

***Case No COMP/M.6117 -
ASSA ABLOY / CARDO***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 09/03/2011

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EUROPEAN COMMISSION

Brussels, 9.3.2011

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.6117 – ASSA ABLOY / CARDO
Notification of 02.02.2011 pursuant to Article 4 of Council Regulation
No 139/2004¹**

1. On 02.02.2011, the European Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 ("Merger Regulation") by which the undertaking Assa Abloy AB ("AA", Sweden) acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control of the undertaking Cardo AB ("Cardo", Sweden) by way of purchase of shares. AA and Cardo are jointly referred to as "the Parties".
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 internal market and the EEA Agreement.

I. THE PARTIES AND THE OPERATION

3. AA is a manufacturer and supplier of door opening solutions, i.e. electronic and mechanical security products, locks and associated products such as emergency exit

¹ OJ L 24, 29.1.2004, p. 1 ("the Merger Regulation"). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ("TFEU") has introduced certain changes, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this decision.

devices and window hardware. AA's range of electronic security products include electronic cylinders, automatic doors, secure identification and various access control products.

4. Cardo is a manufacturer and supplier of industrial doors and logistics systems, waste water treatment systems and process equipment for the pulp and paper industry.
5. Pursuant to Sale and Purchase Agreements dated 11 and 12 December 2010, the operation consists of the acquisition of sole control by AA over Cardo, by means of purchase of shares representing 63.4 % of voting rights in Cardo. This acquisition is the first part of an operation aimed at acquiring the Cardo's entire capital by AA. AA has subsequently launched a public bid for the remaining outstanding shares in Cardo. Hence, the proposed transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

II. EU DIMENSION

6. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 2.5 billion² (AA: EUR 3.4 billion, Cardo: EUR 828 million). The combined aggregate turnover of all the undertakings concerned is above EUR 100 million in at least three Member States (Germany, Sweden and France). In each of these three Member States (Germany, Sweden and France), the aggregate turnover of each of the undertakings concerned is above EUR 25 million. The aggregate EU-wide turnover of each, AA and Cardo, is more than EUR 100 million. However, AA and Cardo do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has a EU dimension pursuant to Article 1(3) of the Merger Regulation.

III. COMPETITIVE ASSESSMENT

7. According to the Parties, the proposed transaction does not result in any competition concerns since their product and service ranges, as well as geographic presence, are largely complementary. While Cardo's business is primarily in doors for industrial and residential (garage) applications and related products and services, AA has its focus on manufacturing and sale of automated pedestrian doors and related after-sales service and sells only small quantities of industrial and residential garage doors with limited provision of after-market services for such products. In addition, the proposed transaction leads to a vertical relationship as AA manufactures and sells mechanical and electromechanical locks, while Cardo integrates and sells these locks as part of its industrial and residential doors.

A. INDUSTRIAL DOORS

Relevant Product and Geographic Market Definition

² Turnover calculated in accordance with Article 5 of the Merger Regulation.

8. Industrial doors are designed to be used for both outdoor and indoor applications in industry or commercial buildings such as waste handling, warehouses, distribution centres, logistics centres, shipyards, airports, supermarkets, car dealers and all sorts of production plants. Industrial doors are generally designed for entrances through which vehicles such as trucks, lorries and wagons enter.
9. The Parties, in the absence of Commission precedents, submit that industrial doors constitute a distinct product market from pedestrian doors, which open and close automatically when a person's presence is detected and therefore perform different functions than industrial doors.³ The Parties also argue that no distinction should be made between automated and non-automated industrial doors because the only difference between the two types is an operator, which transforms a non-automated door into an automated one. Moreover, within industrial doors a further segmentation into sectional doors, high speed doors, folding doors and docking stations would not be appropriate because of supply-side substitutability.
10. As to the relevant geographic market, the Parties submit that the market for industrial doors is at least EEA-wide but have also provided information relating to regional clusters (Nordic states, "home base", as well as Member State level).
11. The market investigation has largely confirmed the product market definition proposed by the Parties, in particular the distinction between industrial doors and pedestrian doors.
12. Concerning a further segmentation within industrial doors as well as related to the relevant geographic market, the results could not support the Parties' submission. In particular, customers indicated that the different industrial doors fulfil different functionalities and that sourcing is not necessarily done on an EEA-wide level. However, in the present case it is not necessary to reach a conclusion on the definition of the relevant product and geographic market for the products concerned since the transaction would not raise any competition concerns under any potential market definition.

