

*Case No IV/M.549 -  
Svenska Cellulosa /  
PWA*

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 20/02/1995

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 20 February 1995

MERGER PROCEDURE  
ARTICLE 6(1)b DECISION

PUBLIC VERSION

To the notifying party

Dear Sirs,

**Subject: Case N° IV/M.549 - Svenska Cellulosa/PWA  
Notification of 17.01.1994 pursuant to Article 4 of Council  
Regulation N° 4064/89**

1. On 17 January 1995, the Swedish company Svenska Cellulosa Aktiebolaget (SCA) notified the proposed concentration by which SCA will acquire from the German Viag/Bayernwerk group and two German banks a 60,02% shareholding in the German company PWA Papierwerke Waldhof-Aschaffenburg AG (PWA).
2. After examination of the notification, the Commission has concluded that the operation falls within the scope of application of Council Regulation (EEC) No. 4064/89 and does not raise serious doubts as to its compatibility with the common market.

**I. THE PARTIES**

3. SCA is a forest industry company that specialises in the manufacture of hygiene products, transport packaging (corrugated case materials and corrugated cases), tissue products and graphic papers. SCA's activities in the area of hygiene products and tissue products are carried out within its subsidiary SCA Mölnlycke. SCA is one of the largest private forest owners in Europe.

4. PWA is a manufacturer of a range of paper and packaging products, in particular coated and uncoated fine paper, tissue products, corrugated case materials, corrugated cases, container board and speciality papers.

## **II. THE OPERATION**

5. SCA will acquire from Bayernwerke AG 43.42%, from Bayerische Hypotheken und Wechselbank AG 13.23% and from Westdeutsche Landesbank Girozentrale 3,37% of the issued shares of PWA.

## **III. CONCENTRATION OF COMMUNITY DIMENSION**

6. The notified operation constitutes a concentration within the meaning of Article 3(1)b of the Regulation as through the share purchase SCA will acquire sole control of PWA.
7. The undertakings concerned have a combined aggregate worldwide turnover in excess of 5,000 million ECU (3,700 million ECU for SCA, and 2,000 million ECU for PWA). The aggregate Community-wide turnover of each exceeds 250 million ECU and the parties do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. Therefore the notified operation has a Community dimension.

## **IV. COMPATIBILITY WITH THE COMMON MARKET**

### **(a) Relevant product markets**

8. SCA and PWA are both active in several product markets involving the production and supply of tissue products, packaging (corrugated case materials and corrugated cases) and uncoated wood-free fine paper. PWA is not active in a number of the principal areas in which SCA is involved: in particular PWA does not have any feminine hygiene, baby care, adult incontinence care or clinical products.
9. As regards upstream markets, pulp and tissue parent reels, the activities of both SCA and PWA are minor, [...] <sup>1</sup>. SCA has a high degree of self-sufficiency in virgin wood fibre from its own forests. Some [...] % <sup>1</sup> of the total pulp supply for SCA's own tissue paper production and [...] % <sup>1</sup> of its requirements of kraftliner for the production of corrugated case materials is sourced internally. By contrast PWA's tissue paper and corrugated board production is less vertically integrated [...] <sup>1</sup>.

In 1993, the total market for pulp in the EEA amounted to approximately 13 million tonnes. SCA's pulp sales to customers outside the SCA group in 1993 were [...] <sup>1</sup> tonnes, and PWA's pulp sales amounted to [...] <sup>1</sup> tonnes. The sales of both parties represented around [0-5%] <sup>2</sup> of the EEA total market pulp in 1993.

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<sup>1</sup> Deleted business secret.

<sup>2</sup> Deleted business secret, range as indicated.

As regards tissue parent reels, the volume traded within the EEA in 1993 was about 400,000 tonnes. The sales of tissue parent reels made by SCA to third parties were [...] <sup>3</sup> tonnes and by PWA [...] <sup>3</sup> tonnes. The aggregated sales of the parties amounted to around [5-10%] <sup>4</sup> of the EEA total tissue parents reels market. Consequently, these products do not constitute affected markets.

