25/F Vertis North Corporate Center I,
North Avenue, Quezon City 1105
www.phcc.gov.ph
queries@phcc.gov.ph
(+632) 8771 9722
(+632) 8771 9713

IN THE MATTER OF THE PROPOSED ACQUISITION BY AVOLON ACQUISITIONS HOLDINGS LIMITED OF 100% OF THE SHARES OF STOCK OF CASTLELAKE AVIATION LIMITED
x---x

MAO Case No. M-2024-018

COMMISSION DECISION NO. 02-M-2025

This refers to the proposed acquisition by Avolon Acquisitions Holdings Limited (Avolon) of 100% of the shares of stock of Castlelake Aviation Limited (CA Limited) (hereinafter shall be collectively referred to as the Parties). The Parties submit this acquisition (the Transaction) to the Philippine Competition Commission (the Commission) for review.[1]

Upon careful review of the existing market conditions, various submissions and representations of the Parties to the Commission, application of the Philippine Competition Act (PCA) and its Implementing Rules and Regulations, related issuances and regulatory frameworks, and based on the findings and recommendation of the Mergers and Acquisitions Office (MAO), the Commission finds that the Transaction will not likely result in substantial prevention, restriction, or lessening of competition in the relevant markets for the reasons discussed below.

The Parties and the Transaction

Avolon is a newly formed entity established for purposes of the Transaction.[2] It is a wholly owned subsidiary of Avolon Holdings, a corporation engaged in leasing and lease management services to airlines and aircraft investors worldwide.

Avolon's Ultimate Parent Entity (UPE) is Bohai Leasing Co., Ltd. (Bohai). Bohai is a joint stock limited company[3] engaged in aircraft leasing, container leasing, and finance

---

1 The Philippine Competition Commission conducts reviews of mergers and acquisitions, including joint ventures, pursuant to Sections 16 and 17 of Republic Act No. 10667, otherwise known as the Philippine Competition Act (PCA), and Section 1, Rule 4 of the Implementing Rules and Regulations of the PCA.

2 Avolon was incorporated in the Cayman Islands on 2 September 2024.

3 Bohai Limited is listed on the Shenzen Stock Exchange.

leasing.[4] While Bohai has no subsidiaries in the Philippines, it has ten (10) portfolio companies engaged in aircraft leasing with Philippine assets and revenues.[5]

CA Limited is a holding company[6] engaged in the business of dry leasing aircrafts. Through its subsidiaries,[7] CA Limited acquires newer generation and mid-life commercial aircrafts via sale and leaseback transactions and provides other aircraft financing solutions to airline customers.[8] It leases [redacted] aircrafts to [redacted], its lone customer in the Philippines. CA Limited's funds are managed by Castlelake Aviation LLC (CA LLC), which is controlled by Castlelake L.P. as its investment manager (hereinafter referred to as the Castlelake Notifying Group).

CA Limited's UPEs are Rory O'Neill Revocable Trust (RO Trust) and Brookfield Corporation (Brookfield). RO Trust is a holding company established to hold, invest, manage, and distribute the property of Rory J. O'Neill, particularly on asset-based investments in aviation, real assets, and private specialty finance.[9] Brookfield, on the other hand, is a global investment firm focused on renewable power and transition, infrastructure, private equity, and real estate.[10]

On 12 September 2024, Avolon and CA Limited entered into a Share Purchase Agreement (Agreement). Under the Agreement, Avolon will acquire 100% of CA Limited's shares of stock. Post-Transaction, the control and operation of CA Limited, including the control over its aircraft portfolio,[11] will be transferred to Avolon.

The Transaction is a global transaction that requires notification with other competition agencies[12] in Colombia,[13] United States,[14] and Vietnam.[15] Pursuant to Section 3 of the

---

4 Bohai's aircraft leasing business is mainly conducted through its subsidiaries, Avolon Holdings and Tianjin Bohai Leasing Co.

5 Notifying Parties' Submissions to the MAO. The portfolio companies are all engaged in the business of aircraft leasing.

6 CA Limited was incorporated in the Cayman Islands on 6 August 2021. It conducts primary business operations in Ireland.

