

***Case No COMP/M.4408 -
TATA / CORUS***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 21/12/2006

***In electronic form on the EUR-Lex website under document
number 32006M4408***



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 21-XII-2006

SG-Greffe(2006) D/208403

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.4408 –Tata Steel/Corus
Notification of 20.11.2006 pursuant to Article 4 of Council Regulation
No 139/2004¹**

1. On 20 November 2006, 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 Tata Steel UK Ltd, controlled by Tata Steel Ltd ("Tata Steel", India) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of the Corus Group Plc, ("Corus", UK) by way of purchase of shares. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation and does not raise serious doubts as to its compatibility with the common market and the functioning of the EEA Agreement.

I. THE PARTIES

2. **Tata Steel**, is India's largest private sector steel company. It is a vertically integrated company active at all levels of steel production, including extraction of iron ore from mines in India and the manufacture of semi-finished and finished carbon steel products at plants in India and South-East India. It has no plants in the EEA. Tata Steel is also active in the production of ferro-alloys and related minerals and the manufacture of certain other downstream products such as bearings. Some [65-75%] of its sales are realised in India, with the remainder dispersed globally.

¹ Council Regulation (EC) No 139/2004, OJ L 24, 29.1.2004 p. 1.

3. **Corus**, is a leading European manufacturer providing steel and aluminium products and services worldwide. The company is comprised of four Divisions; Strip Products, Long Products, Distribution & Building Systems and Aluminium², and has a global network of sales offices and service centres. It focuses on semi-finished and finished carbon steel products and is not involved in iron ore extraction. Corus was formed in October 1999 through the merger of British Steel and Koninklijke Hoogovens.

II. THE OPERATION

4. The operation consists of the acquisition of sole control of Corus by Tata Steel, to be effected by means of a court-sanctioned scheme of arrangement under the UK Companies Act between Corus and its shareholders, relating to the entire issued and to be issued share capital. The acquisition will be made by Tata Steel UK, a wholly-owned indirect subsidiary of Tata Steel formed for the purpose of the transaction.

III. THE CONCENTRATION

5. Through the proposed transaction, Tata Steel would acquire sole control over Corus and the operation thus constitutes a concentration under the terms of Regulation 139/2004.

IV. COMMUNITY DIMENSION

6. The parties have a combined worldwide turnover of more than € billion (Tata Sons³ €6.1 billion; Corus €14.8 billion). The individual Community-wide turnover for each of at least two of the undertakings concerned exceeds €250 million (Tata Sons €[...] million; Corus €[...] billion). Neither Tata Steel nor Corus have achieved in 2005 two-thirds of their aggregate Community-wide turnover within one and the same Member State. The concentration therefore has a Community dimension.

² Corus completed the sale of its downstream aluminium rolled products and extrusions business to Aleris International Inc. on 1 August 2006. Corus' aluminium smelting operations were not part of the transaction and remain within the Corus group.

³ The relationship between Tata Steel and its largest shareholder, Tata Sons, falls within the scope of Article 5.4 of the Merger Regulation. In addition, Tata Sons owns more than half the capital in Tata Consultancy Services. Consequently the turnover of Tata Sons includes the turnover of Tata Steel and Tata Consultancy Services.

V. MARKET DEFINITION

A. Relevant product markets

7. The only products supplied by both parties to the concentration are semi-finished and finished carbon steel products. Tata is also active in the production of iron-ore and the extraction of ferro-alloys and related minerals, while Corus is not. Neither Tata nor Corus are active in high-alloy or stainless steel. Therefore, the transaction affects the production and direct sale of *carbon steel products*.
8. In line with previous Commission decisions, within carbon steel products, the parties identify separate product types within the broad categories of (i) flat steel products, (ii) long steel products, (iii) semi-finished carbon steel products and (iv) welded carbon steel tubes. These types of carbon steel products are manufactured in different rolling mills and are used in different end applications.
9. The parties have proposed that the competitive analysis be carried out on the basis of established market definitions on the basis of prior Commission decisions.⁴ As regards metallic coated steel for packaging, the Commission has examined the alternative bases of (i) a single product market for metallic coated steel for packaging and (ii) the narrower product markets for metallic coated steel for packaging in both beverage and non-beverage uses.

B. Relevant geographic markets

10. In line with the Commission's approach in previous cases,⁵ the parties submit that the relevant product markets for carbon steel products are at least EEA wide in scope due to extensive trade flows and homogeneous pricing and competitive conditions within the EEA. However, alternative market shares have also been given at world-wide level. In accordance with precedent for steel distribution⁶ and construction sheets (profiles),⁷ market shares are given at national level.

VI. COMPETITIVE ASSESSMENT

⁴ Case M.4137 Mittal Arcelor where, *inter alia*, the following product markets were distinguished: a) hot-rolled carbon steel flat products comprising i) hot-rolled flat products excluding quarto plates and ii) quarto plates, b) cold-rolled carbon steel products, c) metallic coated steel comprising i) steel for packaging leaving open whether metallic coated steel for beverage packaging and other end applications were part of the same market and ii) galvanised steel (hot-dip and electro-galvanised, including coatings of zinc alloys), d) organic coated steel. As regards long products, the following products were also distinguished; a) wire rod (where the exact product market was left open) and ii) drawn wire products (the exact product market definition was also left open). As regards flat products, it was mentioned that construction sheet/profiles could be considered as constituting a separate product market having a national geographic scope. The parties are also active in welded carbon steel tubes, which is a category of products previously distinguished in M.1595-British Steel Hoogovens as sub-segmenting between i) precision tubes and ii) commodity tubes. Within commodity tubes, the Commission has also distinguished between i) commercial tubes, mechanical tubes and structural tubes. Furthermore, in accordance with Case COMP/ECSC.1351 Usinor/Arbed/Aceralia, as regards semi-finished carbon steel products the following basic shapes can be distinguished a) slabs, b) billets and c) blooms.

⁵ Case M.4137 Mittal Arcelor

⁶ Case M.3747 Rautaruukki/Wartsila/SKF/JV

⁷ Case M.1329 Usinor/Cockerill Sambre

11. The proposed transaction does not lead to a significant structural change on the relevant steel markets, either within the EEA or world-wide. With the exception of metallic coated steel for packaging, the parties' market shares are relatively small. In the market for metallic coated steel for packaging and its narrower alternative markets, the increments which would result from the transaction are very small.
12. Market shares used for the analysis are based upon the parties' internal estimates and various third party sources including the International Iron and Steel Institute, the Iron and Steel Statistics Bureau, Eurofer and the European Steel Tubes Association.

A) Horizontal overlaps

i) EEA

13. There are four EEA-wide product markets in which there is a horizontal overlap between the parties in the area of *flat finished* carbon steel: (1) hot-rolled carbon steel strip and sheet; (2) cold-rolled carbon steel strip and sheet; (3) hot-dip galvanised carbon steel; and (4) metallic coated steel for packaging. The parties' activities do not overlap at EEA level for *long* products. However their activities do overlap horizontally for *welded tubes* and *welded commercial tubes* at EEA level.

Flat products and welded steel tubes

14. As evident from the table below, the parties have relatively low combined market shares and very small increments for hot-rolled flat carbon steel (excluding quarto plate), cold-rolled carbon steel products, hot-dip galvanised steel and welded steel tubes. Market shares are a little higher for the commercial tube segment of the market ([10-15%]). However, the increment is extremely small, at less than 0.1%.
15. The overlap in respect of the supply of metallic coated steel for packaging, for beverage and non-beverage as a whole and non-beverage only, gives rise to more substantial market shares. For these categories the combined market share is around [20-30%] respectively. However, the increment is in each case extremely small. Competitors on these market segments include Mittal Steel ([25-35%]), Rasselstein ([15-20%]), Riva ([5-10%]) and US Steel Kosice ([5-10%]).

Table 1: EEA-wide sales

Product		Parties Combined Market share	Incremental market share as a result of the transaction
Hot-rolled flat carbon steel (excluding quarto plate)		[10-15%]	[< 1%]
Cold-rolled carbon steel flat products		[10-15%]	[< 1%]
Hot dip galvanised steel		[10-15%]	[< 1%]
Metallic coated steel for packaging (beverage and non-beverage)		[25-35 %]	[< 1%]
Metallic coated steel for packaging (non-beverage only) ⁸		[20-30%]	[< 1%]
Welded steel tubes ⁹	All welded tubes	[10-15%]	[< 1%]
	Commercial tubes	[10-15%]	[< 1%]

ii) World-wide

16. There are two world-wide product markets in which there is a horizontal overlap between the parties in the area of *semi finished carbon steel*: (1) slabs; (2) billets, four world-wide product markets in which there is a horizontal overlap between the parties in the area of *flat carbon steel products*, (1) hot rolled carbon steel products; (2) cold rolled carbon steel products; (3) galvanised carbon steel products (hot dip); (4)(i) metallic coated steel for packaging and (4)(ii) metallic coated steel for packaging (non beverage only)¹⁰; one world-wide product market in which there is a horizontal overlap between the parties in the area of *long carbon steel products*, namely wire rod and five world-wide product markets in which there is a horizontal overlap between the parties in the area of *welded carbon steel tubes*; (1) commercial tubes, (2) mechanical tubes, (3) structural tubes, (4) precision tubes and (5) line pipe.

⁸ Whilst Corus manufactures metallic coated steel for packaging for beverage can use, Tata does not and therefore there is no overlap between the parties in this market segment.

⁹ Corus holds [10-15%] of the EEA market in structural tubes and [<5%] of the EEA market in precision tubes. Tata Steel is not active in these market segments within the EEA and therefore there is no overlap between the parties in these areas.

¹⁰ Additionally the parties' activities overlap globally for construction sheets/profiles. However, while both parties manufacture this product, Tata Steel produces and sells it only in India. In line with previous Commission decisions, this product market is of a national or at most of a regional dimension, hence no overlaps exist

Flat products and welded steel tubes

17. As evident from the table below, the parties have relatively low combined market shares for slabs and billets, thus not raising competition issues. They also have low combined market shares for hot-rolled flat carbon steel (excluding quarto plate), cold-rolled carbon steel products and hot-dip galvanised steel, metallic coated steel for packaging, wire rod, drawn wire and all welded tubes. Moreover the parties face competition from other global steel producers (see table below).

Table 2: World-wide sales

Product	Parties Combined Market share	Major Competitors		
		Mittal	Nippon Steel	JFE
Slabs	[<5%]	[5-10%]	[2-5%]	[2-5%]
Billets & blooms	[<5%]	[10-15%]	[2-5%]	[2-5%]
-	-	-	-	US Steel
Hot-rolled flat carbon steel (excluding quarto plate)	[5-10 %]	[10-15%]	[2-5%]	[2-5%]
Cold-rolled carbon steel flat products	[5-10 %]	[10-15%]	[2-5%]	[5-10%]
Hot dip galvanised steel	[2-5%]	[15-20%]	[2-5%]	[2-5%]
Metallic coated steel for packaging (beverage and non-beverage)	[5-10%]	[20-30%]	[5-10%]	[10-15%]
Metallic coated steel for packaging (non-beverage only)	[5-10%]	-	-	-
Wire Rod	[<2%]	[5-10%]	[<2%]	-
Drawn Wire	[<2%]	-	-	-
All welded tubes ¹¹	[2-5%]	[2-5%]	[2-5%]	-

Conclusions on horizontal issues

18. Horizontal overlaps between the parties are limited and do not result in significant combined market shares. The proposed transaction would not change the market structure in the EEA or worldwide and a number of major players would remain active.

B) Vertical issues

19. The parties combined shares of semi-finished carbon steel products is less than [5%] on a world-wide market. Tata Steel does not sell semi-finished products to third parties within the EEA with the consequence that there is no overlap within that market.

¹¹ Market shares are not available at worldwide level for each of the sub-segment markets mentioned in paragraph 16. Corus achieves between [85-100%] of its sales for these product markets within the EEA, whereas Tata Steel achieves about [90-100%] of its sales of welded steel tubes in India. Thus geographically there is a very small overlap between the parties.

20. Tata Steel has interests in iron ore and ferro alloys in India, both of which may be inputs in steel manufacture. Tata Steels share of the global iron ore market is very limited, standing at about 0.7% of world-wide production. In respect of ferro-alloys the parties submit that Tata does not have a share of 25% or more in any product category. Thus, there are no concerns about *upstream* vertical foreclosure of markets.
21. There is a potential vertical link between Corus's sale of wire rod and Tata Steel's manufacture and sale of drawn wire. However, the 25% threshold is not met in respect of either Corus's share of sales in the EEA of wire rod or Tata Steel's sales in the EEA of drawn wire. Thus, there are no concerns about either *upstream or downstream* vertical foreclosure for these markets.
22. In terms of downstream distribution, Tata Steel is not active within the EEA whereas Corus is active through service centres within the UK, Benelux, France, Germany, Spain and Poland. It is active in stockholding within the UK and Benelux.

Table 3: Market Shares by volume for Distribution

	UK	Benelux	France	Germany	Spain	Poland
Service Centres	[20-30%]	[10-15%]	[10-15%]	[5-10%]	[2-5%]	<1%
Stockholding	[15-20%]	[2-5%]	-	-	-	-

23. As can be seen from the table above, Corus holds a market share in excess of 25% ([20-30%]) only within the service centre market within the UK. However, as Tata Steel's share of the overall supply of steel products within the EEA is minimal, the proposed operation is unlikely to lead to downstream foreclosure in the service centre distribution market.

Conclusions on vertical issues

24. There are no further vertical relationships between the parties, since neither party is engaged in business activities in a product market, which is upstream or downstream of a product market in which any other party to the concentration is engaged, and in which any of their individual or combined market shares at either level is 25% or more.
25. Furthermore, there are several well placed competitors with similar or substantially higher market shares in each of the markets in question. The parties hold relatively low shares on the above-mentioned markets and there is little likelihood of vertical foreclosure on any considered market.
26. The concentration is thus unlikely to significantly impede effective competition, in particular through the creation or strengthening of a dominant position in the relevant markets.

VII. CONCLUSION

27. 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 (EC) No 139/2004.

For the Commission
signed
Jacques BARROT
Member of the Commission