

# ANTICIPATED ACQUISITION BY SAFRAN OF A PART OF COLLINS AEROSPACE'S ACTUATION AND FLIGHT CONTROL BUSINESS

ME/7081/23

## SUMMARY

### Overview of the CMA's decision

1. The CMA has found that the acquisition by Safran S.A. (**Safran**) of part of Collins Aerospace's (**Collins**) (a business unit of RTX Corporation (**RTX**)) actuation and flight control business (the **Target**) from RTX, gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in relation to the supply of trimmable horizontal stabilizer actuation systems (**THSA**) globally, including in the UK (the **THSA SLC**).
2. Safran has agreed to acquire the Target from RTX pursuant to a put option agreement and a share and asset purchase and sale agreement entered into on 20 July 2023. The CMA refers to this acquisition as the **Merger**. Safran, Collins, RTX and the Target are together referred to as the **Parties** and, for statements referring to the future, the combination of Safran and the Target is referred to as the **Merged Entity**.
3. Early in the CMA's investigation, the Parties formally conceded that the Merger gives rise to a realistic prospect of an SLC in relation to THSA and notified the CMA of their intention to offer undertakings in lieu of a reference (**UILs**) to the CMA that will remedy the THSA SLC. The Parties subsequently notified the CMA that they had entered into a conditional agreement with a third party pursuant to which that third party had agreed to purchase the majority of Safran's THSA business. Since the Parties conceded that the test for reference is met in relation to THSA, the CMA has been engaging with the Parties on their proposed UILs offer to address the THSA SLC.

4. As the CMA has found that the Merger gives rise to a realistic prospect of an SLC in the UK, the Parties have until 4 April 2025 to offer UILs to the CMA that will remedy the competition concerns identified. If no such UILs are offered, or the CMA decides that any UILs offered are insufficient to remedy its concerns to the phase 1 standard, then the CMA will refer the Merger for an in-depth phase 2 investigation pursuant to sections 33(1) and 34ZA(2) of the Enterprise Act 2002 (the **Act**).

### **Who are the businesses and what products/services do they provide?**

5. Safran is a company headquartered in Paris, France, and active in the design, manufacture and sale of aerospace equipment.
6. RTX is headquartered in Arlington, United States of America, and active in the design, manufacture and sale of aerospace and defence products, and in aftermarket service solutions for these products. Collins is a business unit of RTX active in the design, manufacture and sale of, amongst other things, actuation systems in the aerospace industry. This includes THSA, as well as other actuation systems which operate the movement of components on a plane.
7. The Parties overlap in the supply of various products, including THSA, globally.

### **Why did the CMA review this merger?**

8. The CMA's primary duty is to seek to promote competition for the benefit of consumers. It has a duty to investigate mergers that could raise competition concerns in the UK, provided it has jurisdiction to do so. In this case, the CMA has concluded that the CMA has jurisdiction to review this Merger because a relevant merger situation has been created: each of Safran and the Target is an enterprise, and the turnover test is met.

### **What evidence has the CMA looked at?**

9. In assessing this Merger, the CMA considered a wide range of evidence in the round.
10. The CMA received several submissions and responses to information requests from the Parties. The CMA gathered information about the products and services they provide and the competitive landscape in which they operate.
11. The CMA spoke to and gathered evidence from other sector participants, including competitors and customers of the Parties, which included both written and oral submissions to better understand the competitive landscape and to get their views on the impact of the Merger.

## **What did the evidence tell the CMA...**

### **...about the effects on competition of the Merger?**

12. The CMA looked at whether the Merger would lead to an SLC due to horizontal unilateral effects in the supply of THSA systems.
13. After assessing the Parties' data and speaking to third parties, the CMA found that the Parties are currently close competitors, and the Merged Entity would become the largest supplier of THSA systems globally.
14. The Parties have frequently competed against each other for opportunities, and third parties view them as close competitors.
15. The CMA understands that it is common knowledge in the industry that Safran is likely to divest the majority of its THSA business prior to closing to address regulatory concerns, and has therefore had regard to this when discussing the likely impact of the Merger with third parties and interpreting the evidence received from them.
16. While the majority of third parties did not raise concerns with the Merger, the CMA considers that this is indicative of industry knowledge that Safran is likely to divest the majority of the THSA business of the Merged Entity, rather than a lack of concern about the post-merger competitive position of the Merged Entity.
17. The Parties also overlap in the supply of various other actuation and aerospace systems. However, after speaking with third parties and assessing the Parties' market shares (in particular the low increments brought about by the Merger), the CMA considered at an early stage in its investigation that there were no plausible competition concerns for these other systems.
18. In light of the above, and in line with the Parties' concession, the CMA found that the Merger gives rise to a realistic prospect of the THSA SLC.

### **What happens next?**

19. As a result of these concerns, the Parties have until 4 April 2025 to offer UILs which might be accepted by the CMA to address the THSA SLC. If no such UILs are offered, or the CMA decides that any UILs offered are insufficient to remedy its concerns to the phase 1 standard, then the CMA will refer the Merger for an in-depth phase 2 investigation pursuant to sections 33(1) and 34ZA(2) of the Act.