

***Case No COMP/M.3424 -
CIBA / RAISIO
CHEMICALS***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 26/05/2004

*Also available in the CELEX database
Document No 304M3424*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 26/05/2004

SG-Greffe(2004) D/202189

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.3424 - CIBA / RAISIO CHEMICALS
Notification of 21.4.2004 pursuant to Article 4 of Council Regulation
No 4064/89¹**

1. On 21.4.2003, the Commission received a notification pursuant to Article 4 of Regulation (EEC) No 4064/89 (“the Merger Regulation”) of a proposed concentration by which the Swiss undertaking Ciba Specialty Chemicals Holding Inc. (“Ciba”) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of the Finnish undertaking Raisio Chemicals Oy (“Raisio”) by way of purchase of shares and transfer of assets.
2. After examining the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation and that it does not raise any serious doubts as to its compatibility with the common market and with the EEA agreement.

I. THE PARTIES

3. Ciba is an industrial and technology company operating in five business areas: coating effects, home and personal care, plastic additives, textile effects and water and paper treatment.
4. Raisio is engaged in the chemicals industry, focusing on chemicals for the paper and board industry.

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).

II. THE OPERATION AND THE CONCENTRATION

5. Ciba will acquire sole control of Raisio by way of a share and asset purchase.
6. As a result of the transaction, Ciba will acquire sole control over Raisio. The transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Council Regulation.

III. COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 2500 million² (Ciba: EUR 4.345 bio; Raisio: EUR 422.3 mio). The combined aggregate turnover of the undertakings concerned is more than EUR 100 million in at least three Member States in which each of those undertakings have an aggregate turnover of more than EUR 25 million (Belgium, Finland and France). The aggregate Community-wide turnover of each of the undertakings concerned is more than EUR 100 million (Ciba: EUR [...] bio, Raisio: EUR [...] mio).. 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 pursuant to article 1(3) of the Merger Regulation.

IV. COMPETITIVE ASSESSMENT

a) Relevant product markets

8. This concentration only concerns pulp and paper chemicals which can be divided into three groups, according to their function and point of use in the board and paper production process: (i) pulp and fibre treatment chemicals (bleaching, pulping, etc.); (ii) process chemicals which are used to improve the efficiency of paper production (biocides, liquid/solid separation agents, retention/drainage agents, etc.); and (iii) functional chemicals which are used to impart various properties to the finished paper, ranging from improved strength and optical properties to enhanced printability (sizing agents, colorants, brighteners, etc.).
9. Both parties are active in these sectors, albeit with complementary activities. Their horizontally overlapping activities give rise to only two affected markets: (i) for processing aids in liquid/solid separation agents in [one Member State] (if this market was considered to be national in scope); and (ii) for sizing agents as a whole or for AKD/ASA sizing agents (if these two products were considered to be part of the same relevant product market) in the EEA.
10. **Liquid/Solid separation agents** are process chemicals which cause the precipitation of suspended solids through coagulation and flocculation thereby cleaning waste water for recycling and discharge. They are sold in four main physical forms: dry powders, dry beads, liquid dispersion and emulsions. The exact market definition, however, can be left open for the purposes of this decision since in all alternative market definitions considered, competition concerns would not arise.

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.

11. With regard to **sizing agents**, the Commission in its previous decision³ has indicated that sizing agents could be separated between internal and surface agents and that among surface agents, a delineation could be made between AKD, ASA and rosin sizes. The exact market definition, however, can be left open for the purposes of this decision since in all alternative market definitions considered, competition concerns would not arise.

b) Relevant geographic markets

12. The parties have submitted that the relevant geographic market for all product markets in pulp and paper treatment sector are at least EEA-wide.
13. With regard to **liquid/solid separation agents**, the exact market definition, however, can be left open for the purposes of this decision since in all alternative market definitions considered, competition concerns would not arise. As concerns **sizing agents**, a previous Commission decision defined these markets as at least pan-European.

c) Assessment

14. With regard to **liquid/solid separation agents**, the parties' combined market share at the EEA-wide level is only around [5-15%], with a minor increment of market share (less than [0-5%]) from Raisio.
15. At the national level, the only market where the parties' combined market position exceeds 15% is in [one Member State]. If considering a hypothetical market comprising all different forms (dry powders, dry beads, liquid dispersion and emulsions), Raisio's activities would add a marginal [0-5%] to the [20-30%] share of Ciba. At least four significant players hold more than a 10% market share: Stockhausen/Degussa (20%), SNF (15%), Kemira (13%) and 3F (10%).
16. If delineation is made between the four forms, then only liquid dispersions are affected and Raisio adds a marginal [0-5%] to Ciba's 81.35 %. The second player on this segment, SNF holds [15-25%] of this market. It is to be noted that Raisio's sales to its customers have been steadily decreasing and, in 2004, Raisio has had no sales in [the respective Member State]. The Commission's investigation shows that the customers can and have indeed switched to alternative suppliers, such as [a large European competitor]. The Commission therefore considers that the very small addition of Raisio, which has virtually ceased to exist, will not bring any substantial change to the competitive structure of this segment.
17. Therefore, on the basis of the foregoing, the Commission considers that the notified operation does not raise competition concerns on liquid/solid separation agents.
18. As far as **sizing agents** are concerned, no affected markets arise in the hypothetical market comprising all types of sizing agents. If each category is considered separately, no affected markets arise either. If AKD and ASA were to be considered to belong to the same product market, Ciba would add [0-5%] to the [15-25%] of Raisio at the EEA-wide level. Ciba's marginal market share results from sales of ASA sizing agents

³ Case COMP/M.1304 - Hercules/Betzdearborn

sourced from a third party to one single customer. Significant players on the pulp and paper markets are present on the sizing agents market (BASF, EKA, Hercules, Kemira, Bayer). The Commission considers that the very small addition of Ciba to Raisio will not bring any substantial change to the competitive structure of this segment.

19. Therefore, on the basis of the foregoing, the Commission considers that the notified operation does not raise competition concerns on sizing agents.
20. There are no vertical effects arising from this operation. In addition, range effects are unlikely to arise as the parties market shares are generally well below 15%. Although Raisio (alone) achieves market shares of [30-100%] in latex binders and insolubilizers in each of a few Member States, customers have confirmed that they buy these chemicals on a wider than national basis and that there is a large number of companies (including BASF, Bayer, Dow) providing alternative sources of supply. Third parties have not raised any concerns about the transaction.

Conclusion

21. For all the foregoing reasons, the Commission considers that the notified operation does not raise competition concerns on any of the pulp and paper chemicals markets concerned by the operation.

V. CONCLUSION

22. 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

Mario MONTI
Member of the Commission
signed