

L3 - Harris Merger Proceeds After US Consent Decree Resolves Canadian Competition Concerns

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Defence technology companies L3 Technologies, Inc. and Harris Corporation completed their merger on July 1, 2019, after reaching a settlement on June 20 with the US Department of Justice to resolve concerns that the merger would eliminate competition for military-grade image intensifier tubes.

Military-grade image intensifier tubes are a critical component of night vision devices such as goggles and weapon sights used by the US military. As L3 and Harris were the only two suppliers military-grade image intensifier tubes, they would enjoy a monopoly post-merger, which would likely result in higher prices, less favorable contract terms, and reduced research and development efforts, the DOJ alleged.

In the settlement, Harris agreed to sell its night vision business.

Harris had in fact started looking for a buyer for the vision business in January 2019, about three months after announcing the merger. In April, it announced a deal to sell the business to Elbit Systems Ltd. for \$350 million.

The Competition Bureau had the same concerns as the DOJ. However, since the settlement in the US resolved those concerns, it issued a no-action letter confirming that it would not challenge the merger, provided that the US settlement is implemented.

This case provides another example of the close cooperation between the Bureau and its US counterparts in cross-border cases.

The case also illustrates the effectiveness of merging parties determining early in the process what the likely competition concerns will be, and proactively finding a remedy instead of waiting for competition authorities to challenge the merger.

For more on this topic, please contact Michael Osborne or any member of our Competition, International Trade & Foreign Investment Group.

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