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PUBLIC VERSION

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

Graphic Packaging International Europe Holdings B.V.,
c/o Graphic Packaging Holding Company
1500 Riveredge Pkwy NW, Ste 100, 9th Floor
GA 30328 Atlanta
United States of America

Subject: **Case M.10353 – GRAPHIC PACKAGING HOLDING COMPANY / AR PACKAGING GROUP**
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004[1] and Article 57 of the Agreement on the European Economic Area[2]

Dear Sir or Madam,

(1) On 7 September 2021, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Graphic Packaging International Europe Holdings B.V., ('GPK' or 'Notifying Party') intends to acquire, within the meaning of Article 3(1)(b) EUMR, sole control over AR

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 (the '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 OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

Packaging Group AB ('ARP', and together with GPK, the 'Parties') by way of acquisition of shares.[3]

1. THE PARTIES

(2) GPK is part of a corporate group headed by Graphic Packaging Holding Company, a US-headquartered global manufacturer and provider of paperboard and sustainable paper-based packaging solutions for a wide variety of customers. GPK is active both in the production of cartonboard from its production mills in the US, and in the converting of cartonboard into various packaging solutions for a wide range of customers.

(3) ARP is headquartered in Lund, Sweden, and is a global provider of sustainable fibre-based packaging solutions for the food and consumer goods, beauty and cosmetic, confectionary, food service, tobacco, the pharmaceutical and medical industries.

2. THE TRANSACTION

(4) Pursuant to a share purchase agreement signed on 12 May 2021, GKP will acquire 100% of the shares in ARP (the 'Transaction'). Upon completion of the Transaction, GPK will exercise sole control over ARP within the meaning of Article 3(1)(b) of the Merger Regulation.

3. UNION DIMENSION

(5) The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 000 million [in 2020, GPK: […]; ARP: […]][4]. Each of them has a Union-wide turnover in excess of EUR 250 million [in 2020, GPK: […]; ARP: […]], but they do not achieve more than two-thirds of their aggregate Union-wide turnover within one and the same Member State. The notified operation therefore has a Union dimension pursuant to Article 1(2) of the Merger Regulation.

4. RELEVANT MARKETS

(6) The Parties' activities overlap horizontally with regard to the supply of folding cartonboard packaging. Both Parties also have a small presence in the supply of packaging machinery to customers in the EU, but as it does not give rise to an affected market under any plausible product or geographic market definition it is not dealt with in this Decision.[5]

(7) GPK is also active in the upstream market of producing paperboard. However, the Parties do not have a vertical relationship, GPK does not have any paperboard sheet production activities in the EEA and it does not sell to third party converters in the

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3 Publication in the Official Journal of the European Union No C 400, 4.10.2021, p. 4, and Corrigendum in OJ C 405, 7.10.2021, p. 11.

4 Turnover calculated in accordance with Article 5 of the Merger Regulation.

5 The Parties' combined market share in the narrowest plausible market is below 10%. Form CO, paragraph 11 and response of 7/10/2021 to Request for Information 4.

EEA.[6] This Decision will therefore focus solely on the impact of the Transaction on the supply of folding cartonboard packaging.

4.1. Product market definition

(8) Converting paperboard[7] into cartonboard packaging products involves the printing, folding, gluing and often laminating / coating of pre-ordered sheets of paperboard and cutting the board into carton blanks. The carton blanks also incorporate creases, which enable the carton to be formed for packaging the customer's product.[8] Folding cartonboard packaging is sold to producers of food and non-food consumer products to be used to pack a wide range of products belonging to different end-use segments.[9] A form of cartonboard packaging is microflute, which is a type of corrugated cartonboard used for transport and display purposes at the point of sales.[10]

(9) The Parties' activities in folding cartonboard packaging overlap in the EEA only with respect to certain end-use applications: (i) beverages, (ii) food, (iii) healthcare, (iv) personal care and (v) other non-food. None of the Parties is active in the supply of cartonboard packaging with microflutes in the EEA.

