

***Case No COMP/M.2317 -  
LAFARGE / BLUE  
CIRCLE (II)***

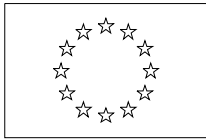
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**REGULATION (EEC) No 4064/89  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 01/03/2001

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 01.03.2001

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.2317 – LAFARGE / BLUE CIRCLE (II)**

Notification of 01.02.2001 pursuant to Article 4 of Council Regulation No. 4064/89

1. On 01/02/2001, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the undertaking Lafarge S.A. ('Lafarge') acquires within the meaning of Article 3(1)b of the Council Regulation control of the whole of Blue Circle Industries plc. ("BCI"), by way of a public bid.
2. After examination of the notification, the Commission has concluded that the notified operations falls within the scope of the Council Regulation No 4064/89 and does not raise serious doubts as to its compatibility with the common market and the functioning of the EEA Agreement.

**I. THE PARTIES AND THE OPERATION**

3. On 8<sup>th</sup> January 2001 the French company Lafarge announced an agreed bid for the U.K. company BCI. Both companies are active world-wide in the building materials sector, which includes grey and white cement, aggregates, ready-mix concrete, roofing tiles, pre-cast concrete and other products.
4. On 7<sup>th</sup> April last year the Commission authorised the acquisition of BCI by Lafarge under the Merger Regulation (Case COMP/M.1874), but the bid, on that occasion hostile (unlike the current agreed bid) proved unsuccessful. The Commission found that markets for the various building materials involved were mainly local or national in geographic scope. There was no horizontal overlap between Lafarge and BCI in any relevant market in any EU member State (with minor exceptions in Greece), but the operation would have involved several vertically affected markets, in the U.K., Greece,

and Denmark. The Commission's investigation revealed that in the U.K. and Greece there would have been no foreclosure effects given the existence of strong competitors on both cement and concrete markets. The transaction would, however, have raised competition problems on the Danish market for concrete roofing tiles and Lafarge consequently made a commitment to divest its activities on this market in order to resolve these problems; BCI has recently sold its Danish cement interests.

## **II. CONCENTRATION**

5. Lafarge has offered to acquire all the share capital of BCI. Therefore the proposed operation constitutes a concentration within the meaning of Article 3(1)b of the Merger Regulation.

## **III. COMMUNITY DIMENSION**

6. The undertakings concerned have combined aggregate worldwide turnover of more than EUR 5 billion. Both of them have a Community-wide turnover in excess of EUR 250 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. It does not constitute a cooperation case under the EEA Agreement.

## **IV. COMPATIBILITY WITH THE COMMON MARKET**

### **A. THE RELEVANT PRODUCT AND GEOGRAPHIC MARKETS**

7. The following products are involved in the transaction:

#### **a) Cement**

8. Grey cement is one of the two ingredients of concrete products. In previous decisions the Commission has found grey cement to be a separate product market, within which different types of cement are largely interchangeable. Its investigation in the current case has confirmed that market definition is appropriate for the purpose of assessing the current transaction. From the geographic point of view, the Commission has considered that the cement market may be seen as a set of markets, centred around the various factories, overlapping one another and covering the whole of Europe. The size of each market and the extent of overlap are determined by the distance from the factory at which cement may be sold. While transport by road is expensive, rail transport is less so and cement can be transported considerable distances by sea at reasonable cost. However, the notifying party considers that the geographic markets for cement are national. It is not necessary to decide the issue in the present case because in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of it.
9. The notifying party argues that white cement constitutes a separate product market from grey cement because it is used for different purposes, is produced in much more limited quantities, and is significantly more expensive; they argue that the relevant geographic market is at least EEA-wide since it is produced in a limited number of Member States from which it is shipped throughout the EEA and beyond. The Commission's investigation has confirmed that these market definitions are appropriate for the purpose of assessing the current transaction.

#### b) Aggregates

10. Aggregates are the second ingredient of concrete products.

In previous decisions the Commission has found aggregates (gravel, crushed rock, sand) to constitute a single, separate product market. It has found the relevant geographic market to be local, in view of significant transport costs. There is evidence to suggest that in practice the maximum area over which aggregates can be economically delivered from a production site is defined by a 30-mile radius from the site.

#### c) Ready mixed concrete

11. In previous decisions the Commission has found ready mixed concrete to be a separate product market. It has found the relevant geographic market to be local, since the perishable nature of such a 'wet' product constrains the distance over which it can be delivered before use; in practice the maximum area over which ready-mix concrete can be economically delivered from a ready-mix plant is generally regarded as defined by a 10-mile radius from the plant.

#### d) Pre-cast concrete products

12. Lafarge produces only building blocks and paving blocks, and argues that the relevant geographic market is national in scope, which is in line with previous Commission decisions.

#### e) Concrete roofing tiles

13. The Commission's investigation has shown that concrete roofing tiles constitute a distinct product market, and that the relevant geographic market is national in scope

### **B. ASSESSMENT**

14. There is no horizontal overlap between Lafarge and BCI in any of the relevant markets in any EU-Member State except Greece (see below). The operation would involve vertically affected markets in the U.K. and Greece.

#### a) United Kingdom

15. The proposed transaction would create a company, which was vertically integrated in the U.K. The merged entity would have almost half of cement sales and interests in aggregates at the upstream level, and interests in the above-mentioned concrete products (ready-mix, pre-cast, and tiles, which are made from cement and aggregates) at the downstream level.
16. In the U.K. BCI has some 46 % of cement sales, other major competitors being RMC/Rugby (20%) and Castle (25%); Lafarge has no U.K. cement interests. Conversely, BCI has no other interests in building materials in the U.K., whereas Lafarge is estimated to have the following shares of U.K. sales taken at the national level as a whole:

Aggregates: about 9% (Tarmac 23%, Hanson/Pioneer 15%, RMC 10%).

