

***Case No COMP/M.3407 -
SAINT GOBAIN / DAHL***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 28/04/2004

*Also available in the CELEX database
Document No 304M3407*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 28/04/2004

SG-Greffe(2004) D/201759

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 via their legal representative

Dear Sir/Madam,

**Subject: Case No COMP/M.3407 – SAINT GOBAIN/DAHL
Notification of 25.03.2004 pursuant to Article 4 of Council Regulation
No 4064/89¹**

1. On 25.03.2004, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89, by which the undertaking Compagnie Saint-Gobain (“Saint-Gobain”, France) acquire within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the undertaking Dahl International AB (“Dahl”, Sweden) 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 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. Saint-Gobain is a French company involved in the production, processing and distribution of glass, high performance materials such as ceramics and abrasives, and building materials.

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).

4. Dahl, whose ultimate parent company is incorporated in Sweden, is active in the distribution of building materials in Sweden, Denmark, Norway, Finland, Poland and Estonia. Dahl specialises in the retail distribution of heating ventilation and sanitation, water and sewer supply and pipe products to professionals.

II. THE OPERATION

5. Saint-Gobain will acquire, through its wholly owned subsidiary Partidis S.A.S, all outstanding shares in Dahl from its current shareholders.

III. CONCENTRATION

6. After the completion of the transaction, Saint-Gobain will exercise sole control of Dahl. It follows that the notified transaction constitutes a concentration pursuant to Article 3 (1) (b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion² (Saint-Gobain: EUR 30 274 million; Dahl: EUR 1 369 million). Each of them (Saint-Gobain: EUR [...] million; Dahl: EUR [...] million) 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.

V. COMPETITIVE ASSESSMENT

RELEVANT PRODUCT MARKET

Manufacture of building materials

8. The Commission has indicated in the past that, from a demand-side perspective, the building products are not substitutable by one another to form wider markets³. Accordingly, the parties assessed the relevant market for manufacturing of building products on a product by product basis and identified separate markets for (i) pipes, (ii) municipal castings and (iii) insulation materials, the products manufactured by Saint-Gobain in this sector.
9. Within this range, the insulation products are of particular relevance for the present transaction since they are distributed downstream by Dahl, in particular Dahl only distributes technical insulation materials. Insulation materials in general are products which reduce the thermal exchange through a wall, a roof or a duct on which they are placed. Technical insulation is normally placed around a duct (for example ventilation and heating systems) for the purpose of reducing the thermal exchange or noise. Technical insulation can be distinguished from a demand-side point of view from

² 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.

³ Case COMP/M.1974 – Compagnie de Saint Gobain/Raab Karcher

the rest of insulation materials within the building industry, e.g. for walls, floors and roofs.

10. Third parties have broadly confirmed this approach. In any case, the precise product market definitions can be left open given that, on the basis of all alternative product market definitions considered, the concentration does not give rise to competition concerns.

Retail distribution of building materials

11. The building materials sector includes a wide range of products such as sands, sealing materials, concrete, mortars, bricks, windows, doors, ceilings, building accessories for walls, ceilings and floors, insulating materials, wood products, pipes, kitchen equipments, tiles, heating and sanitary products, etc. These materials are sold primarily via wholesalers and retailers to customers (professionals, non-professionals and industry).
12. Building materials are distributed in different ways including mainly builders' merchants, specialised stores and DIY ("Do it yourself") stores. The Commission has previously assessed the relevant product market as (i) the wholesale of building materials; (ii) the retail sale of building materials to professional customers (mainly through builders' merchants) and (iii) the retail sale of building materials to non-professional customers (primarily through DIY stores)⁴.
13. The parties distinguish accordingly the retail distribution of building materials to professionals and the wholesale distribution of building materials. Within retail distribution, the parties submit that there is unrestrained competition between the generalist, which distributes a wide range of building products and the specialist distributors, which concentrates on one or several segments, for example heating and sanitary products.
14. Nevertheless, the Commission has indicated in the past that a distinction can be made between sales to professionals by generalists on the one hand and by specialists on the other hand.⁵ The parties therefore also present separately the information for the segments in which Dahl is specialised: The specialist market for (i) distribution of heating, ventilation and sanitation products ("VVS")⁶, (ii) water and sewage products ("VA")⁷, and (iii) industrial products to professionals. Third parties contacted in the Commission's investigation have broadly agreed to the above definitions and sub-segmentations.
15. The parties do not identify a specific distribution channel for the insulation products. It is indicated that the insulation materials are channelled through different distribution segments as the customers on this market are primarily plumbers, local municipalities, contractors and specialised industrial installation contractors and industrial companies. While plumbers primarily purchase heating, ventilation and sanitation products, local municipalities and contractors mainly purchase water and sewage products. Nonetheless, the parties have also provided separately the information for the distribution of insulation materials and for the distribution of technical insulation materials.

