



Norwegian Competition Authority
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Your reference

Our reference

Oslo, 22 December 2010

STANDARDISED NOTIFICATION OF CONCENTRATION:
CAE TRAINING NORWAY AS - RELEVANT ASSETS OF THE CHC GROUP

PUBLIC VERSION

1. Introduction

This notification is made pursuant to the Competition Act 2004, § 18 first and second sections and regulation on the Notification of Concentrations cf. §§ 1-3, and concerns the acquisition by CAE Training Norway AS, CAE UK Plc and CAE inc. of relevant assets and related contracts to operate and continue, as a stand alone business, the helicopter flight training operations from the CHC Group.

CAE Training Norway AS is a newly incorporated limited liability company under the ultimate control of CAE Inc, a Canadian company, headquartered in Montréal, Québec, Canada, and listed on the Toronto and New York Stock Exchanges. Further details of the transactions and parties hereto are given in sections 4 and 5 below.

2. Disclosure

This notification contains certain confidential, business sensitive information which are requested to be kept confidential and not granted access to by the general public.

A public version in which the confidential, business sensitive information is redacted, is enclosed hereto.

3. Notifying party/parties

3.1 Notifying party

Information

Name:	CAE Training Norway AS
Company reg. no:	995 518 597
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3.2 Notifying party's representative in Norway

Name: Advokatfirma DLA Piper Norway DA
Contact person: Kjetil Haare Johansen
Attorney in charge: Kjetil Haare Johansen
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4. Other involved companies

The relevant assets are being purchased from CHC Global Operations (2008) Inc, a Canadian company with business registration number 885710202RC0001, CHC Norway AS, Heli-One Leasing (Norway) AS, two Norwegian limited liability companies with business registration numbers 974 414 228 and 819 569 762 respectively and Heliworld Leasing Ltd and CHC Scotia Limited, two Scottish limited liability companies.

None of the shares of the above mentioned companies will be acquired, solely the relevant assets as set out below.

5. Type of concentration

The relevant assets that are being purchased from the above mentioned companies are four full flight training simulators, two of which are located in Stavanger, Norway, one in Aberdeen, Scotland and one in Richmond, British Columbia, Canada.

Hence, CAE will acquire control over CHC helicopter training centre activities in Norway, Scotland and at Richmond in Canada as a consequence of the proposed transaction. It thus amounts to a "concentration" within the meaning of the Competition Act 2004.


6. Information regarding the companies involved and companies in the same group, including their areas of activity

6.1 Notifying party

CAE Inc., to which CAE Training Norway AS belongs, is a provider of simulation and modelling technologies for integrated training solutions for the civil aviation industry and defence forces globally. Its activities cover both fixed wing aircraft and helicopters, and the product and service range offered consists of;

- training of pilots and engineers for military aircraft and helicopters,
- training of pilots and engineers for civil aircraft and helicopters,
- the manufacture and supply of military training systems for air, land and sea applications inclusive of helicopter simulators,
- the manufacture and supply of civil full-flight simulators and flight training devices for aircraft and helicopters to airlines, aircraft manufacturers and training centres.

The proposed transaction concerns the following business area; training of pilots and engineers for helicopters used for civil purposes.

CAE has a very limited presence in Norway. Prior to the proposed transaction, it has no activities in Norway in relation to training of pilots and engineers for civil helicopters or aircrafts. 

Within Europe, CAE holds an ownership interest in Rotorsim Srl, an Italian corporation active in the sale of helicopter simulators for manufacturer Agusta and helicopter training services for the Agusta helicopter types. The company is jointly controlled by Agusta and CAE.¹

CAE does not, and unlike CHC, offer any actual transportation services with helicopters, but is a specialised provider of flight training equipment and flight training services globally. Recently, it has also used significant R&D efforts in developing and offering new modelling and simulation products and technical training services for sectors such as healthcare, mining and energy.

¹ Rotorsim Srl is a full-function joint venture which was notified to the Commission under the simplified procedure on 26 January 2009, cf. Case Comp/M.5289 *Agusta/CAE/Rotorsim*

6.2 The acquisition of helicopter training centre assets of the CHC group; 2 helicopter simulators in Norway, 1 in Canada and 1 in Scotland

CHC is a Canadian privately held corporation which specialises in offshore helicopter services, which includes helicopter transportation services, search and rescue operations, helicopter flight training operations as well as maintenance, repair and overhaul services of helicopters. In Norway, CHC is first and foremost active in the field of helicopter transportation services to the offshore oil industry through CHC Helicopter Service, formerly known as Helikopter Service in Norway.

