

Anticipated joint venture between Alpha Flight Group Limited and LSG Lufthansa Service Holding AG

ME/5113/11

The OFT's decision on reference under section 33(1) given on 10 October 2011. Full text of decision published 3 November 2011.

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**Please note that the square brackets indicate figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.**

## **PARTIES**

1. **Alpha Flight Group Limited** (Alpha) is a wholly owned subsidiary of Dnata, which is a sister company of Emirates, the international airline. Alpha provides in-flight catering and non-catering services to a number of international airlines. It serves airlines at 16 UK airports and has a presence in 11 countries in the Middle East, the USA, Australia, and Europe. Dnata is engaged in the provision of airline services, including passenger handling, cargo handling, ramp, maintenance and other technical services for airlines in a number of countries.
2. **LSG Lufthansa Service Holding AG** (LSG) is a wholly owned subsidiary of Deutsche Lufthansa AG. It provides airline catering and related business activities worldwide. In Europe, under the brand LSG Sky Chefs, LSG owns and operates airline catering facilities in Belgium, Denmark, Estonia, Germany, Italy, Latvia, Lithuania, Norway, Portugal, Sweden, and Switzerland as well as at 12 airports in the UK. Deutsche Lufthansa is a German airline and also controls a number of European airlines including bmi in the Lufthansa Airlines Group.

## **TRANSACTION**

3. The transaction, concerns the creation of a new 50/50 joint venture, which combines the parties' in-flight catering services in the UK. The joint venture will not include any operations in any country outside the UK nor will it include the dedicated British Airways' Gatwick operations of Alpha.

## **JURISDICTION**

4. The transaction qualified for investigation under the EU Merger Regulation (EUMR). The parties made a request under Article 4(4) of the EUMR for the transaction to be referred in whole to the United Kingdom. The OFT informed the European Commission on 4 July 2011 that it agreed with the referral request. The Commission then referred the transaction for investigation to the OFT on 19 July 2011. The extended statutory deadline for a decision is 10 October 2011.
5. The OFT believes that the transaction would result in two or more enterprises ceasing to be distinct under section 23(1) of the Enterprise Act 2002 (the Act) in that each party will acquire, at least, material influence in the business being contributed by the other. The parties overlap in the supply of in-flight catering at 10 UK airports with combined market shares in excess of 25 per cent. Therefore the share of supply test in section 23(3) of the Act is satisfied. The OFT therefore believes that it is or may be the case that a relevant merger situation will be created.

## **RATIONALE**

6. The parties argued that the combination of Alpha and LSG's UK in-flight catering operations will allow the new joint venture company to provide a sustainable future for existing and potential customers in the UK. The parties submit that the in-flight catering services sector in the UK is 'challenging'. Airlines are seeking to reduce their costs following the various shocks to the industry.<sup>1</sup>This has led to three inter-related pressures on traditional suppliers of airline catering services:

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<sup>1</sup>For example, the terrorist attacks of 9/11/2001 and the economic recession from 2007.

- pressure from airlines to reduce prices for the same or similar 'full service' offerings, or
  - by reducing the scope of the in-flight catering offer from 'full service' meals to light snacks or, alternatively, a range of buy-on-board options, and
  - the entry or sponsored entry of different catering suppliers, such as, logistics companies or cleaning companies often with an existing presence at an airport and partnered with an off-airport food or catering supplier.
7. As a consequence of these recent trends, the parties state that they must restructure to respond to a changed and challenging competitive environment. The parties believe that the creation of the joint venture company will provide Alpha and LSG with the ability to better compete with new entrants by providing a sustainable high quality product and service at competitive prices to customers.
8. In addition, the parties stated that they entered into a joint venture operation rather than an individual restructuring in order to maintain a presence at Heathrow which they see as an important international hub. In particular, certain airlines seek multi-national suppliers and a presence at Heathrow is seen as a necessity for contract wins. The parties also considered that there would be more opportunities for synergies in the UK since both parties have facilities at a number of overlapping locations.

## **FRAME OF REFERENCE**

9. The parties overlap in the supply of in-flight catering services at UK airports.

### **Previous Decisions**

10. The Commission previously considered this market in 2006 when it looked at the creation of a joint venture between LSG and Gate Gourmet Switzerland at Paris Charles de Gaulle airport.<sup>2</sup> It was intended that these

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<sup>2</sup>Comp/M.4170 LSG Lufthansa Service Holding / Gate Gourmet Switzerland.

parties would combine their airline food catering business at Paris Charles de Gaulle airport, limiting the joint venture to servicing airlines operating flights to and from the Paris airport.

11. In earlier decisions,<sup>3</sup> the Commission has defined a market as comprising all in-flight catering services. The Commission's market investigation pointed to the emergence of a 'new type' of supplier<sup>4</sup> that alone or in co-operation with other suppliers had been able to enter the market. The distinction between traditional suppliers and non-traditional suppliers is discussed below.

### **Product Frame**

12. Airlines use in-flight catering services in order to provide passengers with a meal or snack during flights. Airline operators may choose to:
- outsource the provision of these services to third party suppliers such as the parties
  - operate their own in-house catering services or
  - acquire an in-flight catering company to supply some or all of their in-flight catering needs.

The parties also submitted that some airline operators may provide passengers with an in-flight catering service by entering into supply agreements directly with food manufacturers. This requires logistics support from other third parties to deliver the catering products to the aircraft, the so-called, 'last mile' service. These 'last mile' services can be provided by existing in-flight catering suppliers such as the parties but increasingly they are also supplied at certain UK airports by other airport service providers such as providers of aircraft cleaning services or logistics companies.<sup>5</sup>

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<sup>3</sup> IV/M.1269 – LSG/ONEX Corp/Sky Chefs/Caterair and Comp/M.2190 – LSG/OFSI

<sup>4</sup> Such as logistics providers – Supplair, branded food groups – Nestlé, Unilever and Master foods and frozen food suppliers – FleuryMichon and Frankenberg.

<sup>5</sup> The parties submitted that Newrest had recently entered into partnership with ICS, in the UK.

13. The parties submitted that in-flight catering service contracts with an airline are typically on an exclusive basis for supply at an individual airport for up to three years' duration (although contracts can be renewed for shorter periods). The contracts ordinarily provide for the supply of the following key services:

- typically, all of an airline's catering requirements for all classes (economy/business/first class) including hot meals, cold meals, snacks, and buy-on-board products, and
- a number of integral ancillary services including: trucking the supplies to and from the aircraft; loading on/off the galley; washing of equipment; laundry services; waste disposal; supervising the provision of services; managing equipment and other logistical aspects; preparing and cooking of the food (where necessary).

