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EIGHT QUESTIONS FOR JO SELDESLACHTS

»The concentration in the investor market has intensified«

1. Mr Seldeslachts, could you please explain the term "common ownership"? Common ownership means that one investor has shares in several companies at the same time. If you want to be even more precise it would be the same owner or investor having shares in several companies that compete in the same market.
2. Can you give an example? One example is the German chemical industry. The biggest German chemical companies are BASF, Bayer and Linde. These companies are clearly competitors in the chemical industry in Germany or even worldwide. It turns out that there is one big US investor called BlackRock who owns 9 percent of BASF, 10 percent of Bayer and 7 percent of Linde. This investor owns shares in all these three companies at once and this is what we call a common owner of these three companies.
3. Has there been an increase in ownership concentration in Germany over the last years? In the last years the largest investors have become even larger. That means that the concentration in what we call the investor market has intensified.
4. Are we talking about international investors mainly or domestic investors as well? There have been German investors that have held shares in several German companies simultaneously for a long time, but it turned out that these German investors became less important and some new foreign investors have become much more prevalent in German companies. The identity of top investors with so many holdings in German companies has changed from mainly domestic to mainly foreign.
5. Which German industries were in the focus of your investigation? We looked at the chemical industry and the car industry to contrast the degree of common ownership in these very important German industries. The chemical industry exhibits a high degree of common ownership whereas the car industry exhibits a much lower degree of common ownership.
6. Why is the degree of common ownership in the chemical industry higher than in the car industry? That is a very good question and a question that I can't really answer. What I can say is, that in the beginning of the period in which we started to look at common ownership, the car industry had what we call insiders as main investors, that is individuals or governmental local investors. This situation stayed stable over the years. The chemical industry, on the other hand, had big investors, that had a lot of shareholdings across companies, from the very start of our dataset in 2007. But these investors were mostly domestic. The level of common ownership in the chemical industry has stayed high, but the identity of the investors has changed. Why there are differences between these industries, that question is outside of the scope of this study.
7. What is the impact of common ownership on product markets? In theory common ownership can have both negative and positive effects. The negative effects are easy to understand: If two companies have the same owner, then these two companies might take into account the profits of the other company and therefore perhaps compete less aggressively. As a consequence this could lead to increasing prices. That would be to the detriment of consumers. That is the negative part of common ownership. The positive part could be that companies could coordinate better on innovation. This may actually lead to a better outcome through common ownership.
8. Does common ownership need to be more regulated or observed? At this stage it is not clear whether German authorities, for example the Monopolkommission or the Bundeskartellamt, should actually intervene in this matter, because we are still assessing in which context common ownership is good or bad, and in which industries it occurs. But it is clear that this is quite an important phenomenon in terms of competition. That means that authorities should monitor the situation and intensify their investigations of common ownership. My advice would be not to intervene at this stage, because we still don't know enough about the impact of common ownership.

Interview by Erich Wittenberg



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