

*Case No COMP/M.2061 -
AIRBUS*

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 18/10/2000

*Also available in the CELEX database
Document No 300M2061*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 18.10.2000
SG(2000)D/107579

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sirs,

Subject: Case No COMP/M.2061 – AIRBUS

Notification of 15.09.2000 pursuant to Article 4 of Council Regulation No. 4064/89

1. On 15.09.2000 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 (“the Merger Regulation”) by which the European Aeronautic Defence and Space Company EADS NV (“EADS”) acquires control of the whole of the Airbus Integrated Company (“AIC”), a newly-created company combining the Airbus assets and activities of EADS and BAE Systems plc of the UK (“BAES”).

I THE PARTIES

2. EADS has been created through the merger between Aerospatiale Matra of France, DASA of Germany and CASA of Spain. The Commission approved the transaction¹ on 11.05.2000. Through its subsidiaries, EADS is involved in commercial aircraft, military transport aircraft, space, telecommunications, missiles, defence electronics as well as in other than Airbus-related aeronautics activities such as helicopters, light aircraft and aircraft conversion and maintenance.
3. BAES has been created through the merger of British Aerospace and Marconi Electronic Systems. The Commission approved the transaction² on 25.06.1999. BAES is primarily active in commercial aircraft, military aircraft, defence electronics, space activities and shipbuilding. BAES will only contribute its Airbus activities (“Airbus UK”) to the newly created AIC.

¹ Case M.1745 – EADS.

² Case M.1438 – British Aerospace/GEC Marconi.

II THE OPERATION

4. On 23.06.2000, BAES and EADS together with its constituting parties, EADS France, EADS Germany and CASA, entered into an agreement relating to the integration of their Airbus assets and Airbus activities, including their respective interests in Airbus Industrie Groupement d'Intérêt Economique ("GIE"), into AIC, a newly created company incorporated under French law.
5. The parties currently perform their Airbus activities through Airbus Industrie ("AI"), a GIE formed under French law in 1967. To date, the manufacturing of aircraft sub-assemblies has been largely accomplished by EADS' constituting parties and by BAES in their home countries while only the functions associated with direct customer interface have been performed by AI itself. Within this system, AI is responsible for co-ordinating the design, development, certification, production, marketing, sales and after-sales support of its large commercial aircraft.
6. The proposed transaction constitutes a restructuring and rationalisation of the existing legal partnership between the parties. BAES has agreed to contribute all of its shares in Airbus UK to AIC and in return BAES will receive 20% of the shares in AIC. Upon completion of the transaction, EADS and BAES will therefore hold respectively 80% and 20% of the shares in AIC, which in turn will hold all of the shares in the parties' Airbus operating companies, that is those in France, Germany and Spain which were already combined through EADS and those in the UK. Although BAES will have certain veto rights to protect its financial interest in AIC, those rights do not confer joint control over AIC. EADS will therefore have sole control over AIC.

III. CONCENTRATION

7. The operation will result in EADS acquiring sole control of AIC into which BAES' Airbus activities will be integrated. Therefore, it constitutes a concentration within the meaning of Art. 3(1) of the Merger Regulation.

IV. COMMUNITY DIMENSION

8. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion³ in 1999. Each of the undertakings concerned had a Community-wide turnover in excess of EUR 250 million. Each of the undertakings concerned did not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member-State. The notified operation therefore has a Community dimension.

³ Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

V. RELEVANT MARKETS

RELEVANT PRODUCT MARKETS

9. The relevant product markets that form part of the transaction are : (i) large commercial aircraft, (ii) cabin conversion, (iii) aerospace components, (iv) military transport aircraft, and (v) production of new cargo aircraft.
10. The market for **large commercial aircraft** refers to the design, development, certification and production of aircraft in the 100-plus seat class. In general, large airliners can be subdivided into single-aisle and twin-aisle body segments.
11. The **cabin conversion** market covers the installation, removal and alteration of cabin components of passenger aircraft currently in service.
12. The market for **aircraft components** comprises the design, manufacture and assembly of a wide range of aircraft components. Each type of component can be regarded as a separate product market due to the high degree of specialisation on both the supply and the demand side.
13. **Military transport aircraft** are ordered by Ministries of Defence to perform strategic and operational airlift missions.
14. Two segments could be distinguished in the market for cargo aircraft : (i) **new cargo aircraft production** and (ii) passenger-to-cargo aircraft conversion.
15. However, for the purposes of this decision, it is not necessary to further delineate the relevant product markets in the above sectors, as in all alternative market definitions considered effective competition would not be significantly impeded in the EEA or in any substantial part of it.

RELEVANT GEOGRAPHIC MARKETS

16. The Commission has already defined the market for large commercial aircraft as **world-wide** in previous cases⁴. The military transport aircraft market has been traditionally considered as **national** where a national supplier exists. On the other hand, subject to other barriers such as export restrictions or barriers connected with national security, where there is no domestic supplier, competition takes place **world-wide** among suppliers of different countries. All other markets referred to under the relevant markets' definition are **world-wide** in scope⁵.

VI. COMPETITIVE ASSESSMENT

17. The parties submit there is no affected market and that the present transaction does not imply a merger of competitors but rather the strengthening of an already existing co-operation since this operation will merely enable the parties to merge their respective Airbus assets, activities and interests under a single unified management.

⁴ Case M.877 – Boeing/McDonnell Douglas, Case M.1745 – EADS.

⁵ Case M.1745 – EADS.

18. The Commission already reviewed in detail the combination of the Airbus activities of the EADS parties at the time of the creation of EADS⁶ and concluded that the transaction would not result in any competitive concern.
19. As regards vertical integration aspects, the market investigation shows that the proposed transaction will have no material and immediate impact on current contractual relationships with third parties (suppliers of outsourced products or customers) for current Airbus programmes. In particular, the Commission's investigation indicates that, for current programmes, switching suppliers can either be contractually difficult, time-consuming and therefore extremely costly, and could even endanger on-time supply of ordered aircraft.
20. The Commission's investigations have not raised any concerns with respect to vertical effects on markets for product suppliers to Airbus UK.
21. For the above reasons, it appears that the notified operation does not create or strengthen a dominant position in any of the relevant markets, as a result of which effective competition would be significantly impeded in the EEA or any substantial part thereof.

VII. CONCLUSION

22. Therefore, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No. 4064/89.

For the Commission,

Mario MONTI
Member of the Commission

⁶ Case M.1745 – EADS.