



BOS 9: Geographic Market Definition

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Disclaimer: The views are personal and do not reflect the official position of the Commission.



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Geographic Market Definition in India – Conceptual framework (1/3)

➤ Definition of RGM in the Indian Competition Act

“...area in which the conditions of competition for supply of goods or provision of services or demand of goods or services are distinctly homogenous and can be distinguished from the conditions prevailing in the neighboring areas.”

- Demand/Supply side substitution/Potential Competition and homogeneity of conditions of competition



Geographic Market Definition in India – Conceptual framework (2/3)

- ▶ When can conditions of competition be considered as homogeneous?
 - When the price levels and price movements are similar between the candidate areas for relevant geographic market.

- ▶ When are price levels and price movements likely to be similar between different geographic areas?
 - When there are significant trade linkages between the two areas



Geographic Market Definition in India – Conceptual framework (3/3)

- ▶ When are the trade linkages between different areas likely to be significant?
 - When Transport costs are relatively low;
 - There are no cultural or linguistic barriers;
 - No constraints in respect of distribution networks and after sales services;
 - No Regulatory and trade barriers;
 - Consumers are sophisticated etc.

- ▶ The ideal approach is to examine the factors discussed in isolation as well as taken together so as to have a holistic picture as regards homogeneity of conditions of competition



CCI Experience on Delineation of RGMs (1/6)



Agrium/PotashCorp

▶ Background

- Both Agrium and PotashCorp were producers of crop nutrients, fertilizers etc.
- Agrium, PotashCorp along with Mosaic operated worldwide (except Canada and United States) through their exclusive distributor Canpotex

▶ Parties submissions on RGM

- Worldwide as (a) prices for these products are typically determined as a result of competition among suppliers located throughout the world; and (b) India imports nearly all of its potash requirements



CCI Experience on Delineation of RGMs (2/6)



Agrium/PotashCorp

- ▶ Commission considered factors underlying the competitive conditions such as:
 - The suppliers of potash are concentrated with three countries viz., Russia, Belarus and Canada accounting for around 64 percent of the total installed capacity of global production of potash;
 - Different countries are following different purchase mechanisms;
 - Differences in the way the suppliers are functioning

- ▶ Conclusion
 - The conditions of competition are not homogenous throughout and even with India being a 100% import market, the RGM is national



CCI Experience on Delineation of RGMs (3/6)



Linde/Praxair

▶ Background

- Linde and Praxair are both industrial gas companies
- Among other markets, the activities of the parties overlapped in helium
- Helium takes a particular position considering its value chain encompassing –
 - Recovery of Helium;
 - Refining and Liquefaction;
 - Transportation of helium to own trans-fill centers for retail sale and/or wholesale supply of helium to other gas companies;
 - Retail supply of helium to end customers



CCI Experience on Delineation of RGMs

(4/6)

Linde/Praxair

- ▶ The first critical aspect of helium market is securing access to sources of helium;
- ▶ Nature/source of access is relevant
- ▶ These dynamics give rise to two different levels of helium supply with distinct characteristics viz., helium wholesale and helium retail
- ▶ Conditions of supply and prices in helium retail market are related to conditions in helium wholesale market which, in turn, depend on distribution of access to helium sources
- ▶ Thus it is important to assess the overall helium market encompassing various levels of operations viz., access, wholesale and retail



CCI Experience on Delineation of RGMs (5/6)

Linde/Praxair

- ▶ Access to sources of helium market defined in global terms
- ▶ Wholesale market was not defined but most likely it could have been regional given differences in conditions of competition
- ▶ Retail market was national
- ▶ Conclusion
 - Helium was also a 100% import market but the RGM varied with stage of operations



CCI Experience on Delineation of RGMs (6/6)



Holcim/Lafarge

- ▶ Background:
 - Merger of cement companies;
 - Parties applied EH Test and defined broader markets at 10% LIFO/LOFI Thresholds
- ▶ Commission observations:
 - Parties have gone after 10 percent threshold; Regardless of choice of threshold level, there should be sufficient cause in terms of competitive constraints for inclusion of additional areas;
 - Need to address chains of substitution fallacy
 - Commission applied EH test, considering the nature of change with each addition of new area
 - In the process reached market definition which was consistent irrespective of choice of base state
 - Regardless of quantitative tool applied, the qualitative analysis needs to be undertaken to get the holistic picture



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➤ Globalisation, Digitalization and Relevant Geographic Market



- Markets characterized by significant extent of imports do not imply markets broader than national borders
- Globalisation and digitalisation are likely to lead to conditions which would make the markets broader but the test of those conditions would remain central to assessment.
- Issues relating to globalisation and geographic market definitions – to be discussed



THANK YOU