



EUROPEAN COMMISSION
DG Competition

Case M.8305 - ROCKWELL COLLINS / BE AEROSPACE

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 11/04/2017

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EUROPEAN COMMISSION

Brussels, 11.4.2017
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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

To the notifying party

**Subject: Case M.8305 – ROCKWELL COLLINS / B/E AEROSPACE
Commission decision pursuant to Article 6(1)(b) of Council
Regulation No 139/2004¹ and Article 57 of the Agreement on the
European Economic Area²**

Dear Sir or Madam,

- (1) On 8 March 2017, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Rockwell Collins, Inc. ("Rockwell Collins", USA) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of B/E Aerospace, Inc. ("B/E Aerospace", USA) by way of a purchase of shares.³
- (2) Rockwell Collins is designated hereinafter as the "Notifying Party", and Rockwell Collins and B/E Aerospace are together referred to as the "Parties". The same concentration was already notified to the Commission under the Simplified Procedure on 2 February 2017, but the notification was subsequently withdrawn on 15 February 2017.

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 OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

³ Publication in the Official Journal of the European Union No C82, 17.03.2017, p. 4.

1. THE PARTIES AND THE OPERATION

- (3) Rockwell Collins, listed on the NYSE,⁴ is a manufacturer and supplier of aviation and integrated solutions for both commercial and government applications. Its principal products include flight deck avionics, cabin electronics, mission communications, simulation and training, and information management.
- (4) B/E Aerospace, also a publically listed company,⁵ is a manufacturer and supplier of aircraft cabin interior products, including aircraft cabin seating, lighting systems, oxygen systems, food and beverage preparation and storage equipment, galley systems, and modular lavatory systems.
- (5) Pursuant to an agreement and plan of merger signed on 23 October 2016, a newly created direct or indirect subsidiary of Rockwell Collins, Quarterback Merger Sub Corp., will merge with and into B/E Aerospace, with B/E Aerospace surviving the merger as a direct or indirect subsidiary of Rockwell Collins (the "Transaction"). As a result of the Transaction, Rockwell Collins will acquire sole control of B/E Aerospace.
- (6) Therefore, the Transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

2. EU DIMENSION

- (7) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million⁶ (Rockwell Collins: EUR 4 734 million; B/E Aerospace: EUR 2 406 million). Each of them has an EU-wide turnover in excess of EUR 250 million (Rockwell Collins/B/E Aerospace: EUR [CONFIDENTIAL] million; B/E Aerospace: EUR [CONFIDENTIAL] 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.

3. RELEVANT MARKETS

3.1. Introduction

- (8) Rockwell Collins designs, produces and supports communications and aviation systems for commercial and military customers and provides information management services through voice and data communication networks and solutions. The integrated system solutions and products Rockwell Collins provides are oriented around a set of core competencies: communications, navigation, automated flight control, displays/surveillance, simulation and

⁴ Rockwell Collins has a highly fragmented shareholder base, with the largest shareholder holding approximately 9.5% (Capital World Investors). No one shareholder exercises control over Rockwell Collins.

⁵ B/E Aerospace has a highly fragmented shareholder base, with the largest shareholder holding approximately 8.5% (BlackRock, Inc.). No one shareholder exercises control over B/E Aerospace.

⁶ Turnover calculated in accordance with Article 5 of the Merger Regulation.

training, integrated electronics and information management systems. Rockwell Collins also provides a range of services and support to its customers through a global network of service centres, including equipment repair and overhaul, service parts, field service engineering, training, technical information services and aftermarket used equipment sales.

- (9) B/E Aerospace is a provider of cabin interiors products for commercial aircrafts and business jets. Its product portfolio covers: seating products; food and beverage and preparation and storage equipment; oxygen delivery systems; interior structures (that is to say modular lavatory systems, galley systems, and vacuum wastewater systems), as well as engineering, design, integration, installation and certification services.

3.2. Relevant product and geographic markets

3.2.1. Aircraft seating

- (10) Aircraft seating includes seats that are installed in the cabin of an aircraft. The Commission has not so far examined the market(s) for aircraft seating.
- (11) The Notifying Party acknowledges that the commercial aircraft seating market may be segmented according to different ways: (i) by seat class (first class, business class, premium economy class and economy); (ii) by fit (line fit covering seats installed in new aircrafts and retrofit); and (iii) by aircraft type (wide body aircraft, narrow body aircraft and regional transport aircraft, including business jet).
- (12) However, the Notifying Party submits that for each of these segmentations there is a high degree of demand-side and supply-side substitutability between the different aircraft seating products, so that these products should all be considered part of the same product market.
- (13) With regard to the geographic scope of the possible market(s) for aircraft seating the Notifying Party submits that it is worldwide in scope, notably because all major competitors supplying aircraft seating are present worldwide and sell to customers on a worldwide basis; airframe original equipment manufacturers ("OEMs") and airline customers operate global sourcing strategies; and prices are quoted on a worldwide basis.
- (14) The results of the market investigation suggest that aircraft seating products are distinct from other non-avionics aerospace products (including components of the aircraft cabin interior). Respondents to the market investigation indicated that aircraft seats could be segmented between commercial and business aircrafts due to the different size of the seat. Within commercial aircrafts a differentiation between first, business and economy class can be made because of the differences in price, in market demand in number of seats for each class, in functionality and in comfort of seats.⁷
- (15) The large majority of respondents to the market investigation support the view that the geographic scope of the possible market(s) for aircraft seats is

⁷ See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, questions 2.1. and 2.2.

worldwide as the competitive conditions for the purchase of aircraft seats do not differ between the EEA and the rest of the world.⁸

- (16) In light of the above, for the purposes of the present decision, the exact scope of the relevant product and geographic market(s) for aircraft seats can be left open, since no serious doubts as to the compatibility of the Transaction with the internal market arise under any plausible alternative product or geographic market definition.

3.2.2. *In-flight entertainment ("IFE") systems*

- (17) In *Allied Signal/Honeywell*, the Commission considered that IFE products were grouped in an "other non-avionics aerospace products" category. IFE products were also briefly discussed in *General Electric/Honeywell*, again as non-avionics products.⁹
- (18) The Notifying Party submits that the technical differences between IFE hardware for single-aisle and dual-aisle large commercial aircraft are limited, so that the relevant product market includes all IFE hardware, as well as audio-visual content, for use on commercial passenger aircrafts.
- (19) The Commission has previously considered the relevant geographic market for avionics and non-avionics products for civil aircrafts to be worldwide in scope.¹⁰
- (20) The results of the market investigation did not provide a clear picture as to whether IFE systems and equipment are substitutable with other non-avionics aerospace products, or whether IFE products should be segmented in any way (by type of aircraft for example). One respondent explains that for commercial aircrafts the number of seats is higher so the IFE system is self-contained (i.e. a networked system with a high number of identical smart display in each seat) whereas the IFE for business jets is regarded as more customer-specific and integrated solution comprising functionalities of personal entertainment, connectivity and cabin control/management functions; whereas other market participants consider that the IFE needs of passengers flying on commercial airlines or on business jets are very similar and thus the IFE systems should not be segmented by type of aircraft.¹¹
- (21) The majority of respondents to the market investigation consider that the geographic dimension of the possible market(s) for IFE systems is worldwide as suppliers of IFE solutions compete globally.¹²

⁸ See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, question 2.3.

⁹ Commission decision of 1 December 1999, in Case M.1601 - *Allied Signal / Honeywell*, recital 56; Commission decision of 3 July 2001 in Case M.2220 - *General Electric / Honeywell*, recital 277.

¹⁰ Commission decision of 3 July 2001 in Case M.2220 - *General Electric / Honeywell*, recital 240; Commission decision of 27 March 1996, in Case IV/M.697 - *Lockheed Martin/Loral Corporation*, recital 17.

¹¹ See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, question 1.1. and 1.2.

¹² See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, question 1.3.

- (22) In light of the above, for the purposes of the present decision, the exact scope of the relevant product and geographic market(s) for IFE systems can be left open, since no serious doubts as to the compatibility of the Transaction with the internal market arise under any plausible alternative product or geographic market definition.

