

Competition Commission of Pakistan

OPINION ON COMPETITION CONCERNS IN ESTABLISHMENT OF SINGLE FLIGHT KITCHEN IN ISLAMABAD INTERNATIONAL AIRPORT ON JOINT VENTURE BASIS BY CAA

1. This opinion is being issued as culmination of the Open Hearing held under Section 29(c) of the Competition Act, 2010 (hereinafter "the Act"), on 22 September 2016 in the matter of establishment of single flight kitchen by Civil Aviation Authority of Pakistan ('CAA') on joint venture basis at New Islamabad International Airport ('NIIAP').

I. BACKGROUND

2. The CAA is a public sector autonomous body established through the Pakistan Civil Aviation Ordinance, 1982 and working under the Federal Government of Pakistan through Aviation Division Cabinet Secretariat. The core functions of CAA are 'Regulatory', 'Air Navigation Services' and 'Airport Services'. These core functions are fully supported by various corporate functions of the organization¹.
3. The Commission received a letter from Mr. Tahir Razzaque Khan concerning establishment of a flight kitchen on joint venture basis at the new Islamabad airport. As per the letter, CAA published a tender dated 28 April, 2016 titled "Tender notice for establishment of flight kitchen on joint venture basis at the new Islamabad airport".
4. It has been stated in the letter that as per the terms of the tender, CAA would run the flight kitchen on a joint venture basis with the successful bidder from among the airlines and catering services.



¹ CAA website: <http://www.caapakistan.com.pk/AboutUs.aspx>

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5. To gauge as to what competition impacting ramifications may follow as a result of CAA's proposed action, an Open Hearing was held under Section 29(c) of the Act hereinafter (the 'Hearing'), seeking views of each of the stakeholders involved.

II. UNDERTAKINGS

6. The following undertakings appeared in the open hearing: Complainant Tahir Razzaque Khan, Civil Aviation Authority, Airblue Limited, Pakistan International Airlines, Shaheen Air International Limited, Emirates Airline, Turkish Air, and Gate Gourmet Pakistan.

III. SUBMISSIONS OF PARTIES

7. The parties namely M/s Pakistan International Airlines ('PIA'), M/s Airblue Limited ('AirBlue') and M/s Shaheen Air International ('Shaheen') from the airline industry and M/s Gate Gourmet Pakistan ('GateGourmet') and M/s Gaggan Catering Services ('Gaggan') from the catering service industry made the following submissions whether through their replies to letters or oral submissions during the hearing.


PIA

8. PIA made the following submissions:
- a. That it has its own food services department and that it maintains flight kitchens in both Lahore and Karachi airports.



b. That more than one catering company is operational at major international airports such as JFK, Heathrow, Manchester, Beijing and Toronto.

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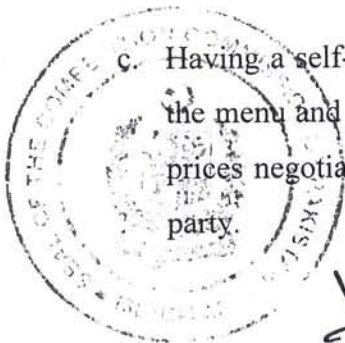

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AirBlue

9. The submissions made by AirBlue are as under:
- a. That the action of the CAA to want to enter a JV amounts to creation of a monopoly by the regulator and that the case is similar to the one where the Commission issued a policy note in respect of the statutory monopoly of NICL.
 - b. That the tender document required 10 years of experience in flight catering as if it was tailored to suit a particular party and therefore against the spirit of a 'competitive playing field' as envisaged in the National Aviation Policy 2015 ('NAP')

Shaheen

10. Shaheen had the following input in this matter:
- a. That the establishment of a flight kitchen in the new airport would promote competition as it would provide an additional option to airlines who wish to obtain flight kitchen services from a 3rd party.
 - b. However, it would also limit competition in the scenario where airlines wish to set up their own catering facilities. Shaheen has its own catering facilities at Karachi and Peshawar airports and has plans to set up similar facilities in Islamabad and Lahore.
 - c. Having a self-owned flight kitchen has numerous advantages such as selecting the menu and tweaking the cost factors to achieve flexibility in price as against prices negotiated to remain fixed for the entire period of a contract with a 3rd party.

