

*Case No IV/M.755 -
Creditanstalt / Koramic /
Wienerberger*

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

Article 6(1)(b) NON-OPPOSITION
Date: 18/06/1996

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 18.06.1996 * SG(96)D/5475

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sirs,

**Subject : Case No IV/M. 755 - Creditanstalt/Koramic/Wienerberger
Notification of 10 May 1996 pursuant to Article 4 of Council Regulation No
4064/89**

1. On 10.05.1996, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No. 4064/89⁽¹⁾ by which the undertakings Creditanstalt-Bankverein and Koramic Building Products N.V. acquire within the meaning of Article 3(1)(b) of the Council Regulation joint control of Wienerberger Baustoffindustrie AG and Terca Bricks N.V.
2. After examination of the notification, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation No 4064/89.

⁽¹⁾ OJ No L 395 of 30.12.1989; Corrigendum: OJ No L 257 of 21.09.1990, p. 13.

I. THE PARTIES

3. Creditanstalt-Bankverein is a bank, founded in 1855, and has its headquarters in Vienna. Its purpose is to carry on any type of banking activity.
4. Koramic Building Products N.V is incorporated under Belgian law as a "Naamloze Vennootschap". The purpose of this corporation is on the one hand to acquire and to hold any form of participation in existing or new companies, and on the other hand the production and supply of all building materials, more especially ceramic building materials.
Koramic Building Products N.V is currently a holding company which controls the entire brick business of the Koramic Group.
5. Wienerberger Baustoffindustrie is the parent of the Austrian Wienerberger group, which supplies building materials.

II. THE CONCENTRATION

6. The proposed concentration will be achieved in two steps :

In the first step, Koramic and Wienerberger will concentrate their brick activities in Wienerberger Baustoffindustrie AG by contributing Koramic's subsidiary Terca Bricks N.V. into Wienerberger. In exchange for this contribution in kind, Koramic will receive new shares of Wienerberger. At the same time, Koramic will acquire additional shares of Wienerberger from Creditanstalt-Bankverein.

In the second step, Creditanstalt-Bankverein and Koramic will form a 50/50 joint venture company, which will bear the name Wienerberger Holding Gesellschaft mbH. Each party will transfer to Wienerberger Holding Gesellschaft mbH 25% of the shares in Wienerberger Baustoffindustrie AG together with one additional share. This latter company will own 100% of the shares of Terca Bricks N.V. Creditanstalt-Bankverein and Koramic will therefore through Wienerberger Holding Gesellschaft mbH exercise joint control over Wienerberger Baustoffindustrie AG and Terca Bricks NV.

III. COMMUNITY DIMENSION

7. The accumulated world-wide turnover of the undertakings concerned represents more than 5000 MECU and the Community-wide turnover of Creditanstalt and Wienerberger more than 250 MECU. The parties do not both achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. Therefore the case has a Community dimension.

IV. CONCENTRATION

8. The new entity will constitute a concentration within the meaning of Article 3 (2) of the Council Regulation N° 4064/89.

Joint Control

9. Wienerberger Holding Gesellschaft mbH will be owned in equal shares by its parents, Creditanstalt-Bankverein and Koramic Building Products N.V. The parents will form a parties meeting which will decide on the control of Wienerberger Baustoffindustrie AG. The board of directors of Wienerberger Holding Gesellschaft mbH will exercise the voting rights in the general assembly of Wienerberger Baustoffindustrie AG in accordance with the directions made by the parties meeting. The parents will ensure that the members of the supervisory board of Wienerberger Baustoffindustrie AG exercise their rights in accordance with the instructions of the party appointing them.

Absence of coordination

10. Because both Koramic and Creditanstalt, through Wienerberger, put all their brick activities in the joint venture and therefore withdraw from these product markets, there can be no coordination between the parents as a result of the creation of the joint venture.