#### Tissue products

10. "Tissue products" is the term commonly used to describe various thin, soft, absorbent papers used for wiping and drying. Such products comprise toilet paper, handkerchiefs, facial tissues and napkins, which are mainly purchased by private consumers. By contrast, the main customers for towels, hand wipes and industrial wipers made from tissue paper are industrial and institutional purchasers who buy these tissue products in large quantities for use in factories, offices, workshops and hospitals. Tissue products are supplied to private customers directly or through wholesalers to retailers including the major multiple retailers. Tissue products such as towels, hand wipes and industrial wipers, which are mainly purchased by institutional customers, are distributed either directly by the manufacturers or through specialist distributors to the institutional customers.
11. The total consumption of tissue products in the EEA amounts to 3,380 thousand tonnes with a value of 4.7 billion ECU. Toilet paper accounts for about 56% of total consumption in EEA countries, whereas kitchen paper accounts for 13%, napkins for 8%, towels/hand wipes for 8%, handkerchiefs for 7%, industrial wipers for 5% and facials for 2%.
12. Tissue paper is produced on tissue machines from pulp which is made from primary fibres or recycled fibres, or from a mixture of primary and recycled fibres, depending on the end use. The special characteristics of the different tissue products with regard to absorption ability, softness, wet strength, non-scratch and non-linting features rely mainly on the mixture of the fibres in the pulp. All types of tissue paper can be produced on one and the same tissue machine. Subsequently this base paper from the tissue machine is converted into the various product types by softening and cutting by special converting machines and packed by packing machines in order to meet the particular requirements of the end-users.
13. From the demand-side point of view, it is possible to use different types of tissue products for the same purpose, for instance, handkerchiefs and facial tissues. However, it appears that consumers tend to use tissue products regularly and that they normally use the specially developed tissue products for specific purposes.
14. From the supply-side point of view, it seems that manufacturers can easily switch from the production of one type of tissue product paper to another on the same tissue machine. However, each tissue product needs base paper with a specific mixture of fibres, which in turn is converted into the specific tissue product by softening and cutting and must be packed in a special way to facilitate the user-

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<sup>3</sup> Deleted business secret.

<sup>4</sup> Deleted business secret, range as indicated.

friendliness of the product, as explained above. Also the prices for the different tissue products differ appreciably. In 1993 PWA achieved the following average prices per tonne:

toilet paper	± [...] <sup>5</sup> ECU
kitchen paper	± [...] <sup>5</sup> ECU
handkerchiefs	± [...] <sup>5</sup> ECU
napkins	± [...] <sup>5</sup> ECU
facial tissues	± [...] <sup>5</sup> ECU
towels/hand wipes	± [...] <sup>5</sup> ECU
industrial wipers	± [...] <sup>5</sup> ECU.

15. In view of the differences in the base paper, price and use, it seems that the breakdown into the above-mentioned different tissue product markets is more appropriate than to assume that there is a single tissue product market. This view is confirmed by four of the five main competitors who answered the Commission's request for information. Three stated that every type of product mentioned above constitutes a separate relevant product market; one considered that there is a single market with strong sub-markets such as toilet paper, handkerchiefs and kitchen paper. The last argued that there exists "considerable supply-side and demand-side substitutability". However, this competitor admitted that, "on the demand side there is less interchangeability between paper handkerchiefs and kitchen towels, on the one hand, and toilet paper on the other hand". Some of the retailers contacted by the Commission took the view that there is only one tissue product market, whereas others stated that each product is a separate market.
16. The parties argue that the relevant product markets in which tissue products compete include not only tissue products but also other products (e.g. textile products and electrical dryers) that are interchangeable with tissue products for the same use (e.g. hand wiping). It appears doubtful that these different products are fully substitutable. Consumers use the tissue products as throw-away products for the sake of convenience, whereas textile products are not as convenient as tissue products because textile products for multiple use have to be laundered. Moreover, many consumers apparently are convinced that paper products are more hygienic than cloth.
17. However, it is unnecessary to decide whether all tissue products belong to one relevant product market, whether each type of tissue product belongs to a separate product market, or whether such markets also comprise other products such as textiles, since even on a narrow market definition (a separate market for each type of tissue product without including other products), the operation does not give rise to a dominant position.

#### Transport packaging

18. In transport packaging both parties are active in the production of corrugated case materials and corrugated cases.

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<sup>5</sup> Deleted business secret.