3.2.3. Aircraft lighting

- (23) In *UTC/Goodrich*, the Commission investigated whether there were distinct markets for exterior and interior aircraft lighting, given the clear demand-side differences between the two; and whether the market for interior lighting could be further segmented according to individual types of products (such as back-light passenger signs, cockpit displays and controls) given that each component serves a specific purpose. In that case, the Commission left the relevant product market definition open.¹³
- (24) The Notifying Party submits that the aircraft lighting market can be broadly segmented into interior and exterior lights as each have different purposes: exterior lights are used for identification purposes and in order to avoid collision while interior lights are for visibility purposes. However, because of the high degree of supply-side substitutability (aircraft lighting suppliers are able to provide a full suite of cabin lights scalable to any aircraft type and the same lighting solutions are supplied for line fit and for retrofit), the Notifying Party considers that the market for interior lights should not be further segmented in any way (by product type, by aircraft type or by fit).
- (25) In *UTC/Goodrich*, the Commission's market investigation confirmed that the market for interior aircraft lighting should be analysed on a worldwide basis, notably because (i) customers generally apply a worldwide purchasing policy and (ii) there are no significant differences between various regions of the world in terms of price or technical requirements of interior aircraft lighting products.¹⁴
- (26) The results of the market investigation confirmed the relevance of segmenting aircraft lighting into exterior lighting products and interior lighting solutions. According to the large majority of the respondents no further segmentation of interior lighting products appears warranted.¹⁵
- (27) With regard to the geographic dimension of the market for interior lighting the majority of the respondents to the market investigation support the view that the relevant market is worldwide in scope.¹⁶
- (28) In light of the above, for the purposes of the present decision, the exact scope of the relevant product and geographic market for interior aircraft lighting products and solutions can be left open, since no serious doubts as to the compatibility of

¹³ Commission decision of 26 July 2012, in Case M.6410 – *UTC/Goodrich*, recitals 130-142.

¹⁴ Commission decision of 26 July 2012, in Case M.6410 – *UTC/Goodrich*, recitals 143-144.

¹⁵ See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, questions 3.1. and 3.2.

¹⁶ See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, question 3.3.

the Transaction with the internal market arise under any plausible alternative product or geographic market definition.

3.2.4. Cabin management systems ("CMS")

- (29) CMSs generally cover utility control of various cabin environmental functions such as temperatures, lighting, in-flight entertainment, galley services, waste water, window shades as well as access to long-range satellite communications and internet connectivity.
- (30) The Commission has not previously examined the possible market(s) for CMS.
- (31) The Notifying Party does not take a view as regards the exact product or geographic delineation of the relevant market(s) for CMS for business jets and submits that the exact product and geographic definition can be left open.¹⁷
- (32) As mentioned in paragraph (19) above, the Commission has previously considered the relevant geographic market for avionics and non-avionics products to be worldwide in scope.¹⁸
- (33) The majority of respondents to the market investigation in the present case do not consider that CMS products should be segmented by type of aircraft or in any other way. One respondent however explains that CMS for commercial aircrafts is a more complex system, which typically covers control of highly critical functions whereas CMS for business jets tend to be a more integrated system to provide also connectivity for personal devices and entertainment and it has to be more adaptable and customizable.¹⁹
- (34) The results of the market investigation supported a worldwide scope of the possible market for CMS for business jets.²⁰
- (35) In light of the above, for the purposes of the present decision, the exact scope of the relevant product and geographic market(s) for CMS can be left open, since no serious doubts as to the compatibility of the Transaction with the internal market arise under any plausible alternative product or geographic market definition.

¹⁷ Rockwell Collins sells Venue, a CMS used to control cabin interior environment systems (temperature, shades and lighting etc...) and distribute entertainment content on business jet aircrafts only. Thus Rockwell Collins provides its market share for a narrower segment of CMS, namely CMS for business jets.

¹⁸ Commission decision of 3 July 2001 in Case M.2220 - *General Electric/Honeywell*, recital 240; Commission decision of 27 March 1996, in Case IV/M.697 - *Lockheed Martin/Loral Corporation*, recital 17.

¹⁹ See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, question 4.1.

²⁰ See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, question 4.2.

