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***Case No COMP/M.6947 - ANTALIS/ XEROX WESTERN
EUROPE PAPER DISTRIBUTION BUSINESS***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 14/08/2013

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Brussels, 14.8.2013

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

To the notifying party:

Dear Sir/Madam,

**Subject: Case No COMP/M.6947 – ANTALIS/ XEROX WESTERN EUROPE PAPER DISTRIBUTION BUSINESS
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004¹**

- (1) On 11 July 2013, the Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertaking Antalis International SAS ("Antalis") acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the paper distribution business of Xerox Corporation ("Xerox") in Western Europe (the "Xerox Assets") by way of purchase of assets.² Antalis will be also be referred to as the "Notifying Party" and Antalis and the Xerox Assets collectively as the "Parties".

1. THE PARTIES AND THE OPERATION

- (2) Antalis is primarily active in the distribution of fine paper, packaging products and visual communication media. Its parent company, Sequana, also wholly owns Arjowiggins SAS ("Arjowiggins"), a company active in the manufacturing of paper and, marginally, in the distribution of paper through direct mill sales.

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.

² Publication in the Official Journal of the European Union No C 205, 19 July 2013, p. 18.

- (3) The Xerox Assets comprise the business and all assets of Xerox involved in the supply of Xerox-branded paper in the following countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. These assets include contracts with customers and suppliers, certain contracts for warehousing, logistics and IT services, Xerox Assets' customer data base and business information, office and warehouse equipment, motor vehicles, marketing material, as well as an exclusive licence to use the Xerox brand with respect to specific fine paper products in the above identified territories. The transfer of these assets, to which a specific turnover can be attributed (see paragraph (6) below), will confer upon Antalis Xerox's current position in the distribution of paper in the above-mentioned countries. It follows that the Xerox Assets constitute a part of an undertaking, that is to say a business with a market presence to which a market turnover can be clearly attributed within the meaning of para. 24 of the Commission Consolidated Jurisdictional Notice.³
- (4) According to the “Asset Purchase Agreement”, the terms of which were agreed on 18 June 2013, Antalis will acquire the Xerox Assets, which, in turn, will confer sole control over these assets upon Antalis.
- (5) The proposed transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

2. EU DIMENSION

- (6) The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 2 500 million⁴ (Antalis: EUR 3 852 million; Xerox Assets: EUR [...]). In each of at least three Member States, the combined aggregate turnover of all the undertakings concerned is more than EUR 100 million, and in each of the same three Member States, the aggregate turnover of each of the undertakings concerned is more than EUR 25 million ([...]). The aggregate Union-wide turnover of Antalis and Xerox Assets is more than EUR 100 million (Antalis: [...]; Xerox Assets: [...]). Neither Antalis nor Xerox has achieved two-thirds of their aggregate Union-wide turnover within one and the same Member State.
- (7) The proposed transaction therefore has an EU dimension pursuant to Article 1(3) of the Merger Regulation.

³ Commission Consolidated Jurisdictional Notice under Council Regulation (EC) No 139/2004 on the control of concentrations between undertakings, Official Journal of the European Union No C 95, 16 April 2008, p.1, paragraph 24.

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

3. RELEVANT MARKETS

3.1. Paper distribution

Product market definition

- (8) The main overlaps between the Parties' activities are in the distribution of office paper and carbonless paper. Both types of paper are categories of fine paper.
- (9) Fine paper, which is manufactured from chemical pulp, is printing and writing paper of high quality. It may either be coated wood-free ("WFC") or uncoated wood-free ("WFU") paper.⁵
- (10) Office paper is a type of uncoated printing and writing paper produced from bleached chemical pulp or recycled fibre and supplied in cut size formats (generally A4 and A3) for office printing applications (ink-jet and laser printers, fax machines, photocopiers etc.).
- (11) Carbonless paper (also known as "self-copying" paper) is used to make duplicate copies without a carbon layer. Carbonless paper is used in, for example, invoicing forms, internal forms (for instance expenses, stock keeping), transport documents (for instance freight orders), purchase orders and contracts. It is a particular grade of WFC paper made from a paper base to which layers of chemical products are applied. The image is generated by the chemical reaction between a colour former and a developer.
- (12) Once the paper has been produced by the paper mills, it is then sold downstream to a variety of distributors, including the following:
 - Paper merchants, such as Antalis, that sell and distribute paper to customers under their own brand name, but also non-branded paper;
 - Original Equipment Manufacturers ("OEMs"), such as Xerox, that buy paper from mills and supply it under their own brand name alongside their branded printing equipment;
 - Office Supply Dealers ("OSDs") that are companies supplying large, medium and small offices, schools or universities with a full range of office products ranging from paper and envelopes to furniture, computer supplies and writing instruments;
 - Office supplies wholesalers that supply a wide range of office products, including paper, to other resellers and do not directly supply end-users;

⁵ WFC papers have a smooth surface making them highly suitable for multicolour printing and are primarily used for advertising purposes, corporate reports and accounts, manuals, books, promotional material and high quality catalogues and magazines, see Commission decision of 9 December 1998, in Case No. IV/M.1356, *Metsä-Serla / UK Paper*, paragraph 9. WFU papers are primarily used for office applications and commercial print, see Commission decision of 23 July 1999, in Case No. IV/M.1556, *Mo och Domsjö/ SCA*, paragraph 13.

- Office supplies mail order resellers that supply a wide range of office products, including paper, to end-users;
 - Buying groups that represent the interests of their members (often smaller OSDs and office retailers);
 - Copy shops that are high street printing businesses, which typically offer scanning, printing, photocopying and related services to end-users; and
 - Mass market retailers, namely hyper and supermarkets, which stock a large variety of products, including paper products, or specialist retailers for office supplies or supermarkets dedicated to electronics, media, etc.
- (13) As regards product market definition, the issues raised by the present case relate to: (1) whether the relevant product market encompasses the distribution of fine paper as a whole or whether the distribution of office and carbonless paper constitute two separate relevant product markets; and (2) which distribution channels should be considered as part of the relevant market.

Types of paper

- (14) The Commission has in past decisions considered a distinct product market for the distribution of fine paper, including print paper, office paper and fine arts and communications paper.⁶ Certain additional segmentations have also been considered by the Commission, in particular a separate product market for carbonless paper.⁷
- (15) The Notifying Party considers that the relevant product market for the assessment of the present case is the one for the distribution of all types of fine paper.
- (16) It submits that distinguishing office paper from other types of fine paper is not appropriate due to the substitutability of office paper with other types of fine paper. The Notifying Party argues that, as the availability/affordability of high quality printing systems improves, customers are increasingly looking to enjoy the benefits of higher quality printing and, therefore, the demand for high quality office paper is rising. As a consequence, higher grades of office paper are becoming of suitable quality for commercial uses, such as the printing of customised advertising materials.
- (17) As regards carbonless paper, the Notifying Party argues that, at distribution level, carbonless paper is fully substitutable with other types of fine paper because (i) it has the same end-use as other types of fine paper, in particular office paper, (ii) customers can easily switch away from carbonless paper to other types of paper or technologies and (iii) the demand for carbonless paper is declining because customers are switching to other types of paper and paperless electronic processes.

⁶ Commission decision of 24 October 2007, in Case No. COMP/M.4753, *Antalis/MAP*, paragraphs 7 and 13; Commission decision of 28 July 2008, in Case No. COMP/M.5150, *UPM RUS / BRIST / JV*, paragraph 28.

⁷ Commission decision of 4 June 2008, in Case No. COMP/M.4513, *Arjowiggins/M-real Zanders Reflex*, paragraphs 59-62.

- (18) The market investigation indicated that the distribution of office paper and carbonless paper constitute two different product markets within the distribution of fine paper.
- (19) Suppliers (that is paper manufacturers), customers and competitors virtually unanimously indicated that office paper is not functionally substitutable with any other type of paper due to its specific characteristics that make it suitable for specific applications by end-customers.⁸ Moreover, customers virtually unanimously confirmed that they would not switch to any other type of paper should the price of office paper increase by 5 to 10 %.⁹
- (20) Likewise, as regards carbonless paper, the majority of the respondents suggest that also this type of paper is not functionally substitutable with any other type of paper in view of its specific properties.¹⁰ In addition, the majority of the customers confirmed that they would not switch to other types of paper should the price of carbonless paper increase by 5 to 10 %.¹¹
- (21) Therefore, the Commission considers for the purpose of this case that the distribution of office paper and the distribution of carbonless paper constitute two separate product markets.

