MERGERS (ROCK CRUSHING MACHINERY): THE METSO CASE

Subject: Mergers
Conditions (of approval)
Product markets

Industry: Rock crushing machinery
(Some implications for other industries)

Parties: Metso Corporation
Svedala AB

Source: Commission Statement IP/01/103, dated 24 January 2001

(In the present case, the Commission felt able to allow the merger, subject to certain conditions on the divestiture of parts of both parties' businesses. This was agreed between the Commission and the parties after the Commission had identified subsidiary product markets which, if the operation had gone ahead in its original form, would have created a dominant position in those separate markets.)

The Commission has authorised the proposed merger between Metso Corporation and Svedala AB, two Nordic companies with world-wide activities in the production and distribution of machinery for the rock and mineral processing industry. The merger creates one of the largest rock crushing equipment manufacturers world-wide. Regulatory clearance was possible after it was agreed that Svedala's jaw crusher and cone crusher businesses as well as Metso's primary gyratory crusher business would be divested to an independent competitor. This commitment was necessary to ensure effective competition on the markets for rock crushing equipment in the European Economic Area (EEA) and in individual Member States.

Metso is a Finnish company, established in 1999 through the merger of Valmet Corporation and Rauma Corporation. It is active in three main business areas: machinery including rock and mineral processing, automation and control technology, and fibre and paper technology. Svedala is a Swedish construction and mineral processing equipment company active in equipment for mineral recovery, processing and handling, including drilling equipment, rock crushing equipment, transport systems, and compaction equipment.

The competitive impact of the operation will be in the field of rock crushing equipment, which is sold both by Svedala and by Metso (under its Nordberg brand). Rock crushing equipment principally aims at reducing the size of rock in order to make it suitable for its expected application. It is therefore primarily used for the production of aggregates and cement, and in the mining industry. There are essentially four main types of crushing equipment. Each type corresponds to a specific technology. The four types are jaw crushers, impactors, cone crushers and

primary gyratory crushers. Rock crushers used for mining applications are significantly larger and more expensive than crushers used in aggregate and construction applications ("A&C crushers"), and therefore belong to different product markets.

On 22 November 2000, the Commission decided, after an initial investigation of six weeks, that it would further investigate the impact of the proposed transaction, due to serious competition concerns in the following markets: cone crushers for aggregate production and construction applications in most Member States (Austria, Denmark, Finland, France, Germany, Italy, Ireland, Norway, Portugal, Spain, Sweden and the United Kingdom); jaw crushers for aggregate production in the Nordic countries (Denmark, Finland, Norway and Sweden); high capacity cone crushers for mining applications (EEA wide); jaw crushers for mining applications (EEA wide) and primary gyratory crushers used in mining applications (EEA wide).

In particular, the operation would have led to substantial market shares at national and EEA-wide level in the cone crusher markets (above 60% at EEA-wide level and above 50% in most Member States), in the primary gyratory market (above 60% EEA-wide), and, to a lesser extent, in the jaw crusher markets (above 50% in most Nordic countries for A&C jaw crushers and above 35% at EEA-wide level for mining jaw crushers). In addition, the Commission's investigation showed that Metso and Svedala benefit from specific advantages over their competitors, due to their high reputation, their broad product portfolio and their wide geographic coverage. Furthermore, there are significant barriers to entry into the rock crushing equipment markets because customers tend to be very risk averse and because local presence and quality of after-sales services are essential factors in these markets. Potential competition would therefore not have been a credible deterrent to prevent the parties from exerting their significant market power. The operation would thus have resulted in dominant positions in all the above-mentioned markets.

However, the parties have offered undertakings that will result in a complete divestment of Svedala's cone and jaw crushers businesses, as well as in the divestment of Metso's primary gyratory business. As a result, the overlaps between the parties' activities in the markets where the Commission had identified competition concerns will be entirely removed. Therefore, the undertakings offered by the parties correctly resolve the competition concerns created by the operation and ensure that customers will continue to benefit from sufficient choice and competitive prices. The Commission's decision to clear this operation is conditional upon full compliance with the undertakings offered by the parties.

Of the basis of the bilateral agreement on antitrust co-operation between the European Commission and the United States of America, the European Commission has co-operated with the Federal Trade Commission in the analysis of this transaction. The investigation in the US continues. In addition, the Commission has held discussions with the competition authorities of Australia, Canada and South Africa. ■