

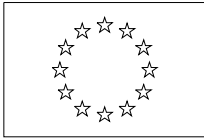
***Case No COMP/M.6292 -
SECURITAS/
NISCAYAH GROUP***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 02/08/2011

***In electronic form on the EUR-Lex website under
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EUROPEAN COMMISSION

Brussels, 02.08.2011
C(2011) 5676

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

To the notifying party

Dear Sir/Madam,

**Subject: Case No COMP/M.6292 - SECURITAS/ NISCAYAH GROUP
Commission decision pursuant to Article 6(1)(b) of Council Regulation
No 139/2004¹**

1. On 28 June 2011, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertaking Securitas AB ("**Securitas**" or the "**notifying party**", Sweden) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of the undertaking Niscayah Group AB ("**Niscayah**", Sweden) by way of public bid. Securitas and Niscayah are designated hereinafter as the "**Parties**".

I. THE PARTIES

2. Securitas provides security services to a wide range of customers in a variety of industries (governments, airports, infrastructure, banks, shopping centers, hotels, manufacturing industries, mining industries, hospitals, high-tech and IT companies, households etc.). The services provided are specialized guarding (including mobile guarding), alarm monitoring and response, aviation security, security consulting and investigations.
3. Niscayah provides the design and installation of security systems, maintenance and repair services for such systems as well as alarm monitoring services. Niscayah was founded in 2006 when it was spun-off from Securitas.

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.

II. THE OPERATION AND THE CONCENTRATION

4. On 16 May 2011, Securitas announced a public offer to acquire all shares and warrants of Niscayah. As a result Niscayah would become a wholly owned subsidiary of Securitas. However, Securitas reserves the right to withdraw its offer if it becomes clear that it will not acquire more than 90%² of the outstanding shares of Niscayah.³
5. Consequently, the proposed transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

III. EU DIMENSION

6. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million⁴ (Securitas: EUR [...] million; Niscayah: EUR [...] million). The two undertakings concerned have a EU-wide turnover in excess of EUR 250 million (Securitas: EUR [...] million; Niscayah: EUR [...] million) and neither one of the undertakings concerned achieves more than two-thirds of its aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension pursuant to Article 1(2) of the Merger Regulation.

IV. COMPETITIVE ASSESSMENT

1. Market definition

a) *Product market definition*

7. The transaction concerns the security services sector. Securitas provides amongst others manned guarding⁵ and alarm monitoring and response services. It also provides specific security services to airlines and airport managers. Niscayah, for its part, provides electronic guarding services (i.e. alarm installation and maintenance), as well as alarm monitoring services (but without response services).
8. In previous decisions⁶, the Commission took the view that (i) manned guarding, (ii) alarm monitoring and response, (iii) electronic guarding (i.e. alarm installation and maintenance) and (iv) aviation security services constituted distinct product markets.

² A shareholder needs to obtain 90 per cent or more of all outstanding shares to initiate a compulsory share purchase procedure according to the Swedish Company Act.

³ On 27 June 2011, Stanley Black & Decker, a US-based manufacturer of tools and hardware and provider of security products also launched a public offer on Niscayah. This second offer appears to be supported by Niscayah's board. [...], Securitas extended the deadline of its tender offer.

⁴ Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C95, 16.04.2008, p1).

⁵ Manned guarding encompasses services such as: (a) uniformed on-site guards and retail guards (static manned guarding); (b) mobile manned guarding services; (c) key-holding services; (d) contract project security, (e) events security and crowd management, etc.

⁶ See in particular case COMP/M.3396 *Group 4 Falck / Securicor*, paragraph 29 and 31.

Alarm monitoring and response

9. Alarm monitoring consists in receiving electronic data in an Alarm Receiving Centre (ARC) connected to a site of a customer, and reacting to any abnormal event detected by the alarm system of the site. The action to be taken by the provider of alarm monitoring services when an abnormal event is detected can either be (1) a phone call to the customer, to the police or to another security company or (2) an "outside response", which involves sending staff on-site. Alarm response services consist in the provision of such "outside response" services. Alarm monitoring and alarm response can be provided to a given customer by either one or two different suppliers.
10. In *Securitas / Reliance Security Services*⁷, the Commission considered sub-segmenting the manned guarding market and grouping alarm response with sub-segments of manned guarding.⁸ Under this approach, alarm monitoring and alarm response would belong to distinct markets. The Commission eventually left the exact product market definition open in that decision.
11. Regarding alarm monitoring and response, the notifying party proposed the two following options: (i) consider alarm monitoring and response as a single relevant market and (ii) consider alarm monitoring as a separate market and group alarm response with sub-segments of manned guarding.
12. The market investigation showed that around half of the customers purchased alarm monitoring and response services from the same provider, either as a package or separately. A majority of customers and of competitors considered it inappropriate to subdivide the market for alarm monitoring and response. In any event, since Niscayah is not active in the alarm response market, the competitive assessment will focus on both the market for alarm monitoring and response jointly and the market for alarm monitoring only, without there being any need to reach a definitive conclusion on whether there is a separate market for alarm monitoring only as the proposed transaction would not give rise to competition concerns irrespective of the precise market definition.

