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

Decision that undertakings might be accepted

ME/7081/23

The Competition and Markets Authority's decision under section 73A(2) of the Enterprise Act 2002 that undertakings might be accepted, given on 4 April 2025. Full text of the decision published on 9 April 2025.

Please note that [✂] indicates figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.

Contents

1. INTRODUCTION

1. Safran S.A. (**Safran**) has agreed to acquire part of Collins Aerospace's (**Collins**) (a business unit of RTX Corporation (**RTX**)) actuation and flight control business (the **Target**) from RTX. 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**.

2. On 28 March 2025, the Competition and Markets Authority (**CMA**) decided under section 33(1) of the Enterprise Act 2002 (the **Act**) that it is or may be the case that the Merger consists of arrangements that are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation, and that this may be expected to result in a substantial lessening of competition (**SLC**) within a market or markets in the United Kingdom (the **SLC Decision**).

3. On the date of the SLC Decision, the CMA gave notice pursuant to section 34ZA(1)(b) of the Act to the Parties of the SLC Decision. However, the CMA did not refer the Merger for a phase 2 investigation pursuant to section 33(3)(b) on the date of the SLC Decision in order to allow the Parties the opportunity to offer undertakings to the CMA in lieu of such reference for the purposes of section 73(2) of the Act.

4. Pursuant to section 73A(1) of the Act, if a party wishes to offer undertakings for the purposes of section 73(2) of the Act, it must do so within the five working day period specified in section 73A(1)(a) of the Act. Accordingly, on 2 April 2025, Safran offered undertakings to the CMA for the purposes of section 73(2) of the Act.

5. The CMA now gives notice, pursuant to section 73A(2)(b) of the Act, to the Parties that it considers that there are reasonable grounds for believing that the undertakings offered, or a modified version of them, might be accepted by the CMA under section 73(2) of the Act and that it is considering the offer.

2. THE UNDERTAKINGS OFFERED

6. Under section 73 of the Act, the CMA may, instead of making a reference, and for the purpose of remedying, mitigating or preventing the SLC concerned or any adverse effect which has or may have resulted from it or may be expected to result from it, accept from such of the merger parties concerned as it considers appropriate undertakings to take such action as it considers appropriate.

7. The SLC Decision found that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of trimmable horizontal stabilizer actuation (**THSA**) systems globally, including in the UK (the **SLC**).

8. To address the SLC, Safran has offered to give undertakings in lieu of a reference to divest parts of Safran's actuation business and related assets, consisting of Safran's North American THSA activities, secondary flight control actuation activities and nose-wheel steering gearbox activities, and related assets located in Mexicali, Mexico, and Irvine, California, as well as Safran's electronic control unit activities and related assets based in Peterborough, Canada (the **Divestment Business**) to a suitable purchaser (the **Proposed Undertakings**).

9. Under the Proposed Undertakings, Safran has offered to enter into a purchase agreement with a buyer approved by the CMA before the CMA finally accepts the Proposed Undertakings (**Upfront Buyer Condition**). Safran will also offer certain transitional service arrangements to the suitable purchaser for a limited period of time to ensure the continuity of operations.

10. On 19 December 2024, Safran and Woodward, Inc. (**Woodward**) entered into a binding agreement for the sale of the Divestment Business to Woodward. This purchase agreement stipulates that closing is subject to CMA approval.

3. THE CMA'S PROVISIONAL VIEWS

11. The CMA considers that undertakings in lieu of a reference are appropriate when they are clear-cut and capable of ready implementation. The CMA's starting point when assessing undertakings is to seek an outcome that restores competition to the level that would have prevailed absent the merger.[1]

12. The CMA believes that the Proposed Undertakings, or a modified version of them, might be acceptable as a suitable remedy to the SLC identified by the CMA.

