

## Press release

### Monopolies Commission analyses company concentration in Germany and the EU

- Cross-sector company concentration, measured by the share of the 100 largest companies in value added, has decreased slightly over the past two years
- Monopolies Commission sees a potential for distortions of competition through institutional investor shareholdings creating indirect links between portfolio companies
- Monopolies Commission does not see a need to expand EU merger control for now in order to capture non-controlling interests between horizontally or vertically linked companies

In its twenty-first Biennial Report (*‘Hauptgutachten’*), the Monopolies Commission analyses the status and the development of company concentration in Germany and the EU. Prof. Wambach, the chairman of the Monopolies Commission: “Company concentration in Germany does not raise competition concerns in principle at the moment. Indirect connections between competitors via the minority shareholdings of institutional investors nevertheless require close attention.”

The share of the 100 largest companies in Germany in the value added of all companies in Germany was at 15.8 percent in 2014 and, thus, slightly decreased as compared to 2012, the preceding review year. In addition, the interdependence among the “100 largest” decreased moderately. This holds for the interdependence via both shareholdings and serial non-executive directorships, e.g., in supervisory boards. These indicators allow to infer a declining cross-sector concentration.

For the first time, the Monopolies Commission analyses the competitive effects of minority shareholdings of institutional investors – such as insurance companies, investment and pension funds as well as private equity firms – in several companies in one industry sector. The indirect links of competitors through minority shareholdings have the potential to dampen the incentives to engage in competitive behaviour. The Monopolies Commission’s analysis shows that also in Germany, many institutional investors have interests in several portfolio companies within a same industry. This is particularly pronounced in the industries of computer manufacture and optical and electronic equipment, and in the area of machine and vehicle production. First indications exist that such interests have competition-distorting effects. Therefore, the Monopolies Commission recommends to pay more attention to the indirect company links through minority shareholdings in the future.

Another focal point of the Monopolies Commission’s analysis lies in the minority shareholdings between companies with a horizontal or vertical relation. These are companies that compete with each other on the same market or that are active in upstream or downstream markets. According to economic theory, these shareholdings – like majority shareholdings – can distort competition. European merger control, however, only captures minority shareholdings where it is possible to establish an acquisition of control. That being

#### Monopolies Commission

said, the Monopolies Commission does not recommend an extension of the scope of application of European merger control at this stage. Its analysis of European company interdependence via minority shareholdings did not produce significant indications of competition distortions through horizontal or vertical minority shareholdings. Consequently, the Monopolies Commission concurs the European Commission's decision not to assign priority to this project at the moment.

The Report is accessible at the Monopolies Commission's [home page](#) as of now.

The Monopolies Commission is a permanent, independent expert committee, which advises the German government and legislature in the areas of competition policy making, competition law and regulation. Its legal responsibilities encompass, among others, the preparation of a Main Report analysing the development of competition on a bi-annual basis. The Monopolies Commission has five Members appointed by the Federal President based on a proposal of the German government. Prof. Achim Wambach, Ph.D., is the chairman of the Monopolies Commission.