

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

## Decision on relevant merger situation and substantial lessening of competition

ME/7081/23

The Competition and Markets Authority's (**CMA**) decision on relevant merger situation and substantial lessening of competition under section 33(1) of the Enterprise Act 2002 (the **Act**) given on 28 March 2025. Full text of the decision published on 9 April 2025.

The Competition and Markets Authority has excluded from this version of the decision information which the CMA considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [X]. Some numbers have been replaced by a range, which are shown in square brackets.

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# 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.

# ASSESSMENT

## 1. PARTIES, MERGER AND MERGER RATIONALE

1. Safran is a company headquartered in Paris, France, and active in the design, manufacture and sale of aerospace equipment.<sup>1</sup> The turnover of Safran in financial year 2023 was approximately £20.2 billion worldwide and approximately £[<] in the UK.<sup>2</sup>
2. 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 systems, as well as other actuation systems which operate the movement of components on a plane.<sup>3</sup> The turnover of the Target in financial year 2023 was approximately £1.1 billion worldwide and approximately £[<] in the UK.<sup>4</sup>
3. On 20 July 2023, Safran and RTX entered into a put option agreement<sup>5</sup> and a share and asset purchase and sale agreement pursuant to which Safran will acquire part of Collins' actuation business.<sup>6</sup> The companies and business included in the Target are: (i) Goodrich Actuation Systems SAS; (ii) Microtecnica S.r.l.; (iii) Goodrich Actuation Systems Limited; (iv) CT Group Limited; (v) Claverham Group Limited; and (vi) PT UTC Aerospace Systems Bandung Operations along with each's respective subsidiaries. Further assets and personnel dedicated to the Target's activities will be carved out from RTX's operations and transferred to Safran at closing of the Merger.<sup>7</sup>
4. The Parties informed the CMA that the Merger is also the subject of review by competition authorities in Europe, the United States of America and Brazil.<sup>8</sup>
5. Safran explained that the Merger will allow it to expand its activities in flight control actuation and reach a broader customer base for these activities, as well as better-competes for next-generation projects.<sup>9</sup>
6. The Safran internal documents the CMA has reviewed are broadly consistent with this claimed rationale. In particular, a Safran management presentation from April

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<sup>1</sup> Final Merger Notice submitted to the CMA on 17 February 2025 (**FMN**), paragraph 10.

<sup>2</sup> FMN, paragraph 74.

<sup>3</sup> FMN, paragraph 32.

<sup>4</sup> FMN, paragraph 74.

<sup>5</sup> The put option contained in this agreement was exercised by RTX on 4 October 2023. FMN, paragraph 34.

<sup>6</sup> FMN, paragraph 3.

<sup>7</sup> FMN, paragraphs 54-55.

<sup>8</sup> FMN, paragraph 9.

<sup>9</sup> FMN, paragraphs 19, 44

2023 on the transaction notes that it will allow for a ‘shift towards more compact and electrified products’, make Safran ‘well-positioned to compete for significant content on next generation commercial and military platform’, and ‘expand [its] customer base’ in multiple areas.<sup>10</sup>

## 2. PROCEDURE

7. The CMA commenced its formal phase 1 investigation by notice to the Parties on 18 February 2025. As part of this formal phase 1 investigation and the pre-notification period preceding it, the CMA gathered evidence from the Parties to allow the CMA to carefully analyse the competitive impact of the Merger. The Parties also had opportunities to make submissions and comment on the CMA’s emerging thinking before and throughout the formal phase 1 investigation.
8. The CMA also gathered evidence from other market participants, such as competitors and customers, during pre-notification and its formal phase 1 investigation.
9. As noted above, early in the CMA’s investigation, the Parties informed the CMA that they accepted that the Merger gives rise to a realistic prospect of an SLC arising from horizontal unilateral effects in the supply of THSA globally with effects in the UK, and requested that the case be fast tracked to the consideration of UILs. As part of the request, the Parties agreed to waive some of their normal procedural rights, including their right to an issues meeting and to challenge the position that the test for reference is met during the phase 1 investigation<sup>11</sup> if the CMA considered that the Merger gave rise to competition concerns in relation to THSA. The Parties confirmed this on 7 March 2025 following the State of Play call.<sup>12</sup> The CMA has engaged with the Parties on their draft proposed UILs throughout pre-notification and during its formal investigation, which has included consideration of various remedy packages that reflected the Parties’ ongoing sales process with potential purchasers.
10. As set out in the CMA’s Guidance,<sup>13</sup> the parties to a merger are able to waive their rights in relation to certain procedural steps within a merger investigation in order for a binding outcome to be arrived at more quickly. In agreeing to fast-track the case to the consideration of UILs, the CMA has, in keeping with the process set out in its guidance, had regard to its administrative resources and the efficient

