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PUBLIC VERSION

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus […]. Where possible the information omitted has been replaced by ranges of figures or a general description.

To the notifying party

Subject: **Case M.9584 – Hutchinson / PFW Aerospace**
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004[1] and Article 57 of the Agreement on the European Economic Area[2]

Dear Sir or Madam,

(1) On 15 November 2019, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Hutchinson Holding GmbH ('Hutchinson', Germany), controlled by TOTAL S.A. (France) intends to acquire by way of purchase of shares sole control over PFW Aerospace GmbH ('PFW', Germany), within the meaning of Article 3(1)(b) of the Merger Regulation (hereinafter, the 'Transaction').[3] Hutchinson is hereinafter referred to as the 'Notifying Party' and together with PFW as the 'Parties'.

1 OJ L 24, 29.1.2004, p. 1 (the 'Merger Regulation'). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ('TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

2 OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

3 Publication in the Official Journal of the European Union No C 398, 25.11.2019, p. 5.

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1. THE PARTIES

(2) **Hutchinson** is active in the worldwide supply of premium elastomer products, including sealing solutions, vibration, acoustic and thermal insulation and fluid transfer systems for the aerospace industry.

(3) **PFW** is active in the worldwide supply of tubes and ducts for the aerospace industry, as well as aero-structure components. It is currently majority owned by Airbus.

2. THE CONCENTRATION

(4) Pursuant to a share purchase agreement dated 13 September 2019, Hutchinson will acquire 100% of the shares in PFW. The completion of the proposed Transaction will therefore result in Hutchinson acquiring sole control over PFW within the meaning of Article 3(1)(b) of the Merger Regulation.

(5) The proposed Transaction therefore constitutes a concentration pursuant to Article 3(1)(b) of the Merger Regulation.

3. UNION DIMENSION

(6) The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 000 million[4] (TOTAL S.A., including Hutchinson: EUR [200 000-300 000] million, PFW: EUR [400-450] million). Each of them has a Union-wide turnover in excess of EUR 250 million (TOTAL S.A., including Hutchinson: EUR [100 000 – 150 000] million, PFW: EUR [300 -350] million), but they do not achieve more than two-thirds of their aggregate Union-wide turnover within one and the same Member State.

(7) The notified operation therefore has a Union dimension pursuant to Article 1(2) of the Merger Regulation.

4. COMPETITIVE ASSESSMENT

(8) The Parties are both active in the production and supply of tubes and ducts for air and fluid conveyance systems in the aerospace industry. The Parties also supply hoses to the aerospace industry, though PFW only resells limited volumes procured from third parties.[5] Likewise, the Parties supply a limited range of other – and different – connectors.[6]

(9) Tubes and ducts are typically used in the aerospace industry for either high-pressure applications (e.g. hot air and air conditioning systems, mufflers and bleed air routings) or low-pressure applications (e.g. transportation of air, water and fuel).

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4 Turnover calculated in accordance with Article 5 of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C 95, 16.4.2008, p. 1).

5 In 2018, Hutchinson produced and supplied hoses accounting for sales below EUR [0-10] millions, and PFW resold hoses for less than EUR [0-10] million.

6 Hutchinson supplies clamps and brackets, whereas PFW only supplies connectors for the Airbus A350 wing fuel system.

Likewise, they can be manufactured by using either metallic or non-metallic (composite/thermoplastic) materials. The overlap between the Parties' activities relates in essence to non-metallic/composite tubes, which are used primarily for low-pressure applications.

(10) In addition, Hutchinson and PFW manufacture and supply other aircraft components. According to the Parties, however, these components are distinct and independent from each other. In particular, the Notifying Party submits that the aero-structures supplied by PFW are not linked to any of the components supplied by Hutchinson, and that they are not part of common sub-systems.[7]

(11) The Notifying Party therefore submits that there is no overlap between the Parties' product portfolios in relation to other aircraft components, as apparent from Figure 1.

Figure 1 – Other aerospace components supplied by the Parties

Aerostructures		
Product	**Target**	**Acquirer**
Inboard Flap	X	
Belly Fairing	X	-
APU Compartment	X	-
Floor Structure	X	-
Tanks	X	
(Thermal and Acoustic Insulation)[28]	-	X
(Cockpit and Cabin Furniture)[29]	-	X
(Ice Protection System)[30]	-	X

Source: Form CO, paragraph 105.

