

***Case No COMP/M.3296 -  
AREVA / ALSTOM T&D***

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: 19/12/2003

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 19.12.2003

SG (2003) /D/233837

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.3296 - AREVA/ALSTOM T&D**

Notification of 19.11.2003 pursuant to Article 4 of Council Regulation No. 4064/89

1. On 19.11.2003, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89<sup>1</sup> by which AREVA acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the Transmission & Distribution business of ALSTOM (“ALSTOM T&D”).
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 EEA Agreement.

**I. THE PARTIES AND THE OPERATION**

3. AREVA (France) is active in the construction of nuclear islands of nuclear power plants and the provision of related services. It is also a manufacturer, through its subsidiary Framatome

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<sup>1</sup> 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).

Connectors International (“FCI”), of electrical power connectors used in particular in the energy sector.

4. ALSTOM T&D (France) is active in the provision of products, systems and services that assist in the transmission and distribution of high and medium voltage electrical power, from the point of production to the energy consumer.
5. Via the transaction, AREVA will acquire 100% of the shares in “T&D Holding Etranger”, a new company into which ALSTOM will transfer all of its subsidiaries and assets to the extent they relate to activities in the T&D business, excluding the Alstom Power Conversion business. The operation thereby constitutes a concentration within the meaning of Article 3(1)b of the Merger Regulation since it consists of the acquisition of ALSTOM T&D.

## **II. COMMUNITY DIMENSION**

6. The combined aggregate worldwide turnover of AREVA and ALSTOM T&D exceeds EUR 5 billion (AREVA EUR 8265 million, ALSTOM T&D EUR 3033 million). The EC-wide turnover of AREVA and ALSTOM T&D respectively exceeds EUR 250 million (AREVA EUR [...] million, ALSTOM T&D EUR [...] million). While AREVA achieves more than two-thirds of its aggregate EC-wide turnover in France, ALSTOM T&D does not achieve more than two-thirds of its aggregate EC-wide turnover within the same Member State. The notified operation therefore has a Community dimension.

## **III. COMPETITIVE ASSESSMENT**

7. The parties argue that there is no horizontal overlap between AREVA and ALSTOM T&D’s activities. Vertical links between AREVA and ALSTOM T&D, according to the parties, are limited to electrical power connectors, which are purchased by T&D suppliers. No affected market arises.
8. The absence of any substantial vertical links results from the fact that AREVA is involved in the construction of the sections surrounding the nuclear reactor of a power plant (“the nuclear island”) but not in the supply of electricity-generating components, such as turbines (“the conventional island”). However, T&D products interface significantly only with the conventional island. In addition, power plants and T&D equipment are not usually purchased together or tendered jointly. Power plants and transmission grids also tend to be operated by separate companies. The EC Electricity Directive provides for at least separate accounts between electricity generators and transmission grid operators.

### **A. Relevant product markets**

9. The concentration involves a number of economic sectors: Transmission & Distribution of electrical power; electrical power connectors and components for nuclear power plants. However, only in electrical power connectors there is a vertical link between AREVA and ALSTOM T&D’s activities.
10. The Commission has previously considered the Transmission & Distribution of electrical power in several cases, including GEC Alsthom/AEG, GEC ALSTOM/Cegelec,

Toshiba/Mitsubishi and ALSTOM/ABB Power.<sup>2</sup> However, in none of these decisions did the Commission come to a definitive conclusion on the definition of the relevant product markets in this area.

11. The parties have identified six segments which could be considered as appropriate as a possible basis for market definitions within the Transmission & Distribution business. The parties do not exclude, however, that some of these segments may belong to larger product markets.

