

***Case No COMP/M.3232 -  
TRELLEBORG /  
SMITHS (PSS  
DIVISION)***

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: 19/09/2003

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 19-09-2003

**SG (2003) D/231869**

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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. 3232 – Trelleborg / Smiths (PSS Division)  
Notification of 18/08/2003 pursuant to Article 4 of Council Regulation  
No 4064/89<sup>1</sup>**

1. On 18/08/2003, Swedish undertaking Trelleborg AB (“**Trelleborg**”) notified to the Commission the proposed operation whereby it acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the *polymer sealing solutions business* of the British Smiths Group Plc (“**Smiths PSS**”), by way of the purchase of shares and assets.
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. Trelleborg is a global industrial business, engaged in the manufacture of antivibration systems for automotive and industrial applications, products and solutions for noise suppression in vehicles, components for automotive cooling and air-supply systems, wheel systems, industrial fluid systems, engineered solutions based on polymer materials, and polymer- and bitumen-based products for sealing and waterproofing applications.

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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).

4. Smiths Group is a global engineering company that specialises in the areas: aerospace, medical, detection and speciality engineering. The proposed transaction exclusively concerns a part of the Smiths Group Plc., i.e. Smiths PSS, the polymer solution business division. Smiths PSS is engaged in the manufacture of high performance polymer seals for industries, including the automotive, oil and gas, construction, pharmaceutical, chemical, petrochemical, aerospace, marine, and pulp and paper industries.

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

5. Trelleborg will acquire sole control of the PSS Division of Smiths by way of a purchase of the share capital of each company within the PSS Division. The operation therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **III. COMMUNITY DIMENSION**

6. The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 2.500 million<sup>2</sup>. (Trelleborg EUR 1.954 million, PSS Division EUR 607 million). In each of at least three Member States, the combined aggregate turnover of all the undertakings concerned is more than EUR 100 million and in each of these Member States the aggregate turnover of each of at least two of the undertakings concerned is more than EUR 25 million (Germany: Trelleborg EUR [...] million and PSS Division EUR [...] million. UK: Trelleborg EUR [...] million and PSS Division EUR [...] million. France: Trelleborg EUR [...] million and PSS Division EUR [...] million). The aggregate Community-wide turnover of each of at least two of the undertakings concerned is more than EUR 100 million. (Trelleborg EUR [...] million, PSS Division EUR [...] million). The undertakings concerned 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**

### **INTRODUCTION**

7. The market for pipe seals in the EEA has been identified as an affected market. Pipe seals are polymer seals which are used to effect joints between different elements of piping. The main types of pipe are concrete/clay, plastic and steel. The use to which a pipe is put depends on its type and its size. Large concrete pipes will be used primarily in large scale public works projects, whereas small plastic pipes tend to be used for household applications. Production methods vary depending on the size of seal being produced. There are three main techniques: injection or compression moulding (which tend to be used to make seals for pipes with smaller diameters); and extrusion followed by splicing (which tends to be used to make seals for pipes with larger diameters).

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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.

## **A. THE RELEVANT PRODUCT MARKET**

8. Trelleborg submits that the correct definition of the relevant product market in this case is the overall market for pipe seals. This would include seals for use with concrete/clay, plastic, and steel pipes. The notifying party submits that a subdivision, based on type of pipe for which the seal is intended, based on method of production or based on size of the seal is not justified. The reason would be that there is supply-side substitutability: a producer of one type or size of seals could readily commence production of another type or size within a reasonable period of time.
9. The market investigation does not allow to support completely the parties' view. The market investigation suggests that a segmentation between the types of pipes may be conceivable from a demand-side point of view. Seals manufactured for a specific type of pipe are not generally regarded as an interchangeable sealing solution for all types of pipe.
10. As to the supply-side substitutability, no agreement is found in the responses received in relation to the possibility of considering a unique seals product market. It is widely accepted that there exists a technical possibility of switching production, although some respondents mention the existence of difficulties in terms of delays and additional investments in new tooling.
11. Additionally, it is noticed that the identities of the main competitors vary significantly if concrete/clay, plastic and steel pipe seals segments are taken separately. In other words, competitors have in fact a high degree of specialisation in a given segment. This fact seems to be coherent with a separate product market definition in terms of type of pipe seal.
12. In any case, the exact product market definition may be left open, since in all alternative market definitions, the operation does not raise competition concerns.

## **B. THE RELEVANT GEOGRAPHIC MARKET**

13. According to the notifying party the relevant *geographic market* for pipe seals is at least EEA-wide. Trelleborg indicates that cross-border trade in pipe seals is the industry norm, and submits that its main customers for concrete/clay pipe seals are situated in Belgium, The Netherlands, Germany, Spain and France. Trelleborg sells steel pipe seals to its main customers' sites in Northern Spain, France and the UK. Manufacturing mostly takes place in the Ecansa factory in Santander, in Northern Spain.
14. To further support their view, the parties have referred to Case N° IV/565 (Solvay/Wienerberger) where the Commission concluded that, unlike the market for pipes which was considered to be probably regional and characterised by a national approach, the market for pipe fittings had an EEA dimension, as - unlike pipes - fittings are not voluminous and their transport costs are relatively low.
15. The responses received during the market investigation support the notifying party's position. Competitors regard the EEA as the relevant market and European pipe manufacturers purchase seals across the EEA. The EEA dimension of the relevant geographic market can be retained as proposed by the notifying party.

## C. ASSESSMENT

16. Based on the notifying party's estimates for 2003, the merged entity's market share in one, overall market for pipe seals in the EEA will be less than [10-20%] where Smiths PSS has a [10-20%] share and Trelleborg [0-5%], giving a combined share of [10-20%]. There are competitors in the market place exercising sufficient competitive constraint on the combined entity: German competitor Bode has an estimated share of [10-20%], followed by German competitors Denso-Steinhoff and MOL, with market shares of [10-20%] and [0-10%] respectively.
17. A scenario where concrete/clay, plastic and steel pipe seals are considered to constitute distinct product markets would not raise serious doubts as to the compatibility of the proposed operation with the common market. Assuming a separate market for pipe seals for clay/concrete, the transaction does not lead a priori to competition concerns, adding a [0-5%] share to Smiths PSS's estimated pre-merger share of [20-30%], giving a combined market share of around [20-30%]. After the planned acquisition, there will remain a sufficient number of competitors to ensure competition. The main competitor in this segment is Denso-Steinhoff ([20-30%]), followed by Cordes ([0-10%]), Flex-seal ([0-10%]), Hultec ([0-10%]), SaarGummi ([0-10%]) and VIP-Heinke ([0-10%]); the remaining (smaller) players together account for a [10-20%] estimated market share.
18. If one takes a separate market for pipe seals for plastic pipes, the transaction does not result in a significantly high market share for the merged entity, as the combined share is estimated at [0-10%] with an increase of [0-5%], (Smiths PSS [0-10%], Trelleborg [0-5%]). Competition is ensured by the presence of significant actors like Bode and MOL, who are leading this segment with shares of [30-40%] and [20-30%] respectively. Hultec, Woco and VIP-Heinke follow at a distance with shares of [0-10%], [0-10%] and [0-10%]. Other market players account for [20-30%] jointly. Finally, there is no overlapping activity in a separate market for steel pipe seals. Only Trelleborg is active with a share of [10-20%] while Smiths PSS is not present in this segment.
19. Both parties are active on the upstream market for polymer compound production. However, the parties' combined market share of rubber-type compound production capacity in the EEA is around [0-10%] (and their combined share of overall production capacity will be even lower). No vertical issue is then considered.

## V. CONCLUSION

20. 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