



## **MEDIA RELEASE**

**1 August 2016**

### **AIRCRAFT MAINTENANCE: CCS APPROVES PROPOSED JOINT VENTURE BETWEEN AIRBUS SERVICES ASIA PACIFIC AND SIA ENGINEERING COMPANY LIMITED**

1. The Competition Commission of Singapore (“CCS”) has cleared the proposed joint venture between Airbus Services Asia Pacific Pte. Ltd. (“ASAP”) and SIA Engineering Company Limited (“SIAEC”) (collectively referred to as the “Parties”) (the “Proposed JV”). CCS has concluded that the Proposed JV is unlikely to substantially lessen competition for the global supply of heavy maintenance services to commercial aircraft in Singapore.
2. CCS notes that while the Parties’ activities overlap in maintenance, repair and overhaul services, the scope of the Proposed JV is limited to heavy maintenance services. In the Proposed JV, the Parties will operate their own hangar facility in Singapore and provide heavy maintenance services<sup>1</sup> for certain Airbus aircrafts to customers in the Asia Pacific region.<sup>2</sup> CCS also notes that the supply is global as customers are flexible in terms of the location of heavy maintenance service providers.
3. After reviewing the Parties’ submissions and feedback from customers and competitors, CCS concluded that the Proposed JV will not infringe section 54 of the Competition Act.
4. In clearing the Proposed JV, CCS found that:
  - a) There are sufficient alternative providers<sup>3</sup> of heavy maintenance services to Singapore customers globally;
  - b) Barriers to entry and expansion are not insurmountable. While substantial capital investments are needed, there have been several recent new entries as well as expansions by current players;
  - c) Customers such as the major airlines have strong bargaining power; and

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<sup>1</sup> Heavy maintenance involves a detailed inspection of the airframe and certain components, including any applicable corrosion prevention programmes and comprehensive structural inspection and overhaul of the aircraft. Heavy maintenance services include “C” and “D checks”, airframe checks or modifications, cabin competitions and modifications and ancillary services.

<sup>2</sup> In respect of Singapore, the Proposed JV will provide heavy maintenance services to Airbus A380, A350 XWB and A330 aircrafts.

<sup>3</sup> For example Lufthansa Technik, AFI/KLM, ST Aerospace, Ameco Beijing, HAECO, AAR Corp and Evergreen Aviation Technologies Corp.

- d) The Proposed JV is unlikely to be able to take advantage of Airbus Group's status as the aircraft manufacturer to prevent competition in heavy maintenance services, as customers (i.e. airlines) are in possession of the repair manuals.
5. More information on the clearance decision for the proposed acquisition will be available in due course under "Public Register – Mergers & Acquisitions" on the CCS website (<https://www.ccs.gov.sg/public-register-and-consultation/public-register/mergers-and-acquisitions>).

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### **About The Competition Commission of Singapore (CCS)**

CCS is a statutory board established under the Competition Act (Chapter 50B) on 1 January 2005 to administer and enforce the Act. It comes under the purview of the Ministry of Trade and Industry. The Act empowers CCS to investigate alleged anti-competitive activities, determine if such activities infringe the Act and impose suitable remedies, directions and financial penalties.

### **About the Section 54 Prohibition under the Competition Act & Merger Procedures**

Section 54 of the Act prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition in Singapore.

CCS is generally of the view that competition concerns are unlikely to arise in a merger situation unless:

- The merged entity has/will have a market share of 40% or more; or
- The merged entity has/will have a market share of between 20% to 40% and the post-merger combined market share of the three largest firms is 70% or more

Merging entities are not required to notify CCS of their merger but they should conduct a self-assessment to ascertain if a notification to CCS is necessary. If they are concerned that the merger has infringed, or is likely to infringe, the Act, they should notify their merger to CCS. In such cases, CCS will assess the effect of the merger on competition and decide if the merger has resulted, or is likely to result, in substantial lessening of competition in Singapore. CCS will endeavour to issue a decision within 30 -120 working days, depending on case complexity.

In the event that CCS makes an unfavourable decision, CCS has the power to issue directions to remedy, mitigate or eliminate the adverse effects arising from the merger situation.

For more information, please visit [www.ccs.gov.sg](http://www.ccs.gov.sg)

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