



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 17.11.1995

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sirs,

Subject : **Case No IV/M.659 - GE CAPITAL/SOVAC**

Notification of **13.10.95** pursuant to Article 4 of Council Regulation No 4064/89

1. The above mentioned notification concerns the announced tender offer made by General Electric Capital Corporation (GE Capital) on 11 October 1995 for all the shares of the French specialist financing group SOVAC S.A. (Sovac).
2. After examination of the notification, the Commission has concluded that the notified operation 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. GE Capital is a wholly owned subsidiary of General Electric Capital Services, Inc. which is in turn a wholly owned subsidiary of the U.S. Corporation General Electric Company. GE Capital operates in several finance and insurance segments. Their services are offered primarily throughout the United States, Canada, Europe and the Pacific Basin.
4. Sovac, is a French specialist financing group. It operates mainly in France and, to a minor extent, in Spain and Italy. Sovac is controlled by Eurofrance et Financière et Industrielle Gaz et Eaux, linked to the Lazard Frères financial group, jointly controlling 62.7% of its share capital and 76.37% of its voting rights. The rest, publicly owned, is quoted on the Paris Stock Exchange. Sovac activities include lending and finance, life and non life insurance, insurance brokerage and factoring.

II. CONCENTRATION

5. After completion of the operation, GE capital will acquire control of SOVAC. Thus the operation constitutes a concentration according to Article 3(1)(b) of the Merger Regulation.

III. COMMUNITY DIMENSION

6. The combined aggregate worldwide turnover of GE Company and SOVAC, exceeded 5,000 million ECU in the last financial year. The turnover for non-financial activities of GE Company amounted to ECU 35.7 billion in 1994. The turnover of Sovac, calculated in accordance with Article 5(3)(a) of the Merger Regulation, exceeded 484.6 million ECU. Both GE Capital and Sovac have community-wide turnover in excess of 250 million ECU but do not achieve more than two-thirds of their aggregate community-wide turnover in one and the same Member State. The operation therefore has a Community dimension.

IV. COMPATIBILITY WITH THE COMMON MARKET

Relevant product market

7. The parties offer specialist financing and related insurance services including private label credit cards, real estate financing, automobile and equipment financing, consumer financing, autofinancial services, project and structure finance, leasing, municipal bond insurance, life, mortgage and creditor insurance, insurance brokerage and factoring. These services constitute segments of broader lending, insurance or factoring activities mainly provided, in each case, by retail banks, insurance or factoring companies.
8. For the purpose of the present case it is not necessary to provide a definitive delimitation of the relevant product market since, on the basis of the assessment set out below, a dominant position would not be created or reinforced even on the narrowest product market definition.

Relevant geographic market

9. Given the activities of the parties, defined broadly as lending money and insurance, the Commission has the view that such services are provided on a national basis⁽¹⁾. The relevant geographical markets are therefore the national markets of each Member State.

Assessment

10. Overlap only exists in the following business areas: automobile financing; real estate financing; equipment financing, consumer finance and insurance. However, the respective activities of GE Capital and Sovac are geographically complementary except for automobile financing in France, Spain and Italy and equipment financing in France.

⁽¹⁾ Case IV/M.342 - Fortis/CGER
Case IV/M.465 - GE/CIGI

11. In the automobile financing segment in France the new entity will have a segment share of [...] ⁽¹⁾. However the segment is primarily dominated by universal banks [...] ⁽¹⁾. Other competitors include Diac [...] ⁽¹⁾, a subsidiary of Renault; Cetelen [...] ⁽¹⁾; Credit Universel [...] ⁽¹⁾ and Sofinco [...] ⁽⁶⁾. Segment shares for automobile financing in Spain and Italy are negligible [...] ⁽⁶⁾. The equipment finance activities of the merged entity in France constitute a segment share of [...] ⁽¹⁾ on the total of outstanding loans provided by specialized equipment finance companies..
12. The new entity will compete in the financial services sector with banks and other stronger finance houses. In view of this, the operation does not raise serious doubts about its compatibility with the common market.

V CONCLUSION

13. It follows from the above that the proposed concentration would not create or strengthen a dominant position as a result of which competition would be significantly impeded in the common market or in a substantial part of it.
14. 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.

For the Commission,

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(2) Deleted - Business secret (10 to 15 %)
 (3) deleted - Business secret (45 to 50 %)
 (4) Deleted - Business secret (15 à 20 %)
 (5) Deleted - Business secret (5 to 10 %)
 (6) Deleted - Business secret (up to 5 %)
 (7) Deleted - Business secret (5 to 10 %)