

EN

***Case No IV/M.249 -  
NORTHERN TELECOM /  
MATRA  
TELECOMMUNICATION***

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: 10.08.1992

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Brussels, 10.08.1992

MERGER PROCEDURE  
ARTICLE 6(1)b DECISION

PUBLIC VERSION

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1. To the notifying parties

Dear Sirs,

Subject: Case No. IV/M249 - Northern Telecom/Matra Telecommunication  
Notification of 9.7.1992 pursuant to Article 4 of Council  
Regulation No. 4064/89

1. The notification concerns principally the proposed acquisition by Northern Telecom Limited (NT) of joint control of Matra Communication S.A. (MC), which is currently under the sole control of Matra S.A. (Matra).
2. After examination of the notification the Commission has concluded that the proposed 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.

I. THE TRANSACTION AND THE PARTIES

3. NT and Matra intend to establish a long-term partnership in the field of telecommunications equipment. To that effect NT will acquire joint control of MC, which conducts Matra's telecommunication activities. In addition, NT will set up with MC two joint ventures with regard to mobile telephony worldwide and public networks in France. Furthermore, NT intends to acquire a minority interest in the parent company of Matra, MMB S.A. The proposed transaction will provide NT with the opportunity to enter new geographical markets in the Community, while MC will obtain access to the resources of a global telecommunications equipment supplier.

4. NT is a Canadian manufacturer of telecommunications equipment which ranks amongst the top ten telecommunications suppliers worldwide. The Canadian BCE Inc. holds a majority interest in NT and in the Canadian telecommunications operator Bell Canada.
5. Matra is a diversified French holding company with activities including defence, transport systems, aerospace and, through MC, telecommunications. Matra is ultimately controlled by the Lagardère family.

## II. CONCENTRATION

6. NT will acquire a multitude of corporate and financial links with the Matra group. Most significant are equity participations in MC and the two joint ventures to be set up with MC. The equity participation in MC will be 20% initially. This will be increased by another 20% approximately at the latest by 1997 through shares exchanged in return for a loan given by NT. NT may even further increase its stake in MC bringing its participation to [ ]<sup>1)</sup> if it wishes to do so. The equity participation in the two joint ventures will be 50%. All three companies will be governed mainly through two limited partnerships, the principal partners of which are NT and Matra.

### **Joint control**

7. NT and Matra will control MC and the newly created companies jointly, since both, NT and Matra, will have to approve unanimously fundamental business decisions of all three as well as their business plans and budgets. In addition, NT and MC have to agree on the chairmen of the two joint ventures, which NT has the right to designate.

### **Full-function joint venture**

8. MC is engaged in the manufacture and supply of telecommunications equipment, including public and private switching systems, telephone sets, mobile telephony and cellular telephones. The company will continue its activities as a full-function entity as before. In addition, it will take over NT's French private switching business (BCS business), which will be transferred to MC.

The parties intend to allocate special responsibilities to MC and the two separate legal entities to be set up. MC will be attributed global responsibility for product line planning and R&D for terminals. One of the proposed joint ventures (The GSM Company) will become responsible for the development and supply of mobile telephony worldwide for both, NT and MC. The other joint venture (The Networks Company) will become responsible for the marketing, sales and customer service of packet switching, transmission and public switching products in France.

It can be left open whether these two proposed joint ventures will become full-function entities. Their creation is part of the acquisition of joint-control by NT of Matra's telecommunication business, MC, which is a full-function entity. It should not make

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<sup>1)</sup> [ ] deleted - business secret.

any difference whether the activities taken over by these joint ventures are carried out within special divisions of MC itself, or are carried out through separate legal entities.

**Absence of coordination of competitive behaviour**

9. The parties' intention is that in the long run MC will be integrated into NT's European and in some respects worldwide business. Thus, MC will become the group's "center of excellence" in the field of telecommunications terminals and will have global responsibility for product line planning and R&D. They also intend to converge product lines in private switching, to consolidate their sales, marketing and service organisations in France and to study the potential for consolidation in Belgium, Germany and Spain and eventually in all Member States. The GSM Company will be responsible for both parties' mobile telephony business worldwide, combining MC's cellular telephones and radio base stations with NT's switching equipment.
10. In principle Matra (and in fact the Lagardère group) will no longer be involved in the telecommunications business as an independent player. The only exception to this is a joint venture between Matra and Ericsson, namely, MET, which operates in the field of public digital switching in France, with a turnover of around [ ]<sup>2)</sup> (that is [ ]<sup>3)</sup> of MC's total turnover). MET is France Telecom's second supplier of public digital switching equipment, with a limited share of the market compared to the major supplier Alcatel. Since it began operations in 1986 MET's activities have been confined essentially to France and to certain public switching products, produced under licence from Ericsson. There is no scope for coordination of competitive behaviour between Matra/MET and the Networks Company (of MC and NT) because the Networks Company realistically can only seek to enter the French market through product lines other than those currently produced by Matra/MET, [ ]<sup>4)</sup>. France Telecom's demand for public digital switching products will have been almost entirely realised through the operation of the current supply agreement. Under these circumstances coordination of competitive behaviour is unlikely to occur.  
  