⁴ Case COMP/M.3142 – CVC/Danske Traelast.

⁵ Case COMP/M.1974 – Compagnie de Saint Gobain/Raab Karcher

⁶ This is the Swedish abbreviation for heating, ventilation and sanitation (Sw : värme, ventilation och sanitet)

⁷ This is the Swedish abbreviation for sewage and water (Sw : vatten och avlopp)

16. In any case, the precise product market definitions can be left open given that, on the basis of all alternative product market definitions considered, the concentration does not give rise to competition concerns.

RELEVANT GEOGRAPHIC MARKET

Manufacture of building materials

17. The Commission has noted previously⁸ that the manufacture of building materials tends to be European or even wider than European in scope mainly due to increasing product standard harmonisation and increasing import levels. The parties agree with this view but nonetheless provide the information on a national basis.
18. Third parties have largely confirmed this tendency towards a European scope, although it has been indicated that with regard to insulation materials, the value is low compared to volume, making transportation costs important. In this sense, it is submitted that the geographic market could be the Nordic region or national. In any event, the precise geographic market definitions can be left open given that, on the basis of all alternative geographic market definitions considered, the concentration does not give rise to competition concerns.

Retail distribution of building materials

19. Geographically, the parties present the data at national level following Commission's precedents⁹ although they take the view that the Nordic countries may constitute a single market for the present products. Third parties contacted in the market investigation have generally agreed that the geographic market is at least national.
20. The exact geographic market definitions can be left open given that, on the basis of all alternative geographic market definitions considered, the concentration does not give rise to competition concerns.

ASSESSMENT

Horizontally affected markets

21. There are no horizontal overlaps between Saint-Gobain's activities and the activities of Dahl.

Vertically affected markets

22. There are vertical relationships between Saint-Gobain's manufacturing and wholesale of building materials (pipes, municipal castings and insulation material), and Dahl's retail distribution of building materials (insulation materials).
23. Saint-Gobain is active in the upstream market for manufacturing building materials, however if the geographic market is considered at least European-wide (or international), it does not have a market share of 25% or more on any possible relevant

⁸ Case COMP/M.1974 – Compagnie de Saint Gobain/Raab Karcher.

⁹ Case COMP/M.3142 – CVC/Danske Traelast.

product markets.¹⁰ On a national level, Saint-Gobain has market shares of 25% or more in the market for manufacturing insulation materials in Sweden ([35-45]%), Finland ([35-45]%) and Denmark ([30-40]%). In case technical insulation should be regarded as a separate sub-segment within insulation materials, Saint-Gobain has a market share of [35-45]% in Sweden, [20-30]% in Finland, and [15-25]% in Denmark.

24. Regarding the market for wholesale distribution of building materials, Saint-Gobain Pipe Systems Oy (Saint-Gobain subsidiary in Finland) is a wholesaler of fresh water pipes, sewage and drain pipes and municipal castings. It only has a market share of 25% or more in the wholesale distribution of municipal castings in Finland, where it has a share of [55-65]%. However, Saint-Gobain Pipe Systems Oy does not sell any Saint-Gobain manufactured municipal castings as all its municipal castings are manufactured by Niemisen Valime Oy. Saint-Gobain Pipe Systems sells the products produced by the group only in exceptional situations since the dimensions of municipal castings produced by Saint-Gobain do not fit into the Finnish standards. In addition, there are other competitors to Saint-Gobain, such as Fixmart and Evetec.
25. Dahl is active in the downstream market for retail distribution of building materials in the EEA to professionals in Denmark, Finland, Norway and Sweden. If the relevant market is considered to be the *overall* market of distribution of building materials (including both generalists and specialists) to professionals, Dahl's market share is only around [0-10]% in Denmark, Finland, Norway and Sweden.
26. If the relevant market were considered to be the market for *specialist* retail distribution, where the segments of heating ventilation and sanitation products, water and sewage products, and industrial products to professionals are considered as a whole, Dahl has market shares of 25% or more in Denmark ([20-30]%), Finland ([20-30]%) and Sweden ([25-35]%).
27. If the specialist retail distribution market is further sub-segmented into amongst other (i) distribution of heating, ventilation and sanitation ("VVS"); and (ii) water and sewage ("VA"), Dahl has a market share of 25% or more in VVS in Denmark ([40-50]%), Finland ([25-35]%), Norway ([25-35]%), Sweden ([25-35]%), in VA in Denmark ([25-35]%) and Sweden ([40-50]%).
28. Within a further sub-segmentation, if one takes the market for the distribution of insulation materials, the market shares would be significantly lower: [0-5]% in Denmark, [0-5]% in Finland, [0-5]% in Norway and [10-20]% in Sweden. If technical insulation is regarded as a sub-division of insulation materials, Dahl has a market share of [40-50]% in Norway, [35-45]% in Sweden, [15-25]% in Finland, and [5-15]% in Denmark.
29. However, the parties submit that no substantive vertical concerns will arise as a result of the proposed concentration because of the following reasons:

Market characteristics

¹⁰ Note that in 2002, Saint-Gobain had a sales share that exceeded 25% on a EU-level for fresh water pipes ([25-35]%), however Saint-Gobain's market shares on a national level in the countries concerned do not exceed 25% (...).

