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***Case No COMP/M.6554 - EADS/ STA/ ELBE
FLUGZEUGWERKE JV***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 13/09/2012

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EUROPEAN COMMISSION

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

Brussels, 13.9.2012

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PUBLIC VERSION

MERGER PROCEDURE

To the notifying party:

Dear Sir/Madam,

**Subject: Case No COMP/M.6554 - EADS/ STA/ EFW JV
Commission decision pursuant to Article 6(1)(b) of Council Regulation
No 139/2004¹**

1. On 8 August 2012 the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertakings EADS Deutschland GmbH (EADS Deutschland, Germany), ultimately controlled by EADS N.V. (EADS, Netherlands), and Singapore Technologies Aerospace Ltd (STA, Singapore) acquire within the meaning of Article 3 of the Merger Regulation joint control over Elbe Flugzeugwerke GmbH (EFW, Germany). EADS Deutschland and STA are designed hereinafter as the "the Parties."

I. THE PARTIES

2. EADS Deutschland is a subsidiary of EADS, the ultimate parent company of the EADS group. EADS is active in the aviation, defense, aerospace and communications industries worldwide.²

¹ OJ L 24, 29.1.2004, p. 1 ("the Merger Regulation"). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ("TFEU") has introduced certain changes, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this decision.

² EADS activities include the invention, production and sale of new commercial aircraft (including passenger, transport, tanker and mission aircraft), military aircraft, civil and military helicopters, space vehicles, satellites, weapons/weapons systems, drones and defense and security solutions. EADS through

3. STA is the aerospace arm of ST Engineering (STE). STA is an integrated service provider on a worldwide level offering aircraft line maintenance and heavy maintenance, engine and component maintenance, repair and overhaul (MRO); engineering design and technical services; and aviation materials and management services. STA is also active in passenger-to-freighter (P2F) conversion of Boeing aircraft.³
4. EFW is currently a wholly-owned subsidiary of EADS Deutschland. EFW is active in P2F conversion, maintenance, repair and overhaul activities and production of components of Airbus aircraft.⁴

II. THE OPERATION

5. On 18 May 2012, the Parties and EFW signed the definitive agreements governing the proposed transaction. The joint venture will be created by way of STA acquiring [...] % of the shares in EFW, which is currently a subsidiary of EADS Deutschland.
6. The Parties intend to provide a new offer in the cargo aircraft conversion market, the P2F conversion of A330-200 and A330-300 Airbus aircraft. STA will lead the development of an A330 P2F solution, working with Airbus and EFW. [...]
7. Following the implementation of the proposed transaction, EFW will be active in (i) the development and production of an A330 P2F conversion solution, (ii) the provision of aircraft MRO services, and (iii) the production of aircraft components.

III. CONCENTRATION

8. Currently, EFW is solely controlled by EADS Deutschland. After the implementation of the proposed transaction, EFW will be jointly controlled by EADS Deutschland (holding [...] % of the shares) and STA (holding [...] % of the shares).⁵ [...]. Therefore, the JV will be jointly controlled by EADS Deutschland and STA.
9. EFW will perform on a lasting basis all the functions of an autonomous economic entity and will operate actively on the market. In fact, EFW has been acting autonomously on the

Airbus manufactures and sells commercial aircraft, including freighter aircraft. Outside of EFW, EADS does not offer any P2F conversion services. With regard to MRO services, besides EFW, two EADS group companies, Airbus and Sepang Aircraft Engineering provide heavy maintenance services. With regard to flat panels, although several EADS group companies produce components for aircraft none of these companies produces similar flat panels as those manufactured by EFW.

- ³ STA offers P2F conversion solutions for Boeing B-757 aircraft. STA further acts as a sub-contractor of Boeing for the P2F conversion of the B-767. However, the selling and marketing of the converted B-767 aircraft is done by Boeing
- ⁴ EFW is currently active in the P2F conversion of two civil passenger aircraft, the Airbus A300-600 and the Airbus A310-300); heavy maintenance for Airbus aircraft in Europe; and the production of flat composite panels for Airbus aircraft.
- ⁵ The JV will carry out the following activities: (i) set-up of a A330 P2F conversion business including the development and implementation of an Airbus A330 P2F for which currently no conversion solution exists; (ii) the offering of MRO services for aircraft; and (iii) the production of components for Airbus aircraft.

market since 1990 and it will continue to be an active player on the market following the implementation of the proposed transaction. EFW has its own management dedicated to its day-to-day business operations. It has its own sales department, and it will continue to market its products across the world. Already today, EFW achieves approximately [...] % of its turnover with sales to third parties. EFW will continue to act as a market operator and will not just exercise limited auxiliary functions for its parents.