Competitive Assessment

13. According to the information provided by the Parties, the transaction does not lead to an affected market in industrial doors at the EEA level since the Parties' have a combined market share (by value) of [0-5] %.
14. If the geographic market were to be defined as national, the transaction as shown in Table 1 would lead to horizontally affected markets in industrial doors in Sweden, Finland and Norway. The transaction would also lead to an affected market if the market were to defined wider than national covering the Nordic States.

³ The Parties consider specialised hangar doors to be a separate product market from industrial doors due to their specialised characteristics.

Table 1: Parties' market shares of industrial doors (2010)

	Market share by value (%)			Market share by volume (%)		
	AA	Cardo	Combined	AA	Cardo	Combined
EEA	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]
Nordics	[0-5]	[20-30]	[20-30]	[0-5]	[10-20]	[10-20]
Finland	[0-5]	[10-20]	[10-20]	[0-5]	[10-20]	[10-20]
Norway	[0-5]	[20-30]	[20-30]	[0-5]	[10-20]	[10-20]
Sweden	[5-10]	[10-20]	[20-30]	[5-10]	[10-20]	[10-20]

(*) Nordics: Denmark, Finland, Norway and Sweden

Source: Parties' estimates

15. With regard to the Swedish market, where the increment ([5-10]%) and the combined market share ([20-30]%) are the highest, it is noted that several competitors remain in the market for industrial doors, in particular Hörmann ([10-20]% share), Prido ([5-10]% share), Ajab ([5-10]% share), Albany ([5-10]% share), EAB (5-10)% share) and other competitors ([20-30]% share)⁴. Manufacturers face no significant obstacles to expanding their capacity and the industry is characterised by spare capacity. Moreover market entry is according to the Parties easy into the industrial door markets.
16. With regard to Finland and Norway, the transaction would lead only to a *de minimis* increment. AA does not have a sales organisation in these countries and supplies only non-exclusive distributors (wholesalers) while Cardo supplies end-customers via its on-the-ground sales organisation. The Parties do not supply the same customer categories⁵.
17. If a further sub-segmentation of industrial doors were to be considered, the transaction would lead to affected markets in the product market categories and geographic markets shown in Table 2. However, in several of those product categories the increment brought about by the transaction remains *de minimis*.⁶ Moreover, several competitors remain in each of the different product segments. Rival suppliers in the segment of docking stations in Sweden include Dockab ([20-30]% share), Kone ([10-20]% share), Novoferm ([10-20]% share) and Hörmann ([5-10]% share). In the segment of sectional doors, remaining competitors in Sweden include Hörmann ([10-20]% share) and Lindab ([10-20] % share). As to high speed doors, remaining competitors in Sweden include Albany, the largest supplier in Sweden ([40-50]% share), Nordic Door ([10-20]% share) and Negreco ([10-20]% share).

⁴ In Sweden, AA only installs and distributes other manufacturer's industrial doors.

⁵ In case of considering a wider geographic market definition covering the Nordic states it is noted that many competitors will remain such as Hörmann, Novoferm and Kone.

⁶ The transaction will only give rise to *de minimis* increments in market shares in all the Member States besides Sweden. Furthermore in Norway and Finland, AA does not have a sales organisation and supplies only via non-exclusive distributors (wholesalers) while Cardo supplies end-customers via its on-the-ground sales organisation.

