

subsidiaries that offer physician services to payors; and (3) to payors with whom the respondents have dealt in the past or deal with in the next three years. Paragraph V.B. requires AHP, at any payor's request and without penalty, or, at the latest, within one year after the order is made final, to terminate its existing contracts for the provision of physician services to payors, other than those contracts covering the program which AHP refers to as its Clinical Integration Program. Paragraph V.B. also allows any such contract currently in effect to be extended, upon mutual consent of AHP and the contracted payor, to any date no later than one year from when the order became final. This extension allows both parties to negotiate a termination date that would equitably enable them to prepare for the impending contract termination. Paragraph V.C. requires AHP to distribute payor requests for contract termination to physicians who participate in the respondents. Paragraph V.E. requires AHP to notify the Commission of certain organizational changes to any respondent or other changes that may affect compliance with the order.

Paragraphs VI., VIII., and IX. impose various obligations on the respondents to report or provide access to information to the Commission to facilitate the monitoring of compliance with the order. Because Paragraphs V. and VI. impose on AHP, in the first instance, obligations to provide notice and reporting on behalf of all respondents, Paragraph VII. requires that any respondents for which AHP has not acted fulfill those obligations.

Finally, Paragraph X. provides that the order will expire in 20 years.

By direction of the Commission.

Donald S. Clark,
Secretary.

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BILLING CODE 6750-01-P

FEDERAL TRADE COMMISSION

[File No. 061 0150]

General Dynamics Corporation; Analysis of Agreement Containing Consent Orders To Aid Public Comment

AGENCY: Federal Trade Commission.

ACTION: Proposed Consent Agreement.

SUMMARY: The consent agreement in this matter settles alleged violations of federal law prohibiting unfair or deceptive acts or practices or unfair methods of competition. The attached

Analysis to Aid Public Comment describes both the allegations in the draft complaint and the terms of the consent order—embodied in the consent agreement—that would settle these allegations.

DATES: Comments must be received on or before January 29, 2007.

ADDRESSES: Interested parties are invited to submit written comments. Comments should refer to “General Dynamics, File No. 061 0150,” to facilitate the organization of comments. A comment filed in paper form should include this reference both in the text and on the envelope, and should be mailed or delivered to the following address: Federal Trade Commission/ Office of the Secretary, Room 135-H, 600 Pennsylvania Avenue, NW., Washington, DC 20580. Comments containing confidential material must be filed in paper form, must be clearly labeled “Confidential,” and must comply with Commission Rule 4.9(c). 16 CFR 4.9(c) (2005).¹ The FTC is requesting that any comment filed in paper form be sent by courier or overnight service, if possible, because U.S. postal mail in the Washington area and at the Commission is subject to delay due to heightened security precautions. Comments that do not contain any nonpublic information may instead be filed in electronic form as part of or as an attachment to e-mail messages directed to the following e-mail box: consentagreement@ftc.gov.

The FTC Act and other laws the Commission administers permit the collection of public comments to consider and use in this proceeding as appropriate. All timely and responsive public comments, whether filed in paper or electronic form, will be considered by the Commission, and will be available to the public on the FTC Web site, to the extent practicable, at <http://www.ftc.gov>. As a matter of discretion, the FTC makes every effort to remove home contact information for individuals from the public comments it receives before placing those comments on the FTC Web site. More information, including routine uses permitted by the Privacy Act, may be found in the FTC's privacy policy, at <http://www.ftc.gov/ftc/privacy.htm>.

FOR FURTHER INFORMATION CONTACT:

Christina R. Perez, Bureau of

¹ The comment must be accompanied by an explicit request for confidential treatment, including the factual and legal basis for the request, and must identify the specific portions of the comment to be withheld from the public record. The request will be granted or denied by the Commission's General Counsel, consistent with applicable law and the public interest. See Commission Rule 4.9(c), 16 CFR 4.9(c).

Competition, 600 Pennsylvania Avenue, NW., Washington, DC 20580, (202) 326-2048.