7 AS Air Lease 140 (Ireland) Limited, and AS Air Lease 137 (Ireland) Limited.

8 CA Limited and Subsidiaries *Unaudited Condensed Consolidated Financial Statements as of 30 June 2024 and 31 December 2023, available at:* https://www.castlelakeaviation.com/assets/documents/q2-2024-30.06.2024-castlelake-aviation-limited-financial-sta.pdf (last accessed on 04 January 2025).

9 Notifying Parties' Submissions to the MAO.

10 Brookfield Corporation is registered as a global asset manager in Ontario, Canada.

11 The aircraft portfolio to be acquired by Avolon consists of 110 aircrafts. Avolon will only have indirect control post-Transaction, since aircrafts are not directly owned by CA Limited but by its subsidiaries.

12 PCC Clarificatory Note 16-001, Definitive Agreements and Binding Preliminary Agreements in Mergers and Acquisitions (16 December 2021), *available at:* https://www.phcc.gov.ph/storage/pdf-resources/1677130894_PCC_ClarificatoryNote-16-001-Stages.pdf (last accessed 04 January 2025).

13 Cleared on 14 November 2024.

14 Cleared on 4 November 2024.

15 Cleared on 20 December 2024.

PCA,[16] the Transaction is notified to the PCC in accordance with Section 17, having breached the applicable notification thresholds.

The Relevant Market

In the review of a merger or acquisition, the Commission examines all the relevant markets[17] that may be potentially affected by the Transaction to determine whether significant harm to competition is likely to occur in any of them.[18] In identifying the relevant market, the Commission considered the overlapping lines of operations and businesses of the Parties' notifying groups.

Product Market

No vertical relationship exists due to the absence of any actual or potential supplier-customer relationship between the Parties. However, horizontal overlap lies in the leasing of aircrafts to airline companies, where Avolon and CA Limited are competitors.

Aircraft leasing is a financial agreement in which a party rents an aircraft from a lessor for a specific period.[19] There are three modes of aircraft leasing: (1) wet lease, (2) damp lease, and (3) dry lease. Wet lease includes leasing the aircraft, crew, maintenance, and insurance for the aircraft.[20] Damp lease includes leasing the aircraft, maintenance, insurance, and the cockpit crew, but does not include cabin attendants.[21] Dry lease involves only the lease of aircraft without any provision of crew, maintenance, or insurance.[22] Dry lessors primarily cater to commercial aircraft operators, who usually already have a full airline crew and ground staff.[23]

---

16 Philippine Competition Act, Section 3. *Scope and Application.* — This Act shall be enforceable against any person or entity engaged in any trade, industry and commerce in the Republic of the Philippines. It shall likewise be applicable to international trade having direct, substantial, and reasonably foreseeable effects in trade, industry, or commerce in the Republic of the Philippines, including those that result from acts done outside the Republic of the Philippines.

17 Philippine Competition Act, Section 4(k). *Definition of Terms.* – Relevant market refers to the market in which a particular good or service is sold and which is a combination of the relevant product market and the relevant geographic market, defined as follows:

> (1) A relevant product market comprises all those goods and/or services which are regarded as interchangeable or substitutable by the consumer or the customer, by reason of the goods and/or services' characteristics, their prices, and their intended use; and
> (2) The relevant geographic market comprises the area in which the entity concerned is involved in the supply and demand of goods and services, in which the conditions of competition are sufficiently homogenous and which can be distinguished from neighboring areas because the conditions of competition are different in those areas.

18 Section 2.5, PCC Merger Review Guidelines.

19 Adrian Nowakowski, *Deep Dive: The World of Aircraft Leasing,* (05 January 2023), *available at:* https://www.airwaysmag.com/legacy-posts/aircraft-leasing (last accessed on 04 January 2025).

20 Becca Rowland, *What is Wet Leasing?* (09 October 2019), *available at:* https://www.oag.com/blog/what-is-wet-leasing (last accessed on 04 January 2025).