19. Corrugated case materials (CCM) are paper products used to create corrugated board (sheets of paper linerboard enclosing a layer of fluted undulating paper) which is itself converted into corrugated cases. CCM are commodity products produced either from virgin wood fibre or recycled fibre. In its decision in Jefferson Smurfit/St. Gobain (Case N° IV/M.499 of 19 September 1994), the Commission concluded that there was a high degree of cross-substitutability between virgin fibre and recycled fibre material due to a high degree of cross-substitutability of both supply and demand. The Commission stated that prices for both types of fibre tended to follow similar patterns. However in the present case, as in the above-mentioned case, it is unnecessary to decide whether different product markets exist for CCM on the basis of wood fibre and recycled fibre, as the proposed operation will not create or strengthen a dominant position, even on a narrow market definition.
20. Corrugated cases are finished packaging products manufactured from sheets of corrugated board mainly for one-way use. Such cases are used to transport a wide range of products, from agricultural products (fruit and vegetables) to manufactured products. In transport packaging, cases made from CCM are the most widely used packaging. Other important types of packaging are cases made from solid board and crates which are made from wood and plastic materials. There is a competitive relationship between corrugated cases and other types of transport packaging. However, the precise market definition can be left open, as even on a narrow market definition the proposed operation will not lead to the creation or strengthening of a dominant position.
21. Graphic paper is the common name for different kinds of coated and uncoated general printing and writing paper. In its Torras/Sarrio decision (IV/M.166 of 24 February 1992) and Jefferson Smurfit/St. Gobain (IV/M.499 of 19 September 1994) decisions the Commission identified four sub-markets within the fine paper market (which is itself distinct from the markets for self-adhesive paper and self-copying paper). These were uncoated wood-containing, uncoated wood-free, coated wood-containing and coated wood-free paper. There is an overlap between SCA and PWA only in uncoated wood-free paper.

**(b) Relevant geographic markets**

Tissue products

22. The parties argue that the geographic market for tissue products is EEA-wide, as the products are manufactured and marketed across national boundaries and most major suppliers are well established in the majority of the EEA countries. Moreover, they refer to the increasing importance of European brand names. Three of the five main competitors questioned by the Commission also consider the geographic market to be Europe-wide. However, there are indications that the relevant geographic markets are still national.
23. Consumers in different Member States have substantially different consumption patterns for each tissue product. For instance, the yearly consumption per person of kitchen paper in Sweden, Denmark and Finland is more than double that of Germany and the UK. The consumption of facial wipes per person amounts to 0.7 kg in the UK and to only 0.1 kg in Austria, Belgium and the Netherlands. In

the UK and Denmark the consumption of tissue-made handkerchiefs is below 0.3 kg per person, whereas in Germany and Austria it is 1.6 kg.

24. Apart from the above-mentioned factors, the market shares and market positions of the parties and their main competitors differ to a great extent by Member State. For instance, in the market for kitchen paper, Scott holds market shares of between [30-40%]<sup>6</sup> in Belgium, Italy and the Netherlands, [20-25%]<sup>6</sup> in Spain, [10-15%]<sup>6</sup> in the UK, and below [0-10%]<sup>6</sup> in France and Germany. In this same product market the shares of James River/Jamont range from [50-60%]<sup>6</sup> in Finland to [0-5%]<sup>6</sup> in Sweden, whilst the shares of Kimberly-Clark amount to [15-20%]<sup>6</sup> in the UK and [0-5%]<sup>6</sup> in both Belgium and Denmark. In other tissue product markets the suppliers have similar market share variations in the different Member States.
25. Moreover, retailers who belong to transnational buying groups have declared that the buying groups do not negotiate a single price for all countries. Groups negotiate different prices and conditions in the different Member States according to where their members are active.
26. With respect to SCA's argument that European brand names are becoming increasingly important, it appears that at present neither the parties nor most European competitors use the same brand in all Member States. According to the data submitted by SCA, none of the suppliers of toilet paper, kitchen paper or handkerchiefs uses the same brand name across Western Europe. A number of suppliers use two or three different brands in several Member States. On the other hand Scott, in particular, has introduced the same brand name in most Member States. Procter & Gamble has stated that it sells toilet paper under two brands in four Western European countries and handkerchiefs under two brands in eight Western European countries.
27. However, in this case it is not necessary to decide whether the geographic market for tissue products is national or EEA-wide. Even on the basis of national markets, the proposed operation will not lead to the creation or strengthening of a dominant position.

#### Corrugated case materials

28. In its recent decision in Jefferson Smurfit/St. Gobain (Case No. IV/M.499 of 19 September 1994) the Commission stated that the relevant geographic market for CCM is at least the EEA.

