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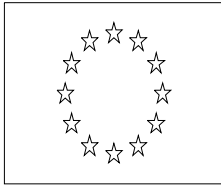
*Case No COMP/M.3155 -
DEUTSCHE POST /
SECURICOR*

Only the English text is available and authentic.

REGULATION (EEC) No 4064/89
MERGER PROCEDURE

Article 6(1)(b) NON-OPPOSITION
Date: 19/06/2003

*Also available in the CELEX database
Document No 303M3155*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 19/06/2003

SG (2003) D/230185

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 Madam(s) and/or Sir(s),

Subject: Case No COMP/M.3155 – Deutsche Post/Securicor

Notification of 15.05.2003 pursuant to Article 4 of Council Regulation No 4064/89

1. On 15.05.2003 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89¹ by which the undertaking Deutsche Post AG, Germany ('DPAG') would acquire within the meaning of Article 3(1)(b) of the aforementioned Council Regulation sole control of the holding company, Securicor Omega Holdings Limited, United Kingdom ('SOH'), belonging to Securicor Plc ('Securicor') by way of purchase of shares.
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.

I. THE PARTIES

3. Deutsche Post, a public limited company incorporated under German law, provides the national postal service in Germany under an exclusive licence comprising mail and parcels (international and domestic) and over-the-counter services. Via a number of subsidiaries, Deutsche Post is also active in international and domestic express delivery, road-based parcel

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).

delivery, freight and logistics, value-added mail activities, financial services, and stationery retailing. Approximately 69% of Deutsche Post's shares are directly or indirectly held by the Federal Republic of Germany. The remaining 31% are held by private investors.

4. SOH, formerly a subsidiary of Securicor and since November 1998 jointly controlled by Securicor and DPAG,² has activities in the delivery sector in the UK and Ireland and some support activities. Its distribution activities comprise international and domestic express and standard documents and parcels, international and domestic express freight and freight forwarding, and logistics. In Ireland SOH only carries out parcel activities on behalf of DPAG.
5. Securicor, originally focussing on security services, has presently two divisions: security and distribution. After the transaction security, e.g. the transport of cash and guarding services, shall remain with Securicor, being its core business in the UK and some 50 other countries.

II. THE OPERATION

6. The subject of the notified transaction is the shift from joint to sole control of SOH by DPAG. In its previous decision³ the Commission determined that DPAG acquired joint control over SOH with its sole pre-existing shareholder, Securicor. . Since that time there has been no change in the terms of the JV Agreement under which both parties have the possibility to exercise decisive influence over SOH and there is no evidence to suggest that there has been any change in the de facto position with regard to the exercise of joint control. On 24.03.2003 DPAG reached an agreement with Securicor to purchase the entirety of the shares held by Securicor in SOH. Securicor will thus lose its joint venture interest in SOH. Therefore the proposed operation 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 worldwide turnover of more than EUR 5,000 million⁴ (for the year 2002, EUR 39, 255 million for Deutsche Post and EUR [.....] for Securicor). Both Deutsche Post and Securicor have a Community-wide turnover in excess of EUR 250 million (for the year 2002, EUR [.....] for Deutsche Post and EUR [.....] million for Securicor). Although for the year 2002 Deutsche Post achieved more than two-thirds of its Community-wide turnover in Germany, SOH did not achieve more than two-thirds of its turnover in one and the same Member State. The notified operation therefore has a Community dimension.

² See Case IV/M.1347, Deutsche Post/ Securicor, Decision of the Commission of 23.02.1999

³ See Decision of 23.02.1999 *ibid*

⁴ Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 02.03.1998, p. 25). To the extent that figures include turnover for the period before 01.01.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

IV. THE RELEVANT MARKETS

Product Market Definition

8. The Commission has generally based its definition of the relevant product markets on three main distinctions⁵:
 - mail and parcel delivery on the one hand, and freight on the other hand,
 - express and deferred services, and
 - domestic and international services
9. Following these distinctions for defining relevant product markets, the only affected market is the one for international express document and parcel delivery. This product market comprises a service that is overall faster (typically over night) and more reliable than the basic postal service and provides certain value-added services, including proof of delivery, track and trace (manual or electronic), the possibility of changing destination or address in transit, and flexible billing and pricing. Speed, reliability and additional services are reflected in a higher price for the express service, which can therefore be distinguished from the normal international mail service. The above described features apply equally to document and parcel delivery.
10. On the other product markets which could be established according to the above described differentiations only increments of less than 5%, leading to joint combined market shares of less than 10% could be established. This is true, even if one considers separately the markets for domestic express delivery, international express freight, logistics, international freight forwarding and international parcels.

Geographic Market Definition

11. The Commission has previously considered these postal services markets to be national in scope. However the notifying party submits that the dynamics of competition in the postal industry are increasingly leading towards European-wide markets for delivery services in place of the traditional set of intra-EU cross-border delivery markets. In the above-mentioned Deutsche Post/DHL decision the results of the market investigation indicated that for the time being a national market definition would be more appropriate. Nevertheless it is not necessary to further delineate the relevant geographic markets because, in all alternative geographic market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of the area.
12. In the present case as the operation does not raise serious doubts as to its compatibility with the common market on the basis of a narrower national geographic market, the question of the exact definition of the geographic market can also be left open.

V. COMPETITIVE ASSESSMENT

13. The operation gives rise to only one affected market, which is that for international express delivery in the United Kingdom. According to the submitted data the transaction involves an

⁵ See the most recent Commission Decision of 21.10.2002 (M. 2908) Deutsche Post/ DHL

addition of approximately [<1] % to DPAG's existing market share of [30 - 40] % (for the year 2002).

14. The proposed operation will not have any significant impact on competition in this affected market. The increment involved is de minimis. Moreover there are a number of other strong competitors in this market with sizeable market shares such as UPS [10 - 20] % KPN/TNT [10 - 20] %, FedEx [5 - 10] % and Amtrak Express [1 - 5] %. Also given that DPAG already had control over SOH, jointly with Securicor, prior to this transaction and that the present transaction involves DPAG's acquisition of sole control from Securicor there is no evidence to suggest that this acquisition of sole control will of itself lead to any discernible change in the competitive conditions on this market.
15. According to the data transmitted by the notifying party the only other increments of less than 5% could be established on the following markets in the UK: domestic express delivery, international express freight, logistics, international freight forwarding and international parcels, leading in every single case to combined market shares of less than 10% in the UK. In Ireland on the market for international freight forwarding an increment of [<1] % will give the parties a combined market share of [5 - 10] %.
16. It can therefore be concluded that the concentration does not give rise to serious doubts as to the creation or strengthening of a dominant position as the result of which competition would be significantly impeded in the common market or in a substantial part of it.

VI. CONCLUSION

17. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and 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