

*Case No IV/M.735 -
BPB / Isover*

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

Article 6(1)(a) INAPPLICABILITY
Date: 03/07/1996

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 03.07.1996

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(a) DECISION

To the notifying parties

Dear Sirs,

Subject : Case No IV/M.735 - BPB/Isover

Notification of 31.05.1996 pursuant to Article 4 of Council Regulation No 4064/89

1. On 31 May 1996 BPB Industries plc (BPB) and Isover St. Gobain (ISG), a wholly owned subsidiary of Compagnie de Saint-Gobain jointly notified a transaction whereby Glasuld A/S, controlled by the Saint-Gobain Group, will acquire joint control of the company Gyproc Insulation Limited (GIL), an English subsidiary of BPB, and of Moy Insulation Limited (Moy), an Irish subsidiary of BPB.
2. After examination of the notification, the Commission has concluded that the notified operation does not constitute a concentration, and therefore does not fall within the scope of the Merger Regulation.

I. THE PARTIES

3. BPB is a English holding company of a major Group having worldwide interests notably in gypsum products, other building materials and paper and board.
4. ISG is the lead company of the Insulation Division of the Saint-Gobain Group. ISG manufactures and sells mineral wool products for insulation, agriculture and automobile applications. The Insulation Division also produces and sells matt tissue materials as well as acoustic ceilings.
5. Glasuld A/S is a Danish manufacturer and supplier of mineral wool products for insulation of buildings and industrial installations and for other applications.

6. GIL's business is the manufacture and supply of mineral wool products for insulation of buildings and industrial installations.
7. Moy's business is the manufacture and supply of mineral wool products for insulation of buildings and industrial installations and matt tissue products.

II. THE OPERATION

8. The foreseen operation will result in the acquisition by ISG, through Glasuld, of a 49.9% participation in GIL and a 50% participation in Moy.

III. COMMUNITY DIMENSION

9. BPB and the St. Gobain group have an aggregate worldwide turnover of more than ECU 5 billion. Each of them has a Community-wide turnover in excess of ECU 250 million, but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension according to Article 1(2) of the Merger Regulation.

IV. THE CONCENTRATION

Joint control

10. According to Article 6.01 of the Shareholders Agreement, the share capital split between BPB and Glasuld will be such as to confer 50% of the voting rights on both BPB and Glasuld. In addition, the parent companies will be equally represented on the board of directors of both GIL and Moy, and decisions on business plans and annual budgets will be made by simple majority. Hence both GIL and Moy will be jointly controlled by BPB and ISG (through Glasuld).

Risk of coordination

11. The proposed joint operation affects the product range for insulation (thermal and acoustic) for residential and commercial buildings (floors, walls, roofs, heating, ventilation and air conditioning) and industrial applications. The insulation product range comprises mineral wool products (glass fibre and rock fibre) and a variety of polystyrene, polyurethane, extruded polystyrene, phenolic foam and other insulation products generically known as foam insulation. The other affected product is matt tissue.
12. Insulation is used in a wide variety of situations and in a wide variety of types of building. Glass fibre and rock fibre are almost universally interchangeable. The interchangeability of foam products and mineral fibre products exists for the vast majority of applications, according to a survey of producers and consumers of fibre and foam insulation products, carried out by the Commission.
13. The relevant product markets are therefore those for insulation products, both mineral fibres and foam, and matt tissue products. ISG is active throughout Europe in these products, whereas BPB is active only through GIL, Moy and a French subsidiary named Isofox, which produces foam insulation products.

14. The Commission has carried out a survey of producers and consumers of insulation products in order to assess the scope of the relevant geographic markets. The Commission's survey concentrated on the extent to which different national building and technical specifications and transport costs might limit the scope of the relevant geographic market, and the extent to which customers would switch to a more distant supplier in the event of a small but significant price rise of insulation products. The results of the survey indicated that the relevant geographic markets are probably regional, and that the UK, Ireland and some northern continental European countries constitute one relevant region. Insulation products can be profitably transported over distances which transcend national boundaries, and can be adapted to different national specifications at a cost which does not exclude profitable imports and exports between Member States (inter-country trade flows already take place). Consumers are sensitive to price rises to the extent that they are prepared to purchase from suppliers located in other Member States.

15. As already stated, ISG is active throughout Europe in insulation products; GIL and Moy are active mainly, but not exclusively, in the UK and Ireland in the same product market, and BPB retains activities on the same product market through its French subsidiary Isobox. In view of the Commission's above-mentioned findings on the geographic scope of insulation product markets, and of the geographic proximity of the UK, Ireland and France, there is a significant risk of coordination of the competitive behaviour of ISG and BPB, since both companies retain activities on the same product market as GIL and Moy to a significant extent (ISG has a significant market share in several EU Member States (...)⁽¹⁾, and BPB's subsidiary Isobox has a significant share of insulation product sales in France (...)⁽¹⁾). The combined market share of the two parents would translate to a share above a "de minimis" level even on a pan-European basis. Furthermore, the activities of the joint venture are significant in comparison with the retained activities of BPB and ISG on insulation product markets.

V. CONCLUSION

11. Based on the above, the Commission has concluded that the notified operation does not constitute a concentration within the meaning of Article 3 of the Merger Regulation. This decision is adopted in application of Article 6(1)(a) of Council Regulation No 4064/89.

For the Commission,

⁽¹⁾ Deleted for publication