SUPPLEMENTARY INFORMATION: Pursuant to section 6(f) of the Federal Trade Commission Act, 38 Stat. 721, 15 U.S.C. 46(f), and § 2.34 of the Commission Rules of Practice, 16 CFR 2.34, notice is hereby given that the above-captioned consent agreement containing a consent order to cease and desist, having been filed with and accepted, subject to final approval, by the Commission, has been placed on the public record for a period of thirty (30) days. The following Analysis to Aid Public Comment describes the terms of the consent agreement, and the allegations in the complaint. An electronic copy of the full text of the consent agreement package can be obtained from the FTC Home Page (for December 28, 2006), on the World Wide Web, at <http://www.ftc.gov/os/2006/12/index.htm>. A paper copy can be obtained from the FTC Public Reference Room, Room 130-H, 600 Pennsylvania Avenue, NW., Washington, DC 20580, either in person or by calling (202) 326-2222.

Public comments are invited, and may be filed with the Commission in either paper or electronic form. All comments should be filed as prescribed in the **ADDRESSES** section above, and must be received on or before the date specified in the **DATES** section.

Analysis of Agreement Containing Consent Order To Aid Public Comment I. Introduction

The Federal Trade Commission (“Commission”) has accepted, subject to final approval, an Agreement Containing Consent Orders (“Consent Agreement”) from General Dynamics Corporation (“GD”). The purpose of the proposed Consent Agreement is to remedy the competitive harm that would otherwise result from GD's acquisition of SNC Technologies, Inc. and SNC Technologies, Corp. (collectively “SNC”). Under the terms of the proposed Consent Agreement, GD is required to divest its interest in American Ordnance LLC to a buyer approved by the Commission in a manner approved by the Commission within four months of acquiring SNC.

The proposed Consent Agreement has been placed on the public record for thirty days to solicit comments from interested persons. Comments received during this period will become part of the public record. After thirty days, the Commission will again review the proposed Consent Agreement and the comments received, and will decide whether it should withdraw the

proposed Consent Agreement or make it final.

On February 23, 2006, GD entered into a Share Purchase Agreement to acquire SNC from SNC-Lavalin Group for approximately \$275 million (CAN\$315 million). The Commission's complaint alleges that the proposed acquisition, if consummated, would violate 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, by bringing together two of only three competitors in the market for melt-pour load, assemble and pack services ("LAP services") for mortar rounds and artillery shells in the United States and Canada. The proposed Consent Agreement would remedy the alleged violations by requiring a divestiture that will replace the competition that otherwise would be lost in this market as a result of the acquisition.

II. The Parties

GD is a diversified defense company with leading market positions in aviation, information systems, shipbuilding and marine systems, and land and amphibious combat systems. General Dynamics Ordnance and Tactical Systems ("GD-OTS") is a business unit within GD that manufactures large and medium caliber ammunition and precision metal components, produces spherical propellant for small caliber ammunition used in various military applications, provides explosive LAP services for a variety of tactical missile and rocket programs, and designs and produces shaped charge warheads and control actuator systems. GD-OTS also maintains a fifty percent interest in American Ordnance, a joint venture with Day & Zimmerman, Inc. ("DZI") formed to operate the Middletown, Iowa Army ammunition plant ("Iowa AAP") and Milan, Tennessee Army ammunition plant ("Milan AAP") under a single entity to gain certain economic efficiencies. In 2005, GD had revenues of over \$21.2 billion, and GD-OTS sold approximately \$615 million in munitions and propellant.

SNC develops and manufactures ammunition and ammunition systems for Canadian and United States military divisions and law enforcement agencies. The company's products include large, medium, and small caliber ammunition, propellants, propelling charges and explosives, pyrotechnics, and simulated ammunition products for training applications. It also provides a wide variety of LAP services, including melt-pour. In 2005, SNC garnered approximately \$286 million in sales,

including \$136 million from sales within the United States.

III. The Relevant Product Market

The relevant product market in which to evaluate the proposed acquisition is the market for melt-pour LAP services for mortar rounds and artillery shells. Mortar rounds and artillery shells are relatively inexpensive, mass-produced projectiles employed by infantry troops. Melt-pour LAP services are the critical final step in producing and delivering mortar rounds and artillery shells to the U.S. military. LAP services consist of filling (or loading) the mortar with an explosive, trinitrotoluene ("TNT"), assembling the various components to complete the munition and packing the rounds for safe shipment to various military installations around the world. LAP services other than melt-pour or using different explosives than TNT are either too expensive or cumbersome for use with mass-produced weapons such as mortar rounds and artillery shells. As a result, a five to ten percent increase in the cost of melt-pour LAP services for mortar rounds and artillery shells would not cause the U.S. military to switch to any other type of LAP services.

