

**UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Deborah Platt Majoras, Chairman
Pamela Jones Harbour
Jon Leibowitz
William E. Kovacic
J. Thomas Rosch**

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In the Matter of)	
)	
GENERAL DYNAMICS)	
CORPORATION)	
a corporation.)	Docket No. C-4181
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COMPLAINT

Pursuant to the Clayton Act and the Federal Trade Commission Act, and its authority thereunder, the Federal Trade Commission (“Commission”), having reason to believe that Respondent General Dynamics Corporation, a corporation subject to the jurisdiction of the Commission, has agreed to acquire SNC Technologies Inc. and SNC Technologies Corp, corporations subject to the jurisdiction of the Commission, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its Complaint, stating its charges as follows:

I. DEFINITIONS

1. “Commission” means the Federal Trade Commission.
2. “General Dynamics” or “Respondent” means General Dynamics Corporation, its directors, officers, employees, agents, representatives, predecessors, successors, and assigns; its joint ventures, subsidiaries, divisions, groups and affiliates controlled by General Dynamics Corporation, and the respective directors, officers, employees, agents, representatives, successors, and assigns of each.

3. “SNC” means, individually and collectively, SNC Technologies, Inc., its directors, officers, employees, agents, representatives, predecessors, successors, and assigns; its joint ventures, subsidiaries, divisions, groups and affiliates controlled by SNC Technologies, Inc., and the respective directors, officers, employees, agents, representatives, successors, and assigns of each; and SNC Technologies Corp., its directors, officers, employees, agents, representatives, predecessors, successors, and assigns; its joint ventures, subsidiaries, divisions, groups and affiliates controlled by SNC Technologies Corp., and the respective directors, officers, employees, agents, representatives, successors, and assigns of each.

4. “American Ordnance” means American Ordnance LLC.

5. “Day & Zimmerman” means Day & Zimmerman, Inc. a corporation organized, existing, and doing business under and by virtue of the laws of the Commonwealth of Pennsylvania, having its principal place of business located at 1818 Market Street, Philadelphia, Pennsylvania 19103.

II. RESPONDENT

6. Respondent General Dynamics is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 2941 Fairview Park Drive, Suite 100, Falls Church, Virginia 22042. General Dynamics, among other things, is engaged in providing munitions to the U.S. military. General Dynamics participates in the provision of melt-pour load, assemble and pack services for artillery shells and mortar rounds through its ownership of American Ordnance

7. Respondent is, and at all times relevant herein has been, engaged in commerce, as “commerce” is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. §12, and is a corporation whose business is in or affects commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

III. THE ACQUIRED COMPANIES

8. SNC are wholly-owned subsidiaries of SNC-Lavalin Inc. SNC are corporations organized, existing, and doing business under and by virtue of the laws of Delaware whose registered principal offices are located at 65 Sandscreen Street, Avon, Connecticut 06001. SNC is engaged in, among other things, the provision of high explosive melt-pour load, assemble and pack services for artillery shells and mortar rounds.

9. SNC is, and at all times relevant herein has been, engaged in commerce, as “commerce” is defined in Section 1 of the Clayton Act as amended, 15 U.S.C. § 12, and is a corporation whose business is in or affects commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

IV. AMERICAN ORDNANCE

10. American Ordnance is a limited liability company organized, existing, and doing business under and by virtue of the laws of Delaware whose registered principal office is located at 207 East 29th Street, Pittsburg, Kansas 66762. American Ordnance is engaged in, among other things, the provision of high explosive melt-pour load, assemble and pack services for artillery shells and mortar rounds, from the plants it operates in Milan, Tennessee and Burlington, Iowa.

11. American Ordnance is a joint venture of General Dynamics and Day & Zimmerman. General Dynamics and Day & Zimmerman each own fifty percent of American Ordnance.

12. American Ordnance is, and at all times relevant herein has been, engaged in commerce, as “commerce” is defined in Section 1 of the Clayton Act as amended, 15 U.S.C. § 12, and is a corporation whose business is in or affects commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

V. THE PROPOSED ACQUISITION

13. Pursuant to a purchase agreement dated February 23, 2006, two divisions of General Dynamics, General Dynamics Land Systems-Canada, Inc. and General Dynamics Ordnance and Tactical Systems, Inc., will acquire all of the voting securities of SNC, in a transaction valued at approximately \$275 million.

VI. THE RELEVANT MARKET

14. For the purposes of this Complaint, the relevant line of commerce in which to analyze the effects of the acquisition is the provision of high explosive melt-pour load, assemble and pack services for artillery shells and mortar rounds.

15. The United States Military purchases high explosive melt-pour load, assemble and pack services for artillery shells and mortar rounds. There is no alternative technology or method to provide artillery shells or mortar rounds.

16. For the purposes of this Complaint, North America is the relevant geographic area in which to analyze the effects of the Acquisition in the relevant lines of commerce.

VII. THE STRUCTURE OF THE MARKET

17. The relevant markets are highly concentrated as measured by the Herfindahl-Hirschman Index (“HHI”).

18. Currently, only three firms, American Ordnance, SNC and Day & Zimmerman, provide high explosive melt-pour load, assemble and pack services for artillery shells and mortar rounds customers in the relevant market.

19. Under the 2005 Base Closure and Realignment legislation, the Kansas Army Ammunition plant operated by Day & Zimmerman must close no later than September 15, 2011, and, it may, in fact, cease operations within the next two years. Therefore, after the closure of the Kansas facility, American Ordnance and SNC would be the only two firms providing high explosive melt-pour load, assemble and pack services for artillery shells and mortar rounds consumers in the relevant market.

VIII. ENTRY CONDITIONS

20. New entry into the relevant markets is costly and would not occur in a timely manner sufficient to deter or counteract the likely adverse competitive effects of the acquisition. It would take over two years and over ten million dollars for an entrant to build and equip a high explosive melt-pour load, assemble and pack facility. This investment is significant given the limited number of contracts for high explosive melt-pour load assemble and pack services for mortar rounds and artillery shells the U.S. military does each year.

IX. EFFECTS OF THE ACQUISITION

21. The effects of the Acquisition, if consummated, may be to substantially lessen competition and to tend to create a monopoly in the relevant markets in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, in the following ways, among others:

- a. By reducing actual, direct, and substantial competition between Respondent and American Ordnance because Respondent will own all of SNC and half of American Ordnance; and
- b. By increasing the likelihood that:
 - (1) General Dynamics will be able to unilaterally exercise market power in the market;
 - (2) coordinated interaction would occur between General Dynamics and Day & Zimmerman; and
 - (3) the U.S. military would be forced to pay higher prices for the provision of high explosive melt-pour load, assemble and pack services for mortar rounds and artillery shells in the relevant geographic areas.

X. VIOLATIONS CHARGED

22. The Acquisition described in Paragraph 6 constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

23. The Acquisition described in Paragraph 6, if consummated, would constitute a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this twenty-seventh day of December, 2006, issues its Complaint against said Respondents.

By the Commission.

Donald S. Clark
Secretary

SEAL: