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*Case No IV/M.366 -  
ALCATEL / STC*

Only the English text is available and authentic.

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

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Article 6(1)(a) INAPPLICABILITY  
Date: 13.09.1993

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Brussels, 13.9.1993

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)a DECISION

To the notifying party

Dear Sirs,

Subject : Case No IV/M.366 - Alcatel / STC  
Your notification of 11.08.1993 pursuant to Article 4 of  
Council Regulation No 4064/89 (Merger Regulation)

1. On 28.07.1993, Alcatel Cable S.A. (Alcatel) notified to the Commission an agreement to purchase from Northern Telecom Europe Ltd (Northern Telecom) the whole share capital of STC Limited (STC), to which Northern Telecom will transfer prior to the transaction its entire submarine telecommunications systems business.
2. On 11.08.1993, Alcatel notified a second proposed transaction between the said parties in respect of the acquisition by Alcatel of Northern Telecom's satellite television antennae business, which would also be included in STC.
3. In accordance with paragraph 2 of Article 5(2) of the Merger Regulation these transactions have to be treated for jurisdictional purposes as one and the same concentration arising on the date of the last transaction.
4. After examination of the notification, the Commission has concluded that the operation does not fall within the scope of the Merger Regulation.

I. THE PARTIES

5. Alcatel is a subsidiary of Compagnie Financière Alcatel, which in turn is owned by Alcatel Alsthom. It is involved in the production and sales of power cables and submarine telecommunications systems.
6. STC is a UK telecommunications equipment supplier which was acquired in 1990 by Northern Telecom, a leading global supplier of fully digital telecommunications switching systems and related services. Northern Telecom is ultimately controlled by Bell Canada Enterprises Inc., the major provider of telecommunications services in Canada.

II. COMMUNITY DIMENSION

7. The worldwide turnover of the undertakings concerned exceeds 5,000 million ECU (Alcatel 16,058 million ECU and STC 326 million ECU).

With regard to the aggregate Community-wide turnover of the undertakings, Alcatel clearly exceeds the 250 million ECU threshold laid down in the Merger Regulation. As for STC, the notifying party states in its notification that its aggregate Community-wide turnover in 1992 exceeded 272 million ECU.

8. To reach this figure, the notifying party has taken into account as Community-wide turnover all turnover, amounting to 244 million ECU, derived from contracts for submarine systems having at least one landfall in the EC, ie. a direct physical link with the Community. To this figure is added 40 %, amounting to 11 million ECU, of turnover derived from a contract in Thailand on the basis that an EC investor has made an identifiable investment in that project and the cable will partially also be used for international calls originating in the EC. To this should be added the satellite antennae business, accounting for 17 million ECU, as a result of the second transaction.
9. As a justification for the adoption of the landfall criterion, the notifying party puts forward the argument that contracts for submarine systems with at least one landfall in the EC have a direct physical link to EC public telecommunications networks in which at least one EC telecom operator will be a direct party to the procurement contract and will thus jointly hold undivided ownership of the system. As a result, the EC telecom operator will connect the system to its own terminal equipment and will receive revenues based on traffic through the system in both directions (EC and non-EC originating traffic).
10. The Commission recognises that the market for submarine telecommunications systems is a market in which it is not, prima facie, evident how turnover can be geographically allocated. It does not, however, consider that the assumptions of the parties with regard to STC turnover are in line with the relevant provisions of the Merger Regulation.
11. According to Article 5(1) paragraph 2, "turnover in the Community or in a Member State shall comprise products sold and services provided to undertakings or consumers, in the Community or in that Member State as the case may be."
12. In this respect, a differentiation has firstly to be made between the market for submarine telecommunications systems,

which is the relevant product market in this case, and the market for the service they are aimed to provide which is not in issue here.

13. The market for submarine telecommunications systems is characterised by rapid technological evolution and the existence of vast projects usually requiring the formation of multi-manufacturers consortia for their execution. Cables are laid primarily in international waters and are sold to international purchasing consortia often composed of telecommunications operators who will usually be parties to each direct procurement contract. These submarine cables contain thousands of circuits which are apportioned to operators according to their share participation in the consortium.
14. The Commission considers that it is not the physical link which is decisive but the place where the investors are established and their respective shares in the consortium. This appears to be the right way to consider whether, and to what extent, a Community operator is the recipient of the products in question and, as a result, the correct test for attributing to the Community turnover generated by the sale of submarine telecommunications systems.
15. Using the above criteria, the Commission calculates the EC turnover of STC, including submarine telecommunications systems and satellite antennae, to be 151 million ECU (see detailed chart attached)<sup>1</sup>.
16. Accordingly, the proposed operation does not have a Community dimension since the Community-wide turnover of STC does not exceed the 250 million ECU threshold set out in Article 1.

### III. CONCLUSION

17. Based on the above, the Commission has concluded that the notified operation is a concentration which does not have a Community dimension within the meaning of Article 1 of the Merger Regulation and therefore does not fall within the scope of the Merger Regulation. This decision is adopted in application of Article 6(1)(a) of Council Regulation No 4064/89.

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

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<sup>1</sup> Deleted - Business secrets.