

Completed acquisition by Servisair UK Limited of the regional ground handling business of Aviance UK Limited

ME/4429/10

The OFT's decision on reference under section 22(1) given on 27 May 2010.  
Full text of decision published 15 June 2010.

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## **PARTIES**

1. **Servisair UK Limited ('Servisair')** provides ground handling services at 21 UK airports. Its ultimate parent is Derichebourg SA, a leading global provider of aviation ground handling operations delivering a range of ground handling services across 148 airports worldwide.
2. **Aviance UK Limited ('Aviance')** is a subsidiary of the Go-Ahead Group, a leading UK public transport operator, and founder member of the worldwide Aviance alliance of airport service providers. Prior to this transaction, Aviance operated at a number of UK airports including Edinburgh, Heathrow, Manchester and Stansted.

## **TRANSACTION**

3. The transaction concerns the transfer to Servisair of Aviance's ground handling business at 11 regional airports in the UK, namely Aberdeen, Belfast Harbour, Belfast International, Birmingham International, Cardiff, Edinburgh, Glasgow, Luton, Manchester, Southampton and Stansted. In addition to ground handling services, Servisair also acquired Aviance's passenger lounge at Gatwick and its cargo operations at Stansted.
4. By way of background, Aviance, having decided to exit the provision of ground handling services at regional airports, invited a number of parties operating in the air transport industry to express their interest in acquiring its regional airport ground handling business. Servisair declined to make a bid for Aviance's ground handling business as a whole.

5. Aviance retained its contracts at London Heathrow Terminal 1 as a continuing activity and sold the ground handling business at Heathrow Terminals 3 and 4 to Dnata, a company owned by the Investment Corporation of Dubai.
6. Servisair was invited to take on the supply of ground handling services to Aviance's remaining regional airport customers. It was agreed that the existing Aviance IATA contracts<sup>1</sup> would be novated<sup>2</sup> to Servisair (where it could reach agreement with the airline concerned). Of the airlines with contracts with Aviance 93 per cent subsequently accepted a novation of their contract to Servisair. Some 1,600 employees transferred to Servisair under the Transfer of Undertakings (Protection of Employees) Regulations 2006 (TUPE) and Servisair also paid a nominal £1 sum for the associated assets.
7. Servisair completed the asset acquisition of Aviance's regional ground handling business on 29 January 2010. The OFT examined this merger on its own-initiative. The extended statutory deadline expires on 29 May 2010.

## **RATIONALE**

8. Servisair submits that the rationale for the transfer was to maintain service levels, thus minimising disruption to (and maintaining the goodwill of) the airlines (some of whom Servisair provided ground handling services for at other airports) and exit costs for Aviance.

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<sup>1</sup> The International Air Transport Association (IATA) produces a standard Ground Handling Agreement, which it updates and republishes from time to time. Airlines can either choose to contract for ground handling services using this standard contract or non standard contracts.

<sup>2</sup> Novation is the replacement of one obligation by another by the mutual agreement of all parties; usually the replacement of one of the original parties to a contract with another with the consent of the remaining party (in this case, the customer).

## JURISDICTION

9. A relevant merger situation arises when two or more enterprises cease to be distinct and either the UK turnover test or share of supply test set out in section 23 of the Enterprise Act 2002 (the Act) is met. The requisite jurisdictional test for the OFT is that it has to reach a belief that it is or may be the case that a relevant merger situation has been created (section 22(1) of the Act).

### Enterprises ceasing to be distinct

10. The term 'enterprise' is defined in section 129 of the Act as 'the activities, or part of the activities, of a business'. The OFT's guidance provides information on the factors that it considers relevant in determining whether an 'enterprise' has been transferred.<sup>3</sup>

11. Servisair argued that it had not acquired an 'enterprise' from Aviance since:

- Aviance was continuing in business at Heathrow Terminal 1.
- Customer contracts had novated to Servisair rather than being assigned. Individual airlines had agreed to transfer the remaining period of their ground handling contract with Aviance to Servisair, but had been under no obligation to do so. Airline customers had had the opportunity to test the market but had clearly concluded that the terms offered could not be improved and therefore elected to novate the contracts to Servisair.
- Although assets were transferred from Aviance to Servisair, a level of equipment to service the customers who novated already existed within the Servisair business,<sup>4</sup> effectively leaving a surplus of equipment in the Servisair business.
- The significance of the application of TUPE in this case is reduced for two reasons. First, although TUPE clearly applied where particular employees were dedicated to particular airlines, other staff that

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<sup>3</sup> OFT Mergers – jurisdictional and procedural guidance (OFT527), paragraph 3.10.