V. APPRAISAL

A. Relevant product market

11. The proposed operation concerns clay bricks, products used for the building of walls. Bricks can be divided into those remaining visible, with an aesthetic value (clay facing bricks), and those, invisible when the building is complete, which are made by treating them with a finishing coat (clay hollow bricks). In order to define the relevant product market two issues require to be examined, first the substitutability between clay facing bricks and clay hollow bricks, secondly, whether or not clay facing bricks and clay hollow bricks are substitutable, the substitutability of clay facing bricks and clay hollow bricks with other types of building materials.

1) Absence of substitutability between clay facing bricks and clay hollow bricks.

12. The competitors and the consumers questioned by the Commission all agree to say that the relevant product market, at the first step, is divided into two large groups of products; on the one hand the facing wall systems, and on the other hand inner-wall systems.

i) Facing wall systems

Facing wall systems fulfil a visible exterior function. Besides their construction function, they fulfil an aesthetic role and have to be resistant against all possible weather influences.

ii) Construction inner-wall systems

These walling materials consists of all products used for the manufacturing of rising walls and generally have an inner-wall or a partition wall function. These products become most of the time invisible because they are plastered or painted for aesthetic reasons.

13. This division into two relevant product markets has already been applied in former Commission decisions (Steeley/Tarmac IV/M 180, 12/02/92 under the Council Regulation articles 9 and 6(1)(b)).
14. Each of these two large groups of products includes a large range of products. The notifying parties argue that these latter are widely interchangeable. One product market would consist of all facing wall systems, in which they include clay facing bricks, concrete facing blocks, silica and limestone blocks, natural stone, hang-up systems, sandwich exterior wall-systems, monolytical exterior wall-systems and other products such as glass, aluminium and steel. The other would be construction inner-wall systems, from clay hollow bricks to concrete blocks, hollow concrete blocks, pumice concrete stone, limestone blocks and other materials.
- iii) Clay facing bricks :
15. These materials essentially comprise building bricks that are suitable for use in fair-faced brickwork and other facings. Such bricks must be resistant to frost and must meet certain standards with regard to crushing strength, efflorescence, the quality and colour of exposed surfaces and weatherproofing. Shaping is accomplished by extrusion or soft moulding. The body density is not less than 1.8 kg/dm^3 . An outstanding quality of facing bricks is that they are easily adaptable to the multifarious wishes of architects and buildings owners. The size of a facing brick varies from country to country, but is limited in volume as a "one hand" brick up to + or - 2.5 dm^3 .
- iv) Hollow clay bricks
16. As long as there are no particular demands with regard to surface quality and colour, because the wall is going to be stuccoed, these bricks are referred to as backing or common building bricks. Shaping is accomplished only by extrusion. According to industrial standards, hollow bricks are bricks with a density of not more than 0.80 kg/dm^3 (light weight hollow bricks) to not more than 1.2 kg/dm^3 (normal weight hollow bricks). As a rule, this density is attainable only via a high proportion of cavities ($> 40 \%$) in conjunction with supplementary aeration of the body. Concerning raw material, a cheaper and lower quality clay is generally used in comparison with that used for clay facing bricks. As a result of capital expenditure as well as technology, it would not be efficient or profitable to produce clay hollow bricks in a clay facing brick plant. The ratio capital expenditure/turnover for a clay facing bricks plant with a full capacity of 1000 m^3 is about 1.70, whilst for a clay hollow bricks plant with the same capacity this ratio is 1.24. Moreover, because of the specificity of the machines which are necessary for the manufacturing of clay facing bricks, it is not feasible to produce these latter in a plant planned for the manufacturing of clay hollow bricks.
17. Owing to the substantially different production-technology and investment in machinery, the cost and sales prices of clay facing bricks and clay hollow bricks are noticeably different. Based on the volume of a clay brick, the sales prices of a clay facing brick is 3 x higher than that of a clay hollow brick.

18. For the above reasons the Commission considers that from both the supply side and the demand side clay facing bricks and clay hollow bricks constitute two separate product markets.

