

***Case No COMP/M.3943 -
SAINT-GOBAIN / BPB***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 09/11/2005

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 09/11/2005

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.3943 – SAINT-GOBAIN/BPB
Notification of 30.09.2005 pursuant to Article 4 of Council Regulation
No 139/2004¹**

1. On 30 September 2005, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 (“the Merger Regulation”) by which the undertaking Compagnie de Saint-Gobain (“Saint-Gobain”, France) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the undertaking BPB plc (“BPB”, UK) by way of public bid announced on 3 August 2005.
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.

¹ OJ L 24, 29.1.2004 p. 1.

I. THE PARTIES

3. Saint-Gobain is a French company active in the production and sale of materials such as glass, ceramics, plastics and insulation materials. It is also active in the distribution of building materials. In 2004, it registered a world-wide turnover of € 32 billion, of which around € 24 billion in Europe.
4. BPB is a company incorporated in the UK whose principal activity is the production and sale of plasterboard and other plaster based products. BPB is also active in the production of insulation materials. Its 2004 world-wide turnover reached £ 2.3 billion (approximately € 3.4 billion), of which just under 75% was achieved in Europe.

II. THE OPERATION

5. On 3 August 2005, Saint-Gobain announced a cash offer for the entire issued and to be issued ordinary share capital of BPB. On 31 August 2005, Saint-Gobain published detailed terms and conditions of the offer. The offer values each BPB share at 720 pence and the entire issued and to be issued ordinary share capital of BPB at approximately £ 3.7 billion (approximately € 5.4 billion).

III. THE CONCENTRATION

6. If the transaction is completed, Saint-Gobain will exercise sole control over BPB. 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 € 5 billion² (Saint-Gobain: € 32,025 million in year ending 31 December 2004; BPB: £ 2,317 million or approximately € 3.4 billion in the year ending 31 March 2005). Both have a Community-wide turnover in excess of € 250 million (Saint-Gobain: € [around 24 billion]; BPB: in excess of € 2 billion), but none of the two achieves more than two-thirds of its aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.

V. RELEVANT MARKETS

8. The proposed transaction gives rise to *vertically affected markets* in (i) the procurement of plaster-based products and insulation materials upstream and (ii) the distribution of building materials to professionals downstream, in nine EEA countries: first and foremost in France and the United Kingdom, but also in the Czech Republic, Germany, Hungary, the Netherlands, Norway, Poland and Sweden. *Horizontally affected markets* will arise in the production and sale of insulation materials (Austria, the Czech Republic, France, Germany, the Netherlands, Poland and Slovakia), the production and sale of prefabricated insulated plasterboards (France, Austria and the Netherlands), the production and sale of accessories for plasterboards (France, Portugal and Spain), the production and sale of suspended ceiling products (in Denmark, Finland, France, Germany, the Netherlands, Norway, Spain and Sweden) and in the

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).

retail distribution of building materials in France. A competitive analysis of these markets is set out in the paragraphs below

VERTICAL ASPECTS

PROCUREMENT OF PLASTER BASED PRODUCTS

Relevant product markets

9. The main plaster based products on the market are plaster and plasterboard. Plaster is gypsum-based powder that is mixed with water at the construction site to form a paste that is applied to a hard surface to provide a better finish and smooth imperfections. Plasterboard is usually made of a flat sheet of gypsum sandwiched between two pieces of heavy paper. It can be readily assembled with the aid of metal joiners and fixation devices to form a wall. Although it does not have load-bearing capacity, it offers stability, durability, low cost and fire resistance.
10. The notifying party has submitted that plaster and plasterboard belong to the same market of plaster based products. In the past³, the Commission has indicated that, in general, plaster is not a substitute for plasterboard, given the latter's costs, handling and ease and speed of installation.
11. The majority of the respondents to the Commission's market investigation did not endorse the notifying party's view. Although plaster and plasterboard are both produced from gypsum, are both sold through similar distribution channels and are both used in building construction, there are significant differences between the two. As outlined above, they do not serve the same purpose. Plaster is cheaper than plasterboard but is more labour intensive and more difficult to apply, requiring skilled labour. Plasterboard is per se more expensive but less labour intensive. The main advantages for plaster are aesthetics and flexibility of use, while for plasterboard these are ease of use, thermal insulation and noise reduction. Plaster has a limited shelf life, while plasterboard has an unlimited one. Additionally, although manufacturers usually produce both plaster and plasterboard, the market shares of these products can differ significantly: e.g. in the UK, BPB accounts for the lion's share of the plaster market while in plasterboard Lafarge and Knauf are more active competitors; in France, Knauf has a very limited presence in plaster while it is stronger in plasterboard; in Germany, BPB is considerably stronger in plasterboard than it is in plaster.
12. 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 markets

13. The notifying party has submitted that the markets for the procurement of plaster based products are at least national in scope. The market investigation has endorsed a national geographic market definition.

³ See case COMP/E-1/37.152 Plasterboard.

Relevant product markets

14. The notifying party has submitted that there exists a market for the distribution of (all) building materials to professional customers, through a variety of distribution channels: generalist retailers (who sell all types of building materials), specialist retailers (who specialise in plasterboard, or in other materials and incidentally also sell plasterboard) as well as, for some countries, the large DIY stores which sell plasterboard.
15. However, the Commission has previously indicated that narrower relevant product markets could be defined, although the precise definition was ultimately left open. In the *CVC/Traelast* case⁴, the Commission referred to a possible division between (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). Moreover, the Commission has indicated in the past that a distinction could be made between sales to professionals by generalists on the one hand and by specialists on the other hand⁵.
16. Indeed, the market investigation has revealed that significant differences exist between distribution channels: generalist and specialist retailers clearly target the professional customers (craftsmen or bigger companies). They offer complementary services to the sale of building materials, including credit facilities, expert advice and logistics. Large DIYs sell more standardised products instead and do not offer so many specialised services to their customers. Their sales to professionals are consequently marginal. Narrower markets could therefore be defined based on the type of distribution channel.
17. In addition, the Commission has in the past indicated⁶ that the markets could be narrower, in respect to the range of products to be considered. Thus, separate markets for the retail distribution of specific products could be defined based on the degree of the retailer's specialisation. While it is true that most building materials are sold by generalists and DIY stores, each product serves a specific purpose and is not substitutable with other building materials. In addition, some specialised distributors concentrate their business in specific product lines and do not sell, or only incidentally sell other building materials.
18. The notifying party has provided detailed figures also on narrower market definitions, according to the above possible subdivisions of the market, in part to reflect national variations in the organisation of the distribution of building materials.
19. In any case, the precise product market definition 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.

⁴ See Case COMP/M. 3142 CVC/Traelast and Case COMP/M. 3407 Saint-Gobain / Dahl.