4. COMPETITIVE ASSESSMENT

4.1. Industry Overview

- (36) In the aviation industry there is traditionally a distinction between buyer-furnished equipment ("BFE") and supplier-furnished equipment ("SFE") for the procurement of aircraft systems (avionics and non-avionics products). BFE products are purchased by the **airlines**, whilst for SFE equipment, the procurement responsibility is taken on by the **airframe OEMs** and usually once the airframe has been partially fabricated.
- (37) BFE and SFE are purchased at different points in time: the SFE equipment (such as avionics products)²¹ is in general selected up to three years before the BFE interior products; whereas BFE products are selected only after the sale of the aircraft to the airline customer. BFE products are usually multi-sourced: while BFE suppliers need to be certified by the airframe OEM, it is the airline that selects the BFE equipment supplier, negotiates and buys directly from the BFE supplier. The providers of SFE equipment are selected by the airframe OEMs at the design and development phase of an aircraft platform on the basis of the supplier's technical compliance (the airframe OEM defining the technical requirements), cost, schedule and risk.
- (38) Airline customers generally tender, contract and procure each BFE product separately per individual fleet type (namely by aircraft model such as A330). In particular, for cabin seats for example the airlines would tender by category: economy class, business class, and so on for a specific number of aircrafts.
- (39) The selection of the IFE is also conducted by a formal tender procedure with IFE decision-making factors covering cabin configuration, features, price, and delivery timeframe.
- (40) CMS products for business jets are selected and contracted by the airframe OEM several years ahead of an aircraft's first delivery to the end customer. Airframe OEMs however usually offer to the airlines and leasing company customer some level of CMS customization to meet their individual needs.
- (41) The Notifying Party submits that these different products will continue to be supplied separately either as SFE or BFE and consider that no trend of moving towards a one-stop-shop solution in this regard is observed in the industry. Although there might have been occasional instances in which airframe OEMs have attempted to shift the procurement of traditional BFE products to SFE such attempts have proved to be unsuccessful to date.
- (42) In this context, Rockwell Collins is predominantly a supplier of SFE products with BFE solutions (such as IFE) accounting for only [a modest part] of its

²¹ Avionics are typically selected by the airframe OEM prior to the aircraft development and are consequently certified for the given aircraft platform. When the airline customer specifies the aircraft configuration it is offered a choice of BFE avionics by the airframe OEMs. Avionics and non-avionics solutions (such as cabin interior products) are not typically sourced by the customer together or in a package: avionics purchasing decisions are made by *engineers* of the procurement teams of airframe OEMs or airlines whereas cabin interior decisions (such as seating for instance) are mainly done by *senior business leaderships* of airlines given that the aircraft interior has a greater client-facing aspect.

revenue, whereas B/E Aerospace's activities are focused on BFE equipment sold to airlines (airline customers generating [a very substantial part] of B/E Aerospace's revenue) such as the supply of aircraft seating and of aircraft lighting.

4.2. Horizontal and vertical assessment

- (43) The Transaction does not result in any horizontal overlaps between the Parties' activities globally and in the EEA.
- (44) While both Parties manufacture and sell products for the aviation industry, they supply largely distinct, unrelated and complementary products: (i) Rockwell Collins produces and supports communications and aviation systems for commercial and military customers and provides information management services through voice and data communication networks and solutions. Its principal products and services include flight deck avionics, cabin electronics, mission communications, simulation and training, and information management; (ii) B/E Aerospace supplies aircraft cabin interior products, including aircraft cabin seating, lighting and oxygen systems, food and beverage preparation and storage equipment, galley and modular lavatory systems for commercial airliners and business jets.
- (45) The Transaction does not give rise to any vertical relationships between the Parties either.
- (46) B/E Aerospace offers certain generic, standardized and commoditized electronics products, most notably (i) computer cards, (ii) cable trays and assemblies, (iii) cables and connectors and (iv) power supplies.²² Rockwell Collins sources negligible volumes of these generic products from B/E Aerospace.²³
- (47) Most of these products that Rockwell Collins buys from B/E Aerospace are used for Rockwell Collins' own internal test equipment. In addition, due to their commoditized nature, none of these B/E Aerospace products purchased by Rockwell Collins are essential to Rockwell Collins' products or represent an input without which the Rockwell Collins' products could not function technically.
- (48) Therefore, B/E Aerospace generic electronics products do not constitute an important input for Rockwell Collins' products within the meaning of the non-horizontal Guidelines, so that the Transaction does not give rise to any vertical relationships globally and in the EEA.
- (49) The Transaction gives rise to two potential conglomerate relationships: (i) between B/E Aerospace's aircraft seats and Rockwell Collins' in-flight

²² These generic products have generally not been discussed in prior Commission decisions. B/E Aerospace's market shares for each of these products were below [0-5]% at worldwide and EEA-levels.

