

# 21 May 2008: Wood industry

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## **The Conseil de la concurrence fines 6 plywood manufacturers for agreement on prices**

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The Conseil de la concurrence issues a decision penalizing 6 plywood manufacturers for having set-up a product price scale within their professional organisation on the one hand, and for having during several years coordinated their price increases thus distorting competition on the market.

## **The third implementation of the French leniency programme**

In this third implementation of the leniency programme, the Conseil has completely exempted the company UPM Kymmene Corporation from fine since it revealed the existence of the cartel. In the light of the elements transmitted to it, the Conseil de la concurrence took up the case and launched a large investigation in the sector of exotic plywood ( notably made of gaboon).

The French leniency programme was introduced by the law on New Economic regulations (NRE) of 15 May 2001. The procedure enables a company party to a cartel, which denounces its existence or cooperates with competition authorities to benefit from a favourable treatment, possibly leading to a total exemption of the fine, which would have been imposed in the absence of cooperation. As a record, the Conseil de la concurrence has already implemented the leniency procedure twice in 2006 (Door cartel/decision 06-D-09) and in 2007 (cartel in the sector of removal / 07-D-48). The Conseil published a procedural notice, which specifies the aim and the scope of leniency, the conditions to be met in order to benefit from the programme and the procedure to be followed.

## **A common price scale set up by the manufacturers**

The plywood manufacturers had set up a common price scale, which served as a basis for fixing the prices of each of the companies concerned for the marketing of their different products according to their quality, size, based on the price of the "standard" panel. The companies revised together regularly the rate used in the reference scale.

Although the price of the "standard" panel could vary among manufacturers, the Conseil considered that this practice was anticompetitive. The practice endured 17 years (from 1987 to 2004) and concerned all the products containing gaboön, which is highly used in the building sector and also in the manufacturing of sports and nautical equipment, the packaging and the furniture sector. The practice rigidified the market in prohibiting the price differentiation within the product range of the producers concerned. This system also facilitated the monitoring of common increases, which had been decided beforehand.

## **Agreement on price increases during 9 years**

The manufacturers concerned met regularly in order to fix together all the price increases within the professional organisation. These meetings aimed at fixing common increase rates for all the companies and to determine the schedule for their implementation.

It has been established that the consultation had been implemented during several years (1995 to 2004). The nature itself of such a practice, which consists in making an agreement on the period and the level of the identical price increases is very serious since it distorts normal competition in the sense that it broadly fixes the position of the different operators on the market and in favouring artificially high prices. In the case in point, almost 70% of exotic plywood sales in France have been concerned by the practice.

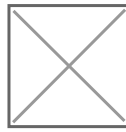
## **6 companies have been fined for a total of €8 million**

Given the seriousness of the practices concerned and the importance of the damage to the economy, the individual situation of each company and the fact

that two companies (Rougier Panneaux and Allin), which have not contested the charges, obtained 10% of reduction of the fine. The Conseil imposed :

- Jean Thébault a fine of 898, 000 euros ;
- Plysorol a fine of 4, 240, 000 euros ;
- Rougier Panneaux a fine of 558, 900 euros ;
- Etablissements A. Mathé a fine of 260, 800 euros ;
- Etablissements Guy Joubert a fine of 1, 500, 000 euros ;
- Etablissements Allin a fine of 726, 300 euros.

**> Decision 08-D-12 of 21 May 2008, relative to practices implemented, in the sector of plywood manufacturing**



**> See decision of the Paris court of appeal (11th March 2009)**

**> See decision of the Paris court of appeal (29th September 2009)**

**> See decision of the Cour de cassation (15th March 2011)**