

***Case No COMP/M.2473 -  
FINNFOREST /  
MOELVEN  
INDUSTRIER***

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: 18/07/2001

*Also available in the CELEX database  
Document No 301M2473*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 18.07.2001

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.2473 – Finnforest/Moelven Industrier  
Notification of 15.06.2001 pursuant to Article 4 of Council Regulation  
No 4064/89<sup>1</sup>

1. On 15.06.2001, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 (herewith “the Merger Regulation”), whereby the Finnish company Finnforest Corporation (“Finnforest”), belonging to the Metsäliitto Group, Finland, intends to acquire within the meaning of Article 3(1)(b) of the Merger Regulation control of the Norwegian company Moelven Industrier ASA (“Moelven”), by way of a public bid announced on 16 May 2001.
2. After examination 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 the functioning of the EEA Agreement.

#### I. THE PARTIES

3. Finnforest is a Finnish company, which manufactures and markets sawn timber, plywood and other wood products. Its products are intended for industrial end use, for building systems and for retail to consumers. The company forms a part of the Finnish company Metsäliitto Group, which has activities in the pulp and paper industry. The manufacturing activities of Finnforest are organised into three business divisions: the Solid Wood division (spruce and pine sawn timber for building and furniture industries), the Plywood Division (birch and softwood plywood for building, transport equipment and packaging

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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).

industries) and the Engineered Wood Division (laminated veneer lumber, treated wood, poles, particle board and DIY products, for industry, construction and consumers). The majority of the company's 25 production facilities are located in Finland.

4. Moelven is a Norwegian based producer of sawn timber and building materials of wood as well as industrialised building concepts based on modules. The company is organised into two business segments, Moelven Timber Group (saw milling, wood processing and laminated timber for other producers of wooden building materials or industries for wood processing) and Moelven Building Group (modular buildings, modular system interiors and electrical installations, heating, ventilation and sanitary installations for large and small builders of business or administrative offices). The main part of the production is located in Norway and Sweden.

## **II. THE OPERATION AND THE CONCENTRATION**

5. On 16 May 2001, Finnforest announced a public bid for all outstanding shares of Moelven. The Board of Directors of Moelven recommends the acceptance of the bid.
6. On the basis of the foregoing, the proposed acquisition, whereby Finnforest acquires sole control over Moelven, 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 (Metsäliitto Group EUR 7,513 million and Moelven EUR 595.3 million in 2000)<sup>2</sup>. Each of Finnforest and Moelven have a Community-wide turnover in excess of EUR 250 million (Metsäliitto Group EUR 5,790 million and Moelven EUR 275.2 million in 2000), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State.

## **IV. RELEVANT MARKETS**

### **A. Relevant product markets**

8. The notifying party submits that Finnforest and Moelven have overlapping activities in the markets for wood procurement, sawn timber, processed timber and gluelam. Although the notifying party considers these markets to be to a large extent global or at least EEA-wide in scope, the notifying party maintains that even on a national basis, the combined market shares of Finnforest and Moelven would not exceed 15% within any national markets as a result of the concentration. Therefore, the notifying party has not identified any affected markets.
9. In addition, Moelven and, to a limited extent, Finnforest, both sell wood-based building system products/modular buildings and modular systems interiors but according to the notifying party the companies are active in different geographical markets. According to

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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.

the notifying party, Finnforest has also large production of wood-based panels (such as plywood, laminated veneer lumber, particle board and blockboard) intended for the building industry, transportation and furniture industry. No horizontal overlap exists, however, as Moelven is not present on this market.

#### *Wood procurement*

10. According to the notifying party, the procurement of round wood constitutes a separate relevant product market. Round wood is the main raw material in the production of sawn timber and processed wood and thus an upstream market to the market of sawn timber.
11. The notifying party considers that the market for round wood/wood procurement can, due to differences in quality, price, intended use and competitive conditions, be divided into the market for pulpwood and the market for saw-wood. The Commission has in a previous case<sup>3</sup> held that although the wood procurement market can in principle be divided into round wood and pulp wood on the basis of the end use, regardless of the area where wood is being cut, there are usually both round wood and pulpwood and also several different wood types in the same area. Therefore, it would be justified to consider wood procurement as one product market. In that case, the market definition was, however, left open.
12. For the purposes of this case, it is not necessary to reach a definite conclusion on the relevant product market because in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

