
Section 57 of the Competition Act 2004

Grounds of Decision issued by the Competition and Consumer Commission of Singapore

In relation to the Proposed Acquisition by ANA Holdings Inc. of Nippon Cargo Airlines Co., Ltd.

Date: 24 May 2024

Case number: 400/140/2023/005

<p>Confidential information in the original version of this Decision will be redacted from the published version on the public register. Redacted confidential information in the text of the published version of the Decision is denoted by [X].</p>
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I. INTRODUCTION

1. On 7 December 2023, the Competition and Consumer Commission of Singapore (“CCCS”) initially accepted a joint application by ANA Holdings Inc. (“**ANAHD**”) and Nippon Cargo Airlines Co., Ltd. (“**NCA**”) (each a “**Party**” and collectively, the “**Parties**”) for a decision pursuant to section 57 of the Competition Act 2004 (the “**Act**”) as to whether the proposed acquisition by ANAHD of 100% of the issued share capital in NCA (the “**Proposed Transaction**”) will infringe section 54 of the Act, if carried into effect. Subsequently, as CCCS received information that the information originally provided by the Parties in the application was incomplete, the Phase 1 administrative timeframe was reset to the beginning of the Phase 1 review. After the Parties provided the requisite missing information, the application was accepted as complete on 9 April 2024.
2. In reviewing the Proposed Transaction, CCCS conducted a public consultation and sought feedback from various stakeholders, including the Parties’ competitors, customers (i.e. freight forwarders) and end-user customers (collectively referred to as “**third parties**”). Most respondents had no competition concerns in relation to the Proposed Transaction.
3. At the end of the consultation process and after evaluating the available information, CCCS has concluded that the Proposed Transaction, if carried into effect, would not infringe section 54 of the Act.

II. THE PARTIES

(a) The Acquirer – ANAHD

4. ANAHD is the holding company for the ANA Group.¹ It is headquartered in Tokyo and is publicly listed on the Tokyo Stock Exchange.²
5. According to ANAHD, the relevant subsidiaries of ANAHD operating the international air cargo business of ANA Group are ALL NIPPON AIRWAYS CO., LTD (“**ANA**”) and ANA Cargo Inc, with only ANA having a presence in Singapore.³ ANAHD’s international air cargo transport business will be referred to under the single umbrella name of ANAHD.
6. ANAHD’s operations in the supply of international air cargo transport utilises its dedicated cargo planes (“**freighters**”) as well as the belly hold of its passenger planes to transport cargo. In Singapore, ANAHD sells its air cargo services under the following brands: “All Nippon Airways”; “ANA”; “ANA Cargo Express Singapore Pte. Ltd.”; and “ANA Courier Express Pte. Ltd.”.⁴

¹ Paragraph 7.1 of Form M1.

² Paragraph 7.1 of Form M1.

³ According to ANAHD, ANA Cargo Inc undertakes the distribution and operations of the cargo business in Japan, and does not have any operations in Singapore. Paragraph 10.10 of Form M1, and Parties’ response dated 30 January 2024 to question 3 of CCCS’s request for information (“**RFI**”) dated 8 January 2024.

⁴ Paragraph 10.14 of Form M1.

7. In addition to air cargo transportation, ANAHD also provides the following products or services in Singapore: i) other air transportation (e.g. air passenger transport); ii) airline related services (e.g., ground handling and maintenance); iii) travel services (e.g., ticketing and travel options); iv) trade and retail (e.g. imports/exports, merchandise, online shopping); and v) other services.⁵

(b) The Target – NCA

8. NCA is a wholly owned subsidiary of Nippon Yusen Kabushiki Kaisha (“NYK”)⁶ with its head office located in Narita International Airport.⁷
9. NCA’s key business is the supply of international air cargo transport through the use of freighters and is Japan’s sole cargo-only airline company. In Singapore, NCA only provides international air cargo transportation to and from Singapore⁸ and sells its services under the brand of “Nippon Cargo Airlines Co., Ltd. (NCA) Singapore branch”.⁹

III. THE PROPOSED TRANSACTION

10. The Proposed Transaction concerns the acquisition of 100% of the share capital in NCA by ANAHD pursuant to an agreement dated 10 July 2023.¹⁰ The Proposed Transaction will be effected through a share-for-share exchange whereby ANAHD will acquire 100% of the shares of NCA from NYK and ANAHD will transfer shares in ANAHD to NYK.¹¹ No monetary consideration will be paid.
11. CCCS has assessed that the Proposed Transaction would constitute a merger under section 54(2)(b) of the Act as ANAHD would acquire and have sole control over NCA via the acquisition of 100% of the issued share capital in NCA.

IV. COMPETITION ISSUES

Parties’ air cargo services

12. The Parties submitted that they overlap in the provision of international air cargo services to and from Singapore.¹²

⁵ Paragraph 14.1 of Form M1.