⁵ See Case COMP/M.1974 SG/Raab Karcher and Case COMP/M. 3407 Saint-Gobain/Dahl.

⁶ Case COMP/M. 3407, Saint-Gobain/Dahl.

Relevant geographic markets

20. The notifying party has submitted that, although retail building material distributors often serve local areas and although customers shop locally, the geographic market is national in scope⁷. This is because the leading distributors have a national or regional network of sales points, a uniform national presentation, a national purchasing policy, marketing and business strategy.
21. The market investigation has not confirmed a national scope of the market. Building materials tend to be heavy, relatively low value added products, with significant transport costs. Customers value greatly proximity of their suppliers to the construction site, because this allows regular supplies and better inventory management. Some respondents have indicated that the catchment area of the retail outlets is in the range of 20 to 80 km, depending on location and size⁸. Local price variations can be significant, while not inducing customers to procure their supplies further away. Additionally, the geographic coverage is not homogeneous, with outlets usually concentrated in the outskirts of urbanised areas.
22. In any case, the precise geographic 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.

HORIZONTAL ASPECTS

PRODUCTION AND SALE OF INSULATION MATERIALS

Relevant product markets

23. Insulation materials in general are products which reduce the thermal and acoustic exchange between different elements of a construction. Insulation materials for building applications are normally used to insulate walls, floors, roofs and ducts. Generally speaking, they are produced either from foams (expanded polystyrene, extruded polystyrene and polyurethane) or mineral wools (stone wools or glass wools). These materials vary in terms of thermal and acoustic performance, filling properties, moisture and fire resistance, structural stability and cost.
24. The notifying party has submitted that there are separate markets for insulation materials for industrial applications⁹ and insulation materials for building applications. In industrial applications stone wool is the material of choice for a large portion of production. Products for industrial applications are produced in specific formats (e.g. pipe sections, wired net mats) and have to meet more stringent requirements in terms of temperature resistance. End customers consist mainly of manufacturers of consumer goods and industrial products.

⁷ In the case of France, the notifying party has submitted that the geographical market could be subdivided in 11 'regions' based on the partitioning of the territory used by Saint-Gobain French distribution arm for operational purposes

⁸ See also the report '*Négoce 2007*' by *Développement Construction*, p. 174.

⁹ E.g. insulation of pipes, frigorific chambers, air conditioning and automotive parts.

25. Within insulation materials for building applications, the notifying party has submitted that there are 22 distinct markets, depending on the application for which they are used (e.g. loft pitched roof, prefabricated roof, cavity wall, curtain wall, floating floor, ceilings, etc). As it has been widely confirmed by the market investigation, in the great majority of these applications, both foams and mineral wools are used, although in different proportions. End customers consist mainly of professionals, including craftsmen and building construction companies.
26. In the past, the Commission has left open the exact definition of the relevant market, although it has noted that market players consider mineral wools and foams as substitutes in the construction/insulation sector¹⁰. The market investigation carried out by the Commission has clearly indicated that insulation materials for building applications are to a large extent interchangeable. While it is true that the choice of material is in part dictated by the application for which it is used, customers can typically choose among different materials for each specific application.
27. Producers tend to specialise, at least at the level of production unit, in specific materials (e.g. mineral wools or foams). However, the insulation products they produce are used for a wide range of applications. The production lines can easily be tuned to produce customised products (e.g. in terms of size, density, weight) to serve particular applications, which ensures a high degree of supply side substitutability between products for different applications.
28. Therefore, the Commission concludes that it is not necessary to subdivide the market for insulation materials for building applications based on the specific application for which these products are used. As to the distinction between insulation products produced from mineral wools and foams, the precise product market definition can be left open given that the concentration does not give rise to competition concerns on the basis of either definition.
29. Finally, the market investigation has broadly endorsed the distinction between insulation materials for industrial applications and insulation materials for building applications. However, a significant number of respondents also considered that all insulation materials belong to the same market as many of the same materials can be used both for building and for industrial applications. In any event, the precise product market definition can be left open given that that the concentration does not give rise to competition concerns.

Relevant geographic markets

30. The notifying party has submitted that the market for the production and sale of insulation materials is at least national in scope, given that these products are widely transported within, and sometimes between, national borders. Different national specifications do exist, but the products can be adapted to different specifications at a reasonable cost. The view that the geographic market is at least national has been confirmed by the market investigation.

¹⁰ Case COMP/M.3578 – BP/NOVA, see also Case COMP/M.3938 – CRH/QUESTER and Case COMP/M.3407 – SAINT-GOBAIN/DAHL.

PRODUCTION AND SALE OF PREFABRICATED INSULATED PLASTERBOARDS

Relevant product markets

31. The notifying party has submitted that a separate product market exists for the production and sale of prefabricated insulated plasterboard. This special type of plasterboard consists of normal plasterboard sheets that are fitted by the manufacturer with insulation material, to provide a product with thermal insulation properties. The advantage of this technique is that it provides customers with a ready made product that requires little work to be installed. Its main disadvantage is its lack of flexibility with respect to the assembly of plasterboard and insulation on site: in the latter case, indeed, wire, cables and pipes can be fitted prior to the final assembly of the insulation layer.
32. The market investigation has broadly confirmed that a product market of prefabricated insulated plasterboard exists. However, some respondents have also pointed out that prefabricated insulated plasterboard does *not* belong to a market that is distinct from plasterboard. Indeed, prefabricated insulated plasterboard is made by simply fixing a slab of insulation material on a sheet of plasterboard: the end user can choose whether they want to do the operation themselves or prefer to buy the ready-made product.
33. In this case, the precise product market definition 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 markets

34. The notifying party has submitted that the geographic market for the procurement of prefabricated insulated plasterboard is national in scope, possibly broader in some areas (Benelux, Nordic Countries, UK and Ireland). The market investigation has broadly confirmed this view. However, the precise geographic market definition can be left open given that, on the basis of the alternative definitions considered, the concentration does not give rise to competition concerns.

PRODUCTION AND SALE OF ACCESSORIES (FRAMES AND FIXINGS) FOR PLASTERBOARDS

Relevant product markets

35. The notifying party has submitted that a separate product market exists for the production and sale of accessories for plasterboard. They consist of fixings, joists and metal frames and are used to fix plasterboard on to walls and direct fixed ceilings. Although these accessories can be sold together with plasterboard as a system, they are also sold as stand-alone products that can be used in conjunction with most plasterboard products. The market investigation has broadly confirmed that such a product market exists.

Relevant geographic markets

36. The notifying party has submitted that the market for the production and sale of accessories for plasterboard is at least national in scope, possibly broader in some areas (Benelux, Nordic Countries, UK and Ireland). The market investigation has confirmed this view. However, the precise definition can be left open given that, on the basis of the alternative geographic market definitions considered, the concentration does not give rise to competition concerns.