It is only the minor helicopter flight training services that form part of the transaction, CHC will continue all other operations, inclusive of the actual offshore helicopter flight service to oil and gas installations in the North Sea.

6.3 More specifically regarding the background for the concentration

Whereas CAE is a specialised flight simulator supplier and training services provider, simulator training is an ancillary service and add-on service for the CHC group. CHC does not manufacture or supply actual simulators, but offers training to its crew in their own training centres globally. They offer excess capacity to third parties who wish to train on their platforms. CHC also use third party centres to train its own crew on helicopter platforms they do not possess in their own fleet.

Given the small size of the business that is proposed to be transferred to CAE, the parties to the transaction are of the view that the services will generally be more efficiently handled and be of a higher quality by a specialised service provider such as CAE.

7. Turnover and operating results in Norway

7.1 Overview

Company	Turnover in Norway MNOK – FY 2010	Operating results Norway MNOK – FY 2010
<u>CAE</u>		
<u>CHC</u>		

7.2 Other relevant information

As the turnover figures are not readily available and public information, and as turnover allocations have been made for the purposes of determining the filing duty in Norway, operating results are not available.

For the same reasons, we kindly request that the turnover figures provided are kept confidential.

8. Markets affected by the concentration

8.1 Areas with horizontal overlap

Only CHC offers helicopter transportation services and only CAE offers to sell full flight helicopter simulators. The parties are, however, both active globally in the area of offering training services for various types of helicopters.

Training on helicopters can either be done on the helicopter (so-called in-flight training) or in a full flight helicopter simulator. This transaction concerns the latter market segment only. In-flight training makes up the vast majority of the total helicopter training services market, whereas simulator training represents a smaller fraction of the overall market. The notifying party submits the market covers both in-flight helicopter and full-flight simulator based training.

In previous cases, cf. Case IV/M.1516 *Thomson-CSF/Eurocopter* and Case M.5289 *Agusta/CAE/Rotorsim*, the exact definitions of the product and geographic market(s) were left open.

If the Norwegian Competition Authority (NCA) should take the view that there is a separate market for full flight simulator training, the narrowest possible product market definition would be to view each helicopter type as a separate market. The reason for this is that training has to be done on the specific type of helicopter, not any type of helicopter.² Furthermore, the narrowest possible geographic market definition would be to view each country as a separate market. In such a scenario, there would be no overlap between the parties to the transaction.

If there is a separate market for civil helicopter training services, i.e. not being confined to each type of helicopter, but all civil helicopter types grouped together or by category of helicopter (whether light, intermediate or heavy), the combined market share of CHC and CAE would be below [REDACTED] %.

The notifying party does not believe that military full flight helicopter simulator training or in-flight training on military helicopters should be mixed with civil training as there is limited substitutability between civil and military configurations and the market structure fundamentally differs, i.e. public tenders in the military segment as opposed to ordinary commercial contracting practices in the civil segment.

² However, training on each type of helicopter can be made in-flight or simulator based.

8.2 No affected market

Following the above, even with alternative market definitions being applied, CAE and CHC will have a combined market share significantly lower than 20 %. Accordingly, there will be no affected market and further information is not provided.

8.3 5 most important customers – Information on markets with horizontal overlaps

In so far as the market is wider than each type of helicopter and in so far the market is wider than national, the five most important customers of each of CAE globally and those of CHC in Norway, Scotland and in Canada would be:

- CAE: [REDACTED]
- CHC: [REDACTED]

8.4 5 most important competitors – Information on markets with horizontal overlaps

In so far as the market is wider than each type of helicopter and in so far the market is wider than national, the five most important competitors would be:

- [REDACTED]

8.5 5 most important suppliers – Information on markets with horizontal overlaps

In so far as the market is wider than each type of helicopter and in so far the market is wider than national, the five most important suppliers to each of CAE globally and those of CHC in Norway, Scotland and in Canada would be:

- CAE: [REDACTED]
- CHC: [REDACTED]

9. Annual reports and annual accounts

The most recent annual reports, inclusive of annual accounts, of each of CAE and CHC are available for download at their respective webpages.

- www.cae.com
- www.chc.ca

10. Other information

The transaction was executed on 20 December 2010 and is subject to customary closing conditions. Subject to the approval of the NCA, CAE's global training network will include new training locations in Stavanger, Norway and Aberdeen, United Kingdom, as well as increased training capacity in Vancouver, Canada.

The transaction is only subject to notification in Norway.

Kind regards
Advokatfirma DLA Piper Norway DA

Kjetil Haare Johansen
Lawyer