



DETERMINATION OF MERGER NOTIFICATION M/11/026 -

AIG / AeroTurbine

Section 21 of the Competition Act 2002

Proposed acquisition by International Lease Finance Corp, of AeroTurbine Inc.

Dated 26 August 2011

Introduction

1. On 15 August 2011, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed transaction whereby American International Group, Inc. ("AIG"), through its wholly owned subsidiary International Lease Finance Corp ("ILFC"), would acquire sole control¹ of AeroTurbine, Inc. ("ATI"), a wholly owned subsidiary of AerCap Holdings N.V. ("AerCap").

The Undertakings Involved

Acquirer – AIG

2. AIG is an international insurance organisation, with headquarters in Los Angeles, California, U.S.A. AIG is active in 130 countries, including Ireland, providing property and casualty insurance services² to commercial, institutional and individual customers.³
3. ILFC is a wholly owned subsidiary of AIG, based in Los Angeles, California, USA. ILFC is involved in (i) acquiring new commercial jet aircraft and leasing them, mainly via operating leases, to airlines; (ii) providing fleet management services to investors and/or owners of aircraft portfolios; (iii) selling aircraft from its leased aircraft fleet; and (iv) providing financial services by way of asset value and loan guarantees to aircraft buyers or financial institutions.
4. ILFC Ireland Ltd, based in Dublin, is a wholly owned subsidiary of ILFC. ILFC Ireland Ltd provides the same services as its parent company including to customers such as Aer Lingus.⁴
5. For the financial year ended 31 December 2010, AIG's worldwide turnover was approximately €75,785 million, of which approximately €[...] was generated in the State, including approximately €[...] generated by ILFC Ireland Ltd.

¹ ILFC will acquire 100% of the shares of ATI.

² Casualty insurance includes for example vehicle insurance, liability insurance, theft insurance.

³ Within the State, AIG Europe, now renamed Chartis Insurance, also offers medical and rehabilitation case management services.

See <http://www.chartisinsurance.com/ie-home_1029_219999.html>.

⁴ See <<http://www.ilfc.com/westeurope.htm>>.

ATI – The Target

6. ATI is a wholly owned subsidiary of AerCap, the vendor in the proposed transaction. AerCap is a global aviation company with headquarters in Schiphol, Amsterdam, The Netherlands.⁵
7. ATI, with corporate headquarters in Miami, Florida, is involved in the supply of aircraft parts and aircraft engines. ATI's activities include the sale, lease and exchange of mainly overhauled aircraft parts and overhauled aircraft engines.
8. ATI obtains many parts and engines for subsequent overhaul through the purchase of used aircraft from third parties and from the disassembly of used aircraft.
9. ATI also provides aircraft maintenance, repair and overhaul ("MRO") services for worldwide customers at its specialised MRO facility in Phoenix, Arizona, U.S.A.
10. ATI does not have a physical presence within the State but earns revenue from sales within the State.
11. For the financial year ended December 31 2010, ATI generated worldwide turnover of approximately €192 million of which approximately €[...] was generated in the State.⁶

Third Party Submissions

12. No submissions were received.

Analysis

13. There is no horizontal overlap, between the activities of ILFC and ATI. ILFC is not involved in the sale, lease and exchange of overhauled aircraft parts or engines. ATI is not involved in acquiring, leasing or selling aircraft or in the provision of financial services to aircraft buyers or financial institutions.
14. It is also the case that no other subsidiaries of AerCap or AIG are involved in the same areas as ATI or ILFC.⁷

⁵ AerCap announced the sale of ATI on 3 August 2011. See <http://www.aercap.com/press/AerCap%20AeroTurbine%20Sale%20Aug%202011.htm>. Within the State, AerCap Ireland Limited is a wholly owned subsidiary of AerCap. AerCap Ireland Limited provides insurance and financial administrative services to Aircraft Lease Securitisation Limited, a special purpose limited liability company incorporated on August 10, 2005 under the laws of Jersey, Channel Islands.

⁶ Using the average ECB exchange rate for 2010, i.e., \$US1 = €0.7543.

⁷ Note, however, as submitted by the parties, it is possible that AIG could be deemed to control two [...]. However, AIG control of these two entities would not materially affect the analysis in this instance.

15. There are vertical overlaps between ILFC and ATI to the extent of:
 - ATI supplying overhauled aircraft spare parts to ILFC;
 - ATI supplying MRO services to ILFC;
 - ILFC supplying used parts to ATI; and,
 - ILFC supplying used engines to ATI.
16. As submitted by the parties the vertical overlaps between ATI and ILFC, listed above, are either potential or *de minimus*. The magnitude of the overlap at present is no more than €[...]⁸ in the case of ILFC purchasing from ATI, and [...] in the case of ILFC supplying parts and engines to ATI.
17. It is also the case that there are alternative suppliers available, on a worldwide basis, for the services provided by ATI and ILFC.
18. In light of the above, the Authority considers that the proposed transaction will not raise competition concerns in any market for goods or services in the State.

Ancillary Restraints

19. As part of the proposed transaction AerCap, as vendor, has entered into non-compete and non-solicitation covenants, to apply for a duration of two years. The Authority considers these restrictions to be directly related and necessary to the implementation of the proposed transaction.

⁸ For the financial year ended 31 December 2011. Using the average ECB exchange rate for 2010, i.e., \$US1 = €0.7543.

DETERMINATION

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed transaction whereby American International Group, Inc., through its wholly owned subsidiary International Lease Finance Corp, would acquire sole control of AeroTurbine, Inc., a wholly owned subsidiary of AerCap Holdings N.V., will not be to substantially lessen competition in any market for goods or services in the State and, accordingly, the acquisition may be put into effect.

For the Competition Authority

Noreen Mackey
Member of the Competition Authority
Director, Mergers Division