

***Case No COMP/M.2645 -
SAAB / WM-DATA AB /
SAAB CARAN JV***

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

Article 6(1)(b) NON-OPPOSITION
Date: 06/12/2001

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 06.12.2001

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PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sir/Madam,

**Subject: Case No COMP/M.2645 – SAAB/WM-DATA AB/SAAB CARAN JV
Notification of 5 November 2001 pursuant to Article 4 of Council
Regulation No 4064/89¹**

1. On 05.11.2001, the Commission received a notification of a proposed concentration by which the undertakings Saab AB (“Saab” – Sweden), jointly controlled by BAE SYSTEMS Plc and Investor AB², and WM-data AB (“WM-data” – Sweden) acquire within the meaning of Article 3(1)(b) of the Council Regulation joint control of a newly created joint venture, the Sweden-based company Saab Caran Engineering AB (“Saab Caran”).
2. The Commission has concluded that the notified operation falls within the scope of the Merger Regulation and does not raise serious doubts as to its compatibility with the common market.

¹ OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

² See case No IV/M.1198 – BAE/Saab.

I. THE PARTIES AND THE OPERATION

3. Saab is a company whose business activities primarily focus on the aerospace, defence and space industries. It is present in more than 20 countries, Sweden being the country where research, development and production are mainly performed.
4. WM-data is a consulting company providing a full range of IT solutions : design, construction and operation management of systems, hardware and software supply, Internet-related business development and technical consulting services. WM-data operates primarily in the Nordic countries.
5. With the proposed transaction, Saab and WM-data will set up a full-function joint venture – Saab Caran – that will provide technical consulting services for the aerospace and automotive industries. Sweden is the country where Saab Caran will be mainly present, although it will be operative as well, to some extent, in the rest of Europe.

II. THE CONCENTRATION

Joint control

6. As provided for by the Shareholders Agreement, both parent companies will hold 50% of the issued shares in Saab Caran, having equal voting rights in all respects.
7. The adoption of strategic business decisions in the joint venture will require the agreement of the two parent companies, Saab and WM-data being therefore granted veto rights and having the possibility to exercise, both of them, a decisive influence vis-à-vis the commercial behaviour of Saab Caran.
8. The parents will have an equal representation within the Board of Directors. The appointment of chairman of the Board will be for Saab, WM-data being entitled to nominate the CEO.
9. In the light of the above it can be concluded that the newly created company will be jointly controlled by the parent companies.

Full functionality

10. The joint venture will be provided with all the tools which are necessary for the performance, on a lasting basis, of the functions of an autonomous economic entity, i.e. day-to-day management, finance, staff and assets (tangible and intangible).
11. Although the vast bulk of Saab Caran's sales will be addressed to one of the parents (Saab), this dependency does not affect the functional autonomy of the joint venture, since it will be limited to the initial start up period, with services to the parent company being priced on an arm's length basis.
12. In the light of the above considerations it can be deemed that Saab Caran will constitute a full function entity on a lasting basis.

III. COMMUNITY DIMENSION

13. The aggregate worldwide turnover of Saab and WM-data (collectively referred to as “the parties”) is in excess of EUR 2,500 million. In each of Denmark, Finland and Sweden, the combined aggregate turnover of the parties is more than EUR 100 million, and the aggregate turnover of each of Saab and WM-data is also in excess of EUR 25 million in each of the above Member States. Finally, the aggregate Community-wide turnover of each of Saab and WM-data is more than EUR 100 million, and the undertakings concerned do not achieve more than two-thirds of there aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.

IV. COMPETITIVE ASSESSMENT

Relevant markets

14. The notifying parties have identified as product markets being concerned by the proposed transaction (i). the provision of general technical consulting services for the automotive and aerospace industries; (ii). the provision of specialised technical consulting services for the aerospace industry.
15. According to the parties’ assertions the above-mentioned services, although similar in nature, would constitute distinct product markets since they require different levels of specialisation. Thus the first set of services would be quite standardised and therefore could be provided by a large number of consulting firms. On the contrary, the second set of services would require a higher level of expertise and knowledge of the aerospace sector, namely concerning domains as aerodynamics, loads, flutter, flight performance and aircraft systems.
16. With regard to the geographic scope of each of the markets identified above, the parties consider it to be :
 - National (i.e., Sweden) as to the general services are concerned, due mainly to the fact that customers obtain the services basically from firms that are present in Sweden, where a reasonable number of alternative suppliers is available. Furthermore, this type of services have a strong personnel nature which should be taken into account, particularly when the performance takes place at the customer’s premises. Cultural factors, as language, would play a significant role as well;
 - EEA-wide in relation to the specialised technical consulting services, since these services are primarily addressed to the European Airbus consortium and its owners. This market would be supplied by companies from different member states.
17. In respect of the exact definition of the various markets involved in the concentration, it must be noted that for the purposes of the present transaction, the question of how to precisely define the markets concerned can be left open, since the proposed operation does not give rise to any significant competition concern.

Horizontal overlaps, vertical links and co-operative effects

General technical consulting services for the automotive and aerospace industries in Sweden

18. On the basis of the information provided by the notifying parties, there exist an overlap in the activities of one of the parent companies and the planned joint venture. In effect, WM-data, via its subsidiary Caran Automotive AB (“Caran”)³, is present in the above-mentioned market through the provision of services including operations development, construction, industrial design, models and prototypes, analysis and testing, training and support, production adjustment and product management. Following the proposed transaction, some of Caran’s activities will be transferred to the joint venture, but for the remaining ones Caran will continue to be active in the market concerned.
19. As to the position of WM-data in the market concerned, Caran’s market share would represent, according to the figures provided by the parties, around 13%. With regard to the joint venture’s position, the estimates of the parties point towards a market share of less than 1% during the initial period of activity in the relevant market. In consequence, the parties consider the increment in market share to be *de minimis*, the horizontal overlap having no significant impact from a competition standpoint.
20. As far as vertical issues are concerned, the Form CO submitted to the Commission notes that there would exist a link of such a nature between one of the parent companies and the joint venture, since Saab is a customer of general technical consulting services in Sweden, WM-data being one of the suppliers of such services. Furthermore BAE SYSTEMS Plc, that jointly controls Saab and is active in the aerospace industry, might be in the future a customer of the joint venture. However, it must be noted that the existing vertical relationship will not have any impact in competition terms given that, on the basis of the information provided by the notifying parties, the joint venture will be a player with a very limited position in the relevant market, as already indicated. Furthermore, the operation does not seem to lead to any foreclosure effects, given the fact that, according to the parties’ assertions, players other than WM-data will continue to provide a large proportion of Saab’s input and since there are other significant customers in the automotive/aerospace market.

Specialised technical consulting services for the aerospace industry in the EEE

21. Neither Saab nor WM-data are present in this market. Therefore there exists no horizontal overlap between the activities of the joint venture and the parents, or between the respective activities of the latter. In this context, and taking into account the fact that the joint venture will have a negligible position (below 1%) in the market concerned, it seems that the creation of Saab Caran will not have any significant competition effect vis-à-vis the provision of specialised technical consulting services for the EEE aerospace sector.
22. It can be concluded from the above that the proposed operation will not lead to affected markets or co-operative effects. The transaction is therefore neutral and bears no impact on the competitive structure of the markets concerned.

³ Caran’s acquisition was approved by the Swedish competition authority (case No 952/1998 WM-data 1998-01-19).

V. CONCLUSION

23. 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

Mario MONTI
Member of the Commission
(Signed)