



MEDIA RELEASE

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CCS Approves Proposed Joint Venture between CAE International Holdings Limited and Singapore Airlines Limited

The Competition Commission of Singapore (“**CCS**”) has cleared the proposed transaction through which CAE International Holdings Limited (“**CAE**”) and Singapore Airlines Limited (“**SIA**”) (together “**the Parties**”) will create a full function joint venture company that will establish, develop and operate a commercial flight training centre in Singapore to offer type-rated¹, recurrent², and conversion pilot training, for B744, B777, B787 and B737MAX (the “**Boeing Aircraft Types**”)³ (the “**Proposed JV**”). CCS has concluded that the Proposed JV, if carried into effect, will not lead to a substantial lessening of competition in the relevant markets.

2. The relevant markets affected by the Proposed JV are:
 - a. the provision of pilot training services for the Boeing Aircraft Types in the Asia Pacific region;
 - b. the supply of training devices (including simulation software) for the Boeing Aircraft Types worldwide.
3. After reviewing the Parties’ submissions and feedback from customers and competitors following a public consultation, CCS concluded that the Proposed JV is unlikely to lead to a substantial lessening of competition within the relevant markets for the following reasons:

Market for the provision of pilot training services for the Boeing Aircraft Types in the Asia Pacific region

- a. CAE and SIA are not actual competitors at present, as SIA mainly uses its capacity for internal training and does not actively provide training services to third parties. However, the Parties can be considered to be potential competitors, as SIA’s excess capacity could be used to provide pilot training services to third parties. In this regard, the Parties do not have a high

¹ Type-rated pilot training enables a pilot to operate a specific type of aircraft.

² Recurrent training enables a type-rated pilot to retain the necessary license endorsements for that specific type of aircraft.

³ The Proposed JV may offer training for other Boeing aircraft platforms.

combined market share in the markets for the provision of pilot training services, segmented by the Boeing Aircraft Types in the Asia Pacific region;

- b. The Proposed JV would likely result in an increase in the capacity made available to third parties both within Singapore and in the Asia Pacific region and could increase competition for the provision of pilot training services for the Boeing Aircraft Types, given that SIA does not actively provide training for the Boeing Aircraft Types to third parties whereas the Proposed JV intends to;
- c. The barriers to expansion are unlikely to be high as existing players such as third-party training centres can expand to meet a sudden increase in demand. Many airlines also self-supply pilot training, and are increasingly using their excess capacities to provide pilot training services to third parties in order to recover cost; and
- d. Customers have a choice of numerous training providers in the region from which they can choose.

Market for the supply of training devices for the Boeing Aircraft Types worldwide (in considering vertical effects⁴)

- e. CAE does not appear to have the market power to restrict the supply of its training devices, as there is countervailing buyer power, there are numerous suppliers of training devices worldwide and the barriers to expansion for existing competitors are not high;
- f. CAE has an interdependent relationship with its competitors, including (i) airlines and training centres, which provide pilot training but are also its customers in the purchase of training devices and simulation software; and (ii) aircraft manufacturers, which provide pilot training but are also CAE's customers and suppliers in the provision of training devices. As such, CAE has a limited incentive to restrict the supply of its training devices;
- g. The Proposed JV does not create additional incentives for CAE to restrict the supply of its training devices, given that CAE already operates a network of training centres in the Asia Pacific region; and
- h. CAE has limited incentives to restrict or slow down the updates to the simulation software specific for the training devices that it supplies, given that it sells training devices and would ultimately want its training devices to be functional.

⁴ Vertical effects can arise in mergers between firms that operate at different but complementary levels in the chain of production and/or distribution, for example, when the merged entity gains the ability and incentive to limit its competitors' access to important inputs or sales outlets.

4. In light of the considerations above, CCS has assessed that the Proposed JV will not infringe the section 54 prohibition.

5. More information about the Proposed JV, including the Grounds of Decision for the clearance, will be available in due course under “Public Register – Mergers & Acquisitions” on CCS’s website - <http://www.ccs.gov.sg/content/ccs/en/Public-Register-and-Consultation/Public-Register/Mergers-and-Acquisitions.html>.

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

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