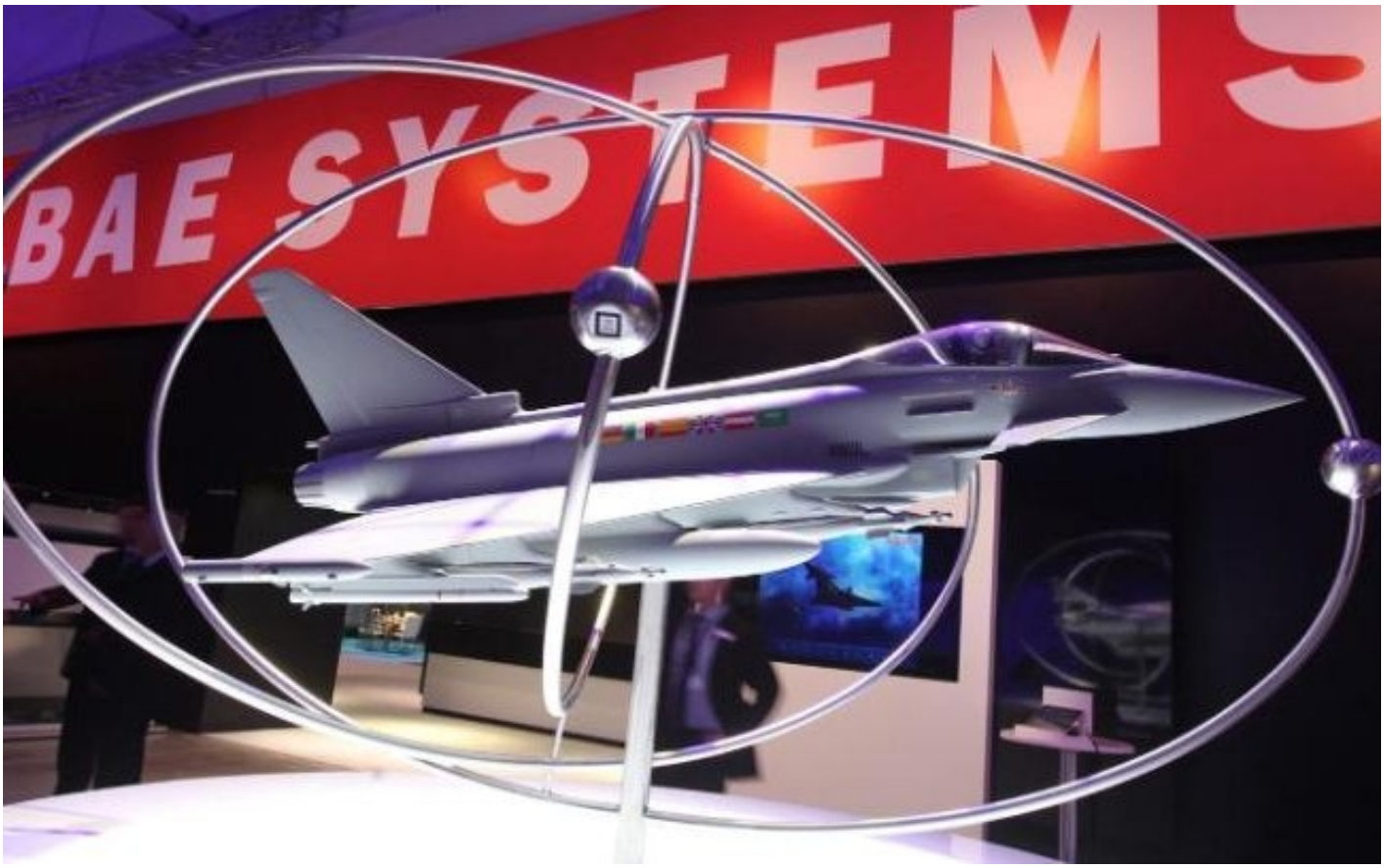
BAE CALLS FOR ANTI-MONOPOLY CONTROLS ON IT TO BE REMOVED AFTER 17 YEARS

News / Manufacturer



BAE Systems has asked to be freed from anti-monopoly controls it signed up to when the defence giant was created through the merger British Aerospace and Marconi Systems 17 years ago.

The FTSE 100 business was saddled with a list of undertakings at the time of the 1999 tie-up as regulators sought to ease concerns about the new company's dominance of the UK defence market.

These restrictions have since been whittled down, with just two remaining: to have a compliance officer who checks that BAE abides by the controls, and that the company gives other potential prime contractors access to its capabilities "on fair, reasonable and non-discriminatory terms" so they can bid for Ministry of Defence work.

It was feared the merger would see BAE take control of such a large portion of the UK's defence production capacity that other bidders who might have formed alliances with British Aerospace or Marconi previously to win military contracts would effectively be squeezed out of the market.

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The Competition & Markets Authority (CMA) has now agreed to review whether the undertakings are still relevant, saying that BAE is arguing that the defence industry has changed since the merger and that the compliance costs “stifle its competitiveness”.

A review in 2006 by the CMA’s predecessor decided that it was still necessary to keep the controls in the production of warships, combat aircraft and general munitions.

In documents explaining the reasoning behind the review, the CMA says BAE argued the MoD no longer uses the prime contractor model and has no foreseeable demand for new equipment that might be affected beyond existing orders.

The annual £400,000 to £500,000 cost of compliance is also an unnecessary drain on resources of the company,which had £17.9bn of revenues last year.

The CMA is now asking for interested parties to contribute evidence on whether or not the restrictions should be kept in place.

A spokesman for BAE said: “We believe there have been a number of significant changes of circumstances in UK defence procurement and to BAE Systems’ business which mean that the retention of the undertakings is unnecessary and inappropriate.”

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