10. Therefore, the Proposed Transaction constitutes a concentration within the meaning of Article 3(1)(b) and 3(4) of the EU Merger Regulation.

IV. EU DIMENSION

11. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million⁶ (EADS Deutschland: EUR [...] million; STE: EUR [...] million; EFW: EUR [...] million). At least two of them have an EU-wide turnover in excess of EUR 250 million (EADS Deutschland: EUR [...] million, STE: EUR [...] million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension.

V. COMPETITIVE ASSESSMENT

12. The proposed transaction gives rise to horizontal overlaps in two areas: (i) passenger to freighter conversion and (ii) heavy maintenance.⁷

(A) Relevant product and geographic market definitions

(i) Passenger to freighter (P2F) conversion

13. In previous decisions in relation to mergers between producers of new aircraft, the Commission has considered the existence of a market for large commercial aircraft which refers to the design, development, certification and production of aircraft in the 100-plus seat class.⁸ A further segment within the overall market for large commercial aircraft consisted of freighters, including P2F converted aircraft.⁹ In Boeing/McDonnell Douglas, the Commission considered that, while there are some differences between passenger and freighter aircraft, the freighter aircraft did not constitute a separate market, in particular in view of the high supply-side substitution between passenger and freighter aircraft. On the other hand, in the Airbus decision, the Commission considered the existence of a separate market for cargo aircraft and the relevance of a further distinction between new

⁶ Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C95, 16.04.2008, p1).

⁷ The proposed transaction does not lead to any vertically affected markets.

⁸ Case COMP/M.2061– Airbus, para 10.

⁹ Case COMP/M.877 – Boeing / McDonnell Douglas, para 39.

cargo aircraft production and P2F aircraft conversion. However, similar to the EADS decision¹⁰, it ultimately left open the precise product market definition.¹¹

14. In relation to the current transaction, where the issue is the combination of two suppliers of P2F conversion of commercial aircraft, the natural starting point would be the definition of a relevant market in relation to that particular activity.
15. The P2F conversion consists of the following steps: (i) development of the so-called "supplementary type certificate" (STC) which has to be certified by the local airworthiness authority of the converting company and by the authority of the country where the aircraft will be predominantly employed, (ii) production of the conversion kits for which the STC is granted, usually containing a cargo door and structural parts (such as floors), (iii) actual conversion of the aircraft from a passenger plane into a freight plane by removing the passenger-related infrastructure and installing the previously produced freight kit.
16. A P2F conversion can be carried out by: (i) the aircraft manufacturer (OEM), (ii) third-party contractors or independent companies that enter into cooperation agreements with the OEM or (iii) third-party contractors that develop their conversion solutions independently.
17. Production of a new aircraft and the conversion of an existing aircraft are not comparable. Each of them require different intellectual property, skills and technical know-how, and the cargo conversions are conducted in an MRO environment, rather than in the production lines for passenger aircraft.¹²
18. The Parties submit that in the present case, the relevant product market definition can be left open since the proposed transaction does not lead to any competition concerns under any alternative potential market definition.
19. The market investigation revealed that while freighter and passenger aircraft operate in many of the same markets, and passenger aircraft can carry some amount of cargo in their lower holds, the overall cargo market cannot exist on passenger aircraft lower-hold capacity alone. The dedicated freighter aircraft has the capacity to move significantly larger volumes of cargo without being tied to the schedules of passenger service. In addition, the services for freighter aircraft are specialised in nature and the companies involved must possess an STC to accomplish these specialised services.¹³
20. As for the distinction between new cargo aircraft and P2F converted aircraft, the Parties suggest that suppliers of P2F conversion will face a competitive constraint from the new and used freighter market. Since the P2F conversion accounts for a significant part of the value of the converted aircraft, any increase in price will be constrained by the availability of original freighters whether new or used.
21. However, the majority of respondents to the market investigation indicated that new cargo aircraft and P2F converted aircraft constitute two separate product markets. In this respect,

¹⁰ Case COMP/M.1745 – EADS, para 19-21.