PRODUCTION AND SALE OF SUSPENDED CEILING PRODUCTS

Relevant product markets

37. Suspended ceilings consist of tiles or planks that are fitted to a grid system. The grid is affixed to the ceiling leaving space for the placement of architectural elements such as wires, cables and ventilation systems. Tiles and planks are produced from wet felt, mineral wools, plaster, metal or wood. Suspended ceilings are found mostly in offices, theatres, hotels, hospitals, and other public buildings.
38. The notifying party has submitted that a separate product market exists for the production and sale of suspended ceilings. In particular, it has claimed that this market is distinct from the market for fixed ceilings. The latter are made of plasterboard, planks or cement and are mechanically fixed to the building's structure. They are found mostly in residential buildings. The choice between suspended and fixed ceilings is made at the project stage by the architects and building designers and is usually dictated by the final destination of the building and the specific requirements in terms of space dedicated to wiring, ducts, etc. Fixed ceilings are usually considerably cheaper than suspended ceilings for the same surface covered.
39. The Commission received mixed responses in the market investigation on this issue. While a significant number of respondents agreed that a separate product market for suspended ceilings exists, some maintained that all ceilings, whether fixed or suspended, belong to the same market, chiefly because customers can freely choose either system for any specific project.
40. In this case, the precise product market definition can be left open given that, on the basis of the alternative product market definitions considered, the concentration does not give rise to competition concerns.

Relevant geographic markets

41. The notifying party has conservatively submitted that the market for the production and sale of suspended ceilings is national in scope, but has also pointed out that the market could be broader in some areas (e.g. covering the Nordic countries). The market investigation has confirmed that the market is at least national in scope, with a number of respondents indicating a regional (in particular in the Benelux and the Nordic countries) or European scope. The precise geographic market definition can be left open given that, on the basis of the alternative geographic market definitions considered, the concentration does not give rise to competition concerns.

RETAIL DISTRIBUTION OF BUILDING MATERIALS

42. Please refer to the market definition given in the section on the vertical aspects above.

V. COMPETITIVE ASSESSMENT

VERTICAL ASPECTS

43. There are vertical relationships between BPB and a number of group companies of Saint-Gobain, since a number of distributors which are part of the Saint-Gobain group purchase and resell plaster-based products and insulation materials, including those manufactured by BPB. Saint-Gobain businesses selling plaster-based products or

insulation materials for the building industry are active in ten EEA countries: the Czech Republic, France, Germany, Hungary, the Netherlands, Norway, Poland, Spain, Sweden and the United Kingdom.

44. The notifying party has estimated that BPB's market share for plaster-based products is or exceeds 25% in all EEA countries where Saint-Gobain is engaged in the distribution of building materials, with the exception of Spain ([15-25]%). Therefore, the transaction gives rise to *nine vertically-affected markets*: the Czech Republic, France, Germany, Hungary, the Netherlands, Norway, Poland, Sweden and the United Kingdom.
45. As regards the downstream market for the distribution of building materials, the notifying party has submitted that there is no EEA country where Saint-Gobain reaches a national market share of 25%, claiming that this is due to the fact that most national markets remain highly fragmented and are contested not only by national chains, but by well-established regional distributors.

France

46. Apart from a single outlet in Ile de France, BPB is not active in distribution of building materials, whereas Saint-Gobain is present as a distributor throughout the French territory, via the Point P group. The Point P group comprises [between 1400 and 1500] point of sales, many of which are generalists / multi-specialists. Point P is the first distributor of building materials in France, as it is set out in the table below:

	Generalists / multispecialists	Point P	PBM	SAMSE DORA S	TRIALI S	VM Matériau x	Larivière
Sales million € (2004)	15 400	4 372	1,300	600	530	340	290
%	100	28.4	8.4	3.9	3.4	2.2	1.9

Source: Négoces 2007 – Analyse régionalisée du réseau des négociants généralistes et multispécialistes (2005)

47. Saint-Gobain claims that Point P's leadership in the French market does not mean that it has market power. According to Saint-Gobain, it has to confront numerous competitors, small and large: the larger companies exert considerable competitive pressure on each other and the smaller or regional players, close to their customers, hold the larger players to account. Therefore Saint-Gobain claims that the proposed concentration is not likely to significantly impede effective competition on the market for the distribution of building materials in France.
48. However, in France, as a result of the proposed transaction, the new entity will be the leading producer of (i) plasterboards (BPB: 40 % to 50%; Saint-Gobain: [<5]%) and (ii) insulation products (Saint Gobain: [30-40]%; BPB: [0-10]%). Moreover, Saint-Gobain will be the only producer of such products to be vertically integrated, as it is also active in distribution of building materials.

49. Due to those strong positions of the new entity on upstream and downstream markets, several third parties (distributors and competitors) pointed out that the acquisition of BPB by Saint-Gobain could impede effective competition as it is set out in further detail below.
50. Firstly, they argue that Saint-Gobain would have an incentive not to distribute products competing with BPB's products, chiefly plaster-based products. Thus, Saint-Gobain could adopt a foreclosure strategy on the markets for procurement of buildings materials.
51. Secondly, Saint-Gobain would be able to set up a bundling strategy as regards plasterboards and insulation products. As plasterboards and insulation products are closely related, retailers would indeed find it convenient to purchase both plasterboards and insulation products from the new entity. Moreover, as the new entity's supply would be the most complete, Point P could easily increase its market shares on several geographic areas (Ile de France *inter alia*) and on fitting-out products.
52. Thirdly, always according to third parties, Saint-Gobain could worsen the bundling strategy mentioned above by development of closed systems as regards plasterboards (i.e. sell plasterboard and accessories together as part of one technical solution or sell plasterboard that is only compatible with insulation material produced by the new entity).
53. Fourthly, as Saint-Gobain would have access (through BPB) to commercial information (in terms of sales prices, rebates, volumes sold) of (i) Point P's competitors in distribution and (ii) of large end-customers who negotiate directly with producers, it would be able to better implement the strategies set out above.
54. After having examined carefully those arguments, the Commission has concluded that the proposed concentration would not significantly impede effective competition in France.
55. Firstly, it is noted that although the new entity will have a significant position on upstream markets for manufacture of plasterboards and insulation products, it will continue to face effective competitive constraints post merger and it will not be dominant on these markets. Indeed, as it is pointed out below (see the assessment for the horizontal aspects) large international producers are active on these markets (insulation : Knauf, Ursa, Rockwool, Paroc, DOW, BASF, Kingspan; plasterboards: Knauf and Lafarge).
56. Secondly, a foreclosure strategy set up by the new entity regarding plaster-based products would be very unlikely for the following reasons. BPB's sales of plaster-based products amounted to over € [350-450] million in 2004, whereas Point P's purchases of plaster based products amounted to € [250-350] million, of which € [100-200] million from BPB. Thus, even if Point P were to decide to distribute only BPB's plaster-based products, BPB would be obliged to turn to other distributors for about [20-40]% of its sales.