4.1.1. The Commission's previous decisions

(10) In its previous decisions, the Commission has considered the possibility of sub-segmenting the folding cartonboard packaging market by end-use application. For instance, it has considered that folding cartonboard for tobacco, for pharmaceutical/medical products or for beverages might constitute distinct markets. However, the market definition has ultimately been left open.[11] The Commission's previous decisions have not addressed the relevance of the distinction between folding cartonboard with and without microflutes for product market definition purposes.

(11) Moreover, within beverages, the Commission has considered in its previous decisions the possibility of distinguishing between (i) rigid boxes used for the packaging of premium beverages, and (ii) multipack cartons used for packaging beer, cider or soft drinks. However, the market definition has ultimately been left open.[12]

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6 [Sales policy/strategy] (see Form CO, footnote 36). GPK's market share on the hypothetical worldwide production of paperboard would also be very limited [5-10]% (see Form CO, footnote 141).

7 The industry usually distinguishes between four main categories of paperboard: solid bleached sulphate (*SBS*), coated natural kraft (*CNK* or *CUK*), folding box board (*FBB*) and white lined chipboard (*WLC* or *CRB*) (Form CO, paragraph 88).

8 Form CO, paragraph 91.

9 Form CO, paragraph 107.

10 Form CO, paragraph 92. According to some customers, folding cartonboard packaging without microflutes is used to pack the product and is the unit purchased and that the consumer "touches". By contrast, microfluted cardboard is a packaging unit which typically contains multiple cartons: it is used for display purposes on shelf at the point of sale (see minutes of DG COMP calls of 30 August 2021 with a customer and of 3 September 2021 with a competitor).

11 Cases M.5599 – AMCOR / ALCAN, paragraphs 44-45, and M.8421 – WESTROCK / MPS, paragraphs 12-18.

12 Case M.8421 – WESTROCK / MPS, paragraphs 12-18.

4.1.2. The Notifying Party's views

(12) The Parties propose to leave open the product market definition, since no concerns would arise even under the narrowest plausible segmentation.[13] In any case, the Parties submit that microflutes should be included in the overall folding cartonboard packaging market, as there is high level of substitutability between microflutes and other cartonboard packaging.[14]

4.1.3. The Commission's assessment

(13) The market investigation supports the Commission's previous practice of considering the possibility of sub-segmenting the folding cartonboard packaging market by end-use application. The majority of respondents to the market investigation agreed with this segmentation.[15] Within beverages, the majority of respondents also indicated that suppliers tend to be specialised and supply either rigid boxes for premium beverages or multi-pack cartons for beers or soft drinks.[16] Finally, with regard to possible further sub-segmentation (e.g. sub-segmenting the supply of folding cartonboard packaging for food into the supply to the retail sector and to the foodservice sector or by type of product) a majority of respondents also considered that, generally, and as regards the end-applications where the Parties overlap, no further sub-segmentation is necessary.[17]

(14) As regards microflutes, the market investigation was inconclusive: the majority of customers who responded to the market investigation replied that they do not use microflutes for the packaging they purchase for their products[18] but that microflutes can be replaced with folding cartonboard without microflute (and *vice versa*) in certain situations.[19] The majority of competitors who responded to the market investigation indicated that they manufacture both microflutes and cartonboard without microflutes[20], though the responses were inconclusive regarding the degree to which there is supply-side substitutability.[21]

(15) In any event, for the purposes of this Decision, it can be left open whether the folding cartonboard market should be sub-segmented according to end-use applications or whether a distinction would be appropriate between packaging with or without microflutes, as the Transaction does not raise serious doubts as to its compatibility with the internal market even under the narrowest market definition. Therefore, the Commission will analyse the impact of the Transaction on the folding cartonboard market, distinguishing by end-application (and in beverages,

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13 Form CO, paragraph 111.

14 Form CO, paragraphs 93-96. The Notifying Party submits that microflute packaging is produced on the same machinery as other cartonboard packaging, using the same print, cut and glue assets, but then requires an additional stage of lamination which requires an additional piece of equipment.