¹¹ In its previous decisions the Commission has not further segmented the aircraft freighter according to the size or the type of the aircraft (e.g. wide versus narrow body aircraft, etc.).

¹² See replies to questions 4 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to Competitors (Q2) dated 9 August 2012.

¹³ See replies to questions 4 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to Customers (Q1) and replies to question 7 addressed to Competitors (Q2) dated 9 August 2012.

new freighter aircraft require a much larger capital investment than a P2F converted freighter, and are typically used by freight companies with regular service on established routes or by those that are looking for mission specific platforms that best serve their system needs, such as long haul flights or high intensity operations. Converted freighters, on the other hand, require lower capital cost and therefore serve better the short routes or lower utilisation operations.¹⁴ From a demand side perspective, the choice of using new, used and converted aircraft depends on fleet lift requirements, demand, hull prices, operational costs and availability of aircraft.¹⁵ As for the increase in price of converted aircraft, the statement that customers would consider used freighter appears to be true only for wide body and long-haul operational aircraft, but not for narrow body freighters. New cargo is almost invariably used by carriers with high intensity operations which would justify the high investment in a new freighter acquisition. Used freighters offer lower front end hull prices and shorter maintenance period, but low reliability and high maintenance cost.¹⁶

22. However for the purpose of this Decision it is not necessary to further delineate the relevant product market as the concentration does not raise serious doubts under any alternative market definition.
23. With respect to the geographic market definition, the Commission has found in its previous decisions, that the markets for commercial aircraft are global.¹⁷ In particular, new, used or converted aircraft are sold throughout the world under similar conditions of competition. Aircraft converters are located around the world and supply a global customer base. The cost of delivery is not a relevant factor and aircraft can be moved easily to any airport in the world.
24. The market investigation has confirmed that passenger to freighter conversion's markets are global. However, for the purpose of this Decision, the scope of the geographic market will be left open.

(ii) Maintenance, repair and overhaul (MRO) services

25. The Commission in previous decisions¹⁸ has distinguished four separate product markets within the MRO segment, namely (i) line maintenance¹⁹, (ii) heavy maintenance²⁰, (iii)

¹⁴ See replies to question 8 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to Competitors (Q2) and replies to questions 5 and 19 addressed to Customers (Q1) dated 9 August 2012.

¹⁵ See replies to question 18 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to Customers (Q1) dated 9 August 2012.

¹⁶ See replies to questions 17 and 23 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to Customers (Q1) dated 9 August 2012.

¹⁷ Case No IV/M.877 - Boeing/McDonnell Douglas; Case No COMP/M.1745 - EADS; Case No COMP/M.2061 - Airbus.

¹⁸ Case No COMP/M.5747 - Iberia/British Airways; Case No COMP/M.5440 - Lufthansa/ Austrian Airlines; Case No COMP/M.3374 - SR Technics/FLS Aerospace.

¹⁹ Line maintenance comprises the aircraft maintenance activity which is performed at the different airports of the airline's route network to ensure its scheduled operation. Line maintenance usually consists of transit checks, pre-departure checks, night stops and the rectification of certain technical problems. A and B checks may sometimes be carried out at line maintenance stations.

engine maintenance²¹, and (iv) components maintenance²². It has also considered a potential further differentiation on the basis of the aircraft manufacturer (Airbus or Boeing) and the aircraft platform type (e.g., Airbus A340 or Boeing 737) for which the MRO services are provided²³. Furthermore, the Commission has previously considered a further sub-division of line and heavy maintenance into so-called A, B, C and D-checks²⁴.

26. As to the geographic market definition, the Commission has found in its previous decisions that heavy maintenance services might be at least EEA-wide²⁵, whereas line maintenance was considered to be narrower in scope²⁶ since it does not require the aircraft to be taken out of service. Line maintenance is usually undertaken at the airline operational base or aircrafts airport of origin or destination. As to MRO services for components, the Commission has considered these services to be worldwide, as costs for these specialty maintenance services are high, while comparatively transportation costs for small components are low.
27. The market investigation confirmed the Commission's previous product market definition which distinguishes four separate markets within the MRO services.²⁷ In this respect, in relation to line, engine and components maintenance, since the Parties have no overlapping activities, these markets will not be further considered in this decision. As to heavy maintenance, respondents further differentiate between A, B, C and D checks. While the market for A and B checks appear to be narrower than EEA-wide, C and D checks could be considered at least EEA-wide.²⁸

²⁰ Heavy maintenance, on the other hand, comprises the significantly more intense C and D checks.