Table 2: Parties' Market shares in product categories of industrial doors (2010)

Product category	Member State	Share by value (%)			Share by volume (%)		
		AA	Cardo	Combined	AA	Cardo	Combined
Sectional doors	Belgium	[0-5]	[10-20]	[10-20]	[0-5]	[10-20]	[10-20]
	Sweden	[5-10]	[10-20]	[10-20]	[0-5]	[10-20]	[10-20]
Folding doors	Sweden	[0-5]	[5-10]	[5-10]	[0-5]	[0-5]	[0-5]
High speed doors	Denmark	[0-5]	[10-20]	[10-20]	[0-5]	[10-20]	[10-20]
	Finland	[0-5]	[10-20]	[10-20]	[5-10]	[10-20]	[10-20]
	Italy	[10-20]	[0-5]	[10-20]	[30-40]	[0-5]	[30-40]
	Sweden	[5-10]	[10-20]	[20-30]	[5-10]	[10-20]	[10-20]
	Norway	[0-5]	[10-20]	[10-20]	[0-5]	[10-20]	[10-20]
Docking stations	Sweden	[10-20]	[10-20]	[20-30]	[10-20]	[10-20]	[20-30]

Source: Parties' estimates

18. In the market investigation, a minority of respondents raised concerns with regard to potential conglomerate effects, as the Parties will be able post transaction to jointly supply industrial and pedestrian doors. These respondents argued that such an opportunity would be particularly attractive to large clients such as hospitals, railways, airports, big retailers and government institutions. However, it should be noted that the share of customers that purchase both industrial and pedestrian doors is rather limited representing about [20-30]% to [30-40]% of overall demand. In addition, the market share achieved by the Parties - usually well below [30-40]% in the markets concerned - does not allow foreclosing its competitors. Sufficient customers only demanding either industrial or pedestrian doors would remain in the market for competitors to switch to in case the Parties were to try a foreclosure strategy by bundling the two types of doors. In addition, other rival manufacturers such as Hörmann and Novoferm can also respond by teaming arrangements in order to replicate the offer of the Parties. In view of the above it can be concluded that the Parties cannot engage in foreclosure strategies in relation to industrial and pedestrian doors.
19. Therefore, the proposed transaction will not give rise to any competition concerns in industrial doors irrespective of the relevant product or geographic market definition.

B. RESIDENTIAL GARAGE DOORS

Relevant Product and Geographic Market Definition

20. Doors for residential garages are intended for the consumer market and can be further segmented into one-piece overhead garage doors, sectional garage doors and traditional doors.
21. The Parties, in the absence of Commission precedents, consider that no distinction should be made between automated and non-automated doors. Moreover, the Parties submit that a further market segmentation into overhead, sectional and traditional garage

doors would not be appropriate because all these doors fulfil the same purpose and are therefore substitutable from a customer perspective.

22. As to the relevant geographic market, the Parties submit that the market for residential garage doors is at least EEA-wide.
23. The market investigation broadly confirmed the product market definition proposed by the Parties, but was less clear as to the relevant geographic market, where some respondents indicated a national scope. In any case, the definition of the relevant product and geographic market for the products concerned may be left open since the transaction would not raise any competition concerns under any potential market definition.

Competitive Assessment

24. The transaction leads to a potentially affected market if the geographic market is defined as national⁷ and only for Sweden where the Parties compete not on the manufacturing level but on the distribution level⁸.
25. The transaction will lead to a combined market share in the Swedish market of [20-30]% (by value) with a modest overlap of [0-5]% (by value). Moreover several competitors will remain in the market such as Hörman ([20-30]%), Garageportexpert ([10-20]%), Dieden ([5-10]%), Novofem ([5-10]%) and Lindab ([5-10]%).
26. Therefore, the proposed transaction will not give rise to any competition concerns in residential garage doors irrespective of the relevant product or geographic market definition.

C. AFTER-SALES SERVICES

Relevant Product and Geographic Market Definition

27. After-sales maintenance and repair services on pedestrian and industrial automated doors are intended to ensure the smooth, safe and uninterrupted operation of these doors. In this context, service companies offer scheduled maintenance services as well as on-demand repair and upgrade services.
28. The Parties submit, in line with the Commission's decisional practice in other sectors⁹, that the after-sales services for pedestrian doors and industrial doors, respectively, constitute markets distinct from the supply and installation of doors. As such, the after-sales services are not linked to the supply of the automated door and are generally procured separately. The Parties submit that the market includes all types of after-sales services (maintenance, repair, spare parts and upgrade services). They further submit that after-sales services for industrial doors and for pedestrian automated doors constitute

⁷ According to the information provided by the Parties, in 2010 the combined market share (by value) of the Parties in residential garage doors at the EEA-level was [10-20]%.

