

***Case No COMP/M.3721 -  
STORA ENSO /  
SCALDIA / PDF***

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**REGULATION (EC) No 139/2004  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 07/04/2005

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 07.04.2005

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In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.3721 – Stora Enso / Scaldia / PdF  
Notification of 1 March 2005 pursuant to Article 4 of Council Regulation  
No 139/2004<sup>1</sup>**

1. On 1 March 2005, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 (“the EC Merger Regulation”) by which the undertaking Stora Enso Oyj (“Stora Enso”, Finland) acquires within the meaning of Article 3(1)(b) of the EC Merger Regulation control of the whole of the undertakings Scaldia BV (“Scaldia”, The Netherlands) and Papeteries de France (“PdF”, France) 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 EC Merger Regulation but does not raise serious doubts as to its compatibility with the common market.

#### **I. THE PARTIES**

3. Stora Enso is an international industrial group active in the production and sale of forest industry products, in particular wood-based fibre products such as paper and board, pulp and sawn timber.

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<sup>1</sup> OJ L 24, 29.1.2004 p. 1.

4. Scaldia is a former wholly-owned subsidiary of US-based International Paper Company (“IP”), active mainly as a paper merchant, but also in the sale of computer and office supplies, primarily in the Netherlands.
5. PdF is a subsidiary of IP and active exclusively as a paper merchant in France.

## **II. THE OPERATION**

6. Under a share purchase agreement of 15 July 2004, Stora Enso acquired all shares in Scaldia from IP. This operation at the time did not have a Community dimension. As a result, the acquisition was notified to and cleared by the Dutch Competition Authority (Nederlandse Mededingingsautoriteit, “NMa”) by decision of 16 August 2004.
7. Pursuant to a share purchase agreement of 23 February 2005, Stora Enso will acquire all the issued shares in PdF.

## **III. CONCENTRATION**

8. The above mentioned transactions will lead to Stora Enso acquiring sole control of Scaldia and PdF.
9. Under Article 5(2)(2) of the Merger Regulation, if within a two-year period, two or more acquisitions take place between the same companies, these transactions are regarded as a single concentration. In the present case, the acquisition of both Scaldia and PdF from IP fulfils these criteria. Consequently, both transactions would constitute a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **IV. COMMUNITY DIMENSION**

10. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>2</sup>. Stora Enso on the one hand and Scaldia and PdF on the other hand have a Community-wide turnover in excess of EUR 250 million. Given that in accordance with Article 5(2)(2) of the Merger Regulation, both acquisitions are regarded as a single concentration, Scaldia and PdF are to be considered as a single undertaking for the purposes of the turnover calculation. Each of Stora Enso and the combined Scaldia and PdF 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. RELEVANT MARKETS**

### **A. Paper merchanting**

11. Stora Enso (via its subsidiaries Papyrus in the Netherlands and Papyrus France in France) as well as Scaldia and PdF are active in paper merchanting, i.e. the

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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.

distribution by paper merchants of graphic and office paper products. In line with previous Commission decisions<sup>3</sup>, the parties stated that paper merchanting constitutes a relevant product market distinct from other distribution channels such as direct sales from paper manufacturers, due to differences in market structure, logistics and pricing.

12. Although some replies to the Commission's questionnaire suggested that sales from paper merchants could be substituted by indent sales (when the order is placed through the paper merchant but delivery takes place directly from the paper mill to the customer) and/or by direct sales from the paper manufacturers, for the purposes of this Decision, the precise definition of the product market can be left open since under any possible market definition, no competition concerns would arise.
13. The parties further submitted, in line with the Commission's practice<sup>4</sup>, that this market is national in scope because of the need for local presence.
14. Although some replies suggested that the relevant geographic market may be EEA-wide, for the purposes of this Decision, the precise definition of the geographic market can be left open since under any possible market definition, no competition concerns would arise.

#### **B. Supply of fine paper**

15. Stora Enso is also active in the supply of fine paper by manufacturers, an activity which is upstream to the market for paper merchanting<sup>5</sup>. For the purposes of this Decision, whether there exist separate relevant product markets for the supply of wood-free coated (WFC) and wood-free uncoated (WFU) fine paper<sup>6</sup> is an issue which can be left open as under any possible market definition, no competition concerns would arise.
16. Based on Commission precedents<sup>7</sup>, the parties stated that the geographic scope of the market or the markets for the supply of fine paper is at least EEA-wide. The Commission's investigation does not point to any contrary conclusion.

### **V. COMPETITIVE ASSESSMENT**

#### **A. The Netherlands**

17. In the Netherlands, for 2004, the parties have a combined share of the market for paper merchanting of [15-20]% (Stora Enso / Papyrus [0-5]%, Scaldia [10-15]%).

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<sup>3</sup> Most recently case COMP/M.3227 – PaperLinx/Buhrmann Paper Merchanting Division, decision of 10 October 2003.

<sup>4</sup> See previous footnote.

<sup>5</sup> To a marginal extent Stora Enso also supplies magazine paper and speciality paper (such as paper used for bumper stickers) to paper merchants; however the purchases of such products by Scaldia and PdF are *de minimis*.

<sup>6</sup> Also left open in case COMP/M.2245 – Metsä-Serla/Zanders, decision of 15 December 2000.

<sup>7</sup> See previous footnote.

They are only the third player in this market after PaperLinx ([50-60]%) and Map Merchant Netherlands [15-20]%. Upstream, Stora Enso has an EEA market share of [10-15]% in the supply of fine paper ([10-15]% in WFC and [10-15]% in WFU). The market investigation carried out by the NMa in 2004 did not raise any competition concerns. In this regard, the Commission does not possess any contradicting information. Therefore, in line with the assessment made by the NMa in its 2004 decision on the merger between Stora Enso and Scaldia, the operation does not give rise to competition concerns in the Netherlands either through the combination of the parties' activities in paper merchanting or through vertical foreclosure effects.

18. In addition and in connection to the above mentioned conclusions, even under the assumption of a broader defined product market including both sales by paper merchants and direct and/or indent sales by manufacturers, there will also not be any competition concerns.

## **B. France**

19. In the French market for paper merchanting, the operation combines the market shares of Stora Enso / Papyrus France [5-10]% and PdF [10-15]%. The merged entity becomes the second player with a [20-30]% market share after Antalis [20-30]%, followed by Inapa [10-20]%, Axelium/PaperLinx [10-15]%, Torras Papel/Lecta [5-10]% and Malmenayde [5-10]%. Given the presence of these competitors, as well as the relatively low market shares of Stora Enso upstream (supply of fine paper, [10-15]% EEA-wide), the operation does not give rise to horizontal or vertical competition concerns in France. The same is true in respect of a broader defined product market including both sales by paper merchants and direct and/or indent sales by manufacturers. The investigation has confirmed these analyses.

## **C. Other Member States**

20. Whilst PdF has no turnover outside France, Scaldia has some activities in paper merchanting in Belgium, Germany, Hungary, Luxembourg and Slovenia. Since Scaldia's market shares in these countries are below or in any event (in the case of Luxembourg) not significantly higher than 1%, any overlap with Stora Enso's paper merchanting activities in these Member States is *de minimis*.
21. Under the assumption of an EEA-wide market for paper merchanting, whether or not including direct and /or indent sales from manufacturers, the proposed operation would not give rise to any competition concerns since the target companies Scaldia and PdF are almost entirely present in the Netherlands and France, with market shares of only [10-15]% and [10-15]% respectively therein.

## **VI. 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 the EC Merger Regulation.

For the Commission  
(signed)  
Neelie KROES  
Member of the Commission