

***Case No COMP/M.2245 -
METSÄ-SERLA /
ZANDERS***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 15/12/2000

*Also available in the CELEX database
Document No 300M2245*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 15.12.2000
SG(2000)D/109321

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

Subject: Case No COMP/M.2245-Metsä-Serla/Zanders

Notification of 14.11.2000 pursuant to Article 4 of Council Regulation No 4064/89

1. On 14.11.2000, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) N° 4064/89 by which the undertaking Metsä-Serla Corporation will acquire sole control within the meaning of Article 3(1)(b) of the Council Regulation of the whole of the undertaking Zanders Feinpapiere AG.
2. After examining the notification, the Commission has concluded that the notified concentration falls within the scope of Council Regulation (EEC) N° 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. Metsä-Serla Corporation ("Metsä-Serla") is a Finnish based company belonging to the Metsäliitto Group operating world-wide in the forest industry area. The company produces printing and writing papers; paperboard; corrugated board; packaging raw materials; chemical pulp and tissue paper.
4. Zanders Feinpapiere AG ("Zanders") is a German producer of fine paper including coated and uncoated, carbonless, digital imaging and industrial fine papers. Zanders is controlled by the undertaking International Paper Company (IP).

II. THE OPERATION

5. The operation concerns the acquisition of sole control by Metsä-Serla over Zanders by means of purchase of shares.

III. CONCENTRATION

6. The transaction by which Metsä-Serla intends to acquire sole control of the whole of Zanders, constitutes a concentration within the meaning of Article 3 (1)(b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion¹(€5.698 million for Metsä-Serla and €524 million for Zanders). Each of Metsä-Serla and Zanders have a Community-wide turnover in excess of EUR 250 million (€4.480 million for Metsä-Serla and €374 million for Zanders), 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

The relevant markets

Fine Paper

The relevant product market

8. Fine papers are mainly printing and writing papers of high quality. They are made out of pulp and can be either coated with a special surface or uncoated. The parties manufacture both woodfree uncoated (WFU) and woodfree coated (WFC) fine papers. According to the parties WFU and WFC form part of the same product market as there is both supply and demand side substitutability. The market investigation undertaken by the Commission shows that from the demand side WFC and WFU could constitute distinct product markets due to customers preferences and end uses, while from the supply side it seems possible to switch from one type of paper to the other without major costs.
9. Within these two broad categories of WFU and WFC different subsegments can also be identified, in particular the subsegment of carbonless copying paper which could constitute a separate product market due to its special characteristics, end uses and limited substitutability from the demand side. However, only Zanders is active in this market and therefore this category will not be treated further.
10. The Commission has to date left open the question as to whether the sale of these special types of fine paper represent distinct markets. The precise delineation can also

¹ 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.

be left open in the present case because in all alternative market delineations, that is WFU and WFC and the particular segment of carbonless copying papers, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

The relevant geographic market

11. In previous decisions the Commission has found that this market had at least EEA dimension. On the other hand the parties support a larger geographic scope of this market mainly due to increasing imports from third countries of WFC and to exports of coated paper. However, it is not necessary to further delineate the relevant geographic market in this case, since the present operation will not create a significant competition concern in the EEA or any substantial part of it.

Paper merchanting

The relevant product market

12. Paper producers have two different ways to sell fine paper, either directly from the mills by the producer or via merchants. The merchant channel acts as a wholesaler for end customers. Merchants also play a logistic role for customers demanding different types of paper from different suppliers and have the product ready to be served to retailers and final users. Furthermore, sales through merchants are generally used for fast deliveries orders of small quantities while producers would only serve larger orders which require no strict delivery deadlines.
13. The Commission has assessed this market in previous decisions² and found that the sale of fine paper through merchants should be considered as a separate product market from that of direct sales from producers. Furthermore the market investigation in this case confirms this view.