15 See replies to question 3 in both Questionnaire Q1 to Customers and Questionnaire Q2 to Competitors.

16 See replies to question 4 in both Questionnaire Q1 to Customers and Questionnaire Q2 to Competitors.

17 See replies to questions 6, 9, and 12 in Questionnaire Q1 to Customers, and replies to questions 7, 10, and 13 in Questionnaire Q2 to Competitors.

18 See replies to questions 7, 10, and 13 in Questionnaire Q1 to Customers.

19 See replies to questions 8, 11, and 14 in Questionnaire Q1 to Customers.

20 See replies to questions 8, 11, and 14 in Questionnaire Q2 to Competitors.

21 See replies to questions 9, 12, and 15 in Questionnaire Q2 to Competitors.

considering narrower segments including only soft drinks) and in all cases presenting the narrowest segment excluding microflutes.[22]

4.2. Geographic market definition

(16) The Commission's decisional practice has been to leave open whether the scope of the market for folding cartonboard packaging is national or EEA-wide.[23]

(17) The Notifying Party submits that cartonboard packaging is often transported across national borders and that customers typically purchase their requirements from suppliers in other European countries,[24] which would indicate that the market is open for competition from cross-border suppliers located within and outside the EU.[25]

(18) The results from the market investigation were inconclusive. The majority of competitors responded that they would consider selling folding cartonboard packaging in an area wider than the EEA.[26] However, the majority of customers responded that they would consider purchasing folding cartonboard packaging on a regional basis (i.e. nationally and neighbouring countries).[27]

(19) In any event, the precise geographic scope of the market may be left open since the Transaction does not raise serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement regardless of the geographic market definition adopted. The Commission will analyse the impact of the Transaction at national, regional (e.g. Western Europe) and EEA level.

(20) The Transaction would give rise to affected markets only in the following plausible product and geographic markets: (i) supply of folding cartonboard for soft drinks in the EEA; (ii) supply of folding cartonboard for soft drinks in Western Europe; (iii) supply of overall folding cartonboard packaging in Croatia; (iv) supply of overall folding cartonboard packaging in Spain; (v) supply of folding cartonboard for personal care products in Germany; (vi) supply of folding cartonboard for personal care products in Poland; and (vii) supply of folding cartonboard packaging for food products in Spain.[28] The conditions of competition and the position of the Parties are similar in each of these plausible markets.

5. COMPETITIVE ASSESSMENT: HORIZONTAL NON-COORDINATED EFFECTS

(21) According to the Commission's Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings ("Horizontal Merger Guidelines"),[29] mergers between actual or potential competitors

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22 In the absence of any indication, market shares on this Decision are to be understood as excluding microflutes. Market shares including microflutes will also be presented, when available.

23 Cases M.5599 – AMCOR / ALCAN, paragraphs 49, M.8421 – WESTROCK / MPS, paragraphs 29-35, and M.10122 - MAYR-MELNHOF KARTON / KOTKAMILLS GROUP, paragraphs 43-45.

24 Form CO, paragraph 130.

25 Form CO, paragraph 131.

26 See replies to questions 17, 20 and 23 of Questionnaire Q2 to Competitors.

27 See replies to questions 18, 21 and 24 of Questionnaire Q1 to Customers.

28 In all cases, excluding microflutes.

29 OJ C 31, 05.02.2004.

can result in horizontal non-coordinated effects which are harmful to competition.[30] The Horizontal Merger Guidelines list a non-exhaustive number of factors which can influence whether or not significant horizontal non-coordinated effects are likely to result from a merger, such as the large market shares of the merging firms, the fact that the merging firms are close competitors and the limited possibilities for customers to switch suppliers.[31]

5.1.1. The Notifying Party's views

(22) The Notifying Party submits that the Transaction will not give rise to concerns in any of the potentially affected markets for the following reasons:[32] first, the market share increment would be very limited; second, strong competitors would remain in a fragmented market;[33] third, multi-sourcing is common in the market, customers frequently switch provider to minimise prices and barriers for switching are *de minimis*;[34] fourth, there are limited barriers to entry and expansion;[35] fifth, customers are large and sophisticated purchasers (such as […] etc.) who exert significant buyer power; and sixth, the Parties are not close competitors as they focus on different customer groups / locations.