#### *Sawn timber*

13. Both Finnforest and Moelven are present in the market for sawn timber, mainly spruce and pine (softwood). According to the notifying party, neither Finnforest nor Moelven is active in the production, processing or importing of tropical wood or hardwood such as birch and aspen in general, so the relevant products encompassed by the transaction are sawn timber from spruce and pine. Sawn timber constitutes an important raw material for furniture industry, construction industry, mouldings and joinery.
14. The Commission has considered the market for sawn timber in the decision *IV/M.646 – Repola/Kymmene*.<sup>4</sup> In this case, the Commission considered that the existence of different types of wood and price variations suggests that there exist separate markets depending on the type of wood. The Commission did not, however, conclude on the exact definition of the market.
15. The investigation in this case shows that sawmills can concentrate on processing certain types of wood but that it is technically possible to switch from one type of wood to another without incurring major costs. However, from the demand side, the question of substitutability of different wood types is more complex because substitutability can depend among other things on the end use.

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<sup>3</sup> Commission decision of 8 February 2001 in case COMP/M.2234 - Metsäliitto/VAPO/JV, paragraphs 16-18.

<sup>4</sup> See also case COMP/M.2234 - Metsäliitto/VAPO/JV, paragraphs 13-15.

16. The question can, however, be left open in this case, because in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.
17. The notifying party further submits that planing and processing of wood either by the sawmills, independent companies or the purchaser does not constitute a separate product market. The market investigation has confirmed that planing and further processing of the sawn timber could be considered as an additional service provided by the sawmill to the purchaser. For the purposes of this case the question of the existence of a separate market for planing or processing of sawn timber can be left open because in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

#### *Gluelam*

18. The notifying party has identified as a separate product market the market for gluelam. Gluelam is a structural product composed of individual pieces of wood, which are end-jointed together to produce long lengths and bonded together with adhesives to create the required dimensions. Gluelam can be manufactured to both straight and curved configurations from smaller trees and from a variety of species. Gluelam is used, *inter alia*, for headers, beams and columns. According to the notifying party, large dimensions of gluelam are substitutes for steel and concrete and small dimensions for large dimensions of sawn timber. The main customers are traders or producers of residential or non-residential buildings.
19. The question as to the definition of the relevant market can, however, be left open in this case, because in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

#### *Modular buildings and modular system interiors*

20. Modular buildings range from free-standing temporary accommodations and offices for contractors to school-buildings, offices, student dormitories, hotels and structures for the health sector. According to the notifying party, modular buildings provide for a high level of flexibility, short construction periods and reliability in terms of quality and delivery. In the vast majority of cases, the production of modular buildings takes place indoors in a production facility under controlled conditions and the products are delivered fitted and ready for use. The notifying party considers modular buildings as a new developing market, where modular based buildings compete with the traditional construction industry.
21. The notifying party has defined modular system interiors as flexible system interiors for commercial buildings (indoor walls, windows, doors and ceilings), intended, in particular, for buildings under renovation and new buildings. The notifying party maintains that the market for modular system interiors is a new and developing market, which currently faces and will continue to face competition from traditional building approaches.
22. The result of the market investigation generally confirmed the existence of separate markets for modular buildings, which are load bearing, and interior systems, which are non-load bearing, though for the purposes of the present case it is not necessary to define the exact scope of the relevant market, because in all alternative market

definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

## **B. Relevant geographic markets**

### *Wood procurement*

23. The notifying party considers the wood procurement market to extend to at least Northern Europe taken that international trade in round wood due to imports from the Baltic States and Russia is growing. If the market for round wood is divided further, the notifying party is of the opinion that Norway and Sweden may be considered as one geographical market and Finland as a separate national market. The notifying party submits, however, that since the market positions of the parties will not be strengthened in Norway/Sweden or Finland following the transaction, the exact definition of the relevant market could be left open.
24. It appears from the notification that Finnforest has little or no procurement of wood from Norway or Sweden. Imports from Russia and the Baltic States appear to mainly ensure adequate supplies to the mills when wood in Finland is not sufficiently available. Moelven procures wood from both Norway (market share [between 20-30]%) and Sweden (market share [between 0-10]%) but has little or no procurement of wood from Finland.
25. In view of the above, it is not necessary to further delineate the relevant geographic market because, in all alternative geographic market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

### *Sawn timber*

26. The parties submit that relevant geographic market for sawn timber is best described as a world-wide market due to increasingly global trade flows but is at least EEA-wide. The Commission considered in *IV/M.646 – Repola/Kymmene*<sup>5</sup> that sawn timber should be considered as at least an EEA-wide market, because due to its physical characteristics it can be transported efficiently over significant distances. The results of the market investigation in this case also support this conclusion.