Distribution channels

- (22) In its past decisions, despite recognising the competitive constraints exercised by other distribution channels (paper manufacturers, OSDs and OEMs), the Commission defined a separate market for the distribution of all types of fine paper by paper merchants only.¹² This market was in particular the framework for the assessment of a previous case concerning the acquisition by Antalis of another paper merchant, MAP.¹³
- (23) In the present case, the Notifying Party submits that in recent years, the market has evolved and many distribution channels now compete to fulfil customers' demand. Where previously only paper merchants distributed the majority of paper, there are now a multitude of entities purchasing from paper mills and reselling paper to end-users and trade customers. Former customers of the paper merchants have grown and developed into paper distributors, which now operate at the same level as that of the paper merchants and constitute substitutable supply sources for end-customers.

⁸ See replies to questionnaires Q 13 to Suppliers dated 18 July 2013, question 7, Q 1 to Competitors dated 11 July 2013, question 7, Q2 to Q12 to Customers dated 11 July 2013, question 9.

⁹ See replies to questionnaires Q2 to Q12 to Customers, question 11.

¹⁰ See replies to questionnaires Q 13 to Suppliers dated 18 July 2013, question 8, Q 1 to Competitors dated 11 July 2013, question 8, Q2 to Q12 to Customers dated 11 July 2013, question 14.

¹¹ See replies to questionnaires Q2 to Q12 to Customers dated 11 July 2013, question 15.

¹² Commission decision of 15 December 2000, in Case No. COMP/M.2245, *Metsä-Serla/Zanders*, paragraph 13; Commission decision of 10 October 2003, in Case No. COMP/M.3227, *PaperlinX/Buhrmann*, paragraphs 11 and 12; Commission decision of 24 October 2007, in Case No. COMP/M.4753, *Antalis/MAP*, paragraph 12.

¹³ Commission decision of 24 October 2007, in Case No. COMP/M.4753, *Antalis/MAP*, paragraph 12.

Therefore, the Notifying Party submits that all distribution channels compete in the same market for the distribution of fine paper.

- (24) The results of the market investigation suggest that the definition previously retained by the Commission in *Antalis/MAP*, on the basis of which there would be no overlap between the activities of Antalis as a paper merchant and Xerox as an OEM, may be too narrow to fully assess the competitive effects of the proposed concentration. Indeed, the market investigation has revealed that, to a greater or lesser extent depending on the Member State, paper mills, paper merchants, OEMs, OSDs and other traders, all compete with each other for the distribution of office and carbonless paper. However, the results of the market investigation did not allow drawing a clear line as to what type of distributors (in addition to merchants) to be included/excluded in the relevant product market.
- (25) In fact, for both office and carbonless paper, most customers already source from more than one distribution channel.¹⁴ Moreover, the overwhelming majority of the customers of office paper and of carbonless paper indicated that, in case of a price increased by 5 to 10 % applied by paper merchants, they would consider switching to one or more of the other types of distributors.¹⁵ In the same vein, the overwhelming majority of competitors and paper manufacturers also consider all distribution channels in direct competition with each other.¹⁶
- (26) Based on the above, for the purposes of the present case, the most appropriate definition of the product market encompasses the distribution of office paper, on the one hand, and carbonless paper, on the other hand, by all distributors.

Geographic market definition

- (27) The Notifying Party submits that the fine paper distribution market is EEA-wide in scope because of the increasing trend towards centralised warehousing, efficient delivery systems including overnight trucking over wider distances and increasing pan-European purchases.
- (28) In a previous decision, the Commission considered that the relevant market for the distribution of fine paper by merchants was national in the United Kingdom, and that the relevant geographic market for the other parts of the EEA was at least national in the larger Member States, if not wider in the case of smaller Member States.¹⁷
- (29) The market investigation in the case at hand provided indications that the geographic scope of the relevant market for the distribution of both office and carbonless paper is most likely national, although a broader market definition at least for certain Member States clusters (for instance Belgium/Luxembourg) appears possible.

¹⁴ See replies to questionnaires Q2 to Q12 to Customers dated 11 July 2013, question 16.

¹⁵ See replies to questionnaires Q2 to Q12 to Customers dated 11 July 2013, question 17.

¹⁶ See replies to questionnaires Q 13 to Suppliers dated 18 July 2013, question 13, Q 1 to Competitors dated 11 July 2013, question 13.

¹⁷ Commission decision of 24 October 2007, in Case No. COMP/M.4753, *Antalis /MAP*, paragraphs 16-20.

- (30) In fact, a majority of customers indicated that they would source paper only from distributors active in the country where they are established, although a large number of them would be ready to cover their paper needs by purchasing from every country in Europe or at least from distributors active in neighbouring countries.¹⁸ Competitors indicated that there are barriers to competitively sell different types of paper across national borders within the EEA and that these barriers mainly include transport costs and the fact that customers often require delivery of paper within very short time frames, which can only be offered by distributors with a local presence close to the customer.¹⁹
- (31) However, competitors also indicated that certain countries, such as, in particular, Belgium and Luxembourg can be grouped together and considered as part of the same regional geographic market, due, among other things, to their geographic proximity and to the fact that historically the distribution business in these countries has been operated as one.²⁰
- (32) For the purposes of the present decision, the Commission considers that the exact geographic market definition for the markets for the distribution of office and carbonless paper can be left open, since the proposed concentration does not raise serious doubts as to its compatibility with the internal market at EEA level nor at the national level (or within relevant country clusters, such as for Belgium and Luxembourg).

3.2. Paper manufacturing

Product market definition

- (33) Antalis' sister company Arjowiggins is active in the manufacturing of fine paper,²¹ which is an activity upstream of the distribution of fine paper.
- (34) The paper manufacturing process starts within the activity of forestry, including the initial planting and raising of trees as well as wood harvesting. The activity that follows along the production chain is the treatment of wood as a raw material in the manufacture of pulp. Pulp is then used as the main raw material in the paper industry to manufacture paper products.²² Pulp reveals different properties depending on the type of wood, the type of paper making process used and whether it is bleached or not.²³ Pulp is either mechanically treated to produce wood containing paper or chemically treated to produce wood-free paper.

¹⁸ See replies to questionnaires Q2 to Q12 to Customers dated 11 July 2013, question 20

¹⁹ See replies to questionnaire Q 1 to Competitors dated 11 July 2013, question 19.

²⁰ See replies to questionnaire Q 1 to Competitors dated 11 July 2013, questions 24 and 25.

²¹ Arjowiggins is not active in the production of carbonless paper, having sold its carbonless paper business in 2009 in a management buyout (see Commission decision of 4 June 2008, in Case COMP/M.4513, *Arjowiggins / M-real Zanders Reflex*).

²² Commission decision of 21 November 2001, in Case No. COMP/M.2499, *Norske Skog/Parenco/Walsum*, paragraph 35.

²³ Commission decision of 15 December 2000, in Case COMP/M.2245, *Metsä-Serla/Zanders*, paragraph 16.

- (35) In past decisions, the Commission has considered a distinct upstream product market for the production of fine paper,²⁴ with a possible further segmentation into the production of wood-containing paper, WFU and WFC paper.²⁵
- (36) The Notifying Party submits that there is a separate product market for manufacturing of fine paper and that distinguishing office paper from other types of fine paper would not be appropriate given the substitutability of office paper with other types of fine paper.
- (37) The market investigation, however, confirmed that, also at the manufacturing level, office paper appears to constitute a separate product market within the fine paper sector.
- (38) However, for the purposes of the present decision, the Commission considers that the question whether the manufacturing of office paper constitutes a separate relevant product market can be left open, since the proposed concentration does not raise serious doubts as to its compatibility with the internal market regardless of whether the relevant market encompasses the manufacturing of all types of fine paper or of office paper only.