3) Substitutability between clay facing bricks / hollow clay bricks and other building materials

19. There is little supply-side substitutability between clay bricks and other types of building materials because the raw materials, manufacturing processes, plant and unit costs of production are completely different. Manufacturers who produce both clay bricks and concrete bricks are very rare.

20. On the demand side, from a theoretical and technical point of view, clay facing bricks and hollow clay bricks are substitutable with other type of building materials. However the local traditions and consumer taste impose to a large extent the use of particular type of material. The different types of wall construction can be :

- inner-wall clay block + isolation + facing brick;
- inner-wall concrete block + plaster;
- inner-wall silica block + isolation + plaster;
- natural stone;
- hang-up system;
- sandwich system wall;
- hollow clay bricks

The two first types mentioned above are traditionally used mainly in Belgium, the Netherlands and the north of France. In Germany and Austria construction with hollow clay bricks (with vertical cavities) or inner-wall concrete block + plaster or inner-wall silica block + isolation + plaster is usually preferred.

21. Hence, from the point of view of price, according to the parties and the competitors, a correct comparison between prices for any building material has to take into account the cost of the whole wall construction. An estimation of the cost of the various types of construction is shown in the following table.

Table 1 : Cost of wall systems

Type of wall system	construction	cost per M ² ECU/M ²
Clay facing bricks	24 cm inner-wall clay block + 4 cm isolation + facing brick	154.30
Concrete blocks	36.5 cm inner-wall concrete block + plaster	147.80
Silica blocks	17.5 cm inner-wall silica block + 7 cm isolation + plaster	129.90
Natural stone		172.60
Hang-up systems		145.60
Sandwich exterior wall		129.47
monolytical exterior wall	30 cm hollow clay bricks	133.80

22. In conclusion, the Commission considers that differences of price, of technical and/or architectural characteristics and of consumer preferences are not sufficiently clear to conclude whether substitutability exists between clay facing bricks / clay hollow bricks and other building materials. However, as the joint venture created will be active only in the sectors concerning clay bricks, the narrowest market definition can be taken, i.e. clay facing bricks and clay hollow bricks.

B. Geographic reference market.

23. The competitors and the consumers questioned by the Commission have indicated that the geographic reference market for clay facing bricks, because of their relatively high unit price, would be at least national or cross-border regional (about 500kms), while that for the clay hollow bricks, because of their low price, would be defined as local (150 kms).

24. The parties have based their figures on national geographic markets. In fact, the location of their plants and of their sales appear to remain at a national basis.

25. It appears that most of the brick manufacturers (except the small manufacturers who are becoming marginal) operate on a national basis, with a regular spread of their plants, in order to be able to deliver the bricks at the lowest transportation cost. The spread of the plants is explained also by the necessity to be very close to an area of clay exploitation deposits.

26. In conclusion the Commission considers that the geographic reference market for clay facing bricks is at least national or cross-border (within a radius of about 500 kms), while for clay hollow bricks it remains local (within a radius of at the maximum 150 kms).

C. Competition assessment

27. Owing to the product specialisation of the parties and to their existing separate locations, (i.e. Koramic is active mainly in clay facing bricks in Belgium, the Netherlands and France, whilst Wienerberger is a strong producer of clay hollow bricks in Germany and Austria), the proposed operation is complementary in nature. It leads to an addition of market share, for clay facing bricks only within the regional cross-border area comprising Belgium, the Netherlands and Germany, and for clay hollow bricks only in the local market of middle-east Germany.