(12) The Commission's market investigation did not reveal horizontal or vertical overlaps between the Parties with respect to any of the products listed in Figure 1. In contrast, the market investigation revealed the existence of a vertical relation between Hutchinson's production of aerospace seals and PFW's activities, as discussed further below in Sections 4.1.1.6 and 4.2.2.2.

(13) As a result, the competitive assessment of the Transaction will address the horizontal overlap between the Parties' activities in the supply of aerospace tubes and ducts, as well as the vertical link with regard to of aerospace seals since Hutchinson is a manufacturer and supplier of elastomer-based seals, including for the aerospace industry, while PFW is a customer of seals' providers.

4.1. Market definition

4.1.1. Product markets

(14) The Notifying Party submits that the relevant product market for the purpose of assessing the horizontal overlap between the Parties' activities, which pertains essentially to the supply of non-metallic tubes, is that of aerospace tubes and ducts combined, including hoses and other components necessary for the connection of the

7 Form CO, paragraphs 104-106.

tubes and ducts to a system. However, the Notifying Party also suggested a number of alternative segmentations, which will be discussed throughout this section. The various segmentations discussed below are therefore merely alternative inasmuch as they aim to frame in different ways the assessment of the horizontal overlap brought about by the Transaction in relation to non-metallic tubes.

4.1.1.1. Tubes and ducts

(15) In previous decisions, the Commission has considered that each aerospace component is a market in itself essentially on the basis that each component performs a distinct and vital function in the operation of the aircraft type it is used for, and is airframe-specific (that is to say, engineered for a specific aircraft platform).[8]

(16) The Notifying Party submits that the relevant product market in the present case is that of aerospace tubes and ducts combined, including hoses and other components (e.g. connectors) necessary for the connection of the tubes and ducts to a system.[9]

(17) Alternatively, the Notifying Party submits that aerospace tubes (including hoses) on the one hand, and ducts (and other connectors) on the other hand, could constitute separate relevant product markets.[10] In any event, the Notifying Party is of the view that the exact product market definition can be left open, as no competition concerns arise under any alternative product market definition.[11]

(18) In its investigation, the Commission inquired into a possible segmentation between the supply of aerospace tubes, on the one hand, and aerospace ducts, on the other hand.

(19) The majority of respondents to the Commission's market investigation that expressed an opinion on this point indicated that tubes and ducts for air and fluid conveyance in the aerospace industry constitute separate product markets, and are sourced separately.[12]

(20) In any event, for the purpose of this decision, the exact product market definition with respect to tubes and ducts can be left open, as the outcome of the competitive assessment would be the same under any plausible alternative product market definition, i.e., irrespective of whether tubes and ducts are considered to belong to one or separate markets.

4.1.1.2. Tubes and hoses

(21) In the past, the Commission has considered that aerospace tubes and hoses constitute a single relevant product market because: (i) they convey the same function and are manufactured using the same technology irrespective of the system or the type of aircraft for which they are designed; and (ii) they are commonly manufactured to

8 For example, Commission decision of 1 July 2013 in Case M.6844 – *GE/Avio*, paragraph 17 (and references provided there).

9 Form CO, paragraph 79.

10 Form CO, paragraphs 84 et seq.

11 Form CO, paragraph 80.

12 Questionnaire to customers and competitors, replies to questions 4 and 4(2).

standard specifications approved by the OEM manufacturers for a range of pressure applications.[13]

(22) In its investigation, the Commission inquired into a possible segmentation between the supply of tubes, on the one hand, and the supply of hoses, on the other hand, all for air and fluid conveyance in the aerospace industry.

(23) The majority of respondents who expressed an opinion on this point also considered tubes and hoses for air and fluid conveyance in the aerospace industry to belong to the same product market, although these components tend to be procured separately. However, certain respondents argued that tubes and hoses belonged to different product markets because of the materials used, or different product characteristics.[14]

(24) In any event, for the purpose of this decision, the exact product market definition with respect to tubes and hoses can be left open as the outcome of the competitive assessment would be the same under any plausible alternative product market definition, i.e., irrespective of whether tubes and hoses are considered to belong to one or separate markets.

