ACQUISITIONS (STEEL): THE SMS / MANNESMANN DEMAG CASE

Subject: Acquisitions

Industry: Steel

Parties: Schloemann-Siemag AG
Mannesmann Demag

Source: Commission Statement IP/99/222, dated 9th April 1999

(Note. One of the factors which persuaded the Commission to approve this acquisition was "the increasing number of potential non-European competitors". This factor is explicitly covered by Article 2(1)(a) of the Merger Regulation)

The Commission has approved the intended acquisition of the control of the project engineering business of Mannesmann Demag (MDM) for the iron and steel industry by the Schloemann-Siemag AG (SMS). The concentration concerns mainly the area of hut and rolling mill technology. The Commission has decided, after careful examination of the potential impacts of this concentration, that this operation does not threaten to create or to strengthen a dominant position, because of the sufficient number of alternative suppliers, the strong buying power of steel producers and the increasing number of potential non-European competitors. In the case of the notified concentration the business activities of SMS and MDM are merged into a newly founded company, from which SMS will hold a majority and MDM a minority participation. The group of SMS controlled by the MAN company is active in project engineering for the fields of steel, non-ferrous metals and synthetic materials. MDM comprises the division plant and mechanical engineering for the steel and metallurgical industry of the Mannesmann company. The notified concentration has to be seen in the context of the increasing concentrations of the European steel industry, a similar development can be noticed in the upstream sector of the plant construction and engineering. This notified concentration combines the two largest suppliers of plant construction and engineering in the area of the iron making and rolling mill technology in Western Europe. In particular, steel production technology, continuous casting installations and hot rolling mills (in particular as far as expensive large-scale projects are concerned) are affected by this concentration. However, the Commission's investigations lead to the conclusion that the concentration does not raise serious doubts concerning its competitive effects. The total market is characterised by the strong purchasing power of steel producers. They assign their orders according to tender procedures, which ensure competition, as long as there is a sufficient number of potential suppliers on the market. The investigations carried out by the Commission confirm that, after the concentration, a sufficient number of alternative suppliers will exist in the European market as well as in the world market. In addition to four large European suppliers, the competitive pressure from non-European suppliers in plant and mechanical engineering must be taken into account. Many west-European projects have gone to Japanese companies in the past. □