Geographic market definition

- (39) According to the Notifying Party, the market for the manufacturing of fine paper is EEA-wide and potentially even wider.
- (40) In its previous decisions, the Commission also found that the market for the manufacturing of fine paper is EEA-wide.²⁶
- (41) For the purposes of the present decision, the Commission considers that the exact geographic market definition for the market for the manufacturing of fine (or office) paper can be left open, since the proposed concentration does not raise serious doubts as to its compatibility with the internal market at EEA level nor at the national level.

4. COMPETITIVE ASSESSMENT

- (42) As regards the distribution of paper, the proposed concentration will give rise to the following horizontally affected markets:
- The distribution of office paper in: the EEA, Austria, Denmark, Finland, France, Germany, Ireland, Norway, Sweden and the United Kingdom.

²⁴ Commission decision of 24 October 2007, in Case No. COMP/M.4753, *Antalis/MAP*, paragraphs 14-15; Commission decision of 28 July 2008, in Case No. COMP/M.5150, *UPM RUS / BRIST / JV*, paragraph 28.

²⁵ Commission decision of 9 December 1998, in Case No. IV/M.1356, *Metsä-Serla/UK Paper*, paragraph 10; Commission decision of 20 April 2009, in Case No. COMP/M.5477, *Votorantim/Aracruz*, paragraph 20.

²⁶ Commission decision of 15 December 2000, in Case No. COMP/M.2245, *Metsä-Serla/Zanders* of 15 December 2000, paragraph 11; Commission decision of 25 July 2005, in Case No. COMP/M. 3822, *Stora Enso/Schneidersöhne Papier*, paragraph 14.

- The distribution of carbonless paper in: the EEA, Belgium/Luxembourg, Denmark, Finland, France, Germany, Ireland, Norway, Portugal, Sweden, Spain and the United Kingdom.

4.1. Distribution of office paper: unilateral effects analysis

4.1.1. Notifying Party's view

- (43) The Notifying Party submits that in most of the Member States where the activities of the Parties overlap, following the proposed concentration, the combined entity's market share will be below [20-30]%. In all Member States where an overlap exists, the increment in market share arising from the proposed concentration does not exceed [5-10]% (with the exception of Finland, Ireland, Sweden and the UK, where such increment would be more significant). The Notifying Party also argues that the Parties' estimated shares of supply are likely overstated given that they do not take into account the reselling that takes place within and between distribution channels. Furthermore, the Notifying Party points out that in all affected Member States, strong rival paper merchants will remain in the market, which will exert a competitive constraint on the merged entity.
- (44) The Notifying Party also submits that in all the above mentioned countries, the merged entity will continue to face vigorous competition from other distribution channels, including paper manufacturers, and that customers can easily switch between distributors, regardless of channel. The Notifying Party further claims that the barriers to enter the office paper distribution market are low, with little capital or logistical capability required to become a paper trader and operate as an agent between a mill's own supply network and end-users.

4.1.2. Commission's assessment

i. Market shares and market structure

- (45) The Parties' combined market shares in the affected markets for the distribution of office paper are as shown in Table 1 below (note that since Arjowiggins engages to a limited extent in sales of paper, including office paper, from its mills, the Notifying Party's market shares include both Antalis' and Arjowiggins' sales in each of the affected markets).

Table 1: Parties' shares of supply of office paper by all distributors (2012)

Country / Share of supply	Antalis + Arjowiggins (volume)	Xerox paper business (volume)	Parties combined (volume)	Antalis + Arjowiggins (value)	Xerox paper business (value)	Parties combined (value)
Austria	[10-20]%	[5-10]%	[10-20]%	[10-20]%	[5-10]%	[10-20]%
Denmark	[20-30]%	[5-10]%	[20-30]%	[20-30]%	[5-10]%	[20-30]%
Finland	[10-20]%	[10-20]%	[30-40]%	[10-20]%	[10-20]%	[20-30]%
France	[10-20]%	[5-10]%	[10-20]%	[10-20]%	[5-10]%	[10-20]%
Germany	[10-20]%	[5-10]%	[20-30]%	[10-20]%	[5-10]%	[20-30]%
Ireland	[10-20]%	[30-40]%	[40-50]%	[10-20]%	[30-40]%	[40-50]%
Norway	[5-10]%	[5-10]%	[10-20]%	[5-10]%	[5-10]%	[10-20]%
Sweden	[5-10]%	[10-20]%	[20-30]%	[5-10]%	[10-20]%	[20-30]%
United Kingdom	[10-20]%	[10-20]%	[30-40]%	[10-20]%	[10-20]%	[30-40]%
EEA	[10-20]%	[5-10]%	[10-20]%	[10-20]%	[5-10]%	[10-20]%

- (46) As shown by Table 1 above, in most of the affected national markets as well as at the level of the EEA, the Parties' combined market shares remain below [20-30]%, which according to the Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings ("Horizontal Guidelines"),²⁷ *"constitutes a first indication that the transaction is not likely to significantly impede effective competition"*.²⁸ In Denmark, Finland and the UK, the merged entity's market share will exceed [20-30]%, but not [30-40]%. The only market where the combined market share is more significant is the market for the distribution of office paper in Ireland.
- (47) Moreover, the increment in the Notifying Party's market share deriving from the proposed concentration will be moderate at the level of the EEA and in the majority of Member States.
- (48) In addition, it should be noted that the market investigation by and large confirmed that the Parties are not each other's closest competitors in the distribution of office paper. Indeed, as explained, Antalis is a merchant and Xerox operates as an OEM. Post-transaction, the merged entity will continue to face significant competitive constraints from rival paper merchants in all countries, which are closer competitors to Antalis than Xerox, but also from other distribution channels like OSDs, paper mills, etc.
- (49) The overwhelming majority of the customers indicated that switching suppliers does not entail particular difficulties and can be undertaken in a short period of time and without significant costs.²⁹ In fact, the majority of the customers already sources office paper from several suppliers.³⁰ Moreover, contracts for the supply of office paper normally have a standard length not longer than three years and in the majority of the cases shorter than one year.³¹ Finally, several other alternatives are available in the market.³²
- (50) Finally, while some respondents mentioned that, post-transaction, the merged entity would increase its purchasing power vis-à-vis paper manufacturers particularly as regards office paper, the majority of the respondents confirmed that, post transaction, there will continue to be sufficient competition at the distribution level.³³

²⁷ OJ C31, 5.2.2004, p. 5.

²⁸ See paragraph 18 of the Horizontal Guidelines.

²⁹ See replies to questionnaires Q2 to Q12 to Customers dated 11 July 2013, question 32.

³⁰ See replies to questionnaires Q2 to Q12 to Customers dated 11 July 2013, question 36.

³¹ See replies to questionnaires Q2 to Q12 to Customers dated 11 July 2013, question 33.

³² See replies to questionnaires Q2 to Q12 to Customers dated 11 July 2013, question 32.

³³ See replies to questionnaires Q2 to Q12 to Customers dated 11 July 2013, question 38.

ii. EEA and national analysis

EEA

- (51) At the level of the EEA, following the proposed concentration, the combined entity will have an estimated share of supply of [10-20]%, by volume and by value. The increment to the Notifying Party's existing share is limited ([5-10]% by volume and [5-10]% by value). The merged entity will continue facing competition by a large number of players at the level of the EEA. Firstly, among the direct rivals of Antalis, the paper merchants Papyrus and Igepa, will continue to compete with shares of supply of each [5-10]% by volume and respectively [5-10]% and [5-10]% by value. Other paper merchants (Inapa, Lecta, Europapier) collectively hold a share of supply of [10-20]% by volume and [5-10]% by value. In addition, other non-merchant distributors of office paper will remain in the market and will continue to exert competition constraint over the merged entity: this is the case of the OSD Lyreco, which holds a share of supply of [10-20]% by volume and [10-20]% by value at the level of the EEA, and Office Depot, another OSD with a share of supply of [5-10]% by volume and [5-10]% by value at the level of the EEA.
- (52) The majority of the respondents to the market investigation did not raise concerns in relation to the likely impact of the proposed concentration in the EEA.³⁴
- (53) Therefore, as regards the distribution of office paper in the EEA serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