4.1.1.3. Ducts and connectors

(25) In previous decisions, the Commission has considered that each aerospace component is a market in itself, essentially on the basis that each component performs a distinct and vital function in the operation of the aircraft type it is used for, and is airframe specific.[15]

(26) The Notifying Party submits that ducts and other connectors constitute a single relevant product market.[16]

(27) In its investigation, the Commission inquired into a possible segmentation between the supply of ducts, on the one hand, and the supply of connectors, (e.g., flanges, clamps, end fittings or ferrules), on the other hand, all for air and fluid conveyance in the aerospace industry.

(28) The feedback received from the market investigation was mixed on this point. While a majority of respondents that expressed an opinion indicated that ducts and connectors belong to the same product market, a number of respondents indicated that these components have different product applications and characteristics.[17] Further, the majority of respondents who expressed an opinion indicated that the procurement for ducts and connectors can be carried out either separately or in combination.[18]

(29) In any event, for the purpose of this decision, the exact product market definition with respect to ducts and connectors can be left open as the outcome of the

13 Commission decision of 21 December 2017 in Case M.8425 – *Safran / Zodiac Aerospace*, para. 211.

14 Questionnaire to customers and competitors, replies to questions 5 and 5(2).

15 See, e.g., Commission decision of 1 July 2013 in Case M.6844 – *GE / Avio*, para. 17 (and references provided there).

16 Form CO, paragraphs 84 et seq.

17 Questionnaire to customers and competitors, reply to question 6.

18 Questionnaire to customers and competitors, reply to question 6(2),

competitive assessment would be the same under any plausible alternative product market definition, i.e., irrespective of whether ducts and connectors are considered part of the same or separate markets.

4.1.1.4. High-pressure vs low-pressure tubes and ducts

(30) In previous decisions, the Commission has considered that high-pressure and low-pressure components could constitute different markets, as there is limited demand-side substitutability between them.[19]

(31) The Notifying Party submits that, alternatively, high-pressure tubes, low-pressure tubes, high-pressure ducts, and low-pressure ducts could constitute separate relevant product markets.[20]

(32) The Notifying Party submits that there is no industry standard to differentiate between high- and low-pressure tubes, and high- and low-pressure ducts, although the intended application could be a reasonable criterion for differentiation (i.e. high-pressure applications include hot air and air conditioning systems, mufflers and bleed air routings, whereas low-pressure applications include transportation of air, water and fuel).[21]

(33) In its investigation, the Commission inquired into a possible segmentation of the supply of tubes and ducts for air and fluid conveyance in the aerospace industry between high-pressure and low-pressure applications.

(34) Regarding tubes, the majority of respondents who expressed an opinion on this point considered high-pressure tubes and low-pressure tubes to constitute separate product markets, in view of their different characteristics. As one respondent pointed out: "*High pressure and low pressure tubes are complementary products with distinctly different and separate technical and procurement drivers*". Another respondent indicated that: "*High and low pressure tubes can be defined as separate markets because diameter, fluid type and material construction are frequently different between high and low pressure tubes*".[22]

(35) Regarding ducts, the vast majority of respondents who expressed an opinion on this point considered high-pressure ducts and low-pressure ducts to constitute separate product markets, in view of their limited substitutability in terms of technical characteristics (e.g., resistance), design and manufacturing process.[23]

(36) However, for the purpose of this decision, the exact product market definition with respect to high-pressure vs low-pressure tubes and ducts can be left open as the outcome of the competitive assessment would be the same under any plausible alternative product market definition, i.e., irrespective of whether high-pressure and

19 See, e.g., Commission decision of 19 April 2017 in Case M.8242 – *Rolls-Royce / ITP*, paragraphs 42 and 44, although it ultimately left the question open (paragraph 47).

20 Form CO, paragraphs 87 et seq. and response to RFI 2, submitted on 9 December 2019, paragraphs 20 et seq.

21 Response to RFI 2, submitted on 9 December 2019, paragraph 20.

22 Questionnaire to customers and competitors, reply to question 7.

23 Questionnaire to customers and competitors, reply to question 8.

low-pressure tubes and ducts are considered as part of the same or distinct product markets.

