



Decision CPC: 7/2023

Case Number: 08.05.001.022.058

## THE CONTROL OF CONCENTRATIONS BETWEEN ENTERPRISES LAW

No. 83(I)/2014

**Notification of a concentration concerning the acquisition of the aircraft cleaning divisions of L.G.S. Handling Ltd and Swissport Cyprus Ltd by S & L Airport Services Ltd**

Commission for the Protection of Competition:

Mrs. Loukia Christodoulou	Chairperson
Mr. Andreas Karidis,	Member
Mr. Panayiotis Oustas,	Member
Mr. Aristos Aristidou Palouzas,	Member
Mr. Polinikis Panayiotis Charalambides	Member

Date of decision: 21 February 2023

### SUMMARY OF DECISION

On the 19<sup>th</sup> of October 2022 the Commission for the Protection of Competition (hereinafter the "Commission") received on behalf of Swissport Cyprus Limited (hereinafter the "Swissport") and L.G.S. Handling Limited (hereinafter the "L.G.S."), a notification of a proposed concentration. The notification was filed according to Section 10 of the Control of Concentrations between Enterprises Law 83(I)/14 (hereinafter the "Law").

The notification in question concerns a concentration, according to which the companies L.G.S. and Swissport (hereafter together the "founding companies" or the "Parties") will transfer to the Joint Venture, S&L Airport Services Ltd (hereafter "S&L")

or the "Joint Venture") the aircraft cleaning and maintenance departments (together with the relevant equipment) (hereinafter the "Aircraft Cleaning Department") and the machinery and special equipment used for the ground handling of aircraft (hereinafter the "Aircraft Ground Handling Machinery").

Companies participating at this merger are the following:

1. Swissport is a company duly registered according to the laws of the Republic of Cyprus, which operates at the airports of Larnaca and Paphos and provides ground handling services. Specifically, said services include: (a) ground administrative services and ground services supervision, (b) passenger handling services, (c) baggage handling, (d) cargo handling, (e) runway services, (f) cleaning and tidying aircraft, (g) ground transportation.
2. L.G.S. is a company duly registered in accordance with the laws of the Republic of Cyprus and, like Swissport, operates at the airports of Larnaca and Paphos and provides ground handling services. Specifically, such services include: (a) ground administrative services and ground services supervision, (b) passenger handling services, (c) baggage handling, (d) cargo handling, (e) runway services, (f) cleaning and tidying aircraft, (g) ground transportation.
3. S&L is a company duly registered under the laws of the Republic of Cyprus and jointly controlled by L.G.S. and Swissport. The creation of S&L as a joint venture of the participating companies was approved by the Commission with a decision dated August 3, 2011 for its activity in the provision of ground handling services to persons with disabilities and/or reduced mobility at Larnaca and Paphos airports, and more generally, the provision services described in Regulation 1107/06, as further specified in the said decision of the Commission.

The concentration under consideration is being carried out on the basis of a draft amending shareholder agreement between Swissport and L.G.S. (hereinafter the "Amendment Shareholders' Agreement").

Pursuant to the Amending Shareholders Agreement, L.G.S. and Swissport will transfer specific parts of operations related to aircraft cleaning and aircraft ground handling machinery to the joint venture (The Target).

Upon the transfer of said divisions to S&L, the said companies will not themselves conduct any aircraft cleaning operations, but will purchase services from S&L and lease from S&L the aircraft ground handling machinery, with commercial terms and will continue to independently provide all other ground handling services.

The Commission, considering the facts of the concentration, has concluded that this transaction constitutes a concentration within the meaning of section 6(1)(α)(ii) of the Law, since it leads to a permanent change of control of the Target by S&L.

Furthermore, based on the information contained in the notification, the Commission found that the criteria set by section 3 (2) (a) of the Law were satisfied and therefore the notified concentration was of major importance falling within the scope of the Law.

The Commission, took into account all the relevant information that constitutes the proposed concentration and unanimously decided that the concentration raises doubts as to its compatibility with the functioning of competition in the market for the provision of ground handling services at Larnaca airport and at Paphos airport and at the sub-markets of:

- (i) the provision of Aircraft Cleaning Services at Larnaca airport and at Paphos airport, and
- (ii) the rental market of Aircraft Ground Handling Machinery at Larnaca airport and at Paphos airport.

Particularly,

- i) The notified concentration may significantly impede competition in relation to the horizontally affected market for the provision of Aircraft Cleaning Services and the horizontally effected market of rental market of Aircraft Ground Handling Machinery by eliminating significant competitive pressures as Swissport and L.G.S. are the only ones operating in these markets through S&L (apart from a small competitor), and moreover both are vertically active in the in the ground handling sector. S&L will hold a dominant position in the market of the provisioning of Aircraft Cleaning Services and the rental market of Aircraft Ground Handling Machinery at the airports of Larnaca and Paphos. Therefore, S&L may have the ability and the incentive to take advantage of its dominant position and make it difficult for other companies and

potential competitors to enter or expand in the markets, and there may be a significant impediment to competition as a result of the creation of a dominant position.

ii) Through vertical integration, S&L and its shareholders may gain access to commercially sensitive information regarding the activities of potential competitors, in the provision of ground handling services since they will be renting relevant equipment from S&L. When a potential competitor in the above said market requests from S&L the rental of Aircraft Ground Handling Machinery, Directors, who may be the same as the Directors of Swissport and L.G.S., may obtain sensitive information thus placing their potential competitors at a competitive disadvantage, and eventually discourage their entry or expansion into the ground handling market. Additionally, S&L shall provide its services at arm's length to all of the customers including Swissport and L.G.S. and at cost-oriented pricing policy.

iii) The neighboring relationship between the services offered by S&L and the services offered by Swissport and L.G.S. may facilitate the latter to agree on the terms of their coordination in the relevant ground handling market and/or to exclude their potential competitors, since the Directors of Swissport and L.G.S. that are essentially competitors with each other may be appointed on the Board of Directors of S&L.

The Commission, on the basis of all the relevant information before it, concluded unanimously that there is a need to proceed to an in-depth investigation of the notified concentration, according to the provisions of the Law.

The Parties, by letter dated 2/13/2023, submitted a request to withdraw their notification based on Article 18 of the Law as they decided not to proceed with the merger.

Based on the above, the Commission has decided to accept the request of the parties involved for the withdrawal of the notification, as long as they do not wish to proceed with the above-mentioned concentration. Therefore, the Commission unanimously decided to end the full investigation process.

Loukia Christodoulou

Chairperson of the Commission for the Protection of Competition