



MEDIA RELEASE

10 December 2015

PROPOSED MERGER OF AIRFIELD LIGHTING SUPPLIERS: CCS CONSULTS ON COMMITMENTS PROVIDED BY PARTIES TO ADDRESS COMPETITION CONCERNS

1. The Competition Commission of Singapore (“CCS”) is conducting a public consultation from 10 December to 23 December 2015 and invites interested parties to provide feedback on the proposed commitments by ADB BVBA (“ADB”) (“Proposed Commitments”) in relation to concerns raised by CCS in ADB’s proposed acquisition of Safegate International AB (“Safegate”) from Fairford Holdings Private AB (“Fairford”) (the “Proposed Transaction”).¹
2. CCS had earlier raised competition concerns on the Proposed Transaction following the completion of its Phase 1 review in [August 2015](#).
3. Specifically, the Parties are direct competitors in the supply of airfield lighting (“AFL”) systems in Singapore.² ADB’s stable of brands for AFL systems includes ADB, LUCEBIT and ERNI. Safegate’s stable of brands for AFL systems includes Safegate, Thorn and Idman. The Parties account for a significant market share in the supply of AFL systems in Singapore, and they may be each other’s closest competitor. If the merger were to proceed, other AFL suppliers may also face difficulties entering the market in the short to medium term due to customers’ extensive testing requirements. The Proposed Transaction may therefore significantly reduce the level of competition in the affected markets in the short to medium term, and may lead to price increases and deterioration in quality and/or technical support.

¹ CCS received a joint notification for decision on 23 June 2015 from ADB, Safegate and Fairford in relation to the ADB’s proposed acquisition of 100 per cent of the shares of Safegate from Fairford. The notification was made in relation to section 54 of the Competition Act which prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition within any market in Singapore.

² AFL Systems comprise AFL Lights, AFL Power Solutions, AFL C&M System, AFL Design, AFL Services and AFL System Integration.

4. The Parties have now proposed commitments to address the potential competition concerns that have been identified in lieu of proceeding to a detailed Phase 2 review.

5. The competition concerns and the Proposed Commitments to address them are set out below:

a) **The Parties may increase prices significantly post-merger due to a substantial reduction of competition in the short to medium term:** To address this interim concern, for specified periods, certain ADB and Safegate products and spare parts sold directly or indirectly to any airport operator for use in Singapore will be subject to price ceilings which are calculated based on a formula, where the price ceilings are adjusted in accordance with inflation/deflation indices.

b) **The Parties may reduce the supply of spare parts and technical support to customers:** The Parties commit to supply all required spare parts for specific products sold to any airport operator for use in Singapore for a period of 10 years from the completion of the Proposed Transaction. The Parties will also supply any technical support required for these products to the airport operators.

c) **The Parties may “lock in” third party contractors and suppliers in Singapore using exclusive agreements such that competing AFL system suppliers are unable to find suitable partners to enter the Singapore market:** To facilitate entry, for the period of four (4) years commencing from the completion of the Proposed Transaction, the Parties commit not to enter into any agreements with any third party contractor or supplier in Singapore which expressly prevent or have the effect of preventing third party contractors or suppliers from carrying, promoting or offering alternative competing products and services.

d) **The Parties may retroactively terminate or jeopardise agreements that have been concluded before the completion of the Proposed Transaction:** To address this concern, the Parties commit to ensure that any contracts or agreements relating to the sale of specific products entered into between ADB, Safegate or a third party³ and an airport operator in Singapore on or before the completion date of the Proposed Transaction shall continue in full force and effect after that.

³ Third party refers to any intermediary, partner, contractor, agent, distributor, supplier, service provider or other contractual counterparty of ADB and/or Safegate in Singapore.

e) **Ensuring compliance with Proposed Commitments:** To enable CCS to effectively monitor ADB's compliance with the Proposed Commitments, the Parties shall provide to the CCS an independent audit report on a regular basis.

Public Consultation

6. CCS now seeks feedback to assist its consideration of the Proposed Commitments and its determination of whether they will sufficiently address the potential competition concerns arising from the Proposed Transaction. Following the public consultation, CCS will decide whether to accept or reject the Proposed Commitments.

7. More information on the public consultation can be accessed and downloaded from the CCS website at www.ccs.gov.sg under the section "[Public Register and Consultation](#)". The closing date for submissions is **23 December 2015**. If the submission/correspondence contains confidential information, please also provide CCS with a non-confidential version of the submission or correspondence.

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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.

For more information, please visit www.ccs.gov.sg.

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Annex 1

Phase 1 and Phase 2 Merger Review

Set out below is a description of the Phase 1 and Phase 2 merger review conducted by CCS. Further details can be found in the *CCS Guidelines on Merger Procedures 2012*.

A Phase 1 review entails a quick review and allows merger situations which do not raise competition concerns under the section 54 prohibition to proceed. CCS expects to complete a Phase 1 review within 30 business days. By the end of this period, CCS will determine whether to issue a favourable decision and allow the merger situation to proceed. If CCS is unable, at the end of the 30-day period, to conclude that the merger situation will not result in a substantial lessening of competition, CCS will inform the merger parties and the merger parties may file Form M2. Upon receipt of Form M2, CCS will proceed to a Phase 2 review.

A Phase 2 review entails a more detailed and extensive examination of the merger situation. While the principles of substantive assessment are the same, CCS will require access to more extensive and detailed information regarding the merger parties and the markets in question.

As the Phase 2 review is more complex, CCS will endeavour to complete a Phase 2 review within 120 business days.

Commitments

Section 60A of the Act states that CCS may, at any time before making a decision as to whether the section 54 prohibition has been or will be infringed, accept commitments that remedy, mitigate or prevent the substantial lessening of competition or any adverse effect arising from the merger situation. Where CCS has accepted a commitment, CCS will make a favourable decision. Further details can be found in the *CCS Guidelines on Merger Procedures 2012*.