⁶ Paragraph 7.5 of Form M1.

⁷ Paragraph 10.18 of Form M1.

⁸ Paragraph 10.22 of Form M1.

⁹ Paragraph 10.13 of Form M1.

¹⁰ Paragraph 11.10 of Form M1.

¹¹ Paragraph 11.3 of Form M1.

¹² Paragraph 15.1 of Form M1.

13. Specifically, the Parties' main overlapping air cargo flight operations are on the Japan-Singapore and Singapore-Japan routes, as follows:¹³

Party	City/Airport	Flight Routing
ANA	Tokyo (NRT and HND)	Between Singapore and Japan vv ¹⁴ : Direct
NCA	Tokyo (NRT)	From Japan (Tokyo) to Singapore: Direct From Singapore to Japan (Tokyo): Almost entirely indirect flights, via Bangkok or Hong Kong ¹⁵

14. The Parties also identified all the other routes with Singapore as an origin/destination on which the Parties potentially overlap ("**Additional Overlapping Routes**"), as follows:¹⁶

S/N	Origin/Destination		Flight Routing
	Country/territory-pair	City-pair ¹⁷	
1.	Singapore and Thailand vv	Singapore and Bangkok vv	Indirect for ANA via Tokyo, direct/indirect for NCA via Tokyo
2.	Singapore and Hong Kong vv		
3.	Singapore and Taiwan vv	Singapore and Taipei vv	Indirect via Tokyo for ANA and NCA
4.	Singapore and China (Mainland) vv	Singapore and Shanghai vv	
5.	Singapore and USA vv	Singapore and Los Angeles vv Singapore and Chicago vv Singapore and New York vv	

Focus of CCCS's assessment

15. Based on the Parties' submissions and feedback from third parties, CCCS assessed that the Proposed Transaction would be unlikely to result in a substantial lessening of competition ("**SLC**") on the Additional Overlapping Routes since the Parties had little or no overlaps or their volumes were not high on these routes.
16. Accordingly, CCCS mainly focused its assessment on whether the Proposed Transaction would lead to horizontal anti-competitive effects in relation to the Parties' main overlap, being the provision of air cargo transport on the routes between Singapore and Japan.
17. For completeness, the Parties have a potential vertical relationship as ANAHD provides freight forwarding services. However, the Parties' submissions and feedback from third

¹³ Paragraphs 10.18a and 33.7a of Form M1, and Parties' response dated 30 January 2024 to question 2 of CCCS's RFI dated 29 December 2023. For completeness, CCCS noted that ANAHD is able to provide onward air cargo transportation within Japan (including to or from Singapore) using its domestic passenger flights; however, such air cargo transportation all have to be via Tokyo, i.e. the volume of cargo transported between Singapore and Japan is limited by the volume via Tokyo.

¹⁴ "vv" stands for "vice-versa".

¹⁵ NCA's "one stop" indirect operations from Singapore to Japan (Tokyo), via Bangkok or Hong Kong, are operated such that the air cargo being transported remains on the aircraft and is undisturbed. Such cargo is not unloaded or transferred to a further aircraft. Paragraph 10.18a of Form M1.

¹⁶ Parties' letter dated 16 February 2024, in response to CCCS' letter dated 15 February 2024, paragraph 6.

¹⁷ On the Additional Overlapping Routes, within each country/territory, either Party may separately also serve other cities. However, the Parties' only overlapping city-pair routes are as reflected in the table above. Parties' letter dated 16 February 2024, in response to CCCS' letter dated 15 February 2024, paragraph 6.

parties indicated that the Proposed Transaction would be unlikely to raise vertical competition concerns.

V. COUNTERFACTUAL

18. Although ANAHD has entered into a proposed joint venture with Singapore Airlines in relation to air passenger transport, the Parties have submitted that this joint venture did not concern international air cargo transport, and the effect on the Proposed Transaction would be minimal.¹⁸ In the absence of further evidence suggesting otherwise in this regard or generally in relation to the counterfactual, CCCS considered the prevailing conditions of competition prior to the Proposed Transaction to be the appropriate counterfactual for this assessment.

VI. RELEVANT MARKETS

19. Based on the Parties' submissions and third parties' feedback, CCCS considered the relevant markets for the purpose of this assessment to be the provision of direct and indirect air cargo transport services (i) from Singapore to Tokyo, and (ii) from Tokyo to Singapore (collectively, the "**Relevant Markets**").
20. Although the Parties submitted that the relevant origin and destination ("**O&D**") route pairs should be Singapore and Japan, with no further segmentation for routes between cities, third party feedback was mixed on whether the relevant O&D route pairs should be Singapore and Japan or Singapore and Tokyo. Given that Tokyo was the only city in Japan that each of the Parties used for entry to and exit from Japan for air cargo transport services between Singapore and Japan, the Proposed Transaction would be unlikely to result in an SLC on the wider market for Singapore-Japan vv if there was no SLC on the narrower market for Singapore-Tokyo vv. CCCS therefore assessed the Proposed Transaction on the basis of Singapore and Tokyo being the relevant O&D route pairs.