57. Furthermore, according to the figures provided by Saint-Gobain, Point P's turnover achieved through sales of plaster based products accounted for [25-35]% of the turnover achieved by generalists / multi-specialists and specialists through such sales in 2004¹¹. Therefore, if BPB were to refuse to sell plaster-based products to Point P's competitors, those competitors, which represent [65-75]% of sales of plaster-based products, could readily purchase such products from Lafarge or Knauf, which are BPB's strong competitors.
58. Additionally, even if Point P were to refuse to purchase Knauf's or Lafarge's brands, Knauf and Lafarge could easily sell their products to competitors representing [65-75]% of sales of plaster-based products. Moreover, it is worth stressing that several outlets of the Point P group (like the subgroup SFIC) are specialists of fitting-out products, including plasterboard. The "raison d'être" of such specialists is, inter alia, to supply several brands of one product. A refusal to purchase BPB's competitors' brands would trigger losses for Point P, as Point P would no longer be able to offer a choice of different brands to those customers that value a broad product offering. Given that the turnover of SFIC represented about [25-35]% of sales achieved by Point P of fitting-out products in 2004, such losses would be quite significant for Point P.
59. If the new entity were to implement a bundling strategy as regards plasterboards and insulation products, such a strategy would also be unlikely to impede effective competition in France. The new entity will face strong competitors in both insulation and plasterboards markets, namely Knauf and Lafarge. Thus, both Lafarge (producer of foams) and Knauf (supplier of mineral wools and foams) have the ability to make bundled offers of their insulation and plasterboard products, even though, according to Saint-Gobain, they have not made such offers so far. Therefore, if the new entity were to make bundled offers, at least Lafarge and Knauf could start offering their own bundle and competition could evolve into "bundle versus bundle" which would benefit consumers.
60. Development of closed systems is unlikely to impede effective competition in France either. Such systems would give rise to competition concerns if the new entity had a dominant position on upstream markets, which is not the case. It should also be noted that all plasterboard manufacturers already offer accessories along with their plasterboards, while at distribution level customers are free to purchase accessories of the same brand as the plasterboard or purchase these products of different brands. Furthermore, the fact that post-merger BPB will become part of a group with existing distribution activities does not modify the incentive to offer accessories along with the plasterboards, because already at present BPB could engage in such a tying strategy regardless of the proposed acquisition of Saint-Gobain.
61. Third parties also raised the ability for the new entity to develop insulation solutions that would only be compatible with its own plasterboards. The Commission notes that these third parties did not clearly explain how such a strategy could be feasible, in a context where plasterboards are standard products. Therefore, the Commission found no evidence supporting the claim that such closed systems are likely to be developed. However, even if the new entity were to produce these closed systems, it would not give rise to competition concerns, because both Knauf and Lafarge are also able to develop such systems, since they supply both insulation solutions and plasterboards.

¹¹ The estimate would be the same if the scope was limited to plasterboards and accessories.

62. Finally, in light of the above, even if Saint-Gobain were to have access (through BPB) to commercial information of Point P's competitors and end-customers, Saint-Gobain would be unable to use that information in an anti-competitive way. BPB will have to rely on Point P's competitors to sell a large share of its output in France, and will have to maintain normal commercial relations with them. It has been noted above that if this were not the case competitors could turn to other plasterboard producers which have similar products to BPB. Therefore, any strategy that could potentially harm such distributors would carry the risk of considerable losses of market share by BPB, affecting its overall profitability. Moreover, none of the third parties pointed out that Saint-Gobain has used commercial information in such a way after it had purchased [Point-P] ([Isover is] the market leader regarding insulation products in France, which, as will be the case for BPB post-merger, only sells around [20%-40%] of its output through Point P's vertically integrated distribution network).

United Kingdom

Introduction

63. The notifying party considers that there are vertically affected markets in the United Kingdom for (i) the procurement of plaster-based products and insulation materials and (ii) the distribution of building materials to professionals.

Procurement of plaster-based products and insulation materials

64. UK distributors purchase most of their plaster-based products from the three major European suppliers: BPB, Lafarge and Knauf¹². For the procurement of insulation materials, distributors trade with a variety of producers, like Rockwool, Ursa, Knauf and BPB/Isover¹³. The notifying party has submitted that there are no reliable third party figures reporting the size of the UK market for the procurement of plaster-based products or insulation materials, but that it is confident that Saint-Gobain UK does not account for 25% or more of purchases of plaster-based products or insulation materials.
65. As will be further demonstrated in the paragraphs below, given the concentration in the distribution markets where Saint-Gobain is surrounded by strong competitors such as Travis Perkins and Wolseley who apparently exercise a considerable degree of buyer power. It is therefore not likely that the combined entity would post-merger be in the position to harm its upstream competitors either in the supply of plaster-based products or in the supply of insulation materials. Moreover, competitors would have sufficient alternative sales outlets available for the continued supply of their products.

¹² According to the notifying party, the relative importance of Saint-Gobain's purchases from BPB or BPB/Isover's joint venture in 2004 were the following: [85-95]% of purchases of plaster-based products and [20-30]% of purchases of insulation materials.

¹³ BPB has two long-standing joint venture undertakings with Saint-Gobain in relation to the supply of insulation materials in the United Kingdom and Ireland (British Gypsum-Isover Limited and Moy-Isover Limited).