Austria

- (54) In Austria, following the proposed concentration, the combined entity will have an estimated share of supply of [10-20]% by volume and by value. The increment to the Notifying Party's existing share is limited ([5-10]% both by volume and value), and leaves the combined entity only the third largest player in Austria. Rival paper merchant PaperlinX will remain the largest distributor in Austria, with a share of supply of [20-30]% both by volume and by value. Europapier/Eplus (also a paper merchant) will also exert a strong competitive constraint on the merged entity, with an estimated share of supply comparable to that of the merged entity, that is [10-20]% by volume and [10-20]% by value.
- (55) In addition, the merged entity will also continue to face vigorous competition from non-merchant distributors of office paper, such as PBS/Bürohandel.
- (56) The majority of the respondents to the market investigation did not raise concerns as regards the likely impact of the proposed concentration in Austria. While two of the responding customers indicated that the merged entity might have the power to increase prices for office paper, they also indicated that, in the event of a price

³⁴ See replies to questionnaires Q2 to Q12 to Customers dated 11 July 2013, questions 38 and 62.

increase by the merged entity, they could switch to alternative suppliers within a time frame of a few months.³⁵

- (57) Therefore, as regards the distribution of office paper in Austria serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

Denmark

- (58) In Denmark, following the proposed concentration, the combined entity will have an estimated share of supply of [20-30]% by volume and [20-30]% by value. The increment to the Notifying Party's existing share is limited ([5-10]% both by volume and by value). Although the combined entity will become the largest player in Denmark, other significant competitors will remain with shares of supply that are comparable to the one of the merged entity. Rival paper merchant Papyrus, which is currently the largest player in Denmark, will continue to exert a significant competitive constraint on the merged entity, with an estimated share of supply of [20-30]% by volume and [20-30]% by value.
- (59) In addition, the merged entity will also continue to face vigorous competition from non-merchant distributors of office paper, including, in particular, large OSDs, such as Lyreco and Staples, which are a large global firms with internationally recognised brands and significant resources.
- (60) The large majority of the respondents to the market investigation did not raise any specific concerns with respect to the impact of the proposed concentration in Denmark.³⁶
- (61) Therefore, as regards the distribution of office paper in Denmark serious doubts as to the compatibility of the proposed concentration based on anti-competitive unilateral effects can be excluded.

Finland

- (62) In Finland, following the proposed concentration, the combined entity will have an estimated share of supply of [30-40]% by volume and [20-30]% by value. The increment to the Notifying Party's existing share is [10-20]% both by volume and by value. Although the combined entity will be the largest player in Finland, other competitors will remain with significant shares of supply. Rival paper merchant Papyrus will continue to exert a significant competitive constraint on the merged entity, with an estimated share of supply of [5-10]% by volume and by value.
- (63) In addition, the merged entity will also continue to face vigorous competition from non-merchant distributors of office paper, in particular OSDs. Collectively, OSDs in Finland have an estimated share of supply of [40-50]% by volume and [40-50]% by value. In particular, Staples/EMO, Lyreco and Office Depot are all large global OSD firms with internationally recognised brands and significant resources.

³⁵ See replies to questionnaire Q 2 to Customers AT dated 11 July 2013, question 52.

³⁶ See replies to questionnaires Q1 to Competitors dated 11 July 2013, question 52 and Q4 to Customers DA dated 11 July 2013, questions 38 and 62.

- (64) The majority of the respondents to the market investigation did not raise any specific concerns with respect to the impact of the proposed concentration in Finland.³⁷
- (65) Therefore, as regards the distribution of office paper in Finland, serious doubts as to the compatibility of the proposed concentration based on anti-competitive unilateral effects can be excluded.

France

- (66) In France, following the proposed concentration, the combined entity will have an estimated share of supply of [10-20]% by volume and by value. The increment to the Notifying Party's existing share is limited ([5-10]% both by volume and by value). The combined entity will become only the second largest player in France and other significant competitors will remain which will exert a competitive constraint on the merged entity. Rival paper merchants Inapa ([5-10]% both by volume and by value) and Papyrus (also [5-10]% both by volume and by value) will continue to exert a significant competitive constraint on the merged entity, as will other smaller paper merchants which collectively hold an estimated share of supply of [5-10]% both by volume and by value.
- (67) In addition, the merged entity will also continue to face vigorous competition from non-merchant distributors of office paper, in particular OSDs, such as Lyreco and Office Depot, which are large global OSD firms with internationally recognised brands and significant resources. The merged entity will also face competitive pressure from other distribution channels, including buying groups (Bureau Vallée, Majuscule), wholesalers (Adveo) and retailers.
- (68) The majority of the respondents to the market investigation did not raise concerns as regards the likely impact of the proposed concentration in France.³⁸ While some of the responding customers voiced some concerns as to possible price increases by the merged entity following the proposed concentration,³⁹ these concerns were not substantiated and can be dismissed based on the above outlined existence of viable alternatives for these customers to switch to in case the merged entity were to try to increase its prices.
- (69) Therefore, as regards the distribution of office paper in France, serious doubts as to the compatibility of the proposed concentration based on anti-competitive unilateral effects can be excluded.

Germany

- (70) In Germany, following the proposed concentration, the combined entity will have an estimated share of supply of [20-30]% by volume and by value. The increment to the Notifying Party's existing share is limited ([5-10]% by volume and by value), and

³⁷ See replies to questionnaires Q1 to Competitors dated 11 July 2013, question 52 and Q5 to Customers FI dated 11 July 2013, questions 38 and 62.

³⁸ See replies to questionnaires Q1 to Competitors dated 11 July 2013, question 52 and Q 13 to Suppliers dated 11 July 2013, question 52.

³⁹ See replies to questionnaire Q 6 to Competitors FR dated 11 July 2013, question 38.

leaves the combined entity as the second largest player in Germany. Rival paper merchant Papyrus will remain the largest distributor in Germany, with an estimated share of supply of [20-30]% by volume and by value. Igepa (also a paper merchant) will also exert a strong competitive constraint on the merged entity, with an estimated share of supply comparable to that of the merged entity, that is [20-30]% both by volume and by value. Other paper merchants (Inapa, Berberich and PaperlinX) account for a further [10-20]% both by volume and by value.

- (71) The merged entity will also continue to face vigorous competition from non-merchant distributors of office paper including large international OSDs (Lyreco, Office Depot and Staples) and retailers (Metro).
- (72) The majority of the respondents to the market investigation did not raise any specific concerns with respect to the impact of the proposed concentration in Germany.⁴⁰
- (73) Therefore, as regards the distribution of office paper in Germany, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

Ireland

- (74) In Ireland, following the proposed concentration, the combined entity will have an estimated share of supply of [40-50]% by volume and [40-50]% by value. While both the merged entity's combined market share and the market share increment arising from the proposed concentration are significant, it should be noted that, as previously discussed, the Parties are clearly not each other's closest competitor: Antalis as a paper merchant and Xerox as an OEM pursue different business models. Antalis carries a full range of fine paper products, while Xerox' product range is limited to office paper and carbonless paper, which complement its office equipment sales. Even within the category of office paper, Antalis offers a wider product range than Xerox. In Ireland, PaperlinX, a paper merchant with significant international presence and the same pre-merger market share as Antalis, constitutes a closer competitor to Antalis than Xerox.
- (75) Moreover, post transaction, the merged entity will also face competition from another strong international player, Office Depot, with a market share of around [10-20]%, which has been competing successfully against Antalis in recent tenders organised by major customers in Ireland, as well as from several local, but also international players, such as Lyreco.
- (76) The results of the market investigation were mixed as to the impact of the proposed concentration on the distribution of office paper in Ireland. While the responding customers with business activity in Ireland indicated that the merged entity might try to impose higher prices upon them, the majority of them considered that they would be able to switch to alternative suppliers in this event.⁴¹ None of the responding

⁴⁰ See replies to questionnaires Q1 to Competitors dated 11 July 2013, question 52 and Q7 to Customers DE dated 11 July 2013, questions 38 and 62.