While these ancillary services are integral to the supply of in-flight catering services to airlines they are not purchased or contracted separately by the airlines and are not therefore considered to constitute separate product markets. This is consistent with the view reached by the Commission in the LSG/ Gate Gourmet joint venture at Paris Charles de Gaulle airport.<sup>6</sup>

14. The parties submitted that where a provider cannot immediately supply part of the service (for example, it already supplies logistics services, but not food production or vice-versa), it will enter into a sub-agreement with a provider of the part of the service it cannot provide in order to be able to offer a full in-flight catering service to airlines.

15. The exact type of in-flight catering service provided to airline operators will depend on the airline operator's requirements. The range, style and quality of the food provided will depend on a number of factors, including:

- the duration of the airline operator's flights from an airport and the time of day – short/medium haul flights are likely to require only light meals or sandwiches/snacks (which in the case of low cost carriers are usually made available for the passengers to buy-on-board rather than included as part of their flight ticket), whereas long haul flights will

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<sup>6</sup> Comp/M.4170 LSG Lufthansa Service Holding/Gate Gourmet Switzerland.

require at least one and possibly two full service meals to be served

- the configuration of the aircraft, that is, how many classes are being served – the majority of operators offering long haul services will have three classes (first class, premium/business class and economy), whereas short/medium haul operators will have at most two classes (premium/business and economy)
- the respective budget of the airline, and
- the quality and style of product requested by the airline.

Airlines also require catering services to reflect their brand image which will vary between them.

#### **Types of catering being offered**

16. The parties pointed to several trends in the market which differ from the traditional full service meal included in the airline ticket. The OFT's market investigation showed the following choices being made by customers as regards the catering offered to passengers:

- ambient versus non-ambient foods
- no frills versus gourmet/premium food
- traditional full service meal versus light snacks and/or buy-on board offerings.

The OFT has taken into account these various demand-side requirements and the ability of each competitor (or potential competitor) to carry out these services in the context of its competitive assessment rather than delineating candidate product markets along these specific types and qualities of catering services.

17. The OFT's market investigation has also shown, in accordance with the parties' submission, that in respect of some short-haul flights, the way in which catering is supplied to certain airlines may have changed. In particular, certain airlines providing short-haul services to/from UK airports

will do so through 'back catering'. Back catering refers to loading sufficient catering supplies at the first departure airport (wherever this is located) for an aircraft to cover all the day's scheduled departures. Back catering is only feasible where the airline is not supplying a full service meal to every passenger. The use of 'back catering' enables these airlines to maximise the use of aircraft through faster turnaround times at airports. The OFT understands from the parties that in the UK, approximately 30 per cent of flights departing an UK airport are back-catered.

### **Distinction between traditional and non-traditional airline catering suppliers**

18. As indicated above, there are different types of suppliers operating in the airline catering services industry. The parties broadly distinguish, and the OFT's market investigation has confirmed, two types of suppliers: traditional and non-traditional suppliers. Traditional suppliers are those that can supply a full kitchen to plane service, with hot meals, whether cooked on site or prepared off site and frozen. Non-traditional suppliers are those that bring together logistics,<sup>7</sup> and the supply of the food.
19. The parties submit that both traditional and non-traditional suppliers are able to offer the full range of services typically demanded by airlines. In other words, they submit that there is no reason why a logistics company could not, in principle, supply a contract for all airline classes on a full service meal basis. As such, they argue that it is not appropriate to divide this market into further segments.
20. The parties submitted that outsourcing parts of the supply chain through airline nominations is fairly common. The example given by the parties was of Alpha sourcing frozen economy passenger main meals for Emirates from a nominated supplier (Frankenberg) based in Germany, desserts from a nominated supplier in the UK and rolls from a supplier in Holland, with the remainder of its supply to this airline produced in-house. The parties argued that it is therefore not appropriate to divide the market for in-flight catering services into further product segments. This is consistent with the Commission's decision in *LSG Lufthansa Service Holding/Gate Gourmet Switzerland*.<sup>8</sup>

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<sup>7</sup>that is getting the catering on board the plane, otherwise known as a 'last mile' service

<sup>8</sup>Comp/M.4170 LSG Lufthansa Service Holding/Gate Gourmet Switzerland.

21. The OFT's market investigation has shown a distinction in relation to both supply and demand for traditional full meal services and non-traditional services, such that, it may be appropriate to consider these together as part of one airline in-flight catering services market and separately. The OFT has also assessed the extent to which customer segmentation is appropriate in this market.

### **Customer Group**

22. In some cases, the OFT may consider it appropriate to assess the transaction separately for different customer groups if the effects of the merger on competition to supply a particular group of customers differs from its effects on other groups of customers.<sup>9</sup>
23. In this case both parties supply a mix of long-haul and short-haul airlines with a range of different catering options (see paragraph 16 above).
24. The parties provided certain information on short haul (national carriers and Low Cost Carriers) and long haul services separately. This information and the OFT's market investigation indicates that there may exist distinct customer groups for traditional and non-traditional catering suppliers. This may be exacerbated, in one respect, by the higher range of options for short-haul airlines customers than long-haul airlines customers when seeking to meet passenger demands for catering services. For example, passengers on long-haul flights in all classes typically still require a hot meal whereas passengers on certain short-haul and mid-haul flights may require only (or, at least, be provided with) a light snack or be offered buy-on-board options. It is also notable that there are marked differences in the prices paid by airline customers for their long-haul and short-haul services. The OFT was told by the parties that long-haul airline customers may pay on average around £[ ] per passenger for in-flight catering across all classes, whereas short-haul airlines will typically only pay on average about £[ ] per passenger. Such distinctions in prices may be indicative of separate product or customer markets.

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<sup>9</sup> See *Merger Assessment Guidelines*, Joint publication of the Competition Commission and the OFT, September 2010, para. 5.2.28. Although this can apply separately to the product and geographic scopes, in this case it only affects the product scope so we consider it here.

25. Also, the OFT's market investigation showed that airlines considered that there were a limited number of providers considered capable of supplying in-flight catering for long-haul services. This suggests that the competitive assessment may differ materially for the different customer groups because requirements will vary significantly between those customers seeking an in-flight catering solution for long-haul flights compared to short-haul flights. The OFT's market investigation indicates that it may be the case that separate customer groups exist for traditional and non-traditional catering supplies. Specifically, long-haul customers will generally require traditional catering supplies only and short-haul customers will require both traditional and non-traditional catering suppliers but increasingly mainly non-traditional catering.

### **Conclusion on Product Frame**

26. In previous decisions<sup>10</sup> by the Commission the relevant product market has been defined as comprising all in-flight catering services, leaving open whether the in-flight catering market should be further segmented into traditional suppliers and so-called non-traditional suppliers.

27. In this case, the OFT's market investigation has indicated, on a may be the case standard, that separate frames of reference exist for catering services supplied to long-haul and short-haul customers and these may be distinct relevant markets.