Distribution of building materials to professionals

66. The UK market for the distribution of building materials to professionals operates principally through two channels, generalists and specialists, and to a more limited extent through DIY chains.
67. Saint-Gobain operates through a number of group companies, the most significant being Jewson, Minster and Platform. Jewson is a generalist which operates more than 500 outlets nationwide and accounted for [60-70]% of Saint-Gobain's sales in the UK in 2004. Minster is a new part-wholesale, part-retail concept launched in 2004 to serve to professional market that currently runs 12 outlets. Platform, a trade-only builders' merchant, had seven stores. Principal competitors are considered to be Travis Perkins, Wolseley, Grafton, SIG and BSS.
68. As regards the distribution of building materials to professionals, the notifying party has provided estimated market shares of Saint-Gobain both in a «wider market» (including (i) the entire channel for the distribution of building materials to professionals, including general builders' merchants and specialist merchants, (ii) the sales of DIY superstores and (iii) the sales of companies trading ostensibly as wholesalers but are in fact competing to supply professionals and other customers, and on the basis of a «narrower market», which would exclude specialists active in piping, plumbing, sanitary, heating, activities of wholesalers and DIY stores, except for their actual sales of plaster-based products and insulation materials. At the Commission's request, the notifying party has also provided market share data for Saint-Gobain's position in the latter segment, i.e. excluding DIY sales entirely. The market investigation has, however, confirmed that these distinctions between distribution channels increasingly become blurred in the UK. It also appears that DIY stores are able, to some extent, to put competitive pressure on their counterparts in the alternative distribution channels.
69. On the wider market for the UK as a whole, Saint-Gobain's market share would be [0-10]%, whereas on the narrower market this share rises to [10-20]%. However, even on the narrowest level, i.e. excluding the sales of DIY superstores, Saint-Gobain's position in the distribution of building materials would not exceed [10-20]% ([10-20]%). Considering Saint-Gobain's share in those regions where it has activities, the highest position can be found in the South West, where Saint-Gobain has a market share of [15-25]%. In the other regions (Scotland; North, Central and Wales; South East (excluding London); and London, market shares range from [10-20]%. The average market share across these regions is approximately [10-20]%. The market investigation has confirmed that Saint-Gobain market position at national level is representative of its relative strength in possible narrower geographic markets within the UK.
70. There are significant competitors active in the distribution market. Saint-Gobain competes head-to-head with Travis Perkins ([10-20]%, based on the narrowest segment), followed by Wolseley with an estimated share of [5-15]%; relatively smaller competitors are SIG ([0-10]%) and Encon ([0-5]%)¹⁴.

¹⁴ On 24 October 2005 Wolseley announced that it would acquire Encon.

71. The notifying party has also provided indicative figures for the value of sales of plaster and plasterboard made through retail distributors in the UK, actual sales figures for Jewson and estimates for some of its main competitors. In plaster, Saint-Gobain has an estimated share of [5-15]%, and [0-10]% in plasterboard, giving an average overall market share of approximately [0-10]%.
72. Competing distributors like SIG, Encon, Travis Perkins, Wolseley and Grafton which represent approximately [20-30]%, [5-15]%, [5-15]%, [0-10]% and [0-10]% respectively of the value of all sales of plaster and plasterboard through retail distributors in the UK, are able to exert competitive pressure on Saint-Gobain, given their market positions.

Potential foreclosure strategies

73. BPB is the leading producer of plaster in the UK with an estimated market share of around [80-90]%, its nearest rivals Knauf and Lafarge having market shares of around [0-10]% and [0-5]% respectively in 2003. In plasterboard, BPB is also the leading supplier with a market share of 54%, but there are two significant competitors, Knauf and Lafarge, which had market shares of 24% and 20% each in 2003¹⁵. The market investigation has confirmed that these market shares have not changed significantly. Saint-Gobain neither produces nor supplies plasters and plasterboard, but is active in the distribution of these products hence the combined entity will be vertically integrated as a result of the proposed transaction.
74. A number of third parties have expressed concerns that the combined entity post-merger would have the ability or the incentive to foreclose rival distributors, or that Saint-Gobain could use commercial information relating to BPB's customers (end-users and distributors) to push its own retail business. Additionally, third parties have raised concerns on a possible bundling strategy. Each shall be addressed in further detail below.
75. It has been submitted by third parties that the combined entity could potentially have the incentive to distribute BPB's products exclusively through its own network, or, alternatively, offer these products at unreasonable terms to hinder its rival competitors; or that Jewson and Minster would receive preferential trading terms, prices, availability and service that could be used to leverage the merged entity's position and gain market share.
76. On the basis of the outcome of the market investigation, the Commission does not consider it likely that the combined entity would have the incentive to engage in discriminatory conduct vis-à-vis its distribution competitors.
77. Firstly, on the basis of the market shares outlined above, Saint-Gobain's shares on a national or on a regional level ranges from [10-20]%, which means that [about 80]% of the distribution of building materials takes places via alternative outlets. This has been confirmed in the Commission's market investigation. It has also been confirmed that switching suppliers remains possible for distributors, at no significant costs.

¹⁵ Consult GB, 2005.

78. Secondly, being the monopolist in plasters and the leading supplier of plasterboard in the United Kingdom, BPB needs third party outlets for the marketing of its products in order to run a profitable business. In 2004 Saint-Gobain absorbed about [10-20]% of BPB's output of plasterboard in the United Kingdom and about [10-20]% in plasters, whereas Saint-Gobain's share of sales of building products is approximately [10-20]%, but its share of sales of plaster-based products only represents around [0-10]%. Moreover, in building plasters (and internal renders), BPB's top 5 customers accounted for [55-65]% of BPB's external sales in its most recent financial year; [10-20]% of these sales were accounted for by Saint-Gobain, which was considerably less than that of BPB's next largest customer. In total, third party outlets (other than Saint-Gobain) represented a considerable part of BPB's sales. In addition, in the downstream market, competing distributors such as SIG, Encon, Travis Perkins and Wolseley have higher market shares compared to Saint-Gobain, as already indicated above. Moreover, if BPB were to refuse to supply rival distributors or discriminate against them by granting less favourable terms, BPB would not be able to channel significantly more volumes through Jewson than is currently the case: already today it sources [85-95]% of its supplies from BPB. The market investigation has confirmed that significant expansion of distribution capacity at short notice is not feasible and that if Saint-Gobain were to sell all of BPB's products through its own network, there would still be a minimum of 85% to 95% of BPB's capacity in plasters and 75% to 85% of its capacity in plasterboard available for third party outlets. In the light of the foregoing, it does not seem a profitable strategy for Saint-Gobain to raise rivals' costs.
79. Saint-Gobain could allegedly also share confidential information from independent distributors (e.g. prices, discounts, commercial terms, etc.) with its own vertically integrated distributors in respect of plaster-based products. However, the Commission does not believe that such an incentive would arise as a result of the proposed transaction, in particular given the significance of BPB's other customers in terms of its total external sales, the relatively strong market share of Saint-Gobain's competitors in the downstream distribution market and the fact that – even if Saint-Gobain were to sell exclusively BPB's products in its stores – for the most part BPB's production would still have to be marketed via alternative distribution channels, as Saint-Gobain could by far not absorb the entirety of BPB's production at present nor at short term in the future.
80. This conclusion would not change in relation to the supply of specified plasterboard for large projects, where the producers' direct relationship with end customers at an early stage of the procurement process aims to ensure that they will make a sale further downstream through distributors. The strategy to foreclose rival distributors using their confidential information in order to win large corporate accounts for Saint-Gobain's distribution network comes down to a variation to the foreclosure scenario described in the previous paragraph. The Commission's arguments therefore apply *mutatis mutandis*. From an economic perspective, such a strategy could in fact increase intra-brand competition, as large account holders tend to be more attached to a particular brand compared to builders who purchase plasterboard in smaller quantities and the DIY market, where little brand loyalty exists.

