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***Case No COMP/M.7270 - CESKY AEROHOLDING/  
TRAVEL SERVICE/ CESKE AEROLINIE***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 18/12/2014

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## EUROPEAN COMMISSION

Brussels, 18.12.2014  
C(2014) 10185 final

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE

### **To the notifying parties:**

Dear Sir/Madam,

**Subject: Case M.7270 - CESKY AEROHOLDING/ TRAVEL SERVICE/ CESKE AEROLINIE  
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004<sup>1</sup>**

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<sup>1</sup> OJ L 24, 29.1.2004, p. 1 (the "Merger Regulation"). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ("TFEU") has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

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- (1) On 14 November 2014, the European Commission received a notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Český Aeroholding, a.s. ("**CAH**", the Czech Republic) and Travel Service, a.s. ("**Travel Service**", the Czech Republic) acquire joint control of České aerolinie a.s. ("**CSA**", the Czech Republic) (the "**Transaction**"). CAH, Travel Service, and CSA are collectively referred to as the "**Parties**".<sup>2</sup>

## 1. THE PARTIES

- (2) **CAH** is a state-owned company holding shares in companies engaged in air transport and related ground services at the international Václav Havel Airport Prague ("**Prague Airport**"). The CAH group includes:
  - (a) Letiště Praha, a. s. ("**LP**"), the operator of Prague Airport;
  - (b) Czech Airlines Technics, a.s., a company active in the provision of technical aircraft maintenance, and repair and overhaul services ("**MRO**") at Prague Airport; and
  - (c) Czech Airlines Handling, a.s., a provider of ground handling and fuel supply services at Prague Airport.
- (3) **Travel Service** is a Czech carrier that provides scheduled air transport of passengers, charter transport, and to a very limited extent cargo transport. Travel Service operates scheduled flights under its low-cost brand "SmartWings". The company is based at Prague Airport and has a branch office in Slovakia and subsidiaries in Poland and Hungary.
- (4) **CSA** is the Czech national carrier, with its hub at Prague Airport. The core business of CSA is scheduled air transport of passengers and air transport of cargo. CAH holds a 53.7% shareholding in CSA and is its controlling shareholder. Korean Air Lines Co., Ltd. ("**Korean Air**") and Česká pojišťovna a.s., a Czech insurer, with shareholdings of 44% and 2.3% respectively, are CSA's other shareholders. CSA is a member of the SkyTeam Alliance. CSA is not involved in any joint venture.

## 2. THE OPERATION

- (5) In the context of the Transaction, Travel Service will purchase 34% of CSA's share capital from Korean Air which will in turn purchase a 34% shareholding in CSA from CAH. Therefore, following the Transaction CSA's capital will be held by Korean Air (44%), Travel Service (34%), CAH (19.7%), and Česká pojišťovna a.s. (2.3%).<sup>3</sup>

## 3. THE CONCENTRATION

- (6) CSA is currently majority owned and controlled by CAH. In the context of the Transaction, CAH, Travel Service, and Korean Airlines entered on 3 April 2014 into a Restated Shareholders Agreement. Pursuant to the terms of the Restated Shareholders Agreement, CAH and Travel Service will always vote together at CSA's shareholder

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<sup>2</sup> OJ C 417, 21.11.2014, p. 12.

<sup>3</sup> Voting rights at CSA's shareholder meeting correspond to the shareholding held by each shareholder.

meeting on resolutions regarding CSA's business plan, fleet composition, and the appointment of Directors.<sup>4</sup>

- (7) [Composition of the Board of Directors of CSA and a list of veto rights of its controlling shareholders].<sup>5</sup>
- (8) Furthermore, Korean Air will not enjoy any veto right over strategic decisions at CSA post-Transaction. [Description of option rights of CSA's shareholder]<sup>6</sup> [Description of option rights of CSA's shareholder].<sup>7</sup> [Description of option rights of CSA's shareholder].<sup>8</sup> [Description of option rights of CSA's shareholder].<sup>9</sup> [Description of option rights of CSA's shareholder].
- (9) Therefore, CAH and Travel Service will jointly control CSA for the purposes of the EU Merger Regulation.<sup>10</sup>

#### **4. EU DIMENSION**

- (10) The Transaction was referred to the Commission under Article 4(5) of the Merger Regulation and is therefore deemed to have an EU dimension. The Transaction originally exceeded the filing thresholds in the Czech Republic, Cyprus, and Spain.

#### **5. MARKET DEFINITION**

##### **5.1. Overview of Parties' activities**

- (11) The relevant product markets for the purpose of the assessment of the Transaction are air transport of passengers, air transport of cargo, ground handling and MRO services, as well as fuel supply and airport infrastructure services at Prague Airport.

##### *5.1.1. Air transport of passengers*

- (12) In the air transport of passengers sector, in the summer 2014 IATA season, Travel Service and CSA both operated scheduled flights on the following four routes: (i) Prague (PRG)–Tel Aviv (TLV), (ii) Prague (PRG)–Barcelona (BCN), (iii) Prague

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<sup>4</sup> Where CAH and Travel Service cannot agree on how to exercise their voting rights in CSA, the matter will be deferred to the Escalation Committee whose decisions will be binding on CAH and Travel Service. [Composition and decision-making of the Escalation Committee]. Escalation Committee decisions are adopted with the favourable vote of at least two of its members. Restated Shareholders' Agreement, Schedule 7.

<sup>5</sup> Restated Shareholders' Agreement, Clauses 4.2.3 and 4.2.6.

<sup>6</sup> [...].

<sup>7</sup> [...].

<sup>8</sup> [...].

<sup>9</sup> [...].

<sup>10</sup> The Commission recalls that, regarding the EU air transport licensing provisions, pursuant to paragraph 23 of the Jurisdictional Notice, "*the concept of control under the Merger Regulation may be different from that applied in specific areas of Community and national legislation concerning, for example, prudential rules, taxation, air transport or the media. The interpretation of 'control' in other areas is therefore not necessarily decisive for the concept of control under the Merger Regulation.*" [emphasis added].

(PRG)–Rome (FCO), and (iv) Prague (PRG)–Paris (CDG) (the "**Overlapping Routes**"). Moreover, the Parties' activities overlapped on 42 routes through unilateral codesharing.<sup>11</sup>

### 5.1.2. Air transport of cargo

- (13) Both CSA and Travel Service provide cargo transport services. CSA operates in the cargo transport business through its dedicated organisational unit, CSA CARGO. Travel Service offers cargo services on an *ad hoc* basis and this business represents less than [0-5]% of its yearly revenues. The Parties carry air freight in the belly-hold space of their passenger aircraft. In addition, CSA operates full freight ATR aircraft (based on "aircraft, complete crew, maintenance, and insurance" agreements with various partners) and also relies on *ad hoc* cargo charters operated by other carriers. Travel Service does not operate any full freight aircraft.
- (14) The overlap between the Parties' activities in the provision of air transport of cargo services does not lead to any affected market and will, therefore, not be discussed any further.<sup>12</sup>

### 5.1.3. Other activities

- (15) In addition to the air transport services, CAH is engaged in a number of additional activities that are upstream to the market for air transport services. Primarily, CAH provides ground-handling and MRO services as well as fuel supply and airport infrastructure services at Prague Airport where possible vertical relations with other Parties to the operation could be established (see Section 6.2. of this decision for the assessment of possible vertical relationships).

## 5.2. Air transport of passengers

### 5.2.1. Origin and destination approach (O&D)

#### 5.2.1.1. Demand-side considerations

- (16) In its decisional practice, the Commission has traditionally defined the relevant market for scheduled air transport of passenger services on the basis of the "point of origin/point of destination" ("**O&D**") city-pair approach.<sup>13</sup> Such a market definition

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<sup>11</sup> See Section 6.1.3. of this decision.

<sup>12</sup> In its case law, the Commission established that the relevant markets for cargo are much broader than those for air transport of passengers as freight transport is less time sensitive than passengers and may involve various means of transport. In summary: (i) Any indirect (one-stop) route is substitutable with a direct (non-stop) route; (ii) cargo airlines with dedicated freighter planes, airlines with only belly-hold space capacity, and combination airlines with both dedicated freighter airplanes and belly space cargo capacity (e.g. Lufthansa) and integrators (e.g. DHL, UPS, or FedEx) compete in the same market; and (iii) the Commission left open whether the market can be further divided based on the nature of the freight transported (see, among others, M.5440 – Lufthansa/Austrian, recital 28 and following). CSA's share in the market air transport of cargo on intra-European routes (comprising all of Europe) is negligible; CSA estimates its share at [0-5]%. The market share of Travel Service is also negligible and estimated at less than [0-5]%; Form CO, paragraph 138.

<sup>13</sup> M.7333 – Alitalia/Etihad, recital 63 and following; M.6663 – Ryanair/Aer Lingus III, recital 50; M.6447 – IAG/bmi, recital 31; M.6607 – US Airways/American Airlines, recital 8; M.5889 – United

reflects the demand-side perspective whereby passengers consider all possible alternatives of travelling from a city of origin to a city of destination, which they do not consider substitutable for a different city pair. As a result, every combination of a point of origin and a point of destination is considered a separate market.

- (17) A large majority among all groups of respondents to the market investigation concur with the O&D approach for the purpose of analysing the competitive effects on the overlap routes.<sup>14</sup> The Parties do not object to this approach.<sup>15</sup>

#### 5.2.1.2. Supply-side considerations

- (18) The Commission has in its practice taken into consideration the network competition between airlines.<sup>16</sup> This is particularly relevant on the supply-side, as network carriers build their network and decide to fly essentially on routes connecting to their hubs. While some network carriers argued that competition between carriers takes place on the network level and that therefore competition among networks should also be taken into account,<sup>17</sup> in line with the Commission's notice on market definition and with the Commission's decision practice,<sup>18</sup> the Commission has given pre-eminence to demand-side substitution, whereby it considered that customers still need transportation from one point to another and that competition still takes place on an O&D city-pair basis.