### **Geographic scope**

28. In previous Commission decisions,<sup>11</sup> while the geographic definition has been left open, the Commission noted that the geographic scope of the market was likely to be restricted to the area of any given airport or of several airports in close proximity within a region, for example the London area. The OFT's investigation has confirmed this approach.

29. The parties told the OFT that airline catering has traditionally been viewed on an airport by airport basis, but that changes in business models and catering requirements, where food is transported regularly from nearby

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<sup>10</sup> Comp/M.6037 – Dnata/Alpha Flight Group, Comp/M.4170 LSG Lufthansa Service Holding / Gate Gourmet Switzerland.

<sup>11</sup> Comp/M.4170 LSG Lufthansa Service Holding / Gate Gourmet Switzerland.

airports, make a more regional model possible. The parties gave examples of airports where they each supply food despite not having facilities at that airport.

30. Several airlines told the OFT that they may tender for contracts for a single UK airports. Where airlines had operations covering most UK airports they often had the same provider at all or the vast majority of those airports, with some relying on the primary provider to sub-contract some operations or making alternative arrangements for those airports where the preferred bidder did not operate. When asked about competition, most of these customers either discussed competition in broad terms, that is, the national situation, or distinguished between competition at Heathrow/Gatwick and the rest of the country. In general customers considered that suppliers with only limited operations (such as Newrest, a London City Airport supplier<sup>12</sup>) were not realistic alternatives for contracts that cover the remaining UK airports.

#### **Conclusion on frame of reference**

31. Market definition serves to provide a frame of reference in which the OFT will assess the competitive impact of the proposed joint venture. In this case, the OFT considers the appropriate frame of reference for an assessment of this joint venture to be the provision of in-flight catering services at individual UK airports overall and, on a cautious basis, the provision of in-flight catering services to each of long-haul and short-haul customers separately at individual UK airports. The OFT has also considered, given its realistic prospect threshold, on a cautious basis, the provision of in-flight catering services on a national and regional basis.

#### **HORIZONTAL ISSUES**

32. The OFT has considered whether the joint venture will result in unilateral effects consisting of price increases or diminution in service quality in the provision of in-flight catering services in the UK or any UK region or on an airport by airport customers to all airlines or to long-haul and short-haul customers separately.

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<sup>12</sup> See paragraph 47 below

## **National concerns**

33. The OFT has considered that the appropriate frame of reference for an assessment of this transaction is likely local (on an airport by airport basis). However, it is important to note that the parties are two of three national suppliers with a combined presence across a significant number of airports across the UK based around depots and other facilities. They also have a large geographic UK footprint in terms of supply to airlines operating across the UK including a presence, by virtue of supply or physical presence, at 18 UK airports.<sup>13</sup> The only competitor with a similar level of penetration of the UK in-flight catering industry is Gate Gourmet with operations based on supply and a physical presence at [ ] UK airports. On a national basis, the merger therefore represents a three to two. That said, the OFT accepts that contracts are generally sub-national and bids are generally sought on an airport by airport basis.
34. The OFT remains concerned, on a cautious basis, that for any customer seeking a national or pan-regional contract, there are few suppliers with the ability to service such contracts. Given the concerns on an airport by airport basis, it has not been necessary to conclude on whether such concentration at the national level gives rise to a realistic prospect of a substantial lessening of competition.

## **Regional concerns**

35. As noted in relation to national concerns, the OFT has considered the appropriate frame of reference for an assessment of the competitive effects to be local in nature. However, the OFT cannot discount at first phase, without further evidence, the existence of regional concerns. Again, the parties are two of three major suppliers of in-flight catering services in certain regions. For example in the Midlands, served by Birmingham and East Midlands Airports. The parties themselves also note the ability to transport food from airport to airport up to a certain distance. Given their widespread geographic presence having catering facilities at up to 18 UK airports between them, it may be the case that this feature of supply could potentially serve to exacerbate competition concerns rather than diminish them. Given the concerns, on an airport by airport basis, it has not been

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<sup>13</sup> Alpha is present at 16 UK airports, while LSG is present at 12 UK airports.

necessary to conclude on whether there is a realistic prospect on a regional basis.

### **Local competition (airport by airport)**

#### **Market shares**

36. The parties submitted market share estimates for 2009 based on their own knowledge of the market on an airport by airport basis. Table 1 of Annex 1 sets out the estimated market share at airports where the parties overlap (Overlap Airports) based on estimated revenue (by caterer) and passenger data (by number of departing passengers by caterer). Table 2 at Annex 1 sets out the same information but excludes revenues and passenger numbers for back-catered, self-catered and non-catered flights.
37. The parties do not necessarily know (and have no means of absolutely knowing) the in-flight catering suppliers which supplied all airlines or the location from which the plane collected its in-flight catering if back catered.
38. The OFT does not consider that back-catering poses a significant constraint on the parties' provision of in-flight catering services. Third party customers told the OFT that they would not switch to back catering in response to a five - 10 per cent rise in the price of an in-flight catering contract. Rather, the decision to use back catering was usually determined by a wider policy such as the type of food required; whether to supply inclusive meals or buy-on-board food; the need for rapid turnarounds at airports; and aircraft schedules. On that basis, the OFT believes it is more representative to use the market share figures excluding back catering.

#### **Closeness of competition**

39. The market investigation confirmed that third parties generally consider the parties' to be close competitors alongside Gate Gourmet. The parties supplied bidding data to the OFT which showed the contracts that each party bid for. For the period from 2009 to 2011, in aggregate, the bidding data shows the following:

- in respect of bids that Alpha contested but lost, LSG won [40–60] per cent by value and [40–60] per cent by number of those bids
  - in respect of bids that LSG contested but did not win, Alpha won [70–90] per cent by value and [30–50] per cent by number of those bids.
40. The OFT notes that, on a disaggregated, airport by airport basis, the merging parties often won over half of the bids that the other party lost. The OFT estimates that, on this basis, the diversion ratio may be around 50 per cent. A number of other factors indicating that the parties are close competitors include:
- of the competing bidders that each firm was aware of the other merging party featured very prominently
  - on [20–30] of the 110 bids provided by both parties, the parties independently listed the other merging party as the only competitor that they were aware of for a particular tender, albeit that these were not usually the larger tenders.
41. Set against this, the OFT notes that the bidding data is not fully up-to-date with many of the tenders that were started in 2011 not listing winners and others being absent. However, whilst this may be the case, the parties have not supplied the OFT with any alternative data to support the notion that the above indications on closeness of competition would differ had the OFT had access to a richer dataset than that supplied by the parties. Moreover, the above indication that the parties are close competitors is supported by the overwhelming responses of third parties who regard the parties as close and two of three main suppliers in this sector.
42. While it was not possible to disaggregate the bidding data between long-haul and short-haul airlines, the OFT also notes that, in relation to the supply of in-flight catering services to airlines' long-haul flight services, the parties have very similar operations with kitchen facilities and meal planning services. Gate Gourmet also has similar operations and also serves long-haul customers. The other less traditional suppliers tend to serve short-haul customers or low cost carriers and fulfil their contracts rather differently. These features of the parties' operations, alongside third party

comments, that, for example, the non-traditional suppliers were not suitable for long-haul flights, tend to indicate that they are close competitors, alongside Gate Gourmet, in respect of service provision to such customers. Third parties have commented that Do & Co appears to be the only other player that has facilities and contracts to provide full meals for long-haul customers, but it is substantially smaller than the parties, with a presence only at Heathrow, and has a particular focus at the top end of the market, for the provision of meals for first class and business class. As such, it is substantially differentiated from the major three national suppliers.

