

***Case No COMP/M.2447 -  
FABRICOM / GTI***

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: 09/08/2001

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 09.08.2001

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.2447 – Fabricom / GTI  
Notification of 10/07/2001 pursuant to Article 4 of Council Regulation  
No 4064/89**

1. On 10/07/2001, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89<sup>1</sup> by which the Groupe Fabricom SA ("Fabricom") belonging to the Suez group, acquire within the meaning of Article 3(1)(b) of the Council Regulation control of the whole undertaking GTI N.V. ("GTI"), by way of public bid announced on 11<sup>th</sup> April 2001.
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 EEA Agreement.

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<sup>1</sup> OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

## **I. THE PARTIES AND THE OPERATION**

3. Fabricom is a Belgian company that provides installation and management/maintenance services in the field of electromechanical installations and systems, for infrastructure, industry and commercial buildings. The Belgian electrical company Tractebel, which is ultimately controlled by Suez, controls Fabricom. Fabricom's activities are mainly taking place in the Benelux countries and France, but also in the UK, Norway and Spain.
4. GTI is a Dutch company active in installation and management/maintenance services in the field of electromechanical systems and installations. GTI is mainly active in the Benelux countries.
5. The proposed concentration consists of a friendly take-over bid for each ordinary GTI share. Fabricom launched this take-over bid on 1<sup>st</sup> June 2001. The take-over bid was completed on 10 July 2001.

## **II. CONCENTRATION**

6. Upon completion of the proposed transaction Fabricom will have sole control (at least 95% of share) over GTI. The operation therefore constitutes a concentration within the meaning of Article 3(1) (b) of the Merger Regulation.

## **III. COMMUNITY DIMENSION**

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>2</sup> (Fabricom: EUR 34 617 million; GTI: EUR 903 million). Each of the parties have a Community-wide turnover in excess of EUR 250 million (Fabricom: EUR [...] million; GTI: EUR [...] 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.

## **IV. COMPETITIVE ASSESSMENT**

### **A- RELEVANT MARKETS**

8. Fabricom and GTI are both active in installation of electromechanical systems, installation of electromechanical installations as well as management/maintenance of electromechanical systems and installations for building and industrial production plants.
9. Installation of electromechanical systems and installations have to be distinguished from the supply of equipment to be used in such systems. Another distinction can be made between the residential and non-residential markets. None of the parties is active either as a supplier of equipment or on the residential market.
10. Moreover, it is necessary to distinguish in this sector between installation services and management/maintenance services and, within installation, between installation of electromechanical "systems" and installation of electromechanical "installations"

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<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.

because there are significant differences in the nature of the demand and of the services provided in these two segments. On the one hand, the installation of electromechanical "systems" involves integrated solutions which, on a stand-alone basis, satisfy a specific need of the consumers. Typically, the systems supplier will select the components to be used, design the way such component have to be assembled and install them. On the other hand, the installation of electromechanical "installations" involves installation of equipment which usually takes place according to the customer's instruction and using equipment selected by the customer.

*Installation of electromechanical "systems"*

11. Electromechanical systems include building systems (security systems and management systems), cooling systems and automation systems.
12. In the *Siemens/Elektrowatt* case<sup>3</sup>, the Commission considered that within building systems, security systems include fire alarm and intrusion systems while management systems include heat-ventilation-air conditioning (HVAC) systems and sprinkler systems. In this decision the Commission identified separate markets for each segment within security systems and a market for management systems. The Commission decided that markets for security systems were national in scope and that markets for management systems were at least EEA-wide.
13. The parties consider that cooling systems could be subdivided into three segments (industry, distribution and transport). In the industry segment, the activity includes installation of refrigerating plants or installation and design of specific food cooling systems. In the distribution sector, the activity concerns supply of cooling systems for the food distribution sector. And, in the transport sector, the activity includes refrigeration systems for trucks. The parties submit that these segments do not constitute distinct product markets.
14. The parties submit that this market is of a EEA-wide scope. They base their contention on the existence of EC-standard, the absence of national or local technical or legal requirements and a growing trend towards an international demand.
15. In the *GEC Alsthom/Cegelec*<sup>4</sup> decision, the Commission considered that automation systems consist of system engineering in a range of airport and industrial handling applications (baggage handling, cargo handling, parcel mechanisation and automated warehousing) and stated that the question whether airport and industrial handling belong to the same product market can be left open. In the present case, the parties submit that airport handling and industrial handling belong to the same product market, as the technology used in these two sectors is very similar.
16. In its *GEC Alsthom/Cegelec* decision, the Commission seemed to consider that for airport and industrial handling, the geographic market to be taken into account was at least EEA-wide but stated that it was not necessary to further delineate the geographic market.

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<sup>3</sup> Case n° COMP/M. 913 - Siemens/Elektrowatt – 18/11/1997

<sup>4</sup> Case n° COMP/M.1164 - GEC Alsthom/Cegelec – 15/05/1998

17. The Commission's inquiry tends to confirm the definitions proposed by the parties as to the relevant markets involving cooling systems and automation systems. But, for the purpose of the present case, it is not necessary to define conclusively the relevant product and geographic markets, since on no alternative market definition considered would the concentration create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or in any substantial part of that area.

