

Brussels, 10 December 2001

Commission clears the creation of Eutilia and Endorsia electronic-marketplaces

The Competition Directorate-General of the European Commission has decided not to oppose the creation of two new B2B e-marketplace joint ventures, Eutilia and Endorsia. Eutilia is a venture between eleven European electricity utilities while Endorsia groups five manufacturers of machines and industry components. In both cases it was concluded that the notified arrangements do not restrict competition.

After examination of the two cases, the Competition Directorate-General has concluded that the notified agreements will not restrict competition in the meaning of Article 81(1) of the EC Treaty since the two Internet portals will be open to all potential users on a non-discriminatory basis and all exchange members will be free to do business through other on- and offline methods. Furthermore, the ventures will not act as a buying club, but rather operate as an intermediary. They will also provide appropriate protection of confidential information: firewalls and other safeguards will ensure that no commercially sensitive data is disclosed between competitors.

In both cases negative clearance type "comfort letters" have, therefore, been issued.

Eutilia

Eutilia will provide business to business (B2B) services in the field of the procurement of goods and services to utilities in the electricity sector including auctions, e-catalogue purchasing, off catalogue purchasing, buy/sell enquiries, supplier database services and hosting of individual buy sites.

The Internet portal will be owned by eleven major European electricity utilities : - Electrabel SA (Belgium), Electricité de France (France), Endesa Net Factory SL (Spain), Enel SPA (Italy), Iberdrola (Spain), National Grid Holdings Limited (UK), NV Nuon (Netherlands), RWE Systems AG (Germany), Scottish Power UK PLC (UK), United Utilities BV (Netherlands) and Vattenfall AB (Sweden). Each parent company will hold between 8,5% and 9,8% of the shares of Eutilia. As a result, no single party will have control over the portal within the meaning of the European Community Merger Regulation, nor will such control be held by an identifiable group of notifying parties.

The portal may subsequently expand the range of its activities by offering various transaction support services (e.g. financial services), supply chain integration services and hosting services and hopes to broaden its focus to goods and services for other utilities.

The Eutelia parties notified their joint venture to the Commission's competition services in February 2001, asking the Commission to find that it did not restrict competition or, if so, to grant an exemption.

The notifying parties estimate that the portal will allow both buyers and suppliers to reduce transactions costs by 20/25-50% (based on efficiency gains being realised in other B2B ventures).

Endorsia

Endorsia involves five manufacturers of machines and industry components: Aktiebolaget SKF (Sweden), Reliance Electric Industrial Company (USA), The Timken Corporation (USA), Industriewerk Schaeffler INA-Ingenieurdienst GmbH (Germany) and Sandvik Finance B.V. (Sweden). They will each acquire a 20% interest in Endorsia. It was also notified to the Commission in March 2001.

Endorsia will support the buying and selling requirements of various manufacturers, distributors and end-users for branded industrial goods and services. Suppliers will be able to connect to customers and customers to their suppliers by using one single electronic interface. Endorsia itself does not engage in any buying or selling activities. Each of the sellers will maintain their own separate "storefronts", deciding, for example, their own selling and customer access rules, terms and conditions of sale, shipping policy and pricing. Thus, Endorsia will serve as a conduit between individual sellers and their customers.

B2B and EU competition law : lessons gathered

B2B marketplaces such as Eutelia or Endorsia are becoming increasingly common and a number of them have already been examined under competition rules, giving the Commission welcome experience in this field. A year after its approval of Covisint, the largest e-marketplace operating to date, and after having dealt also with MyAircraft.com, Siemens/SAP and Telenor/Ergogroup/DNB/Accenture number of other decisions the Commission believes that electronic marketplaces have pro-competitive effects as they should create more transparency, thereby helping to link more operators and to integrate markets. They may also create market efficiencies by reducing search and information costs and improving efficiency in the supply chain.

Where competition problems may emerge is regarding the possible exchange or access to market-sensitive information, where there is discrimination against certain classes of users leading to foreclosure or where buyers or sellers club together to bundle their purchases or sales in a way liable to fall within the scope of Article 81(1) of the EC Treaty.