### **Competitive constraints operating in the in-flight catering industry (on an airport basis)**

#### **Constraints from traditional in-flight catering suppliers**

43. The parties identified the following traditional in-flight catering competitors who were active across some or all of these airports: Gate Gourmet, Do&Co and Plane Catering. The OFT also notes that certain of Alpha's internal documents prepared in 2008 identified Airfayre (acquired by Alpha in 2009)<sup>14</sup> and LSG as their main competitors. These internal documents indicated that they would target Airfayre and LSG's customers. The extent of the constraint from this limited number of traditional in-flight catering suppliers is considered below:

44. **Gate Gourmet**<sup>15</sup> is a global provider of in-flight catering. In the UK it currently loads catering at [ ] airports, although it only has a kitchen or warehouse facility at [ ]. Its competitive position at the 10 airports where the parties overlap is described below. However, on the 2009 market share data supplied by the parties it is only at Heathrow and Luton that Gate Gourmet is the leading competitor, while at Birmingham and Manchester it has a limited presence (less than one per cent and [0 – 10] per cent respectively) and has no presence at Cardiff.

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<sup>14</sup> Air Fayre Ltd entered into a joint venture with Alpha Flight UK Ltd. In November 2009 to merge their respective in-flight catering operations serving the international airline industry at London's Heathrow airport.

<sup>15</sup>[www.gategourmet.com](http://www.gategourmet.com)

45. **Do & Co**<sup>16</sup> entered in-flight catering with Lauda Air in 1987 and entered the UK market in October 2003 as a nominated supplier of British Airways business class and first class meals. It subsequently set up full in-flight catering facilities at London Heathrow in around 2007. It is now a global company with operations in Turkey, Italy, Spain, Slovakia, Germany, Switzerland, Austria, the UK and USA. It aims to provide a unique premium product for in-flight catering, and supplies Emirates flights out of Heathrow.
46. **Plane Catering**<sup>17</sup> is an independent UK company, based at London Heathrow and Ashford in Kent. It commenced providing in-flight catering services to airlines in 2006 and, according to its web site, provides bespoke food for the in-flight catering market in London. Plane Catering refers to itself as being a small, niche caterer. Its website states that it only loads catering at Heathrow for customers that include Qantas, Air Astana, Arikair, Kingfisher Airlines and BA.

#### **Constraints from non-traditional suppliers**

47. The parties submitted that the landscape of in-flight catering had changed with the introduction of non traditional catering models, which appear to be for predominately short-haul carriers. There are two main examples of these non-traditional models that the OFT has observed in operation in the United Kingdom:
- the Flybe arrangement whereby Flybe contracts with branded and non-branded food suppliers to provide entire meal/snack options. The parties submitted that **Commissaire**<sup>18</sup> supply the catering to Flybe from a central packing facility at Birmingham and utilise ICS<sup>19</sup> for the last mile logistics to load it on to the aircraft. The OFT's market investigation did not indicate that Commissaire is a close competitor to either of the parties given its limited operations and its use of a logistics provider to deliver the meals/snack options to the aircraft. The OFT understands from the parties that its sole customer is the low cost airline, Flybe, and it will therefore only be present at airports from which Flybe operates.<sup>20</sup>

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<sup>16</sup> [www.doco.com/english/index\\_ir\\_eng.htm](http://www.doco.com/english/index_ir_eng.htm)

<sup>17</sup> [www.planecatering.com/index.php/home](http://www.planecatering.com/index.php/home)

<sup>18</sup> Commissaire Ltd is part of the Skytrac Group — [www.skytrac.co.uk/index.php](http://www.skytrac.co.uk/index.php).

<sup>19</sup> Provides airport and airline cleaning services, part of the Derichbourg Group.

<sup>20</sup> The OFT understands from the Skytrac website that Commissaire also supplies Loganair.

Of the overlap airports these include: Birmingham, Cardiff, Glasgow, Gatwick, Luton, Manchester, and Newcastle.

- the **DHL**<sup>21</sup> arrangement whereby DHL uses its logistics and terminal presence in order to collate, deliver and load product onto the airlines initially in a consortium with Northern Foods, the ready meals and sandwich manufacturer. The consortium led by DHL won a contract with BA in 2010 to provide catering for all BA short-haul and medium-haul flights (for all classes – economy and business class) from Heathrow. British Airways is the single largest customer at London Heathrow with a short-haul fleet of over 80 aircraft. The parties submitted that its success in the tender made it, instantly, one of the largest suppliers at Heathrow. DHL have also partnered with Retail In Motion to supply Ryanair at Dublin.
  - **Newrest**<sup>22</sup> a French based in-flight caterer entered the UK in-flight catering services market in March 2008 from a base at London City Airport. As from March 2010, Newrest was awarded the network catering management for all European and UK stations for BA City Flyer. It caters for 80 flights per day out of London City airport and has also started to operate from Scotland (Edinburgh and Glasgow). Newrest established an alliance with ICS in 2009 and the newly formed business is now serving two airlines (BA CityFlyer and KLM). Globally, Newrest is able to create customised meals and also offer a more simplified catering service or a Buy-on-Board service for low cost or charter companies.
48. The parties' internal documents place more emphasis on competition between the three main traditional suppliers - that is, the level of competition and constraint they place on each other and Gate Gourmet – than they do on the non-traditional suppliers. Certain recent internal documents describe the DHL/Northern food offering for BA. Some internal documents see this as a threat, whilst other internal documents do not consider this entry as signalling a strong increase in future competition.

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<sup>21</sup> [www.dhl.co.uk/en/logistics/industry\\_sector\\_solutions/aerospace\\_logistics.html](http://www.dhl.co.uk/en/logistics/industry_sector_solutions/aerospace_logistics.html)

<sup>22</sup> [www.newrest.eu/en/services/inflight-catering](http://www.newrest.eu/en/services/inflight-catering)

49. There is limited mention in the documents of any other competitors although Do&Co is mentioned for serving specialist high quality requirements. Firms such as DHL and Newrest have only relatively recently won tenders and the lack of references to them in the parties' internal documents may therefore reflect this.