21 Notifying Parties' Submissions to the MAO.

22 *Id.*

23 MAO's Interview with Customers.

Each mode of aircraft leasing is distinct as to its operational responsibility, purpose, duration, and cost. Under a wet lease arrangement, the lessor provides the aircraft, crew, maintenance, and insurance (ACMI). In contrast, the full operational responsibility in a dry lease falls on the lessee.[24] Damp leasing is a hybrid between a wet and dry lease, where the lessor provides the aircraft and limited crew, while the lessee oversees other aspects of operations.[25] As to purpose and duration, wet and damp leases meet seasonal demand or increase in air traffic or passengers, while dry lease contracts are long-term agreements – ranging from 6 to 12 years – that allow airline companies to scale operations.[26] Lastly, as to cost, since wet and damp leasing typically include ACMI, these are more costly due to regional costs related to labor.[27]

From the demand-side, dry lessors primarily cater to commercial aircraft operators with a full airline crew and ground staff. These operators view other types of aircraft leasing services as redundant to their operations.[28] Due to the higher costs associated with wet and damp aircraft lease agreements, customers only resort to these agreements as a temporary measure in case of emergency or to meet surges in demand.[29] Aircraft sourcing through dry leasing is also faster than wet and damp leasing.[30]

From the supply-side, lessors do not view the three modes of aircraft leasing as functional substitutes.[31] Wet and damp aircraft lessors, as distinguished from dry aircraft lessors, operate in a highly specialized and complex industry as they require an aircraft operator certificate and the expertise to manage and operate the aircraft themselves.[32]

Geographic Market

In assessing the geographic market, the Commission considered the operations of airline companies and aircraft lessors and the standardization of aircraft models.

Aircrafts are highly mobile assets that can be transferred or leased across borders with minimal constraints.[33] This gives airlines the flexibility to source their aircraft fleet from various suppliers that are based in diverse regions. To ensure cross-border interoperability, aircraft manufacturers design their aircrafts that are compliant to international standards for technology, safety, and regulation.

The International Civil Aviation Organization (ICAO), a United Nations agency, assists governments with the development of mutually recognized technical standards and

24 MAO's Interview with the Notifying Parties.
25 *Id.*
26 *Id.*
27 MAO's Interview with Customers.
28 *Id.*
29 MAO's Interview with the Notifying Parties; MAO's Interview with Customers.
30 *Id.*
31 MAO's Interview with the Notifying Parties.
32 MAO's Interview with Avolon's representatives.
33 *Id.*

global plans, consistent with international civil aviation regulations.[34] Among others, the ICAO supports the seamless movement of aircraft across borders, enabling lessors to lease aircraft in multiple countries without encountering significant regulatory obstacles.

Given the foregoing, the relevant market for this Transaction is **aircraft dry leasing in the global market.**

Competition Assessment

The Commission finds that the Transaction will not likely result in substantial prevention, restriction, or lessening of competition in the relevant market for aircraft dry leasing in the global market due to the Parties' negligible market shares and the existence of other competitors.

Pre-Transaction, Avolon holds a market share of [redacted] in the global aircraft leasing market, while the Castlelake Notifying Group merely holds [redacted] Their market shares will slightly change to [redacted] and [redacted] respectively, post-Transaction.[35]

Table 1. Pre- and Post-Transaction Market Shares in the Global Aircraft Dry Leasing Market.[36]

Company Name	Pre-Transaction		Post-Transaction	
	Aircraft Portfolio	Market Share (%)	Aircraft Portfolio	Market Share (%)
AerCap	1,829	[redacted]	1,892	[redacted]
SMBC Aviation Capital	742		742	
Avolon	**586**		**694**	
Air Lease Corporation	564		564	
ICBC Leasing	527		527	
BBAM	487		487	
BOC Aviation	461		461	
DAE Capital	421		421	
Aviation Capital Group	384		384	
Carlyle Aviation Partners	382		382	
Bocomm Leasing	303		303	
CDB Aviation	293		293	

[34] International Civil Aviation Organization, *Frequently Asked Questions*, *available at:* https://www.icao.int/about-icao/FAQ/Pages/default.aspx (last accessed on 4 January 2025).

[35] KPMG, *Lessors dominate,* (25 January 2024), *available at:* https://kpmg.com/ie/en/home/insights/2024/01/fs-aviation-leaders-report-2024/lessors-dominate-fs-aviation.html (last accessed on 04 January 2025).

[36] KPMG, *Lessors dominate,* (25 January 2024), *available at:* https://kpmg.com/ie/en/home/insights/2024/01/fs-aviation-leaders-report-2024/lessors-dominate-fs-aviation.html (last accessed on 04 January 2025).

