AG. The Share Purchase Agreement was signed on 6 April 2000 and the closing date is foreseen on 31 May 2000. Following the sale of Ahlström Pumps, the bulk of the overlap [40-50%] will disappear and the parties' remaining market share [10-20%] does not give rise to competition concerns given the existence of a number of competitors. In the event that the sale of Ahlström Pumps will not be completed, the Commission may revoke the present decision and re-examine the transaction in relation to MC pumps.

i) Pulping machines (pulpers)

82. According to the parties' estimates, they would have [20-30%] of the world-wide market for pulpers for recycled fiber lines in terms of value. According to the parties' estimates, Voith-Sulzer has [25-35%] of the market. There are also a number of other producers of pulpers on the market, including Finkch [<5%]. If Fiber Flow Drum and conventional pulpers were considered to constitute separate relevant product markets, no overlap between the parties would occur.
83. On the basis of the above given market share figures and in particular in view of a strong competitor on the market, the Commission considers that the operation will not give rise to competition concerns in pulpers.

j) Chip bins

84. The parties submit that the market for chemical and mechanical chip bins is relatively small and characterised by a large number of local producers which are difficult to identify. In terms of turnover, the parties have estimated that their world-wide market share would be [25-35%]. Kvaerner has [5-15%] of the market and Valmet [0-10%]. The parties have submitted that almost [45-55%] of the market is accounted for other producers, including such as local workshops.
85. Although it appears from the market share data that the parties would become the world-wide market leader in chip bins, the Commission does not consider that the parties' market share is indicative of a dominant position. In particular, the Commission notes that there are a large number of alternative producers on the market, including most importantly Kvaerner and Valmet, who have existing products on the market and proven expertise to supply the products. Third parties have not raised concerns about the transaction in this market either.

k) Maintenance services

86. The parties have submitted that their activities in maintenance services overlap only in relation to services provided for kraft mills. The parties have estimated that their world-wide combined market share in specialised services would be in the region of [<10%]. In general maintenance services, the world-wide market share would be [<5%]. The parties have estimated that their combined market shares do not exceed [10-20%] in any EEA country. Ahlström has its highest market share in Finland, where it remains below [5-15%]. Third parties have not raised any concerns with regard to maintenance

services. On the basis of the foregoing, competition concerns do not arise in maintenance services.

Conclusion

87. On the basis of the investigation, the Commission does not consider that the notified operation gives rise to serious doubts in any of the product areas where the parties' activities overlap. Third parties have largely welcomed the operation and have not raised competition concerns.

VI. CONCLUSION

88. 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,