### **Competition at individual local airports**

50. The parties overlap at Heathrow, Gatwick, Manchester, Stansted, Birmingham, Luton, Glasgow, Newcastle, East Midlands, and Cardiff airports. The high combined market shares shown at Tables 1 and 2 may suggest prima facie grounds for competition concern. Both parties have facilities at these 10 locations, which is equivalent to 90 per cent of their combined turnover. In relation to each Overlap Airport, the OFT sets out below information on the total size of the market, the parties' position and their major competitors and any other airport specific factors/information.

#### **Heathrow**

51. At Heathrow the parties' combined share of a £313 million market<sup>23</sup> is [35–55] per cent, increment [15–25] per cent. They are number two and number three with Gate Gourmet being the largest provider with over [45–65] per cent of supply. The parties contended there were other suppliers of in-flight catering services including Northern Foods/DHL<sup>24</sup> and Do & Co ([0–10] per cent). However, some customers saw the merger as giving rise to a reduction from three to two in full service catering providers. This view is supported by the fact that the entry by Northern Foods/DHL, while clearly an important new development in the market place, does not cover long-haul flights.

#### **Gatwick**

52. At Gatwick the parties' combined share of a £90 million market is [60–80] per cent, increment [20–30] per cent. The merger also gives rise to a

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<sup>23</sup> In 2009

<sup>24</sup> DHL with Northern Foods won the contract from 2010 to supply British Airways at Heathrow with in-flight catering services for all of its short-haul and medium-haul flights.

reduction in the number of suppliers from three to two; the parties are number one and number two with Gate Gourmet as number three.

53. The parties submitted that short-haul traditional carriers could either back cater from the airport of origin, if not Gatwick, or, if Gatwick was their base, use any of the remaining suppliers, the DHL/Northern Foods consortium or Do & Co. Long haul carriers at Gatwick, the parties submitted, could use any of the suppliers at Gatwick, for example Gate Gourmet, plus Do & Co, which is based at Heathrow. In addition they considered that there are other potential entrants at Gatwick such as Newrest (currently operating at City Airport) and Commissaire, neither of which currently supply long-haul flights.
54. For contractual reasons, Alpha's contract with BA, estimated at approximately [15–25] per cent of the total market at Gatwick for in-flight catering, will remain outside the joint venture. This reduces the increment and the parties' combined market share. While three suppliers, the joint venture, Gate Gourmet and Alpha, will remain at Gatwick post merger, Alpha will not compete in its own right for further business at Gatwick. Therefore the joint venture will result in a three to two for those requiring a full service catering provider.

## **Manchester**

55. At Manchester the parties' combined share of a £48 million market is [80–95] per cent, increment [35–45] per cent. They are number one and number two with Commissaire as number three. Gate Gourmet does not have any facilities at Manchester<sup>25</sup> and only has a [0–10] per cent share by revenue. A number of third parties raised concerns about the loss of competition at Manchester arising from the merger. Airlines using Manchester are a mix of long-haul, short-haul, low cost carriers and charters. Of the six short-haul airlines that load catering at Manchester, three are served by Alpha, one by LSG, one by Gate Gourmet and one by Commissaire.

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<sup>25</sup> The parties commented that the Gate Gourmet facility at Manchester was closed, but has the potential to open at short notice.

56. The parties argued that long-haul carriers will retain three potential suppliers at Manchester (the joint venture, Gate Gourmet and Commissaire) and they can also be supplied by Do & Co.<sup>26</sup> The parties submitted that in-flight catering services to airlines from this airport could also be provided from facilities at Liverpool and Birmingham airports or other neighbouring airports. Nevertheless, from the information provided by the parties it appears that currently all the long-haul airlines operating out of Manchester are supplied by either Alpha or LSG. Certainly at Manchester, Commissaire supplies only the low-cost airline Flybe, which does not offer full service catering or supplies long-haul flights. Thus the joint venture will result in a two to one in the supply of in-flight catering to long-haul customers.

### **Stansted**

57. At Stansted the parties' combined share of a £35 million market in 2009 is [70–90] per cent, increment [0–10] per cent. They are number one and number three with Gate Gourmet as number two. The principal airline users are easyJet, Ryanair and charter airlines. Alpha mainly supplies Monarch and Ryanair (for the supply of logistics services for its buy-on-board service from this location). The parties submit that supplying Ryanair exaggerates Alpha's shares, since it is essentially fulfilling a last mile service where it is instructed by Ryanair as to which products it intends to sell, acts as a purchasing agent and then loads the aircraft. The parties submit that the service could be supplied by in-flight caterers operating out of London Heathrow or Luton, the OFT, however, saw no evidence of this. The joint venture therefore creates a three to two in the supply of in-flight catering providers.

### **Birmingham**

58. At Birmingham the parties' combined share of a £18 million market is [70–90] per cent, increment [15–30] per cent. The parties are numbers one and two with Commissaire at number three. In 2009 Gate Gourmet had virtually no presence at Birmingham, with a market share of less than one per cent. From the evidence available, it does not appear that Gate Gourmet is currently present at Birmingham airport. Alpha supplies bmi, Ryanair (supply of logistics services, as described at paragraph 57 above)

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<sup>26</sup> [ ].

and Emirates, whilst LSG supplies Thomson and Astreus predominantly and is due to take over the supply of bmi (from Alpha). The parties submitted that the majority of non-UK airlines were back catered at their point of origin, for example, Brussels Airlines in Brussels, Lufthansa in Frankfurt, etc.

59. On the basis of the 2009 market share data the joint venture results in a four to three, however, given the minimal share of Gate Gourmet this could be seen as a three to two, and in suppliers of catering for long-haul operations, a two to one.

### **Luton**

60. At Luton the parties' combined share of a £15 million market is [30–50] per cent, increment [five – 15] per cent. The parties are numbers two and three with Gate Gourmet as number one. Alpha mainly supplies Monarch and Ryanair (supply of logistics services, as described at paragraph 57 above) from this location. The OFT received no specific complaints from third parties in relation to Luton. As a result of the joint venture, on the basis of the 2009 market data supplied, this is a four to three in in-flight catering providers.

