

*Case No IV/M.915 -
TYCO / ADT*

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

Article 6(1)(b) NON-OPPOSITION
Date: 002/06/1997

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 02.06.1997

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

Subject: Case No IV/M.915 Tyco/ADT

Your notification of 25.04.1997 pursuant to Article 4 of Council Regulation N° 4064/89

1. On 25 April 1997 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the undertaking Tyco International Ltd, USA, (Tyco) acquires within the meaning of Article 3 (1) (b) of the Council Regulation sole control over ADT Limited, Bermuda, (ADT).
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope 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. Tyco is listed on the New York Stock Exchange. No single owner holds more than 15% of the share capital in Tyco. Its main fields of activity are electronic fire detection and suppression systems and security systems, disposable medical supplies and flow control products and electronic components.
4. ADT is listed on the Stock Exchanges in New York, London and Bermuda. The largest holder of shares in ADT is Western Resources Inc, with a 24,4% holding. ADT is mainly active in the field of electronic fire detection and suppression systems and security systems.

II. THE OPERATION

5. The operation will take place in several steps, all of which are interlinked through the agreement between the companies. Following the operation, the present

shareholders in Tyco will control 64% of the combined company (to be named Tyco). The remaining shares will be held by the present shareholders of ADT. Therefore, the result of the operation is that Tyco will acquire sole control over ADT within the meaning of Article 3 (1) (b) of the Regulation.

III. COMMUNITY DIMENSION

6. The operation has a Community dimension. The joint world-wide turnover of Tyco and ADT in their respective last financial year amounts to more than 5000 million ECU and the Community wide turnover of both companies exceeds 250 million ECU. Whereas ADT achieves more than two-thirds of its Community wide turnover in the UK, Tyco does not achieve more than two-thirds of its Community wide turnover within any Member State. Thus, the operation has a Community dimension in the sense of Article 1 of the Regulation.

IV. COMPATIBILITY WITH THE COMMON MARKET AND THE EEA

7. The only area of overlap between Tyco and ADT is in the fields of electronic security systems and fire detection and suppression systems. Consequently, the other fields of activities in which the parties are engaged are not discussed in this decision.

Relevant product markets

8. According to the notification, the relevant product markets are the market for electronic security systems (comprising Closed Circuit Television (CCTV), Access control and Intruder alarms) and the market for fire detection and alarm equipment. According to the parties both markets include the provision of installation as well as maintenance of the systems. On the market for electronic security systems, monitoring of the system is also included in the overall market.
9. It is, however, for the assessment of the present operation, not necessary to define the relevant product markets since even on the narrowest possible product market definition the operation does not give rise to the creation or strengthening of a dominant position.

Relevant geographic market

10. The parties have stated that the markets for electronic security systems and fire detection and alarm equipment should be defined as national due to, *inter alia*, differing national technical requirements imposed by e.g. local authorities and insurance companies.
11. The Commission's investigation indicates that there may be differences in the geographical scope of the market, as concerns the services included by the parties in their overall market definition. As such, it would seem likely that the geographical market for installation of electronic security systems or fire detection and alarm systems could be wider than the market for maintenance and monitoring of such systems. Moreover, in the field of electronic security systems, the fact that Intruder alarms are frequently acquired by residential customers, whereas CCTV and Access control systems are mainly sold to corporate

customers, could justify defining a narrower geographical market for the former products.

12. It is, however, not necessary to decide upon the scope of the geographical market as there are no indications that the operation would give rise to competition problems regardless of how the market is defined.

Assessment

13. Neither Tyco, nor ADT, is to any significant degree involved in the manufacture of the system components for electronic security systems or fire detection and alarms. Instead both companies, as well as their main competitors (Chubb and Shorrock Security in the UK, Cerebrus in Belgium and Siemens in the Netherlands), are focused on installation, maintenance and monitoring of such systems.
14. The only significant overlap of the activities of Tyco and ADT in electronic security systems is in the UK, where the parties would reach a combined market share of about 18%. In all other Member States there is either no overlap or very low combined market shares (below 5%). In the field of fire protection and alarms their activities overlap in the UK, Belgium and the Netherlands. In each of those countries their combined market share is between 14-18%.
15. Electronic security systems and fire alarms are both growing sectors. Moreover, in both sectors the market structure is at present relatively fragmented with a large number of, primarily, small and mid-sized companies, supplying the services in question. According to the parties, the installed systems are not based on any proprietary technology, nor do the parties enter into long-term service agreements which could make switching to alternative suppliers of the maintenance and monitoring services difficult.
16. The investigation indicates that there is a trend, particularly as regards larger projects, towards an increased importance of being able to offer the customers a “package” of services, including installation, maintenance and monitoring of electronic security or alarm systems. Another likely development would seem to be towards the integration of these two types of systems.
17. There are, however, no indications that the present operation, taking into account the above mentioned market trends, would provide such advantages to the combined Tyco/ADT vis-à-vis existing competitors that a dominant position would be created or strengthened in the EEA or a substantial part of it.

V. CONCLUSION

18. 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 (EEC) No 4064/89.

For the Commission,