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The Turkish Competition Board conditionally approves the acquisition of a control panel manufacturer by an elevator manufacturer, subject to behavioural commitments addressing input foreclosure risk in the elevator components market (*Innovalift / Arkel*)

July 2025 - III | e-Competitions News Issue

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The transaction concerned the acquisition of sole control over Arkel Elektrik Elektronik Sanayi ve Ticaret AŞ (“Arkel”) by Douglas Family and Companies (“Douglas”) through Investment AB Latour’s (“Investment AB”) wholly owned subsidiary Innovalift AB (“Innovalift”). The transaction was notified to the Turkish Competition Authority (the “Authority”) on 19.07.2024, and the Turkish Competition Board (the “Board”) conditionally approved the transaction within the scope of its Phase I review on 16.01.2025.

Background

Arkel is a Türkiye-based manufacturer of control panels/packages, motor drivers, battery backups and control card products under the control systems; door control cards under the door control systems; and indicator cards and other auxiliary products under the call and indicator systems. The company operates globally through subsidiaries in Spain, Germany, India, and Hong Kong, and exports to multiple regions (e.g. Middle East, Europe, and Asia).

Innovalift operates in the elevator manufacturing through its subsidiaries Aritco, Motala and Vimec, while it operates in the elevator components in Türkiye through import sales via Vega, LCP and Esse-Ti. In this context, Innovalift imports screens, buttons, fixtures and GSM.

The Board’s Substantive Assessment in terms of the Horizontal Overlaps and Vertical Relationship in Türkiye:

The Board considered that the relevant market can be defined broadly as “elevator manufacturing market”, which can be sub-segmented into “elevator

components market”. The Board also indicated that the elevator components market could be narrowly sub-segmented given that each component has different functions in the operation of an elevator, each component production contains its own unique know-how, interoperability is limited especially in terms of electronic components, and that there are undertakings specialized in the production of certain components in the elevator components market. The geographic market was defined as Türkiye. The Board identified horizontal overlaps between the activities of Arkel and Innovalift in several sub-segments of the elevator components market, including (i) the elevator control systems market – specifically its third-level sub-markets for control panels and control cards, (ii) the door control cards market as part of the door control systems market, and (iii) the indicator cards and other auxiliary products segments under the call and display systems market. The Board concluded that Innovalift’s presence in each of the relevant sub-segments was negligible. Considering the limited presence of Innovalift in the elevator components market and its sub-segments, that the market is open to import and export, there are no significant entry barriers, and the market is characterized by a supply chain in which buyers (e.g. panel manufacturers and assemblers) typically source from multiple suppliers, the Board resolved that the transaction would not lead to any horizontal competition law concerns.

The Board also identified a vertical relationship between the parties’ activities in terms of the production and sales of elevator components (upstream) and elevator manufacturing and installation (downstream). The Board did not identify any customer foreclosure concerns since Innovalift is not a significant customer for the undertakings in the upstream market. On the other hand, the Board indicated that although the calculations do not directly point out to an input foreclosure for the competitors in Türkiye even if Innovalift were to satisfy all its component needs from Arkel, in the absence of any industry report or bulk data regarding the industry, the calculations that were made based on a limited number of undertakings’ input may not be reliable. In this respect, the Board considered that it could be suitable for Innovalift to submit remedies to eliminate the input foreclosure concerns arising from

the risk of reduction of supply by Arkel into domestic market due to Innovalift's global presence.

The Board's Assessment in terms of the Behavioural Remedies:

To eliminate competitive concerns as a result of the transaction – particularly the risk of input foreclosure in the Turkish elevator components market – Innovalift submitted a set of behavioural remedies designed to ensure that Arkel would continue to serve both its existing and potential customers in Türkiye on reasonable and commercially viable sales terms that are equivalent to those currently offered to other customers, including in price, and consistent with prevailing conditions.

For Arkel's existing customers in Türkiye, Innovalift proposed continued availability of Arkel's elevator components on terms that mirror those applied to its other customers – specifically, under reasonable and commercially viable sales terms that are consistent with current market conditions, equivalent to the terms currently provided to other customers, and aligned with the prices currently offered to these customers. The commitment is, however, subject to certain qualifying conditions, including that: (i) the relevant existing customer does not breach the terms of the contract, (ii) Arkel's current production capacity and/or product stock are not adversely affected by external factors such as technical issues on production lines, strikes, raw material shortages, supply chain disruptions, or other force majeure events, (iii) no government sanctions are required to be imposed in accordance with applicable laws and/or the relevant existing customer is not blacklisted under any government sanctions, or (iv) for reasons related to reputation, ethics, or other risky characteristics, including but not limited to child labour, human rights violations, or other criminal conduct, or other risky character, provided that continuing the business relationship with the existing customer does not pose a risk to Arkel for reasons

that are not reasonably consistent with the commercial and/or competitive character of a prudent merchant. Innovalift also committed to formally communicate these protections to all Arkel's existing customers within one month following the Board's short-form approval decision.

For Arkel's potential customers in Türkiye who are willing to purchase elevator components from Arkel's product portfolio, Innovalift undertook to offer access to Arkel's product portfolio under materially identical conditions set for the existing customers of Arkel (i.e. reasonable, commercially viable, and in line with current market conditions and identical to the terms offered to Arkel's current customer base). Innovalift further agreed to submit an annual report to the Authority, due within one month of each calendar year-end. This report will include the identities of the customers to whom Arkel supplied products during the reporting period, along with the commercial conditions under which those sales were made. Innovalift submitted that the commitments will be applicable for three years starting from the date of closing.

The Board evaluated that the foregoing commitments were sufficient to eliminate the input foreclosure concerns and conditionally approved the transaction subject to the commitments as a result of its Phase I review.

Conclusion

The Innovalift / Arkel decision highlights the Board's vigilance toward vertical concerns in merger review, particularly in cases where the combined entity would enjoy a significant presence in the upstream market. One of the most notable aspects of the case is the Board's willingness to address the potential risk of domestic supply reduction stemming from the target's global integration into the acquirer's affiliate network. Innovalift / Arkel sets a valuable precedent for future merger control filings involving export-oriented undertakings with notable local market shares, suggesting that the Board may adopt an approach to ensure continuing supply to Turkish customers.

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