<sup>4</sup> This was because of the significant reduction in the Servisair business over the last 18 months as a result of the economic downturn and airline customers electing to move their business to other ground handlers.

'transferred' to Servisair were not all required to service the existing Servisair, or the additional novated, business; as a result, Servisair has been able to reduce the number of additional seasonal employees normally recruited for the summer season and allocated to Servisair handled airlines and there will be a number of redundancies at the end of the summer 2010 season. Second, in this industry TUPE may also apply to staff involved in contracts with carriers when the previous employer ground handler exits the market or loses a contract (even where there is no question of any transfer of a business to the new contract winner).

12. The OFT believes that the combination of different assets transferred to Servisair – customer contracts, staff and equipment – acted as a transfer of the Aviance regional ground handling business and allowed it to take over, with no noticeable gap, the supply of ground handling services to those customers of Aviance.
13. The OFT has carefully considered all the points put forward by Servisair as to why this transaction does not give rise to two or more enterprises ceasing to be distinct, but is not persuaded by them (on the basis of the 'is or may be the case' standard) for the following reasons:
  - An enterprise comprises the activities '**or part of the activities**' (emphasis added) of a business (section 129 of the Act); this does not require that the enterprise in question need be a separate legal entity; nor does it mean that the regional ground handling activities of Aviance could not constitute a business simply because Aviance was continuing in business at Heathrow Terminal 1.
  - The OFT considers the substance of a transaction over its form, that is the legal form of the arrangements is not determinative. In this case, the novation of the contracts to Servisair has had the same effect (in terms of end result) as would a direct assignment of the contracts from Aviance to Servisair with respect to the large majority of Aviance's customers. The OFT is mindful that the 'transfer' from Aviance to Servisair was very successful given that the large majority of customers did novate their existing terms over to Servisair rather than negotiating a new contract with a different supplier. Had Aviance simply exited the market, without any 'transfer' to Servisair, there is no guarantee that

Servisair would have won such a large proportion of Aviance's customers.

- Servisair benefits from an income stream generated by the novated contracts. Transfer of customer contracts points towards transfer of an 'enterprise'.
- The equipment from Aviance's regional groundhandling business has transferred to Servisair. Precisely how this transferred equipment is deployed within the ground handling operations of Servisair is clearly an operational matter, but does not alter the fact that assets were transferred. The fact that this was for nominal positive consideration does not preclude this from being a factor indicating the presence of an 'enterprise' (see also the bullet below on the question of consideration).
- The OFT accepts that the application of TUPE is not in itself definitive in this case given that TUPE might have applied even where Servisair had won a contract after Aviance had simply unilaterally exited the market. However, Servisair conceded that, in such a scenario, Aviance would have faced exit costs (in the form of redundancy payments) for some of its staff not assigned to specific airline contracts for whom TUPE did not apply. As such, the transfer of Aviance's regional ground handling activities (including all the staff) to Servisair did effectively provide Aviance with a 'negative premium', in so far as it avoided the need for Aviance to cover these exit costs.

14. The test for the OFT under the Act is whether it is or may be the case that two or more enterprises have ceased to be distinct. The OFT believes that the test is met in this case, since as a result of this transaction it may be the case that Servisair has ceased to be distinct from Aviance's ground handling business at 11 regional airports.

#### **Share of supply**

15. The OFT believes that it is or may be the case that the share of supply test in section 23(2)(b) of the Enterprise Act (the 'Act') is met and therefore that a relevant merger situation has been created. This is because the parties' share of supply of ground handling services, excluding in-house

supply by airports, in the UK is estimated to give rise to a share of supply greater than 25 per cent.

## **MARKET DEFINITION**

16. The parties overlap in the provision of ground handling services at UK airports. Ground handling services are generally defined as the servicing of an aircraft when it is on the ground at an airport.

### **The EU directive on Ground Handling**

17. Directive 96/67/EC (the 'Directive') stipulates that at EU airports with a throughput in excess of two million passengers per annum, access to the market by suppliers of ground handling services is free and that for certain categories of services<sup>5</sup> the number of suppliers may be no fewer than two for each category. In addition, at least one of these suppliers should be entirely independent of the airport or the dominant air carrier at that airport. Similar provisions exist with regard to self-handling, that is where airlines provide the services in question for themselves, there should at least be two airlines admitted. The Directive applies at 17 airports in the UK.
18. The Directive allows airports handling less than two million passengers per annum to use solus providers. The parties submit that this recognises that below a certain volume, additional ground handling capacity can reduce operational efficiency and financial performance to below a commercial sustainable level.
19. The Commission is currently consulting on a proposal to modify the Directive.