For the same reasons no coordination of competitive behaviour is likely between Matra/MET and the GSM Company (NT and MC) with regard to digital equipment for digital cellular radio systems. As in the case of public switching MET is a supplier to France Telecom under a contract which will expire in 1995.
11. Matra owns a US manufacturer of private switching systems, Intecom, which is mainly active in the North American market where structures of competition are different from Community markets. Its annual European sales of around 4 million ECU can be regarded as insignificant in competition terms.
12. In conclusion the proposed acquisition of joint control by NT in MC can be considered as a concentrative joint venture within the meaning of Article 3 of the Merger Regulation.

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2) [ ] deleted - business secret.

3) [ ] deleted - business secret - read "a small proportion".

4) [ ] deleted - business secret.

### III. COMMUNITY DIMENSION

13. The aggregate worldwide turnover of the BCE group and the Lagardere family group of companies exceeded 5 billion ECU in 1991 (BCE 16,048 M ECU, Lagardere 7,703 M ECU). Both have a Community-wide turnover of more than 250 million ECU (BCE around 900 M ECU, Lagardere 2,587 M ECU), and they did not achieve more than two-thirds of their Community-wide turnover in one and the same Member State. Thus the proposed operation meets the thresholds of Article 1(2) of the Regulation.

### IV. COMPATIBILITY WITH THE COMMON MARKET

14. NT and MC are both manufacturers of telecommunications equipment. There are significant overlaps between their activities in four areas, namely, public switching, private switching, telephone sets and mobile telephony.

#### **Geographic Reference Market**

15. It is not necessary to decide in the present case whether the geographic reference market is national or Community-wide since even on the narrower market definition no dominant position is created or reinforced.

#### **Assessment**

16. The principal activities of NT and MC are carried out in different geographic areas - more than 70% of NT's EC turnover is generated in the UK (through STC) while almost 90% of MC's operations are confined to France with virtually all the rest in Germany (through AEG's former telecommunications subsidiaries). As a result of the minimal overlap between the parties, the proposed operation will not lead to the creation or reinforcement of a dominant position in the four identified affected markets in the Community or within a substantial part of it.

#### **Public switching**

17. Matra/MET is only active in France where it holds a market share of less than 25% [ ]<sup>5)</sup>. NT has a market share of less than 10% [ ]<sup>6)</sup> in the UK, the only EEC country where it is currently supplies public switching systems. The combined market share of both parties on a Community-wide basis is significantly less than 10% (actually 2%).

#### **Private switching**

18. In the private switching systems business both parties are in principle active in most or all of the Community but their combined market share does not exceed 25% in any Member State, with the exception of Ireland, where MC is not active and thus there is no overlap. On a Community level their combined market share is also below 25% [ ]<sup>7)</sup>.

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5) deleted - business secret.

6) deleted - business secret.

7) deleted - business secret.

### Telephone sets

19. An overlap between the parties' activities exists only in Belgium and Portugal, where their combined market shares will remain significantly below 10%. There is no overlap in the UK, NT's most important market in the EEC, or in France and Germany, MC's most important EEC markets.
20. At the Community level the parties' combined market share remains below 25% [ ]<sup>8)</sup>.

### Mobile Telephony

21. MC produces the full range of mobile telephone equipment, with switching produced through MET, whereas NT only recently introduced switching equipment into the EEC, in the UK. NT's market position in the EEC is therefore currently insignificant while MC has a stronger position in France [ ]<sup>9)</sup> where it is France Telecom's second supplier for this equipment. The parties' combined EEC market share is well below 10%.
22. On the basis of the above, it can be concluded that the proposed acquisition will not lead to the creation or reinforcement of a dominant position in the common market or a substantial part thereof.

### V. ANCILLARY RESTRAINTS

23. The non-competition obligations and the cross-licensing agreement entered into between the parties can be regarded as directly related to and necessary to the implementation of the concentration and are therefore ancillary within the meaning of the Regulation.

### v. FINAL ASSESSMENT

24. Based on the above findings, the Commission has come to the conclusion that the proposed concentration does not raise serious doubts as to its compatibility with the common market.

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

For the Commission,

**TEXTE RECONSTITUÉ ÉLECTRONIQUEMENT / ELECTRONICALLY RE-CREATED TEXT  
/ ELEKTRONISCH NACHGEBILDETER TEXT**

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<sup>8)</sup> deleted - business secret.

<sup>9)</sup> deleted - business secret.