

***Case No COMP/M.1800 -
MARCONI / BOSCH
PUBLIC NETWORK***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 19/01/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 19.01.2000
SG(2000)D/100647

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sirs,

Subject: Case No COMP/M.1800 – MARCONI / BOSCH PUBLIC NETWORK

Notification of 09.12.1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 9.12.1999, Marconi plc, London (“Marconi”) notified a proposed concentration by which the undertaking acquires from Robert Bosch GmbH control of the Bosch Public Network Telecommunications Equipment Business (“BNP”) by way of purchase of assets.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation No. 4064/89 and does not raise serious doubts as to its compatibility with the common market and the EEA Agreement.

I. THE PARTIES

3. Marconi is the new parent company of the General Electric Company plc. The main business areas are the supply of communications and data networking equipment and solutions as well as the supply of electronic and information technology systems solutions. BPN comprises the public networks activities of the telecommunications equipment of Robert Bosch GmbH.

II. THE OPERATION

4. Marconi will purchase from Robert Bosch GmbH and Bosch Telecom GmbH, the latter being a subsidiary of Robert Bosch GmbH, the Bosch public telecom equipment business, which comprises the design, development, manufacture, distribution, installation and service of public telecom network equipment products and systems. The purchase will be effected by means of asset transfer deals save in respect of Bosch Telecom Software Systeme GmbH & Co. KG and Bosch Telecom Software Systeme Verwaltungsgesellschaft mbH the partnerships interests and shares of which will be transferred to Marconi. Most of the assets to be transferred to Marconi are located in Germany.

III. CONCENTRATION

5. The acquisition by Marconi of control of BPN by way of purchase of assets constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

6. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion¹. Each of the undertakings concerned have a Community-wide turnover in excess of EUR 250 million (EUR [...] million for Marconi and EUR [...] million for BPN), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.
7. It does not constitute a cooperation case under the EEA agreement.

V. COMPETITIVE ASSESSMENT

A. Relevant Product Markets

8. The relevant product markets in this operation are in the public telecommunications equipment sector. Marconi refers to previous Commission decisions ² and suggests the following relevant product markets:
 - the cable/wireline transmission equipment market;
 - the access networks equipment market;
 - the support services market.
9. The markets can be described as follows:

¹ Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

2. IV/M.468 Siemens / Italtel and IV/ M.651 AT&T / Philips

The cable/wireline transmission equipment market comprises the equipment needed for the transport of traffic between local central switching offices and transit central switching offices and for the traffic on leased lines between business customers. The function of telecommunications transmission equipment is to enable network operators to send telecommunications signals (either voice or data) from a specified source to a specified destination with a maximum efficiency, reliability and control. Analogue transmission systems have been progressively replaced by digital transmission technology. The most important basic items of digital transmission systems are multiplexers and demultiplexers, cross connects and optical line terminals.

10. The access networks equipment market comprises a wide range of electronic products connecting the homes of subscribers and the premises of enterprises to the network. Access networks consist in the “last mile” or local loop of the network. They connect the user with the local telephone exchange and have traditionally been based on copper or fibre cables. All major suppliers of access networks are also offering wireless networks or currently developing wireless networks. Bosch’s sales of its Digital Multipoint System are still comparatively limited and Marconi has not yet made any sales in the EEA of radio in the loop systems.
11. Marconi submits that in addition to the markets previously defined a separate market for the various support services offered by the telecom equipment suppliers can be formed. But competitors and customers confirmed the Commission’s view that it is not or not yet a market on its own.

B. Relevant Geographic Markets

12. Marconi considers that the geographic scope for both relevant markets is at least the EEA, if not the world. This has been confirmed by the Commission investigation. Concerning access networks it was left open in the AT&T / Philips decision mentioned above whether the geographic market was still influenced by the regulatory climate of the Member States to such an extent that national markets could be considered. In this case it is not necessary either to decide whether this market is still national or wider as the operation does not raise any concerns even on the basis of national markets.

C. Assessment

13. The position of Marconi on the EEA transmission equipment market is only slightly increased by the transaction. Marconi’s sales in Germany are sales through Siemens AG, Marconi does not have any direct sales in Germany. The most important competitors are Alcatel, Lucent, Nortel and Siemens. Marconi estimates the market shares of the parties in the EEA in 1998 as follows:

- Marconi: [20-25]%

- BPN: [2-5]%

14. Access networks sales by Marconi have hitherto been restricted to the UK, Italy, Norway and Greece. There is therefore no overlap in Germany, where more than [75]% BPN sales are concentrated. The parties’ 1998 overall EEA market shares are estimated to be as follows:

- Marconi: [5-10]%
- BPN: [2-5]%

The most important competitors are Alcatel, Ericsson, Lucent, Nortel and Siemens.

15. Although the estimations of competitors and customers contacted by the Commission concerning market shares or a ranking of the enterprises active on these markets differ, most of them do not expect any significant effects to their firms and in the markets.
16. In the view of the above, the operation will not lead to the creation or strengthening of a dominant market position in the common market.

VI. CONCLUSION

17. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,
(signed) Mario Monti, member of the
Commission

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Commission of the European Communities
Competition DG
Directorate B - Merger Task Force
Kortenberglaan 150 avenue de Cortenbergh
B-1000 Brussels
Fax No 32 2 296.43.01