Market shares

28. The market shares in the tables below are indicated on the one hand for clay facing bricks only (on a national and cross-border basis in sales volume for 1995), and on the other hand for clay hollow bricks only (on a national basis and local basis in sales volume for 1995).

i) Clay facing bricks

Table 2 : market share clay facing bricks on a national basis

	SALES VOLUME 1995 M ²									
	Belgium 1000 M ²		France 1000 M ²		Netherlands 1000 M ²		Germany 1000 M ²		Austria 1000 M ²	
Total market	9075	100%	4215	100%	10570	100%	16907	100%	25	100%
Wienerberger	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽⁴⁾	[..] ⁽³⁾	[..] ⁽²⁾	[.] ⁽⁵⁾
Terca	[..] ⁽⁶⁾	[..] ⁽⁷⁾	[..] ⁽⁴⁾	[..] ⁽⁸⁾	[..] ⁽⁹⁾	[..] ⁽⁷⁾	[..] ⁽⁶⁾	[..] ⁽¹⁰⁾	[..] ⁽²⁾	[.] ⁽³⁾
Wienerberger + Terca	[..] ⁽⁶⁾	[..] ⁽⁷⁾	[..] ⁽⁴⁾	[..] ⁽⁸⁾	[..] ⁽⁹⁾	[..] ⁽⁷⁾	[..] ⁽⁹⁾	[..] ⁽⁷⁾	[..] ⁽²⁾	[.] ⁽⁵⁾
1st competitor	[..] ⁽⁶⁾	[..] ⁽⁷⁾	[..] ⁽⁴⁾	[..] ⁽⁷⁾	[..] ⁽⁴⁾	[..] ⁽¹⁰⁾	[..] ⁽⁴⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽³⁾
2nd competitor	[..] ⁽⁴⁾	[..] ⁽¹⁰⁾	[..] ⁽²⁾	[..] ⁽⁷⁾	[..] ⁽⁴⁾	[..] ⁽¹⁰⁾	[..] ⁽⁴⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽³⁾
3rd competitor	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽³⁾
4th competitor	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽³⁾
Others	[..] ⁽⁶⁾	[..] ⁽⁷⁾	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽⁹⁾	[..] ⁽¹¹⁾	[..] ⁽¹²⁾	[..] ⁽¹³⁾	[..] ⁽²⁾	[.] ⁽⁷⁾

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29. The above table shows that on a national basis there is only one overlap for clay facing bricks, in Germany. The future entity will have to face competitors at least as strong as itself in Belgium, where the first competitor is Desimpel, which has recently been bought by the British group Hanson. In France and the Netherlands, Terca already holds a strong market position, although the structure of the market is different between these countries. Currently in France the market is relatively concentrated with, following Terca, the presence of two other strong companies, CRTC and Desimpel. In the Netherlands the market is more fragmented, with two medium competitors and a lot of small competitors. The first competitor, Rodruza, is a Dutch company and is active only on its domestic market. Desimpel is the second competitor on this market. In Austria, where in fact the supply of clay facing bricks is very limited, Wienerberger has incontestably an existing very strong position, whilst Terca is not active in this country and does not own plant in the cross-border area.

Table 3 : market share clay facing bricks on a cross-border basis

CLAY FACING BRICKS	SALES VOLUME 1995 M ²⁽²⁾	
	Belgium + Netherlands + Germany 1000 M ²	
Total market	36552	100%
Wienerberger	[..] ⁽⁴⁾	[..] ⁽³⁾ %
Terca	[..] ⁽¹⁴⁾	[..] ⁽⁷⁾ %
Wienerberger + Terca	[..]⁽¹²⁾	[..]⁽⁷⁾ %
Desimpel	[...] ⁽⁹⁾	[...] ⁽³⁾
Boral	[...] ⁽⁶⁾	[...] ⁽³⁾
Vandersanden	[...] ⁽⁴⁾	[...] ⁽³⁾
Rodruza	[...] ⁽⁴⁾	[...] ⁽³⁾
Others	[..] ⁽¹⁵⁾	[..] ⁽¹³⁾ %

30. In the cross-border area where the parties are both active the market appears relatively fragmented. The operation will lead to an addition of market share which is not very significant; in fact Wienerberger's activity is relatively limited in Germany and it is not present in Belgium or the Netherlands.