### *Gluelam*

27. The notifying party submits that the geographic market for value added products, such as gluelam, is global in scope, as gluelam can be easily and cost effectively transported worldwide. The market investigation, however, revealed that demand for gluelam may be geographically more limited than the notifying party submits and that there may be differences in product standards (*DIN* in Europe and *JAS* in Japan).
28. However, it appears that for the purposes of this case it is not necessary to define the exact geographic scope of the market, because in all alternative geographic market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

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<sup>5</sup> See also case COMP/M.2234 - Metsäliitto/VAPO/JV, paragraph 19.

### *Modular buildings and modular system interiors*

29. The notifying party maintains that the geographic market for modular buildings is regional/local in scope due to local character of traditional construction markets and the location of the production facilities. The notifying party submits that for modular system interiors the geographic market is an emerging market, where the production and marketing so far has been local, though the market is likely to extend in the future.
30. It appears from the notification that Moelven has 19 regional offices located in close proximity of large population centres in Norway and Sweden. The company has two logistics centres, one in Norway and one in Sweden, where all deliveries are assembled. Finnforest has only activities in Finland. The results of the market investigation indicate also that the geographic market for modular buildings or modular system interiors could be wider, namely national or even EEA-wide in scope.
31. In view of the above, for the purposes of this case it is not necessary to define the exact relevant geographic market for modular buildings or modular system interiors, since even on a national basis, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

## **V. COMPETITIVE ASSESSMENT**

### *Wood procurement*

32. Metsäliitto Osuuskunta, a co-operative consisting of 120.000 private forest owners, as the owner of Metsäliitto Group is responsible for procuring wood for the mills of the company including Finnforest. On the basis of the information submitted by the notifying party, the total purchase of round wood by Metsäliitto Group was approximately [...] in year 2000, representing [30-40]% of the total purchase of round wood in Finland. In 2000, approximately half of the annual purchase volume consisted of pulpwood. Finnforest's procurement of round wood amounted to [...] in 2000, which accounts for around [20-30]% of the round wood purchased by the wood products industry in Finland. Finnforest has little or no procurement of wood from Norway or Sweden. Some [0-10]% of its requirements of wood are imported from Russia and the Baltic countries. It appears that the wood procurement market in Finland is currently divided relatively evenly between three major operators, Metsäliitto, Stora Enso and UPM-Kymmene.
33. According to the notifying party, Moelven procures wood from both Norway, where it has a market share of [15-25]% of the total market, and Sweden, where its procurement amounts to approximately [0-10]% of the total market. The company has little or no procurement of wood from Finland. In the course of the market investigation, third parties have not expressed concerns relating to the wood procurement market.
34. In view of the above, the Commission concludes that the operation will not lead to the creation or strengthening of a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

### *Sawn timber*

35. The notifying party submits that, on the overall market for sawn timber, their combined market share does not exceed 15% either at the EEA-wide level or at the level of any Member State where both parties are active in. Should the market be divided into pine and spruce, the parties' market position on these categories does not materially differ from that on the overall market for sawn timber. Third parties have not raised any competition concerns on the market for sawn timber.
36. On the basis of the foregoing, the Commission concludes that the operation will not lead to the creation or strengthening of a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area in the market for sawn timber.