4.1.1.5. Metallic vs non-metallic (composite/thermoplastic) tubes and ducts

(37) In past decisions, the Commission has considered that supply-side substitutability is limited across different materials, e.g. metals vs. composite, due to the respective equipment and know-how involved.[24] As regards demand-side substitutability, the Commission also considered that substitutability across different materials is limited, since components need to be optimised around the different characteristics of the chosen material.[25]

(38) The Notifying Party suggests that an additional segmentation between metal vs composite tubes and ducts is not industry standard but would largely (though not exactly) coincide with a segmentation between high-pressure (90% metal, 10% composite) vs low-pressure applications (30% metal, 70% composite).[26]

(39) In its investigation, the Commission inquired into a possible segmentation of the supply of tubes and ducts for air and fluid conveyance in the aerospace industry by materials, in particular between metallic and non-metallic (composite/thermoplastic) materials.

(40) The outcome of the market investigation largely confirmed the Notifying Party's view. Thus, the vast majority of respondents that expressed an opinion on this point confirmed that metallic tubes and ducts are mainly designed for high-pressure applications whereas non-metallic tubes and ducts are largely designed for low-pressure applications.[27]

(41) In any event, for the purpose of this decision, the exact product market definition with respect to metallic vs non-metallic tubes and ducts can be left open as the outcome of the competitive assessment would be the same under any plausible alternative product market definition, i.e., irrespective of whether metallic and non-metallic tubes and ducts are part of the same or distinct markets.

4.1.1.6. Aerospace seals

(42) In past decisions, the Commission has considered that several small sub-components, such as seals, coupling, check valves or caps might belong to the same product market.[28] The Commission considered that seals are a commodity product for which many applications exist.[29]

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24 See, e.g., Commission decision of 3 August 2012 in Case M.6581 – *GKN / AERO*, paragraph 24; Commission decision of 21 December 2017 in Case M.8425 – *Safran / Zodiac Aerospace*, paragraphs 92 and 203.

25 Idem.

26 Form CO, paragraphs 93, 96 and 97.

27 Questionnaire to customers and competitors, replies to questions 9 and 10.

28 See, e.g., Commission decision of 21 December 2017 in Case M.8425 – Safran / Zodiac Aerospace, paragraphs 219-221.

29 Idem, paragraph 636.

(43) For the purpose of this decision, the exact product market definition with respect to seals can be left open as the outcome of the competitive assessment would be the same under any plausible alternative product market definition, i.e., irrespective of whether seals are part of the same market as other small subcomponents (such as coupling, check valves or caps) or of a distinct market whether such distinct market be limited to aerospace applications or encompass other possible applications.

4.1.2. Geographic market

(44) In previous decisions, the Commission has considered that the relevant geographic market for the supply of aerospace components (including tubes and ducts, and aerospace seals) was global in scope due to global sourcing, significant trade flows across countries, and worldwide purchasing policies of aircraft manufacturers.[30]

(45) The Notifying Party submits that any possible relevant market(s) in the present case would be worldwide in scope.

(46) The market investigation sought to verify the appropriateness of a worldwide geographic market definition in the present case. The majority of the respondents to the market investigation that expressed a view on this point confirmed that the relevant geographic market for the supply of aerospace components, including tubes and ducts, is global.[31]

(47) Therefore, for the purpose of this decision, and in line with Commission precedents and the feedback from the market investigation, the relevant geographic market with respect to the supply of aerospace tubes and ducts and possible sub-segments, as well as for aerospace seals, is global in scope.

4.2. Competitive assessment

4.2.1. The Notifying Party's arguments

(48) The Notifying Party submits that the Transaction will not lead to a significant impediment of effective competition in any plausible relevant market.

(49) In particular, according to the Notifying Party, the relevant market is a single worldwide market for aerospace tubes and ducts, which also includes hoses or other components (e.g. connectors) necessary for the connection of the tubes and ducts to a system.[32] According to the Notifying Party, the Parties' combined 2018 market share in this market amounts to [10-20]%.[33] Therefore, the Transaction would not lead to a horizontally affected market.