### **Product market**

20. Servisair argued that the relevant market is wider than just ground handling and includes a number of activities such as the provision of fuelling, cleaning, catering and passenger services.<sup>6</sup> They suggest that the market for consideration is airport transportation.

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<sup>5</sup> Article 6 paragraph 2 EU Directive 96/67/EC - baggage handling, ramp handling, fuel and oil handling, freight and mail handling.

<sup>6</sup> For example, services for passengers with reduced mobility (PRM).

21. The OFT considered whether the market should be defined as the activities of parties in: airside and landside activities; cargo and passenger services or the individual components of all ground handling (for example baggage handling). However, the parties and their competitors all offer the same range of services, and airlines do not multisource, all elements of ground handling tending to be provided by one service provider, and all elements are required by all airlines.<sup>7</sup> Contracting with multiple providers would be likely to increase transaction costs and therefore ground handlers provide a 'one stop shop' for these services. Additionally, none of the third party competitors focused on a particular type of ground handling service, since airlines require, in the main, a provider to supply all types of ground handling services.
22. However, no third parties have suggested the market is wider than ground handling. In any event, as there were no concerns taking a cautious, narrow candidate market, the OFT did not need to conclude on whether the market is wider than all ground handling services.
23. The OFT considers that it is appropriate in this case to consider the market for ground handling services taken as a whole, rather than to delineate the market further. The OFT has therefore conducted its assessment on this basis, although it has not been necessary to conclude on this issue given the decision does not turn on this point. In any case, if the appropriate market were considered to be narrower than all ground handling services, no competition concerns would arise on the basis of the competitive constraint the parties face and the threat of new entry.

### **Geographic market**

24. The parties did not submit a view as to the appropriate geographic market for consideration of this merger and in particular whether the OFT should consider the market to be local or national in scope.
25. Third parties commented that contracts with ground handlers are generally negotiated centrally by airlines rather than at each local airport. However,

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<sup>7</sup> For example: passenger related services – ticketing and baggage handling at the check in desk, and ramp handling, fuelling and defueling operations.

generally the deals will be negotiated on an airport by airport basis as contracts come up for review with all ground handlers at each airport being invited to tender. Some airlines may then try to negotiate a reduced price if they are negotiating contracts at multiple airports at the same time.

26. When considering the hypothetical monopolist test it appears plausible that a hypothetical monopolist ground handler would be able to profitably increase prices at one location as customers are unlikely to be able to switch to a different location due to the significant switching costs involved in changing destinations (for example, the sunk costs involved in setting up operations at a new airport). This suggests, therefore, that the geographic market should be local (individual airports) in scope. The OFT considered similar arguments in a previous case<sup>8</sup> but did not need to conclude on geographic market definition.
27. Ultimately, ground handling constitutes a small proportion of an airline's total costs and a small, but significant, non-transitory increase in price by a hypothetical monopolist may not be sufficient to lead to airlines switching airports.
28. In the current case, since it appears that there are some national, or at least multi airport, aspects to this market – with third parties suggesting that deals may be negotiated for multiple locations – as well as some evidence that suggests that the geographic market is local, both local and national markets have been considered.

## **COMPETITIVE ASSESSMENT**

### **Unilateral Effects**

29. The parties overlap in the supply of ground handling services for airlines at UK airports. The parties also overlap in the supply of passenger lounges at Gatwick and cargo operations at Stansted. No concerns were raised by third parties about either of these additional overlaps, and since these latter two elements of the transaction did not raise competition concerns they are not considered further.

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<sup>8</sup> Anticipated acquisition of Exeter and Devon Airport Ltd by Macquarie Airports Ltd and Ferrovial Aeroportos SA - [www.of.gov.uk/OFTwork/mergers/decisions/2005/macquarie](http://www.of.gov.uk/OFTwork/mergers/decisions/2005/macquarie)

30. Servisair were not present at five<sup>9</sup> of the 11 UK airports involved in the transaction, therefore, if the geographic market is taken to be local, no substantial lessening of competition can be considered to arise at these airports. At the remaining six airports,<sup>10</sup> both Servisair and Aviance were present pre-merger.
31. The majority of third party respondents agreed with Servisair that before the transaction there were four major players in the ground handling market; Swissport, Aviance, Servisair and Menzies. Third parties also mentioned WFS, Dnata, United, Gate Handling, ASIG and Flight Support as smaller competitors. One third party expressed concern at the transaction since it considered Aviance and Servisair to be the only national providers.
32. The OFT analysed the market shares of the parties in four different ways:
- At the national level.
  - The installed base that the companies hold at individual airports. This shows the percentage of aircraft movements the parties handle.
  - Number of contracts won in the last five years.
  - Value of contracts won in the last five years.

