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***Case No COMP/M.3865 -
TRINECKE / VVT***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 21/09/2005

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 21.09.2005

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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. 3865 Trinecke/VVT
Notification of 17 August 2005 pursuant to Article 4 of Council Regulation
139/2004¹**

1. On 17 August 2005, the Commission received a notification of a proposed concentration pursuant to article 4, following a referral request pursuant to article 4 (5) of the Council Regulation No 139/2004 (the Merger Regulation) by which the undertaking Trinecke Zelezarney, a.s. (TZ, Czech Republic) acquires within the meaning of article 3 (1) (b) of the Merger Regulation, sole control of undertaking VVT-Vitkovice Valcovna Trub, a.s. (VVT, Czech Republic).
2. After examining the concentration, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation and that it does not raise serious doubts as to its compatibility with the common market and with the EEA agreement.

I. THE PARTIES

3. TZ is an integrated steel making company, which is part of the Moravia Steel Group (Moravia Steel). Moravia Steel buys strategic raw materials for TZ and sells its final products. It is not involved in any other operations in steel markets or in the steel production process.

¹ OJ L 24, 29.1.2004 p. 1.

4. VVT is wholly owned by Astonia, a.s. (Astonia), a Czech based holding company within the Shiran Group, which has become a major supplier of iron products to the steel-making industry within the countries of Central and Eastern Europe. VVT operates two mills, both based on one site in Vítkovice in the Czech Republic. These mills manufacture seamless tubes from semi-finished products.
5. VVT produces seamless tubes, which are hot-rolled and made of carbon, and low and medium alloy steel but not stainless steel (i.e., with the content of Cr exceeding 13%). The tubes range from 60.3 mm to 406.4 mm.

II. THE OPERATION

6. The proposed concentration is an acquisition of sole control of VVT by TZ. This will be achieved by the purchase by TZ of 100% of the registered share capital of VVT from Astonia.

III. CONCENTRATION

7. On the basis of the above transaction, the notifying party will acquire sole control over VVT in the sense of Article 3(1)(b) of Council Regulation 139/2004.

IV. COMMUNITY DIMENSION

8. The operation does not have Community dimension within the meaning of Article 1(2) and 1(3) of Council Regulation 139/2004. The undertakings concerned have a combined aggregate world-wide turnover of €1.18billion (€1.12 million for TZ; €61 million for Buderus²), which falls short of the minimum required €2,5 billion pursuant to Article 1(3).
9. Since the operation was reviewable under the national merger control laws of at least 3 Member States, including the Czech Republic, Germany and Slovakia, the notifying party submitted a Reasoned Submission in pursuance of Article 4(5) of Council Regulation No 139/2004 to ask a referral of the concentration to the Commission. The Member States were consulted and did not oppose the referral of the concentration to the Commission. The case was notified on 17 August 2005.

V. COMPETITIVE ASSESSMENT

10. TZ is an integrated producer of semi-finished and long steel products in carbon and alloy steels. VVT uses semi-finished steel products, from TZ among others, to produce seamless steel tubes in carbon and alloy steels. There are, therefore, no horizontal overlaps arising from the proposed operation. However as TZ provides raw material,

² Correction: the figure should be attributed to VVT.

semi-finished steel, for part of VVT's tube production there is a vertical relationship. Therefore the markets to be examined in this case relate to semi-finished products and seamless tubes in carbon and alloy steels.

Product market

11. On the basis of a previous Commission's decision³, the steel market can be segmented into carbon steel (including low alloy steel), special or high alloyed steel and stainless steel. Further more the Commission has previously defined a separate product market for semi-finished products⁴.
12. Within the sector for tubes, previous Commission decisions have distinguished between welded tubes and seamless tubes⁵ on account of the differences in technical requirements, price and fields of use. The Commission has also distinguished between stainless steel tubes (i.e. steel with a chromium content in excess of 13% - these tubes have to be manufactured on an extrusion press) and tubes made of carbon and alloy steel which can be manufactured on rolling mills⁶. This case concerns only carbon and alloy seamless tubes.
13. However, it appears that the exact product market definitions may be left open in the present case, since in all alternative market definitions, the operation will not raise competition concerns.

Geographic market

14. According to the parties, the geographical scope of all of the markets concerned in this transaction is EU-wide or wider. Such geographic markets definitions are in line with the past decisions of the Commission in the steel sector⁷. However, it appears that the exact geographic market definition may be left open in the present case, since in all alternative market definitions, the operation does not raise competition concerns.

Vertical Relationship

15. TZ's market share of the European market for semi-finished steel products in 2004 was less than 5% overall and also less than 5% for both the carbon and alloy segments. In the Czech Republic it was 38% overall and 36% for carbon steel and 40% for alloy steel..
16. On the EU market for seamless tubes (excluding stainless) the VVT market share was 3%. It was 13%, 2%, and 11% in the Czech Republic, Germany and Slovakia respectively.
17. The proposed operation will not have adverse effects on competition. Competing non-integrated tube manufacturers (those tube makers who do not produce their own steel

³ Cf. ECSC.1351 Unisor/Arbed/Aceralia

⁴ Cf. ECSC.1310 British Steel/Hoogovens

⁵ Cf. M.315 – Mannesmann/Vallourec/Ilva; Case No IV/M.484 – Krupp/Thyssen/Rvia/Falck/Tadfin/AST.

⁶ Cf. M.315 – Mannesmann/Vallourec/Ilva; Case No IV/M.484 – Krupp/Thyssen/Rvia/Falck/Tadfin/AST.

⁷ Cf. ECSC.1351 Unisor/Arbed/Aceralia ; ECSC. 1310 British Steel/Hoogovens

and therefore must buy their semi-finished steel from third parties) will have ample sources of alternative sources of semi-finished steel raw materials in both the Czech Republic and in the wider European market. These alternative suppliers include the major steel companies.

18. Furthermore VVT already sources a substantial part of its requirements in semi-finished products from TZ, some [...] tonnes or nearly [50 – 60%] in 2004. The additional purchases if VVT was to source all its needs from TZ would only amount to [0 - 10%] of the Czech merchant sales (and much less of the EU market for semi finished products) and would not significantly affect the market structure.
19. It follows that the proposed concentration will not significantly impede competition in the common market or in a substantial part of it.

VI. 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 139/2004.

For the Commission

signed
Neelie Kroes
Member of the Commission