⁴¹ See replies to questionnaire Q12 to Customers UK IRL dated 11 July 2013, questions 38 and 52.

competitors raised specific concerns related to the Irish market and also the suppliers did not raise specific concerns as to the Irish market.⁴²

- (77) In light of the above, as regards the distribution of office paper in Ireland, on balance, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

Norway

- (78) In Norway, following the proposed concentration, the combined entity will have an estimated share of supply of [10-20]% by volume and by value. The increment is limited ([5-10]% by volume, [5-10]% by value), and leaves the combined entity as the second largest player in Norway. Rival paper merchant Igepa will have a share of supply comparable to the combined entity, that is [10-20]% by volume and by value. Other paper merchants (including Papyrus) account for a further [5-10]% by volume and by value.
- (79) The merged entity will also continue to face vigorous competition from non-merchant distributors of office paper, particularly OSDs. Staples/EMO will remain the largest player in Norway. Office Depot is also a significant competitor. The merged entity will also face competitive pressure from wholesalers, such as Norengros and Maske.
- (80) The majority of the respondents to the market investigation did not raise any specific concerns with respect to the impact of the proposed concentration in Norway.⁴³ While one customer located in Norway indicated that the merged entity might try to impose price increases for office paper, the same respondent was also of the view that in this event, it would be possible to switch to an alternative supplier within one to two months.
- (81) Therefore, as regards the distribution of office paper in Norway, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

Sweden

- (82) In Sweden, following the proposed concentration, the combined entity will have an estimated share of supply of [20-30]% by volume and by [20-30]% value. The increment to the Notifying Party's existing share is [10-20]% both by volume and by value. Although the combined entity will be the largest player in Sweden, it will not enjoy a large market share and other competitors will remain with significant shares of supply. Rival paper merchant Papyrus will continue to exert a significant competitive constraint on the merged entity, with an estimated share of supply of [10-20]% by volume and by value.

⁴² See replies to questionnaires Q1 to Competitors dated 11 July 2013, question 52 and Q 13 to Suppliers, question 52.

⁴³ See replies to questionnaires Q1 to Competitors dated 11 July 2013, question 52 and Q8 to Customers NO dated 11 July 2013, questions 38 and 62.

- (83) In addition, the merged entity will continue to face vigorous competition from non-merchant distributors of office paper, in particular from OSDs, such as Staples and Lyreco.
- (84) The majority of the respondents to the market investigation did not raise any specific concerns with respect to the impact of the proposed concentration in Sweden.⁴⁴
- (85) Therefore, as regards the distribution of office paper in Sweden, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

United Kingdom

- (86) In the United Kingdom, following the proposed concentration, the combined entity will have an estimated share of supply of [30-40]% by volume and by [30-40]% value. The increment to the Notifying Party's existing share is [10-20]% by volume and [10-20]% by value. Rival paper merchant PaperlinX that is part of a group with significant international presence will continue to exert a significant competitive constraint on the merged entity, with an estimated share of supply of [10-20]% by volume and value. Indeed, Antalis recently lost a number of important customers to PaperlinX.
- (87) In addition, the merged entity will continue to face vigorous competition from non-merchant distributors of office paper, in particular from OSDs, such as Office Depot (with a market share of [10-20]% both by volume and value) and Lyreco (with a market share of [5-10]% by volume and [10-20]% by value).
- (88) The results of the market investigation were mixed as to the proposed concentration's impact on competition in the distribution of office paper in the United Kingdom. While some of the responding customers considered that the merged entity could be in a position to increase prices for office paper, other customers also explained that they would be able to switch to alternative suppliers in case of price increase. Moreover, while some competitors and suppliers also raised a similar point, the majority of the responding competitors and suppliers did not take issue with the impact of the proposed concentration in the United Kingdom.
- (89) Therefore, as regards the distribution of office paper in the United Kingdom, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

4.2. Distribution of office paper: coordinated effects analysis

- (90) According to the Horizontal Guidelines, coordination is most likely to emerge in markets where it is relatively simple to reach a common understanding on the terms of coordination. Three conditions have to be met for coordination to be sustainable: (1) the coordinating firms must be able to monitor to a sufficient degree whether the terms of coordination are being adhered to; (2) discipline requires that there is some form of credible deterrent mechanism that can be activated if deviation is detected;

⁴⁴ See replies to questionnaires Q1 to Competitors dated 11 July 2013, question 52 and Q11 to Customers SW dated 11 July 2013, questions 38 and 62.

and (3) the reactions of outsiders, such as current and future competitors not participating in the coordination, as well as customers, should not be able to jeopardise the results expected from the coordination.⁴⁵

4.2.1. *Notifying Party's view*

- (91) The Notifying Party submits that there is no risk of coordination in the case at hand.
- (92) First, it explains that the distribution of office paper occurs via broad number of channels. Given the different cost structures, product offerings and business models of the various suppliers, the distribution market for office paper is characterised by significant diversity leading to a broad range of possible prices for a given product. Furthermore, a majority of customers source their paper from various types of distribution channels and frequently change their source of supply.
- (93) Second, the Notifying Party considers that the relevant market is not sufficiently transparent to allow competing suppliers of office paper to coordinate, since prices for office paper are often negotiated individually on a confidential basis and therefore deviate from the suppliers' price lists. The Notifying Party further notes, that when participating in formal tenders to supply customers with office paper, participating bidders are not generally aware of the identities of the other bidders. Moreover, the Notifying Party highlights that while office paper products are relatively standardised in relation to size (A3, A4), they are quiet differentiated in terms of finish and other attributes, such as whiteness, smoothness, bulk and opacity.
- (94) Third, with specific respect to the situation in the United Kingdom, where the Commission has found a risk of coordinated effects in the distribution of fine paper by paper merchants in the past,⁴⁶ the Notifying Party argues that coordinated effects are not an issue in the present case. The case at hand concerns a different product market including all the different distribution channels. Moreover, the above-mentioned arguments that point to a lack of price transparency in the market for the distribution of office paper also apply to the United Kingdom. In addition, the merged entity together with PaperlinX (the second largest paper merchant) will have significantly lower shares ([40-50]% by volume and [40-50]% by value in the United Kingdom) than was the case in the previous Commission decision.⁴⁷ Finally, other strong suppliers will exert significant competitive constraints on the merged entity, including Office Depot and Lyreco, which are large global firms with internationally recognised brands and significant resources.

⁴⁵ OJ C 31, 5.2.2004, p. 5. Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings, paragraph 41.

⁴⁶ Commission decision of 24 October 2007, in Case No. COMP/M.4753, *Antalis/MAP*. The Commission's competition concerns were addressed by Antalis through a structural remedy consisting of the divestment of Premier Paper Group Ltd, a subsidiary of MAP, which was active in paper distribution in the United Kingdom.

⁴⁷ Commission decision of 24 October 2007, in Case No. COMP/M.4753, *Antalis/MAP*, paragraph 65. The Commission found that the new entity together with PaperlinX would account for the [70-80%] of the market.

4.2.2. Commission's assessment

- (95) The Commission firstly notes that at the EEA level and in each of the affected national markets, the distribution of office paper by all distributors is characterised by the presence of several suppliers with diverging business models (namely paper merchants, OEMs, paper mills engaging in direct sales, OSDs and wholesalers, as well as buying groups) that hold asymmetric market shares (see paragraphs (51) to (89)). Such a fragmentation and asymmetry of market shares make it difficult for competing distributors to align their interests and coordinate tacitly.
- (96) Secondly, while office paper appears at first sight to be a rather homogenous product, different varieties exist depending on (i) size (A4, A3, A5, Letter), (ii) grammage (for instance: 80g, 75g, 70g, lower than 70g, and higher than 80g, (iii) quality (A, B, and C grade), (iv) branding (manufacturer brands, OEM brands, private labels), and (v) fibre type (virgin fibre paper, 100% recycled paper, hybrid paper). The Parties offer over [...] different varieties of office paper. Based on the results of the market investigation, other distributors also appear to offer a similar variety of office paper.⁴⁸ The Commission therefore considers that office paper can actually be considered as a relatively differentiated product, which renders coordination difficult.
- (97) Thirdly, the market investigation did not provide a consistent picture as to the degree of transparency of prices for office paper. In fact, all of the responding suppliers,⁴⁹ as well as the majority of responding competitors⁵⁰ were of the view that prices for office paper are not sufficiently transparent for suppliers of office paper to know and predict the prices charged by their competitors. The market investigation further confirmed that prices for office paper are typically negotiated on an individual basis by the merged entity's competitors and suppliers.⁵¹
- (98) As regards specifically the situation in the United Kingdom, where the Commission had previously found a risk of coordinated effects in relation to the distribution of fine paper by merchants only,⁵² the Commission notes that, today, the market for the supply of office paper by all distributors in the United Kingdom, which is the relevant product market for the purposes of the assessment of the proposed concentration, is relatively fragmented and the proposed transaction will actually lead to a greater asymmetry of market shares see paragraph (86). Anti-competitive coordinated effects are therefore unlikely on this market.
- (99) Based on the above, as regards the distribution of office paper at the level of the EEA and in the national affected markets, the Commission concludes that serious

⁴⁸ See replies to questionnaires Q1 to Competitors dated 11 July 2013, question 38 and Q13 to Suppliers dated 11 July 2013, question 38.

