

***Case No COMP/M.2468 -
SEAT PAGINE GIALLE /
ENIRO***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 27/06/2001

*Also available in the CELEX database
Document No 301M2468*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 27.06.2001

SG (2001) D/289396

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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. 2468 SEAT Pagine Gialle/ENIRO
Notification of 21 May 2001 pursuant to Article 4 of Council Regulation
No 4064/89¹**

1. On 21 May 2001, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89² by which the undertaking SEAT Pagine Gialle S.p.a., Italy ("SEAT") belonging to the Telecom Italia Group ("Telecom Italia") acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of ENIRO AB, Sweden ("ENIRO") by way of public bid announced on 23 April 2001.
2. After examination of the notification the Commission has concluded that the notified operation falls within the scope of application of Council Regulation No. 4064/89 ("the Merger Regulation") and does not raise serious doubts as to its compatibility with the common market or with the functioning of the EEA Agreement.

¹ 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).

² 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

3. **SEAT** is an Italian company belonging to the Telecom Italia Group (the incumbent telecommunications operator in Italy) whose ultimate parent is Olivetti S.p.a.. SEAT is a multi-platform telephone directory (online and offline) and business information provider. Its main activities are the publication of telephone directories (e.g. White Pages and Yellow pages) and the sale of advertising in such directories. SEAT also offers telephone directory assistance services, internet services including internet portals, internet advertising and web design services.
4. **ENIRO** is a Swedish company which is publicly listed on the OM Stockholm Stock Exchange. Telia AB, the incumbent telecommunications provider in Sweden, owns 47.26% of the shares of ENIRO. The Swedish state owns 70.6% of the shares of Telia. ENIRO is active in the market for telephone directory services and related services (online and offline) including advertising in directories.

II. THE OPERATION

5. SEAT will acquire ENIRO's shares pursuant to a public offer to ENIRO's shareholders and warrant holders. On 23rd April 2001, ENIRO and SEAT publicly announced that SEAT had launched a public offer for ENIRO shares on the Stockholm Stock Exchange. ("the Offer"). The total value of the Offer is € 3 billion. The Offer is subject to shareholders' and regulatory approvals and is open until 27th June 2001. The Offer is conditional upon valid acceptances being received in respect of at least 50.1% of the total number of outstanding ENIRO shares.

III. CONCENTRATION

6. Depending on the number of valid acceptances of the Offer, SEAT will acquire between 50.1% and 100% of the share capital of ENIRO. In either case, and given the absence of any shareholders' agreements granting veto rights to other parties, SEAT will acquire sole control over ENIRO.
7. The operation therefore constitutes a concentration within the meaning of Article 3 of the Merger Regulation

IV. COMMUNITY DIMENSION

8. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion³. Each of SEAT and ENIRO 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.

³ 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.

V. ASSESSMENT

Relevant Markets

9. The operation concerns the telephone directories market and related markets.
10. The parties have identified five separate relevant product markets: (a) sale of advertising space in local telephone directories (these are usually called “White Pages”); (b) sale of advertising space in business-to-consumer (B2C) telephone directories (“Yellow Pages”); (c) sale of advertising space in business-to-business (B2B) directories; (d) internet advertising and, in particular, advertising on on-line telephone directories; and (e) directory assistance services.

Local telephone directories (white pages)

11. In most EEA countries, local telephone directories (containing the name, address and telephone numbers of individuals and businesses and usually called White pages) are published once a year and delivered to businesses and households free of charge. Publishers earn revenues from selling advertising space to a range of advertisers, mainly large and medium sized businesses. Given its distinctive characteristics, the Commission has concluded in previous decisions that advertising in local telephone directories can be taken as a distinct product market.⁴
12. Both SEAT and ENIRO publish local telephone directories albeit in different countries.

