

***Case No COMP/M.2118 -  
TELENOR /  
PROCURITAS / ISAB /  
NEWCO***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 25/09/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 25. 09. 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 Sir/Madam,

**Subject: Case No COMP/M. 2118-Telenor/Procuritas/ISAB/JV**

Notification of 23.08.2000 pursuant to Article 4 of Council Regulation No 4064/89

1. On 23.8.2000, the Commission received a notification of a proposed concentration by which the undertakings Telenor (Norway) and Procuritas Capital Partners (Guernsey) acquire within the meaning of Article 3(1)(b) of Council Regulation (EEC) No 4064/89 as amended (Merger Regulation) joint control of a newly created company constituting a joint venture (Newco) by way of purchase of shares.
2. After examining of the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation 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. Telenor is the largest telecommunications operator in Norway and is wholly owned by the Norwegian State. It provides an extensive range of telecom services and related services in Norway as well as in other Nordic countries and internationally. Its

subsidiary Bravida<sup>1</sup> provides electrical installation and services of all types of network infrastructure in Norway.

4. Procuritas Capital Partners II L.P and Procuritas Capital Partners II-B L.P, hereafter named Procuritas, is a Scandinavian equity investment company that specialises in initiating, structuring and financing management buyouts.
5. Investeringsälskabet 1999 AB (ISAB) is a Swedish holding company, jointly owned by Procuritas, Peab AB and Investment AV Latour. ISAB is the holding company of BPA AB (BPA), a Swedish undertaking mainly providing services in the area of electricity, water, sewage and ventilation.

## **II. THE OPERATION**

6. The purpose of the transaction is to combine the business of Telenor's subsidiary Bravida and ISAB (including BPA) in a newly created company Newco constituting a joint venture. The ISAB shareholders and Telenor shall transfer all shares in ISAB and Bravida, respectively to the Newco in exchange for the shares in Newco. Newco will be named Bravida, of which 48 per cent. will be controlled by Telenor, and 48 pr. cent will be controlled by the ISAB shareholders. However, Bravida will be jointly controlled by Telenor and Procuritas due to their veto rights on specific issues, cf. point 7 below.

## **III. CONCENTRATION**

7. Telenor (Norway) and Procuritas Capital Partners (Guernsey) will acquire within the meaning of Article 3(1)(b) of the Council Regulation joint control by way of purchase of shares in a newly created company constituting a joint venture (Newco). Telenor and Procuritas will jointly control Bravida due to the fact that matters like 1) the business plan, 2) approval of budget and 3) appointment of CEOs requires the consent of Telenor and Procuritas according to the shareholders agreement entered into between Telenor and certain shareholders in ISAB.

The parent companies will combine all their activities in electrical installations in Newco (Bravida) which in turn will have its own day-to-day management and on a lasting basis perform all functions of an autonomous economic entity.

## **IV. COMMUNITY DIMENSION**

8. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>2</sup> (Telenor: €4 580 million; Procuritas: €289 million, ISAB: 771,3 million). Each of at least two of the undertakings have a Community-wide turnover in excess of EUR 250 million (Telenor: €[...] million; Procuritas: €[...] million, ISAB: [...] million), but they do not achieve more than two-thirds of their aggregate

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<sup>1</sup> Bravida was previously named Telenor IT Service and Installasjon AS until 27<sup>th</sup> March 2000.

<sup>2</sup> 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.

Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.

## V. COMPETITIVE ASSESSMENT

9. The rationale behind the merger is to enable both parties to create the opportunities and synergies required to become an effective player in the electrical installation market. According to the parties their activities are mainly complementary in terms of their geographical scope and technical scope. Bravida currently operates in Norway and ISAB through its subsidiary BPA operates in Sweden. Bravida's strength lies in installation connected with data and telecommunications, whilst BPA's strength lies in the electricity, water, sewage and ventilation sectors.

10. [...]

### Product markets

11. Electrical installations may be seen as one single market or instead segmented into high (V220 to V 380) and low (V0 to V48) voltage installations, service and maintenance. And in each of these categories based on voltage large and small installation may constitute distinct services markets i.e. (large installation projects involving 30 or more installation engineers). However, large projects typically include high as well as low voltage installations. In addition high and low voltage installations involve the same type of work, i.e. installation of cables including drilling of holes and construction of ducts and the connection of electrical cables to equipment.

12. Another possible segmentation might be to divide electrical installation only into large and small installations without the division into high and low voltage.

13. However, it is not necessary to define further the relevant services markets in the present case. Whatever definition is chosen the concentration does 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 it.

### Geographic markets

14. The parties regard the markets for electrical installations in Norway and Sweden as national in scope. This is due to the fact that the suppliers tend to be locally established and language skills and cultural background play a significant role for suppliers in order to obtain tenders for work. In view of the parties, the major suppliers of such services in the two countries are not the same. The major players cover a large part of the country in which they are present and mainly compete for tenders in all parts of their home country.

15. However, it is not necessary to decide whether the relevant geographic markets are considered to be national or broader in the present case. Whatever definition is chosen, the transaction does 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 it.

## Assessment

16. The only markets where both Bravida and BPA are active are the markets for electrical installations in Norway and in Sweden and the concentration only gives rise to minor horizontal market overlaps. In Norway the parties' combined market share for electrical installations is [5-15] % and in Sweden [5-15] %. If a segmentation of electrical installation into large and small installation projects is assessed, the parties would obtain a combined market share of below [5-15] % in both countries.
17. A segmentation between high and low voltage electrical installations would give rise to market shares of between [(0-5) – (5-15)] % in both countries. If high voltage and low voltage were segmented further into large and small installation projects respectively the combined entity would have a market share of below [10-20] % in both countries.
18. It should be noted that Bravida's owner, Telenor, is active in several markets that can be characterised as vertically related to electrical installation services. These markets are fixed and mobile telecommunications, internet access, business communications, PABX distribution and TV distribution. Installation service and maintenance are used in all these markets where both suppliers and customers of such services may require electrical installations. Telenor's market shares in these markets are between [(45-55) – (85-95)] % in Norway. However, already prior to the merger vertical links between Telenor and (the former) Bravida existed. The addition of BPA's installation business to the pre existing links between Telenor and Bravida does not change the fundamental market structure. This is due to the fact that BPA's market share is only [0-5] % in Norwegian market for electrical installation. Moreover, Telenor can now be expected to source its suppliers to a greater extent from other electrical installation suppliers and make fewer intra-group orders to Bravida.

## **VI. CONCLUSION**

19. 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,