⁴⁹ See replies to questionnaire Q 13 to Suppliers dated 11 July 2013, question 41.

⁵⁰ See replies to questionnaire Q1 to Competitors dated 11 July 2013, question 41.

⁵¹ See replies to questionnaires Q1 to Competitors dated 11 July 2013, question 40 and Q 13 to Suppliers dated 11 July 2013, question 40.

⁵² Commission decision of 24 October 2007, in Case No. COMP/M.4753, *Antalis/MAP*.

doubts as to the compatibility of the proposed concentration with the internal market based on coordinated effects can be excluded.

4.3. Distribution of office paper: conclusion

- (100) Based on the above, the Commission concludes that the proposed concentration is unlikely to give rise to competition concerns as a result of unilateral effects or coordinated effects in the distribution of office paper by all distributors in the EEA and each of the national markets that are affected by the proposed concentration and, therefore, does not raise serious doubts as to its compatibility with the internal market.

4.4. Distribution of carbonless paper: unilateral effects analysis

4.4.1. Notifying Party's view

- (101) The Notifying Party submits that, post transaction, the merged entity's combined share would remain below [30-40]% in the majority of the affected markets and, in those markets where such share would exceed [30-40]%, the market share increment deriving from the proposed concentration would be limited.
- (102) The Notifying Party also submits that the Parties' activities are complementary rather than in direct competition, since they supply carbonless paper to different types of customers. [...].
- (103) The Notifying Party further submits that, post transaction, the merged entity will continue to face competition from rival paper merchants, as well as from other distribution channels, including paper manufacturers.
- (104) Moreover, according to the Notifying Party, the barriers to entry into the fine paper distribution market, within which carbonless paper is a product category, are low, with little capital or logistical capability required to become a paper trader and operate as an agent between a mill's own supply network and end-users.
- (105) Finally, the Notifying Party submits that the Parties' shares of supply provided in Table 2 below are overstated given that they do not take into account the reselling that takes place within and between distribution channels.

4.4.2. Commission's assessment

i. Market shares and market structure

- (106) The Parties' market shares in the affected markets for the distribution of carbonless paper are as follows:

Table 2: Parties' shares of supply of carbonless paper by all distributors (2012)

Country / Share of supply	Antalis + Arjowiggins (value)	Xerox paper business (value)	Parties combined (value)
Belgium/Luxembourg	[30-40]%	[5-10]%	[30-40]%
Denmark	[20-30]%	[5-10]%	[20-30]%
Finland	[40-50]%	[5-10]%	[40-50]%
France	[20-30]%	[0-5]%	[20-30]%
Germany	[10-20]%	[0-5]%	[10-20]%
Ireland	[10-20]%	[0-5]%	[10-20]%
Norway	[30-40]%	[0-5]%	[30-40]%
Portugal	[20-30]%	<[0-5]%	[20-30]%
Spain	[20-30]%	[0-5]%	[20-30]%
Sweden	[20-30]%	[0-5]%	[30-40]%
United Kingdom	[20-30]%	[0-5]%	[20-30]%
EEA	[10-20]%	[0-5]%	[10-20]%

- (107) As shown by Table 2 above, in most of the affected national markets, the Parties' combined market share remains below [30-40]% (while in the EEA, the Parties' combined share is even below [20-30]%). In those Member States where the Parties' combined market share is above [30-40]%, the increment in the Notifying Party's market share deriving from the proposed concentration will be low ([5-10]% or less).
- (108) Moreover, it should be noted the market investigation by and large confirmed that the Parties are not each other's closest competitors in the distribution of carbonless paper, since Antalis is a paper merchant and Xerox an OEM. Post-transaction, the merged entity will continue to face significant competitive constraints from rival paper merchants in all countries, which are closer competitors to Antalis than Xerox, but also from other distribution channels like OSDs, paper mills, etc.
- (109) The market investigation also indicated that switching suppliers does not entails particular difficulties and can be undertaken in a short time and without significant costs.⁵³ The respondents explained that multi-sourcing is a common practice in the distribution of carbonless paper.⁵⁴ Moreover, contracts for the supply of carbonless paper normally have a very short standard length (and mainly below one year).⁵⁵ Finally, other alternative suppliers are available in the market.⁵⁶

⁵³ See replies to questionnaires Q 13 to Suppliers dated 18 July 2013, question 45, Q 1 to Competitors dated 11 July 2013, question 45, Q2 to Q12 to Customers dated 11 July 2013, question 32

⁵⁴ See replies to questionnaires Q 13 to Suppliers dated 18 July 2013, question 47, Q 1 to Competitors dated 11 July 2013, question 47, Q2 to Q12 to Customers dated 11 July 2013, question 49.

⁵⁵ See replies to questionnaires Q 13 to Suppliers dated 18 July 2013, question 46, Q 1 to Competitors dated 11 July 2013, question 46, Q2 to Q12 to Customers dated 11 July 2013, question 46.

⁵⁶ See replies to questionnaires Q 13 to Suppliers dated 18 July 2013, question 37, Q 1 to Competitors dated 11 July 2013, question 37, Q2 to Q12 to Customers dated 11 July 2013, question 52.

ii. EEA and National analysis

EEA

- (110) At the level of the EEA, following the proposed concentration, the combined entity will have an estimated share of supply of [10-20]%, by value. The increment to the Notifying Party's existing share is negligible (only [0-5]% by value). The merged entity will continue facing competition by a large number of players at the level of the EEA. Rival paper merchant Igepa will remain the second largest distributor of carbonless paper, with an estimated share of supply of [10-20]% by value. Other paper merchants will remain in the market holding a similar market share, that is to say PaperlinX and Papyrus, with a market share of respectively [10-20]% and [10-20]% by value.
- (111) The majority of the respondents to the market investigation did not raise concerns in relation to the likely impact of the proposed concentration in the EEA.⁵⁷
- (112) Therefore, as regards the distribution of carbonless paper in the EEA serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

*Belgium/Luxembourg*⁵⁸

- (113) In Belgium/Luxembourg, the combined entity will have, post-transaction, an estimated share of supply of [30-40]% by value. The increment is limited ([5-10]% by value). Rival paper merchant Igepa will remain the second largest distributor of carbonless paper, with an estimated share of supply of [20-30]% by value. Papyrus will also continue to exert a competitive constraint on the merged entity, with an estimated share of supply of [10-20]% by value. PaperlinX will also remain present on the market, with a share of supply of [5-10]% by value.
- (114) The merged entity will also continue to face vigorous competition from non-merchant distributors of carbonless paper, which account for the remaining [20-30]% (by value) of the market.
- (115) The majority of the respondents to the market investigation did not raise any specific concerns with respect to the impact of the notified concentration in Belgium/Luxembourg.⁵⁹

⁵⁷ See replies to questionnaires Q 13 to Suppliers dated 18 July 2013, question 52, Q 1 to Competitors dated 11 July 2013, question 52, Q2 to Q12 to Customers dated 11 July 2013, question 62.

⁵⁸ There are no third party sales data available for the supply of carbonless paper in Luxembourg. The Parties also do not record sales into Luxembourg separately from sales into Belgium. A large majority of respondents to the market investigation also confirmed that Belgium and Luxembourg are typically managed and serviced together – see replies to questionnaire to Competitors of dated 11 July 2013, question 24.. As a result, Belgium and Luxembourg will be considered together as a single relevant geographic market for the purpose of the present decision.

⁵⁹ See replies to questionnaire Q1 to Competitors dated 11 July 2013, question 62, and questionnaire Q3 to Customers BE/LUX dated 11 July 2013, question 62.

