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Commission clears acquisition of Instrumentarium by General Electric subject to conditions

The European Commission has approved, subject to conditions, the acquisition by GE Medical Systems of Finnish firm Instrumentarium. The Commission was concerned that GE and Instrumentarium would hold too high a share of the patient monitoring market, which would have been detrimental for hospitals. In order to get regulatory approval in the European Union, GE has undertaken to sell Instrumentarium's Spacelabs business and to enter into a series of supply agreements with its acquirer as well as to ensure that its anaesthesia equipment, patient monitors and clinical information systems will interoperate with third parties' devices.

The General Electric Company announced last year its intention to acquire, by way of a voluntary public tender, Finnish-based Instrumentarium, a leading hospital equipment manufacturer. The deal was notified to the Commission for regulatory clearance in Europe on 28 February 2003.

GE is active globally in several business areas and, through GE Medical Systems, markets a wide range of medical devices including diagnostic imaging equipment (e.g. x-ray machines), electromedical systems (e.g. patient monitors) and IT solutions for hospitals. Instrumentarium is active in the areas of anaesthesia, critical care, and medical imaging technology through the brands Datex-Ohmeda, Ziehm and Spacelabs, a US-based patient monitor manufacturer that it acquired last year.

The markets concerned have undergone a significant consolidation in recent years, as the main players became bigger through the acquisition of smaller manufacturers. The present merger further accentuates this trend, by bringing together two of the four leading players in Europe in patient monitors. It also leads to high market shares in a number of EU countries on the market for perioperative monitors, which are devices used by anaesthesiologists to monitor patients during operations. The analysis of the submissions made by customers and competitors and the econometric studies conducted by the Commission on the basis of bidding data also revealed that the transaction removes a particularly close competitor from the market, therefore significantly increasing GE/Instrumentarium's market power in perioperative patient monitors vis-à-vis its customers, i.e. the hospitals.

Although the transaction does not present any overlaps with regard to anaesthesia-delivery systems and ventilators, since only Instrumentarium, not GE, makes them, the investigation raised also concerns that GE could, in the future, favour its own critical care and perioperative patient monitors as well as its Clinical Information System[1] (CIS) by withholding the interface information necessary for competitors' own systems to interface with the anaesthesia delivery systems and other relevant equipment sold by the merged company. This would not be in the interest of hospitals as it would reduce their choice of suppliers and lead to potentially higher prices.

In response to the competition concerns raised by the Commission, GE undertook to divest Spacelabs, including its worldwide patient monitoring business. In conjunction with this, GE undertook to enter into a series of supply agreements with the purchaser, including for Instrumentarium's renowned gas monitoring module, a key component in operating room monitors.

This package of remedies removes the horizontal overlap between the activities of GE and Instrumentarium in the perioperative monitoring market and will ensure the emergence of an effective competitor to the merged entity.

GE/Instrumentarium also undertook to provide the necessary electrical and mechanical interface for third parties' patient monitors and CIS to be able to interconnect with its own equipment used in operating theatres and intensive care units, including anaesthesia delivery devices and ventilators.

The Commission also analysed the impact of the merger in the X-ray machine markets for mobile C-arms and mammography devices. However, the in-depth investigation did not reveal any serious competition concerns, in particular in view of the significant position of competitors and other specific features of these markets.

The Commission co-operated closely with the US Department of Justice in the review of the GE/Instrumentarium case.

Note to editors:

The Commission also reviewed recently a separate deal in the same sector concerning the setting-up of a joint venture between Siemens and Dräger for the manufacture and sale of medical ventilators, anaesthesia-delivery systems and patient monitors. This operation was cleared by the Commission on 30 April 2003 subject to similar conditions: the divestiture of Siemens's world-wide anaesthesia delivery and ventilation business, and the commitment to provide the necessary interface information in order to ensure interoperability with competitors' devices.

[1] Clinical Information System are IT solutions used for automating patient records and medical readings