



## **DETERMINATION OF MERGER NOTIFICATION M/14/015 - UTC (PRATT & WHITNEY) / BTI**

---

### **Section 21 of the Competition Act 2002**

**Proposed acquisition by United Technologies Corporation Inc. through Pratt & Whitney of Blades Technology International, Inc.**

**Dated 04 June 2014**

---

### **Introduction**

1. On 9 May 2014, 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 United Technologies Corporation Inc. ("UTC"), through its Pratt & Whitney division, would acquire sole control of Blades Technology International, Inc. ("BTI"). The notification was made jointly by UTC and BTI.

### **The Undertakings involved**

#### ***The Acquirer***

2. UTC is a multinational corporation having its headquarters in the United States of America and with subsidiaries providing high-technology products and services, mainly for the building systems and aerospace industries, in approximately 180 countries worldwide. UTC has three business units that are active on the island of Ireland in the following business areas:

- aerospace and defence products and aftermarket services (UTC Aerospace Systems);
- helicopters for commercial and military use (Sikorsky); and
- building and industrial systems and related services (UTC Building & Industrial Systems, which includes UTC Climate, Controls & Security, and Otis).

3. For the financial year ending 31 December 2013, UTC had a worldwide turnover of €47,135 million and a turnover in the State of €[...].

### ***The Acquisition Vehicle***

4. Pratt & Whitney is a division of UTC and it currently owns forty-nine percent (49%) of the shares in BTI, which is a joint venture between Pratt & Whitney and a group collectively referred to as 'the Wertheimer Shareholders'<sup>1</sup>, which collectively hold the remaining fifty-one percent (51%) of shares in BTI.<sup>2</sup>

### ***The Target***

5. The target is BTI, a jointly controlled joint venture, currently owned 51% by the Wertheimer Shareholders and 49% by UTC, through its Pratt & Whitney Division.
6. BTI is a Delaware corporation, with most of its operational business located in Israel. Through its subsidiaries, Blades Technology Limited ("BTL") and Turbine Jet Limited, both located in Israel, and Precision Components Inc., located in the USA, BTI is active in the production of turbine and compressor airfoils (blades and vanes)<sup>3</sup> for industrial and aerospace applications such as power generation and aircraft engines.
7. BTI is also involved in two joint ventures, Xian Airfoil Technology Company Limited ("XAT")<sup>4</sup>, based in China, and Techjet Aerofoils Limited<sup>5</sup>, located in Tefen, Israel.
8. For the financial year ending 31 December 2013, BTI had a worldwide turnover of €312.5 million and a turnover in the State of €[...].

### **Rationale for the Proposed Acquisition**

9. According to the parties the proposed transaction will result in UTC, through its Pratt & Whitney division, acquiring the Wertheimer Shareholders' stake in BTI and therefore ending up holding 100% of

---

<sup>1</sup> Consisting of Wertheimer Company Limited, Iscar Aerospace Limited, R.R.M. 44 Limited and Stefan Wertheimer.

<sup>2</sup> Pratt & Whitney, through its subsidiary Pratt & Whitney Ireland Holdings, also owns 51% of PWA International Limited [...].

<sup>3</sup> A blade is a rotating airfoil, whilst a vane is a stationary airfoil.

<sup>4</sup> XAT is a joint venture between BTI (33%), United Technologies International Corporation (a subsidiary of UTC (18.87%)), and Xian Aero-Engine Group Limited, PRC (48.13%).

<sup>5</sup> Techjet is a joint venture between BTL, Rolls-Royce ("RR") and the Wertheimer Shareholders, in which RR holds an equity share of 50%, while BTL and the Wertheimer Shareholders hold stakes of 49% and 1%, respectively.

the shareholding of BTI and thus moving from having joint control over BTI to having sole control over BTI.

### **Third Party Submissions**

10. No submission was received.

### **Late Notification**

11. The proposed transaction was notified to the Authority pursuant to the Wertheimer Shareholders exercising a Put Option Exercise Notice on 7 April 2014. Although the notification was not made within the one month period provided for in section 18(1) of the Act, the parties have apologised for the delay, which according to them was mainly caused due to a delay in reaching a common view on certain aspects of the transaction [...]. The notification was further delayed by a national holiday in Israel delaying final approval and signature by the parties.
12. Although the parties technically breached section 18(1) of the Act, which in terms of section 18(9) of the Act constitutes an offence, the Authority accepts the fact that the parties did not intentionally delay the notification of the proposed transaction. In fact, the parties were in telephonic contact with the Authority and paid the notification fee and sent in an electronic copy of the Merger Notification Form a day before making the formal notification to the Authority. The Authority will therefore not pursue the delay in making the notification any further in this particular case.

### **Analysis**

13. While there is no significant horizontal overlap between UTC (and its business units) and BTI in the State, both parties are active in the sale of aero engine parts to customers in the State. UTC, through its Pratt & Whitney division's involvement in PWA International Limited, made sales [...]. BTI's wholly owned Israeli subsidiary, BTL, in 2013 had a small amount of sales of aero engine parts in the State, amounting to €[...]. The Authority is of the view that the level of sales of aero engine parts by the parties into Ireland is not enough to raise any substantial competition concerns.

14. BTI is active in the State, through its joint venture, XAT, in the sale of semi-finished (forged and/or machined) components of orthopaedic implants (e.g. hip replacements) to a single customer, namely, medical devices company Stryker Medical. Neither UTC, its Pratt & Whitney division, nor any of its business units in the State are active, either directly or indirectly, in the production and/or supply of medical devices and/or components. Nor is there basis for concerns about vertical issues or potential competition.
15. In light of the above, the Authority considers that the proposed transaction will not raise any competition concerns in any market for goods or services in the State.

### **Ancillary Restraints**

16. In the Ancillary Restraints section of the Merger Notification Form which asks notifying parties to provide details of any arrangements constituting restrictions which they believe are directly related and necessary to the implementation of the proposed transaction, the parties responded "Not Applicable". However upon analysing the proposed transaction, the Authority discovered that the particular agreement included non-competition and non-solicitation obligations [...].
17. Since the parties notified the Authority that ancillary restraints were not applicable and since BTI's only significant sales in the State are of medical devices, which is in fact a by-product of BTI's primary business and since UTC is not engaged in the medical device business, the Authority considers that it does not need to come to a view in relation to any ancillary restraints in this matter.

## **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 United Technologies Corporation Inc. through its Pratt & Whitney division, would acquire Blades Technology International, Inc. will not be to substantially lessen competition in any market for goods or services in the State and, accordingly, that the acquisition may be put into effect.

**For the Competition Authority**

**Stephen Calkins**

**Member of the Competition Authority**

**Director, Mergers Division**