Alarm installation and maintenance (Electronic guarding)

13. Electronic guarding consists in the installation and maintenance of alarm systems such as management of access control and fire alarm systems or systems based on video surveillance.
14. Regarding alarm installation and maintenance (electronic guarding), the majority of respondents to the market investigation considered that it constitutes a separate product market. This confirms the Commission's finding in its previous decisions *Group 4 Falck / Securicor*⁹ and *EQT/Securitas Direct*¹⁰ where it was found that a distinction can be made between manned guarding services and alarm installation and maintenance (electronic guarding). Whereas manned guarding services are typically used to deter and prevent security problems, thanks to physical on-site presence and the possibility of an immediate response, electronic guarding equipment allows only detection of security problems (eventually leading to an ex post reaction).

⁷ Case COMP/M.5993 *Securitas / Reliance Security Services / Reliance Security Services Scotland*, paragraphs 15 to 17.

⁸ This segmentation is supported for instance by the fact that some customers procure alarm monitoring and alarm response from different providers.

⁹ Case No COMP/M.3396 *Group 4 Falck / Securicor*, paragraphs 23 to 25.

¹⁰ Case No COMP/M.4986 – *EQT V/ Securitas Direct*, paragraph 10.

Distinction between residential and non-residential customers

15. In *EQT V / Securitas Direct*¹¹, the Commission considered a further distinction between household and corporate customers within the market for alarm monitoring and response and the market for alarm installation and maintenance. In the end this question was left open. The notifying party considers this distinction to be inappropriate for alarm monitoring, in particular because the service provided is essentially the same for all categories of customers. The market investigation did not reveal a clear result as to whether alarm monitoring and/or response services provided to residential (household) customers are different from those provided to non-household customers (companies, public authorities etc.). However, for the purpose of the present decision, it can be left open whether alarm monitoring and/or response services provided to households and those provided to non household customers constitute distinct product markets as the proposed transaction would not give rise to competition concerns irrespective of the precise market definition.

b) Geographic market definition

16. The notifying party submits that security services markets are national in scope. In its previous decisions, the Commission also concluded that these markets were national, except in a recent decision, where the geographic definition of manned guarding services was left open, not excluding the possibility of infra-national markets.¹² The market investigation confirmed that in the countries concerned, i.e. Belgium, Denmark, the Netherlands, Sweden and Finland the markets for alarm monitoring and response, the possible market for alarm monitoring and the market for alarm installation and maintenance are national in scope.

17. One reason for the national dimension of these markets is the importance in the sector of country specific regulations. Moreover, prices charged for alarm monitoring and response services appear homogenous across the national territory. Finally, most competitors are active nationwide often covering the national territory by a single Alarm Receiving Centre (ARC). A substantial majority of customers considers it very important that the supplier of alarm monitoring and/or response services is able to offer such services at national level.

18. Consequently, for the purpose of the present decision it can be concluded that both (i) the market for alarm monitoring and response and (ii) the possible market for alarm monitoring only are national in scope. The same is true for the market for alarm installation and maintenance (electronic guarding).

2. Competitive assessment: horizontal effects

19. Securitas and Niscayah's operations overlap in the market for alarm monitoring and response and in the possible market for alarm monitoring.

20. The Parties noted that it is difficult to estimate the total market size of the market for alarm monitoring and response and the possible market for alarm monitoring only at national level. They provided their own estimates of the market as well as two independent reports covering these countries, one by IMS Research, *The EMEA Market for Monitoring Services*, 2010 and another one by Freedonia, *Industry Study 2711 World Security Services*

¹¹ Case COMP/M.4986 *EQT V / Securitas Direct*, paragraphs 14 and 15.

¹² Case COMP/M.5993 *Securitas / Reliance Security Services / Reliance Security Services Scotland*, paragraphs 21, 24 and 38.