#### Corrugated cases

29. The density of corrugated cases is relatively low. This means that transport costs are relatively high. Consequently, this product is not delivered EEA-wide. The parties state that the region of delivery is approximately 300 km around the plant. However, as the proposed concentration, even on a narrow geographic market

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<sup>6</sup> Deleted business secret, range as indicated.

definition, does not result in the creation or strengthening of a dominant position, it is not necessary to establish the precise geographic market definition.

Uncoated wood-free paper

30. The Commission has already stated in the Jefferson Smurfit/St. Gobain case that, with regard to printing and writing paper, the relevant geographic market is the EEA. As the uncoated wood-free paper is a particular type of printing and writing paper, the geographic reference market is also the EEA.

**(c) Competitive assessment**

Tissue products

31. Whether examined at EEA or Member State level, the tissue products industry as a whole is characterised by several strong multinational producers and is generally not highly concentrated, although on a narrow product market basis at Member State level there can be relatively high degrees of concentration.

**A. EEA Level**

32. If all tissue products were considered as belonging to one market, then after the proposed operation the combined market shares of SCA and PWA on an EEA-wide basis would be [15-20%]<sup>7</sup> (by volume) and [15-20%]<sup>7</sup> (by value). According to the available figures, SCA will be the second or third largest supplier of tissue products in the EEA behind Scott, which has a market share of approximately [15-20%]<sup>7</sup> (by volume) and [15-20%]<sup>7</sup> (by value), with James River/Jamont holding the same market share as SCA ([15-20%]<sup>7</sup> by volume).
33. With regard to individual tissue products, after the merger SCA and PWA have the following combined market shares on a 1993 EEA-wide basis.

	<u>in volume</u>	<u>in value</u>	
toilet paper	[10-15%] <sup>7</sup>	[10-15%] <sup>7</sup>	
kitchen paper	[15-20%] <sup>7</sup>	[20-25%] <sup>7</sup>	
handkerchiefs	[20-25%] <sup>7</sup>	[20-25%] <sup>7</sup>	(no overlap)
facials	[0-5%] <sup>7</sup>	[0-5%] <sup>7</sup>	(no overlap)
napkins	[5-10%] <sup>7</sup>	[5-10%] <sup>7</sup>	
towels/hand wipes	[25-30%] <sup>7</sup>	[30-35%] <sup>7</sup>	
industrial wipers	[15-20%] <sup>7</sup>	[20-25%] <sup>7</sup>	

The comparative market position of SCA in terms of volume will be as follows. In the toilet paper market, SCA [10-15%]<sup>7</sup> will be in second position behind Scott (15-20%)<sup>8</sup>. In the market for industrial wipers Scott will also remain in the

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<sup>7</sup> Deleted business secret, range as indicated.

<sup>8</sup> In the interests of business secrecy the market shares of competitors have been indicated as a range.



leading position [20-25%]<sup>9</sup> before SCA ([15-20%]<sup>9</sup>). Only in the markets for kitchen paper and towels/hand wipes will SCA obtain market leadership following the proposed operation, as shown below:

EEA-wide market shares by volume 1993

	<u>kitchen paper</u>	<u>towels/hand wipes</u>
SCA + PWA	15-20% <sup>9</sup>	25-30% <sup>9</sup>
James River/Jamont	10-15% <sup>9</sup>	10-15% <sup>9</sup>
Scott	10-15% <sup>9</sup>	10-15% <sup>9</sup>

**B. Member States level**

34. The assessment at Member State level focuses on those markets where the operation will lead to an overlap between the parties and in particular where, after the acquisition of PWA, SCA will become market leader. This is the case for the markets for towels/hand wipes in Austria, Belgium, Germany and the Netherlands and for industrial wipers in Belgium and the Netherlands:

Towels/hand wipes (market share by volume 1993)

Austria	SCA + PWA	25-30% <sup>9</sup>	CWS	15-20%	Hakle	5-10%
Belgium	SCA + PWA	30-40% <sup>9</sup>	Scott	15-20%	J. River/Jamont	5-10%
Germany	SCA + PWA	30-40% <sup>9</sup>	Scott	20-25%	J. River/Jamont	5-10%
Netherlands	SCA + PWA	40-50% <sup>9</sup>	Kimberly-Clark	10-15%	J. River/Jamont	10-15%

Industrial wipers (market share by volume 1993)

Belgium	SCA + PWA	40-50% <sup>9</sup>	Scott	20-25%	J. River/Jamont	10-15%
Netherlands	SCA + PWA	50-60% <sup>9</sup>	Kimberly-Clark	15-20%	Scott	15-20%

<sup>9</sup> Deleted business secret, range as indicated.