#### 5.2.1.3. Conclusion

- (19) In light of the above, the Commission considers that the effects of the Transaction will be assessed on the basis of the city pair O&D approach, while all substitutable airports will be included in the respective points of origin and destination, provided that they are perceived as substitutable by travellers. The question of airport substitutability will be examined for relevant O&D routes in Section 6. of this decision.

#### 5.2.2. Distinction between groups of passengers

- (20) The Commission has traditionally found that a distinction may be drawn between time sensitive ("TS") or premium passengers, and non-time sensitive ("NTS") or non-

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*Air Lines/Continental Airlines*, recital 9; M.5440 – *Lufthansa/Austrian Airlines*, recital 11; M.5335 – *Lufthansa/SN Airholding*, recital 12.

14 Replies to Q1 – Questionnaire to competitors, question 4; Replies to Q2 – Corporate customers, question 4; Replies to Q3 – Questionnaire to travel agents, question 4; Replies to Q4 – Questionnaire to airport managers, question 5; Replies to Q4b – Questionnaire to airport managers (Prague), question 5; Replies to Q7 – Questionnaire to Civil aviation authorities, question 4.

15 Form CO, paragraph 87 and following.

16 M.7333 – *Alitalia/Etihad*, recital 67 and following; M.6607 – *US Airways/American Airlines*, recital 10; M.6447 – *IAG/bmi*, recital 31.

17 Replies to Q1 – Questionnaire to competitors, question 4.

18 M.7333 – *Alitalia/Etihad*, recital 67; M.6663 – *Ryanair/Aer Lingus III*, recital 50; M.6447 – *IAG/bmi*, recital 31; M.6607 – *US Airways/American Airlines*, recital 8; M.5889 – *United Air Lines/Continental Airlines*, recital 9; M.5440 – *Lufthansa/Austrian Airlines*, recital 11; M.5335 – *Lufthansa/SN Airholding*, recital 12.

premium passengers.<sup>19</sup> TS passengers tend to travel for business purposes, require significant flexibility with their tickets (such as cost-free cancellation and modification of the time of departure, etc.) and tend to pay higher prices for this flexibility. NTS customers travel predominantly for leisure purposes or to visit friends and relatives, book long time in advance, do not require flexibility with their booking and are generally more price-sensitive.

- (21) The Parties do not object to the Commission's approach but emphasise that the business models of CSA and Travel Service differ.<sup>20</sup> CSA is a traditional carrier, while Travel Service operates low-cost and charter flights. As a low-cost carrier, Travel Service does not sell business class tickets, and focuses primarily on NTS passengers. Furthermore, Travel Service considers that virtually all its passengers are NTS. CSA instead caters to both TS and NTS passengers. However, the vast majority of CSA's passengers are NTS passengers.<sup>21</sup>
- (22) If one were to distinguish separate markets for TS and NTS passengers, Travel Service submits that it would not be present on any of the markets for time-sensitive passengers. Consequently, the Transaction would not lead to any overlap on these markets.
- (23) The Parties consider that it is not necessary to distinguish separate relevant markets for NTS and TS passengers for the purposes of this decision<sup>22</sup> because (i) the distinction between TS and NTS passengers has diminished in recent years, (ii) TS passengers form only a negligible part of CSA's customers, and (iii) Travel Service only operates low-cost flights that are targeted at NTS passengers.
- (24) A large majority of respondents to the market investigation has found that the distinction between TS and NTS passengers is relevant for the assessment of the Transaction.<sup>23</sup> Some respondents consider nevertheless that the distinction between TS and NTS passengers has become blurred.<sup>24</sup>
- (25) However, The Commission considers that, for the purpose of the assessment of the Transaction, the conclusion on whether TS passengers and NTS passengers belong to the same relevant market can be left open, as the outcome of the Commission's competitive assessment would not change under any alternative market definition.

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<sup>19</sup> M.7333 – *Alitalia/Etihad*, recital 70 and following; M.6663 – *Ryanair/Aer Lingus III*, recital 382; M.6607 – *US Airways/American Airlines*, recital 8; M.6447 – *IAG/bmi*, recital 36; M.6607 – *US Airways/American Airlines*, recital 8.

<sup>20</sup> Form CO, paragraph 96 and following.

<sup>21</sup> The share of passengers traveling on fully flexible (unrestricted) tickets operated or marketed by CSA is approximately as follows on the four routes operated by both Parties: (i) Prague–Tel Aviv [0-5]%, (ii) Prague–Paris [0-5]%, (iii) Prague–Rome [0-5]%, and (iv) Prague–Barcelona [0-5]% (year 2013).

<sup>22</sup> Form CO, paragraph 99.

<sup>23</sup> Replies Q1 – Questionnaire to competitors, question 5; Replies to Q2 – Questionnaire to corporate customers, question 5; Replies to Q3 – Questionnaire to travel agents, question 5; Replies to Q4 – Questionnaire to airport managers, question 6; Replies to Q4b – Questionnaire to airport managers (Prague), question 6; Replies to Q7 – Questionnaire to civil aviation authorities, question 5.

<sup>24</sup> E.g. Iberia's reply to Q1 – Questionnaire to competitors, question 5.



### 5.2.3. *Markets for direct flights and indirect flights*

- (26) On a given O&D pair, passengers can travel either by way of a direct flight between the point of origin and the point of destination or by way of an "indirect" flight on the same O&D pair but via an intermediate destination.<sup>25</sup>
- (27) The level of substitutability of indirect flights for direct flights largely depends on the duration of the flight. As a general rule, the longer the flight, the higher the likelihood that indirect flights exert a competitive constraint on direct flights.<sup>26</sup>
- (28) When defining the relevant O&D markets for air transport services, the Commission has considered in previous decisions that with respect to short-haul routes (generally below 6 hours flight duration), indirect flights do not generally provide a competitive constraint to direct flights, absent exceptional circumstances (for example the direct connection does not allow for a one-day return trip or the share of indirect flights in the overall market is significant).<sup>27</sup>
- (29) The Parties do not object to this approach but submit<sup>28</sup> that they only operate short-haul flights and that the Transaction does not give rise to overlaps between direct/indirect<sup>29</sup> or indirect/indirect<sup>30</sup> flights that would lead to affected markets. There-

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<sup>25</sup> "Non-stop" flights are flights that take off at airport A and land at airport B where they load off passengers without any stops in between. By contrast, "direct" flights may entail a refuelling stop and/or a disembarking/re-embarking stop, but are marketed under a single flight code and are flown with a single aircraft. "One-stop" flights include direct flights that do not qualify as "non-stop", as well as indirect flights which are journeys that require a change of aircraft or a change of flight code.

<sup>26</sup> M.7333 – Alitalia/Etihad, recital 76; M.6663 – Ryanair/Aer Lingus III, recital 374; M.6447 – IAG/bmi, recital 68.

<sup>27</sup> M.7333 – Alitalia/Etihad, recitals 75 and following; M.6663 – Ryanair/Aer Lingus III, recital 375; M.5440 – Lufthansa/Austrian Airlines, recital 25 and following; M.5403 – Lufthansa/bmi, recital 17; M.5335 – Lufthansa/SN Airholding, recital 37 and following.

<sup>28</sup> Form CO, paragraphs 100-107.

<sup>29</sup> As regards the Parties' overlaps on direct/indirect routes, i.e. the situation when one Party operates (or markets) a direct flight and the other operates (and/or markets) a one-stop flight connecting the same city pair, the Parties do not compete with each other on any such route for the following reasons: (i) both Parties have their hub at Prague Airport (therefore, all indirect flights operated by the Parties go through Prague); (ii) further to the flights it operates, Travel Service only codeshares with CSA; and (iii) there are no routes for which CSA acts as a marketing carrier based on a codesharing agreement with any other carrier that would be at the same time operated by Travel Service; Form CO, paragraph 101.

<sup>30</sup> As regards competition of the Parties on indirect/indirect routes, i.e. the situation when both Parties operate (and/or market) one-stop flights connecting the same city pair, the Parties compete on the following indirect mid-haul routes: Paris (CDG)–Tel Aviv (TLV), Rome (FCO)–Tel Aviv (TLV) and Barcelona (BCN)–Tel Aviv (TLV). Indirect flights Paris (CDG)–Rome (FCO), Barcelona (BCN)–Rome (FCO) and Barcelona (BCN)–Paris (CDG) operated through Prague are not economically viable. The number of passengers carried on these routes is close to [0 – 20 000]. The Parties' individual market shares on such routes over the past 4 IATA seasons for all passenger segments did not exceed [0-5]%. Similarly, given the limited overlaps of the Parties activities on codeshared routes, the Parties have not provided details of competing indirect/indirect flights that would be based on their codesharing (e.g. Valencia (VLC)–Tel Aviv (TLV) route, or Frankfurt (FRA)–Tel Aviv (TLV) route). Since the market share attained by the marketing carrier on codeshared routes in most cases does not exceed [0-5]%, overlaps on indirect flights defined as a combination of two codeshared flights or one codeshared flight and one flight operated (marketed) by the relevant Party would be negligible; Form CO, paragraphs 102 and following.

fore, direct/indirect and indirect/indirect overlaps will not be discussed any further in this decision.

- (30) As regards direct/direct overlaps, including indirect flights in the relevant market, the Commission considers that the existence of such overlaps would not materially affect the assessment of these routes as the Parties only transport on indirect flights less than [0-5]% of their total passengers on the relevant O&D pairs.<sup>31</sup> Indirect flights will therefore not be included in the assessment of direct/direct overlaps.