- (116) Therefore, as regards the distribution of carbonless paper in Belgium/Luxembourg, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

Denmark

- (117) In Denmark, following the proposed concentration, the combined entity will have an estimated share of supply of [20-30]% by value. The increment to Antalis' existing share is limited ([5-10]% by value), and leaves the combined entity with an equal share of supply as the competing merchant Papyrus ([20-30]%). Igepa (also a merchant) also remains a strong player in the market with an estimated share of supply of [5-10]% by value.
- (118) The merged entity will also face significant competitive pressure from non-merchant distributors of carbonless paper which account for the remaining [30-40]% of the market.
- (119) None of the respondents to the market investigation raised any specific concerns with respect to the impact of the notified concentration in Denmark.⁶⁰
- (120) Therefore, as regards the distribution of carbonless paper in Denmark, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

Finland

- (121) In Finland, following the proposed concentration, the combined entity will have an estimated share of supply of [40-50]% by value. The increment to Antalis' existing share is limited ([5-10]% by value). Although the combined entity will become the largest player in Finland, other competitors will remain with significant shares of supply. Rival paper merchant Papyrus will continue to exert a significant competitive constraint on the merged entity, with an estimated share of supply by value of [20-30]%. Igepa (also a paper merchant) will also exert a competitive constraint on the merged entity, with an estimated share of supply of [5-10]% by value.
- (122) The market investigation also showed that the Parties are not each other's closest competitors and that Antalis rather competes more intensively with other paper merchants, such as Papyrus.⁶¹ Moreover, the Parties' respective customer bases for carbonless paper appear to be different, with Antalis mainly supplying commercial printers while Xerox supplies end-customers.
- (123) Furthermore, the majority of the respondents to the market investigation did not raise any specific concerns with respect to the impact of the proposed concentration in

⁶⁰ See replies to questionnaire Q1 to Competitors dated 11 July 2013, question 62, and questionnaire Q4 to Customers DK dated 11 July 2013, question 62.

⁶¹ See replies to questionnaire Q5 to Customers SF dated 11 July 2013, questions 24 and 26.

Finland.⁶² Several customers pointed to the possibility to switch to a number of alternative suppliers to the merged entity.⁶³

- (124) Therefore, as regards the distribution of carbonless paper in Finland, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

France

- (125) In France, following the proposed concentration, the combined entity will have an estimated share of supply of carbonless paper of [20-30]% by value. The increment to Antalis' existing share is very limited ([0-5]%). Although the combined entity will remain the largest player in France, other significant competitors will continue to exert a competitive constraint on the merged entity, notably rival paper merchants Lecta ([10-20]% by value), Papyrus ([5-10]% by value) and Inapa ([5-10]% by value).

- (126) The merged entity will also face significant competitive pressure from non-merchant distributors of carbonless paper, which account for the remaining [40-50]% of the market.

- (127) The majority of the respondents to the market investigation did not raise any specific concerns with respect to the impact of the notified concentration in France.⁶⁴ Only one respondent replied that, post transaction, the merged-entity will be able to impose higher prices to carbonless paper customers because there are only three carbonless paper producers in the EU.⁶⁵ The Commission, however, considers this concern not founded mainly because the proposed concentration will have no impact on the manufacturing of carbonless paper. Indeed, as explained, neither Antalis nor Xerox are active as manufacturers of carbonless paper. Moreover, as outlined in paragraphs (125) and (126), the market share increment brought by the acquisition of Xerox at the distribution level is minimal and there will remain a number of alternative distributors of carbonless paper which will be able to exert a competitive pressure on the merged entity post-transaction.

- (128) Therefore, as regards the distribution of carbonless paper in France, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

Germany

- (129) In Germany, following the proposed concentration, the combined entity will have an estimated share of supply of [10-20]% by value, and therefore Germany is only marginally affected by the notified concentration. The increment to Antalis' existing

⁶² See replies to questionnaire Q1 to Competitors dated 11 July 2013, question 62, and questionnaire Q5 to Customers SF dated 11 July 2013, questions 38 and 62.

⁶³ See replies to questionnaire Q5 to Customers SF dated 11 July 2013, question 52.

⁶⁴ See replies to questionnaire Q1 to Competitors dated 11 July 2013, question 62, and questionnaire Q6 to Customers FR dated 11 July 2013, question 62.

⁶⁵ See replies to questionnaire Q6 to Customers FR dated 11 July 2013, question 51.

share is very limited ([0-5]% by value), and leaves the combined entity only the fourth largest player in Germany. Rival paper merchants Inapa ([20-30]% share of supply by value), Papyrus ([20-30]% share of supply by value) and PaperlinX ([10-20]% share of supply by value) will continue to exert a significant competitive constraint on the merged entity.

- (130) The merged entity will also face significant competitive pressure non-merchant distributors of carbonless paper, which account for the remaining [10-20]% (by value) of the market.
- (131) The majority of respondents to the market investigation did not raise any specific concerns with respect to the impact of the notified concentration in Germany.⁶⁶
- (132) Therefore, as regards the distribution of carbonless paper in Germany, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

Ireland

- (133) In Ireland, following the proposed concentration, the combined entity will have an estimated share of supply of carbonless paper of [10-20]% by value. The increment to Antalis' existing share of supply is very limited ([0-5]%). Rival paper merchant PaperlinX will remain the largest player in the market with [20-30]% by value. Other paper merchants like Swan ([10-20]% share of supply by value) and Realt ([5-10]% share of supply by value) will continue to exert a significant competitive constraint on the merged entity.
- (134) The merged entity will also face significant competitive pressure from non-merchant distributors of carbonless paper, which account for the remaining [30-40]% (by value) of the market.
- (135) The majority of respondents to the market investigation did not raise any specific concerns with respect to the impact of the notified concentration on the competitive situation and price of carbonless paper in Ireland. One respondent raised the concern that the proposed concentration will likely result in higher prices to customers.⁶⁷ However, the same respondents (as well as the majority of the other respondents) confirmed that customers would be able to switch either immediately or in a short period of time to alternative suppliers in case of a price increase of carbonless paper.⁶⁸
- (136) Therefore, as regards the distribution of carbonless paper in Ireland, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

⁶⁶ See replies to questionnaire Q1 to Competitors dated 11 July 2013, question 62, and questionnaire Q7 to Customers DE dated 11 July 2013, question 62.

⁶⁷ See replies to questionnaire Q1 to Competitors dated 11 July 2013, question 62, and questionnaire Q12 to Customers IE UK dated 11 July 2013, questions 62.

⁶⁸ See replies to questionnaire Q12 to Customers IE UK dated 11 July 2013, questions 45 and 51.

Norway

- (137) In Norway, following the proposed concentration, the combined entity will have an estimated share of supply of [30-40]% by value. The increment to Antalis' existing share of supply is limited ([0-5]% by value). Although the combined entity will remain the largest player in Norway, other significant competitors will remain which, will exert a competitive constraint on the merged entity. Rival paper merchants Papyrus ([10-20]% by value) and Igepa (also [10-20]% by value) will notably continue to exert a competitive constraint on the merged entity.
- (138) The merged entity will also face significant competitive pressure from non-merchant distributors of carbonless paper, which account for the remaining [30-40]% of the market.
- (139) The large majority of the respondents to the market investigation did not raise any specific concerns with respect to the impact of the notified concentration in Norway.⁶⁹
- (140) Therefore, as regards the distribution of carbonless paper in Norway, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

Portugal

- (141) Following the proposed concentration, the combined entity will have an estimated share of supply in Portugal of [20-30]% by value. The increment to Antalis' existing share is very limited (less than [0-5]% by value). Rival paper merchant Inapa will remain a significant competitor, with an estimated share of supply of [10-20]% by value. Lecta (also a paper merchant) will remain a large player, with an estimated share of supply of [10-20]% by value.
- (142) The merged entity will also face significant competitive pressure from non-merchant distributors of carbonless paper, which account for the remaining [30-40]% of the market.
- (143) None of the respondents to the market investigation raised any specific concerns with respect to the impact of the notified concentration in Portugal.⁷⁰
- (144) Therefore, as regards the distribution of carbonless paper in Portugal, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

Spain

- (145) In Spain, following the proposed concentration, the combined entity will have an estimated share of supply of [20-30]% by value. The increment to Antalis' existing share is very limited ([0-5]% by value). Rival paper merchant Lecta will remain the largest player, with an estimated share of supply of [20-30]% by value. Inapa and

⁶⁹ See replies to questionnaire Q8 to Customers NO dated 11 July 2013, questions 38 and 62.