81. One third party indicated that the bundling of plasterboard and insulation materials would lead to increased prices throughout the supply chain, thus leading to higher prices for the end-user. In the absence of further substantiation of this argument, the Commission finds that there is no convincing evidence showing that such a strategy would be the likely result of the proposed transaction either. Even if bundling of products were to take place, the Commission has no reason to believe that this would necessarily be harmful to the end-user, given that alternative suppliers are present in the market and that switching to alternative outlets remains possible post-merger.

Czech Republic, Germany, Hungary, The Netherlands, Norway, Poland and Sweden

82. The notifying party has submitted that there are no reliable third party figures reporting the size of the national markets for the procurement of plaster-based products or insulation materials in each of the Czech Republic, Germany, Hungary, The Netherlands, Norway, Poland and Sweden, but that it is confident that Saint-Gobain [...] does not account for 25% or more of purchases of plaster-based products or insulation materials.

83. Based on the information that the notifying party has submitted and on the basis of the outcome of the market investigation no competition concerns arise in the procurement market as a result of the transaction. In this respect, it is noted that BPB's sales of plaster and insulation materials to third party sales make up a very significant part of its total output in these products in comparison with its sales to SG group companies. Additionally, Saint-Gobain's position in the retail market for the distribution of building materials is small only, ranging from [<5]% in Germany and Hungary (narrowest segment, fully excluding DIY sales) to [0-10]% in Norway, with the exception of the Netherlands where a market share of [10-20]% is reached. On a regional level the situation does not change: market shares range from [0-10]% in Germany to [15-25]% in the Netherlands. In each of these EEA countries there are sufficiently strong distributors present in the market, both on a national and on a regional scale that will continue to exert competitive pressure on the combined entity following the merger. In addition, the markets in the Czech Republic, Germany, Hungary and Poland are highly fragmented with the presence of thousands of smaller distributors. A notable feature of the Nordic markets for the distribution of building materials is that DIY stores occupy a significant position as retailers to professionals. In the light of the foregoing, the Commission is of the view that the proposed operation does not give rise to competition concerns in the downstream distribution markets in these EEA countries either. Moreover, given the relatively modest position of Saint-Gobain in retail distribution in each of these countries, the Commission concludes that the combined entity would not be able to engage in a potential foreclosure strategy post-merger.

Conclusion

84. In the light of the above, it is expected that the transaction will not significantly impede competition in the common market or in a substantial part of it, in particular as a result of the creation or strengthening of a dominant position in the procurement of plaster-based products and insulation materials, or in the distribution of building materials to professionals.

HORIZONTAL ASPECTS

PRODUCTION AND SALE OF INSULATION MATERIALS

85. Saint-Gobain is active in the production and sale of insulation materials made from mineral wools (especially glass wool) through its subsidiary Isover. BPB produces and supplies insulation materials made from foams, in particular expanded polystyrene (EPS).
86. The companies' activities give rise to affected markets in: Austria, the Czech Republic, France, Germany, The Netherlands, Poland and Slovakia¹⁶. According to the notifying party, the most affected markets would be the Czech Republic, with a combined market share in value of [35-45]% in 2004 (Saint-Gobain [20-30]% and BPB [10-20]%, total market value of € [75-125] million) and France with [30-40]% (Saint-Gobain [20-30]% and BPB [5-15]%, total market value of € [800-1200]million). In the other countries mentioned above, the combined market share in value of Saint-Gobain and BPB was estimated between 15% and 30%. These figures have been broadly confirmed by the market investigation, with the exception of Germany and Slovakia, where some respondents indicated that Saint-Gobain has a higher share of a smaller market, reaching a market share of around 40%, with BPB reaching around 5%.
87. Saint-Gobain and BPB are not each others' closest competitors in the marketplace for insulation materials. Materials made from mineral wool and foams have different capabilities in terms of thermal, acoustic, fire resistance, water resistance and load bearing performance. Although they are both used for insulation of building and industrial applications, there is only imperfect substitutability between them. The concentration will have the effect of widening the range of insulation materials offered by the merged entity, rather than significantly strengthening its market position for specific products.
88. Furthermore, there are a significant number of large international producers both in mineral wools (Knauf, Ursa, Rockwool, Paroc) and in foams (Knauf, DOW, BASF, Kingspan and Ursa). These producers could easily, in the event of unilateral price increases in specific national markets where the merged entity's market share is higher, expand production to absorb higher demand and therefore counter the price increase. It is therefore not expected that the transaction will significantly impede effective competition in the markets for insulation materials that are affected by the transaction.
89. The same conclusion is reached *a fortiori* if alternative market definitions are retained. If insulation products produced from mineral wools and from foams are considered to belong to separate markets, the overlaps between Saint-Gobain and BPB are less significant, given that BPB does not produce insulation products from mineral wools¹⁷, and Saint-Gobain has only limited activities in foam-based insulation products. The only affected countries based on 2004 figures in value would be the Czech Republic, with a combined market share in value of [25-35]% in 2004 (Saint-Gobain [0-10]% and BPB [25-35]%), France with [20-30]% (Saint-Gobain [0-10]% and BPB [15-25]%) and Germany [10-20]% (Saint-Gobain [0-10]% and BPB [0-10]%).

¹⁶ As noted above, Isover and BPB operate a Joint Venture in the UK and Ireland that produces insulation materials made from glass wool. The concentration will not change the position of the JV parties in these countries, therefore there is no need to consider them further in the assessment.

¹⁷ With the exception of the UK and Ireland through a Joint Venture with Saint-Gobain/Isover.

90. Similarly, if a distinction were to be drawn between insulation materials for industrial applications and insulation materials for building applications, there would be small overlaps in the market for industrial applications, where mineral wools are the most common material and foams are used only to a limited extent. In the market for building applications, where both mineral wools and foams are commonly used, combined market shares would be in line with those described above for the wider insulation materials markets. Indeed, the large majority (over 90%) of insulation products is used for building applications and therefore there is not a significant difference in the market position of the various players in the wider and narrower market.
91. In the light of the above, the Commission concludes that the transaction will not significantly impede effective competition in the common market or in a substantial part of it, in particular as a result of the creation or strengthening of a dominant position in the production and sale of insulation materials.