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<sup>10</sup> Safran’s internal document, Annex 006(ii) to the FMN, ‘Management Presentation dated April 2023’, April 2023, pages 7, 15, 17, 22 and 39.

<sup>11</sup> [Mergers: Guidance on the CMA’s jurisdiction and procedure \(CMA2\)](#), 2 January 2025, paragraphs 7.6-7.12. See also FMN, paragraph 456. The CMA notes that the Parties have been searching for a purchaser of a package that will remedy the THSA SLC since at least 25 January 2024 in order to provide potential clear-cut UILs. A potential purchaser was only found in late 2024.

<sup>12</sup> Email from the Parties to the CMA, 7 March 2025.

<sup>13</sup> [CMA2](#), chapter 7.

conduct of the case and decided that it is appropriate to proceed with its consideration of UILs.

### 3. JURISDICTION

11. Each of Safran and the Target is an enterprise as the assets constituting the Target that are being transferred to Safran enable the business activity associated with the Target to be continued by Safran.<sup>14</sup> As a result of the Merger, these enterprises will cease to be distinct.
12. The UK turnover of the Target exceeds £100 million in financial year 2023,<sup>15</sup> so the turnover test in section 23(1)(b) of the Act is satisfied.
13. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
14. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 19 February 2025 and the statutory 40 working day deadline for a decision is therefore 16 April 2025.

### 4. COUNTERFACTUAL

15. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual).<sup>16</sup>
16. In an anticipated merger, the counterfactual may consist of the prevailing conditions of competition, or conditions of competition that involve stronger or weaker competition between the parties to a merger than under the prevailing conditions of competition.<sup>17</sup> In determining the appropriate counterfactual, the CMA will generally focus on potential changes to the prevailing conditions of competition only where there are reasons to believe that those changes would make a material difference to its competitive assessment.<sup>18</sup>
17. In this case, the CMA has not received submissions (or other evidence) suggesting that the Merger should be assessed against an alternative counterfactual. Therefore, the CMA believes the prevailing conditions of competition to be the relevant counterfactual.

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<sup>14</sup> See section 129 of the Act and [CMA2](#), paragraph 4.11. In particular, the assets and personnel being carved out of RTX and transferred to Safran along with the entities forming part of the Merger (see paragraph 3 above) are relevant considerations in the CMA's assessment of whether a merger enables a particular business activity to be continued.

<sup>15</sup> See paragraph 2 above.

<sup>16</sup> [Merger Assessment Guidelines](#) (CMA129), March 2021, paragraph 3.1.

<sup>17</sup> [CMA129](#), paragraph 3.2.

<sup>18</sup> [CMA129](#), paragraph 3.9.



## 5. COMPETITIVE ASSESSMENT

### 5.1 Background and nature of competition

18. Flight control actuation systems are actuation systems that steer an aircraft in flight or assist in take-off and landing by moving flight control surfaces.<sup>19</sup> THSA systems allow for adjustment of the horizontal tail of an aircraft (shown in Figure 1 below) during flight to ensure that the aircraft flies optimally.<sup>20</sup> These systems can be powered either hydraulically or electrically.



Figure 1: Horizontal stabilizer on the A320 neo. Source, FMN, paragraph 275.