#### 5.2.4. Airport substitutability

##### 5.2.4.1. Framework of assessment

- (31) When defining the relevant O&D markets for air transport services, the Commission previously found that flights from or to airports which have sufficiently overlapping catchment areas can be considered as substitutes in the eyes of passengers.
- (32) In order to correctly capture the competitive constraint that flights from and to two (or more) different airports exert on each other, a detailed analysis is necessary by taking into consideration the specific characteristics of the case at hand.<sup>32</sup> Passengers take into account a number of elements like travel time, travel costs, flight times/schedules/frequencies and the quality of service when it comes to choosing between air transport services to and from different airports. The passengers' choice for one or the other airline service will ultimately be driven by a combination of these elements.
- (33) Airport substitutability cannot be assessed in the abstract but can only be determined taking into account the characteristics of the passengers travelling on the routes at stake. The evidence used to characterise airport substitutability includes *inter alia* a comparison of distances and travelling times to the indicative benchmark of 100 km/1 hour driving time,<sup>33</sup> the outcome of the market investigation (views of the airport managers, the competitors, and other market participants), the Parties' practices in terms of monitoring, and any other relevant element.
- (34) In the present case, airport substitutability is relevant only for the Prague–Paris route.<sup>34</sup> In previous decisions,<sup>35</sup> the Commission has held that Paris Roissy Charles de Gaulles ("CDG") and Paris Orly are substitutable. In the Commission's market investigation in the present case, a majority of all respondents expressing a view were of

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<sup>31</sup> Form CO, paragraph 108.

<sup>32</sup> M.7333 – *Alitalia/Etihad*, recital 83; M.6663 – *Ryanair/Aer Lingus III*, recital 65 and following; M.4439 – *Ryanair/Aer Lingus*, recital 73 and following.

<sup>33</sup> M.7333 – *Alitalia/Etihad*, recital 85; M.6663 – *Ryanair/Aer Lingus III*, recital 56.

<sup>34</sup> This is because on the overlapping routes CSA and Travel Service fly from/to the same airports and there are no O&D city pairs which would the Parties operate alongside each other from different airports. However, Transavia operates Prague–Paris–Orly and may be taken into account as exerting additional competitive pressure on airlines operating Prague–Paris–CDG on a market containing both Paris–CDG and Paris–Orly.

<sup>35</sup> M.5830 – *Olympic/Aegean I*, recital 1671; M.3280 – *Air France/KLM*, recitals 27-30.

the opinion that Paris CDG and Paris Orly were not substitutable for TS or NTS passengers.<sup>36</sup>

- (35) Given however that serious doubts do not arise on the Prague–Paris (CDG) route or on the Prague–Paris CDG and Orly route, the Commission considers that for the purpose of the assessment of the Transaction it is not necessary to conclude whether Paris CDG and Paris Orly form part of the same relevant market.

### **5.3. Related ground services at Prague Airport**

- (36) In addition to air transport services, CAH is engaged in a number of additional activities provided to third parties that are vertically related to the market for air transport services. Primarily, CAH (through its subsidiaries) provides ground-handling and MRO services, as well as fuel supply and airport infrastructure services at Prague Airport.

#### *5.3.1. Ground handling services*

- (37) The Commission has concluded in previous cases that the relevant product market for ground handling services consist of ramp, passenger, and baggage handling services as well as airside cargo handling services with a geographic scope for the provision of all ground handling services restricted to a specific airport.<sup>37</sup>
- (38) Ramp services include aircraft loading and unloading, marshalling, push back and towing, cleaning, toilet and water servicing, de-icing, airport transportation (for both crew and passengers), freight and baggage transfer, and traffic operations (flight documentation and planning, crew briefing, weight and balance, load planning, ground to air communication, flight supervision).
- (39) Passenger handling services include reservation and ticketing, supervision management, check-in services, basic security services, arrival and departure services and boarding assistance.
- (40) Baggage handling comprises loading and unloading of baggage from an aircraft, handling baggage in the sorting area, sorting it, preparing it for departure, and transporting baggage from the sorting area to the reclaim area.
- (41) Airside cargo handling is the transportation of cargo between the airport and the cargo handler's warehouse.
- (42) A large majority of all queried respondents expressing a view confirmed the product and geographic market definition of ground handling services as outlined in previous Commission decisions.<sup>38</sup> The Parties do not object to this approach.<sup>39</sup>

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<sup>36</sup> Replies Q1 – Questionnaire to competitors, question 6; Replies to Q2 - Questionnaire to corporate customers, question 6; Replies to Q3 – Questionnaire to travel agents, question 6; Replies to Q4 – Questionnaire to airport managers, question 6; Replies to Q4b – Questionnaire to airport managers (Prague), question 6; Replies to Q7 – Questionnaire to civil aviation authorities, question 6.

<sup>37</sup> See, among others, M.7021 – *Swissport/Servisair*, recitals 7-18.

<sup>38</sup> Replies to Q1 – Questionnaire to competitors, question 7.

<sup>39</sup> Form CO, paragraphs 152 and following.

(43) In the absence of horizontal overlap on this market, the Commission considers that for the purpose of the assessment of the Transaction the precise scope of the product market definition for ground handling services can be left open since the Transaction would not significantly impede effective competition under any product or geographic market definition.

### 5.3.2. *Maintenance, repair and overhaul (MRO)*

(44) With regard to the product market definition, the Commission distinguished in earlier decisions four separate segments within the MRO market, namely (i) line maintenance, (ii) heavy maintenance, (iii) engine maintenance, and (iv) components' maintenance.<sup>40</sup> Geographically, these markets are deemed to be at least EEA-wide in scope, the only exception being line maintenance, which is deemed regional, limited to the airport where the services are provided.<sup>41</sup> A large majority of all queried respondents expressing a view confirmed the product and geographic market definition of ground handling services as outlined in previous Commission decisions.<sup>42</sup> The Parties do not object to this approach.<sup>43</sup>

(45) In the absence of horizontal overlaps on this market, the Commission considers that for the purpose of the assessment of the Transaction the precise scope of the product market definition for MRO services can be left open since the Transaction would not significantly impede effective competition under any product or geographic market definition.

### 5.3.3. *Fuel supply*

(46) The Commission has distinguished separate markets for ex-refinery sales and into-plane sales of aviation fuels.<sup>44</sup> The into-planes supply includes supply of aviation fuel at the airport under contracts with the airlines and arrangements with servicing companies that operate the airport fuelling infrastructures and perform actual into plane fuelling services with tank trucks to the plane for a fee paid by the suppliers.<sup>45</sup> The relevant geographic market for into-plane supply is defined on an airport basis, due to the airport-specific supply contracts and fuelling infrastructures specific to each airport.<sup>46</sup>

(47) The Parties do not object to this approach and note that CSA Handling acquired a non-exclusive license for fuel supply to air carriers at Prague Airport and commenced providing these services as of January 1, 2014.<sup>47</sup> Travel Service is not active in this market.

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<sup>40</sup> See, among others, M.5830 – *Olympic/Aegean I*, recital 320.

<sup>41</sup> See, among others, M.5830 – *Olympic/Aegean I*, recital 323.

<sup>42</sup> Replies to Q1 – Questionnaire to competitors, question 8.

<sup>43</sup> Form CO, paragraphs 159 and following.

<sup>44</sup> See, among others, M.5880 – *Shell/Topaz/JV*, recital 11 and following.

<sup>45</sup> See, among others, M.5880 – *Shell/Topaz/JV*, recital 17.

<sup>46</sup> See, among others, M.5880 – *Shell/Topaz/JV*, recital 22.

<sup>47</sup> Form CO, paragraph 172 and following.

- (48) A large majority of all queried respondents expressing a view confirmed the product and geographic market definition of ground handling services as outlined in previous Commission decisions.<sup>48</sup>
- (49) In the absence of horizontal overlaps on this market, the Commission considers that for the purpose of the assessment of the Transaction the precise scope of the product market definition for fuel supply services can be left open since the Transaction would not significantly impede effective competition under any product or geographic market definition.

#### 5.3.4. *Airport infrastructure services*

- (50) The Commission delineated a separate market for the provision of airport infrastructure services to airlines. In its most recent cases, the Commission indicated that three activities can be distinguished in the management and operation of airports: (i) the provision of airport infrastructure, (ii) the provision (or contracting) of ground-handling services, and (iii) the provision (or contracting) of associated commercial services.<sup>49</sup> As for its geographical scope, the Commission defines the market for the provision of airport infrastructure services as all airports within the same catchment area.<sup>50</sup>
- (51) A large majority of all queried respondents expressing a view confirmed the product and geographic market definition of ground handling services as outlined in previous Commission decisions.<sup>51</sup> The Parties do not object to this approach.<sup>52</sup>
- (52) In the absence of horizontal overlap on this market and for the purposes of this decision, the Commission considers that the precise scope of the product market definition [...] can be left open since the transaction would not significantly impede effective competition under any product or geographic market definition.

## 6. COMPETITIVE ASSESSMENT

### 6.1. Air transport of passengers

- (53) In the air transport of passengers sector, in the summer 2014 IATA season, the Parties both operated scheduled flights on the four Overlapping Routes: (i) Prague (PRG)–Tel Aviv (TLV), (ii) Prague (PRG)–Barcelona (BCN), (iii) Prague (PRG)–Rome (FCO), and (iv) Prague (PRG)–Paris (CDG). Moreover, the Parties' activities overlapped on 42 routes where they operate unilateral codeshares.<sup>53</sup>

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<sup>48</sup> Replies to Q1 – Questionnaire to competitors, question 9.

<sup>49</sup> See, among others, M.7008 – *Aena International/Axa Pe/Llagl*, recital 12.; M.6862 – *Vinci/Aeroports De Portugal*, recital 16.

<sup>50</sup> See, among others, M.7008 – *Aena International/Axa Pe/Llagl*, recital 14; M.6862 – *Vinci/Aeroports De Portugal*, recital 19.

<sup>51</sup> Replies to Q1 – Questionnaire to competitors, question 10.

<sup>52</sup> Form CO, paragraph 172 and following.

<sup>53</sup> See Section 6.1.3. of this decision.