(50) According to the Notifying Party, the Transaction would only result in horizontally affected markets defined at the level of aerospace tubes and sub-segments thereof,[34] namely composite tubes, tubes for high-pressure applications and tubes for low-

30 See, e.g., Commission decision of 21 December 2017 in Case M.8425 – *Safran / Zodiac Aerospace*, paragraphs 297-298.

31 Questionnaire to customers and competitors, reply to question 11.

32 Form CO, paragraphs 79 and 111.

33 Form CO, paragraph 120.

34 Form CO, paragraph 124.

pressure applications. However, the Notifying Party submits that its activities in aerospace tubes are very limited and amounted in 2018 to approximately EUR [0-10] million only, [Hutchinson's sales strategy].[35]

(51) Moreover, the Notifying Party submits that it will continue to compete with a number of established competitors on the market for tubes for the aerospace industry. These competitors include tube manufacturers such as Eaton (market share of 10-20% in aerospace tubes), Leggett & Platt (market share in aerospace tubes of 5-10%), Senior Aerospace (market share in aerospace tubes of 5-10%), Parker Aerospace (market share in aerospace tubes of 5-10%) and FMH Aerospace (market share in aerospace tubes of 0-5%). In addition, Boeing's internal tubes manufacturing capabilities would be equivalent to an estimated market share of 20-30%.[36]

(52) While the Notifying Party submits that hoses are part of the overall market for tubes and ducts, for completeness it has also provided more specific information with respect to the manufacture and supply of hoses. In relation to the manufacture and supply of hoses, in particular, the Notifying Party submits that PFW does not produce hoses and only supplies hoses to its customers in very few occasions (which it sources from third party suppliers). In 2018, PFW sourced hoses for an amount of only EUR [500 000 -1 000 000].[37] Hutchinson produces some flexible hoses for the aerospace industry but its sales only amounted to EUR [0-10] million in 2018. The Notifying Party estimates the market size for hoses to amount to at least EUR [390-410] million. This corresponds to a market share for Hutchinson of approximately [0-5]%.[38] Moreover, the Notifying Party submits that Eaton and Parker are the two key players in the market for the production and supply of hoses.[39]

(53) Therefore, the Notifying Party submits that even if hoses were to be defined as a separate product market, the Transaction would not raise any competitive concerns.[40]

(54) In relation to the manufacture and supply of connectors for the aerospace industry, the Notifying Party submits that there is no overlap between the Parties' activities. The Parties' activities in these segments are in any case limited.[41]

(55) Finally, Hutchinson is a manufacturer and supplier of elastomer-based seals, including for the aerospace industry, while PFW is a customer of seals' providers. Thus the Transaction will create a vertical link between the Parties with respect to seals.

(56) However, the Notifying Party submits that the market for aerospace seals is very large since seals are required in almost all parts of aircraft platforms. Moreover, seals can be produced in many different materials. Hutchinson's share of the worldwide

35 Form CO, paragraph 147.
36 Form CO, paragraph 158.
37 Notifying Party's response to RFI 2, question 1.
38 Notifying Party's response to RFI 2, question 1.
39 Notifying Party's response to RFI 2, question 1.
40 Notifying Party's response to RFI 2, question 1.
41 Notifying Party's response to RFI 2, question 2.

supply of aerospace seals would amount at best to [10-20]%, and PFW's 2018 purchase of seals from Hutchinson amounted to [10-20]% of its total purchases.[42]

4.2.2. The Commission's assessment

4.2.2.1. Horizontal overlap

(57) Based on the information provided by the Notifying Party, the market position of the Parties resulting from their overlap in the supply of non-metallic tubes would be as follows under the various possible alternative segmentations:

TABLE 1 - MARKET SHARES IN VALUE (WORLDWIDE - 2018)[43]				
	HUTCHINSON	**PFW**	**COMBINED**	**MARKET SIZE (EUR MILLION)**
Tubes and ducts	[0-5]%	[10-20]%	[10-20]%	[2 080-2 100]

Source: Form CO, paragraphs 132, 138, 142, 144, and Notifying Party's response to RFI 2.

TABLE 2 - MARKET SHARES IN VALUE FOR TUBES AND POTENTIAL SUB-SEGMENTS (WORLDWIDE - 2018)[44]				
	HUTCHINSON	**PFW**	**COMBINED**	**MARKET SIZE (EUR MILLION)**
Tubes only	**[0-5]%**	**[20-30]%**	**[20-30]%**	[480-500]
Metal tubes	-	[20-30]%	no overlap	[450-470]
Composite[45] tubes	**[10-20]%**	**[5-10]%**	**[20-30]%**	[20-25]
High pressure tubes	**[0-5]%**	**[20-30]%**	**[20-30]%**	[320-330]
Low pressure tubes	**[0-5]%**	**[20-30]%**	**[20-30]%**	[160-180]

Source: Form CO, paragraphs 132, 138, 142, 144, and Notifying Party's response to RFI 2.

