THE PROPOSED ACQUISITION OF 100% OF THE ORDINARY SHARES OF PANALPINA AIRFLO LIMITED BY AFG INTERNATIONAL B.V.

1. The Competition Authority of Kenya has approved the proposed acquisition of 100% of the ordinary shares of Panalpina Airflo Limited by AFG International Limited B.V unconditionally.

2. AFG International B.V, the acquiring undertaking, is incorporated in Netherlands and controlled by the Dutch Flower Group (DFG), which resulted from the merger of the Van Dujin Group and OZ Group.
3. The acquirer carries out the business of providing services in relation to air transport. The acquirer is also part of the DFG Group of companies that specialize in the trade of perishable goods (flowers and plants). The firm does not have operations in Kenya.
4. Panalpina Airflo Limited, the target undertaking, is a freight logistics company incorporated in Kenya and carries out the business of freight forwarding involving perishable goods (fresh cut flowers, plant cutting and vegetables) from Kenya to various international markets.
5. The proposed transaction involves the acquisition of 100% of the ordinary shares of Panalpina Airflo Limited by AFG International Limited B.V. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010.
6. The parties' combined and relevant turnover for the preceding year was **over Sh1 billion.** The transaction therefore met the threshold for mandatory notification and full merger analysis as provided in the **Competition (General) Rules, 2019.**
7. The activities of the acquirer and target overlap in the provision of freight forwarding services for perishable goods. Based on this, the relevant product market for the analysis of this transaction is the market for freight forwarding services for perishable goods.
8. Whereas the target offers their products and services throughout the country, the acquirer has no market presence in the country and as such the relevant geographical market was determined to be national

9. A 2018 study undertaken by Hortiwise, a training and consultancy firm in the horticultural industry, a majority of the major global airlines are involved in freight of flowers and perishable vegetables from Nairobi to various international destinations.

10. These airlines include; Emirates, KLM/Martinair, Cargolux, Turkish Airlines, Kenya Airways, Singapore Airlines, Lufthansa Cargo, Qatar Airline, Etihad, British Airways, and Air France.

11. Further, a 2016 report by the International Air Transport Association (IATA) indicated that the major players in the market for perishable cargo in Kenya and their estimated market shares are: Panalpina Airflo Limited (37%), Kuehne+Nagel (22%), Freight Wings Limited (10%), Siginon Freight (7.5%), and others (23.5%).

12. Post-merger, the merged entity will control a market share of 37%. In addition, the merged entity will face competition from other players in the market who have a combined market of 63%.

13. Based on the foregoing analysis, the Authority is of the view that the transaction is unlikely to lead to substantial lessening or prevention of competition in the market for freight forwarding services for perishable goods.

14. The Covid-19 pandemic has severely impacted the export of perishable goods, especially fresh cut flowers, with various data from the horticulture industry indication that exports have dipped globally by between 85% and 100%. As a result, it is anticipated that there will be corporate realignments in the industry as companies move to stay afloat.

15. The Kenya Airports Authority (KAA), the government agency in charge of all activities within the country's airports, leases land to agents for an average period of 25 years on Build Own Transfer (BOT) terms, enabling them setup warehouses. Alternatively, consolidators can be subcontracted from ground handling companies.

16. The KAA has, due to the dip in demand and uptake from freight forwarding companies, allocated some of spaces previously meant for consolidation of perishable commodities at the airport to two hotels. Further, the agency has indicated that it will allocate all new leases through public tendering.

17. Therefore, the proposed transaction is not likely to raise any competition concerns considering only the target is currently present in the market.

18. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. The public interest concerns considerations include;

    i. extent to which a proposed merger would impact employment opportunities;
    ii. impact on competitiveness of small and medium enterprises (SMEs);
    iii. impact on particular industries/sectors; and
    iv. impact on the ability of national industries to compete in international markets.

19. The target undertaking indicated that it declared some employees redundant as a result of the negative effects that the Covid-19 pandemic has had on its business operations. They further indicated that the proposed transaction is unlikely to result in further job losses, but noted that the impact of the ongoing COVID-19 current pandemic cannot be overlooked.

20. Based on the foregoing arguments, the Authority approved the proposed acquisition of the freight forwarding business of Panalpina Airflo Limited by AFG International B.V unconditionally.