



DETERMINATION OF MERGER NOTIFICATION M/07/003 – GE/VETCO

Section 21 of the Competition Act 2002

Proposed acquisition by General Electric Company of Vetco International Limited

Dated 25/01/07

Introduction

1. On 8 January 2007, the Competition Authority (“the Authority”), in accordance with Section 18(1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby General Electric Company (“GE”) would acquire the entire the issued share capital of Vetco International Limited (“Vetco”) and indirectly acquire its subsidiaries other than Vetco Aibel AS¹ (“the proposed transaction”).
2. The Authority forwarded a copy of the notification to the Minister and notified the undertakings involved that it considers the acquisition to be a media merger, in accordance with Section 23(1) of the Act.

The Undertakings Involved

3. GE, the acquirer, is a global diversified technology and service company incorporated in New York in the United States. GE is publicly owned and is listed on the New York Stock Exchange and the London Stock Exchange.
4. The acquirer’s global activities are made up of six primary business units: (1) GE Infrastructure; (2) GE Industrial; (3) GE Commercial Finance; (4) NBC Universal; (5) GE Healthcare; and, (6) GE Money².
5. Within GE Infrastructure, the acquirer operates a business unit, GE Oil and Gas. GE Oil and Gas is active in the production and sale of:
 - gas and steam turbines;
 - compressors;
 - turbo-expanders;
 - pumps;
 - controls;
 - safety valves; and,
 - reducing and metering systems.

¹ The undertakings involved have submitted that prior to the completion of the proposed transaction, Vetco Aibel AS’s sub-sea systems business unit will be transferred out of Vetco Aibel AS to a newly constituted wholly-owned subsidiary of Vetco and will be acquired by the acquirer as part of the transaction. The acquirer will not acquire the remaining (non-transferred) businesses of Vetco Aibel AS.

² GE Money was formerly known as GE Consumer Finance.

6. These products are mainly used when the exploration and drilling stages for oil and gas have ceased and the production stage is already operational. Generally, the acquirer's products are used in the recovery and/or transportation of oil and gas after production.
7. In addition to the products listed in paragraph 5 above, GE Gas and Oil provides field services support for installation, start-up, commissioning, on-site inspections and overhauls and emergency repairs. It also offers customised managerial and technical training. The products and services described in Paragraphs 5-7 inclusive are provided by the acquirer in the State.
8. For the financial year ended 31 December 2005, the consolidated turnover of GE was approximately €120.3 billion.
9. From all of its activities in the State, GE derived approximately [...] in turnover for the financial year ended 31 December 2005.
10. Vetco is a holding company that is owned and controlled by a consortium composed of Candover Partners Limited, 3i Group plc and JP Morgan Partners. Vetco has two subsidiaries: Vetco Gray Inc ("Vetco Gray") and Vetco Aibel AS ("Vetco Aibel").
11. Vetco Gray is a world-wide supplier of systems, products and services for onshore and offshore oil and gas production. Specifically, Vetco Gray provides products and services for:
 - drilling and completion of oil and gas wells (in particular, sub-sea completion and production systems);
 - sub-sea drilling systems;
 - surface drilling; and,
 - completion systems and related services.
12. Vetco Aibel AS is a worldwide provider of project management, engineering, procurement and construction services, including EPC projects, process systems and equipment, maintenance, modification and operations to the upstream oil and gas industry³. Only the business of Vetco Aibel AS which concerns sub-sea systems is the subject of the proposed transaction⁴.
13. For the purposes of the proposed transaction, therefore, the target is the combination of Vetco and Vetco Gray and only the sub-sea systems business of Vetco Aibel AS.
14. In the State, the target is active in the supply of systems, products and services for onshore and off-shore oil and gas production. More, specifically, the target provides products and services for:
 - drilling and completion of gas and oil wells (in particular sub-sea completion and production systems);
 - sub-sea drilling systems;
 - surface drilling; and,
 - completion systems and related services.

³ See further <http://www.vetcoibel.com>.

⁴ See *fn.1* above.

15. For the financial year 2005, the target generated turnover of approximately [...] from its activities in the State. [...].
16. The target's world-wide turnover for the financial year 2005 was approximately [...].

Analysis

17. The Authority's investigation has concluded that while the acquirer and the target are both involved in the oil and gas sector, there is no overlap, either horizontal or vertical, in the activities of the undertakings involved in the State.
18. The undertakings involved are active in different activities that occur at different stages of oil and gas production. The acquirer's products and services relate to a later stage of oil and gas production: when the oil and gas has already been explored, drilled, is in production and is being recovered or transported. The target is active in the earlier stages of oil and gas production, namely at drilling and production (or completion) stages both onshore and offshore.
19. There is no vertical overlap in the activities of the undertakings involved. Neither the acquirer nor the target have or currently provide their respective services, either to each other, or, to each other's competitors.
20. Consequently, the Authority has concluded that the proposed transaction does not give rise to competition concerns.

Determination

The Competition Authority, in accordance with Section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by General Electric Company of Vetco International Limited and of its subsidiaries other than Vetco Aibel AS, will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect subject to the provisions of Section 23(2) of the Competition Act 2002.

For the Competition Authority

Dr. Paul K. Gorecki
Member of the Competition Authority