19. The primary customers for THSA systems are aircraft original equipment manufacturers (**OEMs**) such as Airbus and Boeing. For most actuation systems, including THSA systems, these aircraft OEMs conduct their procurement via tenders.
20. Generally, tenders are organised in two or three rounds. Firstly, there may be an initial Request for Information (**RFI**) round where the OEMs discuss technological requirements with suppliers, such as the choice between an electric or hydraulic system, and preliminary costing from suppliers. These potential suppliers include the Parties and their competitors, such as Moog or Parker.<sup>21</sup> At the next stage, the Request for Proposal (**RFP**), the system requirements are set and potential suppliers respond on a defined set of requirements, and include a 'Best and Final Offer'. After this, the OEM and winning supplier will negotiate the final terms of the agreements and processes.<sup>22</sup>

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<sup>19</sup> FMN, paragraph 254.

<sup>20</sup> FMN, paragraph 258.

<sup>21</sup> FMN, paragraph 172.

<sup>22</sup> FMN, paragraph 172.

## 5.2 Market definition

21. Where the CMA makes an SLC finding, this must be 'within any market or markets in the United Kingdom for goods or services'. An SLC can affect the whole or part of a market or markets. Within that context, the assessment of the relevant market(s) is an analytical tool that forms part of the analysis of the competitive effects of the merger and should not be viewed as a separate exercise.<sup>23</sup>
22. Market definition involves identifying the most significant competitive alternatives available to customers of the merger parties and includes the sources of competition to the merger parties that are the immediate determinants of the effects of the merger.
23. While market definition can be an important part of the overall merger assessment process, the CMA's experience is that in most mergers, the evidence gathered as part of the competitive assessment, which will assess the potentially significant constraints on the merger parties' behaviour, captures the competitive dynamics more fully than formal market definition.<sup>24</sup>

### 5.2.1 Product market

24. The Parties submitted that within THSA, it is appropriate to distinguish between hydraulic-THSA (**H-THSA**) and electromechanical-THSA (**E-THSA**).<sup>25</sup>
25. The Parties submitted that this segmentation between the technologies is due to:
  - (a) There being very limited supply-side substitutability, as the technologies are distinct and require different skills to develop. This means that the suppliers for the different technologies are different, as evident by the fact that Safran is exclusively active in electromechanical flight control actuation technologies, with Collins focussing on hydraulic systems.<sup>26</sup>
  - (b) On the demand-side, the OEMs will make an early engineering decision on which technology to use before going out to tender. This is based on its technical requirements and desire for the specific aircraft system to primarily be electromechanical or hydraulic.<sup>27</sup>
26. Third parties explained that although the suppliers of electromechanical and hydraulic systems are different,<sup>28</sup> OEMs consider whether to use H-THSA or E-

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<sup>23</sup> [CMA129](#), paragraph 9.1.

<sup>24</sup> [CMA129](#), paragraph 9.2.

<sup>25</sup> FMN, paragraph 329.

<sup>26</sup> FMN, paragraph 306.

<sup>27</sup> FMN, paragraph 305.

<sup>28</sup> Note of a call with a third party, March 2023, paragraph 27.

THSA at an early stage of the tender process when they are discussing technological requirements with potential suppliers (see paragraph 20 above).<sup>29</sup>

27. The CMA heard further from customers that when they go out to tender, while they may have a preference for a specific system (electromechanical or hydraulic), at an early stage they discuss this with potential providers of both systems to assess the best system for the specific aircraft's requirements noting that the two systems have trade-offs.<sup>30</sup> This suggests some degree of substitutability between the two sub-types of THSA systems.
28. Consistent with this, and as discussed at paragraph 47 below, the CMA observes that the Parties frequently encounter each other in their THSA opportunity data.
29. Therefore, the CMA considers that while H-THSA and E-THSA are different systems from a technical perspective, when OEMs are deciding which system to use, they consider both and therefore the systems act as potential substitutes for each other. The CMA observes that this is in line with the previous finding of the European Commission in *UTC/Rockwell Collins*.<sup>31</sup>
30. On this basis, the CMA considered it appropriate to assess this Merger in relation to a single product market for THSA with no distinction drawn between E-THSA and H-THSA.