²¹ Engine maintenance comprises - as it is indicated by the name - the provision of MRO services for aircraft engines. Due to its high degree of specialization, the Commission has regarded this to form a distinct product market from other MRO services and considered further sub-divisions by aircraft and/or engine type.

²² Components maintenance generally comprises inspection/test/repair/overhaul services for specific components fitted to the aircraft which can be repaired and are of a significant value (e.g. avionics, pumps, actuators, valves, safety equipment, wheels/tyres & brakes, etc.).

²³ Case No COMP/M.3374 - SR Technics/FLS Aerospace; Case No COMP/M.3280 – Air France/KLM; Case No COMP/JV.19 KLM/Alitalia.

²⁴ Case No COMP/M.3280 - Air France/KLM; Case No COMP/JV.19 KLM/Alitalia. An A-check is performed approximately every 800 flight hours and requires around 200-300 man-hours to complete. B-checks are performed approximately every 4-6 months and are usually performed within 3 days at an airport hangar. C-checks are performed approximately every 18 to 24 months or after a specific amount of actual Flight Hours as defined by the manufacturer. D-checks/structural checks are the most comprehensive and demanding checks, since the entire aircraft structure is taken apart for inspection and overhaul. Intermediate structural checks occur after 5-6 years and heavy structural checks occur after 10-12 years. Such checks will usually demand around 15,000 to 20,000 man-hours and around 1 month to complete at suitably equipped maintenance bases.

²⁵ Case No. COMP/M.3374 - SR Technics/FLS Aerospace.

²⁶ *Ibid.*

²⁷ See replies to questions 6 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to Customers (Q1) and replies to question 9 addressed to Competitors (Q2) dated 9 August 2012.

²⁸ See replies to questions 10 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to Customers (Q1) and replies to questions 12 addressed to Competitors (Q2) dated 9 August 2012.

28. However, in the present case the exact market definition can be left open since it will not raise competition concerns irrespectively of the retained market definition.

(B) Competitive assessment

29. EFW is currently active in the commercial aircraft sector, including P2F conversion of civil passenger aircraft (Airbus A300-600 and A310-300), heavy maintenance for Airbus aircraft in Europe and production of flat composite panels for Airbus aircraft. STA offers P2F conversion solutions for Boeing B-757 aircraft, as well as MRO services, including heavy maintenance outside of Europe for Airbus and Boeing aircraft. The horizontal overlaps therefore appear in the P2F conversion and heavy maintenance segment.

(i) Passenger to freighter (P2F) conversion

30. Post transaction, the combined entity will achieve a relatively low market share of [20-30]% in the P2F conversion services. The market investigation did not show concerns as regards the horizontal overlaps stemming from the Parties' activities in the P2F conversion. First, third-party convertors and independent companies have the technical capabilities to enter the market for P2F conversion. Second, EFW and STA are not each other's closest competitors.

Market structure

31. As regards market share estimates, the Parties submit that a market data split per year does not convey a reliable picture of the competitive landscape in the freight aircraft industry. This is due to the extreme "bumpiness" of demand. If a big P2F conversion order comes in, sales peak in a specific year. The order will then be worked off in the following years in which - depending on the overall economic situation and the specific order book - no additional/new orders might come in at all. Therefore, a year to year assessment leads to a completely wrong and misleading impression.

32. In this context, the Parties submit that an analysis of the freight aircraft fleet in service by showing long-term trends over the lifetime of an aircraft is more appropriate to establish the competitive position of the different players in the P2F conversion market. Such an analysis covers the number of all freight aircraft currently in service and therefore avoids the "bumpiness" in demand.

P2F converted aircraft

33. Under the narrowest possible market of P2F conversion (see Table 1), the Parties' combined market share according to converted freight fleet in service is [20-30]%. At the Commission's request, the Parties provided a disaggregation of Boeing fleet in service according to the contract manufacturer who supplied the P2F conversion service for the referred aircraft. In this case, if the P2F conversions that STA performed for Boeing are added to STA, the Parties combined market share is [20-30]% (with an increase of [5-10]%).²⁹ .

