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General Electric set to secure approval for Alstom deal

Christian Oliver in Brussels

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An Alstom worker at a turbine refurbishment facility at Rugby in the UK

General Electric is likely to win EU approval in the coming days for its \$14bn deal to buy Alstom's energy assets, according to people close to the deal who stress that the US conglomerate has offered significant remedies.

GE's partial takeover of France's Alstom has been one of the most closely watched industrial deals in Europe after the European Commission raised concerns that it would damage competition in the market for massive turbines used to generate electricity from gas-fired power stations.

If Brussels does unexpectedly block the deal before a September 11

deadline, it will revive memories of GE's failed \$42bn deal to buy Honeywell in 2001, when American executives were stunned that EU competition authorities had such wide-reaching powers to scupper a US transaction.

A second veto against GE from Brussels this week or next could also prove politically explosive on both sides of the Atlantic. After weathering a storm about a US company buying large chunks of a French industrial champion, the government of President François Hollande is now investing diplomatic capital in ensuring the deal goes ahead to keep jobs in France.

People at the European Commission and lawyers in Brussels said that GE had learnt lessons from the bruising Honeywell case, and noted that Jeff Immelt, chief executive, had taken a far more diplomatic approach than his predecessor, Jack Welch. Mr Immelt visited Margrethe Vestager, EU competition commissioner, two times during negotiations.

"GE have clearly softened," said one EU official. "Their whole approach has been very different."

Andreas Geiger, a lobbyist and founder of the law firm Alber & Geiger who is familiar with the Honeywell and Alstom cases, said that Mr Immelt "did a better lobbying job than Welch . . . but the expected EU merger clearance comes with a price tag which might have been avoided".

Brussels' greatest concern was that the GE-Alstom group could control more than 50 per cent of the market in Europe and the rest of the world, excluding China, for turbines operating at the 50Hz frequency. The tie-up would also reduce GE's competitors to only two main companies: Germany's Siemens and Japan's Mitsubishi Hitachi Power Systems, with Italy's Ansaldo Energia being a niche player.

When the commission launched its probe of the GE-Alstom deal in February, the US company initially responded by flatly denying that its deal harmed customer choice, because only about four 50Hz frequency turbines were sold in Europe each year.

The commission countered that the relatively small sales volumes were irrelevant in a sector as sensitive as power, where turbines cost hundreds of millions of euros.

Despite its initial resistance, GE relented and offered concessions to Brussels in July, and people close to the matter said these proposals were received "positively". On receiving feedback from Brussels, GE later further "tweaked" the terms of the deal.

One person briefed on the case said the concessions scrutinised by the commission focused on GE divesting some of Alstom's turbine-related business to Ansaldo, which is 40 per cent owned by China's Shanghai Electric. Alstom's main turbine business centres are in France and Switzerland.

People in Brussels with knowledge of the case said technical points were still under discussion between GE and the commission, but did not think that these should stop the transaction being approved.

Emmanuel Macron, France's economy minister, has been leading Paris's charm offensive towards the commission. In July, he noted that the talks with Brussels were going well, saying: "We remain on our guard but, on the plan itself, we have seen rather reassuring elements."

When asked in July about GE's plan B in case the Alstom deal was blocked, Mr Immelt replied: "I am not going there."

Edward T Swaine, professor of law at George Washington University, said that the challenges on the Alstom deal were markedly different from the Honeywell case. "It's a different time and transaction. One thing that startled many last time was the interest the commission took in a transaction between American companies that had been cleared by the [US] Department of Justice," he added.

"The question now is whether GE's proposed remedy is enough to satisfy commission concerns that are particular to the results for competition in Europe — while GE continues to view this as a question of global markets and global strategy."

GE, noting the commission's final decision was due by September 11, said: "We have submitted a remedy package that addresses the commission's concerns and preserves the economics of the deal." Alstom declined to comment. Ansaldo could not be reached.

Additional reporting by Peggy Hollinger and Rachel Sanderson

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