### **5.2.2 Geographic market**

31. The Parties submitted that the most appropriate geographical market is global, in line with previous European Commission decisions.<sup>32</sup>
32. The evidence gathered by the CMA, including the Parties' internal documents, (together with industry reports)<sup>33</sup> and third-party views<sup>34</sup> indicate that THSA system suppliers are active globally and that the conditions of competition are similar across different countries.
33. The evidence indicates that this is a global market, with some suppliers and customers of THSA systems having operations in the UK, including the Target

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<sup>29</sup> Note of a call with a third party, March 2023, paragraphs 13, 26 and 27; Note of a call with a third party, February 2023, paragraph 10; Note of a call with a third party, March 2023, paragraph 13.

<sup>30</sup> Note of a call with a third party, March 2023, paragraphs 26 and 27; Note of a call with a third party, February 2023, paragraphs 10 and 14; Note of a call with a third party, March 2023, paragraphs 10; Note of a call with a third party, March 2023, paragraph 17.

<sup>31</sup> Case M.8658 – *UTC/Rockwell Collins*, paragraph 42.

<sup>32</sup> FMN, paragraph 330. Case. M.8658 – *UTC/Rockwell Collins*, para. 203; Case M.6410 – *UTC/Goodrich*, para. 100; Case M.2892 – *Goodrich/TRW*, para. 10; Case M.2183 – *Smiths Industries/TI Group*, para. 8; Case M.1493 – *United Technologies/Sundstrand*, para. 19.

<sup>33</sup> Parties' internal document, Annex 040 to the FMN, 'Annex 040 - Counterpoint Aerospace Valves 2021'; Parties' internal document, Annex 041 to the FMN, 'Annex 041 - Counterpoint Aerospace Valves 2023'; Safran Annexes 128 – 150 to the FMN, Competitor and customer monitoring documents, January 2023 – December 2023.

<sup>34</sup> Note of a call with a third party, March 2023, paragraph 29; Note of a call with a third party, February 2023, paragraph 16; Note of a call with a third party, March 2023, paragraph 21.

which has manufacturing sites in the UK that supply global customers. The CMA considers that any loss of competition brought about by the Merger therefore has the potential to increase prices and/or worsen non-price factors of competition for these products globally, including in the UK.

34. The CMA therefore considered it appropriate to assess the impact of this Merger globally, including in the UK.

### **5.2.3 Conclusion on market definition**

35. For the reasons set out above, the CMA considered the impact of the Merger in the supply of THSA globally, including in the UK.

## **5.3 Theories of harm**

36. The CMA assesses the potential competitive effects of mergers by reference to theories of harm. Theories of harm provide a framework for assessing the effects of a merger and whether or not it could lead to an SLC relative to the counterfactual.<sup>35</sup>

### **5.3.1 Theory of Harm 1: Horizontal unilateral effects in the supply of THSA globally, including the UK**

37. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged entity profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.<sup>36</sup> Horizontal unilateral effects are more likely when the parties to a merger are close competitors.<sup>37</sup>
38. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC as a result of horizontal unilateral effects in the supply of THSA globally, including in the UK.
39. In its assessment, the CMA considered: (i) shares of supply of the Parties and their competitors; (ii) third party evidence; and (ii) opportunity data.

#### **5.3.1.1 Parties' submissions**

40. The Parties submitted that they do not consider that the Merger brings together two close competitors for THSA, and there would be sufficient competitive

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<sup>35</sup> [CMA129](#), paragraph 2.11.

<sup>36</sup> [CMA129](#), paragraph 4.1.

<sup>37</sup> [CMA129](#), paragraph 4.8.

constraints post-Merger for E-THSA and H-THSA. However, they have also formally conceded the THSA SLC.<sup>38</sup>

### 5.3.1.2 Shares of supply

41. The Parties submitted shares of supply estimates produced by their economic advisers.

**Table 1: Shares of supply in the supply of THSA<sup>39</sup> globally in 2022**

<b>Supplier</b>	
Safran	[20-30]%
Collins	[40-50]%
<b>Merged Entity</b>	<b>[60-70]%</b>
Parker	[20-30]%
Moog	[5-10]%
Eaton	[0-5]%
Liebherr	[0-5]%
Nabtesco	[0-5]%
Woodward	[0-5]%
Others	[0-5]%
<b>Total</b>	<b>100%</b>

Source: CMA's analysis of Parties' submission, Annex 016 'Market Shares', 3 May 2024.