### 6.1.1. *Share data for the air transport of passengers*

- (54) The Parties based their share estimates for the air transport of passengers on statistical data collected by Prague Airport.<sup>54</sup> Prague Airport tracks the number of passengers on flights to/from Prague Airport and distinguishes point-to-point and transfer passengers but does not provide separate data on tickets sold by marketing carriers under codeshare agreements. The Prague Airport makes the data it collects available to all carriers operating the respective flights. Neither CSA nor Travel Service purchase data from paid databases.
- (55) The Prague Airport is operated by LP, a subsidiary of CAH. The Parties submit that the statistical data collected by LP is objective and as such it is normally relied on by carriers. Furthermore, in the context of the approval of the restructuring of its activities by the Czech Office for the Protection of Competition ("**ÚOHS**"), CAH committed to hold LP separate from CAH and its other subsidiaries from a personal, legal, accounting, and operational perspective. The Parties consider that the separation of LP from the rest of the CAH group provides safeguards against the sharing of sensitive information and aims to ensure free and equal access to services and capacities of companies within the CAH holding structure for third parties.<sup>55</sup> Due to these reasons, the Parties maintain that CAH does not have the ability to influence contents of the Prague Airport statistics.
- (56) The Commission has confirmed the Parties' share estimates by collecting information from their main competitors on the four Overlapping Routes where both Parties operate. The Commission therefore considers that the data submitted by the Parties is sufficient for the assessment of the Transaction.

### 6.1.2. *Overlapping Routes*

#### 6.1.2.1. Prague–Rome (Fiumicino)

- (57) On the Prague–Rome route, both CSA and Travel Service operate their own aircraft. Furthermore, CSA and Travel Service sell tickets for each other's flights under a parallel hard block codeshare agreement.<sup>56</sup>
- (58) Rome is served by two airports, Rome Ciampino and Rome Fiumicino. Airport substitutability between airports in Rome could only be relevant for the assessment of entry projects by the Parties' potential competitors because the Parties and their actual competitors are all flying from Rome Fiumicino. However, the Parties' competitors that have responded to the market investigation have indicated that they have no plans to enter on the route over the foreseeable future.<sup>57</sup> Therefore, it is not necessary to determine whether Rome Fiumicino is substitutable with Rome Ciampino.
- (59) During the winter 2013/2014 and the summer 2014 IATA seasons approximately [60 000 – 80 000] and [200 000 – 300 000] passengers respectively travelled on the Pra-

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<sup>54</sup> Form CO, Annex 7.5.1.B.

<sup>55</sup> Decision Ref. No. ÚOHS-S178/2011/KS of 25 October 2011.

<sup>56</sup> Form CO, paragraph 233. See Section 6.1.3. of this decision for a definition of hard block codeshare agreement.

<sup>57</sup> Replies to Q1 – Questionnaire to competitors, questions 17-18.

gue–Rome O&D route.<sup>58</sup> In the winter 2013/14 IATA season, the Parties transported a total of [40 000 – 60 000] passengers, [0 – 20 000] of which were TS passengers transported by CSA. In the summer 2014 IATA season, the parties transported a total of [60 000 – 80 000] passengers, [0 – 20 000] of which were TS passengers transported by CSA. Over the last two IATA seasons, Travel Service did not transport TS passengers on the route.<sup>59</sup> The Parties' main competitors on the route, Wizz Air, EasyJet, and Vueling, focus their activities on NTS passengers. Alitalia instead caters to both TS and NTS passengers. The Parties' activities do not overlap on the TS passengers segment on the Prague–Rome route. Furthermore, considering the limited number of tickets sold to TS passengers, the Parties are of the view that the market structure for NTS passengers is similar to that for all passengers. Therefore, for the purpose of this decision it is not necessary to distinguish TS from NTS passengers as this distinction would not affect the outcome of the Commission's competitive assessment.

- (60) The Parties were not able to provide estimates for the number of passengers travelling on indirect flights. However, indirect flights do not represent a material competitive constraint to the Parties' direct operation on the Prague–Rome route.
- (61) In the winter 2013/14 IATA season, CSA operated up to 6 weekly frequencies while Travel Service operated up to 6 weekly frequencies.<sup>60</sup> In the summer 2014 IATA season, CSA operated up to 5 weekly frequencies while Travel Service operated up to 4 weekly frequencies. In addition, each of the Parties sold tickets for the other party's flights. In the summer 2014 IATA season, easyJet and Vueling offered 7 weekly frequencies each, while Wizz Air offered 3 weekly frequencies in each of the last two IATA seasons.
- (62) Table 1 below illustrates the market position of the Parties and their competitors on the Prague-Rome route in the winter 2013/2014 and summer 2014 IATA seasons.

**Table 1: Prague–Rome Fiumicino**

Carrier	Winter 2013/2014		Summer 2014	
	Passengers	Share	Passengers	Share
CSA	[20 000-40 000]	[40-50]%	[40 000-60 000]	[20-30]%
Travel Service	[0 - 20 000]	[20-30]%	[20 000-40 000]	[10-20]%
<b>Combined</b>	<b>[40 000-60 000]</b>	<b>[60-70]%</b>	<b>[60 000-80 000]</b>	<b>[30-40]%</b>
Alitalia	[0 - 20 000]	[10-20]%	[20 000-40 000]	[10-20]%
easyJet	0	0%	[40 000-60 000]	[20-30]%
Vueling	0	0%	[40 000-60 000]	[20-30]%
Wizz Air	[0-20 000]	[20-30]%	[20 000-40 000]	[10-20]%

Source: Form CO: Annex 7.5.1.A

- (63) During the winter 2013/2014 IATA season, the Parties held a combined share of [60-70]% and faced competition from Wizz Air ([20-30]%) and Alitalia ([10-20]%). In the summer 2014 IATA season, new entry occurred. Two leading low cost carriers,

<sup>58</sup> Form CO, Annex 7.5.1.A.

<sup>59</sup> Form CO, Annex 7.5.1.A.

<sup>60</sup> Form CO, Annex 7.5.1.A.

easyJet and Vueling, started operating on the route with one daily frequency each, i.e. a higher frequency than either CSA or Travel Service.

- (64) Already in their first season, easyJet and Vueling were able to seize a significant share of the market, [20-30]% and [20-30]% respectively, which is equal to or higher than each of the merging parties. EasyJet and Vueling mainly acquired passengers at the expense of the Parties which have seen their combined share decline to [30-40]%, whereas Alitalia could keep its share of the market roughly stable. The entry of these two carriers is not seasonal. Both easyJet and Vueling are offering a year-round service.
- (65) Moreover, a majority of respondents to the market investigation that expressed a view on the degree of competition that would remain on this route post-Transaction indicated that there would be sufficient constraints to prevent the merged entity from raising prices.<sup>61</sup>
- (66) Therefore, the Commission considers that, in particular because of the new entrants in the market post-Transaction the Parties, will continue to face sufficient competitive pressure from strong competitors, two of which hold shares larger than the increment brought about by the Transaction.
- (67) In light of the above, the Commission concludes that the Transaction does not raise any serious doubts as to its compatibility with the internal market under all possible market definitions on the Prague–Rome (Fiumicino) route.

#### 6.1.2.2. Prague–Paris (Charles de Gaulle)

- (68) On the Prague–Paris route, both CSA and Travel Service operate their own aircraft. Furthermore, Travel Service sells tickets for flights operated by CSA under a unilateral hard block codeshare agreement.<sup>62</sup>
- (69) Paris is served by three main airports, Paris CDG, Paris Orly, and Paris Le Bourget. As explained above in Section 5.2.4. of this decision, the Parties submit that Paris CDG and Paris Orly are substitutable for both TS and NTS passengers. The Parties and their main competitors operate flights to Paris CDG, the sole exception being Transavia that flies instead to Paris Orly. Therefore, including Paris Orly in the same relevant market as Paris CDG would have the effect of diluting the Parties' shares. However, because the Transaction does not raise serious doubts on the Prague–Paris Charles de Gaulle route, it is not necessary to determine whether Paris CDG and Paris Orly are substitutable for the purpose of the assessment of the Transaction.
- (70) During the winter 2013/2014 and the summer 2014 IATA seasons approximately [200 000 – 300 000] and [300 000 – 400 000] passengers respectively travelled on the Prague–Paris CDG O&D route.<sup>63</sup> In the winter 2013/14 IATA season, the Parties transported a total of [100 000 – 200 000] passengers, about [0 - 20 000] of which were TS passengers transported by CSA. In the summer 2014 IATA season, the parties trans-

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<sup>61</sup> Replies to Q1 – Questionnaire to competitors, question 11; Replies to Q2 – Questionnaire to corporate customers, question 7; Replies to Q3 – Questionnaire to travel agencies, question 7.

<sup>62</sup> Form CO, paragraph 90.

<sup>63</sup> Form CO, Table 10.



ported a total of [100 000 -200 000] passengers, about [0 - 20 000] of which were TS passengers transported by CSA. Over the last two IATA seasons, Travel Service did not transport TS passengers on the route.<sup>64</sup> Air France caters to both TS and NTS passengers whereas easyJet focuses its activities on NTS passengers. The Parties' activities do not overlap on the TS passengers segment on the Prague–Paris CDG route. Furthermore, considering the limited number of tickets sold to TS passengers, the Parties are of the view that the market structure for NTS passengers is similar to that for all passengers. Therefore, for the purpose of this decision it is not necessary to distinguish TS from NTS passengers as this distinction would not affect the outcome of the Commission's competitive assessment.

- (71) The Parties were not able to provide estimates for the number of passengers travelling on indirect flights. However, indirect flights do not represent a material competitive constraint to the Parties' direct operation on the Prague–Paris CDG route.<sup>65</sup>
- (72) In the winter 2013/14 IATA season, CSA operated up to 21 weekly frequencies while Travel Service operated up to 7 weekly frequencies.<sup>66</sup> In the summer 2014 IATA season, CSA operated up to 20 weekly frequencies while Travel Service up to 2 weekly frequencies. In addition, Travel Service sold tickets for the CSA's flights. Air France offered 21 weekly frequencies while EasyJet offered up to 7 weekly frequencies in each of the last two IATA seasons.
- (73) Table 2 below illustrates the market position of the Parties and their competitors on the Prague–Paris CDG route in the winter 2013/2014 and summer 2014 IATA seasons.