*Installation of electromechanical "installations"*

18. Electromechanical installations include electrical installations and piping.
19. The activity of putting in place electrical installations can be subdivided according to the sector involved (infrastructures, industry and commercial building).
20. Electrical installations for infrastructures are installations for roads, railways, waterways, airport and telecommunication as well as electrical installations for the transport and the distribution of electricity. In view of the significant difference with regard to equipment, tools and expertise need for the high/medium voltage transport network, the parties consider that it may be appropriate to distinguish between high/medium voltage transport networks and other electrical installations. The parties consider that these markets are EEA-wide despite national legislations, which continue to apply to construction services.
21. Electrical installations for industry (power, lighting and instrumentation including the process control related) are supplied and installed in chemical companies, food factories, power plants, etc. Such electrical installations are generally tailor-made, according to the specific requirements of the customer. Electrical installations for commercial buildings are a more standardised product than in the industry. The parties consider that, in view of the different competitors present on the market and the need and size of the customers, a further distinction should be made between large (more than 50 million BEF) and small projects (less than 50 million BEF). The parties state that, by analogy with the *Siemens/Elektrowatt* case<sup>5</sup>, markets for installation of large electrical installations for industry and commercial building are at least European whereas markets for installation of small electrical installations for industry and commercial building are still national in scope.
22. As to the piping sector, a distinction is to be made between off shore and on shore activity<sup>6</sup>.
23. For the on shore piping, the activity concerned include prefabrication of piping elements, construction of pre-assembled units or modules and skins mounted for the oil, gas and petroleum industry and, installation and refitting of industrial piping and underground pipes. The parties submit that all these activities constitutes one single market but also that it is necessary to make a distinction between large (more than 150 million BEF) and small projects. The market for large projects is at least European whereas the market for small projects is national, or may be local, in scope.

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<sup>5</sup> Case n° COMP/M. 913 - Siemens/Elektrowatt – 18/11/1997

<sup>6</sup> Case n° COMP/M. 916 – Lyonnaise des Eaux/Suez – 05/06/1997

24. For the off shore piping, the parties state that it is not necessary to define the market because only Fabricom is active in this field.
25. The Commission enquiry tends to confirm the definitions proposed by the parties. But, for the purpose of the present case, it is not necessary to define conclusively the relevant product and geographic markets, since on no alternative market definition considered would the concentration create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or in any substantial part of that area.

*Management/maintenance of electromechanical systems and installations*

26. This activity involves a range of works and services relating to building, tertiary and industrial plants. The parties consider that electromechanical maintenance/management for installations and systems constitute a specific market and that further distinction by reference to each electromechanical installation or system being serviced is not justified because the demand would be more and more for the management/maintenance of buildings, plants, facilities as an overall service.
27. The parties consider that the market is EEA-wide. But, in its *Siemens/Elektrowatt* decision, the Commission considered that this market was national in scope. This has been confirmed by the Commission's investigation in this case.
28. For the purpose of the present case, however, it is not necessary to define conclusively the relevant product and geographic markets, since on no alternative market definition considered would the concentration create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or in any substantial part of that area.

**B- ASSESSMENT**

29. The combination of Fabricom's and GTI's activities leads to *horizontal overlaps*. However, their combined market shares would remain below 15% in each market or combination of product markets at the EEA level.
30. At national level, Fabricom and GTI have overlapping activities in numerous markets but the only affected markets are installation of HVAC systems in Belgium and the Netherlands, installation of sprinkler systems in the Netherlands, installation of electrical installations for infrastructures in Belgium and installation of electrical installations for the high/medium voltage transport network in Belgium.
31. In the sector of installation of electromechanical "systems", the transaction leads to combined market shares above a 15% level only as regards the installation of HVAC and sprinkler systems sectors. Whatever the geographic extent of the market, the notified operation does not raise competition problems on any of these two markets. At the EEA level, the combined market shares of the parties are below [0-5] % on these two markets. At national level, the strongest combined markets positions of the parties occurs in the Netherlands and in Belgium where their total market share is below 20% (HVAC: [10-20]% in the Netherlands and [10-20]% in Belgium; Sprinkler: [10-20]% in the Netherlands).

32. In the sector of installation of electromechanical "installations", the notified operation would give rise to combined market shares above 15% in only two potential national segments: installation of electrical installations for infrastructures in Belgium and installation of electrical installations for the high/medium voltage transport network in Belgium. In these two segments, the parties' total market share remain below [30]% with an increment of around [0-10]% (Installations for infrastructures: [20-30]%; Installations for the high/medium voltage transport network: [20-30]%). In addition, the combined entity would be facing competitors with significant market shares such as Siemens, Abay or Alstom. At the EEA level, the combined market shares of the parties are below [0-5]% even if a separate market for high/medium voltage transport network exists. Therefore, the notified operation does not give rise to any competition concern whichever way the relevant markets are defined in the area of installation of electromechanical "installations".
33. In the markets of management/maintenance of electromechanical systems and installations, both parties are actives in a number of EEA States. The combined market position of the parties at the EEA level is [10-20]%. The combined market share of the parties remains below 15% in any national markets.
34. From a *vertical point of view*, Fabricom and Sulzer Infra are present on the upstream markets and Tractebel's business for production/transport of electricity and gas in Belgium. The Commission's investigations have confirmed that even if vertical integration were to provide a competitive advantage, such a vertical integration existed before the operations and would not be significantly modified by the increment in market shares. Respondents to the Commission's investigation also explained that the majority of these markets are European in scope and that the same type of vertical integration is taking place in other European countries.

## V. CONCLUSION

35. 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

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