5.1.2. The Commission's assessment

(23) On the basis of the information available to it and in light of the results of the market investigation, the Commission considers that the Transaction is unlikely to raise competition concerns, for the following reasons.

(24) First, market shares remain relatively moderate post-merger in most of the plausible markets and in any event the market share increments are always minimum or negligible.[36]

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30 See Horizontal Merger Guidelines, paragraph 24: "*A merger may significantly impede effective competition in a market by removing important competitive constraints on one or more sellers who consequently have increased market power. The most direct effect of the merger will be the loss of competition between the merging firms. For example, if prior to the merger one of the merging firms had raised its price, it would have lost some sales to the other merging firm. The merger removes this particular constraint. Non-merging firms in the same market can also benefit from the reduction of competitive pressure that results from the merger, since the merging firms' price increase may switch some demand to the rival firms, which, in turn, may find it profitable to increase their prices. The reduction in these competitive constraints could lead to significant price increases in the relevant market*".

31 Horizontal Merger Guidelines, paragraph 26 et seq.

32 Form CO, paragraphs 233 – 261.

33 The Notifying Party submits that the merged entity would continue to face significant competition from multinational converters active across the EU (such as Mayr-Melnhof, MPS/WestRock, DS Smith, Van Genechten, and others), as well as a range of smaller, local converters (for example, Seda, Autajon, Hinojosa Packaging, Dot 2 Dot, and others).

34 According to the Notifying Party, multi-sourcing gives customers access to alternative providers at little to no delay, switching costs are typically borne by the new provider rather than by the customer, and suppliers will not typically be guaranteed a fixed volume of work from customers, so there is no penalty for a customer looking to shift production between existing providers.

35 Providers are, according to the Notifying Party, able to switch production easily between end-user segments as the base raw material is the same.

36 The Notifying Party has presented market shares estimates under two different sources: the industry report "*The Future of Folding Cartons to 2026*" published by Smithers Pira ("Pira") and the industry report "*European Carton Prospects 2019 Edition*" prepared by NOA-PRISM for the European Carton Makers

(i) In the supply of folding cartonboard packaging for soft drinks in the EEA,[37] GPK's market share is [20-30]% and ARP's market share is less than [0-5]%, resulting in a combined market share of [20-30]%.[38] The Parties' main competitors are MPS/WestRock, with a [20-30]% market share, Mayr-Melnhof, with a [5-10]% market share, and Van Genechten, with a [0-5]% market share. In other words, the Transaction would entail the merger of the biggest player in this segment with one of the smallest, giving rise to a negligible share increment. There would be one competitor whose market share would be only just below that of the merged entity, and there would be at least three competitors with market shares substantially higher than the market share increment brought about by the Transaction.

(ii) In the supply of folding cartonboard packaging for soft drinks in Western Europe[39] the picture is relatively similar: GPK's market share is [20-30]% and ARP's also less than [0-5]%, resulting in a combined market share of [20-30]% post-Transaction.[40] Again, the Parties' main competitors are MPS/WestRock, with a [10-20]% market share, Mayr-Melnhof, with a [5-10]% market share, and Van Genechten, with a [0-5]% market share. In other words, the Transaction would entail the merger of the biggest player in this

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Association ("Prism"). Prism data is based on production locations while Pira data is based on customer location (as defined by the location of the packer). This means that market sizes will differ due to the existence of imports and exports between countries or regions. While Pira does report major market participants in the industry, neither the Prism report nor Pira report publishes any detailed and precise data on individual market participants. As such, neither Party has any reliable, third-party information on the revenue or market share data of its competitors. Market share of competitors are therefore the Parties' estimates (see Form CO, paragraphs 150 and ff). Although Prism's estimates of the overall market sizes are smaller (and the Parties' shares are generally higher and thus more conservative), the Commission agrees with the Parties that overall they seem to be less reliable, mainly because they only take into account local production in the region/country in question, but not the exports and imports out of and into the markets. More generally, the Commission considers not credible the size of some market segments estimated by Prism. For instance, Prism estimates the overall size in Germany of the soft drinks/beers segment (where it attributes to GPK a [90-100]% share and to APR a [0-5]% share) to be […] (vs […] by Pira) and of the beverages segment (GPK, [60-70]%; APR [0-5]%) to be […] (vs […] by Pira). By comparison, Prism estimates the size of food market in Germany to be […] and the beverage market in Poland at […].
For this reason, the Commission will take into account in this decision the market size and share estimates based on Pira. In any case, the conclusions of the Commission would not change if the Prism estimates were taken into account: essentially there would be an additional affected market (beverages/soft drinks/beers in Germany) but three less (overall folding packaging in Croatia and Spain, personal care in Poland and food in Spain) and the market share increments would in any and all market segments be also negligible (always [0-5]% except [0-5]% in beverages in Germany).