**Table 2: Prague–Paris-CDG**

Carrier	Winter 2013/2014		Summer 2014	
	Passengers	Share	Passengers	Share
CSA	[80 000-100 000]	[30-40]%	[100 000-200 000]	[30-40]%
Travel Service	[20 000-40 000]	[10-20]%	[20 000-40 000]	[5-10]%
<b>Combined</b>	<b>[100 000-200 000]</b>	<b>[40-50]%</b>	<b>[100 000-200 000]</b>	<b>[40-50]%</b>
Air France	[80 000-100 000]	[40-50]%	[100 000-200 000]	[30-40]%
easyJet	[20 000-40 000]	[10-20]%	[60 000-80 000]	[20-30]%

Source: Form CO: Annex 7.5.1.A

- (74) During the winter 2013/2014 IATA season, the Parties held a combined share of [40-50]% and faced competition from easyJet ([10-20]%) and Air France ([40-50]%). In the summer 2014 IATA season, CSA and Travel Service have seen their combined share decline to [40-50]% from [40-50]% in the summer 2013 IATA season. EasyJet's share has doubled when compared with the previous IATA season. Both easyJet and Air France are offering a year-round service.

<sup>64</sup> Form CO, Annex 7.5.1.A.

<sup>65</sup> Paragraph 28 et seq. of the present Decision.

<sup>66</sup> Form CO, Table 17.

- (75) A majority of respondents to the market investigation that expressed a view on the degree of competition that would remain on the Prague–Paris-CDG route post-Transaction indicated that there would be sufficient constraints to prevent the merged entity from raising prices.<sup>67</sup>
- (76) The Commission accordingly considers that because of the year-round high market shares of two strong competitors post-Transaction the Parties will continue to face sufficient competitive pressure, especially since competitors hold shares larger than the increment brought about by the Transaction.
- (77) In the light of the above, the Commission concludes that the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to the Prague–Paris (Charles de Gaulle) route under any possible market definition.

#### 6.1.2.3. Prague–Tel Aviv

- (78) On the Prague–Tel Aviv route, both CSA and Travel Service operate their own aircraft. Furthermore, CSA and Travel Service sell tickets for each other's flights under a parallel hard block codeshare agreement.<sup>68</sup>
- (79) During the winter 2013/2014 and the summer 2014 IATA seasons approximately [40 000 – 60 000] and [100 000 – 200 000] passengers travelled on the Prague–Tel Aviv O&D route.<sup>69</sup> In the winter 2013/14 IATA season, the Parties transported a total of [20 000 – 40 000] passengers, [0 – 20 000] of which were TS passengers transported by CSA. In the summer 2014 IATA season, the Parties transported a total of [80 000 – 100 000] passengers, [0 – 20 000] of which were TS passengers transported by CSA. Over the last two IATA seasons, Travel Service did not transport TS passengers on the route.<sup>70</sup> On this route, the Parties compete with Wizz Air, which focuses its activities on NTS passengers, and El Al, which instead caters both TS and NTS passengers. The Parties' activities do not overlap on the TS passengers segment on the Prague–Tel Aviv route. Furthermore, considering the limited number of tickets sold to TS passengers, the Parties are of the view that the market structure for NTS passengers is similar to that for all passengers. Therefore, for the purpose of this decision it is not necessary to distinguish TS from NTS passengers as this distinction would not affect the outcome of the Commission's competitive assessment.
- (80) The Parties were not able to provide estimates for the number of passengers travelling on indirect flights. However, indirect flights do not represent a material competitive constraint to the Parties' direct operation on the Prague–Tel Aviv route.
- (81) In the winter 2013/14 IATA season, CSA and Travel Service operated up to 3 weekly frequencies each.<sup>71</sup> In the summer 2014 IATA season, CSA operated up to 7 weekly frequencies while Travel Service operated up to 6 weekly frequencies. In addition,

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<sup>67</sup> Replies to Q1 – Questionnaire to competitors, question 11; Replies to Q2 – Questionnaire to corporate customers, question 7; Replies to Q3 – Questionnaire to travel agencies, question 7.

<sup>68</sup> Form CO, paragraph 233.

<sup>69</sup> Form CO, Annex 7.5.1.A.

<sup>70</sup> Form CO, Annex 7.5.1.A.

<sup>71</sup> Form CO, Table 25.

each of the Parties sold tickets for the other party's flights. El Al offered 4 and 11 weekly frequencies in the winter 2013/14 and the summer 2014 IATA seasons, respectively. Wizz Air offered 3 weekly frequencies in the summer 2014 IATA season.

- (82) Table 3 below illustrates the market position of the Parties and their competitors on the Prague-Tel Aviv route in the winter 2013/2014 and summer 2014 IATA seasons.

**Table 3: Prague–Tel Aviv**

Carrier	Winter 2013/2014		Summer 2014	
	Passengers	Share	Passengers	Share
CSA	[0-20 000]	[30-40]%	[0-20 000]	[10-20]%
Travel Service	[0-20 000]	[20-30]%	[40 000-60 000]	[20-30]%
<b>Combined</b>	<b>[20 000-40 000]</b>	<b>[60-70]%</b>	<b>[60 000-80 000]</b>	<b>[40-50]%</b>
El Al	[0-20 000]	[30-40]%	[80 000-100 000]	[40-50]%
Wizz Air	-	-	[20 000-40 000]	[10-20]%

Source: Form CO, Annex 7.5.1.A

- (83) During the winter 2013/2014 IATA season, the Parties held a combined share of [60-70]% and the only other carrier active on the route was EL Al ([30-40]%). This duopolistic market structure has, however, changed with the entry of Wizz Air in the summer season 2014. Wizz Air, a well-established low cost carrier, started operating on the route with three weekly frequencies.
- (84) Already in its first season, Wizz Air was able to seize a significant share of the market, [10-20]%, which comes close to CSA's market share and falls only [0 – 20 000] passengers short of CSA. Wizz Air mainly acquired passengers at the expense of the Parties which have seen their combined share decline to [40-50]% from [70-80]% in summer season 2013. Wizz Air offers a year-round service.<sup>72</sup>
- (85) A majority of respondents to the market investigation that expressed a view on the degree of competition that would remain on this route post-Transaction indicated that there would be sufficient constraints to prevent the merged entity from raising prices.<sup>73</sup>
- (86) The Commission considers that because of the presence of a strong competitor and a recent entry of another carrier on the route, post-Transaction the Parties will continue to face sufficient competitive pressure especially since one of the competitors holds a share larger than the increment brought about by the Transaction.
- (87) In light of the above, the Commission concludes that the Transaction does not raise any serious doubts as to its compatibility with the internal market under all possible market definitions on the Prague–Tel Aviv route.

<sup>72</sup> Wizz Air recently suspended its service but its operations on the Prague–Tel Aviv route will resume in March 2015.

<sup>73</sup> Replies to Q1 – Questionnaire to competitors, question 11, Replies to Q2 – Questionnaire to corporate customers, question 7; Replies to Q3 – Questionnaire to travel agencies, question 7.

#### 6.1.2.4. Prague–Barcelona

- (88) On the Prague–Barcelona route, both CSA and Travel Service operate their own aircraft. Furthermore, CSA and Travel Service sell tickets for each other's flights under a parallel hard block codeshare agreement.<sup>74</sup> On this route, CSA offers a year-round service while Travel Service only operates in the summer IATA seasons.
- (89) During the winter 2013/2014 and the summer 2014 IATA seasons approximately [60 000 – 80 000] and [100 000 – 200 000] passengers respectively travelled on the Prague–Barcelona O&D route.<sup>75</sup> In the winter 2013/14 IATA season, CSA transported a total of [20 000 – 40 000] passengers, [0 – 20 000] of which were TS passengers. In the summer 2014 IATA season, the Parties transported a total of [40 000 – 60 000] passengers, [0 – 20 000] of which were TS passengers transported by CSA. Over the last two IATA seasons, Travel Service did not transport TS passengers on the route.<sup>76</sup> On this route, the Parties compete with Vueling, which focuses its activities on NTS passengers. The Parties' activities do not overlap on the TS passengers segment on the Prague–Barcelona route. Furthermore, considering the limited number of tickets sold to TS passengers, the Parties are of the view that the market structure for NTS passengers is similar to that for all passengers. Therefore, for the purpose of this decision it is not necessary to distinguish TS from NTS passengers as this distinction would not affect the outcome of the Commission's competitive assessment.
- (90) The Parties were not able to provide estimates for the number of passengers travelling on indirect flights. However, indirect flights do not represent a material competitive constraint to the Parties' direct operation on the Prague–Barcelona route.
- (91) In the winter 2013/14 IATA season, CSA operated up to 7 weekly frequencies.<sup>77</sup> In the summer 2014 IATA season, CSA operated up to 7 weekly frequencies while Travel Service operated up to 2 weekly frequencies. In addition, each of the Parties sold tickets for the other party's flights. Vueling offered 7 and 12 weekly frequencies in the winter 2013/14 and the summer 2014 IATA seasons, respectively.
- (92) Table 4 below illustrates the market position of the Parties and their competitors on the Prague-Barcelona route in the winter 2013/2014 and summer 2014 IATA seasons.

**Table 4: Prague–Barcelona**

Carrier	Winter 2013/2014		Summer 2014	
	Passengers	Share	Passengers	Share
CSA	[20 000-40 000]	[30-40]%	[40 000-60 000]	[30-40]%
Travel Service	-	-	[0-20 000]	[5-10]%
<b>Combined</b>	<b>[20 000-40 000]</b>	<b>[30-40]%</b>	<b>[40 000-60 000]</b>	<b>[40-50]%</b>
Vueling	[40 000-60 000]	[60-70]%	[80 000-100 000]	[60-70]%

Source: Form CO: Annex 7.5.1.A

<sup>74</sup> Form CO, paragraph 233.