²³ For Rockwell Collins' financial year that ended on 30 September 2015, Rockwell Collins' total worldwide purchases from B/E Aerospace amounted to less than [CONFIDENTIAL].

entertainment ("IFE") systems on the one hand;²⁴ and (ii) between interior lighting products supplied by B/E Aerospace and cabin management systems ("CMS") for business jets of Rockwell Collins on the other hand. Each of these relationships is analysed in turn below.

4.3. Conglomerate relationships

- (50) According to paragraphs 92 and 93 of the non-horizontal Guidelines, “conglomerate mergers in the majority of circumstances will not lead to any competition problems (...) [t]he main concern in the context of conglomerate mergers is foreclosure. The combination of products in related markets may confer on the merged entity the ability and incentive to leverage a strong market position from one market to another by means of tying or bundling or other exclusionary practices.”
- (51) During the proceedings some third parties flagged potential anti-competitive concerns related to conglomerate relationships resulting from the Transaction. In particular, these market participants submitted that the Transaction will create a strong integrated player with a broader portfolio of interior cabin solutions with the leverage to bundle such aviation products. This will decrease the ability of smaller, non-integrated players (that is to say single-product suppliers) to compete with the merger entity and will limit the choice of airlines and possibly aircraft makers, who will no longer be able to mix-and-match B/E Aerospace or Rockwell Collins' cabin products and equipment with independent third parties solutions.
- (52) According to the Notifying Party bundling of avionics products²⁵ with cabin interior products is not a common practice in the aviation industry as customers do not generally source avionics and cabin interior products together or in any form of package.
- (53) The market investigation confirmed that tenders for avionics products generally do not include cabin interior products. Rockwell Collins also stated that to the extent that it currently teams up with other suppliers to participate in these tenders, these teaming arrangements are limited to avionics products. B/E Aerospace also as a rule competes as a standalone player, and in the very few instances where it has teamed up with a third party it was not in relation to avionics products.²⁶
- (54) The merged entity is therefore unlikely to engage post-Transaction in bundling strategies in relation to avionics and cabin interior products. For this reason only the possible bundling or tying of Rockwell Collins' cabin electronics products

²⁴ IFE systems provide audio-visual entertainment to passengers through either audio-visual on-demand entertainment consoles embedded in the backs of seats, or through overhead monitors that retract from panels.

²⁵ Avionics (derived from "AVIation" and "electrONICS") is generally defined as the electromechanical and solid-state components and systems installed in the cockpit and the electronics compartments of an airplane. These components include, for example, integrated avionics systems, communication systems, navigation systems, and cabin electronics systems.

²⁶ B/E Aerospace has teamed up with another party on two reported occasions: (i) with [...] design firm for the post concept development of B/E Aerospace' [...] product and (ii) with [...] as a Tier 1 supplier in a bid to supply a [...] programme (B/E Aerospace and [...]), Form CO paragraph 6.239.

(that is to say IFE and CMS for business jets) with B/E Aerospace's cabin equipment products (in particular aircraft seats and interior lighting products) is analysed below.

4.3.1. *Aircraft seating and IFE systems*

4.3.1.1. Notifying Party's view

- (55) B/E Aerospace manufactures aircraft seats for different classes (such as first, business, and tourist) for commercial aircrafts and business jets. Until very recently, Rockwell Collins supplied PAVES, an IFE system used in single-aisle large commercial aircrafts. However, on 21 February 2017, Rockwell Collins decided to stop its activities in relation to its IFE hardware business, with immediate effect.²⁷ As a result, the Notifying Party submits that the Transaction therefore does not give rise to any conglomerate effects between Rockwell Collins' IFE hardware and B/E Aerospace's seats.
- (56) Notwithstanding the cessation of its activities in IFE systems, Rockwell Collins has considered in its notification, the hypothetical conglomerate relationship between IFE hardware and B/E Aerospace's seats. The Notifying Party submits that the cabin products supplied by each of the Parties are distinct and unrelated, and that for these products commercial (also referred to as "mixed") bundling is uncommon. Bundling these products would not be a feasible business strategy given that Rockwell Collins' products are in general sourced as SFE by airframe OEMs, whereas B/E Aerospace's products are purchased by airlines as BFE, therefore are more likely to be customized and are purchased once the aircraft has been partially fabricated.
- (57) The Notifying Party further submits that the merged entity will lack the significant market power required on the relevant market(s) to enable it to implement foreclosure strategies to the detriment of its competitors. Finally, the Notifying Party submits that in all markets concerned, numerous competitors would be able to offer alternative competitive responses to any commercial bundling strategies of the Parties.