VII. MARKET STRUCTURE

(a) Market Shares

21. Based on the Parties' estimates of shares by capacity from 2018 to 2023, the Parties' combined market share ranged from [X<10-20]% to [X<10-20]% (with CR3 below 70% in all years) in the Tokyo to Singapore direction, and from [X<10-20]% to [X<20-30]% (with CR3 below 70% in all years) in the Singapore to Tokyo direction.
22. Based on third parties' estimates of shares by tonnage flown from December 2022 to November 2023, the Parties' combined market share was [X<30-40]% (with CR3 at [X<80-90]%) in the Tokyo to Singapore direction and [X<40-50]% (with CR3 at [X<80-90]%) in the Singapore to Tokyo direction.

¹⁸ Specifically, [X<]. Paragraph 24.12 of Form M1, and Parties' 27 December 2023 response to question 7 of CCCS's 21 December 2023 RFI.

(b) Barriers to entry and expansion

23. Based on the Parties' submissions and third parties' feedback, CCCS noted that barriers to entry and expansion, and in particular the availability of landing slots in Changi and the Japanese airports, appeared to be significant barriers. Notwithstanding these barriers, the entry of three competitors, as well as an integrator airline¹⁹, in the last five years on the Singapore-Japan vv routes would suggest that these were not insurmountable barriers. Overall therefore, CCCS considered the barriers to entry and expansion to be moderately high.

(c) Countervailing buyer power

24. Based on the Parties' submissions and third parties' feedback, CCCS considered that, whilst the Parties' largest customers would have some negotiating power to exert a strong influence on prices, there appeared to be a disparity where the Parties' smaller customers would have far less latitude to do so.

VIII. COMPETITION ASSESSMENT

(a) Non-coordinated Effects

25. Based on the information received, CCCS has assessed that the Proposed Transaction would be unlikely to give rise to non-coordinated effects in the Relevant Markets for the following reasons:
- a. Third party feedback generally indicated that the Parties have not been the closest competitors to each other, and there existed multiple competitors in the Relevant Markets that would be suitable alternatives to the Parties;
 - b. Whilst the Parties are the only non-integrator airlines operating freighters on a direct basis between Singapore and Tokyo at present and a few third parties therefore indicated that the Proposed Transaction might have an impact vis-à-vis Cargo Aircraft Only ("CAO") cargo shipments²⁰, most third parties indicated that there would still be viable alternative airlines operating freighters on indirect routings between Singapore and Tokyo vv that customers can switch to, in the event of any price increase or reduction of quality or capacity by the merged entity post-Proposed Transaction; and
 - c. Barriers to entry and expansion are not insurmountable, and it would be possible for competing airlines to consider adding capacity, including through the addition of freighter aircraft operations, when a competitive opportunity arises.

¹⁹ Integrators refer to companies that act as both freight forwarders and airlines in a single integrated service, such as DHL, FedEx and UPS. According to the Parties, integrators can also offer air transportation services to freight forwarders, and provide business to other airlines as freight forwarders. Paragraph 18.8 of Form M1.

²⁰ CAO cargo can only be loaded on to freighters but not on to passenger planes. CAO cargo types include oversized freight that cannot fit within the bellyhold of passenger aircrafts, as well as certain kinds of dangerous goods that by regulation cannot be carried on passenger flights.

(b) Coordinated Effects

26. Based on the information received, CCCS has also assessed that the Proposed Transaction would be unlikely to give rise to coordinated effects in the Relevant Markets because:
- a. The prices charged to customers were not transparent due to the specific customer requirements that needed a direct negotiation process between customers and suppliers; and
 - b. The availability of alternative suppliers and ease of switching by customers would also create commercial incentives for suppliers to price competitively and disincentivise coordination.

(c) Conclusion on Competition Assessment

27. Based on the above considerations, CCCS has concluded that the Proposed Transaction, if carried into effect, would not lead to an SLC in Singapore.

IX. EFFICIENCIES

28. Given that the competition assessment did not raise SLC concerns, CCCS considered it not necessary to assess the efficiencies claimed by the Parties.

X. CONCLUSION

29. For the reasons above and based on the information available, CCCS has assessed that the Proposed Transaction, if carried into effect, would not lead to an SLC in Singapore and consequently, would not infringe section 54 of the Act.
30. In accordance with section 57(7) of the Act, the decision will be valid for a period of one year from the date of CCCS's decision.



Alvin Koh
Chief Executive
Competition and Consumer Commission of Singapore