<sup>75</sup> Form CO, Annex 7.5.1.A.

<sup>76</sup> Form CO, Annex 7.5.1.A.

<sup>77</sup> Form CO, Table 14.

- (93) During the winter 2013/2014 IATA season the activities of the Parties do not overlap on the Prague-Barcelona route. Over the last two summer IATA seasons, the Parties' combined share decreased from [40-50]% to [40-50]%. In the same period, Vueling, which offers a year-round service and which, like the Parties, operates from the Barcelona El Prat Airport, was by far the largest carrier active on the route with shares of [50-60]% and [60-70]% respectively for the summer 2013 and 2014 IATA seasons.
- (94) A majority of respondents to the market investigation that expressed a view on the degree of competition that would remain on this route post-Transaction indicated that there would be sufficient constraints to prevent the merged entity from raising prices.<sup>78</sup>
- (95) The Commission considers that because of the year-round high market shares of a strong competitor post-Transaction the Parties will continue to face sufficient competitive pressure especially since the competitor holds a share larger than that of the Parties combined.
- (96) In light of the above, the Commission concludes that the Transaction does not raise any serious doubts as to its compatibility with the internal market under all possible market definitions on the Prague-Barcelona route.

### *6.1.3. Overlaps due to codeshares*

#### 6.1.3.1. Codeshares

- (97) In computer reservation systems, each airline is identified by a two-letter "airline designator code". Codeshare agreements allow flights operated by one airline to be marketed by its codeshare partner under its own code. In a codeshare, the marketing carrier places its code on flights operated by the operating carrier and markets them via its distribution network.
- (98) Codeshares can be unilateral or parallel. The codeshare is unilateral if only one codeshare partner is operating on the route; it is parallel when both codeshare partners fly on the route and codeshare on each other's flights. Unilateral codeshare allows the marketing carrier to expand its network by allowing it to reach destinations to which it does not fly its own aircraft. Through parallel codeshare, carriers can increase frequencies without deploying additional aircraft. Parallel codeshare normally allows for fare combinability which enables passengers to fly on each leg of a roundtrip with different carriers. In both unilateral and parallel codeshares, the operating carrier receives indirect access to the distribution network and customer base of the marketing carrier(s).
- (99) Seats on flights operated by a codeshare partner can be sold on a "free flow" (also known as "free-sell") or "blocked space" basis. In a free-flow codeshare, the marketing carrier can sell codeshare seats as long as there are seats available in the operating carrier's inventory. Therefore, the commercial risk of unsold seats remains with the operating carrier. The marketing carrier has access to real-time information on seat availability in each booking class covered by the codeshare agreement. In a blocked space codeshare, the marketing carrier can purchase a block of seats in advance and

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<sup>78</sup> Replies to Q1 – Questionnaire to competitors, question 11; Replies to Q2 – Questionnaire to corporate customers, question 7; Replies to Q3 – Questionnaire to travel agencies, question 7.

resell them under its own code. Blocked space codeshares can be further distinguished in "soft" and "hard" block. In a "soft block" codeshare, the marketing carrier has an option to return some or all of the unsold seats at an agreed number of days before departure. Under this system, the economic risk can lay mainly on the marketing carrier or the operating carrier depending on the specific features of the agreement. In a "hard block" codeshare, the marketing carrier cannot in principle return the tickets it has purchased and therefore the economic risk lies on it.

#### 6.1.3.2. Codeshares between CSA and Travel Service

(100) Codeshare agreements are a common feature of the air passenger transport industry and it is not unusual for carriers to have in place at any given time a substantial number of agreements with multiple carriers. CSA in this respect is no exception and it currently has codeshare agreements with Travel Service as well as with several other carriers.<sup>79</sup>

(101) Based on share data for the last two IATA seasons, the Transaction gives rise to 42 affected markets which are due to unilateral free-flow codeshares between CSA and Travel Service. CSA and Travel Service also operate blocked-space codeshares on the Overlapping Routes, the effects of the Transaction on these routes are assessed in Section 6.1.2. of this decision.<sup>80</sup> Tables 5 and 6 below list the routes on which the Parties operate a unilateral free-flow codeshare.

**Table 5: Routes operated year round**

Routes	Total pax	Shares					
		CSA		Travel Service		Parties combined	
		W 2013/ 2014	S 2014	W 2013/ 2014	S 2014	W 2013/ 2014	S 2014
Prague (PRG)– Bucharest (OTP)	[20 000 – 40 000]	[60-70] % O	[50-60] % O	[0-5] % M	[0-5] % M	[60-70] %	[50-60] %
Prague (PRG)– Budapest (BUD)	[0 – 20 000]	[90- 100] % O	[90- 100] % O	[0-5] % M	[0-5] % M	[90- 100] %	[90-100] %
Prague (PRG)– Copenhagen (CPH)	[40 000 – 60 000]	[50-60] % O	[40-50] % O	[0-5] % M	[0-5] % M	[50-60] %	[40-50] %

<sup>79</sup> CSA's codeshare partners include Air France/KLM, Delta, Korean Air, Vietnam Airlines, China Airlines, China Southern, Tarom, Air Europa, Aeroflot, and Aeromexico.

<sup>80</sup> These following routes have been discontinued: Prague–Berlin, Prague–Frankfurt, Prague–Munich, Prague–Bratislava, Prague–Geneva, Prague–Zurich, Prague–Antalya, Prague–Dubai.

Routes	Total pax	Shares					
		CSA		Travel Service		Parties combined	
		W 2013/ 2014	S 2014	W 2013/ 2014	S 2014	W 2013/ 2014	S 2014
Prague (PRG)– Düsseldorf (DUS)	[60 000 – 80 000]	[40-50]% O	[40-50]% O	[0-5]% M	[0-5]% M	[40-50]%	[40-50]%
Prague (PRG)– Frankfurt (FRA)	[100 000 – 200 000]	[10-20]% O	[10-20]% O	[0-5]% M	[0-5]% M	[10-20]%	[10-20]%
Prague (PRG)– Hamburg (HAM)	[0 – 20 000]	[90- 100]% O	[60-70]% O	[0-5]% M	[0-5]% M	[90- 100]%	[60-70]%
Prague (PRG)– Kosice (KSC)	[20 000 – 40 000]	[90- 100]% O	[90- 100]% O	[0-5]% M	[0-5]% M	[90- 100]%	[90-100]%
Prague (PRG)– Ostrava (OSR)	[0 – 20 000]	[90- 100]% O	[90- 100]% O	[0-5]% M	[0-5]% M	[90- 100]%	[90-100]%
Prague (PRG)– Stockholm (ARN)	[40 000 – 60 000]	[20-30]% O	[20-30]% O	[0-5]% M	[0-5]% M	[20-30]%	[20-30]%
Prague (PRG)– Warsaw (WAW)	[40 000 – 60 000]	[30-40]% O	[30-40]% O	[0-5]% M	[0-5]% M	[30-40]%	[30-40]%
Prague (PRG)– Malaga (AGP)	[0 – 20 000]	[0-5]% M	[0-5]% M	[90- 100]% O	[90- 100]% O	[90- 100]%	[90-100]%
Prague (PRG)– Tenerife South (TFS)	[0 – 20 000]	[0-5]% M	[0-5]% M	[90- 100]% O	[90- 100]% O	[90- 100]%	[90-100]%

Source: Form CO, Annex 7.5.1.A.

**Table 6: Seasonal routes**

Routes	Total Pax	Shares		
		CSA	Travel Service	Parties combined
	S 2014	S 2014	S 2014	S 2014
Prague (PRG)–Amsterdam (AMS)	[200 000-300 000]	[20-30]% O	[0-5]% M	[20-30]%
Prague (PRG)–Brussels (BRU)	[100 000-200 000]	[40-50]% O	[0-5]% M	[40-50]%
Prague (PRG)–Kiev (KBP)	[40 000-60 000]	[40-50]% O	[0-5]% M	[40-50]%
Prague (PRG)–Madrid (MAD)	[80 000-100 000]	[40-50]% O	[0-5]% M	[40-50]%
Prague (PRG)–Milan (MXP)	[100 000-200 000]	[30-40]% O	[0-5]% M	[30-40]%
Prague (PRG)–Nice (NCE)	[20 000-40 000]	[90-100]% O	[0-5]% M	[90-100]%
Prague (PRG)–Burgas (BOJ)	[40 000-60 000]	[0-5]% M	[90-100]% O	[90-100]%
Prague (PRG)–Cagliari (CAG)	[0-20 000]	[0-5]% M	[90-100]% O	[90-100]%
Prague (PRG)–Catania (CTA)	[0-20 000]	[0-5]% M	[90-100]% O	[90-100]%
Prague (PRG)–Chania (CHQ)	[0-20 000]	[0-5]% M	[90-100]% O	[90-100]%
Prague (PRG)–Corfu (CFU)	[40 000-60 000]	[0-5]% M	[90-100]% O	[90-100]%
Prague (PRG)–Dubrovnik (DBV)	[0-20 000]	[10-20]% M	[80-90]% O	[90-100]%
Prague (PRG)–Heraklion (HER)	[80 000-100 000]	[0-5]% M	[90-100]% O	[90-100]%
Prague (PRG)–Ibiza (IBZ)	[0-20 000]	[0-5]% M	[90-100]% O	[90-100]%
Prague (PRG)–Kos (KGS)	[40 000-60 000]	[0-5]% M	[90-100]% O	[90-100]%
Prague (PRG)–Larnaca (LCA)	[0-20 000]	[0-5]% M	[90-100]% O	[90-100]%



Prague (PRG)–Lamezia Terme (SUF)	[0-20 000]	[0-5]% M	[90-100]% O	[90-100]%
Prague (PRG)–Las Palmas (LPA)	[0-20 000]	[0-5]% M	[90-100]% O	[90-100]%
Prague (PRG)–Malta (MLA)	[0-20 000]	[0-5]% M	[20-30]% O	[20-30]%
Prague (PRG)–Naples (NAP)	[20 000-40 000]	[0-5]% M	[20-30]% O	[20-30]%
Prague (PRG)–Olbia (OLB)	[0-20 000]	[0-5]% M	[90-100]% O	[90-100]%
Prague (PRG)–Palma de Mallorca (PMI)	[20 000-40 000]	[0-5]% M	[90-100]% O	[90-100]%
Ostrava (OSR)–Paris (CDG)	[0-20 000]	[10-20]% M	[80-90]% O	[90-100]%
Prague (PRG)–Pula (PUY)	[0-20 000]	[10-20]% M	[80-90]% O	[90-100]%
Prague (PRG)–Rhodes (RHO)	[60 000-80 000]	[0-5]% M	[90-100]% O	[90-100]%
Prague (PRG)–Seville (SVQ)	[0-20 000]	[0-5]% M	[90-100]% O	[90-100]%
Prague (PRG)–Split (SPU)	[20 000-40 000]	[10-20]% M	[80-90]% O	[90-100]%
Prague (PRG)–Thessaloniki (SKG)	[0-20 000]	[0-5]% M	[90-100]% O	[90-100]%
Prague (PRG)–Valencia (VLC)	[20 000-40 000]	[5-10]% M	[90-100]% O	[90-100]%
Prague (PRG)–Zakynthos (ZTH)	[20 000-40 000]	[0-5]% M	[90-100]% O	[90-100]%

Source: Form CO, Annex 7.5.1.A.