37 The EEA figures corresponds to Pira's "Total Europe" category, which includes a number of non-EEA countries and territories, i.e. it includes all EU Member States as well as the following: Albania, Andorra, Armenia, Azerbaijan, Belarus, Bosnia Herzegovina, Faroe Island, Georgia, Gibraltar, Greenland, Holy See, Kazakhstan, Kyrgyzstan, Liechtenstein, Macedonia, Moldova, Monaco, Norway, San Marino, Serbia, Svalbard and Jan Mayen Island, Switzerland, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

38 Form CO, Table 7 "EU – Pira – Breakdown of the Beverages segment in 2020". Including microflutes, GPK's share would be [10-20]% and ARP's [0-5]%.

39 Pira's "Western Europe" figures includes the following countries and territories: Andorra, Austria, Belgium, Cyprus, Denmark, Faroe Island, Finland, France, Germany, Gibraltar, Greece, Greenland, Holy See, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, Monaco, Netherlands, Norway, Portugal, San Marino, Spain, Svalbard and Jan Mayen Island, Sweden and Switzerland.

40 Form CO, Table 13 "Table 13: Regions (Western and Eastern Europe) – Pira – Breakdown of the Beverages segment in 2020". Including microflutes, GPK's share is [10-20]% and ARP's is less than [0-5]%.

segment with one of the smallest, thus leaving the structure of supply almost unaffected. There would be at least three competitors with market shares substantially higher than the market share increment brought about by the Transaction.

(iii) In the overall supply of folding cartonboard packaging in Croatia, the Parties' combined market share would only be [20-30]%. GPK's presence is minimal, with a market share of [0-5]%, whereas ARP's market share is [10-20]%, resulting in a combined market share of [20-30]%.[41] The main competitors are Lana-Karlovačka tiskara, with a [5-10]% market share, and Grafičar Ludbreg, with a [5-10]% market share. The other competitors have market shares lower than [0-5]%, which illustrates the high fragmentation of the market. In other words, the Transaction would entail the merger of the biggest player with, at best, the fifth player in this segment. There would be at least three competitors with market shares higher than the market share increment brought about by the Transaction.

(iv) In the overall supply folding cartonboard packaging in Spain, the situation is the contrary: GPK's market share is [20-30]% and ARP's market share is only [0-5]%, resulting in a combined market share of [20-30]%.[42] The Parties' main competitors are Essentra, with a [10-20]% market share, Hinojosa Packaging, also with a [10-20]% market share, and Autajon, with a [10-20]% market share. In other words, the Transaction would entail the merger of the biggest player with one of the smallest. There would be at least three competitors with market shares substantially higher than the market share increment brought about by the Transaction.

(v) In the supply of folding cartonboard packaging for personal care products in Germany, GPK's market position is very limited, with only a [0-5]% market share, whereas ARP's market share is [20-30]%, resulting in a combined market share of [20-30]%.[43] Other competitors are Edelmann, with a [20-30]% market share, Westrock, with a [10-20]% market share, Autajon, with a [10-20]% market share, Mayr-Melnhof, with a [5-10]% market share, and Van Genechten, with a [5-10]% market share.[44] In other words, the Transaction would entail the merger of the first and, at best, the seventh player in this segment.[45] There would still be three competitors with market shares between 10% and 20% and at least five competitors with market shares substantially higher than the market share increment brought about by the Transaction.