### **National Level**

33. Servisair told the OFT that there were 29 airports where the ground handling services are provided by the airport operators themselves and which do not award licences for commercial ground handling companies. Although Servisair consider it unreasonable to exclude any 'self supply' airports from the analysis — as these airports provide ground handling services in competition with independent ground handlers — it provided national combined post merger market shares for the parties on this basis. Nationally across all airports, except those that self-handled, the merger created a combined share of around 30 per cent. The OFT considers that these market shares, given the dynamics of the market, would not give cause for concern at the national level.

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<sup>9</sup> Aberdeen, Belfast Harbour, Cardiff, Luton, and Southampton.

<sup>10</sup> Edinburgh, Birmingham, Glasgow, Manchester, Stansted and Belfast International.

## Installed Base

34. Servisair provided market shares for ground handling services using 'aircraft movements' as a proxy. In the table below aircraft movements handled by each party have been expressed as a percentage of the total number of aircraft movements. These figures are based on the period November 2008 to October 2009 as this period represents the latest figures published by the Civil Aviation Authority (CAA).<sup>11</sup>

**Table 1: Market shares based on aircraft movements**

Airport	Airport Movements	Servisair Movement	%	Aviance Movement	%	Parties post merger	%
Stansted	168,750	13,329	7.91	9,994	5.93	23,323	13.84
Manchester	176,482	58,643	33.23	31,551	17.88	90,194	51.11
Birmingham	102,978	27,549	26.75	35,216	34.2	62,765	60.95
Edinburgh	116,376	31,606	27.16	33,153	28.49	64,759	55.65
Glasgow	82,730	27,956	33.79	22,776	27.53	50,732	61.32
Belfast International	4,592,437	637,686	13.89	686,407	14.95	1,324,093	28.83
<b>Nationally – all airports</b>	<b>2,803,068</b>	<b>410,762</b>	<b>14.7</b>	<b>387,004</b>	<b>13.8</b>	<b>687,536</b>	<b>24.5<sup>12</sup></b>

35. The combined market shares for the individual overlap airports at Table 1 suggest that, post merger; Servisair has a significant market share at Birmingham, Edinburgh, Manchester and Glasgow.

36. However, no third party concerns were received from airline customers in relation to these high market shares either on a national or local basis and in particular the airlines who are present at Birmingham and Glasgow did not consider the merger raised any competition concerns at these airports. All of the five overlapping airports have more than two million passengers per annum and are therefore 'open' markets for any ground handler (see paragraph 15 above). The only requirement to operate being a licence from the airport.

<sup>11</sup> [caa.co.uk/airportstatistics](http://caa.co.uk/airportstatistics)

<sup>12</sup> The apparent reduction in the combined Servisair/Aviance 'National' figure post merger is due to Aviance having retained their London Heathrow contacts at Terminal 1 and having sold the rest of their London Heathrow business to Dnata.

37. In any case, in markets where competition is 'for the market' (that is competition for contracts) rather than 'in the market' the installed base may not be the most appropriate measure of competition. Whilst market shares of around 60 per cent may normally raise some cause for concern, in this case it does not necessarily give an accurate reflection of the intensity of competition for the market. For these reasons we requested that Servisair provide evidence of competition over time rather than static market shares.

**Number and value of contracts won in the last five years**

38. The parties have provided an indication of the number of major contracts they have bid for and won and the number of contracts they have bid for and lost at the five overlapping airports. Although it is not a complete data set and does not include all bids, in general the information shows that in the last five years Servisair has been substantially more successful in winning tenders than Aviance and that a large proportion of the tenders were also won by their competitors.