Business to consumers (B2C) telephone directories (yellow pages)

13. In contrast to local telephone directories which list names of individuals and businesses alphabetically, B2C telephone directories list businesses by category (e.g. plumbers, doctors, restaurants etc.). In these directories, businesses advertise their products or services to the users of the directories which are mainly residential customers. From the perspective of the user (“consumer”) of telephone directories, local telephone directories and B2C directories are not interchangeable: in the former, the user must know the name of the person or company that one is searching for in order to find the address or other information relating to that person or company, whereas in the latter, one can find an operator in a specific sector without having prior knowledge of such operator. Therefore, with the B2C directory the advertiser can reach both actual and potential customers. This inherent advantage of B2C directories make them also more valuable for advertisers and place a premium on the advertising rates in comparison to local telephone directories.
14. It is therefore reasonable to conclude that there may be a separate product market for B2C directories. However, it is not necessary to reach a definitive conclusion on this point as, regardless of whether B2C directories form a distinct product market from local or B2B directories or fall within the same product market, the concentration does not threaten to create or strengthen a dominant position.

⁴ See case M. 1439 Telia/Telenor at paras 108-109

Business to business (B2B) telephone directories

15. B2B directories are different from the ordinary local telephone directories and from B2C directories in that they are mainly used by businesses searching for suppliers of products and services. B2B directories are not available to the public: their users are businesses rather than individuals.
16. In view of the above distinctive characteristics, the Commission has concluded in previous decisions that the publishing of and selling of advertising space in B2B directories constitutes a relevant product market⁵.
17. Both SEAT and ENIRO publish and sell advertising space in B2B directories.

Internet advertising

18. The parties publish telephone directories on the internet and sell advertising space on internet web pages containing the relevant directory listings. In previous decisions, the Commission has defined Internet advertising as a market in its own right and has indicated that it may be possible to sub-divide the internet advertising market further.⁶ The Commission has also indicated that publishing of and selling of advertising space in hard-copy telephone directories may constitute a separate market to the publishing and selling of advertising space in on-line telephone directories.⁷ It is, however, not necessary to reach a definitive conclusion on this point as, regardless of whether on-line and off-line directories are part of the same market and regardless of further subdivisions of the internet advertising market, the operation does not threaten to create or strengthen any dominant position.

Directory assistance services

19. Directory assistance services allow customers to retrieve information on publicly available national and international telephone numbers, names and addresses via a call centre. Customers are usually invoiced via their telephone bill. In a previous decision⁸, the Commission concluded that directory assistance services constitutes a relevant product market and the market investigation has confirmed that this definition continues to remain valid.
20. SEAT offers directory assistance services in Italy and Germany (through its subsidiary company Telegate). Eniro's activities in the directory services market are insignificant focusing on local markets in Sweden.

Geographic extent of the market

21. The parties contend that the geographic extent of all the above markets (including the internet advertising market) is national given the nature and characteristics of the product

⁵ See case M. 1439 Telia/Telenor at paras 110-112

⁶ See cases M 1439 Telia/Telenor and M. 1982 Telia/Oracle/Drutt.

⁷ See case M. 1439, Telia/Telenor, at para 113.

⁸ Case M. 1957, Viag Interkom/Telenor Media.

(telephone information), given that sales and distribution are organised on a national level and also given that linguistic and cultural differences operate as a particularly strong additional barrier.

22. The parties' proposed product and geographic market definition conforms to the Commission's assessment in previous cases such as Telia/Telenor (M. 1439), Viag Interkom/Telenor Media (M. 1957) and Telia/Oracle/Drutt (M. 1982). The market definition has also been confirmed by the Commission's market investigation.
23. Nonetheless, as regards the internet advertising market in particular, the Commission considers that it may be wider than national even though it is widely acknowledged that linguistic and cultural barriers continue to play an important role. In any case, regardless of the precise geographic extent of the internet advertising market, the operation will not create or strengthen any dominant position in that market and hence no definitive conclusion needs to be reached.