2011. The market size estimates used rely on the IMS Research Report and Securitas' own intelligence¹³. The market shares on which the assessment is based rely on Securitas' best estimates.¹⁴

21. The transaction will lead to affected markets in Sweden and Finland for both the markets for alarm monitoring and response and for the possible market for alarm monitoring, and in Belgium and the Netherlands for the market for alarm monitoring and response.
22. If these markets (alarm monitoring and response and the possible market for alarm monitoring) were to be further segmented by customer type into household customers and non-household customers, the transaction would only lead to affected markets in the non-household segment in Sweden, Finland, Belgium, Denmark and the Netherlands (for this last country only in the market for alarm monitoring and response).

a) Alarm monitoring and response

23. Securitas estimates the size of the total market for alarm monitoring and response services to be the following in each of the affected markets: i) Sweden EUR 212 million; ii) Finland EUR 63 million; iii) the Netherlands EUR 235 million; and iv) Belgium EUR 95 million.
24. The market shares of Securitas, Niscayah and their main competitors in Sweden, Finland, the Netherlands and Belgium are shown in the Table 1 below.

Table 1: Alarm monitoring and response, 2010

Finland		Sweden		Netherlands		Belgium	
Company	Market share	Company	Market share	Company	Market share	Company	Market share
SECURITAS	[20-30]%	SECURITAS	[20-30]%	SECURITAS	[10-20]%	SECURITAS	[20-30]%
NISCAYAH	[0-5]%	NISCAYAH	[5-10]%	NISCAYAH*	[0-5]%	NISCAYAH*	[0-5]%
Combined	[30-40]%	Combined	[20-30]%	Combined	[10-20]%	Combined	[20-30]%
Securitas Direct ¹⁵	[10-20]%	Securitas Direct	[20-30]%	Chubb / UTC	[10-20]%	Siemens	[10-20]%
G4S	[10-20]%	SOS Alarm	[10-20]%	G4S	[5-10]%	G4S	[10-20]%
ISS	[10-20]%	G4S	[5-10]%	ADT	[5-10]%	ADT	[10-20]%

Source: IMS Research and the Parties

25. With the exception of Sweden, the transaction leads to a relatively small increment ([0-5] percent) to the Parties' combined market share in all affected markets.

¹³ As the geographic division in the IMS Research Report (by region i.e. Benelux and the Nordics) does not correspond exactly to the geographic division used by the Commission (i.e. each country separately), the split of the Benelux region to reflect the market size in Belgium and the Netherlands and the split of the Nordic region to reflect the market size in Sweden, Finland and Denmark is based on Securitas' best estimates. These Securitas estimates are for Sweden, Belgium and the Netherlands more conservative than the figures in the Freedonia report (note that the Freedonia report does not appear to cover Denmark and Finland).

¹⁴ The market investigation aimed at confirming the magnitude of Securitas estimates. Using data provided by Niscayah, the market investigation and market reports, the Commission concludes that the combined market shares of the parties would in any event never be above [30-40]% on any market or potential segment, except for one where the combined market share would amount to around [40-50]%. The conclusion of the competition assessment would not be modified using the above-mentioned data.

¹⁵ Securitas Direct is a competitor to the Parties.

26. In Belgium, post transaction, with a combined market share of around [20-30]%, the merged entity will face competition from Siemens, G4S and ADT, each with a market share of [10-20]%.
27. In the Netherlands, the combined market share of the Parties will be [10-20]%. The Parties will continue to face competition post-transaction from Chubb/UTC having a share of [10-20]% as well as from G4S and ADT each having a share of more than [5-10]% in the Netherlands. Other players like Siemens will also continue to be present on the market.
28. In Sweden, the transaction leads to a combined market share of the Parties of [20-30]%. Securitas Direct with a market share of [20-30]% will continue to exert competitive pressure on the Parties post-transaction. The Parties will also continue to face competition from other important players like SOS Alarm and G4S having market shares of close to or higher than 10%, but also from smaller competitors like Rapid Larncentral or Schneider Electric.
29. In Finland, the Parties will have a combined market share of [30-40]%. The merged entity will continue to face competition from a number of players of a considerable size like ISS, G4S and Securitas Direct which have market shares ranging between [10-20]% and [10-20]%. These and other smaller competitors will be able to provide a competitive constraint on the Parties also post-transaction.
30. In light of the generally limited combined market shares the presence of other important players on the markets for alarm monitoring and response in Belgium, the Netherlands, Sweden and Finland, as well as the particular characteristics of the alarm monitoring and response market set out in paragraphs 46 to 52, the transaction does not raise serious doubts as to its compatibility with the internal market.

b) Alarm monitoring

31. If the product market were to be further segmented, the transaction would lead to affected markets on a possible market for alarm monitoring in Sweden and Finland.¹⁶
32. Securitas has provided the following estimates of the size of the total possible market for alarm monitoring: i) Sweden EUR 158 million and ii) Finland EUR 40 million.