(a) High Voltage Products used in the transmission networks operating at voltages between 52 kV and 800 kV. This category includes a variety of high voltage switching and branching, measurement and control and protection devices, such as switchgears, circuit breakers, surge arresters, line traps, protective relays and instrument transformers;

(b) Medium Voltage Products used in distribution networks operating at voltages between 5kV and 52 kV. This category includes a variety of high voltage switching and branching, measurement and control and protection devices, such as medium voltage switchboards, circuit breakers, disconnectors, load break switches, lightning arresters, contactors, and distribution transformers;

(c) Power Transformers used to step up the voltage of power generated by production plants to a voltage that may be carried efficiently on transmission networks, and subsequently step down to the levels required. This category includes conventional generation and transmission transformers, special transformers for use in networks, serial and compensation reactors, special transformers for industrial applications and traction transformers for railway applications;

(d) Transmission Systems and Distribution Systems, i.e. the design and installation of turnkey systems, either for transmission networks or for distribution networks. The core of that business is the design and erection of complete high voltage or medium voltage substations, including switchgears, power transformers and additional measuring, control and protection equipment;

(e) Energy Automation and Information Systems, i.e. the provision of energy management solutions for the efficient, reliable and secure operation of energy infrastructure and markets. These solutions include the integration of various products (protective relays, measurement devices and data communication devices), systems (network management, market management, power automation) and services (operation, maintenance, consulting);

(f) Transmission and Distribution Services, i.e. all service activities that are not covered by a specific segment mentioned above. This includes in particular field services (erecting, commissioning and maintaining services T&D products and systems) and consulting services, such as strategic network planning (advice

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<sup>2</sup> Case IV/M.706, GEC Alsthom/AEG, decision of 3 September 1996; Case IV/M.1164, GEC ALSTOM/Cegelec, decision of 15 May 1998; Case COMP/M:1909, ALSTOM/ABB Power, decision of 5 May 2000; Case COMP/M.2950, Toshiba/Mitsubishi/JV, decision of 20 September 2002.

regarding grid expansion, reinforcement and redesign), power system incidence analysis and network performance planning.

12. Respondents to the market investigation confirmed the relevance of the market definitions proposed by the parties. However, it should be noted that the products that constitute the three first market definitions (i.e. High Voltage, Medium Voltage products and transformers) are also used in the fourth and the sixth (i.e. Transmission Systems and Distribution Systems and Transmission and Distribution Services).
13. However, it is not necessary to further delineate the relevant product markets because, in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.
14. Electrical power connectors are used to transmit electrical power from one component of a power plant or a T&D system to a neighbouring component. The interface is defined by different standards, which allows any connector manufacturer to supply. AREVA, through its subsidiary FCI is active in the manufacturing and sale in Europe and worldwide of electrical power connectors, whereas ALSTOM T&D is not active in the production of electrical power connectors. The notifying party is of the opinion that electrical power connectors are likely to form a single relevant product market, even though a distinction could be made between high-voltage applications and medium-voltage application connectors.
15. However, the exact definition of the relevant product market can be left open for the purpose of this case, as no competitive concerns would arise under any conceivable alternative market definition.

#### **B. Relevant geographic markets**

16. The parties argue that the markets for T&D equipment for electrical power connectors are at least EEA-wide and possibly worldwide for some of them, notably because there would be only few trade barriers through technical standards or customer certification, because customers and suppliers would be active on an international level and, finally, because transportation costs are relatively low compared to the products' overall value.
17. The Commission's market investigation in this case supports the parties' view that the relevant geographic markets for T&D equipment and electrical power connectors are indeed at least EEA-wide.
18. However, it is not necessary to further delineate the relevant geographic market because, in all alternative geographic market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

#### **C. Assessment**

19. AREVA's EEA market share in electrical power connectors is [5-15]% for high-voltage applications and [1-10]% for medium-voltage applications. On a national basis, the company's market share does not exceed 25% in any EEA country (parties' data). The transaction does not, therefore, give rise to concerns that rival producers of T&D equipment may be foreclosed from access to power connectors. This was confirmed by all T&D manufacturers covered by the market investigation.

20. Downstream, ALSTOM's overall market share by value for all T&D products amounts to [10-20]% in the EEA (parties's estimate). In France, ALSTOM's home market, its market share is [15-25]%, according to the parties. Only a fraction of electrical power connectors is purchased by T&D manufacturers. Other purchasers of power connectors include, among others, contractors for power transmission lines and utilities. Hence, no concerns arise that rival manufacturers of electrical power connectors may be foreclosed from access to a potential customer base. This was confirmed by the market investigation.

#### **IV. CONCLUSION**

21. 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