The U.S. military contracts with suppliers for its requirements of melt-pour LAP services for mortar rounds and artillery shells. Contracts for melt-pour LAP services for mortar rounds and artillery shells typically are bid out every five years—one-year firm contract with four one-year renewal options. The Army is currently in the process of awarding two contracts for LAP services—a combined 60 mm and 81 mm mortar contract and a 120 mm mortar contract. The next melt-pour LAP services contracts for mortar rounds and artillery shells will not likely be competed until 2011.

IV. Market Structure & Participants

The market for melt-pour LAP services for mortar rounds and artillery shells is highly concentrated. At present, only three companies have the ability to effectively supply these services to the United States Army: SNC, American Ordnance, and DZI. Each of these companies currently contracts with the Army to provide at least one type mortar round or artillery shell melt-pour LAP service. SNC's melt-pour operations are located in its privately-owned facility in Le Gardeur, Canada. American Ordnance and DZI both operate melt-pour facilities that are parts of Army ammunition plants ("AAPs") owned by the U.S. government and run by private companies. American Ordnance operates two such plants, the Milan

AAP and the Iowa AAP. DZI currently operates the AAP located in Parsons, Kansas ("Kansas AAP").

Through its plant in Le Gardeur, Canada, SNC produces large, medium, and small caliber ammunition ranging from 155 mm artillery shells to small caliber bullets. The company currently provides various caliber mortar rounds and artillery shells for the Canadian government, as well as 120 mm mortar rounds for the U.S. military. In 2005, SNC's Le Gardeur plant produced sales revenues of approximately \$45 million in propellant, explosives and ammunition.

American Ordnance is a joint venture owned equally by GD and DZI. The companies share equally in the profits of the joint venture, and both have representatives on American Ordnance's board of directors. American Ordnance, however, has its own management structure, and neither GD nor DZI is involved in the day-to-day operations of the joint venture. American Ordnance has contracts with the U.S. government to operate the Iowa and Milan AAPs through December 31, 2008. The Army has recently begun the process of seeking proposals for contracts to operate those plants after that date and anticipates awarding the contracts by September of 2008, at the latest, to provide sufficient transition time if a company other than American Ordnance wins the contracts.

In addition to its fifty percent ownership interest in American Ordnance, DZI also operates the Kansas AAP. Future operations of the Kansas AAP are doubtful, however, as the plant was designated for closure as part of the 2005 Base Realignment and Closure ("BRAC") legislation. The BRAC recommendations call for operations located at the Kansas AAP to be moved to other plants beginning in 2008, with full closure of the Kansas AAP scheduled to take place by 2011. Therefore, although three market participants existed in the most recent round of contracting for the provision of melt-pour LAP services for mortar rounds and artillery shells, it appears unlikely that the Kansas facility will remain a viable alternative for the next round of contracting, leaving only SNC and American Ordnance to bid.

V. Competitive Effects

The proposed transaction raises competitive concerns in the market for melt-pour LAP services for mortar rounds and artillery shells because, post-transaction, GD would own 100% of SNC, while at the same time retaining fifty percent ownership in American Ordnance. The competitive concerns

arising from GD having some level of ownership interest in two of the three companies currently in the market for melt-pour LAP services for mortar rounds and artillery shells are compounded by the fact that DZI appears likely to lose access to the Kansas AAP and, thus, may be unable to compete for the next round of contracts. This raises the likelihood that GD could act unilaterally to raise prices or otherwise engage in anticompetitive behavior in the market for melt-pour LAP services for mortar rounds and artillery shells. The proposed transaction also raises competitive concerns relating to the current round of competition for melt-pour LAP services for 120 mm and 60 mm and 81 mm mortar rounds.

Absent Commission action, it appears likely that the only two potential bidders for current and future melt-pour LAP service contracts for mortar rounds or artillery shells are SNC and American Ordnance. With the proposed acquisition, GD has an incentive to act unilaterally to raise prices in the relevant product market because it will own all of SNC and receive half of the profits from American Ordnance. GD would have an incentive to submit bids with higher pricing, or other less competitive terms, than SNC would have submitted as an independent company because even if GD/SNC loses the bid, it would lose to American Ordnance, in which GD shares fifty percent of the profits. Therefore, GD would have less incentive to compete vigorously for these contracts, because it would benefit financially regardless of which company wins the contract.