Nordic Aviation Capital	284	[redacted]	284	[redacted]
Castlelake Notifying Group[37]	**267**		**159**	
Other Players	2644		2644	
Total	**10,174**	**100%**	**10,174**	**100%**

The Parties' market shares are not sufficient to enable them to unilaterally raise prices or decrease the quality of services for aircraft dry leasing in the global market post-Transaction. Competition would remain robust post-Transaction. There are strong competitors[38] in the market that are able to offer flexible options to customers in terms of price, quality, range, and service.

Customers' price sensitivity in an unconcentrated market, like in the aircraft dry leasing market, curbs the ability of players to unilaterally raise prices. Intense competition among multiple well-established players in the market guarantees that overall quality and range of offerings will not be compromised. This competitive dynamics in the market of aircraft dry leasing ensures that the customers will continue to benefit from favorable terms and high standards in the market.

With the Parties' minimal shares in the global market, the Transaction is less likely to affect the domestic market for dry leasing of aircraft as local airline companies can enter into dry leasing arrangements with the Parties' competitors.

The Commission also takes notice that the market remains open to additional players and continues to offer attractive opportunities for new entrants. High barriers to entry, in terms of capital requirements, do not deter entry of potential competitors or expansion of existing competitors as capital may be raised through portfolio liquidation and reinvestment.[39]

After careful review of the existing market conditions, various submissions and representations of the Parties, the application of the PCA, its Implementing Rules and Regulations, and related issuances and regulatory frameworks, the Commission finds that the Transaction is not likely to result in substantial prevention, restriction, or lessening of competition.

---

[37] Avolon will only be acquiring the aircraft portfolio within CA Limited. The Castlelake Notifying Group has other subsidiaries (Castlelake Aviation Securization and CLSec Holdings) owning aircrafts which are not included in this Transaction.

[38] KPMG, *The Age of Leasing, Aviation Leaders Report 2023,* (16 January 2023), *available at:* https://kpmg.com/ie/en/home/insights/2023/01/aviation-leaders-report-2023/the-age-of-leasing.html (last accessed on 04 January 2025).

[39] MAO's Interview with the Notifying Parties. Market investigations reveal that private equity firms that fund aircraft dry leasing entities routinely raise new capital after successfully liquidating their portfolios, and then reinvest in the sector.

ACCORDINGLY, the Commission resolves to **CLEAR** the proposed acquisition by Avolon Acquisitions Holdings Limited of 100% of the shares of stock of Castlelake Aviation Limited.

This Decision is rendered solely based on the facts disclosed, the circumstances of the Transaction known to the Commission during the review period, and documents submitted by Bohai, RO Trust, and Brookfield.

SO ORDERED.

07 January 2025.

[*Signature page follows*]

[redacted]

MICHAEL G. AGUINALDO
Chairperson

(On leave)
MARAH VICTORIA S. QUEROL
Commissioner

(On leave)
MICHAEL B. PELOTON
Commissioner

[redacted]

LOLIBETH RAMIT-MEDRANO
Commissioner

[redacted]

FERDINAND M. NEGRE
Commissioner

Copies Furnished:

Avolon Acquisitions Holdings Limited
Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands

[redacted]

Bohai Leasing Co., Ltd.
Suite 7809-13, 78/F, The Center, 99 Queen's Road, Central, Hong Kong

[redacted]

Castillo Laman Tan Pantaleon & San Jose
Counsel for Avolon Acquisitions Holdings Limited

The Valero Tower, 122 Valero Street,
Brgy. Bel-Air, Makati City
[redacted]

Castlelake Aviation Limited
1/F, 2 Cumberland Place, Dublin 2, D02
HV05, Ireland
[redacted]

Castlelake Aviation LLC
4th Floor, Century Yard, Cricket Square,
George Town, P.O. Box 31162, Grand
Cayman, KY1-1205, Cayman Islands
[redacted]

Tayag Ngochua & Chu
Counsel for Castlelake Aviation Limited
Unit 14-1, 14th Floor One/Neo, 3rd
Avenue cor. 26th Street, Bonifacio
Global City, Taguig City, Metro Manila
[redacted]

Mergers and Acquisitions Office
25th Floor, Vertis North Corporate
Center 1, North Avenue, Quezon City
mergers@phcc.gov.ph