Ready-mix concrete: about 9% (RMC 28%, Tarmac 24%, Hanson/Pioneer 22%).

Pre-cast concrete: about 2% for all products taken together (concrete paving: Marshalls 46%, Tarmac 13%; concrete blocks Hanson 15%, Tarmac 13%);

Concrete roofing tiles: about [30-40]% (Eternit [30-40]%, Russell [5-15]%)

17. The principal question to be addressed is whether there is a serious risk that the merged entity would become dominant in downstream markets by limiting the supply, or raising the price, of cement to customers, particularly competitors on concrete product markets.
18. An assessment at the national level would suggest that the likelihood of creation of dominance is not significant. Even if the U.K. grey cement market were purely national in scope (see above) downstream competitors would always have an alternative source of supply, principally Castle and RMC/Rugby. In any event, many Lafarge aggregate sites and ready-mix plants are situated in the Midlands and East Anglia, where RMC/Rugby and Castle cement plants are located as well as some belonging to BCI.
19. Moreover, as indicated above, Lafarge's share of sales of concrete products at national level is relatively modest, except for roofing tiles ([30-40]%). Because of this relatively modest presence downstream, Lafarge's consumption of cement as a proportion of total U.K. cement consumption is proportionately modest.
20. The table below shows the percentage of total UK cement consumption, consumed by Lafarge in the UK in 1999.

Total cement consumption	12,885,000 tonnes
Lafarge's UK cement consumption	[...] tonnes
Lafarge's consumption as a percentage of total consumption	[...]%

(source: Lafarge)

21. The table below shows the percentage of total cement purchases that Lafarge made from each UK cement producer in 1999:

BCI	[...] tonnes	[...]%
Castle	[...] tonnes	[...]%
Rugby	[...]tonnes	[...]%
Buxton Lime	[...]	[...]
S. Quinn	[...]	[...]

(source: Lafarge)

22. BCI has a 46% share of sales of cement in the UK (sales of approximately 6,100,000 tonnes). Thus, even if Lafarge switched all its UK cement demand to BCI about [...]of

the total UK cement supply would remain available for third party cement customers from BCI. Lafarge would therefore need to continue to supply other concrete product manufacturers from BCI cement plants on a competitive basis in order to earn an adequate return on its investment in BCI.

23. It nevertheless remains the case that at least two relevant markets, aggregates and ready-mix concrete, are very local in geographic scope (see above). The Commission has therefore focused an investigation on local markets where Lafarge might be particularly strong in aggregates or ready-mix concrete. Lafarge, in reply to a Commission request to identify any area in which Lafarge has a 40% (or more) market share within a 10-mile radius of any of its ready-mix plants (104 in total) or a 30-mile radius of any of its aggregates sites (78 in total) has replied that:

- there are no such aggregates sites
- there are only five such ready-mix plants, in all of which one or more major competitors (e.g. RMC, Hanson) are also present
- That Lafarge aggregate sites and many ready-mix plants are situated in the Midlands and East Anglia, where cement is available from RMC/Rugby and Castle plants as well as BCI.

24. As far as white cement is concerned, the Commission has found that little if any white cement is produced in the UK, most UK consumption being sourced from imports, about 80% of which come from a Danish company Aalborg. Lafarge has no white cement sales in the U.K.

In the course of its investigation, the Commission has received no substantiated complaints concerning the relevant markets in the U.K.

In view of the above, the proposed transaction does not raise dominance concerns as far as the relevant U.K. markets are concerned.

#### b) Greece

25. BCI has acquired the leading Greek cement producer Heracles and Halkis ('Heracles'), which has about 53% of the Greek cement market and some downstream interests in ready-mix concrete; the rest of the cement market is supplied mainly by Titan with 39% and Italcementi with 5%.

As far as cement is concerned Lafarge's only interest in Greece is an import facility, [text deleted for publication, indicates company's strategy for the import facility].

Market shares at national level are as follows:

Ready-mix concrete:

Heracles	[0-15]%
Titan	[0-15]%
Alfa Beton	[0-10]%

Lafarge	[0-5]%
Others	[65-80] %

#### Aggregates

Lafarge	[0-5]%
Heracles	[0-5]%
Others	[90-100]%

26. Horizontal overlaps are therefore limited, with combined shares for Lafarge and Heracles for ready mix concrete and aggregates about [10-20]% and [0-10]% respectively.

Combined shares of ready mix concrete would be around [15-25]% in each of the two regions Larissa, and Salonica, and around [20-30]% in Patras. Lafarge's aggregates plant is located near Patras with about [20-30]% of the regional market. Ready – mix concrete competitors would have Titan and Italcementi as alternative suppliers of cement in these regions (Titan has cement plants in Salonica and Patras and transports cement by truck into Larissa from Salonica); moreover, given the disproportion between upstream and downstream combined market shares ([53]% cement, 20-30% ready-mix), Lafarge would need to continue to supply other ready-mix manufacturers from Heracles cement plants on a competitive basis in order to earn an adequate return on its investment in Heracles . The Commission received no complaints in the course of its investigation.

In view of the above, the proposed transaction does not raise dominance concerns as far as the relevant markets in Greece are concerned.

#### V. 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 Articles 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission