

***Case No COMP/M.4515 -  
CSN / CORUS***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 29/01/2007

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 29-01-2007  
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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.4515 – CSN/ Corus  
Notification of 21.12.2006 pursuant to Article 4 of Council Regulation  
No 139/2004<sup>1</sup>**

1. On 21 December 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 Companhia Siderurgica Nacional ("CSN") 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, through a wholly owned subsidiary. 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. CSN, is an integrated global steel producer with operations in Brazil, the US and Portugal. Whilst CSN is self sufficient in iron ore and in Brazil produces electric power and has interests in rail and port logistics, its main focus is in the manufacture of finished flat carbon steel products some of which are exported to Europe. It does not

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

supply semi-finished steel products within the EEA nor does it produce any long carbon steel products.

3. **Corus**, is a leading European manufacturer providing steel and aluminium products and services worldwide. The company comprises of four Divisions; Strip Products, Long Products, Distribution & Building Systems and Aluminium<sup>2</sup>, and it 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<sup>3</sup>.

## **II. THE OPERATION**

4. The operation consists of the acquisition of sole control of Corus by CSN, to be effected by means of a court-sanctioned scheme of arrangement under the UK Companies Act. The acquisition will be made by CSN Acquisitions Limited, a wholly-owned indirect subsidiary of CSN. CSN aims to acquire the entire issued capital of Corus through a public offer.

## **III. THE CONCENTRATION**

5. Through the proposed transaction, CSN 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 EUR 5 billion (CSN € 4.1 billion; Corus €12.9 billion)<sup>4</sup>. The individual Community-wide turnover for each of at least two of the undertakings concerned exceeds EUR 250 million (CSN €[...] million; Corus €9.9 billion).<sup>5</sup> Neither CSN 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.

## **V. MARKET DEFINITION**

### *A. Relevant product markets*

7. World-wide, both parties are active in the manufacture of semi-finished and finished carbon steel products. CSN is also active in the production of iron-ore<sup>6</sup>, whilst Corus is not. However, within the EEA, CSN is only active in the manufacture and supply of flat carbon steel products through its Portuguese subsidiary, Lusosider, and the supply of flat carbon steel products into Europe by way of export from Brazil. Corus focuses on the manufacture of semi-finished and finished carbon steel products at plants in Europe. In respect of these activities, the only overlap between the parties arises in

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<sup>2</sup> 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.

<sup>3</sup> Cases M.1595 – British Steel/Hoogovens, ECSC.1310 – British Steel/Hoogovens

<sup>4</sup> This excludes turnover for Corus's discontinued steel and aluminium operations.

<sup>5</sup> This excludes turnover for Corus's discontinued steel and aluminium operations

<sup>6</sup> CSN does not supply any iron ore or semi-finished steel products of any kind into the EEA and whilst it supplies slabs both in Brazil and to its own facilities in the United States, it does not supply into the EEA. Similarly, CSN has no downstream presence in the EEA, its distribution activities being limited to Brazil.

respect of the production and supply of finished carbon steel products. More specifically, the overlaps arise for hot-rolled flat steel (excluding quarto plate), cold rolled flat steel, hot-dip galvanised steel and metallic coated steel for packaging.

8. 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.<sup>7</sup> In the absence of elements pointing to the contrary, the Commission concludes that the competitive analysis can be carried out on the basis of these established market definitions. 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*

9. In line with the Commission's approach in previous cases<sup>8</sup>, 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.

### **VI. COMPETITIVE ASSESSMENT**

#### *A) Horizontal overlaps*

##### **i) EEA**

10. There are four EEA-wide product markets in which there is a horizontal overlap between the parties in the area of flat rolled carbon steel: (1) hot-rolled carbon steel strip and sheet, excluding quarto plates; (2) cold-rolled carbon steel strip and sheet; (3) hot-dip galvanised carbon steel; and (4) metallic coated steel for packaging.

#### *Flat products*

11. As evident from the table below, the parties have relatively low combined market shares and insignificant increments for hot-rolled flat carbon steel (excluding quarto plate), cold-rolled carbon steel products and hot-dip galvanised steel. However, the overlap in respect of the supply of metallic coated steel for packaging, for beverage and non-beverage and beverage only, gives rise to more substantial market shares. For these categories the combined market share is around [20-30%]. However, the increment is in each case less than 5%. Strong competitors on these market segments include Mittal Steel, Rasselstein (part of the Thyssen Krupp Group), Riva and US Steel Kosice.

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<sup>7</sup> 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. 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.

<sup>8</sup> Case M.4137 Mittal Arcelor

**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%]	[0-2%]
Cold-rolled carbon steel flat products	[10-15%]	[0-2%]
Hot dip galvanised steel	[10-15%]	[0-2%]
Metallic coated steel for packaging (beverage and non-beverage)	[20-30%]	[1-5%]
Metallic coated steel for packaging (non-beverage only)	[20-30%]	[1-5%]
Metallic coated steel for packaging (beverage only)	.....	.....

**ii) World-wide**

12. There is one world-wide product market in which there is a horizontal overlap between the parties in the area of semi finished carbon steel: i.e. slabs (merchant sales), six world-wide product markets in which there is a horizontal overlap between the parties in the area of flat carbon steel products, namely: (1) hot rolled carbon steel products; (2) cold rolled carbon steel products; (3) galvanised carbon steel products (hot dip); (4) metallic coated steel for packaging (beverage and non-beverage); (5) metallic coated steel for packaging (non-beverage) and (6) organic coated steel.

*Flat products*

13. As evident from the table below, the parties have low combined market shares for slabs, 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. Competitors on these market segments include Arcelor Mittal, Nippon Steel and US Steel.

14. Combined market shares are higher for the parties in the markets for metallic coated steel for packaging (beverage and non-beverage) ([15-20%]), metallic coated steel for packaging (non-beverage only) ([15-20%]) and metallic coated steel for packaging (beverage only) ([10-15%]). However, CSN is *not* active in metallic coated steel for packaging (beverage only) with the result that there is no overlap in that product market. For the other two mentioned sub-segments the increment is between [5-10%] and there are several competitors active, including Arcelor Mittal ([20-25%]), Nippon Steel ([5-10%]) and US Steel ([10-15%]).

15. In addition, the parties' activities overlap in the area of organic coated steel at world-wide level. CSN has a share of less than [0-2%] at worldwide level. The parties combined share of this market is about [5-10%]. Their largest competitors are Arcelor Mittal ([5-10%]) and Bluescope ([5-10%]).

**Table 2: World-wide sales<sup>9</sup>**

Product	Parties Combined Market share	Major Competitors		
		Arcelor Mittal	Baosteel	NLMK
Slabs	[2-5%]	[10-15%]	[5-10%]	[5-10%]
		Arcelor Mittal	Nippon Steel	US Steel
Hot-rolled flat carbon steel (excluding quarto plate)	[5-10%]	[10-15%]	[1-5%]	[1-5%]
Cold-rolled carbon steel flat products	[5-10%]	[10-15%]	[1-5%]	[5-10%]
Hot dip galvanised steel	[1-5%]	[15-20%]	[1-5%]	[1-5%]
Metallic coated steel for packaging (beverage and non-beverage) <sup>10</sup>	[15-20%]	[20-30%]	[5-10%]	[10-15%]
Metallic coated steel for packaging (non-beverage only)	[15-20 %]	[20-30%]	[5-10%]	[10-15%]
Metallic coated steel for packaging (beverage only)	[10-15%]	[20-30%]	[5-10%]	[15-20%]
			Bluescope	
Organic coated steel	[5-10 %]	[5-10%]	[5-10 %]	-

*Conclusions on horizontal issues*

16. Due to the geographic complementarity of the two companies, significant horizontal overlaps are limited. The proposed transaction would not significantly change the market structure in the EEA and the same number of major players would remain active.

*B) Vertical issues*

17. CSN has mining interests in iron ore in Brazil. Iron ore is an input in steel manufacturing. However, CSN's share of the global iron ore market is very limited, standing at less than [1-5%] of world-wide production. Corus is not active in iron-ore.
18. Corus's share of production of semi-finished steel products is estimated to be less than [5-10%] of the market within the EEA. CSN does not sell semi-finished products to third parties within the EEA and its share of worldwide production of semi-finished products is estimated at less than [0-2%].

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<sup>9</sup> Data for metallic coated steel provided on the basis of production.

<sup>10</sup> Parties estimates based on worldwide production of metallic coated steel products

19. Thus, there are no concerns about upstream vertically affected markets and no risk of foreclosure exists.
20. In terms of downstream distribution, CSN 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 %]	[5-10 %]	[10-15%]	[5-10 %]	[1-5%]	<2%
Stockholding	[15-20%]	[1-5%]	-	-	-	-

21. 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 CSN's share of the overall supply of flat steel products within the EEA is very low, the proposed operation is unlikely to lead to downstream foreclosure in the service centre distribution market. Accordingly, there are no concerns about downstream vertically affected markets.

*Conclusions on vertical issues*

22. 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.
23. 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.

*Conclusions on competitive assessment.*

24. 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**

25. 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  
Neelie KROES  
Member of the Commission