30. The very nature of Dahl's business requires it to sell a wide range of different products. Only a very small portion of the products, which Dahl distributes are actually products of the type manufactured by Saint-Gobain and its competitors. For Dahl to continue as a successful business, it will have to rely upon a large number of these products, supplied by a variety of building materials manufacturers, not only by Saint-Gobain.
31. For example, Dahl's total annual purchase (primarily pipes and insulation materials) from Saint-Gobain in the Nordic countries amounts to approximately EUR [...] million which is less than [0-5]% of Dahl's total sales in the Nordic countries.
32. In addition, distribution of building materials is conducted through either distributors or from manufacturers directly to professional customers, so-called direct sales. These ways of distributing the products are in general the same for all players in the market. However, the importance of direct sales by producers varies from product to product and from country to country.
33. For example, the parties estimate that the total direct sales by producers of building materials to professionals in Finland amount to approximately [40-50]%, the equivalent for Sweden is [35-45]%, in Denmark [15-25]%, and in Norway [10-20]%. As regards insulation materials, Saint-Gobain's direct sales in Sweden amount to [35-45]%, in Denmark [15-25]% and in Norway [20-30]%, whereas in Finland all sales are channelled through distributors. In a further segmentation, direct sales represent [15-25]% in Sweden and Denmark. The suppliers exert therefore at least to a certain extent a competitive pressure on the building merchants/distributors.
34. DIY-stores, which focus on selling building materials to private customers, have also increasingly begun to sell building materials to professional users. As a result, professional customers have also the alternative to turn to DIY-stores instead of to building material distributors.
35. Therefore, both sales directly from the manufacturers to end users and sales through the DIY-stores exert competitive pressure on the traditional building materials distributors, and thus restrain their market power.

Customer foreclosure

36. The parties submit that the proposed transaction will not enable Saint-Gobain to foreclosure the market for either the specialist retail distribution of building materials to professionals or any subsequent segmentation since there are strong alternative distributors to Dahl.
37. In **Denmark**, if the overall specialist retail distribution market definition is retained where Dahl has a share of [20-30]%, alternative distribution channels are ensured by the presence of A&O Johansen ([10-20]%), Sanistål ([10-20]%) and LMG ([10-20]%). In the segment of VVS, where Dahl has a share of [40-50] %, the shares for A&O Johansen, Sanistål and LMG would have [20-30]%, [15-25]% and [10-20]% respectively. In the segment of VA, Dahl has a share of [25-35]% and A&O Johansen is also present with a share of [10-20]%
38. In a possible market for distribution of insulation products, Dahl's share is only [0-5]% and Danske Traelast constitutes an alternative channel with a market share of [25-35]%. Equally, in a further segmentation, there are sufficient alternative distributors in technical insulation, where Dahl holds a share of [5-15]%, given the presence of Danske Traelast ([10-20]%), Weiss Isolering ([15-25]%) and Armadan ([15-25]%).

39. In **Finland**, in the overall specialist retail distribution market where Dahl has a share of [20-30]%, Onninen has a market share of [40-50]% and Ahlsell [25-35]%. In the segment of VVS, where Dahl's share amounts to [25-35]%, the shares for Onninen and Ahlsell would be [35-45]% and [25-35]% respectively.
40. In a theoretical insulation distribution market, Dahl's share is very low ([0-5]%), whereas Rauta-kesko has a share of [40-50]%. In a subsequent segmentation distinguishing technical insulation, there are also enough alternative distributors to Dahl, which holds a [15-25]% share, since Onninen ([35-45]%), Ahlsell ([15-25]%) and Rauta-kesko ([5-15]%) are present
41. In **Norway**, Dahl has a share of [25-35]% in VVS. Alternative distribution channels are ensured by the presence of B&S ([20-30]%), Heidenreich ([5-15]%) and Ahlsell ([5-15]%). If an insulation distribution market is defined, Dahl's share is only [0-5]%. On the basis of a further segmentation of the insulation distribution market, Dahl has a share of [40-50]% in technical insulation, however, Saint-Gobain does not have any sales of insulation material in Norway.
42. In **Sweden**, in the specialist retail distribution market, where Dahl's share amounts to [25-35]%, Ahlsell has a share of [30-40]% and Onninen [5-15]%. In VVS, Ahlsell and Onninen have [25-35]% and [5-15]% respectively while in VA the corresponding shares for Ahlsell and Onninen are [40-50]% and [5-15]%. If an insulation distribution market is defined, Dahl has a share of [10-20]%, whereas Interpares has [15-25]% and Beijer Bygg [10-20]%.
43. Furthermore, in case technical insulation should be viewed separately, Dahl's market share is [35-45]%, while its main competitors Ahlsell, SIGAB and Lindab have [10-20]%, [5-15]% and [5-15]% respectively. Still, the Commission investigation has confirmed that Dahl faces sufficient competition in the market for technical insulation, as Ahlsell, SIGAB and Lindab are regarded by the market players to constitute viable alternative distributors.
44. Thus, there are strong alternative distributors to Dahl on all possible markets, and even if Dahl were to purchase 100% of its requirement from Saint-Gobain, Saint-Gobain's competitors would still have access to alternative sales outlets.

