

***Case No COMP/M.2493 -
NORSKE SKOG /
ABITIBI / PAPCO***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 03/07/2001

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 03.07.2001

SG (2001) D/289466

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.2493 - NORSKE SKOG / ABITIBI / PAPCO
Notification of acquisition of joint control pursuant to Article 4 of Council
Regulation No 4064/89¹**

1. On 29/05/2001, the Commission received a notification pursuant to Article 4 of Council Regulation No 4064/89¹ by which the Norwegian undertaking Norske Skogindustrier ("Norske Skog") and the Canadian undertaking Abitibi Consolidated ("Abitibi") acquire, within the meaning of Article 3(1)(b) of the Council Regulation, joint control of Pan Asia Paper Company ("Papco"), an existing company constituting a joint venture, by way of purchase of shares.

I. THE PARTIES

2. Norske Skog's core business involves the production of publication paper, in particular newsprint, magazine and book paper. In addition, Norske Skog produces pulp. Abitibi is active in newsprint, value added groundwood paper, pulp and lumber.
3. Papco was created in 1998 as a joint venture between the three firms Norske Skog, Abitibi and the South Korean company Hansol Paper Co., Ltd ("Hansol"). It is active in the production and marketing of newsprint mainly in Asia. Each of the three founding

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).

firms had one third of the shares of Papco. That case had been cleared by the Commission on 14 September 1998.²

II. THE OPERATION AND THE CONCENTRATION

4. The current transaction concerns the sale of Hansol's stake of 33.3% in Papco to the two remaining shareholders. Norske Skog and Abitibi acquire one half of Hansol's 33.3% shareholding in Papco each. As a result, Norske Skog and Abitibi will have 50% each in Papco.
5. The arrangements as concerns joint control over Papco remain as they were before. Therefore, Norske Skog and Abitibi will have joint control on a 50/50 shareholding basis. Papco continues to perform on a lasting basis all the function of an autonomous economic entity including production, distribution and sales of newsprint. The proposed transaction, therefore, concerns a move from joint control by three shareholders to joint control by two shareholders, i.e. a change in the quality of control³ in Papco. Consequently, the purchase of Hansol's stake of 33.3% in Papco by Norske Skog and Abitibi constitutes a concentration within the meaning of Article 3(1)(b) of Council Regulation (EEC) No 4064/89.

III. COMMUNITY DIMENSION

6. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion⁴ (Norske Skog [...]; Abitibi EUR 4.2 billion, Papco [...]). Each of at least two of the undertakings has a Community-wide turnover in excess of EUR 250 million (Norske Skog [...], Abitibi [...]), 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 has therefore a Community dimension.

IV. COMPETITIVE ASSESSMENT

7. The relevant product market in this case is the market for newsprint paper. In previous decisions the relevant geographic market for newsprint has been defined as being the EEA.⁵ Papco is only active in Asia. Consequently, the operation will not lead to market share additions in newsprint in the EEA. There are also no vertically affected markets in this case.
8. There are no indications that the proposed transaction will lead to co-operative effects according to Article 2(4) of the Council Regulation. The parent companies have a combined market share of around [10-20%] of the EEA-market for newsprint (Norske Skog [10-20%], Abitibi [0-5%]). However, while this market could be seen as a

² see case M.1296 Norske Skog/Abitibi/Hansol, 14 September 1998.

³ See the Commission Notice on the concept of undertakings concerned³ at §38-39

⁴ 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.

⁵ See case M.1225 Enso/Stora, §47

neighbouring market to the Asian newsprint market, this market share is not significant. The joint venture's production capacity is [...] tonnes, which represents less than [10-20%] of the parent companies' overall activities. Therefore, the activities of Papco do not have substantial economic importance in relation to those of their parents. Consequently, the proposed transaction does not lead to the creation or strengthening of a dominant position in the market for newsprint in the EEA.

V. CONCLUSION

9. 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