



## MEDIA RELEASE

6 July 2021

### **CCCS consults on the Proposed Acquisition of Asiana Airlines, Inc. by Korean Air Lines Co., Ltd.**

1. The Competition and Consumer Commission of Singapore (“**CCCS**”) is inviting public feedback on the proposed acquisition by Korean Air Lines Co., Ltd. (“**Korean Air**”) of Asiana Airlines, Inc. (“**Asiana**”) (collectively, the “**Parties**”) (the “**Proposed Transaction**”).
2. CCCS received an application from the Parties for a decision on the Proposed Transaction and accepted the application as complete on 2 July 2021. CCCS is now assessing whether the Proposed Transaction would infringe section 54 of the Competition Act (Cap. 50B), which prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition within any market in Singapore.

#### **The Parties**

##### Korean Air

3. Korean Air is listed on the Korea Composite Stock Price Index of the Korea Exchange and is primarily active in four main activities: (i) passenger air transport services; (ii) air cargo transport services, (iii) aerospace, and (iv) hotel businesses.
4. In Singapore, Korean Air provides only passenger air transport services and air cargo transport services. The business names and trading names used by Korean Air in Singapore include “Korean Air Lines Company Limited” and “Korean Air”.
5. Korean Air’s largest shareholder is Hanjin KAL Co., Ltd. (“**Hanjin KAL**”), the holding company of Hanjin Group. Hanjin KAL engages in airline, hotel, and travel-related services. While Hanjin KAL has interests in low cost carrier Jin Air, Jin Air does not provide air passenger and air cargo transportation services to Singapore.

## Asiana

6. Asiana is listed on the Korea Composite Stock Price Index of the Korea Exchange and engages primarily in domestic and international airline services, including both passenger and cargo, a telecommunications business, and air transport support services, among others globally. Asiana IDT and Asiana Air Port are subsidiaries of Asiana. Asiana IDT operates the telecommunications business and provides IT services. Asiana Air Port operates the air transport support services (air cargo loading/un-loading and ground operations) in Korea. Asiana's other subsidiaries include Kumho Resort (a resort condominium and golf resort), Weihapoint Hotel & Golf Resort (a hotel and golf resort in Weihai, China), and Kumho T&I (other financial services).
7. In Singapore, Asiana's business activities relate to passenger air transport and air cargo transport services. The business and trading names used by Asiana in Singapore include "Asiana Airlines, Inc." and "Asiana Airlines".
8. Kumho Industrial Co., Ltd. is currently Asiana's largest shareholder. Asiana is facing significant operating difficulties, which have been exacerbated by the COVID-19 pandemic.

## **The Proposed Transaction**

9. The Proposed Transaction will be implemented by way of a share subscription agreement dated 17 November 2020 between the Parties, whereby Korean Air will subscribe for and purchase from Asiana 131,578,947 shares of common stock, amounting to KRW 1.5 trillion (approximately S\$1.79 billion) and representing 63.88 per cent. of the total issued and outstanding capital stock of Asiana.
10. The Parties submit that they overlap in the supply of:
  - a) bidirectional passenger air transport services between Singapore and Seoul; and
  - b) international air cargo transport services on unidirectional routes between Singapore and Korea, Singapore and China, Singapore and Japan, and Singapore and North America.

11. According to the Parties, the Proposed Transaction will not result in a substantial lessening of competition in Singapore because of:
- a) A wide range of competitors in the provision of passenger air transport services and air cargo transport services which can expand their operations in response to any hypothetical increase in prices or reduction in the quality of services or flight offerings;
  - b) The absence of material barriers to entry or expansion;
  - c) The ability of customers to switch easily between airlines and air cargo transport service providers, and the strong countervailing buyer power of customers of air cargo transport in a market characterised by excess capacity; and
  - d) Regulatory constraints in relation to airfares and air freight fees, such that the merged entity will not have the liberty to set its prices freely, even if it gains market power on certain routes.

### **Public Consultation**

12. CCCS is inviting public feedback on the Proposed Transaction from 6 July 2021 to 19 July 2021, 2 pm.
13. More information on the public consultation can be accessed and downloaded from the CCCS website at [www.cccs.gov.sg](http://www.cccs.gov.sg) under the section "[Public Consultation](#)". If the submission or correspondence contains confidential information, please also provide CCCS with a non-confidential version of the submission or correspondence.

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### **About The Competition & Consumer Commission of Singapore (CCCS)**

The Competition and Consumer Commission of Singapore ("CCCS") is a statutory board of the Ministry of Trade and Industry. CCCS administers and enforces the Competition Act (Cap. 50B) which empowers CCCS to investigate and adjudicate anti-competitive activities, issue directions to stop and/or prevent anti-competitive activities and impose financial penalties.

CCCS is also the administering agency of the Consumer Protection (Fair Trading) Act (Cap. 52A) or CPFTA which protects consumers against unfair trade practices in Singapore. Our mission is to make markets work well to create opportunities and choices for business and consumers in Singapore.

For more information, please visit [www.cccs.gov.sg](http://www.cccs.gov.sg).

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