(102) On the routes on which the activities of CSA and Travel Service overlap due to a unilateral codeshare, the Transaction could give rise to serious doubts as to its compatibility with the internal market<sup>81</sup> only if (i) despite the codeshare agreements, the operating carrier and the marketing carrier exert a significant constraint on each other as actual competitors for the sales of seats on the operating carrier's flights; or (ii) there is a significant likelihood that the marketing carrier would grow into an effective competitive force, e.g. by starting to operate on the route with its own aircraft.<sup>82</sup> In particular, anti-competitive effects may occur where the marketing carrier is very likely to

<sup>81</sup> For the purpose of the assessment of the Transaction, the relevant framework of assessment is a situation in which the parties cooperate under the described codeshare agreements.

<sup>82</sup> M.7333 – *Alitalia/Etihad*, recital 160; M.5403, *Lufthansa/bmi*, recital 43.

incur the necessary sunk costs to enter the relevant codeshare route as an operating carrier in a relatively short period.<sup>83</sup>

- (103) On all of the routes on which CSA operates a free-flow codeshare with Travel Service only one of the codeshare partners operates. Under the codeshare agreements between CSA and Travel Service, the marketing carrier receives a commission for each of the tickets it sells.<sup>84</sup>
- (104) Pursuant to the codeshare agreements between CSA and Travel Service, the marketing carrier is free to set prices for the tickets it sells. Furthermore, no provision in the agreements limits the marketing carrier's ability to sell tickets at a fare lower than that of the operating carrier.
- (105) However, incentives for the marketing carrier to price aggressively are limited. In a free flow codeshare, the commission received from the marketing carrier is normally a percentage of the fare it charges for the tickets it sells. Therefore, the higher the price at which the marketing carrier sells tickets the greater his commission will be.
- (106) In the circumstances in which the Parties to the Transaction operate, the likelihood that the marketing carrier would represent a material competitive constraint for the operating carrier is further limited by the operating carrier's ability to terminate the codeshare agreement if the marketing carrier started to offer fares substantially lower than the operating carrier, thus depriving the marketing carrier of any benefit of an aggressive pricing policy.<sup>85</sup> This is reflected in the relatively low market shares held by the marketing carriers which, in the vast majority of routes on which the Parties operate a unilateral codeshare, does not exceed [0-5]%. On those five routes, where the "overlap" is more than [0-5]%, the number of passengers is very small. This is particularly pertinent in the case of the route Prague-Pula, where the marketing carrier reaches almost [20-30]%; the number of passengers is [0 – 20 000].
- (107) Furthermore, a majority of respondents to the market investigation have indicated that indeed competition between CSA and Travel Service on the routes on which they are present through a unilateral codeshare is limited, very limited, or nil.<sup>86</sup>
- (108) Based on the foregoing, the Commission has come to the view that in the unilateral codeshares between CSA and Travel Service the marketing carrier does not exert a substantive constraint on the operating carrier.
- (109) Furthermore, CSA and Travel Service do not appear to be potential entrants on the routes on which they operate a unilateral codeshare. [Strategic decision of the Parties].
- (110) Therefore, on the routes on which the activities of CSA, Travel Service overlap only due to a unilateral codeshare, the Commission considers that because the marketing

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<sup>83</sup> Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings ("Horizontal Mergers Guidelines"), OJ C 31, 05.02.2004, paragraph 59.

<sup>84</sup> Form CO, paragraph 92.

<sup>85</sup> The codeshare agreements between CSA and Travel Service can be terminated with [...] prior notice.

<sup>86</sup> Replies to Q1 – Questionnaire to competitors, question 13; Replies to Q2 – Questionnaire to corporate customers, question 10; Replies to Q3 – Questionnaire to travel agencies, question 10.

carrier does not exert a substantive constraint on the operating carrier and CSA and Travel Service do not appear to be potential entrants on the routes on which they operate a unilateral codeshare, the Transaction does not raise serious doubts as to its compatibility with the internal market in respect of the elimination of actual or potential competition in the codeshares between CSA and Travel Service.

## **6.2. Related ground services at Prague Airport**

- (111) In addition to the air transport services, CAH is engaged in a number of additional activities that are upstream to the market for air transport services. Primarily, CAH provides ground-handling and MRO services as well as fuel supply and airport infrastructure services at Prague Airport. Travel Service is also active in the MRO sector at Prague Airport. It services its own aircraft but does not sell any MRO services to third parties. Travel Service therefore is not commercially active and no horizontal overlap can be identified between the Parties' activities in any of these markets.
- (112) However, pursuant to the Commission's non-horizontal Guidelines, the vertical relationships created by the Transaction could lead to serious doubts only if, as a result of the merger, access to inputs or customers is hampered or eliminated.<sup>87</sup> In examining the likelihood of both scenarios, the Commission analyses the ability of the Parties to foreclose their rivals, the economic incentives to do so and whether such foreclosure would have a significant detrimental effect on competition.<sup>88</sup>

### *6.2.1. Ground handling services*

- (113) CAH provides through its subsidiary, CSA Handling, the entire portfolio of ground handling services, with the exception of handling of oversized items, which is subcontracted, at Prague Airport. CSA purchases its ground handling services at Prague Airport from CAH at market prices. Travel Service purchases its ground handling services at Prague Airport from Menzies Aviation.
- (114) The Parties estimate that the market shares of ground-handling services providers at Prague Airport, calculated on the basis of the number of aircraft movements in 2013, amounted to [50-60]% for CSA Handling, [30-40]% for Menzies Aviation and its subsidiary Czech GH, s.r.o. ("Menzies") and the remaining [5-10]% was dispersed among ABS JETS, Aviation Service a.s. (now Bell Helicopter a.s.), Maid Pro and NAV Flight.<sup>89</sup>

### *Input foreclosure*

- (115) Input foreclosure would arise if, post-Transaction, CSA Handling would decide to restrict access to its ground services for competitors of CSA and Travel Service, thereby benefiting from a raise in prices in the downstream market for air transport of passen-

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<sup>87</sup> Paragraph 29-30 of the Guidelines on the assessment of non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings ("Non-horizontal merger guidelines"), OJ C 265, 18.10.2008.

<sup>88</sup> Non-horizontal merger guidelines, paragraph 18.

<sup>89</sup> Form CO, paragraph 238, The Notifying Parties' reply to RFI 4 of 1 December 2014, questions 1 and 4.

gers. Such non-coordinated effect would be anti-competitive to the extent that it leads to consumer harm.<sup>90</sup>

- (116) However, the Commission considers that the Transaction is unlikely to lead to an input foreclosure strategy by CAH on the market for ground handling services at Prague airport for the following reasons.
- (117) Firstly, the vertical relationship between CSA Handling and CSA at Prague Airport pre-exists the Transaction and, as such, it is not merger-specific. Indeed, the majority of CSA and Travel Service's competitors stated during the market investigation that they did not encounter any difficulties in sourcing ground handling services at Prague Airport in the past, do not expect any post-Transaction and think that the Transaction will have a neutral impact on the market for ground handling services at Prague Airport.<sup>91</sup>
- (118) Secondly, the Transaction will lead to a reduction of CAH's participation in CSA and of its share in any additional profits that CSA might generate in the downstream market for air transport of passengers as a result of a behaviour aimed at increasing the costs of CSA's competitors.
- (119) Thirdly, even if such strategy were adopted, it would most probably have limited effects, as CSA Handling's competitors are expected to continue exerting competitive constraint on CSA Handling in the ground handling market and thus constitute alternative providers for carriers at Prague Airport. In addition, the Prague Airport is fully liberalised, there is therefore no limited amount of licenses available for the provision of these services and entry of further ground handling providers is possible.<sup>92</sup>

#### *Customer foreclosure*

- (120) Customer foreclosure would arise if, post-Transaction, Travel Service decides to start sourcing ground handling services from CSA Handling and thus foreclose CSA Handling's competitors in these markets from sufficient customer base with the aim of ultimately raising the ground handling services' costs of other carriers at Prague Airport. Such strategy would be anti-competitive in case it ultimately results in overall higher prices for consumers.<sup>93</sup>
- (121) However, the Commission considers that Travel Service would not have the incentive to engage in such a strategy. As it is not active in the provision of services vertically related to the air transport of passengers to third parties and does not hold a participation in CAH, it would not benefit from a lessening of competition on the upstream market for ground handling services. On the contrary, Travel Service has an interest in ensuring competitive prices in all markets related to the provision of air transport of passengers' services.

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<sup>90</sup> Paragraph 31, Non-horizontal Merger Guidelines.