### **Glasgow**

61. At Glasgow the parties' combined share of a £13 million market is [40–60] per cent, increment [five – 15] per cent. The parties are numbers one and three with Gate Gourmet as number two. Alpha supplies Ryanair and Thomas Cook at this location. LSG's main customers are British Airways, bmi, Ryanair (with logistics services which operates from Prestwick), Pakistan International Airlines and Jet 2. The parties have submitted that in-flight catering services to airlines from this airport can also be provided from facilities at either Edinburgh or Newcastle airports. Apart from Commissaire's operations, where, the OFT understands, catering is trucked from a central packing facility at Birmingham, in-flight catering at Glasgow is supplied by companies with facilities at the airport. The joint venture will result in a four to three in in-flight catering providers.

## **Newcastle**

62. At Newcastle the parties' combined share of a £9 million market is [60–80] per cent, increment [15–30] per cent. The parties are numbers one and three with Gate Gourmet as number two. Alpha supplies British Airways, Emirates and Thomas Cook at this location. The joint venture creates a four to three for in-flight catering providers, with Commissaire, again providing the third supplier.

## **East Midlands**

63. At East Midlands airport the parties' combined share of a £8 million market is [70–90] per cent, increment [15–30] per cent. The parties are numbers one and two with Gate Gourmet at number three. Alpha mainly supplies bmi, Thomas Cook and Ryanair (supply of logistics services, as described at paragraph 57 above) from this location. There are no other airlines that load catering at East Midlands' airport. The parties submitted that the airport can also be supplied from neighbouring airports, for example Birmingham and Manchester airports, however, the parties are also the major suppliers at those two airports. On the basis of the 2009 market share data the joint venture creates a four to three in in-flight catering providers. However, the fourth player Servisair only had a share of [0–10] per cent so the degree of constraint that it would be able to impose on the remaining players is likely to be limited.

## **Cardiff**

64. At Cardiff the parties' combined share of a £3 million market is [70–90] per cent, increment [15–30] per cent. The parties are numbers one and two with Commissaire at number three. Gate Gourmet is not present at Cardiff. Alpha supplies Thomas Cook at this location. LSG's main customer is Thomson Airways. The parties submitted that in-flight catering services to airlines from this airport can also be provided from London Heathrow and Bristol airports. Gate Gourmet is the dominant service provider at Bristol airport with a fully functional flight catering facility. There is no evidence that Gate Gourmet do, [ ], supply to Cardiff from its facilities at Bristol. The joint venture creates a four to three for the provision of in-flight catering at Cardiff.

### **Non-overlap airports (2009 market share data)**

65. The parties also provided market shares for 'non-overlap' airports—Prestwick, London City, Doncaster, Leeds Bradford, Aberdeen, Belfast, Bristol, and Edinburgh, at some there were supply overlaps but not facilities. The 2009 market share data showed that on several of these 'non-overlap' locations the parties faced limited competition and could be each other's main (potential) competitor at these locations.

### **Conclusion on Unilateral effects**

66. The market share data provided by the parties shows that the joint venture will have high market shares at each of the 10 overlap airports. Outside of some of the London airports, Heathrow and City, there are few real alternatives to the parties other than Gate Gourmet, which is only present in any degree of significance at seven of the overlap airports.

67. The bidding data supplied by the parties suggest that each is the others closest competitor, with an estimated diversion ratio of some 50 per cent. The view that the parties are close competitors is supported by the overwhelming responses of third parties who regard the parties as close and two of three main suppliers in this sector.

68. The parties submitted that competition was strong and that they have had to reduce their margins in order to respond to customer demands. They also gave examples of other competitors or entrants being a realistic option for customers on recent tenders. However, the joint venture will lead to significant levels of concentration in the overall market for in-flight catering services, particularly by traditional suppliers. In addition, it is clear that, in respect of traditional full service meal, the parties alongside Gate Gourmet, will be the only suppliers currently able to offer this service at most UK airports meaning a substantial reduction in in-flight catering options for long-haul customers which may provide an ability to raise prices to these customers post-merger.

## VERTICAL EFFECTS

69. The parties are both parts of groups which include airlines. The Emirates Group includes the airline Emirates, which is a customer of both Alpha and LSG, serving six airports in the UK.<sup>27</sup> While Lufthansa Airlines Group operates to all, with a few exceptions,<sup>28</sup> served by Alpha and/or LSG in the UK.
70. However, the parties submitted that the Emirates and Lufthansa Airlines Group airlines individually or jointly account for less than 25 per cent of purchasing of in-flight catering services at any airport in the UK (with the exception of East Midlands where Lufthansa Airlines Group has approximately [30–50] per cent of purchases of in-flight catering services).
71. Given the conclusion on unilateral effects, the OFT has not concluded on whether the creation of the joint venture would affect competition in a vertically effected market.

## BARRIERS TO ENTRY

72. The parties submitted that past precedent pointed to low barriers to entry. In LSG Lufthansa Service Holding/Gate Gourmet Switzerland<sup>29</sup> the Commission recognised that new entrants can enter the market easily and rapidly gain a significant share. In that case at Orly Airport, Europe Inflight entered and within five years had achieved a market share of more than 55 per cent. Also, in its decision in Dnata/Alpha the Commission recognised that airlines are increasingly willing to source from non-traditional suppliers.<sup>30</sup>
73. The parties have argued that in the UK barriers to entry are very low with notable developments such as Do&Co supplying desserts and DHL operating at Heathrow and Dublin. While some third parties have agreed on the ease of entry, the evidence to date, from tenders and customers is that

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<sup>27</sup> Heathrow, Gatwick, Birmingham, Manchester, Newcastle and Glasgow

<sup>28</sup> Belfast International, Doncaster, Prestwick and Luton

<sup>29</sup> Comp/M.4170 LSG Lufthansa Service Holding / Gate Gourmet Switzerland.

<sup>30</sup> Comp/M.6037 – Dnata/Alpha Flight Group

these new entrants have acted as competitive constraints in relatively few tenders and need a greater base of operations in order to be a realistic constraint in the future. However, it is uncertain at the moment whether any potential new entrant can gain a sufficient foothold to be a realistic bidder for a large number of future contracts. The OFT also considers, on a cautious basis, that it is important to consider whether there is a different likelihood of entry to the provision of in-flight catering services to short-haul flights and long-haul flights separately.