39. The data is summarised in the table below:

**Table 2 – Contracts bid for in the last five years**

	Number of contracts bid for	Aviance won	Servisair won	Competitors won
Edinburgh	9	1	4	4
Glasgow	18	1	12	5
Stansted	7	1	1	5
Birmingham	15	4	6	5
Manchester	22	4	7	11
Belfast International	11	2	6	3

**Switching**

40. Servisair submitted evidence of airlines switching between ground handlers over the past five years. Third parties, both airlines and competitors agreed with Servisair that switching is fairly prevalent in the market. One third party explained that it changed ground handling agents frequently, and

gave an example of a switch in the last year, another gave an example of switches at two airports in 2008. Switching is made easier by the inclusion of termination clauses of 60 or 90 days in contracts of normal duration of around three years. Third parties explained that airlines tended to consider ground handling services as a commodity and were therefore primarily driven by the lowest price - although safety is a key focus – and they will switch providers to achieve this.

41. Third parties explained that, in general, the costs of switching are borne by the ground handlers rather than the airline and as a consequence it is common for airlines to switch and that this, at the very least, discourages the incumbent provider from trying to increase prices as the customer faces very small switching costs. A third party explained that, where the TUPE regulations did not apply the ground handlers have to pay the redundancy costs, arising from any loss of business following a switch.
42. Third parties comments appear to support Servisair's view that the threat of switching along with examples of past switching are sufficient to provide a competitive constraint in the market and there is no reason to believe that post merger this would change at airports where there are a number of providers.

#### **In-house Provision**

43. Ground handling services can be provided in-house by airports and by self-handling airlines. Servisair argues that this provides a significant constraint on its activities.
44. Third parties commented that BA, bmi and Jet 2 currently self handle at some airports although it is worth noting that in the recent economic climate airlines have tended to favour outsourcing rather than self handling, since it is the service supplier that carries the exit costs should an airline exit. At Manchester airport a third party estimated that some 14 per cent of the market is self handled. Airlines that self handle may also be contracted to supply ground handling services by other airlines. Another third party explained that if they considered that the price or service from a ground handler was uncompetitive it would consider creating a self handling company, as they have at other airports.

45. The comments received by third parties suggest that the possibility of both airlines and airports self handling provides a competitive constraint in the market as should prices increase significantly; airlines could switch to self handling, which may reduce their costs. Similarly airports generally have the required infrastructure to self handle if they considered there was an opportunity in the market.

### **Potential and Recent Entry**

46. Servisair submitted that there has been entry or expansion into the ground handling market over the past few years, and third parties have made the same comments. New entrants suggested by third parties include Flight Support, ALBA and Gate Aviation within the last five years. Gate Aviation expanded the scope of their operation beyond the provision of catering and bond services to include the provision of ground handling services at some UK airports.
47. The parties argue that the market is inherently competitive due to the short term nature of airline contracts; the significant variation within any twelve month period caused by summer only airline operations, changes to scheduled operations, charter operations, and low cost operators.
48. Third parties told the OFT that airlines have sponsored other players, such as Dalcross and Flight Support to enter at specific airports, and additionally, the recent acquisition by Dnata of Aviance's business at Heathrow terminals 3 and 4 shows that international entry is another potential source of entry into the market.
49. It should however also be noted that in this market there have also been exits, most notably Alba at Glasgow and Edinburgh airports. Some third parties, both airlines and competitors, have argued that the market is still very competitive and that with the consolidation and exit of airlines consolidation is needed in the ground handling market to ensure the financial viability of the suppliers.

### **Conclusion on Unilateral Effects**

50. Overall, from the evidence above, while Servisair and Aviance are strong competitors with a relatively high combined market share at some local

airports, there is enough constraint within the market, evidence of switching, recent entry as well as potential entry by self handling carriers for the OFT to conclude that the merger does not raise concerns.

### **Coordinated Effects**

51. Mergers in markets where the process of competitive interaction is characterised by tendering and bidding may be susceptible to coordinated effects, as the bidding process itself may increase transparency and because repeated interactions in terms of contract tenders may offer an obvious credible punishment mechanism. Conversely, collusion is less likely to occur in markets where outcomes are 'winner takes all', and where contract interactions are lumpy (that is irregular, infrequent and of greatly varying value) and irreversible (that is once a contract is awarded, there is no further competition for that customer).
52. The ground handling market appears concentrated enough for the few competitors to recognise their mutual inter dependence, and the repeated bidding process may make the terms of transactions clear, increasing transparency. However, for coordination to take place there must be stability of costs and demand. This does not appear to exist in the ground handling market. Many third parties have suggested that profits are extremely unstable with many airline customers going out of business thus reducing demand.
53. However, coordination may not be internally sustainable in this market, since with an average length of contracts of three years and the apparent lumpiness of contracts, it would not be profitable for parties to punish cheating.
54. The OFT received no evidence of pre-existing coordination, although a third party did comment on Aviance's withdrawal from Leeds Bradford airport in May 2009, which left Servisair as the sole provider at this airport. At a similar time Servisair withdrew at Cardiff International, leaving Aviance as sole provider. Servisair explained that due to the exit through bankruptcy or downsizing of business by a number of its customers, its operations at Cardiff had become uneconomic. Since existing customers were not prepared to pay higher rates Servisair decided to exit the airport giving its

customers 60 days notice. Servisair believes that Aviance's exit from Leeds was also due to economic reasons.

