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*Case No IV/M.529 -
GEC / VSEL*

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

Article 6(1)(b) NON-OPPOSITION
Date: 07/12/1994

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 7.12.1994

MERGER PROCEDURE
ARTICLE 6(1)b DECISION

PUBLIC VERSION

To the notifying party

Dear Sirs,

Subject: Case N° IV/M.529 - GEC/VSEL
Notification of 8.11.1994 pursuant to Article 4 of Council Regulation N° 4064/89

1. On 8.11.1994, The General Electric Company, plc (GEC) notified to the Commission a public offer for the entire issued ordinary share capital of VSEL plc (VSEL). The notification relates only to the non-military activities of VSEL; the United Kingdom, relying upon Article 223(1)(b) of the EC Treaty, has instructed GEC not to notify the acquisition of the military activities of VSEL.
2. After examination of the notification, the Commission has concluded that the operation as notified falls within the scope of application of Council Regulation 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.

I. THE PARTIES

3. GEC has activities in the following fields: electronic systems, power systems, telecommunications and information technology, consumer goods, electronic metrology, office equipment and printing, medical equipment, electronic components and industrial apparatus.
4. VSEL is principally engaged in the design, development and production of submarines, surface warships and armaments. It also has very limited activities which relate to the oil and gas industry and general metal fabrication.

II. THE OPERATION

5. GEC has launched a public offer for the entire issued ordinary share capital of VSEL.

III. CONCENTRATION

6. If the public offer succeeds, GEC will acquire sole control of VSEL. The operation is therefore a concentration within the meaning of Article 3(1)(b) of the Regulation.

IV. COMMUNITY DIMENSION

7. The combined aggregate worldwide turnover of GEC and VSEL is more than ECU 5000 million (GEC: ECU 12635 million; VSEL: ECU 606 million). Each of GEC and VSEL has an aggregate Community-wide turnover of more than ECU 250 million (GEC: ECU 7283 million; VSEL: 596 million). The parties do not both achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State.
8. The concentration therefore has a Community dimension.

V. APPLICATION OF ARTICLE 223(1)(b) EC

9. As already stated in paragraph 1 of this decision, the notification received relates only to the non-military activities of VSEL as the United Kingdom, relying upon Article 223(1)(b) EC, has instructed GEC not to notify the acquisition of the military activities of VSEL.
10. The Commission has considered the applicability of Article 223(1)(b) EC in the present case. In this context it has noted, on the basis of the information provided by the United Kingdom, that:
 - the part of the concentration which has not been notified only relates to the production of or trade in arms, munitions and war material which are mentioned in the list referred to in Article 223(2) EC;

- the measures taken by the United Kingdom are necessary for the protection of the essential interests of its security;
 - there are no spill-over effects from military activities on non-military activities of GEC;
 - the merger will have no significant impact on suppliers and sub-contractors of the undertakings concerned and on Ministries of Defence of other Member States as neither GEC nor VSEL has made any significant sales of relevant products in other Member States. Furthermore, there are no intermediate consumers in the sector involved.
11. Therefore, the Commission is satisfied with the measures taken by the United Kingdom and sees no need to invoke Article 225(1). The present decision is restricted to the non-military activities of VSEL.

VI. COMPATIBILITY WITH THE COMMON MARKET

12. VSEL supplies a very limited amount of non-military products which account for 2.5% of its turnover (i.e. about ECU 15 million). They comprise equipment for the oil and gas industry and general metal fabrication. There is no horizontal overlap or vertical relationship between the non-military business of VSEL and GEC. Therefore, the merger does not raise any competition concern.

VII. CONCLUSION

13. For the foregoing reasons, the proposed concentration 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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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 functioning of the EEA agreement. This decision is adopted in application of Article 6(1)b of Council Regulation No 4064/89 and article 57 of the EEA Agreement.

For the Commission