### *Gluelam*

37. The notifying party estimates the total market for gluelam to amount to approximately [...] in Western-Europe and some [...] in 2000. Moelven's total sales of gluelam amounted to [...] in 2000. The main markets for Moelven's production are Norway, Sweden, United Kingdom, Germany, Italy, Poland and Japan. For Moelven, Western Europe accounts for approximately [...]% of the sales of gluelam ([...]) and the Japanese market for [...]% of its sales ( [...]). Moelven has not been present in the Finnish market.
38. Through the acquisition of the Finnish company Kuningaspalkki Oy in February 2001, Finnforest has entered the market for gluelam with total sales of [...] in 2000. For Finnforest, Japan accounts for approximately [...]% of the sales of gluelam (around [...]) and Western Europe [...]% (some [...]). Finnforest has not been active in selling gluelam in Sweden or Norway. The notifying party submits that Finnforest's capacity is estimated to increase to [...] in 2001, a majority of which is intended for the sales in Japanese market.
39. According to the notifying party, the combined market share of Finnforest and Moelven for gluelam amounts to approximately [0-10]% in Western Europe and around [0-10]% world-wide. Even taking account of Finnforest's envisaged capacity increase in 2001 and assuming Moelven's sales remaining on the same level as in 2000, the combined market share would not exceed 15% in Western Europe or world-wide. The main competitors on the market include Binder (Austria), Hüttemann (Germany) and Pfeifer (Austria). Third parties have not raised any competition concerns on the market for gluelam.
40. In view of the above, the Commission concludes that the operation will not lead to the creation or strengthening of a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area in the market for gluelam.

### *Modular buildings and modular system interiors*

41. Moelven is the leading producer of modular buildings in Norway and Sweden Moelven has a market share of [50-60]% and [15-25]% in Norway and in Sweden respectively. Since, according to the information by the notifying party, Finnforest is not active in



modular buildings, there is no horizontal overlap between the parties' activities in modular buildings.

42. The notifying party has, however, identified a limited horizontal overlap between the parties' activities within wood-based building system products, and in particular, in the segment of removable intermediate wall systems (modular interior systems) in Finland. The notifying party submits, however, that removable intermediate wall systems compete on the market with traditional interior walls. The results of the Commission's market investigation, however, seem to lead to a different conclusion.
43. Moelven is the leading producer of modular system interiors in Norway with a market share of [40-50]% and also in Sweden with a market share of [50-60]%. Moelven produces walls and windows under the brand name "Nordia" (turnover in 2000: [...]) in Norway and "Eurowand" (turnover: [...]) in Sweden. According to the notifying party, main competitors include Sanacoustic-Bbyggmontering with a market share of [20-30]% and Modulvegger AS with [5-15]% in Norway and Flex Systemsvägger AB with a market share of [15-25]% and EG Väggsystem AB with [10-20]% in Sweden. Finnforest has no activities in modular system interiors in Norway or Sweden. Consequently, there is no overlap in Norway and Sweden.
44. However, there is a limited overlap in the Finnish market for modular system interiors, mainly consisting of interior wall systems, which has a total value of close to 17 million EUR. In April 2001, Finnforest entered the market by acquiring the market leader Heinolan Seinälinja Oy (turnover of [...]in 2000). Heinolan Seinälinja has a market share of around [25-35]%. The two other major competitors are, according to the market investigation, the two Finnish companies E. Hiltunen Oy and Muotolevy Oy with market shares of [15-25]% and [10-20]% respectively. According to the notifying party, Moelven's activities in Finland amount to [...], resulting in a increase of Finnforest's market share of less than [0-5]% to a combined market share of [25-35]%.
45. Moelven has an exclusive licensee for Nordia products in Finland, Muotolevy. Muotolevy generates a turnover of approximately [...] for interior walls using the Nordia brand name. Under the terms of the license agreement between Nordia AS and Muotolevy Oy, as amended by the parties, Muotolevy has the sole right to sell walls and components under the trademark "Nordia" in Finland in accordance with the system which has been developed in Norway by Nordia SA. Muotolevy has the right but is not under an obligation to purchase the Nordia products or components necessary for the production from Nordia on commercial terms. Nordia can terminate the license agreement with a [...] year-written notice and Muotolevy with a [...] month-written notice. During the license agreement and [...] thereafter Nordia is prevented from using or granting to others the trademark "Nordia". During the period of the licensing agreement, Muotolevy is, however, also free to use other brands or trademarks and develop other products. Muotolevy, therefore, has a minimum period of three years to develop and promote a new brand. This period is, according to the market investigation, sufficient in this market to transfer the goodwill to the new brand. Therefore, it can be concluded that Muotolevy Oy will compete as an independent supplier of interior wall systems in Finland.
46. In view of the above, the Commission concludes that the operation will not lead to the creation or strengthening of a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

## **VI. CONCLUSION**

47. 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