

***Case No COMP/M.2034 -
HAGEMEYER / WF
ELECTRICAL***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 17/07/2000

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

Brussels, 17.07.2000

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 COMP/M. 2034 Hagemeyer/WF Electrical

Notification of 15.06.00 pursuant to Article 4 of Council Regulation No 4064/89

- (1) On the 15 June 2000 the Commission received a notification of a proposed concentration pursuant of Article 4 of Council Regulation (EEC) No. 4064/89¹, whereby Hagemeyer (UK) limited acquire WF Electrical plc by way of a public offer announced 13 June 2000.
- (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 functioning of the EEA Agreement.

I THE PARTIES

- (3) Hagemeyer (UK) Limited (Hagemeyer) is engaged in the wholesale supply of industrial products including in particular electrical products in the UK and Ireland. It operates 200 branches in the UK principally under the name Newey & Eyre. Hagemeyer is part of the Hagemeyer Group whose ultimate parent company is Hagemeyer N.V. The Hagemeyer group operates principally in Europe but has activities world-wide.

¹ OJ L 395, 30.12.1989 p.1 corrigendum OJ L 257 of 21.09.1990, p.13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9.7.1997, p1, corrigendum OJ L 40, 13.2.1998, p 17)

- (4) WF Electrical plc. (WF) is engaged in the wholesale supply of electrical components. It operates 100 branches principally in England and Wales and has no activities outside the UK.

II THE OPERATION

- (5) Hagemeyer intends to acquire the entire issued share capital of WF by way of a public offer which was announced and posted on Thursday 13th of June 2000.

III CONCENTRATION

- (6) The operation is a concentration in the sense of Article 3(1)(b) of the Merger Regulation since Hagemeyer will acquire sole control of WF.

IV COMMUNITY DIMENSION

- (7) The undertakings concerned have a combined aggregate world-wide turnover in 1999 of more than €5 billion² (Hagemeyer €6.41 billion, WF €285 million). The parties have a Community-wide turnover in excess of €250 million (Hagemeyer € [Deleted for publication; business secret], WF € [Deleted for publication; business secret]) 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.

V COMPETITIVE ASSESSMENT

- (8) The parties overlap in the wholesale supply of electrical components in the UK.

A The relevant product market

- (9) The relevant product market is defined as the wholesale supply of electrical components to electrical installers, builders and other users. The notifying party considers the wholesale market to include direct supply from manufacturers but regard the retailing of electrical components as separate. Whereas manufactures do compete with wholesalers it is only where orders are large or subject to repeat business and then only for products produced by themselves. The extent to which manufactures are able to restrain the behaviour of wholesalers in the respect of their other wholesale activities is questionable. To carry out all wholesaling activities the wholesaler must carry a large range of products (minimum 3,000 product lines but can extend up to 30,000 lines) sourced from a large number of different manufacturers (150 principal suppliers and between 7,000 – 10,000 other suppliers). This also distinguishes the wholesaler from retailers. Whilst retailers may carry the basic range, they can not compete with wholesalers for immediate access to a wide range of electrical products. Furthermore, retailers have substantially larger overheads and are unable to offer the terms of credit available through wholesalers.

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.

- (10) In this case, however, it is not necessary for the Commission to decide whether manufactures or retailers should be considered part of the market for the wholesale supply of electrical components as, under either definition, the proposed acquisition would not raise serious doubts as to its compatibility with the common market or a substantial part of it.

B The relevant geographical market

- (11) The parties consider the market for wholesaling of electrical components to be national. Orders are rarely placed outside a given locality or in other Member States this is because despite very low transport costs, immediacy and local delivery are viewed as important factors by the customers. Although the market may be considered local the parties suggests that there are a series of interlocking local markets, which ensure price competition between wholesalers on a national basis. There are four national wholesale chains in addition to a large number of regional and local wholesalers. In each town, with more than 100,000 inhabitants, in the UK there are a minimum of six electrical wholesalers, on average this increases to 10-12 competing wholesalers.
- (12) Given this the Commission considers the market for wholesale supply of electrical components to be national.

C Assessment

- (13) The combined share, excluding manufacturers and retailers, of the wholesale supply of electrical components for Hagemeyer and WF is [15-25]% (Hagemeyer [10-20]%, WF [5-10]%) which will make it the largest wholesaler in the UK. It is closely followed by other wholesalers, Edmundson Electrical ([15-25]%) and City Electrical Factors (CEF) ([10-20]%). In addition there is a large number of regional and local wholesalers; a further 14 wholesalers have been identified with market shares of above 1%.
- (14) If manufacturers are included in the calculation of the market share, the combined share for the parties fall to [15-25]%.
- (15) Hagemeyer and WF are both considered to be national wholesalers, as are Edmundson Electrical and CEF. [10-20]% of Hagemeyer's turnover and [5-15]% of WF's is estimated to being derived from national accounts. Although the choice of competitors, for customers seeking a national network, will decrease as a result of the operation from four to three these customers have the possibility of obtaining the same coverage by switching to local/regional suppliers at each of the desired locations across the UK.
- (16) Entry barriers are considered low into wholesaling, with easy access to the supply of electrical components from a large number of competing manufacturers. New entrants are expected to arise from other related sectors such as DIY and builders merchants.
- (17) On the basis of the above, the Commission concludes that the concentration does not raise serious doubts as to its compatibility with the common market.

VI CONCLUSION

- (18) 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 and Article 57 of the EEA Agreement.

For the Commission,