74. The OFT when assessing whether entry or expansion might prevent or mitigate a substantial lessening of competition will have regard to whether any such entry or expansion would be timely, likely and sufficient.<sup>31</sup>
75. The parties provided information on a number of recent entrants: Do&Co, Commissaire, DHL, Plane Catering and Newrest. The constraint from these suppliers has been assessed above in paragraphs 43 to 49.
76. The OFT accepts that the companies referred to above have entered the market for in-flight catering at UK airports. However, the scale and size of this entry does not indicate, on a realistic prospect basis, that entry of a sufficient size and scale to offset the reduction in competition caused by the joint venture will occur in a timely fashion. There are several reasons for this. First, at the present time the entry/presence of these competitors has been limited to either a few locations or a sole contract. Second, from the evidence available it is unclear how quickly any of these entrants would be able to expand their operations in order to act as a constraint on the parties at all of the overlap airports where the OFT has found a realistic prospect of an SLC. Third, the entry has largely been in either specialist (high-end in the case of Do & Co) or non-traditional supply to short-haul flights (in the case of DHL). No entry has been observed into traditional full service catering to long-haul flights, where the OFT's concerns are most acute.
77. The OFT is also conscious that whilst these limited instances of entry have occurred, the market overall has experienced rapid consolidation with far fewer competitors in the UK now than just a few years ago. Alpha has

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<sup>31</sup>*Mergers assessment Guidelines* – June 2009 paragraph 5.8.2

combined with Airfayre, LSG with Citynet and Gate Gourmet has acquired deSter/Supplair, Pourshins, IAS Fernley, and Cara.

78. As noted above the OFT has seen relatively limited evidence from the parties (in terms of bidding data and internal documents) that other competitors and entrants are the primary constraint on their pricing, and comments from third parties have not consistently suggested that the entrants mentioned above do act as a constraint on the parties. While there is evidence of buyer power being exercised; including margin reductions; much of this could be the result of past competition between the parties.
79. Further, it is not clear how quickly these new entrants will reach a sufficient scale in this market to be able to replace the constraint provided by either party on the other. Third party views were mixed as to whether these new entrants would be a suitable alternative, while some did consider that they were a suitable alternative, others, with different requirements disagreed.
80. In particular, some customers and competitors stated that infrastructure — warehouses, vehicles, and security cleared staff, etc — was needed prior to an entrant bidding for contracts due to short tender processes, even some firms that could be flexible in awarding contracts did not want the risk of awarding contracts to new entrants without suitable infrastructure. In addition, given the fixed costs of facilities at airports, some third parties considered that smaller airline contracts were not worth bidding for unless sufficient nearby business had already been secured. Thus from the OFT's third party enquiries, it is unclear how quickly potential new entrants will have the infrastructure in place to bid for a wider range of contracts.
81. To counter this argument, the parties submitted that specialist vehicles for off/on loading catering onto planes at a cost of approximately £150,000 per vehicle and significantly less for used vehicles are currently available in the market, warehouse rental may be £85,000 and fitting costs for full service food production may be £690,000 (however, this may not be required for a last mile only operation). Further, the new TUPE regulations mean that, dedicated staff moves frequently with a contract, thereby reducing barriers to entry.

82. The parties state that kitchen facilities are now only needed for servicing long-haul flights and providing fresh food, which, they submit is becoming increasingly rare, and that, even for long-haul flights, preparation and/or storage facilities can be located at other neighbouring airports (such as close to Heathrow for Gatwick, Birmingham or East Midlands for Manchester etc or anywhere in between). However, this view is not supported by third party comments, which indicate the desirability of facilities to support contracts for charter and long-haul flights.
83. The parties also argued that the fact that catering contracts are tendered, let for, typically, up to three years, and usually provide the airlines with the right to terminate on 90 days notice means further new entry is possible. They also argued that back catering can also provide a constraint.

#### **Conclusion on Supply-Side Response**

84. The OFT considers the evidence, both from bidding data supplied by the parties and from customer comments, is that the identified new entrants have acted as a competitive constraint in relatively few tenders, and that they require a larger operations base in order to be a realistic constraint in the future across all UK airports and for traditional service catering to long-haul flights. The OFT accepts that the evidence may show that barriers to entry may have reduced for in-flight catering to those short-haul customers requiring a non-traditional service but it is far from clear how such entry would serve to protect all customers from the adverse effects brought about by this joint venture in other areas of the market.

#### **BUYER POWER**

85. The parties submit that 60 per cent of the long haul services from the UK are provided by seven airlines – British Airways, American Airlines, Emirates, Virgin Atlantic, United Continental, Delta-Northwest and Air Canada – all which, they consider, have the critical mass in terms of number of flights per day to justify the opening of a kitchen to serve their individual needs (although the parties did not specify whether this comment referred to just Heathrow or more generally). The parties also argued that the airlines with large operations are capable of sponsoring entry, giving BA's sponsorship of the DHL/Northern Foods arrangement at Heathrow as an example. The parties also argued that given the importance

of Heathrow, airlines could use their position there to leverage concessions in contracts at regional airports.

86. From its market investigation, the OFT received concerns about the joint venture, both from large and small airlines. Further, some airlines have commented that, in the past, the competition between the parties had been important to achieve a better service and product for passengers. Post transaction, therefore, it is not clear that airlines will be in a strong position to constrain the parties through the exercise of buyer power.

### **THIRD PARTY COMMENTS**

87. The OFT contacted a number of third party competitors and customers. Customer views were mixed as to the competitive effect of the joint venture. With concerns greater in respect of regional airports than they were in respect of Heathrow.
88. Third party customers commented that the joint venture would reduce the number of traditional in-flight caterers from three to two. One considered the joint venture was necessary to secure the future of suppliers; while one commented that the merger could create efficiencies, but would also lead to restricted choice.
89. Other customers remarked that the parties were each others closest competitors, either the only companies that they would consider or their ranking out stripped other competitors, and that at some airports there would be a monopoly post merger. The main customer concern was that post transaction there would only be two mainstream established full service firms. Customers were aware of DHL, Plane Catering and Do & Co but considered that these companies were either too new, not large enough or niche players and unable to offer the traditional service required by long-haul customers.
90. Competitors were generally concerned that the joint venture would strengthen the parties' position, with regard to a network of kitchens in key locations across the UK. This was regarded as key to winning charter business, particularly at Manchester and possibly Birmingham, where only Alpha and LSG supply long-haul flights. It was considered that in the

national market the transaction would result in a three to two, with only the joint venture and Gate Gourmet able to compete.

## **ASSESSMENT**

91. The parties overlap in the supply of in-flight catering services at UK airports, with facilities at 10 overlap airports in the UK as well as some strong or monopoly positions at other regional airports.
92. The parties' state that industry revenues and margins are falling and the joint venture is required to cut costs (especially with regard to on site infrastructure). There have been several other recent mergers in the sector with the leading three firms acquiring smaller operators.
93. In this case, the OFT considered the market by reference to in-flight catering services at individual UK airports (including potential entry from nearby airports) as well as a wider market for in-flight catering services at Heathrow/Gatwick and other UK airports. The OFT also considered there is a distinction between provision of traditional full meal service and non-traditional light snacks and buy-on-board options and that it was therefore appropriate, on a cautious basis, to consider separate frames of reference for supply of in-flight catering services to long-haul customers (traditional services) and short-haul customers (non-traditional) services separately.
94. The parties overlap at 10 airports — Heathrow, Gatwick, Manchester, Stansted, Birmingham, Luton, Glasgow, Newcastle, East Midlands and Cardiff. Market shares at many of these overlap airports are high.
95. In particular at Manchester where the parties have a combined share of [80—95] per cent (increment [35—45] per cent) based on revenue excluding back catering. The parties are the only firms with facilities at Manchester, with other companies having to transport food into the airport. Manchester also has several long-haul customers who are more likely to require the more traditional service supplied by the parties.
96. While at Birmingham, the parties have a combined share of [70—90] per cent, increment [15—30] per cent based on revenue excluding back catering. The third national supplier of in-flight catering, Gate Gourmet, has virtually no presence at this airport. While a number of European airlines

use Birmingham and are, the parties' state, back catered at the point of origin, there are also a number of long-haul customers for which the merger would represent a three to two in choice of supplier.

