BAE, EADS Blast Merger 'Myths And Misconceptions'

David Rising, Associated Press

BERLIN (AP) — The chief executives of BAE Systems PLC and EADS NV sought to drum up support Monday for the merger of their two aeronautics and defense companies in the face of growing criticism to the deal, saying in a joint newspaper article an agreement would help both organizations grow.

The deal would create a global aerospace and defense giant with combined sales of more than €70 billion ($90.3 billion) and more than 220,000 employees. However the sector is facing challenges and uncertainties amid cuts to government defense budgets on both sides of the Atlantic.

French media company Lagardere, which owns a 7.5 percent stake in EADS, urged company management on Monday to reconsider the project, "taking better into account the overall interests of the French controlling shareholders in EADS."

"Despite the industrial and strategic potential it is said to have, has not proven so far that it would be a value creator for EADS," Lagardere said in a statement. "Lagardere considers that the conditions for joining EADS and BAE together are unsatisfactory at this stage."

In a joint article written by BAE's Ian King and EADS' Tom Enders and published in several newspapers across Europe, the two CEOs said they could not spell out full details on the ongoing negotiations, but that they felt it "important to correct some myths and misconceptions."

"The first thing to say is that this is a combination borne out of opportunity, not necessity..." the two wrote in the editorial, published in Britain, France and Germany.

"We believe that the time is now. With the necessary political will and support, management determination and proper governance, BAE Systems and EADS can produce a whole that is greater than the sum of its parts."

EADS is already one of Europe's biggest companies, parent to aircraft maker Airbus, helicopter maker Eurocopter, satellite builder Astrium and defense electronics contractor Cassidian.

Airbus and EADS have long been rivals to U.S.-based Boeing Co. in civil and defense aviation. The proposed deal is a clear shot at catching up to Boeing's defense business — and passing it.

The U.S. and European firms have fought ruthlessly in the courts over government

subsidies, and competed for years for a huge contract to build new aerial refueling tankers for the U.S. Air Force, a contract Boeing finally won.

EADS is jointly French and German-owned — though incorporated in the Netherlands — with dual headquarters in Munich and Paris as well as the Airbus headquarters in Toulouse, France.

Germany's Daimler holds a 22.5 percent stake in EADS, the French government owns 15 percent and French media company Lagardere has 7.5 percent.

Enders and King said they were working hard with the respective governments on the merger.

"We are very focused on agreeing to arrangements which protect the strategic and national security interests of the governments with which we work, particularly in France, Germany, the United Kingdom and the United States, given the importance of those markets to the combined group," they wrote.

"We propose to replace the shareholder arrangements which currently give Daimler, Lagardere and the French state joint control over EADS. That would mean creating a business with governance structures which would enable it to operate in a normal commercial manner."

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