



CAK DECISION ON THE PROPOSED ESTABLISHMENT OF A JOINT VENTURE BETWEEN AMSTEL TRADING COMPANY LIMITED AND KINGSBOURNE ASSETS LIMITED

1. The Competition Authority of Kenya has approved establishment of a joint venture between Amstel Trading Company Limited and Kingsbourne Assets Limited unconditionally.
2. This approval has been granted based on the finding that the transaction is unlikely to negatively impact competition in the market for provision of printing and photocopy papers, nor elicit negative public interest concerns, the two key considerations during merger analysis.
3. **Amstel Trading Company Limited (Amstel)**, joint venture parent company one, is incorporated in Kenya. Amstel imports photocopy paper into the Kenyan market for sale from paper mills in Indonesia, Kingsbourne Assets Limited's affiliates.
4. **Kingsbourne Assets Limited (KAL)**, joint venture parent company two, is incorporated in British Virgin Islands. KAL is an investment holding company which owns a range of technology, expertise and intellectual property rights related to manufacturing, conversion, supplying and sales of pulp and paper products in Indonesia, through its affiliates. It has no operations in Kenya.
5. The proposed transaction involves the establishment of a full-function JV between Amstel and KAL. According to the parties, the JV will establish a paper converting facility in Kenya to manufacture photocopy paper, thereby reducing delivery time of photocopy paper into the market. The transaction will also enable Amstel expand its distribution of photocopy paper beyond the Kenyan market, specifically in the East African Community.
6. A JV is an integration of operations between two or more separate firms, in a new enterprise, known as the "JV Vehicle", and which is under the joint control of several companies referred to as parent firms who invest in the enterprise allowing it to exist as a separate business entity with direct market access.
7. JVs typically spur economic growth as a result of increased productivity and access to new markets. This ensures enhanced availability of goods and services, in terms of prices and choice. However, if JVs are not clearly delineated, they may reduce competition among the firms in the alliance, including through sharing of market-sensitive information. [Read the Joint Venture Guidelines for more information on how the Authority reviews JV transactions.](#)
8. The transaction, therefore, qualified as a merger within the meaning of sections 2 and 41 of the Competition Act CAP 504. The Act stipulates that a merger, or takeover, may occur when an undertaking directly or indirectly acquires control over another business within Kenya. This

may happen through, among others, purchase/lease of shares, exchange of shares, vertical integration.

9. Further, merging parties whose combined turnover or assets, whichever is higher, is over Ksh. 1 Billion are required to seek approval from the Authority prior to implementing the proposed transaction. The transaction between Amstel Trading Company Limited and Kingsbourne Assets Limited met this threshold for mandatory notification and full analysis as provided in the Competition (General) Rules, 2019.
10. During merger analysis, and in order to determine the impact that a transaction will have on competition, the Authority identifies the **relevant product market** as well as the **relevant geographic market**.
11. The **relevant product market** comprises products/services that are interchangeable or substitutable by the consumer due to their characteristics, prices and/or intended use. Based on this criterion, the relevant product market for the proposed transaction is the market for **for the provision of printing and photocopy papers**.
12. Determination of the **relevant geographic market** involves interrogating the area in which merging parties undertake the business and in which competition conditions are sufficiently similar. With regard to the proposed transaction, the parties distribute their products throughout the country. Therefore, the relevant geographic market is **national**.
13. The photocopy papers market is a large industry dominated by a number of suppliers and distributors who mostly import the papers from Asian countries for local resale to stationers. Some of the merchants are; International Paper & Board Supplies Ltd, The Paper House of Kenya Ltd, Transpaper Kenya, Tronik Kenya, Officemart Ltd, Plannettech, and Direct Office Technology among others. Some popular photocopy paper brands are; JK copier, Paperline, A-ONE, Spectra, Ultima, and Sappi, among others.
14. The 2023 Economic Survey indicates that the value of imported paper into the Kenyan market was Ksh. 49.3 Billion which translates to a 12.33% and 2.7% market share for KAL and Amstel, respectively.
15. One criterion of assessing a merger's impact on competition is the post-merger market share of the undertakings involved in the transaction. With regard to the proposed merger, post-merger, the JV will have a combined market share of 15% of the market for printing and photocopying paper, currently enjoyed by its parent companies.
16. The proposed transaction is unlikely to raise competition concern as its combined market share is low and the new entity will face competition from other players in the market who control 85% of the market. Additionally, the transaction will benefit the country by expanding its manufacturing capacity. Therefore, the proposed transaction **is unlikely to lead to a**

substantial lessening of competition in the market for printing and photocopying papers in Kenya.

17. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. Public interest in this case refers to various economically inclined concepts that, when considered, protect the welfare of the Public. Under the Competition Act, some of the public interest considerations are;
- a) extent to which a proposed merger would impact employment opportunities;
 - b) impact on competitiveness of SMEs;
 - c) impact on particular industries/sectors; and
 - d) impact on the ability of national industries to compete in international markets.
18. As per the parties' submissions, this transaction will not elicit negative public interest concerns. Specifically, there will be no employment loss since the JV vehicle is newly incorporated with no employees and is expected to create new job opportunities once local production commences.
19. Premised on the above, the Authority approved the **proposed establishment of a joint venture between Amstel Trading Company Limited and Kingsbourne Assets Limited unconditionally.**

Release date: 5th August, 2024