The proposed transaction also increases the likelihood that GD and American Ordnance could coordinate their competing bids for contracts. Through its ownership in American Ordnance, GD would have certain contacts and access to competitively sensitive information that could facilitate reaching terms of coordination, and the detection and punishment of deviations from those terms.

VI. Entry Conditions

Entry into the market for the provision of melt-pour LAP services for mortar rounds and artillery shells appears unlikely to occur within the relevant time frame. Establishing a melt-pour operation to effectively enter and compete in this market is expensive and time-consuming, and is unlikely to occur in the next two years, particularly because the Army is not planning any new acquisitions before 2011. Further, even if a firm were to enter the market, it would face the difficult task of

winning a bid for a critical product without a demonstrated track record of being able to produce and deliver the product.

VII. The Proposed Consent Agreement

The proposed Consent Agreement effectively remedies the competitive harm that would likely result from the acquisition by requiring GD to divest its interest in American Ordnance, at no minimum price, to a purchaser that receives the prior approval of the Commission and in a manner that receives the prior approval of the Commission. The proposed Consent Agreement requires GD to divest its interest in American Ordnance within four months after it completes its acquisition of SNC. By requiring the divestiture of General Dynamic's interest in American Ordnance to a third party, the proposed Consent Agreement ensures that American Ordnance and a combined GD/SNC will remain independent competitors in the market post-acquisition.

Because the Consent Agreement contemplates a divestiture by GD of its interest in American Ordnance after acquiring SNC, an order to hold the American Ordnance business separate ("Hold Separate Order") is included. The Hold Separate Order requires that GD keep the American Ordnance business separate and apart from its other GD businesses, and that the company refrain from involvement in the direction, oversight, or influence of American Ordnance's business. The Hold Separate Order also requires that GD's members of American Ordnance's board of managers be replaced with independent managers who are not affiliated with GD in any way. GD may not permit any of its employees, officers, or directors to be involved in the operations of American Ordnance while the Hold Separate Order remains in effect.

The proposed Consent Agreement also allows the Commission to appoint an interim monitor to oversee GD's compliance with all of its obligations and performance of its responsibilities pursuant to the Commission's Decision and Order. The interim monitor, if appointed, would be required to file periodic reports with the Commission to ensure that the Commission remains informed about the status of the divestiture and the efforts being made to accomplish the divestiture.

The proposed Consent Agreement includes a provision that requires GD to notify the Commission within five days of submitting a proposal to obtain the facilities use contract for either the Iowa AAP or the Milan AAP, and to provide

the Commission with copies of all documents submitted as part of the proposal. This notification will allow the Commission to consult with the Department of Defense and the Army regarding possible competitive concerns that may arise in the future should GD be awarded the contracts to operate these melt-pour facilities in addition to owning SNC.

The purpose of this analysis is to facilitate public comment on the Consent Agreement, and it is not intended to constitute an official interpretation of the Consent Agreement or to modify its terms in any way.

By direction of the Commission.

Donald S. Clark,

Secretary.

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Notice of Meeting of the Advisory Committee on Minority Health

AGENCY: Office of Minority Health, Office of Public Health and Science, Office of the Secretary, Department of Health and Human Services.

ACTION: Notice.

SUMMARY: As stipulated by the Federal Advisory Committee Act, the Department of Health and Human Services (DHHS) is hereby giving notice that the Advisory Committee on Minority Health (ACMH) will hold a meeting. This meeting is open to the public. Preregistration is required for both public attendance and comment. Any individual who wishes to attend the meeting and/or participate in the public comment session should e-mail acmh@osops.dhhs.gov.

DATES: The meeting will be held on January 23, 2007, from 9 a.m. to 4 p.m.

ADDRESSES: The meeting will be held at the Crowne Plaza Hotel, 8777 Georgia Avenue, Silver Spring, Maryland 20910. The meeting is accessible from the Silver Spring Metro Station. The Crowne Plaza Hotel will provide shuttle service to and from the Silver Spring Metro Station for individuals attending the ACMH meeting on January 23, 2007. Meeting participants can call the hotel at (301) 589-0800 for shuttle pick-up if they don't see the shuttle. Meeting participants may also walk the three short blocks to the hotel from the Silver Spring station by exiting onto Wayne Avenue and walking toward the Discovery Building. Make a left onto Georgia Avenue and walk the 1 block