4.3.1.2. Results of the market investigation and Commission's assessment

- (58) The results of the market investigation indicate that both IFE systems and aircraft seats are procured by airlines as a BFE (one respondent clarifies that IFE systems suppliers need to be first certified by the airframe OEM to make sure the IFE hardware fits into the specific aircraft type).²⁸
- (59) Based on the results of the market investigation, it cannot be excluded that the merged entity could bundle IFE and aircraft seats post transaction. However, some respondents highlighted the possible procompetitive effects of such a

²⁷ Form CO, paragraph 6.85.

²⁸ See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, question 5.1.

strategy, as it could improve the industrial process, the time-to-market and deliver a better integrated product with less integration issues.²⁹

- (60) In any event, the Commission considers that such possible bundling strategy is unlikely to lead to anti-competitive foreclosure for several reasons.
- (61) First, as implied by the level of the market shares on the relevant markets for IFE and aircraft seats, the merger entity will not have significant degree of market power. Rockwell Collins' market share in the overall IFE system market at a worldwide level for 2016 stands at only [0-5]% (its market share would amount to [10-20]% in the possible narrower segment for single-aisle IFE system) far behind the market leader Panasonic with 51% and 54% respectively and facing another strong player, Thales. In any event, as indicated in paragraph (55), Rockwell Collins has stopped its activities in relation to IFE in 2017.
- (62) B/E Aerospace has a global market share of [30-40]% in commercial aircraft seats in 2016, which is only slightly above the 30% threshold set forth by paragraph 25 of the Non-Horizontal Merger Guidelines. B/E Aerospace's market share is also above 30% only under two possible narrower segmentations of the market for aircraft seats: first class commercial aircraft seats and business jet seats. In any event B/E Aerospace faces strong competitors in the aircraft seats market in the face of Zodiac Aerospace with a market share of 28% and Recaro Aircraft Seating with 9% for the same period.
- (63) Second, the market investigation also confirmed the presence of a number of competitors for each IFE systems and aircraft seats. For IFE solutions, market respondents pointed to Honeywell, General Electric, Esterline Technologies, Satcom Direct, Panasonic, Thales, Zodiac Aerospace and others. Respondents to the market investigation list, *inter alia*, Ipeco, Zodiac Aerospace, Recaro, Acro, HAECO, Avio Interiors, Stelia as competing seat suppliers.³⁰ The majority of the respondents to the market investigation consider that there will be a sufficient number of alternative suppliers of both IFE solutions and of aircraft seats post-Transaction.³¹
- (64) Some of these suppliers are integrated players that is to say they are capable of offering a similar combination of cabin interior products as the merger entity post-Transaction: for example Zodiac Aerospace and United Technologies ("UTC") Aerospace Systems, active both in the supply of aircraft seats and IFE. Other players, active only in one of the markets concerned (such as Thompson Aero Seating, Recaro, Stelia Aerospace and HAECO active in aircraft seats and Custom Control Concepts, Panasonic, and Thales active in IFE) could team up and combine their offers in order to counter any possible bundling or tying strategies deployed by the merger entity. Given the fact that the Parties did not

²⁹ See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, question 11.1.

³⁰ See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, questions 7.1 and 8.1.

³¹ See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, questions 12.1 and 12.2.

partner either between themselves or with third parties pre-Transaction³² the merger is unlikely to lead to a reduction in the number of possible partners for non-integrated players to team-up if necessary for commercial business opportunities.

- (65) In light of the above, and in particular the very limited likelihood of successfully implementing any hypothetical foreclosing strategy post-merger in view of the number of integrated and non-integrated players present on the respective markets, especially given that cessation of IFE's activities claimed by Rockwell Collins, the Commission considers that the Transaction is unlikely to raise serious doubts with regard to its compatibility with the internal market for what concerns possible foreclosure effects resulting from the combination of Rockwell Collins' IFE hardware with B/E Aerospace's aircraft seating products.

4.3.2. CMS for business jets and interior lighting products

- (66) B/E Aerospace provides a range of cabin interior lighting products, as well as emergency and ordinance lighting. These products can hypothetically be tied or bundled with Rockwell Collins' CMSs for business jets.

