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**Re.: ASSA ABLOY AB, Stockholm, Schweden;
Acquisition of all shares of SimonsVoss AG, Unterföhring;
Notification acc. § 39 Abs. 1 GWB**

A. EXECUTIVE SUMMARY

Assa Abloy, Sweden, plans to acquire the German company SimonsVoss. Assa Abloy is an internationally active company offering

- mechanical locking products (especially traditional mechanical locking cylinders),
- mechatronic security products (especially mechatronic locking cylinders, i.e. key-based locking cylinders with supplementary electronic functions),
- access control products (complex system solutions made up of various single components, partly with supplementary functions other than pure access security such as time recording)

as well as other electronic identification products and automatic door and hotel security systems. In Germany, Assa Abloy products are mainly known under the brand names Ikon, effeff and Keso. SimonsVoss manufactures electronic locking cylinders (i.e. locking cylinders with supplementary electronic functions but without keys). Assa Abloy's total worldwide turnover amounts to approx. € 3.5 billion, that of SimonsVoss to approx. € 30 – 40 million.

In the uniform market for mechatronic and electronic cylinders the parties to the merger hold a joint market share of 65 - 70 % (Assa Abloy 25 – 30 % and Simons

Voss 40 – 45 %) with a market share lead over the next closest competitor of more than 50 %. Furthermore, the market's structure is largely fragmented and satisfies the prohibition criteria. These criteria would also be fulfilled in hypothetical single markets if electronic fixtures were included and European-wide markets assumed.

The concentration would create a scope of action for the merging parties which could not be sufficiently controlled by competition. The market for mechatronic and electronic cylinders, which is still young, can be expected to experience strong growth over the next few years. Nonetheless, as a consequence of the merger, the parties to the concentration would hold an almost unassailable market position: The merger concentrates the leading technology and pre-eminent position of SimonsVoss in the electronic cylinder business with the broadly established basis of Assa Abloy in the mechatronic locking sector, Assa Abloy's pre-eminent position in the mechatronic cylinder sector and the superior resources of the company which is dominant in many European markets. In the next few years the further development expected in electronic locking cylinder technology will make huge demands on the resources of the predominantly medium-sized competitors. The corresponding level of expenditure on R+D by these competitors will have to be earned from the sale of much lower quantities due to their lower market share, compared to the level spent by the parties to the merger. These competitors are not expected to have the necessary resources in the foreseeable future to compete successfully against the parties in order to limit their scope of action.

Moreover, in addition to their sheer financial power the parties to the merger would have a powerful deterrent potential against competition due to their superior access to the main sales channel, namely security systems stores. Due to its economic weight vis-à-vis the trade sector, Assa Abloy can use market-typical rebate systems as a strong incentive for its main distribution channel to stock primarily products of the merging parties. Discount schemes in the market are of particular importance because the discounts on the list prices (sales, class and even object discounts for individual tenders) often account for up to 50 % of the list price. Security systems stores can only expect to bid successfully in tenders if they are awarded a sufficiently high discount from the manufacturer. Experiences in other EU states show that Assa Abloy uses its market power in this way to deter its competitors.

The superior access of the parties to the merger to their main sales channel, i.e. specialised stores, is not weakened by the fact that a second sales channel has emerged offering manufacturers of mechatronic and electronic cylinders the possibility to sell to producers of comprehensive access control systems, to which the advantages described above do not apply. The reason for this is that turnover achieved via this new sales channel has until very recently been rather low.

In addition, barriers to market entry are significant: Although market entries in the area of electronic cylinders are possible and have actually happened (even before the patent for the twin knot cylinder manufactured by SimonsVoss was revoked in 2005 in patent infringement proceedings), the success of a market entry is hampered by the high complexity of the product: Since the failure of a locking system can have severe consequences, products need to meet extremely high quality requirements. For this reason R&D expenditure is especially high, as is the intensity of advisory services at the sales level. In addition, the opposite market side is fragmented, since the main distribution channel is through the security systems stores. As a consequence, support services require a large and competent field staff even if well-established customer relations already exist for other products (such as classical mechanical cylinders). Moreover, the number of manufacturers listed with a security systems store is limited since system-specific expertise is required and rebate systems demand a focus on a limited number of manufacturers. Consequently, although the numerous market entries have led to a high number of competitors represented in the market with their products, their market share development does not show a corresponding potential for competitive control, all the more since the past has shown that market entries can easily be challenged by technical problems.

The powerful position of the parties to the merger in the manufacture of mechatronic and electronic cylinders is also not challenged by the competition between manufacturers of cylinders and suppliers of comprehensive access control systems in the sale of more complex integrated systems. Such integrated systems typically consist of online access control devices at particularly vulnerable points of a building (such as magnetic card readers/online cylinders for external faces or R&D areas) and traditional offline cylinders at less sensitive points (such as the remaining internal doors). The competition in the integrated systems' market does not affect competition in the relevant market for the production of cylinders because it takes

place in a market that is downstream of the market for cylinders. To offer integrated systems in the downstream market, traditional suppliers of access control systems buy cylinders for their integrated systems from cylinder manufacturers. For this reason alone they are not able to limit the scope of action of cylinder manufacturers in the upstream market for the manufacture of mechatronic and electronic cylinders.

The circumstances described above make it necessary to prohibit the merger project. The fact that the market for mechatronic and electronic cylinders is probably still in its development phase, is an argument in favour of rather than against the prohibition decision.

The full text of the decision is available in German:
http://www.bundeskartellamt.de/wDeutsch/aktuelles/2008_11_19_Fusionskontrolle.php.