35. Following the merger, SCA will have substantial market shares as shown above. In several of the markets concerned, the nearest competitors of SCA will have around half of its market share. However, in the EEA-wide market, and the Belgian and Dutch markets for towels/hand wipes and in the Dutch market for industrial wipers, the next largest competitor will have a market share of one-half or less of that of the post-merger company.
36. Nevertheless, the competition analysis of SCA's future market position has to take into account the fact that the main actual and potential competitors in the above markets are very strong multinational suppliers with substantial financial resources as described below.

The US producer, Scott Paper Company, is the largest supplier of tissue products both in the world and in the EEA, with total sales of about ECU 4,600 million in 1994 (of which personal care/cleaning products amount to about ECU 3,500 million). Scott expanded its European activities in 1990 by acquiring from Stora a majority share in its German-based Feldmühle tissue product business.

The James River Corporation is one of the largest suppliers of tissue products in North America, with total world sales of about ECU 4,500 million (of which consumer products amount to about ECU 2,300 million). It penetrated the European market in 1987 through the acquisition of Beghin-Say/Kaysersberg, a French-based producer. In 1990, James River entered into a joint venture with Nokia and Montedison, called Jamont, which is now solely owned by James River.

Another important player in the EEA-market is Kimberly-Clark, which is a major US-based multinational. Kimberly-Clark, which entered the European market in 1981, is the fourth largest producer of tissue products in the EEA. The company is present in most Member States and is particularly strong in the sale of branded products (e.g. under the "Kleenex" label).

A very recent entrant into the EEA tissue market is Procter & Gamble through its acquisition in 1994 of VP-Schickedanz, a German-based manufacturer of paper-based products, including tissue products (handkerchiefs and toilet paper). Procter & Gamble is the fourth largest supplier of tissue products in North America and is well established in Europe as a supplier of consumer goods.

37. Furthermore, the market for tissue in Western Europe would appear to be an attractive one for producers. The current average annual tissue consumption in Western Europe at 9.6 kg per person is only half that of the United States (about 20 kg per person). Over the period 1987-1992, the rate of growth of tissue products consumption in Western Europe was twice that of the United States and, given the relatively low level of current consumption, further growth is to be expected.

In this light, SCA has pointed out that since 1987, two major US tissue producers have entered the EEA market by the acquisition of existing manufacturers and considers that there will be further, significant market developments in the future.

38. Reputational characteristics can constitute very important entry barriers for certain hygiene products, as seen in the Procter and Gamble case (Decision No.IV/M.430 - Procter & Gamble/VP Schickedanz (II), 21 June 1994). However, in the specific tissue product markets affected by the proposed operation (i.e. non-feminine protection products), it must be observed that not only are the products less sophisticated than those concerned in the Procter & Gamble decision but also the reputational entry barriers are comparatively weak for the following reasons:
- relatively high price sensitivity (customers appear willing to switch easily to lower price, private label products),
  - relatively high penetration of private label products across the various tissue product markets concerned and correspondingly low advertising expenditure.
39. Based on the Commission findings ( see also points 12 and 14 above) there exists a relatively high supply-side substitutability from the point of view of the basic production machinery required to manufacture tissue products as well as with regard to the nature of the products themselves. Consequently major competitors such as Scott, James River/Jamont, Procter & Gamble and Kimberly-Clark will be able to exert strong competitive pressure on the combined entity in a particular tissue product/national market combination should SCA/PWA seek to behave in a manner independent of its competitors.
40. In this regard the Commission also observes that : first, spare capacity exists (the EEA-wide average is around 90%, with SCA operating at [...] <sup>10</sup> and PWA at approximately [...] <sup>10</sup>); secondly, and more importantly, given the expected market growth, producers are continuing to invest in new capacity. For example in 1992 and 1993 European capacity increased by 3.6% and 4.5% respectively. Therefore, it is to be expected that in the future, the major competitors will be able to increase their presence in specific product/geographic markets should opportunities present themselves.
41. In addition, with regard to towels/hand wipes and industrial wipers (i.e. those specific tissue products where the combined entity has the highest market shares at Member State level), it is to be noted that additional competitive pressure is placed on the suppliers of these products by the fact that they are purchased exclusively by industrial and institutional customers. As mentioned above, these customers have the choice of satisfying their requirements not only by tissue paper products but also by textile towels and textile wipers. It is not uncommon for all these competing products to be supplied by a single distributor ( for example, Elis in Belgium and CWS in Germany). The existence of direct competition is further illustrated in some tissue products producers' brochures which deal with the relative merits of these different products (i.e. textiles, tissue, rags). There is, therefore, some competition between tissue products and alternative products and these alternatives would be able to exert some additional pressure on the pricing behaviour of the suppliers of tissue towels and tissue wipes.
42. In summary, therefore, the Commission has taken particular account of the following factors : the existence of strong competitors with substantial market