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ii) clay hollow bricks

Table 4 : market share clay hollow bricks on a national basis

CLAY HOLLOW BRICKS		SALES VOLUME 1995 M ³								
	Belgium 1000 M ³		France 1000 M ³		Netherlands 1000 M ³		Germany 1000 M ³		Austria 1000 M ³	
Total market	1712	100%	2074	100%	220	100%	9641	100%	2729	100%
Wienerberger	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽⁶⁾	[..] ⁽⁷⁾	[..] ⁽⁴⁾	[..]
Terca	[..] ⁽²⁾	[..] ⁽⁷⁾	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽⁷⁾	[..] ⁽²⁾	[..] ⁽³⁾	[..] ⁽²⁾	[..] ⁽³⁾
Wienerberger + Terca	[..] ⁽²⁾	[..] ⁽¹⁰⁾	[..] ⁽²⁾	[..] ⁽²⁾	[..] ⁽²⁾	[..] ⁽⁷⁾	[..] ⁽⁶⁾	[..] ⁽⁷⁾	[..] ⁽⁴⁾	[..] ⁽⁸⁾
1st competitor	[...] ⁽²⁾	[...] ⁽⁷⁾	[...] ⁽²⁾	[...] ⁽³⁾	[...] ⁽²⁾		[...] ⁽⁴⁾	[...] ⁽¹⁰⁾	[...] ⁽²⁾	[...] ⁽³⁾
2nd competitor	[...] ⁽²⁾	[...] ⁽¹⁰⁾	[...] ⁽²⁾		[...] ⁽²⁾		[...] ⁽⁴⁾	[...] ⁽¹⁰⁾	[...] ⁽²⁾	[...] ⁽³⁾
3rd competitor	[...] ⁽²⁾	[...] ⁽¹⁰⁾	[...] ⁽²⁾		[...] ⁽²⁾		[...] ⁽²⁾	[...] ⁽³⁾	[...] ⁽²⁾	[...] ⁽³⁾
4th competitor	[...] ⁽²⁾	[...] ⁽³⁾	[...] ⁽²⁾		[...] ⁽²⁾		[...] ⁽²⁾	[...] ⁽³⁾	[...] ⁽²⁾	[...] ⁽³⁾
Others	[..] ⁽²⁾	[..] ⁽⁷⁾	[..] ⁽⁴⁾	[..] ⁽¹⁶⁾	[..] ⁽²⁾	[..] ⁽⁵⁾	[..] ⁽⁹⁾	[..] ⁽¹¹⁾	[..] ⁽²⁾	[..] ⁽⁸⁷⁾

31. For clay hollow bricks the markets within each country are relatively highly fragmented. In Belgium, the Netherlands and Austria the proposed operation will not lead to overlaps; in France and Germany overlaps will occur but, because they are insignificant, they will not change significantly the competition situation.
32. At a local level, an overlap will occur in middle-east Germany where, with [...]⁽⁷⁾% of the market, the new entity will follow BTS which holds [...]⁽¹¹⁾% of this market.

Vertical integration

33. According to their needs clay-brick producers either purchase clay (the principal component of clay bricks) from the owners of clay pits, buy pits from local authorities or private owners, or conclude long-term exploitation contracts. But, although the parties both own some pits, vertical integration at the upstream level is relatively low in the industry. Licences to exploit the clay pits are granted by national or local authorities, each clay-brick producer being subject to the same rules in this respect. The market for clay pits is relatively open. Thus the upstream vertical integration of the parties creates no competition problems.

There is no vertical integration at the downstream level, since, in each country where they are present, the parties sell directly to independent distributors and do not own a distribution network.

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VI. CONCLUSION

34. Terca and Wienerberger, which will constitute together the new entity, are already strong companies in the sectors of clay facing bricks and clay hollow bricks, However the investigation conducted by the Commission has shown that the proposed operation will not modify in the medium term the structure of the market, nor will the addition of the ressources of Koramic enhance the position of Wienerberger in Austria, which already has access to the financial resources of Creditanstalt. In fact the activities of the companies have a complementary character, as regards the product markets concerned as well as the geographic markets involved.
35. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation No 4064/89.

For the Commission,