PRODUCTION AND SALE OF PREFABRICATED INSULATED PLASTERBOARDS

92. Saint-Gobain produces prefabricated insulated plasterboard under the brand Calibel. It procures plasterboard from third parties and collates glass wool onto it to make the finished products. BPB uses its own plasterboard and foam-based insulation material to produce insulated plasterboard.
93. Prefabricated insulated plasterboard is sold mainly in France, and to a very limited extent in other European countries. If prefabricated insulated plasterboard is considered to form a separate product market, the concentration gives rise to three affected markets: France, with an estimated combined market share in value of [30-40]% in 2004 (Saint-Gobain [0-10]% and BPB [20-30]%, total market value of € [200-300] million), Austria with [30-40]% (Saint-Gobain [30-40]% and BPB [<5]%, total market value of just above € 1 million) and the Netherlands with [30-40]% (Saint-Gobain [30-40]% and BPB [<5]%, total market value of just above € [<2] million).
94. The increase in market share is significant only in France, although the combined position is not such to confer market power to the merged entity (Knauf, the main competitor on the French market has a reported market share of [25-35]%). In Austria and The Netherlands, overlaps are minimal in a very small market.
95. Even if prefabricated insulated plasterboard is considered to form a separate product market, it must be borne in mind that the barriers to entry in this market are very small for a producer of either plasterboard or insulation materials, given that both complementary products are widely available on the market and the technology necessary to combine them can be easily mastered. Indeed, international producers such as Knauf, Lafarge, Uralita, Rockwool and Paroc are all active in this market.
96. Furthermore, even in France, by far the largest market for this product, prefabricated insulated plasterboard accounts for a fairly small proportion of the wider insulation or plasterboard markets. As insulation materials and plasterboard both contribute in similar proportions to the total price of prefabricated insulated plasterboard, half of its market size would have to be attributed to the market for insulation materials (estimated at just below € 1 billion in 2004) and half to the plasterboard market (estimated at around the same size). In neither case such an addition would strengthen the merged entity's market position, as its market share would be virtually unchanged in the insulation material market and would actually be lower in the plasterboard market (where Saint-Gobain is not active). In Austria and the Netherlands, prefabricated insulated plasterboard accounts for

only a very small fraction of the wider insulation materials and plasterboard market. This means that the market share increment in the wider market would be minimal, considering that Saint-Gobain is not a plasterboard producer at present.

97. In the light of the above, the Commission concludes that the transaction will not significantly impede competition in the common market or in a substantial part of it, in particular as a result of the creation or strengthening of a dominant position in the production and sale of prefabricated insulated plasterboard.

PRODUCTION AND SALE OF ACCESSORIES (FRAMES AND FIXINGS) FOR PLASTERBOARDS

98. Saint-Gobain produces and supplies accessories for the fixing of plasterboard through its subsidiaries Plafométal, active mostly in France, and Gabelex, active in Spain and Portugal. BPB outsources the production of accessories to third parties and supplies them with its plasterboard throughout the EEA.
99. According to the notifying party, the concentration gives rise to three affected markets: France, with an estimated combined market share in value of [30-40]% in 2004 (Saint-Gobain [5-15]% and BPB [25-35]%, total market value of € [150-250]million), Portugal with [15-25]% (Saint-Gobain 10-20]% and BPB [0-10]%, total market value of € [10-20] million) and the Spain with [15-25]% (Saint-Gobain [<5]% and BPB [10-20]%, total market value of € [25-75] million). The market investigation has broadly confirmed the figures provided by the notifying parties, although there have been indications that BPB's position in France and Spain may be stronger than reported by the notifying party, and Saint-Gobain's weaker.
100. Accessories for plasterboard are commoditised products, whose production does not require specific know-how or technology. Therefore, barriers to entry in the market are particularly low. All major plasterboard producers also supply accessories, along with a large number of independent suppliers (some of which supply the products sold under the plasterboard producers' brands). It is therefore unlikely that the increase in the merged entities' position in France, Portugal and Spain could confer on it any degree of market power which could cause competitive harm.
101. In the light of these elements, the Commission concludes that the transaction will not significantly impede competition in the common market or in a substantial part of it, in particular as a result of the creation or strengthening of a dominant position in the production and sale of accessories for plasterboard.

PRODUCTION AND SALE OF SUSPENDED CEILING PRODUCTS

102. Saint-Gobain produces and supplies suspended ceilings through its subsidiaries Ecophon (glass wool tiles), Eurocoustic (rock wool tiles), Plafométal and Gabelex (metal grids and tiles) and API (grids). BPB is active in the production and sale of suspended plaster ceiling products and non-suspended products (plasterboard and planks).
103. According to the notifying party, the concentration gives rise to eight affected markets: Denmark, Finland, France, Germany, the Netherlands, Norway, Spain and Sweden. In Germany, the Netherlands, Norway and Spain the combined market share would not reach [25-30]% in value, according to the figures provided by the parties and corroborated by the market investigation. In the remaining countries, estimates of total market size vary considerably among respondents, especially for the Nordic countries:

for 2004, between € 16 and 30 million in Denmark in 2004, € 12 and 26 million in Finland, and € 23 and 50 million in Sweden. In France, the market size is more consistently estimated to be around € 200 million in 2004. The discrepancies are most likely to be attributable to the perceived scope of the market: producers with a narrower product portfolio tend to restrict the assessment to the specific products they supply, while producers with a wider product portfolio encompass more product lines in their assessment¹⁸.

104. Estimates of market shares are more consistent among the various responses received, and point out that Saint-Gobain is market leader in Finland (followed by Parafone, Knauf and BPB) with a market share estimated around 35-40% and Sweden (followed by Knauf, Rockfon, and Parafon), with a market share estimated around 40-45%. Additionally, it would be number two in Denmark with 20-25% after Knauf (around 30%) and close to Rockfon (20-25%) and one of the three major producers in France, together with Armstrong and Rockfon, each with a market share of 25-30%. BPB is estimated to be a significantly smaller player in all these markets, with market shares of around 10% in Denmark and Finland and below 5% in Sweden and France.
105. In sum, the combined market share of the merged entity would be around 45-50% in Finland and Sweden, 30-35% in Denmark and 30-35% in France. A number of international competitors are active in these markets and achieve significant market positions: chiefly Armstrong, Parafon, Rockfon and Knauf. These producers could easily expand production to absorb higher demand in the event of a unilateral price increase.
106. Additionally, in all the markets described above, Saint-Gobain and BPB products are not close substitutes. Saint-Gobain offers, through its Ecophon subsidiary, glass wool suspended ceilings whose main advantage is the high level of sound insulation and absorption. BPB supplies plaster-based suspended ceiling tiles, which do not offer a comparable acoustic performance. As for insulation materials, the different background of the two companies implies that the concentration will have the effect of widening the range of products offered by the merged entity, rather than significantly strengthening its market position for specific products.
107. The analysis above would not change, if alternative market definitions were to be retained. If the relevant product market is defined as the market for suspended and fixed ceilings taken together, no concerns would arise. Firstly, the share of fixed ceilings within the wider market would be very small in value terms (the notifying party estimates it at around 10% to 15% in the Denmark, Finland and Sweden)¹⁹. Secondly, the same material used for fixed ceilings (plasterboard, cement and planks) can be used for other applications too, e.g. internal wall lining. Therefore the competition in the wider market would encompass all producers of such materials for building constructions. Thirdly, and most importantly, Saint-Gobain is not active in the production of materials for fixed ceilings.