The relevant geographic market

14. The Commission has traditionally seen this market as of national dimension. This approach also applies in the present case due to factors such as : quick delivery; transport costs and the need to keep close commercial relationships between customer and merchant. Price differences between merchants in different Member States also exist. The market investigation has not changed this view.
15. Therefore it can be concluded that the geographic market for paper merchanting in this case remains national.

Pulp Market

The relevant product and geographic markets.

16. Pulp is made of wood and constitutes the raw material to manufacture paper products. It reveals different properties depending on the type of wood, the type of processing

² See for example decisions in cases: COMP/M.2020-Metsä-Serla/Modo; COMP/M.884-KPN BT/Bunzl/Wilhelm Seiler; COMP/M.1728-CVC/Torraspapel.

used and whether it is bleached or not. The Commission has in earlier decisions considered the pulp market as a separate product market. The geographic dimension of this market is at least EEA wide. This assessment also applies in the present case.

Assessment

17. The parties' activities overlap horizontally in the market for the production of fine paper. The market for paper merchanting also constitutes a vertically affected market. Vertical links regarding pulp supply also exist.

Horizontal overlap

Fine paper

18. Both parties produce and sell WFC and WFU fine paper in the EEA. If considering the Fine Paper market as a whole, that is taken together the WFC and WFU segments, the parties' combined market share after the acquisition would be [15-25]% both in volume and value. If taken separately the combined market share for WFU would be [15-20]% and for WFC [20-25]%. Accretions from present Zanders' market shares will imply [1-5]% in the overall market of fine paper and [1-5]% and [1-10] % in the WFU and WFC segments respectively. Main competitors in this market are mainly large international producers such as Stora Enso; UPM-Kymene; International Paper (IP) and Sappi Europe with market shares in the overall fine paper market in the EEA ranging from 7 % to 18 %.
19. Although the production and sale of fine paper in the EEA is controlled by a few major producers, from the market situation above described it can be inferred that this particular operation does not seem to introduce an element of competition concern in these markets in terms of the Merger Regulation.

Vertical Links

Paper merchanting

20. Metsä-Serla is active as a paper merchant in several Member States and in Norway. The countries where it presently holds market shares above 25 % both in volume and in value are Finland, Sweden, the UK and Norway.
21. In order to assess the impact of this operation in the downstream market of paper merchanting, the combined market shares of both parties in the fine paper market in each of the countries where Metsä-Serla is active as a merchant must be taken into account, namely the UK with a [25-30]% combined market share; Sweden with [30-35]%; Finland with [45-50]% and the Netherlands with [25-30]%.
22. However the parties' combined position in the overall market for fine paper in each of these countries will not vary significantly from the present situation as the accretion of market shares by Zanders is very small, namely between 0-3 %. Therefore merchants in the affected markets will keep capacity of choice between different sources of supply.
23. At the moment of the notification Zanders was not active in paper merchanting. However, it would hold two different agreements with International Paper (IP) for marketing and sales purposes. The first agreement engaged IP France, IP Netherlands and Zanders in a joint sales agreement for the sale of fine papers (in particular

speciality papers) and the second one engaged Papeteries du Souche (a label plant belonging to IP) and Zanders in a sales and marketing co-operation agreement in different European countries. However, in order to eliminate any competition concern, the parties have already put a formal end to both agreements during the course of the present procedure and therefore, there will be no further vertical implications of Zanders in this market.

24. As a conclusion no risk of market foreclosure will arise from this concentration in the national affected markets analysed above.

Pulp

25. Metsä-Serla also produces bleached pulp although mainly for internal consumption while Zanders buys it from independent suppliers. Most of Metsä-Serla's pulp production is for captive use. According to the parties' estimates the proportion of Metsä-Serla's pulp sales to third parties is currently about [5-15]% of the total market pulp in the EEA. Therefore this operation will not produce a significant risk of supply restrictions in the pulp market.
26. Therefore the present operation will not have a significant impact in any of the horizontally or vertically affected markets as above examined.

VI. CONCLUSION

27. 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,
Mario MONTI
Member of the Commission