

## Fury as French steal march on €4bn Areva buy

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By Peggy Hollinger in Paris and Justin Baer in New York

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**Alstom** and **Schneider Electric** of France on Monday night trumped foreign rivals **GE** of the US and **Toshiba** of Japan with a €4.1bn bid for the transmission and distribution arm of state-owned nuclear group, **Areva**.

Areva's supervisory board announced it would enter exclusive negotiations with the two French bidders after a marathon meeting lasting more than three hours.

The announcement is likely to spark accusations of protectionism, as the French bid was not the highest and the government had in recent days appeared to delay a decision in order to give Alstom and Schneider time to revise their offer.

In the end the French consortium improved its bid by dropping performance conditions that would almost certainly have cut the value of the €4bn offer by €400m. The French offer values the equity at €2.3bn, against Toshiba's €2.4bn.

People close to the disappointed bidders said they were "very, very angry", while Toshiba is considering a legal challenge over the process.

"They told us the bid would be judged on four criteria but it turns out there was a hidden one," said a person close to one of the bidders who did not want to be named. "You have to be French."

GE said it was "disappointed" in the result.

"GE made a strong, competitive bid for the Areva T&D business, addressing the financial, industrial and social aspects of the sale," the company said.

"GE was committed to a fair and open bidding process and complied with the requirements throughout the bidding."

People close to the process said **the government had been concerned** by plans from both foreign bidders eventually to cede stakes in the T&D business – either to sovereign wealth funds or through a flotation on the market.

Nonetheless it has been clear from the start that some government advisers favoured a French solution. Many feared attracting criticism for selling state assets to foreign groups. There is also deep suspicion of foreign bidders after the government allowed the sale of **French aluminium group Pechiney to Alcan of Canada** in 2003. Despite assurances on jobs and factories, today little remains of Pechiney in France.

But the French bid has also been controversial, as it will mean dividing the world's third largest supplier of transmission and distribution equipment in two. Schneider will take the medium voltage distribution arm, while Alstom intends to take the high tension business.

Management has publicly opposed a sale to Alstom and Schneider, while unions have unusually declared their preference for a foreign bid which would leave the business intact.

The French bidders, meanwhile, argue that the split will create two world champions instead of one, with Schneider becoming the equal of market leader **ABB** in medium tensions and Alstom one of the world's biggest in the transmission equipment market.

Areva has been forced by its government shareholder to sell the business to fund a €10bn investment programme. It acquired the T&D activities from Alstom in 2004 for €920m as part of a government orchestrated rescue of the trains and turbines group led by current President Nicolas Sarkozy, then finance minister.

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