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41 Form CO, Table 20 "Croatia – overall paperboard converting activities in 2020". Including microflutes, GPK's share is [0-5]% and ARP's [10-20]%.

42 Form CO, Table 47 "Spain – overall paperboard converting activities in 2020". Including microflutes, GPK's share is [10-20]% and ARP's is [0-5]%.

43 Form CO, Table 31 "Germany – paperboard converting activities by end-use segment in 2020". Including microflutes, GPK's is [0-5]% and ARP's [10-20]%.

44 Competitors' market shares are based on Prism, as they were not available under Pira. Parties´ shares under Prism are [0-5]% (GPK) and [20-30]% (ARP).

45 GPK's presence in this area is so limited that Prism does not even record it as a competitor (it attributes to it a [0-5]% share in 2020.

(vi) In the supply of folding cartonboard packaging market for personal care products in Poland, the situation would be very similar: GPK's market share would only be [0-5]% and ARP's market share is [50-60]%, resulting in a combined market share of [50-60]% post-transaction.[46] Post-transaction the main remaining competitors would be Mayr-Melnhof, with a [10-20]% market share, Essentra with a [10-20]% market share, and Van Genechten, with a [10-20]% market share. In this case, although ARP's market share pre-transaction is high, GPK's presence is minuscule, thus the structure of supply will remain essentially unaffected by the Transaction. Although the Party's combined share post-merger is relatively high, GPK's activities appear to be particularly limited in Poland. In 2020, GPK's sales in folding packaging cartonboard in Poland were […], amounting to less than [0-5]% of the overall market (i.e. including all end-uses). In particular, GPK's presence in personal care appears to be merely symbolic, with sales of […] in 2020. Moreover, all but one of the competitors active in the personal care segment confirmed that, in case of a price increase by the Parties post-Transaction, they could increase production to supply customers willing to switch.[47]

(vii) In the supply of folding cartonboard packaging market for food products in Spain, GPK's market share is [30-40]% and ARP's market share is [0-5]%, resulting in a combined market share of [30-40]%.[48] Post-Transaction the main remaining competitors would be Hinojosa Packaging, with a [20-30]% market share, Mayr-Melnhof, with a [10-20]% market share, and Alzamora, with a [10-20]% market share. In other words, the Transaction would entail the merger of the biggest player with one of the smallest. There would be one competitor with a market share of [20-30]%, and there would be at least three competitors with market shares substantially higher than the market share increment brought about by the Transaction.

(25) Second, the Parties do not appear to be close competitors in any of the plausible markets referred to in paragraph (20) since they have a highly complementary footprint in the EEA as regards both their product portfolio and the geographies where they are active: GPK appears to be well established in beverages and food but is considerably weaker in health care and personal care, and the latter two are the sectors (besides food) where ARP's presence in the EEA is more prominent.[49] Geographically, GPK is particularly weak precisely in those countries where ARP's presence seems more significant (Croatia, Czechia, Finland, Germany (except in beverages), Greece, Hungary, and Poland). And at EEA level, this complementarity is also reflected in the Parties' very distant position in terms of market shares, as illustrated in paragraph (24) above.

(26) Third, there are alternative sources of supply for customers in all of the plausible markets referred to in paragraph (20). Post-Transaction there would generally remain at least three relevant competitors in all potentially affected markets considered.

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46 Form CO, Table 44 "Poland – paperboard converting activities by end-use segment in 2020". The shares including microflutes would be less than [0-5]% and [40-50]%, respectively.

47 See replies to question 41 in Questionnaire Q2 to Competitors. See also paragraphs (25)-(28).

48 Form CO, Table 48 "Spain – paperboard converting activities by end-use segment in 2020". Including microflutes, GPK's share is [20-30]% and ARP's [0-5]%.

49 One of the customers in the beverage sector even admitted it did not know ARP. See Minutes of Call between DG COMP and a customer of 8 September 2021.