²⁹ If dedicated freight aircraft is taken into account, the market shares of the Parties are diluted. In this case, Boeing is the clear incumbent, being by far the leading producer in the world of new freighter. Other much smaller players in the overall freighter market include Airbus and several of the other players besides EFW and STA active in P2F conversion.

Table 1: Fleet in Service – Converted freight aircraft

Company	Converted freight aircraft	
	Number of aircraft	Estimated Share
EFW	[...]	[10-20]%
STA	[...]	[5-10]%
Combined	[...]	[20-30]%
Combined including STA conversion for Boeing	[...]	[20-30]%
Boeing	[...]	[30-40]%
- STA ⁽¹⁾	[...]	[5-10]%
- SMEC (B747-400 LCF)	[...]	[0-5]%
- Korean Air (B747-400)	[...]	[0-5]%
- TAECO (B747-400, 747 Classic)	[...]	[0-5]%
- Evergreen Aviation (B747-400 LCF)	[...]	[0-5]%
- Alenia Aeronavali (B767-200)	[...]	[10-20]%
- IAI	[...]	[0-5]%
- Uncertain	[...]	[5-10]%
IAI/Bedek	[...]	[10-20]%
Precision	[...]	[0-5]%
Pemco	[...]	[5-10]%
AEI	[...]	[5-10]%
Others ⁽²⁾	[...]	[10-20]%
Total	[...]	100.0%

(1) Includes STA conversion of B767-300BCF, B757-200 SF, DC-10, MD-10, MD-11 and B727.

(2) The database used by EADS to establish the fleet in service figures contains a number of converted aircraft (in particular older ones) which EADS cannot allocate to a specific convertor.

Source: Parties' estimates based on FlightGlobal ACAS and Ascend Online databases

34. Post-transaction, as shown in Table 1, there will remain a significant number of competitors active in the P2F conversion such as Boeing³⁰, IAI/Bedek³¹, AEI³², Precision³³ as well as from other smaller P2F contract manufacturers such as FSI / MNG Technic JV³⁴, Flightstar Aircraft Services and Commercial Jet. As for Pemco, which is also

³⁰ Besides new aircraft, Boeing also offers converted freighter aircraft, in particular MD-11, B-747 and B-767.

³¹ IAI-Bedek offers the conversion of Boeing B-737, B-767 and B-747.

³² AEI is currently offering P2F solutions for Boeing 737-200, -300 and -400 as well as MD-80 aircraft.

³³ Precision has specialized in the conversion of Boeing B-757-200 aircraft

³⁴ According to the Parties, this is the only JV other than the EADS/EFW/STA offering P2F conversion solutions for Airbus aircraft. One reason for this is the fact that Boeing aircraft are much longer in the market than Airbus aircraft. In light of the fact that passenger aircraft which are being converted have an

a significant provider of P2F conversions, it is not clear for how long or whether it will remain as a strong competitor on the market since it is currently in Chapter 11 proceedings.³⁵

35. Third-party converters and independent companies active in the aircraft manufacturing and MRO services have the technological capabilities to enter the conversion market and to develop their own STC either through the use of OEM data or independently from the passenger aircraft manufacturer. The STC certification process requires the converting company to prove that the conversion does not affect the original type certificate of the aircraft, i.e. the ability to fly according to all technical standards. In order to comply with this requirement, the P2F conversion company needs to obtain the necessary data from the OEM. In the absence of OEM data, the converting company can obtain the STC by performing extensive reverse engineering analysis and testing.³⁶
36. Respondents to the market investigation indicated that other independent companies, apart from EFW and STA, could be interested in offering A330 P2F conversions, and that there are sufficient competitors on the market that are perceived as having large capabilities, good engineering skills or long history in providing freight conversions.³⁷ In general, respondents believe that the proposed transaction will actually improve competition in the market for P2F conversion and will lead to better product availability and lower prices for converted aircraft.³⁸
37. The Parties submit that EFW and STA are not close competitors. On the one hand, EFW is currently offering the conversion of the Airbus A300-600 and the Airbus A310-300, two wide body aircraft. On the other hand, STA currently offers the conversion of the Boeing B-757 a narrow body aircraft significantly smaller than the A300-600 but similar to the A310-300 although with a smaller payload.
38. Furthermore, EFW is not in direct competition with STA. Customers will typically first choose the aircraft for conversion. This decision will be based on their specific requirements. The customer choice between competing Airbus and Boeing models is based on parameters, such as fleet management, staff qualifications, MRO, and similar considerations. This means that the decision for an aircraft or aircraft family will typically pre-empt the choice of the P2F converter.
39. The majority of respondents to the market investigation do not perceive EFW and STA as competing with each other as they currently convert different aircraft type platforms. Customers will first choose the aircraft platform that best fits their system most efficiently and then the P2F converter. In addition, the decision to choose between different aircraft platform depends on factors such as operating cost, environmental efficiency, fleet lift or