⁸ AA is mainly active in garage doors through the distributor Portsystem in Sweden.

⁹ See Cases M.2703 - Merloni/GE/GDA JV and M.4727 - Segulah/Capman JV.

distinct markets because the know-how and services requirements differ between these doors.

29. As to the relevant geographic market, the Parties submit that the markets for the after-sales services for automated doors, respectively industrial and pedestrian, are national in scope.
30. The results of the market investigation broadly confirmed the market definition proposed by the Parties, in particular with respect to segmentation into after-sales service for industrial doors and pedestrian doors as well as to the national scope of the market.
31. However, in the present case it is not necessary to reach a conclusion on the definition of the relevant product and geographic market for the products concerned since the transaction would not raise any competition concerns under any potential market definition.

Competitive Assessment

32. If the geographic market were to be defined as national, the transaction would lead to affected markets in after-sales services of industrial doors in Denmark, the Netherlands and Sweden and in after-sales services of pedestrian doors in Belgium, Denmark, the Netherlands and Sweden (as illustrated in Table 4). In case of an overall after-sales service market (including industrial and pedestrian doors), the transaction would result in affected markets in Belgium, Denmark, the Netherlands and Sweden.

Table 4: Market shares by value in after-sales services (2009)

	Country	Share by value (%)		
		AA	Cardo	Combined
Services for pedestrian doors	Belgium	[20-30]	[0-5]	[20-30]
	Denmark	[10-20]	[0-5]	[10-20]
	Netherlands	[20-30]	[0-5]	[20-30]
	Sweden	[10-20]	[0-5]	[10-20]
Services for industrial doors	Denmark	[0-5]	[20-30]	[20-30]
	Netherlands	[0-5]	[20-30]	[20-30]
	Sweden	[0-5]	[30-40]	[30-40]
Services for pedestrian and industrial doors	Belgium	[0-5]	[10-20]	[10-20]
	Denmark	[0-5]	[10-20]	[20-30]
	Netherlands	[5-10]	[10-20]	[20-30]
	Sweden	[5-10]	[20-30]	[30-40]

Source: Parties' estimates

33. The Parties submit that they are not close competitors in the provision of after-sales services. More than [90-100]% of Cardo's services business is in the provision of services for industrial doors, while more than [90-100]% of Besam's¹⁰ services business

¹⁰ AA offers after-sales services through its subsidiary Besam and in Sweden via its subsidiary Polsystem 2000 AB.

is in the provision of services for pedestrian doors. This submission has been widely supported by customers during the investigation.

34. In the Belgian, Danish, Dutch and Swedish service markets for pedestrian doors, the transaction gives rise to a *de minimis* increment in market share, in each case of less than [0-5]%. The Parties estimated combined market shares will remain at [20-30]%, [10-20]%, [20-30]% and [10-20]%, respectively. Similarly, in the Danish and Dutch service markets for industrial doors, the transaction will result in market share increments of less than [0-5]%. The Parties estimated combined market shares will remain at [20-30]% and [20-30]%, respectively. Therefore in these markets the transaction does not give rise to competition concerns.
35. In the Swedish service market for industrial doors, the transaction will not significantly modify the market structure as AA will add a [0-5]% share to Cardo's [30-40]% market share. Customers did not voice concerns and a majority confirmed that the merged entity would be constrained by well-established international players which will remain active and will continue to provide their services to existing customers. Such companies are not limited to manufacturers of automated doors. Competitors include Kone ([10-20]% share), Albany ([10-20]% share), Hörmann ([10-20]% share) and Potteknik ([5-10]% share) for industrial door services. Furthermore the Parties claim that the barriers to entry and expansion in after-sales services for automated doors are low and that large customers exercise substantial buyer power.
36. Some concerns were raised by a minority of competitors in the market investigation as to potential conglomerate effects arising from the joint servicing of industrial and pedestrian doors. However, it should be noted that the Parties will have limited capacity to leverage their position in relation to either service since in none of the markets they have market power that could be leveraged through tying or bundling into another market.¹¹ Indeed, their joint share in the supply of services for pedestrian and industrial doors is well below [40-50]% in any country. Moreover, the customer base that would be interested to source both industrial and pedestrian door services is rather limited (20%-30% of overall demand), and the majority of such clients still source industrial and pedestrian doors services separately. Thus, sufficient customers only demanding services for either industrial or pedestrian doors would remain in the market for competitors to switch to in case the Parties were to try a foreclosure strategy by bundling or tying the two types of services. Moreover, other competitors such as Kone, Hörmann or Novoferm already offer both types of services and other suppliers, specialised in one type of service could respond by teaming arrangements in order to replicate the offer of the Parties. In view of the above, it can be concluded that the transaction would not lead to foreclosure by the joint provision of services for pedestrian and industrial doors.
37. Therefore, the proposed transaction will not give rise to any competition concerns in the supply of after-sales services irrespective of the relevant product or geographic market definition.