¹⁶ It has to be recalled that there is no overlap between the Parties' activities in alarm response, as Niscayah is not active in this segment.

33. The combined market shares of the Parties and their competitors are presented in Table 2 below:

Table 2: Alarm monitoring, 2010

Sweden		Finland	
Company	Market share	Company	Market share
SECURITAS	[5-10]%	SECURITAS	[20-30]%
NISCAYAH	[5-10]%	NISCAYAH	[5-10]%
Combined	[10-20]%	Combined	[20-30]%
Securitas Direct	[30-40]%	Securitas Direct	[30-40]%
SOS Alarm	[10-20]%	G4S	[10-20]%
G4S	[10-20]%	Turvatiimi	[10-20]%
Sector Alarm	[5-10]%	ISS	[5-10]%

Source: IMS Research and the Parties

34. As can be seen in Table 2, the Parties' combined market share on the possible market for alarm monitoring is below [30-40]% in the two affected markets. Furthermore, post-transaction, the Parties continue to be subject to competitive constraint from significant market players like G4S, Securitas Direct or SOS Alarm.
35. In Sweden, the Parties' combined market share will be [10-20]%. Significant other players like Securitas Direct with a share of [30-40]%, SOS Alarm with a share of [10-20]% and G4S with a share of [10-20]% will continue to act as a competitive constraint on the Parties post-transaction.
36. In Finland, the Parties combined market share will be [20-30]%. On this possible market, the combined entity will be subject to a continued competitive constraint from Securitas Direct, a significant player with a market share of [30-40]%, but also from G4S, ISS and Turvatiimi each with a market share of close to or higher than [10-20]%.
37. In light of the limited combined market shares and the existence of other important players on this possible market, the transaction does not raise serious doubts as to its compatibility with the internal market.
- c) Segmentation of the market by customer type*
38. In a previous decision¹⁷, the Commission left open a possible distinction between residential (household) and non-household (commercial) users of alarm monitoring and response services.
39. On the market for alarm monitoring and response, this further subdivision would lead to affected markets only in the non-household segment in Sweden, Finland, Belgium, Denmark and the Netherlands.
40. On the possible market for alarm monitoring only, this further sub-division would also lead to affected markets in the non-household segment in Sweden, Finland, Belgium and Denmark.

¹⁷ Case COMP/M.4986 *EQT V / Securitas Direct*.

41. Two preliminary remarks can be made. First, the market investigation has not revealed a clear result as to whether alarm monitoring and/or response services provided to households are different from those provided to commercial customers.
42. In general, the basic elements of the service are the same for both types of customers. There are differences, for example, in the degree of tailoring of the service (which is more important for larger customers. Smaller customers are satisfied with more standardised service). However, there is no firm rule for this, e.g. a large household customer may require a more sophisticated service than a smaller corporate customer. There may also be differences in the way a product is marketed (marketing to households tends to require mass-market advertising campaigns, targeting high volumes of orders, whilst marketing to corporate customers may be more focused) and how it is procured (larger corporate customers and public authorities may use formal tendering procedures, for example).
43. Second, as Niscayah does not provide response services, the existence of affected markets results from overlaps in the provision of alarm monitoring services, in both the market covering alarm monitoring and response and in a possible market covering alarm monitoring only.
44. Regarding alarm monitoring only and alarm monitoring and response, the combined market shares remain below [30-40]% and the increments brought about by the transaction are in all of the affected segments lower than [5-10]% except for three segments: i) on the possible segment for alarm monitoring services for commercial customers in Finland where the increment is [5-10]%, while the combined market shares of the parties is [30-40]%, ii) on the possible segment for alarm monitoring services for commercial customers in Sweden where the combined market share of the Parties is [30-40]% with Securitas having a market share of [10-20]% and Niscayah of [10-20]% and iii) on the segment for alarm monitoring and response services for commercial customers in Sweden where the Parties would reach [30-40]%, Securitas having a share of [20-30]% and Niscayah of [10-20]%.
45. In spite of these market shares, there is substantial evidence showing that the transaction does not raise serious doubts as to its compatibility with the internal market.
46. First, in Sweden and Finland, where the increments brought by the transaction are above [5-10]%, a majority of customers and competitors do not generally see Securitas and Niscayah as the closest competitor of one another; Securitas tends to focus more on residential and small and medium sized businesses, Niscayah targets larger corporate customers. The market investigation also indicates that Niscayah offers more elaborate services targeting customers with a more complex security environment. As Niscayah indicates in their annual report 2010, they are particularly strong within the segments bank, post and retail with many of the leading companies in Europe and the US being on their customer list.¹⁸
47. Second, the market investigation confirmed that the majority of customers are not locked into long term contracts with limited possibilities of early termination of the contracts with their alarm monitoring and response service providers. In the event that they have concluded long or short term contracts with their security service supplier, customers can terminate their contract with a prior notice period ranging from three months to a year. The market investigation also indicates that customers would not face difficulties in switching their alarm monitoring and response supplier post transaction.