<sup>91</sup> Replies to Q1 – Questionnaire to competitors, questions 25, 26 and 28.

<sup>92</sup> Form CO, paragraph 408.

<sup>93</sup> Paragraph 58, Non-horizontal Merger Guidelines.

- (122) Moreover, the careful management of its cost structure is of critical importance for Travel Service's low cost operations business model. Travel Service would therefore not be likely to adopt a strategy that would lead to a selection of its suppliers disregarding the cost of the services sourced. Travel Service usually chooses suppliers through competitive tenders on the basis of commercial and cost considerations and is expected to continue doing so also in the future.<sup>94</sup> It would therefore not likely forsake this practice in order to engage into a long-term cooperation with CSA Handling on ground handling, if not cost-effective, merely aiming at increasing the ground handling costs of competing air carriers.
- (123) Travel Service has rather moderate power as a purchaser of ground handling services, as its sales amount to [10-20]% of the total sales at Prague Airport. Even if this share were added to the [20-30]% of CSA<sup>95</sup>, more than [60-70]% of the market would still be contestable.
- (124) In any event, CSA Handling would continue to face a credible competitor in that market namely Menzies.<sup>96</sup> Indeed, Menzies has been offering ground handling services at Prague Airport since 23 years and only started serving Travel Service [...] years ago. It currently supplies a number of other carriers and its market share has been steadily increasing, currently amounting to [30-40]%. Menzies is therefore expected to continue exerting a competitive constraint on CSA Handling also post-Transaction, even if a change as to its present contract with Travel Service occurs during the upcoming tender and to continue constituting an alternative provider to CSA Handling for air carriers at Prague Airport.
- (125) Therefore, on the basis of the above and of all the other available evidence, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market on a market for ground handling services at Prague Airport.

#### 6.2.2. *Fuel Supply*

- (126) CSA Handling is also active in the market for fuel supply at Prague Airport. CSA purchases approximately [50-60]% of its fuel from its sister company CSA Handling and another [50-60]% from [...]. Travel Service covers its [...] fuel supply needs through [...].
- (127) CSA Handling acquired a license for fuel supply to air carriers on 1 January 2014. The Parties estimate that the market shares of fuel suppliers at Prague Airport in April

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<sup>94</sup> Travel Service's contracts with its suppliers usually have [...], after which new tenders are in principle organised. Indeed, Travel Service indicated that also post-Transaction, it intends to continue organising tenders for ground services. E.g. Travel Service [...] contract with [...] will end [...] and Travel Service confirmed that they are planning on organising a new tender for ground handling at Prague Airport [...], Minutes, Conference call of 2 December 2014.

<sup>95</sup> Response to question 1 of RFI 4 of 1 December 2014.

<sup>96</sup> There are few further competitors active at Prague Airport, which however do not offer the full range of ground handling services. Their combined market share on a market for all ground handling services at Prague Airport amounts to approximately [5-10]%, Response to question 4 of RFI 4 of 1 December 2014.

2014<sup>97</sup> were [30-40]% for Lukoil, [20-30]% for Total, [20-30]% for CSA Handling and [10-20]% for Eni, calculated on the basis of supplied fuel's volume.<sup>98</sup>

(128) The Commission considers that the Transaction is unlikely to lead to any input foreclosure situation, as the relationship between CSA and CSA Handling pre-dates the Transaction and CSA already purchases in-plane fuel from both CSA Handling and [...]. Moreover, through the decrease of its shareholding in CSA post-Transaction, CAH would have no incentive to engage in such strategy. Lastly, irrespective of any anti-competitive strategy adopted by the Parties, there are three credible competitors to CSA Handling that are expected to continue competing also after the Transaction.

(129) In addition, CAH including its subsidiary CSA Handling is bound by the terms and conditions of the decision of the Czech Competition Authority ("UOHS Decision"), by which its creation was approved. According to this decision, fuel supply services must be made available under transparent, non-discriminatory and commercially reasonable terms to all carriers at Prague Airport, subject to a monitoring mechanism; any input foreclosure strategy adopted by CSA Handling would therefore infringe this decision.<sup>99</sup>

(130) Travel Service purchases approximately [20-30]% of the into-plane fuel supplies at Prague Airport, CSA [30-40]%. Even if this volume were allocated entirely to CSA Handling, competing airlines would continue having credible alternatives, and competing fuel suppliers would find a contestable part of the market of almost [50-60]%.<sup>100</sup> Further, for the reasons explained in the Section on ground handling above, incentives for Travel Service would also militate against any customer foreclosure strategy, as Travel Service would be unlikely to enter in supply contracts on non-competitive terms.

(131) Therefore, on the basis of the above and of all the other available evidence, the Commission considers that the Transaction therefore does not raise serious doubts as to its compatibility with the internal market in relation to the market for fuel supply at Prague Airport.

### 6.2.3. *Maintenance, repair and overhaul (MRO)*

(132) In the MRO market at Prague Airport, CAH operates through its subsidiary CSA Technics, which provides base, line and component maintenance, as well as engineering and landing gear overhaul/repair. Travel Service has its MRO own organisational unit providing such services in-house and therefore does not purchase MRO services at Prague Airport. Travel Service does not offer its MRO services to third parties and does not appear to intend doing so in the future.

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<sup>97</sup> April 2014 is taken as reference month, because Shell Czech Republic a.s. and OMV Česká republika, s r.o. ceased operating at Prague Airport on 1 April 2014.

<sup>98</sup> Form CO, paragraph 176.

<sup>99</sup> Form CO, paragraph 303.

<sup>100</sup> CSA Handling's main competitor, Lukoil, confirmed during the market investigation that the market for fuel supply is highly competitive and that the Transaction is not expected to have any impact on that, Responses to the RFI to Lukoil of 2 December 2014.

- (133) In any event, airlines have other options for most MRO services for which the geographic market is not limited to Prague airport, such as heavy maintenance, component maintenance and landing gear overhaul/repair. For line maintenance, there are several small competitors active at Prague airport (Aerotech, ABS Jets and Farnair).<sup>101</sup> The majority of carriers responding to the market investigation indicated that they have not experienced any problems in sourcing MRO services in the past and do not expect any in the future either.<sup>102</sup>
- (134) Moreover, CSA Technics is also bound by the UOHS Decision and must therefore provide its services under transparent, non-discriminatory and commercially reasonable terms to all interested carriers and may only refuse to supply a carrier on the basis of objectively justified reasons.<sup>103</sup>
- (135) In light of the above, there is no change brought about by the Transaction to a market for MRO services at Prague Airport, as the relationship between CSA Technics and CSA pre-exists the Transaction and therefore is not merger-specific and Travel Service is not active in any of the upstream and downstream markets. Therefore, the Parties would not be likely to engage in any anti-competitive foreclosure strategy post-Transaction.
- (136) Therefore, on the basis of the above and of all the other available evidence, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to the market for MRO services at Prague Airport.

#### 6.2.4. *Airport Infrastructure services*

- (137) LP, a subsidiary of CAH, is the single operator and asset manager of Prague Airport and operates infrastructure comprising all support buildings, utilities and other equipment necessary for the handling of aircraft, passengers, luggage and cargo. Therefore, already prior to the Transaction LP provides CSA, Travel Service and all other carriers operating at Prague Airport with access to the airport infrastructure and related services.
- (138) In addition, further to the obligation to ensure open and equal access under transparent, non-discriminatory and commercially reasonable terms to the airport infrastructure and other related services at Prague Airport, CAH is bound by the terms and conditions of the UOHS Decision regarding slot allocation. According to the latter, slot allocation at Prague Airport is not the responsibility of LP, but of Slot Coordinator CR, an independent slot coordinator that operates in line with principles set out in Council Regulation No. 95/93 on common rules for the allocation of slots at Community Airports.<sup>104</sup>

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<sup>101</sup> The Parties estimate the market share of CSA Technics in a market for line maintenance at Prague Airport at approximately [90-100]% or [60-70]%, if self-handling is included, Form CO, paragraph 163-164.

<sup>102</sup> Replies to Q1 – Questionnaire to competitors, questions 25, 26, and 27.2.

<sup>103</sup> Form CO, paragraph 303.

<sup>104</sup> CAH further undertook to allow all carriers using Prague Airport to join Slot Coordination CR; consequently any carrier operating at Prague Airport can in its sole discretion join the association responsible

- (139) Furthermore, CSA and Travel Service's competitors stated during the market investigation that they did not encounter any difficulties in sourcing airport infrastructure services at Prague Airport in the past nor do they expect any post-Transaction.<sup>105</sup>
- (140) In light of the above and since the relationship between LP and CSA and LP and Travel Service is pre-existing, the Commission considers that the Parties are not likely to engage in any anti-competitive foreclosure strategy in this market.
- (141) Therefore, on the basis of the above and of all the other available evidence, the Commission considers that the Transaction therefore does not raise serious doubts as to its compatibility with the internal market in relation to the market for airport infrastructure services at Prague airport.

#### 6.2.5. *Other effects*

- (142) Through the Transaction, the Parties will cooperate in view of ensuring the efficient operation of CSA; however this cooperation will not enable them as such to also coordinate the activities of CAH with that of Travel Service. Indeed, CAH will remain separate from Travel Service. Information on Travel Service's activities would therefore not be made available to CAH through the joint control of CSA. Similarly, LP, CSA Handling and CSA Technics are subsidiaries of CAH active on a different market than CSA; information on their operation is therefore unlikely to become available to Travel Service due to its joint control of CSA.
- (143) Therefore, on the basis of the above and of all the other available evidence, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market due to the coordination resulting from the joint control of CSA by CAH and Travel Service.

## 7. CONCLUSION

- (144) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation.

*For the Commission*

*(signed)*

*Margrethe VESTAGER*

*Member of the Commission*

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for slot allocation and effectively influence all related decisions at Prague Airport, Form CO, paragraph 302.

<sup>105</sup> Replies to Q1 – Questionnaire to competitors, questions 25-26.