⁷⁰ See replies to questionnaire Q9 to Customers PT dated 11 July 2013, questions 38 and 62.

PaperlinX (also paper merchants) will remain significant competitors, with an estimated share of supply of [10-20]% and [5-10]% by value.

- (146) The merged entity will also face significant competitive pressure from non-merchant distributors of carbonless paper, which account for the remaining [20-30]% of the market.
- (147) The market investigation did not reveal any specific concerns with respect to the impact of the notified concentration in Spain.⁷¹
- (148) Therefore, as regards the distribution of carbonless paper in Spain, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

Sweden

- (149) In Sweden, following the proposed concentration, the combined entity will have an estimated share of supply of [30-40]% by value. The increment to Antalis' existing share is very limited ([0-5]% by value). Rival paper merchant Papyrus will continue to be by far the largest player in the market, with an estimated share of supply by value of [50-60]%, and thus will exert a significant competitive constraint on the merged entity. Igepa (also a paper merchant) accounts for an estimated further share of supply of [0-5]% by value.
- (150) The merged entity will also face significant competitive pressure from non-merchant distributors of carbonless paper, which account for the remaining [10-20]% of the market.
- (151) The majority of respondents to the market investigation did not raise any specific concerns with respect to the impact of the notified concentration in Sweden. While one respondent indicated that the proposed concentration may lead to price increases for consumers,⁷² the Commission does not consider this concern to be founded since, as explained, the increase in Antalis' market share arising from the proposed concentration is very limited and, post transaction, there will continue to be sufficient alternatives for carbonless paper in Sweden.
- (152) Therefore, as regards the distribution of carbonless paper in Sweden, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

United Kingdom

- (153) In the United Kingdom, following the proposed concentration, the combined entity will have an estimated share of supply of [20-30]% by value. The increment to Antalis' existing share is very limited (only [0-5]% by value). Rival paper merchant PaperlinX will continue to be the largest player in the market, with an estimated share of supply by value of [30-40]%, and thus will exert a competitive constraint on

⁷¹ See replies to questionnaire Q10 to Customers ES dated 11 July 2013, questions 38 and 62.

⁷² See replies to questionnaire Q11 to Customers SW dated 11 July 2013, question 62.

the merged entity. Igepa and Denmaur (both paper merchants) account for an estimated further [10-20]% and [5-10]% by value respectively.

- (154) The merged entity will also face significant competitive pressure from non-merchant distributors of carbonless paper, which account for the remaining [10-20]% of the market.
- (155) The majority of respondents to the market investigation did not raise any specific concerns with respect to the impact of the notified concentration on the competitive situation and price of carbonless paper in the United Kingdom. Only one respondent replied that, post transaction, the merged-entity will be able to impose higher prices to carbonless paper customers.⁷³ The Commission, however, considers this concern not founded mainly because, post transaction, there will remain a sufficient number of alternative distributors of carbonless paper which will be able to exert a competitive pressure on the merged entity and customers could easily, in a short time and without important costs switch to other suppliers of carbonless paper.⁷⁴
- (156) Therefore, as regards the distribution of carbonless paper in the United Kingdom, serious doubts as to the compatibility of the proposed concentration with the internal market based on anti-competitive unilateral effects can be excluded.

4.5. Distribution of carbonless paper: coordinated effects analysis

4.5.1. Notifying Party's view

- (157) The Notifying Party submits that there are no risks of coordinated effects in the national markets for the distribution of carbonless paper. Firstly, because the carbonless paper market is in constant decline due to (i) the expansion of the use of office paper in inkjet and laser printers in the 1990s, and (ii) the development of internet and electronic transactions in the 2000s. Secondly, because the distribution of carbonless paper occurs via a number of channels, including paper merchants, OEMs, copy shops and larger printers. The various actors have asymmetric cost structures and different product offerings, resulting to a broad range of possible prices for a given product. Thirdly, because carbonless distributors are confronted with high volatility on the demand side, given that customers frequently change their source of supply and that a majority of customers source their paper from various types of distribution channels. Moreover, the Notifying Party submits that prices are negotiated with customers bilaterally and on a confidential basis.

4.5.2. Commission's assessment

- (158) The Commission firstly notes that at the EEA level and in each of the affected national markets, the distribution of carbonless paper by all distributors is characterised by the presence of several suppliers with diverging business models (namely paper merchants, OEMs, copy shops and larger printers) that hold asymmetric market shares (see paragraphs (110) to (156)). Such a fragmentation and

⁷³ See replies to questionnaire Q1 to Competitors dated 11 July 2013, question 62, and questionnaire Q12 to Customers UK IRL dated 11 July 2013, question 62.

⁷⁴ See replies to questionnaire Q12 to Customers UK IE dated 11 July 2013, questions 45.

asymmetry of market shares make it difficult for competing distributors to align their interests and coordinate tacitly.

- (159) Secondly, the market investigation confirmed that prices for carbonless paper are not sufficiently transparent to allow competing suppliers to coordinate their pricing and detect deviations from tacitly agreed prices for office paper. In fact, the majority of responding suppliers,⁷⁵ competitors⁷⁶ and customers⁷⁷ who expressed an opinion on the respective question, were of the view that prices for carbonless paper are not sufficiently transparent for suppliers of carbonless paper to know and predict the prices charged by their competitors. The market investigation also confirmed that prices for carbonless paper are generally negotiated on an individual basis.⁷⁸
- (160) Based on the above, as regards the distribution of carbonless paper at the level of the EEA and in the national affected markets, the Commission concludes that serious doubts as to the compatibility of the proposed concentration with the internal market based on coordinated effects can be excluded.

4.6. Distribution of carbonless paper: conclusion

- (161) Based on the above, the Commission concludes that the notified concentration is unlikely to give rise to competition concerns as a result of unilateral effects or coordinated effects in the distribution of carbonless paper by all distributors in each of the national markets that are affected by the proposed concentration and, therefore, does not raise serious doubts as to its compatibility with the internal market.

4.7. Paper manufacturing: vertical analysis

- (162) The proposed concentration also gives rise to vertically affected markets in the manufacturing of fine/office paper and the distribution of office paper in Denmark, Finland, Ireland and the United Kingdom. Indeed, Sequana is active in the market for the manufacturing of paper through Arjowiggins at the EEA level (but with a share below [20-30]% both in the EEA and at the national level) and the merged entity will hold a share in excess of [20-30]% in the distribution of office paper in the above mentioned Member States.
- (163) In more detail, Arjowiggins' market share in the production of, respectively, fine paper and office paper in the EEA in 2012 was around [0-5]% and around [0-5]%. The Notifying Party also estimates that Arjowiggins' share of production of fine paper and office paper is less than [20-30]% in all Member States.
- (164) Given Arjowiggins' limited market share in the production of fine and office paper, the combined entity will not have the necessary market power to meaningfully engage in any input foreclosure strategy. As regards customer foreclosure, it does

⁷⁵ See replies to questionnaire Q 13 to Suppliers dated 11 July 2013, question 51.

⁷⁶ See replies to questionnaire Q1 to Competitors dated 11 July 2013, question 51.

⁷⁷ See replies to questionnaires Q2 to Q12 to customers dated 11 July 2013, question 61.

⁷⁸ See replies to questionnaires Q1 to Competitors dated 11 July 2013, question 50 and Q 13 to Suppliers dated 11 July 2013, question 50.

not seem likely, as the Notifying Party itself submits that, post transaction, Arjowiggins would not have the ability (in terms of manufacturing capacity) to satisfy the merged entity's fine paper requirements.

- (165) The market investigation also confirmed that the notified transaction does not give rise to vertical input or customer foreclosure concerns.⁷⁹
- (166) Based on the above, the Commission concludes that the proposed concentration is unlikely to give rise to competition concerns as a result of vertical effects in the manufacturing of fine/office paper and in the distribution of office by all distributors at the EEA and/or the national level and, therefore, does not raise serious doubts as to its compatibility with the internal market.

5. CONCLUSION

- (167) 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

⁷⁹ See responses to Questionnaire Q13 to Suppliers dated 11 July 2013, questions 30, 31.