¹⁸ <http://www.niscayah.com/2ed0f4e2-5688-420c-b0ad-dacb85779386.fodoc>

48. Security services are an expanding market. According to the IMS Research Report¹⁹, the market for remote alarm monitoring is estimated to grow by 5%-7% in the Benelux and the Nordic countries by 2014 in both the residential and the non-residential segments.
49. In addition, there seem to be no technological factors that would limit the ability of customers to switch supplier. Neither Securitas nor Niscayah offer a must-have product. Moreover, the market investigation has confirmed that issues related to intellectual property rights or the interoperability of products seems to be relatively unimportant in the security services sector.
50. Considering barriers to entry, the market investigation mentioned that it would require a capital investment of EUR 1-5 million in order to set up an ARC, while compliance with strict regulatory requirements would have to be respected. Nevertheless, the costs of constructing an ARC can be circumvented by sub-contracting to a third party, which renders the entry on the market much less costly. Securitas also indicated that the most important investment lies in the operating software and its server but that such software can be easily acquired from a multitude of suppliers. As a consequence, should the merged entity increase its prices, the market investigation allows to conclude that customers could either switch to existing competitors, who could increase their supply, or to new firms, which could enter into the market at a reasonable cost.
51. Lastly, the transaction does not eliminate an important competitive force from the market. Niscayah is not a recent entrant since it was spun off from Securitas in 2006. Indeed, some market respondents indicated that the acquisition of Niscayah by Securitas would only mean going back to the situation of 2006.
52. [...]
53. As a consequence, the operation does not raise serious doubts as to its compatibility with the internal market on the possible segment for alarm monitoring services to commercial customers in the affected markets and on the segment for alarm monitoring and response services to commercial customers in the affected markets.

2. Competitive assessment: bundling and tying

54. Niscayah provides alarm installation and maintenance services and both Securitas and Niscayah provide alarm monitoring services. These two services (alarm installation and maintenance on the one hand and alarm monitoring on the other) are sometimes sold together to a given customer as a package. When this is the case, the seller of this package may contract out the monitoring part of the service to a third party.
55. In a previous decision²⁰, it was found that customers see manned guarding, alarm monitoring and response, and alarm installation and maintenance (electronic guarding) as complementary but not substitutable services. Therefore, bundling/foreclosure effects cannot fully be excluded, since a company able to offer alarm installation and maintenance together with an alarm monitoring contract (like Securitas post-transaction) may enjoy an advantage over competitors unable to do so.

¹⁹ IMS Research Report - *The EMEA market for remote monitoring services* - 2010 Edition.

²⁰ See case COMP/M.3396 *Group 4 Falck / Securicor*, paragraph 27.

56. However, the market investigation indicates that large customers tend to "multi-source" security services meaning that they do not necessarily purchase alarm monitoring and alarm installation and maintenance services from the same provider. Furthermore, Niscayah's market shares on the alarm installation and maintenance market do not seem sufficiently high to allow the merged entity to harm competing providers of alarm monitoring by bundling the two services. Indeed, Niscayah's market share in the alarm installation and maintenance market appears to be below 30% in Sweden, Denmark and Finland.²¹ Generally, the market investigation did not reveal material competition concern due to possible tying and bundling of alarm monitoring and/or response services with alarm installation and/or maintenance services.²²

V. CONCLUSION

57. 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)
Johannes HAHN
Member of the Commission

²¹ On the basis of Niscayah's own estimate. Note that IMS Research estimates Niscayah's share on the Nordics as a region to be below 30%.

²² In Sweden, the result of the market investigation is a bit more nuanced as a slight majority of competitors consider that the transaction could affect their ability to offer alarm installation and maintenance services on a stand-alone basis. The Commission notes that on the market for alarm installation and maintenance in Sweden, Niscayah has a market share below 30%. In addition, on the market for alarm monitoring and response in Sweden, the Parties' combined market share will also be below 30%. Therefore, considering in particular Paragraph 25 of the Guidelines on the assessment of non-horizontal mergers, the operation does not raise serious doubts as to its compatibility with the internal market due to these non horizontal relationships.