97. Alpha's internal documents that were provided suggest that it was targeting LSG's customers more than Gate Gourmet's customers and do not suggest concern about potential entrants. Although later documents do discuss in detail DHL's entry at Heathrow. The bidding data provided by the parties' points to diversion ratios of around 50 per cent between them. Although the bidding data may not provide an up to date picture, of competition between the parties, there was insufficient data to demonstrate that the recent picture had changed significantly. This conclusion is supported by third party comments where the parties are regarded as the two main suppliers.
98. Customer views were mixed as to the competitive effect of the joint venture. With concerns greater in respect of regional airports than they were in respect of Heathrow. Third party customers commented that the joint venture would reduce the number of traditional in-flight caterers from three to two (there were some that suggested the merger was a two to one at particular airports). Although DHL was considered an option for some customers, no other entrants were viewed favourably. Some airlines were concerned about the sustainability of the merging parties, and even at Heathrow some airlines felt there were capacity restrictions and that there could be only two or three suppliers post merger.
99. While some customers considered they had buyer power through their Heathrow operations or on-board retail contracts, others were concerned that the joint venture would result in reduced options, and the loss of competition between the parties that was considered important in order to achieve a good deal.
100. There is some evidence that barriers to entry are falling with new catering models for airlines and a move towards low cost carriers, particularly for short-haul flights, and the parties provided details of a number of new and potential entrants that were considered to be suitable alternatives to the parties. However, the OFT considers, on a realistic prospect basis, that entry of a sufficient scale is not likely or timely in respect of traditional full

service catering services, especially to long-haul customers. In addition, third parties were mixed as to whether these new entrants would be a suitable alternative, some did while, others, with different catering requirements disagreed.

101. The OFT has not concluded on whether the creation of the joint venture would affect competition in a vertically effected market, given its conclusion on unilateral effects.

102. From the evidence available, the OFT considers that there is a realistic prospect of unilateral effects at several UK individual airports (including Heathrow) and more widely for bidding for national contracts to supply airlines that operate from many UK airports. The OFT also considers that, following the joint venture, there will be a significant reduction in competition to supply full service catering for long-haul customers.

103. Consequently, the OFT believes that it is or may be the case that the merger may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

104. This merger will therefore **be referred** to the Competition Commission under section 33(1) of the Act.

## Annex 1

**Table 1 Estimated 2009 market shares (including Back Catered) for the 10 Overlap airports by passengers and revenue**

	Alpha	LSG	Combined	Gate Gourmet	Commissaire	NDM	Servisair	Do&Co	Plane Catering	Back Catered	Own Catered	None	Total Market	
	%P & %R	%P & %R	%P & %R	%P & %R	%P & %R	%P & %R	%P & %R	%P & %R	%P & %R	%P & %R	%P & %R	%P & %R	P	R
Birmingham	[45–65]	[10–20]	<b>[55–85]</b>	< 1	[10–25]					[10–20]		< 1	4.08m	22.7m
Cardiff	[10–20]	[40–60]	<b>[50–80]</b>		[5–30]	[0–10]				[5–15]			0.7m	3.8m
East Midlands	[45–65]	[10–30]	<b>[70–90]</b>	[10–30]			< 1			[0–10]			2.07m	9.8m
Glasgow	[20–40]	[5–15]	<b>[25–50]</b>	[20–40]	[0–10]					[20–30]	< 1	< 1	3.2m	18m
Heathrow	[10–20]	[15–30]	<b>[25–50]</b>	[20–40]	[0–10]					[5–15]	< 1	< 1	29.8m	328m
Gatwick	[25–50]	[15–30]	<b>[20–40]</b>	[0–10]						[5–15]	< 1	< 1	14.6m	98.5m
Stansted	[60–80]	[0–10]	<b>[60–80]</b>	[15–30]						[5–15]	< 1	< 1	9m	38.5m
Luton	[15–30]	[0–15]	<b>[20–40]</b>	[40–60]	< 1					[15–25]	< 1	< 1	4.1m	18.2m
Manchester	[40–60]	[35–45]	<b>[80–95]</b>	[0–10]	[0–10]					[15–25]	< 1	< 1	8.4m	57.2m
Newcastle	[20–35]	[10–20]	<b>[30–55]</b>	[15–35]	[0–10]					[20–30]	< 1		2.05m	12m

**Table 2 Estimated 2009 market shares (excluding Back Catered) for the 10 Overlap airports by passengers and revenue**

	Alpha	LSG	Combined	Gate Gourmet	Commissaire	NDM	Servisair	Do&Co	Plane Catering	Total Market	
	%P & %R	%P & %R	%P & %R	%P & %R	%P & %R	%P & %R	%P & %R	%P & %R	%P & %R	P	R
Birmingham	[50–70]	[10–25]	<b>[70–90]</b>	< 1	[15–25]					3.01m	17.98m
Cardiff	[15–30]	[50–65]	<b>[70–90]</b>		[10–20]	[0–10]				0.66m	3.49m
East Midlands	[50–70]	[15–30]	<b>[70–90]</b>	[15–25]			[0–10]			1.64m	8.04m
Glasgow	[30–50]	[5–15]	<b>[40–60]</b>	[25–45]	[5–15]					2.42m	13.14m
Heathrow	[15–25]	[20–40]	<b>[35–55]</b>	[45–65]				[0–10]	< 1	26.8m	312.5m
Gatwick	[30–50]	[20–30]	<b>[55–75]</b>	[20–45]	[0–10]					12.76m	89.6m
Stansted	[60–80]	[0–10]	<b>[70–90]</b>	[15–30]						8.38m	34.8m
Luton	[20–40]	[5–15]	<b>[30–50]</b>	[50–70]	[0–10]					3.24m	14.7m
Manchester	[40–60]	[30–45]	<b>[80–95]</b>	[0–10]	[0–10]					6.74m	48.38m
Newcastle	[25–45]	[15–30]	<b>[50–80]</b>	[25–45]	[0–10]					1.53m	8.89m