

*Case No COMP/M.1908 -  
ALCATEL /  
NEWBRIDGE  
NETWORKS*

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 19/05/2000

*Also available in the CELEX database  
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## COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 19.5.2000

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 party.

Dear Sirs,

**Subject: Case No COMP/M.1908 – ALCATEL / NEWBRIDGE NETWORKS**

Notification of 11.04.2000 pursuant to Article 4 of Council Regulation No 4064/89

1. On 11.04.2000, Alcatel, Paris, notified a proposed concentration by which the undertaking acquires within the meaning of Article 3 (1b) of the Council Regulation control of Newbridge Networks Corporation, Kanata, Ontario / Canada (Newbridge) by way of public bid.
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 AND THE OPERATION**

3. The acquisition was effected by means of a public bid launched on 11 April 2000.
4. Alcatel is a French company active in telecommunications equipment and power cable solutions. Newbridge is a Canadian company active in network equipment, especially ATM switches and broadband internet access products.

### **II. CONCENTRATION**

5. The acquisition by Alcatel of control of Newbridge constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

### **III. COMMUNITY DIMENSION**

6. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>1</sup>. Each of the undertakings concerned have a Community-wide turnover in excess of EUR 250 million (EUR 11,938 million for Alcatel and EUR 302 million for Newbridge), 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 co-operation case under the EEA agreement.

#### **IV. COMPETITIVE ASSESSMENT**

##### **A. Relevant Product Markets**

8. The transaction will affect two markets but only one of these markets is a relevant product market in the meaning of the Merger Regulation: the market of DSL (Digital Subscriber Line) equipment. DSL is a technology that enables broadband digital data to be transmitted over existing copper telephone lines at high speed and providing broadband Internet access to end customers. There are a number of DSL products that are jointly referred to as xDSL products. Although these products have different transmission characteristics all provide essentially the same service and so are more or less substitutable. Both Alcatel and Newbridge are engaged in this market
9. The second affected market might be a market of data switching products as ATM WAN ( Asynchronous Transfer Mode Wide Area Network)for instance. But the market definition can be left open because there will be neither overlap nor vertical link.

##### **B. Relevant Geographic Markets**

10. Alcatel considers that the geographic scope for the relevant market is world-wide. This has been confirmed by the Commission investigation.

##### **C. Assessment**

11. For Alcatel the rationale of the acquisition of Newbridge is primarily to obtain Newbridge's ATM WAN multiservice capabilities, particularly for Internet protocol ("IP") applications, which are capabilities that Alcatel lacks. ATM WAN equipment is used to transport voice, data and video over extreme high-speed networks, usually the networks of telecom operators, large private networks, and the backbone of the Internet. The other main rationale is to enhance Alcatel's access to North American customers.
12. The market for xDSL equipment is emerging – the first significant sales have been made in the 2<sup>nd</sup> semester of 1999 – and rapidly growing. Thus it is very difficult to get

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<sup>1</sup> 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.

accurate market shares, and estimations of market size and market shares differ widely.

13. The position of Alcatel in the xDSL equipment market is only slightly increased by the transaction. Alcatel estimates its market share to be [30-40]% and that of Newbridge to [below 5]%. The most important competitors are Cisco, Lucent, Nokia, Nortel and Copper Mountain. Estimated market shares differ between [10 and 35]% for Cisco, and [below 15]% for the other major competitors. Most of the competitors and customers do not expect any significant effects to their companies and the market.
14. The merger will enable Alcatel to offer more complete solutions. However, the Commission investigations resulted in no essential competitive advantages to Alcatel.
15. 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.

## **V. CONCLUSION**

16. 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,