¹⁸ This creates inconsistencies in the comparison of data submitted by different parties: for example, in Sweden the most conservative estimate of market size is € [20-30] million, while Saint-Gobain's estimated its own sales at € [15-25] million, which would give a theoretical market share of [90-100]%. However, no respondent indicated for Saint-Gobain a market share higher than [40-45]% in Sweden.

¹⁹ Fixed ceilings account for a larger share of the overall market in volume terms, between 45% and 55%. This is due to their lower unit value compared to suspended ceilings.

108. If a single geographic market were to be defined for the Nordic countries (Denmark, Finland, Norway and Sweden), the combined market share of the merged entity would be around [30-40]% (Saint-Gobain [25-35]% and BPB [0-10]%), with a number of significant competitors. The competitive analysis would therefore not change.
109. In the light of these elements, the Commission concludes that the transaction will not significantly impede competition in the common market or in a substantial part of it, in particular as a result of the creation or strengthening of a dominant position in the production and sale of suspended ceiling products.

RETAIL DISTRIBUTION OF BUILDING MATERIALS

France

110. As already stated (see the market definition above), the DIY chains on one hand, and generalists / multi-specialists or specialists on the other hand, do not belong to the same product market.
111. As regards France, building materials are distributed through three main channels: (i) generalists / multi-specialists, which distribute a wide range of products, (ii) specialists which have chosen to concentrate on one or several segments but which often sell other materials from other segments incidentally to their main products lines, (iii) DIY chains, so called “Grandes Surfaces de Bricolages” (GSBs).
112. Generalists / multispecialists and specialists mainly target professional customers, since more than 80 % of their turnover is achieved with professional customers and since more than 95% of sales of building materials to professional customers are achieved by these merchants²⁰. Generalists / multi-specialists distributors are essential to producers of building materials, in order to distribute materials locally. In that framework, the distribution of building materials has four fundamental functions: (i) stocking large volumes; (ii) delivering materials; (iii) commercial follow-up, as distributors have to, inter alia, follow customers and provide technical advices; (iv) financing, as distributors grant credit and allow for payments to be made in instalments²¹. However, those channels also sell to a few non professional customers (“bricoleurs lourds”) and whose requirements are similar to the professionals’ requirements.
113. Conversely the GSBs are dedicated to non-professional customers, since 87% of their turnover is achieved with non-professional customers and since no more than 4% of sales of building materials to professional customers are achieved through GSBs²².
114. Moreover, as also mentioned above, separate markets for distribution of building materials could be distinguished, depending on the degree of retailer’s specialisation. As regards distribution of building materials in France, the French Minister of Economy, as Competition Authority, has previously distinguished such markets. In particular, the market for distribution of fitting-out products (“négoce spécialisé en

²⁰ See p. 158 of “Négoce 2007” (already mentioned). Moreover, generalists / multi-specialists achieve 72 % of their turnover with professional customers, and specialists achieve more than 95 % of their turnover with professionals customers.

²¹ See p. 7 of “Négoce 2007” (already mentioned).

²² See p. 159 of “Négoce 2007” (already mentioned).

produits d'aménagement") has been assessed, which comprises distribution of suspended ceilings, plasterboards and insulation products²³. It is also noted that, for instance, Point P owns several outlets (the SFIC network) which are specialised in such distribution.

115. The catchment area of the specialised outlets has a radius of around 70-80 km, which is broader than that of the generalists / multispecialists (around 20-30 km). Therefore, markets for distribution of fitting-out products are likely to be regional in scope²⁴.
116. As a result of the proposed concentration, there would be a single horizontal overlap in the region of Ile de France where BPB owns an outlet ("Sogeco"). Sogeco is a specialist merchant which distributes fitting-out products.
117. The size of the market for distribution of fitting-out products, that is to say sales achieved by specialists of such products, was around € 130 million in Ile de France in 2004. In addition, Ile de France covers a territory of 12 072 km² and has a population of 11.3 million inhabitants, which is higher than the population of some Member States. Therefore, it can be concluded that Ile de France is a substantial part of the common market.
118. In the narrowest market definition, i.e. the market for distribution of fitting-out products in Ile de France, Point P has a market share of 65% in value, whereas Sogeco has a market share of 5.5%. Hence, even if the proposed transaction will give rise to a small overlap, the new entity will have a large market share. Moreover, Point P has a specialised outlet in the same town (Ivry sur Seine) where Sogeco is located. However, the position of Point P in Ile de France is not likely to significantly impede competition in this region for the following reasons. Firstly, Point P's competitors, excluding Sogeco, are stronger in terms of outlets since they own nine specialised outlets, that is to say 56% of the fitting-out outlets (there are 16 such outlets in Ile de France, including Point P and Sogeco). Secondly, some of these competitors in particular are important (Litt Diffusion owns six outlets and has a market share of 15%). Thirdly, the place where the two overlapping outlets are located (Ivry sur Seine) is precisely the same place where two competing outlets are located. Therefore, as a result of the proposed concentration, Point P would not have an incentive to increase prices or decrease output in one of its two outlets in Ivry sur Seine as it would unlikely be profitable. Fourthly, it is worth noticing that about 50% of sales of fitting-out products are achieved by generalist distributors in Ile de France. In that context, Point P has a lower share of sales of fitting-out products ([45-55]% in value) in Ile de France. Lastly, third parties did not raise competition concerns regarding this horizontal overlap in Ile de France.
119. Under any other market definition considered, the increment in the market share of the merged entity would be significantly smaller, and therefore the above arguments apply *a fortiori*.

²³ See Case C2003-167 – Point P / Dubois Matériaux.

²⁴ In the French Case C2003-167, markets for distribution of fitting-out products were assessed on a regional basis, whereas markets for generalist distribution of building materials were assessed on a local basis ("department").

120. In light of the above, the proposed concentration would not impede effective competition under any reasonable alternative market definition in the French market for retail distribution of building materials.

Spain

121. Both Saint-Gobain and BPB have retail distribution business in Spain. However, under any possible product and geographical market definition the combined market share of the parties is well below 15%. Therefore, there are no affected markets for the retail distribution of building materials in Spain and no competition concerns arise.

VI. CONCLUSION

122. 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