Vertical relationships

¹¹ As referred to in §95 of the Guidelines on the assessment of non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings, OJ C 265, 18 October 2008, p.6.

D. MECHANICAL LOCKS AND INDUSTRIAL AND RESIDENTIAL GARAGE DOORS

38. AA but not Cardo, manufactures and sells mechanical locks directly to Original Equipment Manufacturers (“OEMs”) manufacturing doors and windows¹². AA supplies Cardo and other door manufacturers with locks used as a component in the doors that the door manufacturers themselves sell to customers further down the supply chain. Thus the market of mechanical locks to OEM is vertically related to industrial doors and residential garage doors.
39. The Parties, following a series of Decisions of the Swedish Competition authority¹³, consider that mechanical locks and electromechanical locks constitute separate product markets. Moreover, the Parties claim that the geographic market for mechanical locks sold to OEMs is EEA-wide.
40. If the geographic market for mechanical locks were to be defined as national, as shown in Table 5 there would be vertically affected markets in Belgium, Estonia, Finland, the Netherlands, Sweden, the United Kingdom and Norway.

Table 5: AA market share in mechanical locks to OEM

Country	Value (%)	Volume (%)
EEA	[10-20]	[10-20]
Belgium	[30-40]	[40-50]
Estonia	[30-40]	[20-30]
Finland	[80-90]	[40-50]
Netherlands	[20-30]	[20-30]
Norway	[40-50]	[20-30]
Sweden	[70-80]	[70-80]
UK	[30-40]	[20-30]

41. The Parties submit that the merged firm would not have the ability to foreclose rival door manufacturers or rival lock manufacturers. With respect to possible customer foreclosure, producers of industrial and residential garage doors only represent a minor part of the customer base of lock manufacturers.¹⁴ As to input foreclosure, mechanical locks, as further confirmed by the market investigation, represent a minor proportion (about 1-2 %) of the price of an industrial or garage door. Moreover, respondents to the market investigation voiced no concern and specified that AA's mechanical locks are not specific and that several alternative manufacturers like Securidev, Iseo Serrature, Kaba, Ingersoll Rand or Gretsch-Unitas would be able to supply locks of similar quality if

¹² Instead, small OEMs tend to buy from distributors.

¹³ Decision of the Swedish competition authority on cases Securitas Lock group / Abloy (dnr 912/94); Assa Abloy / Copiax (dnr 208/2008, dnr 489/2008); Assa Abloy/ AKI Låsgrossisten AB (dnr 280/2000).

¹⁴ Cardo had purchases of EUR [...] in 2010 compared to a market value of mechanical locks of EUR 454.4 million.

required. The Parties also claim that door manufacturers procure locks at an international level and not on a country-by-country basis. In this respect, AA does not have a significant market power in the market for mechanical locks sold at an EEA level.

42. In view of the above, and since the market investigation confirmed that locks are not an important input factor and that customers would be able to find alternative suppliers, it is concluded that the merged entity is unlikely to embark in foreclosure strategies in relation to locks and industrial or residential garage doors.

IV. CONCLUSION

43. For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation.

For the Commission

(signed)

*Joaquín ALMUNIA
Vice-President*