13. The Divestment Business comprises substantially all of Safran's activities in THSA systems. Under the Proposed Undertakings Safran will retain some small legacy production and aftermarket support activities in electric THSA systems located in France (the **French Legacy THSA Activity**), but the CMA currently considers that the relevance of these operations to competition between Safran and the Target in the supply of THSA systems is limited. In particular, Safran submitted that the French Legacy THSA Activity accounts for less than [✂]% of Safran's revenue from its overall THSA system activities. Safran also submitted that the French Legacy THSA Activity was relatively recently purchased from a third party, and never incorporated into Safran's wider THSA system activities.[i]

14. Further, the CMA understands from Woodward that Woodward is aware of the French Legacy THSA Activity, and that it considers that: (i) the integration costs would outweigh any potential commercial benefits from acquiring these activities, and (ii) the exclusion of these activities from the divestment package would not

[1] Mergers remedies (**CMA87**), December 2018, Chapter 3 (in particular paragraphs 3.27, 3.28 and 3.30).

affect its ability to compete effectively in the supply of THSA systems globally going forwards.

15. On the information currently available, therefore, the CMA considers that the exclusion of the French Legacy THSA Activity from the Divestment Business does not prevent the sale of the Divestment Business from being capable of resolving the SLC identified.

16. The information currently available to the CMA also suggests that the Divestment Business includes all of the assets necessary for a purchaser to compete effectively on an ongoing basis in the supply of THSA systems globally, including in the UK. The CMA also believes at this stage that the Divestment Business is sufficiently distinct from Safran's retained activities that the separation of the Divestment Business from the wider Safran business will not give rise to material implementation risks.

17. Moreover, although the Divestment Business is drawn from the acquiring business rather than the Target, the CMA does not currently consider such a divestiture gives rise to greater risk in addressing the SLC than a divestment package drawn from the Target.[2]

18. As noted above, Safran has also identified a purchaser, Woodward, that it submits meets the CMA's purchaser suitability criteria, and with whom it has already signed a purchase agreement in respect of the Divestment Business which stipulates that closing is conditional on CMA approval.

19. The Upfront Buyer Condition means that before acceptance, the CMA will consult publicly on the suitability of the proposed purchaser, as well as other aspects of the Proposed Undertakings. In order to consider the proposed purchaser as being suitable, the CMA will need to be satisfied that the purchaser suitability criteria in the Remedies Guidance are met.[3] These criteria include the requirement that the proposed purchaser has the financial resources, expertise, incentive and intention to maintain and operate the Divestment Business as part of a viable and active business in competition with the Merged Entity in the relevant market and is expected to obtain all necessary approvals and consents.

20. In accordance with its guidance, at phase 1, the CMA will generally require an upfront buyer unless it considers that there are reasonable grounds for not doing so and, in particular, where the risk profile of the remedy does not require it.[4] In this case, the CMA considers that an upfront buyer is required given that the Divestment Business is being carved out from the wider Safran business and does

[2] CMA87 at paragraph 5.6
[3] CMA87, December 2018, Chapter 4 (in particular paragraphs 4.30 – 4.34), and Chapter 5 (in particular paragraphs 5.20 – 5.32).
[4] CMA87, paragraphs 5.29.

not include the entirety of Safran's THSA system activities.[5] Further, the CMA considers that the protracted nature of the sales process for the Divestment Business so far suggests that there is a limited pool of suitable purchasers that would (i) be willing to acquire the Divestment Business; and (ii) have the necessary capability to operate the Divestment Business as an effective competitor on an ongoing basis, including for example, obtaining the necessary approvals from key customers to transfer existing supply agreements.

21. For the reasons set out above, the CMA therefore currently considers that the sale of the Divestment Business to a suitable purchaser may result in the replacement of the competitive constraint provided by the Target that would otherwise be lost following the Merger. The CMA therefore currently considers that the Proposed Undertakings are capable of amounting to a sufficiently clear-cut and effective resolution of the CMA's competition concerns, and that there are therefore reasonable grounds for believing that the Proposed Undertakings, or a modified version of them, might be accepted by the CMA under section 73(2) of the Act.

22. The CMA's decision on whether ultimately to accept the Proposed Undertakings or refer the Merger for a phase 2 investigation will be informed by, among other things, third party views on whether the Proposed Undertakings are suitable to address the competition concerns identified by the CMA. In particular, and as noted above, before ultimately accepting the Proposed Undertakings, the CMA must be confident that the nominated buyer is effective and credible such that the competitive constraint provided by Target absent the Merger is replaced to a sufficient extent.