42 Notifying Party's response to RFI 2, question 4.

43 The Notifying Party submits that the size, length and price for a set of tubes varies significantly over the various aircraft programmes. Thus, volume market shares reflecting the number of units or sets supplied does not accurately reflect the competitive position of the Parties (Form CO, paragraph 150).

44 The Notifying Party submits that the size, length and price for a set of tubes varies significantly over the various aircraft programmes. Thus, volume market shares reflecting the number of units or sets supplied does not accurately reflect the competitive position of the Parties (Form CO, paragraph 150).

45 Composite includes not only composite material, but also all other non-metallic material (Form CO, paragraph 137).

TABLE 3 - MARKET SHARES IN VALUE FOR DUCTS AND POTENTIAL SUB-SEGMENTS (WORLDWIDE - 2018)[46]				
	HUTCHINSON	**PFW**	**COMBINED**	**MARKET SIZE (EUR MILLION)**
Ducts only	[5-10]%	[5-10]%	[10-20]%	[1 580-1 600]
Metal ducts	-	[10-20]%	no overlap	[1 020-1 050]
Composite[47] ducts	[10-20]%	-	no overlap	[550-600]
High pressure ducts - metal	-	[10-20]%	no overlap	[830-850]
High pressure ducts - composite	-	-	not active	[80-100]
Low pressure ducts - metal	-	[5-10]%	no overlap	[180-200]
Low pressure ducts - composite	[20-30]%	-	no overlap	[450-470]
High pressure ducts - metal	-	[10-20]%	no overlap	[830-850]

Source: Form CO, paragraphs 132, 138, 142, 144, and Notifying Party's response to RFI 2.

(58) As apparent from Table 1, the Transaction does not lead to a horizontally affected market with respect to the worldwide supply of aerospace tubes and ducts overall. The Parties' combined market share is [10-20]% globally.

(59) As apparent from Table 3, the Transaction does not lead either to any horizontally affected market with respect to the supply of aerospace ducts irrespective of the segmentation. When considering an overall worldwide market for aerospace ducts, the Parties' combined market share amounts to [10-20]%,[48] and no overlap arises under any sub-segmentation.

(60) As apparent from Table 2, horizontally affected markets only arise with respect to the following potential alternative markets:

(a) Worldwide market for the production and supply of aerospace tubes;

(b) Worldwide market for the production and supply of composite aerospace tubes;

46 The Notifying Party submits that the size, length and price for a set of tubes varies significantly over the various aircraft programmes. Thus, volume market shares reflecting the number of units or sets supplied does not accurately reflect the competitive position of the Parties (Form CO, paragraph 150).

47 Composite includes not only composite material, but also all other non-metallic material (Form CO, paragraph 137).

48 While PFW is in the process of establishing a joint venture with Aeronautical Service srl. for the purpose of developing and manufacturing composite aerospace components and structures, the sales forecast of that joint venture would not result in a significant increase in PFW's market position in (composite) ducts in the future ([0-5]% for tubes and/or ducts and [0-5]% for composite ducts by 2024). In any event, according to the Notifying Party, it would take approximately 3 years before the joint venture is able to market such products. See Form CO, paragraph 38-40.

(c) Worldwide market for the production and supply of tubes used in low pressure applications;

(d) Worldwide market for the production and supply of tubes used in high pressure applications.

(61) However, while based on the Parties' market shares there may be four potentially affected markets, the overlap between the Parties' activities relates only to non-metallic/composite tubes. Given that composite tubes are a sub-segment of the broader market for tubes, the overlap is then also reflected in the overall market for aerospace tubes and in the sub-segments based on the applications (low-pressure applications, in particular).

(62) In turn, as can be seen from Table 2, the combined markets share of the Parties in composite tubes would remain moderate at [20-30]%.

