**CAK DECISION ON THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF TRANSGLOBAL CARGO CENTRE LIMITED BY CELEBI CARGO GMBH**

1. The Competition Authority of Kenya has approved the acquisition of the entire issued share capital of Transglobal Cargo Centre Limited by Celebi Cargo GMBH unconditionally. The transaction is unlikely to negatively impact competition in the market for cargo handling in Kenya, nor elicit negative public interest concerns.

2. **Celebi Cargo GMBH,** the acquiring undertaking, is an air cargo handling business. It operates at the Frankfurt Airport (FRA) and handles approximately 200,000 tonnes of cargo annually. The acquirer is not active in Kenya.

3. **Transglobal Cargo Centre Limited,** the target, is a private limited liability company incorporated in Kenya, operating under the business name Africa Flight Services (AFS). It provides ground handling services at the Jomo Kenyatta International Airport in Nairobi, Kenya.

4. The proposed transaction involves Celebi Cargo's acquisition of 100% of the shares in Transglobal Cargo. According to the parties, the proposed transaction is intended to establish the merged entity as a leading provider of ground handling and cargo services in Africa, with a particular focus on Kenya. The transaction is expected to result in increased investment in facilities, equipment, and human resources within the industry.

5. The transaction qualified as a merger within the meaning of sections 2 and 41 of the Competition Act Cap 504 of the Laws of Kenya. 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, or vertical integration.

6. Further, merging parties whose combined turnover or assets, whichever is higher, is over KES 1 Billion must seek the Authority's approval prior to implementing a merger or acquisition. The transaction between Celebi Cargo and Transglobal Cargo met the threshold for mandatory notification and full analysis as provided in the Competition (General) Rules, 2019.


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**Competition Analysis: Determination of the Relevant market**

7. 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 geographical market.

8. The relevant product market comprises products/services that are interchangeable or substitutable by the consumer due to their characteristics, prices and/or intended use. Celebi Cargo is active in air cargo handling while Transglobal Cargo provides ground handling services including operating a transit shed, warehousing, cargo handling, ramp and passenger handling. As such, the commercial activities of the parties overlap and, therefore, the relevant product market is the market for **cargo handling**.

9. Determination of the relevant geographic market involves interrogating the area in which merging parties undertake business and where competition conditions are sufficiently similar. With regard to the proposed transaction, the target's clients are spread throughout the country and, therefore, the relevant geographic market is n**ational.**

**Market for Cargo Handling Market**

10. Cargo handling is the process of moving and manging goods as they are transported through the logistics chain, from the point it arrives at a port/airport/warehouse until it is dispatcheds to its next destination. Air freight is a highly diversified business in its physical attributes and value of the cargo, as well as the wide geographic dispersion of origins and destinations of goods. The cargo may either be;

    a) A combination carrier: passenger airlines utilizing a portion of their "belly-hold" to transport cargo;
    b) An express carrier: operate their own aircraft fleet and delivery vehicles providing door-to-door services; or
    c) A number of entities with varying responsibilities which include air craft operators, express carriers, postal operators, regulated agents, consignors, consignees, hauliers and ground handlers.

11. Cargo airlines operate under various business models to serve the diverse requirements of the air freight industry. Each model offers distinct advantages, enabling cargo airlines to address specific customer needs and compete effectively within the market.

    a) Dedicated cargo airlines, such as those operated by FedEx and UPS, operate exclusively cargo flights, deploying large fleets of aircraft specifically configured for freight transportation;

b) Passenger airlines with cargo divisions utilize the belly hold capacity of their aircraft to transport cargo, thereby maximizing fleet utilization and generating additional revenue streams;

c) Cargo subsidiaries of passenger airlines operate as separate entities from their parent companies and focus exclusively on cargo transportation.

12. The competition parameters in the cargo handling industry include: global reach and network coverage, specialized services, reliability, pricing, cost structures, and sustainability initiatives.

13. Globally, top air cargo carriers include FedEx Express, UPS Airlines, Qatar Airways Cargo, Emirates SkyCargo, Korean Air Cargo, Cathay Pacific Cargo, Lufthansa Cargo, Cargolux, China Southern Airlines and China Airlines Cargo.

14. In Kenya, data from the Kenya Airports Authority (KAA) lists the major air cargo's market players as: Kenya Airways, Swissport, Menzies-Signon, Tradewind Aviation, Acceler (K) Ltd, Signon, Mechanised freight; Kuehne & Nagel, Freight Wings Ltd, DSV Panalpina, Freight In Time, Liftcargo, Perseus Forwarders, Freight Forwarders Kenya, among others. The acquirer has no business presence in Kenya.

15. The market shares of ground cargo handlers at the JKIA are provided below:

| Market Player | Exports | Imports |
|---|---|---|
| AFS (Africa Cargo Handling) – Target undertaking | 33% | 20% |
| Kenya Airways Cargo | 22% | 32% |
| Signon Group | 20% | 19% |
| Swissport | 15% | 9% |
| Mitchell Cotts | 3% | 4% |
| Jetways | - | 3% |
| Others | 7% | 6% |
| Total | 100% | 100% |

16. One criterion of assessing a merger's impact on competition is their post-transaction market share. With regard to the proposed transaction, Post-merger, the market share of the target will not change as the acquirer has no business presence in Kenya. Therefore, the structure and concentration of the market for cargo handling will not be affected. As such, the proposed transaction is unlikely to raise competition concerns.

17. From the foregoing, the proposed transaction is unlikely to substantially lessen or prevent competition in the market for air and ground handling of cargo in Kenya.

**Public Interest Considerations**

18. 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. In 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.

19. On Public Interest concerns, the proposed transaction will have no impact on: employment; It is also not expected to negatively impact competition for national industries in international markets and, the transaction will not have any direct impact on the activities of SMEs.

**Determination**

Premised on the above, the Authority approved the acquisition of the entire issued share capital of Transglobal Cargo Centre Limited by Celebi Cargo GMBH unconditionally.