## Table of Contents

*Table of Merger Decisions*  viii  
*Acknowledgments*  xiii  
*Foreword by Nicholas Levy*  xv  
*A Comment on the Text by Professor Jeffrey Church*  xvii  

### 1 Introduction  
1. Purpose and scope of this book  1  
2. Legal framework and Commission procedure  3  
   2.1 The Merger Regulation  3  
   2.2 Procedure for notification and assessment  7  
3. The role of economics in EU merger control  12  
4. Basic economic concepts  13  
   4.1 The demand curve  14  
   4.2 The cost curve  20  
   4.3 Profit maximisation  23  
   4.4 Market power  24  
5. Empirical economic evidence  27  

### 2 Market definition  31  
1. Introduction  31  
2. Conceptual framework  33  
   2.1 The hypothetical monopolist/SSNIP test  33  
   2.2 Issues and complications arising in market definition  36  
3. Empirical techniques to assess market definition  43  
   3.1 Critical loss analysis  46  
   3.2 Demand estimation  64  
   3.3 Survey evidence  74  
   3.4 Analysis of sales patterns  81  
   3.5 Analysis of price levels  93  
   3.6 Price correlation analysis  105  
   3.7 Stationarity analysis  127  
   3.8 Shock analysis  134
## Horizontal mergers I: unilateral effects

1. Introduction 148

2. Important competitive constraints: economic theory and the EC Horizontal Merger Guidelines 150
   2.1 Economic theory and key concepts 150
   2.2 Important competitive constraints in the EC Horizontal Merger Guidelines 158
   2.3 Commission's recent enforcement practice 163

3. Important competitive constraints between the parties: empirical techniques 176
   3.1 Survey evidence 177
   3.2 Customer switching analysis 183
   3.3 Price/concentration studies and analysis of the impact of rivals' presence 191
   3.4 Entry analysis 207
   3.5 Natural experiments 211
   3.6 Merger simulation 214
   3.7 Win/loss and bidding analysis 231

4. Further issues relevant in the assessment of unilateral effects 251
   4.1 Introduction 251
   4.2 Elimination of potential competition 252
   4.3 Rivals' ability to increase supply 258
   4.4 Switching costs 275
   4.5 Partial ownership 282

5. Countervailing factors 288
   5.1 Introduction 288
   5.2 Buyer power 288
   5.3 Product repositioning and new entry 298
   5.4 Efficiency analysis 304
   5.5 Failing firm defence 310

## Horizontal mergers II: coordinated effects

1. Introduction 318

2. Economic concepts 321
   2.1 Textbook tacit coordination 321
   2.2 Factors that affect the critical discount factor 326

3. Framework for the assessment of coordinated effects 335
   3.1 Will the merged entity and remaining competitors be able to reach a tacit understanding? 337
   3.2 Are market characteristics such that any tacit understanding would likely be sustained? 349
   3.3 Will the proposed transaction make it significantly more likely that tacit coordination will occur or make tacit coordination more effective? 368