(63) Alternatively, in a potential worldwide market for tubes, while the Parties would have a combined market share of [20-30]%, the increment brought about by the Transaction is estimated at only [0-5]%. This is because Hutchinson is not present in the manufacturing of metallic tubes and the increment comes only from Hutchinson's activities in the production of composite tubes. Given the small size of the market for composite tubes (EUR [20-25] million), the increment brought about by the Transaction in the market for tubes (size of EUR [480-500] million) is *de minimis*.

(64) Furthermore, the increment brought about by the Transaction is also very low in the sub-segments of tubes for high-pressure and low-pressure applications, with the delta amounting to only [0-5]% and [0-5]% respectively, as shown in Table 2.

(65) Therefore, the competitive interaction between the Parties is essentially limited to composite tubes used in low pressure applications. In line with the Horizontal Merger Guidelines, the relatively low level of concentration brought about by the proposed Transaction in these potential markets is *prima facie* unlikely to significantly impede effective competition.[49]

(66) Generally, the competitive interaction between the Parties appears to be limited overall. This is apparent from a list of all projects in which each of the Parties participated over the 2014-2018 period, which was submitted by the Notifying Party. It appears from that list that the Parties have virtually never competed for the same business opportunity in recent years (but for one possible occasion).[50]

(67) This is also apparent from the outcome of the market investigation. With respect to the supply of tubes and/or ducts for air and fluid conveyance in the aerospace industry, only a small minority of the respondents to the market investigation considers that Hutchinson and PFW compete with each other. Conversely, a majority of respondents expressing a view states that 'it depends'.[51] In effect, the Parties

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49 Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings, OJ C 31, 5.2.2004, page 5, paragraph 20.

50 Notifying Party's response to RFI 1, question 21.

51 Questionnaire to customers and competitors, reply to question 12

appear to have complementary capabilities and to compete only in the supply of non-metallic tubes and ducts, to a limited extent.

(68) Thus, one competitor explains that '*Hutchinson and PFW manufacture the same product made out of different material. Hutchinson provides composite ducts and PFW aluminium ducts. In low pressure and low temperature systems the parts can be replaced by each other. From a total OEM point of view the products are complementary*'.[52] Another competitor indicates that it has '*competed [with] Hutchinson and PFW as potential suppliers*' with respect to '*the procurement of non-metallic tubes and ducts*'.[53] Similarly, other competitors observe that '*PFW is primarily a metallic Tube and Duct Supplier,* [while] *Hutchinson only supplies plastic and Composite Products*',[54] and that '*PFW provides hydraulic tubes and bleed air ducting, while Hutchinson mainly provides low pressure ducts*'.[55]A major customer concurs and points out that '*Hutchinson and PFW are essentially offering different types of tubes and ducts since Hutchinson is focusing on non-metallic tubes and ducts for low-pressure applications, whereas PFW is focussing on metallic tubes and ducts for high-pressure applications*'.[56] Hence, as another customer puts it, the Parties compete '*[p]erhaps in some small cross-section of products but generally no*'.[57]

(69) Furthermore, while half of the respondents to the market investigation consider PFW to be among the top five suppliers of tubes for air and fluid conveyance in the aerospace industry, only one respondent mentions Hutchinson among the top five suppliers.[58] This is in line with Hutchinson's very small market share in the overall tubes segment ([0-5]%).

(70) Likewise, with respect to ducts, only a minority of respondents mentions PFW as one of the top five suppliers and only one respondent mentions Hutchinson. This appears to be in line with the Parties' limited individual market shares in the ducts segment, i.e., [5-10]% for Hutchinson and [5-10]% for PFW.

(71) In addition, when asked to identify the main competitors of Hutchinson for the supply of tubes and ducts, only a minority of respondents mentioned PFW.[59] When asked to identify the main competitors of PFW for the supply of tubes and ducts, only one respondent mentioned Hutchinson.[60]

(72) The results of the market investigation therefore reveal that PFW and in particular Hutchinson are not considered to be particularly strong or important suppliers of tubes and ducts for the aerospace industry. They further confirm that Hutchinson and PFW can largely be considered to be active in different tube and duct segments, namely PFW mainly in metal tubes, where Hutchinson is not present, and Hutchinson in composite tubes, where PFW is present but which is a narrow

