JOINT VENTURES (BREWING): THE BI / KARLSBERG CASE

Subject: Joint ventures

Industry: Brewing

Parties: Brauholding International (BI)
Karlsberg Group
Brauerei- Biervertriebsgesellschaft
Bayrische Brauholding AG
Schörghuber Group
Heineken International BV

Source: Commission Statement IP/02/1242, dated 27 August 2002

(Note. Two of the purposes of this brief report are, first, to emphasise the difference between Carlsberg (Denmark) and Karlsberg (Germany) and, second, to draw attention to the Commission's own comment on the limited nature of Heineken's involvement on the German market. Carlsberg and Heineken are the subject of a current investigation by the Commission – see the box below.)

The European Commission has cleared under the Merger Regulation the acquisition of a 45% stake by Brauholding International in the Karlsberg group's subsidiary Brauerei- und Biervertriebsgesellschaft. The transaction will leave the

The Carlsberg and Heineken Cases

The Commission has confirmed that, on 28 August, it carried out unannounced inspections at the premises of Carlsberg, in Copenhagen, and Heineken, in the Netherlands. These inspections are in the context of an ongoing investigation into suspected collusive behaviour between the two beer companies in violation of European Community's rules on competition.

The Commission in February 2002 sent a statement of objections to Denmark's Carlsberg and Heineken of the Netherlands, saying that it believed that the two companies had agreed not to compete actively in each other's home markets. Following the analysis of the companies' replies, the Commission is undertaking further fact finding.

The Commission will give no further details at this stage as it has a duty to keep anti-trust investigations confidential. The present statement was prompted by the companies' own statements and by press queries. Today's inspections do not prejudge the outcome of the investigation. The Commission can confirm that both companies are co-operating with its investigation.

Source: Commission Memorandum MEMO/02/181, dated 28 August 2002 two parents in joint control of a company whose main business is brewing and beer wholesaling in Germany, but this does not give rise to any competition concerns as the German beer market is highly competitive. The joint venture would also operate in other Member States, namely the Netherlands, the United Kingdom, Italy, Spain and Greece. The parties have excluded the beer industry in France.

The Commission's inquiries have established that in the Member States concerned the addition of market shares would be minimal. Because of the large number of competitors on the fragmented German beer market, the transaction does not give rise to competition concerns even in Germany, where the parties do most of their business. This is true whether the relevant market is defined as regional or countrywide.

The Karlsberg group operates in Germany, producing, wholesaling and retailing beer, other beer-based drinks, non-alcoholic beverages and mineral waters. Brauholding International is itself a joint venture, controlled by Bayrische Brauholding AG, which belongs to the Schörghuber group, and Heineken International BV of the Netherlands. Brauholding International's main labels are Paulaner, Hacker-Pschorr and Kulmbacher. Heineken's activities on the beer market in Germany are very limited. ■

The IBM / Hitachi Case

The Commission has given the go-ahead for Hitachi, Ltd., a Japanese manufacturer of electronics, to acquire sole control of the hard-disk drive business of US computer manufacturer IBM Corporation. IBM is a manufacturer of hard disk drives (HDDs) for all major applications including servers, desktops and mobile applications such as notebook computers. Hitachi manufactures HDDs only for the mobile and server segments. As a result of the transaction, Hitachi will have a leading position in HDDs for mobile applications. The Commission has nevertheless concluded that the transaction does not raise serious doubts as to its compatibility with the common market. The Commission considered in particular the following factors. HDD products are standardized; customers are large and sophisticated buyers who source their HDDs needs from multiple suppliers; and supply contracts are non-exclusive and short-term. All of the above result in low switching costs for customers who can and do shift quantities quickly from one supplier to another. On the supply side, HDD manufacturers face relatively low barriers to entry into the mobile HDD segment.

Hitachi, Inc. is a Japanese company with world-wide activities in computers, consumer electronics and semiconductors. International Business Machines Corporation (IBM) is a US-based computer manufacturer whose hard-disk drive business is mainly located in North America and the Pacific Rim region.

Source: Commission Statement IP/02/1194, dated 5 August 2002