42. The above share of supply estimates show that the Merged Entity will be the largest supplier of THSA systems with a high combined share of supply of [60-70]%. The only significant competitor to the Merged Entity will be Parker with a [20-30]% share, with the remaining market comprising a tail of smaller competitors that together account for just over 10% of the market.
43. In line with the CMA's merger assessment guidance, the CMA considers that these high shares and the small number of significant players indicates that the Parties are close competitors.<sup>40</sup>

### 5.3.1.3 Third-party evidence

44. 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,<sup>41</sup> and has therefore had regard to this when discussing the

<sup>38</sup> FMN, paragraph 456.

<sup>39</sup> Excluding in-house aircraft manufacturers

<sup>40</sup> The smaller the number of significant players, the stronger the prima facie expectation that any two firms are close competitors. In such a scenario, the CMA will require persuasive evidence that the merger firms are not close competitors in order to allay any competition concerns. [CMA129](#), paragraph 4.10.

<sup>41</sup> Note of a call with a third party, March 2023, paragraph 29. See also [Office of Public Affairs | Justice Department Requires UTC to Divest Two Aerospace Businesses to Proceed with Acquisition of Rockwell Collins | United States Department of Justice](#), accessed on 28 March 2025 and [Woodward Signs Agreement to Acquire Safran's Electromechanical Actuation Business based in North America | Safran](#), accessed on 28 March 2025.

likely impact of the Merger with third parties and interpreting the evidence received from them.

45. One customer of the Parties that the CMA spoke with expressed concern that the Merged Entity would be in a dominant position post-Merger in the supply of THSA systems. However, this customer also told the CMA that Safran had explained to its customers that it was trying to find a buyer for the majority of its own THSA business prior to closing of the Merger.<sup>42</sup> As such, the CMA considers that the lack of third-party concerns raised are indicative of industry knowledge that Safran is likely to divest the majority of its own THSA business, rather than a lack of concern about the competitive impact of the Merger, absent such divestment.

#### 5.3.1.4 *Opportunity analysis*

46. The Parties submitted an analysis based on data covering formal and informal procurement opportunities that had occurred since 2013. This analysis included data for both E-THSA and H-THSA. The analysis included information on, among other things, the identity of the incumbent supplier(s), winning bidder(s) and other participating bidders in this period.<sup>43</sup>
47. The Parties explained that due to the nature of the market, there are only a limited number of opportunities.<sup>44</sup> The Parties also explained that THSA system suppliers may be involved at the RFI stage of a formal tender (which, as outlined in paragraph 20, may involve discussions on the technological specifications to be used in later stages of the tender) but not included in the opportunities analysis data because they did not participate in the RFP stage.<sup>45</sup> The CMA therefore observes that the opportunity analysis submitted by the Parties does not capture competitive interactions that take place prior to the RFP stage of a formal tender, including but not limited to competition that takes place at the research and development phase and engagements with potential customers that inform their ultimate choice on technological specifications.
48. Notwithstanding these limitations in the opportunity data, the CMA's analysis of the data suggests that there are very few other competitors for THSA systems and that the Parties do encounter each other frequently relative to these other competitors. Both Parties won contracts for opportunities in which they directly competed against each other. The only other suppliers that the Parties competed against as frequently as each other were Moog and Parker. The Parties'

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<sup>42</sup> Note of a call with a third party, March 2023, paragraph 29.

<sup>43</sup> Parties' submission, Annex 010 'Annex 010 - Bidding Data Methodology and Analysis (prepared by Compass Lexecon)', 1 May 2024, and Parties' submission, Annex 011 'Annex 011 - THSA Bidding Data', 1 May 2024.