average age of 15 - 20 years in which they served as a passenger aircraft before their conversion, there have in the past been significantly fewer Airbus aircraft available for conversion than Boeing aircraft.

³⁵ Pemco converts B-737 CG as well as B-757 aircraft.

³⁶ See replies to question 18 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to Competitors (Q2) dated 9 August 2012.

³⁷ See replies to question 25 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to Customers (Q1) dated 9 August 2012.

³⁸ See replies to question 29 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to Customers (Q1) dated 9 August 2012.

range performance.³⁹ Only one respondent indicated that the Airbus models A300-600 and A310-300 compete with Boeing models B757-200 and B767-300 respectively in terms of range and payload capability. However, [...].⁴⁰ Thus, [...].

40. The market investigation showed that customers do not have exclusive supply contracts with third party providers and the average duration of such contracts depend on the number of aircraft to be converted. If the price for converted aircraft were to increase, it would theoretically be possible to switch to a different supplier or to operate aircraft converted by two different providers only if there are other third party converters in the market that have the required certification and approvals to perform such conversions. However, this would require management of different aircraft configurations such as provision of additional spare parts and training for ground, flight and maintenance personnel.⁴¹
41. In view of the above, the Commission considers that the proposed transaction does not raise serious doubts as to its compatibility with the internal market with respect to P2F conversion.

(ii) MRO services

42. The Parties' activities currently overlap in the MRO services only in relation to aircraft heavy maintenance.
43. As regards to a potential EEA-wide market, the proposed transaction does not result in an overlap in the market for heavy maintenance given that STA is not active in heavy maintenance in the EEA.
44. In a possible worldwide market for heavy maintenance, the proposed transaction results in a horizontal overlap between the Parties activities. However, it does not lead to a horizontally affected market given the heavy fragmentation of this market. According to the Parties, the proposed transaction would result in a combined worldwide market share by value in heavy maintenance of [5-10]% in 2011.⁴²
45. The market investigation was not conclusive on the scope of the geographic market for heavy maintenance. However, no concerns were raised by the respondents in relation to MRO services. There are sufficient providers of heavy maintenance services for Airbus planes both in Europe and worldwide, such as Abu Dhabi Aircraft Technologies (Zurich and Abu Dhabi), Air France, Iberia, Lufthansa, Monarch Airlines or TAP-Air (Portugal). EFW's closest competitors are perceived to be Adat, Monarch Airlines and TAP-Air, while

³⁹ See replies to questions 15, 16 and 24 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to Customers (Q1) dated 9 August 2012.

⁴⁰ [...]

⁴¹ See replies to questions 20 and 21 addressed to Customers (Q1) dated 9 August 2012, of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004.

⁴² While STA is according to the parties one of the bigger players worldwide, it only reaches a share of [5-10]%, while EFW and EADS share are respectively [0-5]% and [0-5]%. Significant competitors in this market include great number of airlines such as American Airlines Maintenance & Engineering Centre, Delta TechOps, Lufthansa Technik AG, Air France Industries / KLM Engineering & Maintenance, Southwest Airlines, British Airways Engineering and dedicated MRO providers such as HAECO/TAECO/S TAECO, Gameco, SR Technics and Turkish Technic.

the Asia- based providers Gameco, Haeco, Taeco and MAS Aerospace Engineering are the closest competitors of STA in terms of heavy maintenance.⁴³

46. In view of the foregoing and the lack of competition concerns expressed during the market investigation, the proposed transaction does not raise serious doubts as to its compatibility with the internal market with respect to MRO services.

VI. CONCLUSION

47. For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation.

*For the Commission
(signed)*

*Joaquín ALMUNIA
Vice-President*

⁴³ See replies to questions 27 and 28 of the Commission's request for information pursuant to Article 11 of Council Regulation (EC) No 139/2004 addressed to Customers (Q1) dated 9 August 2012.