23. Section 94 of the Act places a duty on any person to whom the Final Undertakings accepted by the CMA relate to comply with them. Any person who suffers loss or damage due to a breach of this duty may bring an action. Section 94 of the Act also provides that the CMA can seek to enforce the Final Undertakings accepted by the CMA by civil proceedings for an injunction or for any other appropriate relief or remedy. Under sections 94AA and 94AB of the Act, the CMA can impose financial penalties in respect of a failure to comply with the Final Undertakings accepted by the CMA without reasonable excuse as set out in Annex 1 and the *Administrative penalties: Statement of Policy on the CMA's approach (CMA4)*.

4. CONSULTATION PROCESS

24. Full details of the undertakings offered will be published in due course when the CMA consults on the undertakings offered as required by Schedule 10 of the Act.[6]

[5] CMA87, paragraphs 5.28–5.32.
[6] CMA87, paragraph 4.27–4.28.

DECISION

25. The CMA therefore considers that there are reasonable grounds for believing that the Proposed Undertakings offered by the Parties, or a modified version of them, might be accepted by the CMA under section 73(2) of the Act. The CMA now has until 12 June 2025 pursuant to section 73A(3) of the Act to decide whether to accept the undertakings, with the possibility to extend this timeframe pursuant to section 73A(4) of the Act to 11 August 2025 if it considers that there are special reasons for doing so. If no undertakings are accepted, the CMA will refer the Merger for a phase 2 investigation pursuant to sections 33(1) and 34ZA(2) of the Act.

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Competition and Markets Authority
04 April 2025

[i] This sentence should read 'Safran also submitted that the French Legacy THSA Activity was never integrated into Safran's wider THSA system activities which it acquired in 2019 and which is now included in the activities of the Divestment Business.'

ANNEX 1

ENFORCEMENT OF UNDERTAKINGS GIVEN UNDER SECTION 73 – IMPOSITION OF CIVIL PENALTIES

Imposition of civil penalties

1. Under section 94AA(1), the CMA may impose a penalty on a person—

   (a) from whom the CMA has accepted an enforcement undertaking, or

   (b) to whom an enforcement order is addressed,

   where the CMA considers that the person has, without reasonable excuse, failed to comply with the undertaking or order.

2. In deciding whether and, if so, how to proceed under section 94AA(1) the CMA must have regard to the statement of policy which was most recently published under section 94B at the time of the failure to comply.

Amount of penalty

3. A penalty under section 94AA(1) is to be such amount as the CMA considers appropriate.

4. The amount must be—

   (a) a fixed amount,

   (b) an amount calculated by reference to a daily rate, or

   (c) a combination of a fixed amount and an amount calculated by reference to a daily rate.

5. A penalty imposed under section 94AA(1) on a person who does not own or control an enterprise must not—

   (a) in the case of a fixed amount, exceed £30,000;

   (b) in the case of an amount calculated by reference to a daily rate, exceed £15,000 per day;

   (c) in the case of a fixed amount and an amount calculated by reference to a daily rate, exceed such fixed amount and such amount per day.

6. A penalty imposed under section 94AA(1) on any other person must not—

(a) in the case of a fixed amount, exceed 5% of the total value of the turnover (both in and outside the United Kingdom) of the enterprises owned or controlled by the person on whom it is imposed;

(b) in the case of an amount calculated by reference to a daily rate, for each day exceed 5% of the total value of the daily turnover (both in and outside the United Kingdom) of the enterprises owned or controlled by the person on whom it is imposed;

(c) in the case of a fixed amount and an amount calculated by reference to a daily rate, exceed such fixed amount and such amount per day.

7. In imposing a penalty by reference to a daily rate—

(a) no account is to be taken of any days before the service on the person concerned of the provisional penalty notice under section 112(A1), and

(b) unless the CMA determines an earlier date (whether before or after the penalty is imposed), the amount payable ceases to accumulate at the beginning of the day on which the person complies with the enforcement undertaking or enforcement order.