

***Case No COMP/M.4184 -
BOEING / CARMEN***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 06/06/2006

***In electronic form on the EUR-Lex website under document
number 32006M4184***



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 06/06/2006
SG-Greffe(2006) D/202938

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sir/Madam,

Subject : Case No COMP/M.4184 – Boeing / Carmen
Notification of 25 April 2006 pursuant to Article 4 of Council Regulation
No 139/2004¹

I. INTRODUCTION

1. The Commission received on 25 April 2006 a notification of a proposed concentration pursuant to Article 4 and following a referral pursuant to Article 4(5) of Council Regulation (EC) No 139/2004 (“Merger Regulation”) by which the undertaking The Boeing Company (“Boeing”, USA) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of the undertaking Carmen Systems AB (“Carmen”, Sweden) by way of purchase of shares.

II. THE PARTIES

2. Boeing is a US based company active in commercial aircraft, defence and space industries and related services. Through its subsidiary Jeppesen Sanderson, Inc. (“Jeppesen”) it provides a variety of services to airlines including crew management services and fleet planning and scheduling services to airlines.

¹ OJ L 24, 29.01.04, p.1

3. Carmen is a company based in Sweden and active in the provision of crew management services, fleet planning and scheduling services and disruption recovery services to airlines and, to a smaller extent, to some other industries (rail, public transport etc.).

III. THE OPERATION

4. The proposed concentration concerns the acquisition by Boeing of all Carmen shares on the basis of a share sale and purchase agreement signed on 2 March 2006. The transaction therefore leads to acquisition of sole control by Boeing over Carmen and constitutes a concentration within the meaning of Article 3 of the Merger Regulation.

IV. COMMUNITY DIMENSION

5. The concentration does not have a Community dimension within the meaning of Article 1 of the Merger Regulation² but it was referred to the Commission under Article 4(5) of the Merger Regulation.

V. COMPETITIVE ASSESSMENT

6. The concentration leads to horizontal overlaps between Boeing and Carmen in the provision of crew management services and fleet planning and scheduling services in particular to airlines.

a) **Relevant product markets**

Crew management services

7. The parties argue that the relevant market for the purpose of the current transaction should be defined as crew management services provided to airlines. Crew management in the air transport industry is the selection of the most optimal crew for certain aircraft types, certain routes and ultimately for specific flights. This selection process is performed through software (based on a rule modelling engine) which takes into account a wide array of factors, in order to achieve the most efficient results. Historically, crew management services have been performed by airlines themselves, and even today many airlines handle most or all of their crew management internally. In recent years, some airlines have decided to outsource their crew management tasks to specialised third party suppliers including Carmen and Boeing.
8. Provision of crew management services involves the provision of a non-exclusive licence of a fixed duration for the use of the provider's software, which is specifically configured to meet the requirements of each individual customer. It usually involves also software maintenance and post-installation configuration work (to adapt the

² Even though the world-wide turnover of Boeing amounts to 44.1 billion EUR and its Community-wide turnover to [...] EUR, the worldwide turnover of Carmen amounts only to 33.4 million EUR and its Community-wide turnover to [...] EUR.

software to deal with new rules) even though some customers may to some extent choose to take care of these tasks themselves or in cooperation with the crew management services provider.

9. The parties suggest that the market for crew management services may also extend beyond the airline industry to for example the railway industry, shipping or mining industry. In all these cases, the same logistics expertise and software (rule modelling engine) can be adapted to provide crew management or similar logistical services to other industries.
10. Further, the parties indicate that crew management services may be further subdivided into manpower planning (long-term planning of crew demand often 1-5 years in advance), crew pairing (setting out usually a year in advance and on an anonymous basis which crew positions are to be covered on the basis of routes to be flown for particular aircraft), crew rostering (placing usually on a monthly basis specific individuals on specific aircraft flying specific routes) and crew tracking (including detecting and solving crew problems and provision of details of crew that actually operated particular aircrafts for statistical and payroll purposes).
11. However, not all companies responding to the Commission's market investigation shared this view. Some of the competitors of the parties argued that crew management services and fleet planning and scheduling services constitute one single market as customers are more and more looking for integrated solutions i.e. systems which can handle their crew and aircraft management.
12. On the other hand replies from a majority of customers (airlines) responding to the market investigation stated that crew management services and fleet planning and scheduling services are two separate markets. It was also shown that these two services are indeed often provided by different suppliers. The market investigation suggested that integrated modular software systems may be offered in the future but currently the market is still only developing towards this trend.
13. However, the exact definition of the relevant product market definition can be left open as the proposed transaction does not raise competition concerns under any possible market definition.