### **Conclusion on coordinated effects**

55. The evidence is mixed as to whether the merger might make coordination more likely. Following the merger there will be one less major (national) competitor, increasing concentration and remaining providers' ability to acknowledge their interdependence. However, given the lumpiness of contracts, significant buyer power, with comparatively easy switching, and the threat of self handling by airlines, the OFT does not consider that the merger is likely to give rise to an increased risk of coordinated effects arising in this market.

### **BARRIERS TO ENTRY**

56. The parties submit that barriers to entry are extremely low in the ground handling market as the specialised service equipment required is available from multiple suppliers. This equipment is available for purchase or on lease or hire which therefore reduces new entrants' sunk costs.
57. Furthermore, the parties submit that since airline contracts are typically terminable on 60 or 90 days notice, this suggests that there are no lengthy existing contracts that prohibit new entrants from entering the market.
58. Third parties agree that barriers to entry are relatively low with one third party competitor commenting that the capital cost investment could be paid back in between three and five years and that an alternative to capital outlay would be lease commitment for equipment paid out of a operating cost budget.
59. The main barrier to entry for new ground handlers would appear to be obtaining a licence to provide ground handling services from the airport. Third parties did not suggest that it is difficult to obtain a licence but the OFT understands that airport operators will, when considering an application, look at the applicant's track record for safety, which, obviously, will be minimal for a new entrant. While licences for new entrants are not ruled out, reputation, operational performance and safety are paramount.

## **BUYER POWER**

60. The parties submit that the airlines have significant buyer power enabling them to negotiate strongly and push down prices.
61. The majority of third party customers agreed that they have buyer power, explaining that it is their scale, volume and the value of the contracts that allows them this negotiating power.
62. Third parties commented that ground handling is seen as a commodity service by airlines, so it is price that primarily drives the competition in the market, both Servisair and third party competitors suggested that this gives the airline considerable buyer power when it comes to negotiating prices. A competitor said that it was unheard of for ground handlers to negotiate a price increase of even five or 10 per cent. In addition, airline alliances may tender as one, for example the six Star Alliance airlines at Terminal 1 Heathrow, which gives greater buyer power than if they were to negotiate on an airline by airline basis.

## **THIRD PARTY COMMENTS**

63. Where relevant, third party comments have been incorporated above.

## **ASSESSMENT**

64. This transaction involves the transfer to Servisair of Aviance's ground handling business at 11 regional airports. The OFT considers the substance of a transaction over its form, that is the legal form of the arrangements is not determinative, and that therefore, it 'may be the case' that two or more enterprises have ceased to be distinct. On that basis, the share of supply test would be met in respect of the supply of ground handling services, excluding in-house supply by airports, at UK airports.
65. The OFT has not concluded on the appropriate geographic frame of reference but has considered both the local and national markets in the competitive analysis above.

66. At a local level, the parties overlapped in the supply of ground handling services to airlines at six regional airports, Birmingham, Edinburgh, Glasgow, Manchester, Stansted and Belfast International.
67. If the geographic market is considered to be national, the post merger combined shares are around 30 per cent (excluding airports that self supply) or just below 25 per cent if these airports' activities in this market are included. This is not at a level which would typically give the OFT cause for concern.
68. On a local basis, although Servisair has relatively high market shares at some of the six overlap airports, third party comments, in general, supported Servisair's arguments that there is sufficient competition in the market as well as evidence of switching, recent entry, as well as potential entry by self handling carriers and significant buyer power to conclude that the merger cannot be expected to result in a substantial lessening of competition.
69. Although there are characteristics of the market that make it potentially conducive to collusive behaviour post-merger, there are sufficient factors that point away from this possibility including strong buyer power and the threat of self handling coupled with the lumpiness of contracts.
70. Consequently, the OFT does not believe that it is or may be the case that the merger has resulted or may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

## **DECISION**

71. This merger will therefore **not be referred** to the Competition Commission under section 22(1) of the Act.