<sup>44</sup> Parties' submission, Annex 010 'Annex 010 - Bidding Data Methodology and Analysis (prepared by Compass Lexecon)', 1 May 2024, paragraph 3.3. Of the [3<] THSA opportunities identified by the Parties, only [3<] opportunities were accessible to third-party suppliers (ie non-captive supply), and of these, only [3<] had proceeded to contract award.

<sup>45</sup> Parties' submission, Annex 010 'Annex 010 - Bidding Data Methodology and Analysis (prepared by Compass Lexecon)', 1 May 2024, paragraph 2.7(c).

commentary on the opportunity data also suggests that there may be barriers for additional suppliers to effectively compete that arise from customers infrequently switching suppliers.

### **5.3.2 Conclusion on theory of harm 1**

49. The CMA considers that the above evidence shows that the Parties are two of only a few suppliers of THSA systems and are close competitors. The Merged Entity would have a high market share, with very few material competitive constraints. Accordingly, the CMA found that the Merger raises competition concerns as a result of horizontal unilateral effects in the supply of THSA globally, including in the UK.
50. As explained at paragraph 9 above, Parties accept that the test for reference of this Merger is met on the basis that there is sufficient evidence to indicate that the Merger gives rise to a realistic prospect of an SLC arising from horizontal unilateral effects in relation to the supply of THSA globally, including in the UK.

## **6. ENTRY AND EXPANSION**

51. Entry, or expansion of existing firms can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. The CMA will consider entry and/or expansion plans of rivals who do so in direct response to the merger as a countervailing measure that could prevent an SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.<sup>46</sup>
52. The Parties did not make detailed submissions on any countervailing factors. Based on the evidence the CMA has seen, the CMA does not consider it plausible that entry and/or expansion would be timely, likely or sufficient to offset the substantial lessening of competition brought about by the Merger.

## **7. OTHER THEORIES OF HARM CONSIDERED**

53. The Parties also overlap in the supply of: (i) primary flight control actuation systems; (ii) secondary flight control actuation systems; (iii) thrust reverser actuation systems; (iv) missile actuation systems; and (v) valves for space launchers. The Parties are also vertically related in relation to the provision of nacelle door actuation systems.

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<sup>46</sup> [CMA129](#), paragraph 8.31.

54. No third party raised any concerns with regards to these products, and customers considered that following the Merger sufficient remaining providers of these products would remain.
55. On the basis of the third-party evidence gathered by the CMA, as well as 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 in these areas.

## **8. CONCLUSION ON SUBSTANTIAL LESSENING OF COMPETITION**

Based on the evidence set out above, the CMA believes that it is or may be the case that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in the supply of THSA globally, including in the UK.



## DECISION

56. Consequently, the CMA believes that it is or may be the case that (i) arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and (ii) the creation of that situation may be expected to result in an SLC within a market or markets in the United Kingdom.
57. The CMA therefore believes that it is under a duty to refer under section 33(1) of the Act. However, the duty to refer is not exercised whilst the CMA is considering whether to accept undertakings under section 73 of the Act instead of making such a reference.<sup>47</sup> The Parties have until 4 April 2025<sup>48</sup> to offer an undertaking to the CMA.<sup>49</sup> The CMA will refer the Merger for a phase 2 investigation<sup>50</sup> if the Parties do not offer an undertaking by this date; if the Parties indicate before this date that they do not wish to offer an undertaking; or if the CMA decides<sup>51</sup> by 11 April 2025 that there are no reasonable grounds for believing that it might accept the undertaking offered by the Parties, or a modified version of it.

**Naomi Burgoyne**  
**Senior Director, Mergers**  
**Competition and Markets Authority**  
**28 March 2025**

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<sup>47</sup> Section [33\(3\)\(b\)](#) of the Act.

<sup>48</sup> Section [73A\(1\)](#) of the Act.

<sup>49</sup> Section [73\(2\)](#) of the Act.

<sup>50</sup> Sections [33\(1\)](#) and [34ZA\(2\)](#) of the Act.

<sup>51</sup> Section [73A\(2\)](#) of the Act.