Among the names mentioned by customers as alternative suppliers to turn to in case of a price increase by the Parties are Westrock, Karl Knauer, Baden Packaging, Van Genechten, WB Verpackungen, Colordruck in the beverage segment, Aujaton, Westrock, Edelmann or MMP for personal care products, and Seda, Huhtamäki, MMK or VG for the packaging of food products. The Commission has also investigated whether, besides local players, customers could also resort to multinational players capable of supplying facilities across the EEA. In this respect, when asked how many alternative suppliers (i.e. other than the Parties) they had with the ability to serve (even potentially) several EEA Member States (in terms of capacity, technology, and plants across Europe), the most common replies among customers in all sectors was 'three to five' or 'more than five'.[50] Moreover, these alternative suppliers have spare capacity available: all except one of the competitors indicated during the market investigation that they could increase production to serve customers present all around the EEA.[51]

(27) Fourth, switching is relatively frequent in all of the plausible markets referred to in paragraph (20), and takes place in competitive conditions. A majority of customers indicated that contracts are renewed regularly every 3-4 years, in general through tenders or equivalent competitive negotiations, where numerous suppliers participate.[52] When asked, a majority of customers across all sectors indicated that at least five suppliers participate in the tenders or are considered in the negotiations for new contracts or renewals.[53]

(28) Fifth, and finally, as to the impact of the Transaction, only a minority of customers and competitors in any of the plausible markets referred to in paragraph (20) were of the view that prices would become more expensive as a result of the Transaction.[54] And at the same time, only a minority of customers (in all market segments) indicated that, in case the Parties decided to raise prices post-merger, there would not be sufficient alternative suppliers to turn to cover all their needs.[55] Although some market respondents showed their concern due to the loss of one competitor, overall the majority of the responses were neutral or even positive. Two large customers in the beverage sector indicated that "*GPK would gain additional capacity as a result of this transaction which could translate to lower prices due to efficiency gains. […] there is still enough competition in the market for this transaction not to impact prices long term*"[56] and that "*[w]e expect the prices [to] remain the same, since there is enough competition in the market. The merger between [GPK] and [ARP] will not add any new capacity to the market*".[57]

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50 See replies to questions 27, 32 and 37 in Questionnaire Q1 to Customers.

51 See replies to questions 39, 41, and 43 in Questionnaire Q2 to Competitors.

52 See replies to questions 25, 26, 30, 31, 35, 36 in Questionnaire Q1 to Customers. Although most competitors indicated renewals take place every one-two years (see replies to questions 26, 30, 34 in Questionnaire Q2 to Competitors).

53 See replies to questions 26, 31, 36 in Questionnaire Q1 to Customers.

54 See replies to questions 39, 41, and 43 in Questionnaire Q1 to Customers, and replies to questions 38, 40, and 42 in Questionnaire Q2 to Competitors.

55 See replies to questions 40, 42, and 44 in Questionnaire Q1 to Customers. This is consistent with competitors' replies that they could increase their production if needed (see paragraph (26)).

56 See reply from a customer to question 39.1 in Questionnaire Q1 to Customers.

57 See reply from a customer to question 39.1 in Questionnaire Q1 to Customers.

5.1.3. Conclusion

(29) In view of (i) the limited market share increment in all plausible affected markets, (ii) the apparent complementarity of the Parties' activities as regards products and geographies within the EEA, which suggests they are not particularly close competitors, (iii) the existence of alternative suppliers in all market segments to which customers could switch and that contracts are renewed frequently through tenders or competitive processes; and (iv) the existence of spare capacity for suppliers to increase production and serve customers willing to switch, the Commission takes the view that the Transaction does not raise serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement with regard to any of the following markets: (i) supply of folding cartonboard for soft drinks in the EEA; (ii) supply of folding cartonboard for soft drinks in Western Europe; (iii) supply of overall folding cartonboard packaging in Croatia; (iv) supply of overall folding cartonboard packaging in Spain; (v) supply of folding cartonboard for personal care products in Germany; (vi) supply of folding cartonboard for personal care products in Poland; and (vii) supply of folding cartonboard packaging for food products in Spain.

6. CONCLUSION

(30) For the above reasons, the European Commission has decided not to oppose the Transaction 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 and Article 57 of the EEA Agreement.

For the Commission

(Signed)
Margrethe VESTAGER
Executive Vice-President