Fleet planning and scheduling services

14. The parties have argued that another relevant market is the market for fleet planning and scheduling services for airlines, which are also software-based logistical services designed to assist airlines in the long-term planning of fleet assignments and in assigning specific aircrafts to specific flights. The parties suggest that also this market may extent beyond the airline industry or may be further subdivided into fleet planning services and fleet scheduling services.
15. The market investigation did not support any further subdivision of the fleet planning and scheduling services but as mentioned above some respondents suggested combining the two markets identified by the parties. However, given the parties limited activities in fleet planning and scheduling services, the exact market definition can be left open as the transaction does not raise competition concerns under any possible market definition.

b) Relevant geographic market

Crew management services

16. The parties' have argued that the market for crew management services is worldwide for the following reasons: Even though the software must be individually configured for each customer, there are no fundamental differences between the software supplied to airlines in different countries. Neither does language play a role as crew management services to airlines are provided worldwide in English, the standard language of international aviation. Further, these services are normally delivered over a secure public Internet or File Transfer Protocol (FTP) connection thus suppliers can easily reach customers throughout the world. Neither transport costs nor import duties play a significant role. There are also no significant barriers to worldwide trade in crew management services and the parties' customers include airlines from all over the world.
17. The market investigation has confirmed the parties' view as all respondents agreed to a worldwide market definition.
18. However, the exact market definition can be left open as the concentration does not lead to any competition concerns even if the market was defined as EEA-wide and it does not seem plausible to consider even narrower geographic market definition.

Fleet planning and scheduling services

19. For the same reasons as in case of crew management services, the parties argue that also the geographic market for fleet planning and scheduling services is worldwide. This was also confirmed by the market investigation.
20. However, the exact market definition can be left open as the transaction does not lead to competition concerns even under an EEA-wide geographic market definition.

c) Compatibility with the common market

Crew management services

21. According to the parties, their estimated combined market share³ amounts to [5-15]% ([0-10]% Boeing and [0-10]% Carmen) of the worldwide market for crew management services for airlines. Even in any of the individual sub-segments of crew management, the combined market share of the parties does not exceed [10-20]%. These market share figures were largely confirmed by the market investigation. Further, the combined entity will face competition from a number of other providers of crew management services including the worldwide market leader Sabre with a market share around [15-25]% as well as Navitaire (around [5-15]%), Lufthansa Systems (around [5-15]%), Kronos (around [0-10]%), and a number of smaller market players like AOS, Avient and others.

³ Very limited information exists on the size of the total market therefore market shares are based on the parties' estimate and on the results of the market investigation.

22. Looking into the EEA-wide market for crew management services for airlines, the parties estimate their combined market share of about [15-25]% ([0-10]% Boeing and [10-20]% Carmen). Even in any of the individual sub-segments of crew management, the combined market share of the parties does not exceed [25-35]%. These market share figures have been largely confirmed by the market investigation. The competitors in the EEA market again include significant providers of crew management services such as Sabre (around [5-15]% market share), Lufthansa Systems ([0-10]%), Kronos ([0-10]%), AIMS ([0-10]%), Sema ([0-10]%) and others.
23. Should the market include crew management services provided also to other industries, the parties' combined market share would in any case be lower. Currently only Carmen provides these services outside the airline industry and Boeing is not active outside the air transport sector at all.
24. The combination of crew management services and fleet planning and scheduling services would not change the parties' market position significantly due to the fact that their estimated market share in fleet planning and scheduling services is in any case below [10-20]%. Further, the major competitors in the individual services segments, such as Sabre, Lufthansa Systems or Navitair, are also significant providers of a whole range of operational services to airlines including both crew management services and fleet planning and scheduling services, with market shares comparable to those in individual segments.
25. Taking into account the modest combined market share of the parties and presence of a number of competitors, it is unlikely that the transaction might lead to any competition concerns. Further, the market is relatively new, rather fragmented and quickly developing; the parties estimate its yearly growth of [...] % for the next five years. A number of airlines still handle most or all of their crew management tasks internally. The parties also argue that potential new market entry is also a competitive factor. The possible new entrants may include companies providing airlines with other parts of their operations systems, airline's in-house crew management service departments or established consulting firms and software companies.
26. The airlines participating in the market investigation did not express any competition concerns with respect to the concentration. Some of the competitors of the parties raised some general concerns in relation to possible packaging of certain services. However, these concerns does not seem to be substantiated taking into account the modest combined market share of Boeing and Carmen in all these individual services markets, the existence of globally active competitors on the market and the fact that a number of them would also be able to offer a package of services to airlines.
27. Therefore, the transaction does not raise serious doubts as to its compatibility with the common market in any plausible market for the crew management services.

Fleet planning and scheduling services

28. The overlap between the parties in fleet planning and scheduling services is only minor. Boeing currently has [...] customers for fleet planning and scheduling services while Carmen has [...] customers. They estimate their combined market share below [0-10]% both in a worldwide market and in the EEA-wide market. Even in any of the individual sub-segments of fleet planning and scheduling services, the combined market share of the parties does not exceed [10-20]%. Even though the market investigation suggested that the combined market share of the parties in the fleet planning and scheduling services may be higher, it is still unlikely to exceed significantly [10-20]% market share. Further, there are again a number of important competitors (including Sabre with more than [15-25]% market share, Lufthansa Systems - around [5-15]%, Navitair - around [5-15]% etc.) active in the still fragmented and quickly developing market.
29. Therefore, the transaction does not raise serious doubts as to its compatibility with the common market in any plausible market for the fleet planning and scheduling services.

VI. CONCLUSION

30. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EC) No 139/2004.

For the Commission
(signed)
Neelie Kroes
Member of the Commission