Input foreclosure

45. The parties state that there is no incentive, or even a possibility, for Saint-Gobain to post-concentration foreclose the supply of building materials to Dahl's competitors in any of the affected markets. There exist several competitors to Saint-Gobain on the upstream market for manufacturing insulation materials. The main competitors of Saint-Gobain, on an EEA-wide level are Rockwool, Paroc, Uralita and Knauf.
46. On a national level, at least one strong competitor is present in the market. Rockwool is the market leader in Denmark with a share of [40-50]%, compared to Saint-Gobain's [30-40]%. In Finland, Paroc and Saint-Gobain both have a market share of [35-45]%. Paroc is also the main competitor in Sweden and holds a share of [25-35]% (Saint-Gobain has [35-45]%).
47. Also if technical insulation is looked at separately, Rockwool and Paroc constitute strong competitors. In Sweden and Finland, Paroc is the main competitor with [30-40]% and [60-70]% respectively (Saint-Gobain has [35-45]% in Sweden and [20-30]% in Finland). In

Denmark, Rockwool is again the market leader with [55-65]%, whereas Saint-Gobain has [15-25]%.

48. The parties also argue that it is in the interest of Saint-Gobain as a producer to continue to sell its products to as many customers as possible, including distributors and competitors of Dahl. Only a very small portion of all products which Saint-Gobain sells on the Nordic market is sold via Dahl (approximately only [0-5]% of the Saint-Gobain group's total sales in the Nordic countries) and it would not be rational for Saint-Gobain to re-direct its present sales through Dahl.
49. The annual purchase by Dahl of insulation materials from Saint-Gobain in Denmark, Finland and Sweden amounts to around EUR [...] million. That represents approximately [0-5]% of the total market for insulation materials in the Nordic countries and [0-5]% of Saint-Gobain's total sales of insulation materials in the Nordic countries.
50. At national level, Dahl purchases from Saint-Gobain in Denmark around EUR [...] million representing less than [0-5]% of Saint-Gobain's sales. In Finland, Dahl's yearly purchases amount to EUR [...] million, which represents around [0-5]% of Saint-Gobain's sales and, in Sweden, Dahl purchases EUR [...] million, which corresponds to [5-15]%.
51. With regard to technical insulation products, Dahl's purchases from Saint-Gobain around EUR [...] million representing [0-5]% of Saint-Gobain's sales in Denmark, the equivalent figures for Sweden is EUR [...] million and [35-45]%, and for Finland EUR [...] million and [40-50]%. Furthermore, Dahl purchases technical insulation products, not only from Saint-Gobain, but from various producers. In Denmark, Dahl purchases [5-15]% from Saint-Gobain and its main other suppliers are Rockwool ([60-70]%) and Armacell ([15-25]%). In Sweden, Dahl purchases [40-50]% from Saint-Gobain, [30-40]% from Paroc, and [10-20]% from Armacell. Finally, in Finland, Dahl purchases essentially from Saint-Gobain and Paroc ([45-55]% each).
52. The Commission has, during the market investigation, gathered the views of third parties on the competitive impact of the proposed transaction. It has been generally submitted that the concentration will not lead to foreclosure effects resulting from one of the parties having a significant market position and, in particular, the respondents agree that Saint-Gobain does not have an incentive to grant Dahl exclusivity in the field of insulation materials. It is generally also indicated that there are sufficient alternative suppliers as shown above. Thus, should Saint-Gobain refuse to sell its insulation materials products to Dahl's competitors, these would still have access to supplies from Saint-Gobain's competitors. Therefore, Saint-Gobain does neither have the incentive nor the possibility, to foreclose the supply of building materials to Dahl's competitors.
53. Hence, in view of the market characteristics, the current patterns of purchases and the competitive structure in the markets of distribution and manufacture, the concentration will not lead to any appreciable restriction of competition on either the upstream or the downstream level in any alternative market definition, and thus no foreclosure effects are likely to arise.

VI. CONCLUSION

54. 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