52 Questionnaire to customers and competitors, reply to question 12.1
53 Questionnaire to customers and competitors, reply to question 12.1
54 Questionnaire to customers and competitors, reply to question 12.1
55 Questionnaire to customers and competitors, reply to question 12.1
56 Questionnaire to customers and competitors, reply to question 12.1
57 Questionnaire to customers and competitors, reply to question 12.1
58 Questionnaire to customers and competitors, replies to question 13
59 Questionnaire to customers and competitors, replies to question 14
60 Questionnaire to customers and competitors, replies to question 15

segment. Consequently, PFW and Hutchinson do not compete closely in the supply of tubes and ducts. Specifically PFW and Hutchinson also do not compete closely in the supply of tubes, as only one respondent to the market investigation mentioned Hutchinson as an important competitor to PFW in that segment.[61]

(73) Conversely, respondents to the market investigation have listed a significant number of other companies among the top suppliers for the supply of tubes and ducts,[62] confirming the Notifying Party's argument that a number of strong competitors to the merged entity will remain post-Transaction.[63] In particular, with respect to aerospace tubes, respondents to the market investigation named companies such as Eaton, Senior Aerospace, Leggett and Platt, Parker Aerospace and a number of others as top suppliers. Even more specifically, as regards composite tubes, these suppliers are also mentioned as main competitors of Hutchinson (which in the tubes segment is only active in the supply of composite tubes). Therefore, respondents to the market investigation consider that a number of competitors will remain active in the supply of composite tubes after the transaction.

(74) Finally, a majority of respondents to the market investigation expressing an opinion do not expect the Transaction to have an impact on their business or generally on the supply, price, quality or innovation of either tubes or ducts for air and fluid conveyance in the aerospace industry .[64] With respect to a potential impact on price, a competitor explains that it '*would not expect any change given that there are other competitive suppliers*'.[65] Another competitor concurs by stating that '*[t]here are many suppliers of tubes and ducts*'.[66]

(75) Other comments suggest that the Transaction may in fact strengthen competition. In particular, one of the two respondents that indicated that the Transaction would have a negative effect on their business explains that the Transaction '*unleashes PFW from the burden of ownership of Airbus which made it very difficult for PFW to act and be seen on the market as independent and competitive*' and further that '*[t]he change of ownership to Hutchinson brings big amounts of fresh capital to PFW Aerospace to make overdue changes in organisation and technology*'.[67]

(76) In view of the above, and, in particular, in light of the combined market shares and the limited increase brought about by the Transaction as well as the limited competitive interactions between the Parties in the supply of tubes and ducts, including in relation to composite tubes, the Commission considers that the horizontal overlap brought about by Transaction is not such as to raise serious doubts as to its compatibility with the internal market.

4.2.2.2. Vertical overlap

(77) One respondent to the market investigation raised the issue of the Transaction giving PFW access to Hutchinson's production of aerospace seals. Thus, for that

61 Questionnaire to customers and competitors, replies to question 15
62 Questionnaire to customers and competitors, replies to question 13
63 e.g. Form CO, paragraph 158.
64 Questionnaire to customers and competitors, replies to question 16
65 Questionnaire to customers and competitors, replies to question 18.1
66 Questionnaire to customers and competitors, replies to question 18.1
67 Questionnaire to customers and competitors, replies to question 16.1

competitor, post-Transaction '*PFW could (in)-source the seals that they currently purchase from* [the competitor] *from Hutchinson instead*'.[68] However, this concern was not echoed by any other market participant.

(78) Moreover, in response to a request for information on that point,[69] the Notifying Party submitted that the Transaction would not raise an issue for the reasons described in paragraph (55).

(79) Therefore, in particular due to the ubiquity of seals in aircraft platforms and PFW modest procurement volumes and Hutchinson's moderate market share, the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to the supply of aerospace seals.

4.2.3. Conclusion

(80) For the reasons set out in this Section 4.2, the Commission concludes that the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to the supply of tubes and ducts for the aerospace industry, or with respect to the supply of aerospace seals, including in all plausible sub-segments.

5. CONCLUSION

(81) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

For the Commission

(Signed)
Margrethe VESTAGER
Executive Vice-President

68 Questionnaire to customers and competitors, replies to question 16.1

69 Notifying Party's response to RFI 2, question 4.