Competitive Assessment

24. Both parties are active in all the above product markets but they have traditionally focused on different geographic areas.
25. SEAT is mainly active in Italy, the United Kingdom (through TDL Infomedia) and Germany (through Telegate). In Italy, SEAT is the only provider in the local telephone directory market⁹. SEAT has also large market shares in the markets for B2B [more than 60%] and B2C [more than 60%] directories and a [less than 30%] share of the internet advertising market. In the UK, SEAT (through its subsidiary TDL Infomedia) has a [less than 30%] market share in the B2B market. In Germany, SEAT offers directory assistance services with a [less than 30%] market share.
26. ENIRO is active in the Nordic countries and Germany. In Denmark, ENIRO has [more than 60%] of the local directories market, [less than 30%] of the B2B market and [less than 30%] of the B2C market and internet market. In Finland, ENIRO has [between 30-50%] of the local, [more than 60%] of the B2B, [less than 30%] of the B2C and [between 30-50%] of the internet market. In Sweden, ENIRO has [between 30-50%] of the local, [between 20-40%] of the B2B, [more than 80%] of the B2C and [between 20-40%] of the internet market. In Germany, ENIRO (through WLW) has [less than 15%] of the local, [between 30-50%] of the B2B, [less than 10%] of the B2C, and [less than 10%] of the internet market.

No significant horizontal or vertical relations between the parties' activities

27. Due to the different geographic focus, the parties activities do not overlap in any national market. The only country where both parties are active is Germany but, as is evident from the above description of the parties' activities, the parties' activities in the German market concentrate in separate product markets (SEAT in directory assistance services and ENIRO in publishing of telephone directories).

⁹ However, it has to be noted that Telecom Italia is obliged to provide access to its local directories database free of charge to any interested party and that, therefore, SEAT should face increasing competition in the future.

28. None of the services provided by either party in any national market is dependent on any services supplied by the other.
29. There is therefore no horizontal or vertical overlap between the parties' activities in any of the above countries including Germany.
30. It is also worth emphasising that, despite their strong position in the Member States where they are active, the parties will not control access to essential raw data which might foreclose actual or potential competitors from operating in the telephone directories market. With the exception of Italy where SEAT (thanks to being part of the Telecom Italia group) enjoys a dominant position in relation to access to telephone directories databases, in the other Member States where the parties are active there are alternative viable sources of business information data or telephone directory data not least the national incumbent telecoms operators (e.g. Deutsche Telekom in Germany, the only country where both parties are currently active).
31. Community secondary legislation¹⁰ ensures that the directories market will remain liberalised and that competing undertakings will be able to have access to incumbent telecommunications operators' databases on fair, cost-oriented and non-discriminatory terms.¹¹ In addition, under national law¹² and pursuant to undertakings which it has offered to the national competition authority in a previous case, Telecom Italia is obliged to offer access to its database (including all residential and business customers) free of charge since 1st September 2000¹³.

Enhanced geographic reach of the combined entity

32. Moreover, the parties contend that, due to the national nature of the products, the merged entity will not be able to enhance its position by being present across different geographic areas (even though, the combined entity may naturally benefit from cost synergies).
33. The Commission has investigated this aspect of the transaction and its market investigation confirmed the contention of the parties. Indeed, cross-border advertisers represent an insignificant proportion of the parties' customer base; users of directories continue to be largely interested in national or even localised information (for example, even business-to-business directories habitually categorise businesses by local area); linguistic and cultural barriers continue to play a significant role; and, as regards the directory assistance market, it is normally impossible to use the service outside a national telephone network. In addition, it is worth mentioning that in an EEA-wide market for B2B directories, B2C directories or internet advertising, the parties' combined market share would not exceed 20% on any product market and the combined entity would face competition from various players on a national and EEA level.

Conclusion

34. In the light of the above market conditions, the proposed operation does not modify the competitive position of the parties in their respective national markets. Moreover, the

¹⁰ Directive EC/96/19.

¹¹ Directive EC/98/10.

¹² D.P.R. No. 318/97 and Decree No. 77/2001.

¹³ Undertakings given by Telecom Italia to the Italian Competition Authority in case Telecom Italia/SEAT Pagine Gialle.

concentration of the party's activities, despite enhancing the combined entity's geographic reach, does not create or strengthen a dominant position in the EEA or any substantial part of it.

VI. 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

Signed,
Mario MONTI
Member of the Commission