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<sup>10</sup> Deleted business secret.

shares; the relatively high supply-side substitutability combined with the current availability of spare capacity; the expected market growth and past and continuing investment of the major players in new capacity to satisfy the increasing market demand; the dynamic nature of the overall market as well as the fact that in those particular product market/national market combinations where the parties have the highest market shares, their customers are mainly institutional and industrial organisations who can, if needed, displace demand to alternative solutions to their requirements. Consequently, the Commission considers that the proposed concentration will not create or strengthen a dominant position even on narrow product and geographic market definitions.

43. In light of the factors discussed above, it appears that the market share aggregations in the tissue product markets resulting from the proposed operation are not likely to create or strengthen a dominant position in the common market.

#### Corrugated case materials

44. The combined market shares of the parties on the EEA market for CCM is [10-15%]<sup>11</sup> by volume and [10-15%]<sup>11</sup> by value. SCA will be subject to effective competition from a number of other competitors such as Smurfit, International Paper, Leydier and Metsä-Serla. Smurfit is an integrated manufacturer and converter of paper and paperboard whose main operations are located in Europe, the United States of America and Latin America. International Paper is active in the production of printing paper, CCM and corrugated cases. Its turnover is about ECU 10,000 million, of which approximately ECU 3,000 million is in packaging (of which about 75% is in Europe). Therefore, the combined market share of the parties will not create a dominant position.

#### Corrugated cases

45. The parties' share in the EEA market for corrugated cases will be [5-10%]<sup>11</sup> (by volume) after the merger. If national areas are considered, the parties' activities will only overlap to a small extent and this in Belgium, the Netherlands, Germany and Denmark.
46. In Belgium SCA already has a market share of [20-30%]<sup>11</sup> and PWA of [0-5%]<sup>11</sup>. After the merger SCA will be confirmed as the leading supplier with [20-30%]<sup>11</sup>. The share of the next largest competitors, VPK and Cartomill, will be [10-20%]<sup>11</sup> and [10-20%]<sup>11</sup> respectively. VPK is a family-owned company with a turnover of about ECU 75 million, whereas Cartomills is a subsidiary of Stone Container Corporation, a major multinational paper company with a turnover of approximately ECU 4,000 million.
47. In the Netherlands the leading suppliers are Corrugated Europe (40-45%), Smurfit (15-20%) and Empee (15-20%). Corrugated Europe is a subsidiary of KNP BT with a turnover of about ECU 300 million. Following the merger, SCA will be the second largest supplier with [15-20%]<sup>11</sup>.

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<sup>11</sup> Deleted business secret, range as indicated.

48. In Germany and Denmark the combined market shares of SCA and PWA will amount to only [5-10%]<sup>12</sup> and [0-5%]<sup>12</sup> respectively.
49. The merger will not give rise to competition concerns in corrugated cases because the market is characterised by low costs of entry; thus, it could be easily entered by any of the major European competitors of SCA, as already stated in the Commission decision of 19 September 1994 (IV/M.499 - Jefferson Smurfit/St. Gobain).

Uncoated wood-free paper

50. The combined share of the parties in the EEA market for uncoated wood-free paper will be about [0-5%]<sup>12</sup>. SCA will be subject to effective competition from International Paper, Stora, Kymmene, MODO and Neuseiller. Stora is a Swedish-based company with operations which include the production of pulp, fine paper, publication paper and packaging board. Its turnover amounts to about ECU 5,300 million. Kymmene is Europe's largest producer of uncoated wood-free paper, representing approximately 16% of European production capacity. Its turnover is about ECU 1,400 million.

**V. CONCLUSION**

51. Based on the above findings, the proposed transaction does not raise serious doubts as to its compatibility with the common market.
52. 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 functioning of the EEA agreement. This decision is adopted in application of Article 6(1)b of Council Regulation No 4064/89 and Article 57 of the EEA Agreement.

For the Commission

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<sup>12</sup> Deleted business secret, range as indicated.