

***Case No COMP/M.2308 -  
NORTHROP  
GRUMMAN / LITTON  
INDUSTRIES***

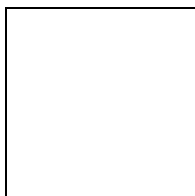
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**REGULATION (EEC) No 4064/89  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 23/03/2001

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 23/03/2001

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PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

To the notifying party:

Dear Sir/Madam,

**Subject: Case No COMP/M. 2308 Northrop Grumman/Litton Industries**

**Notification of 22/02/2001 pursuant to Article 4 of Council Regulation  
No 4064/89**

1. On the 22<sup>th</sup> February 2001 the Commission received a notification of a proposed concentration pursuant of Article 4 of Council Regulation (EEC) No. 4064/89<sup>1</sup>, whereby Northrop Grumman Corporation (“Northrop”) proposes to acquire sole control of the whole of the undertaking Litton Industries (“Litton”) by way of purchase of shares.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

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<sup>1</sup> OJ L 395, 30.12.1989 p.1 corrigendum OJ L 257 of 21.09.1990, p.13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9.7.1997, p1, corrigendum OJ L 40, 13.2.1998, p 17)

## **I. THE PARTIES**

3. Northrop is a US based public company active in the production and provision of a range of military and governmental high technology products, ranging from airborne ground surveillance systems, air combat systems, defensive electronic systems to advanced electronic systems. Northrop also provides information technology services.
4. Litton is a US based public company active in the design and construction of commercial and military ships, advanced electronics, commercial electronic components and materials, information technology services.

## **II. THE OPERATION**

5. Pursuant to the Agreement between Northrop and Litton, Northrop will acquire all of the assets of Litton, and the latter will become a subsidiary of Northrop.

## **III. CONCENTRATION**

6. As a result of this acquisition, Northrop will acquire sole control of Litton, giving rise to a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **IV. COMMUNITY DIMENSION**

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>2</sup>. Both Northrop and Litton have a Community-wide turnover in excess of EUR 250 million, 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.

## **V. COMPETITIVE ASSESSMENT**

8. The relevant economic sectors in which both parties to this transaction are present are the provision of high technology military and commercial products, information technology and technical services. There are no significant overlaps either horizontally or vertically between the businesses to be merged as Northrop is mainly a military aerospace systems integrator whilst Litton is a prime contractor in the ship building sector.

### *Relevant Product markets*

9. In line with previous Commission decisions in the defence sector, the parties distinguish between (multi)national programmes (usually initiated by countries with indigenous technical capability) and “catalogue or export contract” procurement, whereby customers essentially buy existing products, usually developed through previous programmes. In the case of export contracts, competition takes place

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<sup>2</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.

between those companies with a developed product that meets the specifications of the procuring authority.

10. The parties submit that it is difficult to be precise as to the exact scope of any relevant market in the sector, given that a variety of military solutions can be engaged in response to any given military threat, although many products can be considered to be uniquely on the basis of their attributes. Northrop activities relate to the production of a number of aircraft types, whilst Litton produces a number of naval surface and commercial vessels.
11. Relating to electronic systems, Northrop produces a number of military airborne radars and targeting devices. Litton is active in Inertial Navigation systems and produces a number of components (slip rings, display units and microwave power tubes) for electronic systems.
12. In this case the precise product market definitions can be left open as, no matter the exact delineation of the market, effective competition would not be significantly impeded in the EEA or any substantial part of it.

#### *Relevant geographical markets*

13. Products developed within a programme can only be sold in the national/regional market of the military customer who initiated the development programme (for both parties, the vast majority of their products and services have been developed in the USA). The international markets for export contracts therefore exclude sales in the US and can be assessed on an EEA level in the present case.
14. Northrop nor Litton currently participates as a main contractor in any national or regional procurement programme in the EEA and only Litton supplies certain products to a limited number of procurement programmes in the EEA, including the Eurofighter programme.

#### *Assessment*

15. The complementarities of Northrop and Litton make that, even on the basis of the most narrow possible market definition possible, the transaction does not lead to affected markets on a horizontal level.
16. As to the vertical level, Litton is present in a number of markets that are upstream of Northrop's military aircraft's markets. In any case, Litton's market share within the global markets for the production of components such as slip rings, display units and microwave power tubes remains below 25% in respect of each component. Northrop's competitors in the military aircraft's markets are not dependent upon the supply of Litton's components and therefore, the proposed transaction is not expected to lead to supply foreclosure.

17. Northrop's activities upstream of Litton's activities as a shipbuilder range from fire control radars for ships to sonar systems. For all these products, Northrop has had no sales outside the US programmes market<sup>3</sup>.

18. On the basis of this information the Commission concludes that the concentration does not raise serious doubts as to its compatibility with the common market.

## **VI. CONCLUSION**

19. 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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<sup>3</sup> The MoD of the UK has selected the gas turbine propulsion system offered by Northrop in a teaming agreement together with Rolls Royce for its Type 45 destroyer programme. This pre-selection did not lead to any sales as yet. Litton is not involved with any competing, up- or downstream products in that programme.