4.3.2.1. Notifying Party's view

- (67) In relation to possible foreclosure concerns stemming from conglomerate relationships between these two products, the Notifying Party submits similar arguments as for the conglomerate issues related to bundling or tying IFE and aircraft seats: (i) business jet CMS and interior lighting products are distinct and unrelated and bundling these products is uncommon as CMS is sold as a SFE and interior lights are selected by the airline customers as BFE; (ii) the Parties do not have the required market power on any of the concerned markets that would allow them to engage in an input foreclosure strategy; and (iii) a sufficient number of competitors will remain active post-Transaction in both business jet CMS and interior lights and these competitors will be able to counter any possible foreclosure attempts by the merged entity.

4.3.2.2. Results of the market investigation and Commission's assessment

- (68) The results of the market investigation indicate that CMSs for business jets are purchased by airframe OEMs through tenders. Interior lighting products, also purchased by tenders, separately from CMS, are sourced by both airframe OEMs and airlines. As one airline customer explains: "*Interior Light can be subject to competitive tender and the airline can elect to supply this to the aircraft manufacturer as Buyer Furnished Equipment (BFE). Alternatively, airlines can elect to have the aircraft manufacturer supply this as Supplier Furnished Equipment (SFE)*".³³
- (69) In interior lighting solutions B/E Aerospace has a modest market share of [5-10]% globally in 2015. An important number of players are present on the

³² Those market participants that provided a reply to the market investigation were not aware of any past bids in which Rockwell Collins and B/E Aerospace have participated together (See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, question 9).

³³ See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, question 5.1.

market for interior lighting: Diehl Aerospace, Zodiac Aerospace, United Technologies Corp., Cobham.³⁴ The respondents to the market investigation also pointed out to a number of alternative suppliers of interior aircraft lighting products: United Technologies, Honeywell, Zodiac, Emteq, Sirio Panel, Astronics, Lufthansa, PGA Electronics, Madelec, SELA, Luminator, Koito, Bruce Industries, and others.³⁵

- (70) Rockwell Collins has a global market share of [40-50]% in business jet CMS. A number of alternative CMS suppliers with sizeable market shares are also active in the provision of CMS for business jets. Market participants that replied to the market investigation pointed to a number of competitors active in the provision of CMS for business jets: Honeywell, General Electric, Esterline Technologies, Stacom direct, Lufthansa Technik, Heads Up technologies and Mid Continent controls.³⁶
- (71) Based on the position of Rockwell Collins in CMS and the results of the market investigation, it cannot be excluded that the merged entity could engage in bundling interior lighting products with CMS. However, for the reasons set out below, the Commission considers that such possible bundling strategy is unlikely to lead to anti-competitive foreclosure.
- (72) First, the merged entity would have strong presence only on the possible market for CMS for business jets where, as indicated in paragraph (70) a number of alternative suppliers will remain active post-Transaction.
- (73) Second, among these competitors there are both integrated players such as Honeywell capable of offering the same combination of products as the merged entity, but also non-integrated ones such as Diehl Aerospace, Bruce Aerospace, Birk Aerosystems and Schott Lighting and Imaging for interior lighting products, and Digecon, Heads Up Technologies and Lufthansa Technik. Non-integrated players would have sufficient number of alternative partners to team up and offer the same combination of CMS and interior lighting products.
- (74) Third, there is no evidence that the Parties have regularly teamed-up with each other or with any other third party in CMS for business jets or in aircraft lighting to compete for commercial business opportunities (this has been confirmed also by the respondents in the market investigation)³⁷.
- (75) In light of the above, the Commission considers that the Transaction is unlikely to raise serious doubts with regard to its compatibility with the internal market for what concerns possible foreclosure effects resulting from the combination of Rockwell Collins' CMS for business jets with B/E Aerospace's interior aircraft lighting products.

³⁴ MarketsandMarkets, "Aircraft Lighting Market, Global Forecast to 2021", p. 113 submitted as Annex 6.5 to the Form CO.

³⁵ See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, question 8.2. and Unitech technologies Aerospace Systems ("UTAS") reply submitted by email on 13 February 2017.

³⁶ See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, question 7.2.

³⁷ See Replies to questionnaire Q1 – customers and competitors of 9 March 2017, question 9.

5. CONCLUSION

- (76) 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 and Article 57 of the EEA Agreement.

For the Commission

(Signed)

*Tibor NAVRACSICS
Member of the Commission*