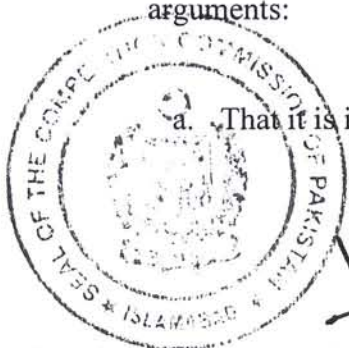



11. All the Airlines participating in the Hearing jointly raised the contention that CAA's involvement in the business through a JV would create a conflict of interest as its primary role is to regulate air traffic and airport activities. This concern was also raised by the Air Operators Committee ('AOC') that represents all the airlines operating out of a particular airport in Pakistan.
12. Another Joint position came from PIA and AirBlue that each of them was initially allotted space for building their flight kitchens at the new Islamabad airport, but their plans of doing so were disrupted by the initiation of a new plan through the issuance of the tender in question by the CAA.
13. One other concern raised by the AOC was that in the wake of the security situation in the country, the only feasible option would be to have a flight kitchen within the airport premises, as after the Russian metro jet flight 9268 crash on October 31, 2015, there have been serious concerns regarding scanning of luggage and other cargo for explosive materials etc. Food coming from outside the airport could therefore pose a security threat.
14. With regard to their familiarity with only one flight kitchen being operational in an airport, AOC submitted that the Dubai airport has only one caterer functioning as part of the Emirates group and bears high quality standard.

GateGourmet

15. Representing the food catering services, Gate Gourmet presented the following arguments:

a. That it is involved in carrying out this business in 20 countries worldwide.

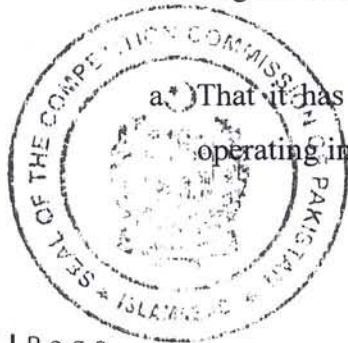


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- b. That this is a highly competitive business requiring millions of dollars of investment and that 3 essentials lead this business namely: i. Volumes ii. Quality standard and iii. Level playing field
- c. That standards adhered to internationally are set by the International Travel Agents Association ('ITAA') and International Flight Services Association ('IFSA').
- d. That specifically with regard to Pakistan the business volume is low owing to: i. Dearth of international flights due to the prevailing security situation and ii. Airlines avoiding lifting meals on account of poor quality standards.
- e. A high Airport Fee or Royalty levied by an Airport Authority on an airline catering service can impact the decision of international airlines to uplift meals from a country. In Pakistan, CAA levels a fee of US dollars 1.05 on meals carried on international flights, which forms a high percentage of the cost of an economy class meal.
- f. The contention that meal prices would be high as a result of a single flight kitchen as against multiple flight kitchens is false and that despite having a choice, the Airlines flying in and out of Pakistan are not uplifting meals from here.

Gaggan

16. Representing views that were starkly different from GateGourmet, Gaggan had the following submissions to make:



a. That it has 20 years' experience in the business in question and is currently operating in both Lahore and Karachi airports.

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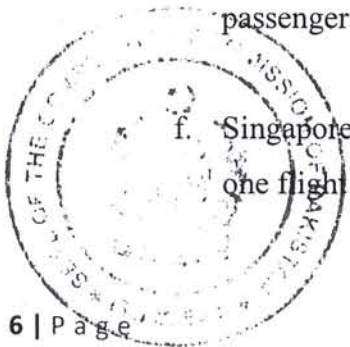
- b. That the proposed action of CAA could result in limiting of options for the buyers, leaving room for price escalation and quality deterioration.
- c. That by its proposed action, the CAA is deviating from its own position of allowing more than one flight kitchen to operate in other airports of Pakistan.


CAA

17. With all the concerns and question marks raised by the Airlines and the food catering services, CAA had the following arguments in its defense:

- a. That the contention that one flight kitchen would result in high prices when the plan has not even seen the light of day is merely speculative and lacks sound basis.
- b. That the tender process is open to all airlines and any other interested parties and is transparent and as per PPRA rules.
- c. That the involvement of CAA in this business is nothing new as it has been involved in this since 1982. Previously it has leased land for flight kitchens on a short term or long term basis. JV in that sense is just another way of doing it.
- d. That there are examples of single flight kitchens throughout the world, examples being Dubai, Abu Dhabi, Doha and Singapore.
- e. That the number of flight kitchens on any airport depends on the number of passengers and the number of meals uplifted from it.

- f. Singapore Airport with a daily meal uplift of 15,000 - 18,000 is catered to by only one flight kitchen.



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- g. That with the exception of PIA, the airlines lift their meals from third parties such as Kitchen Cuisine.
- h. That the primary motivation of CAA is regulatory and a focus on price considerations as against monetary gains.
- i. That the CAA intends to provide a world class flight kitchen that is commensurate with the other facilities to be offered at the new airport.
- j. That the whole point is to put Pakistan back on the map with respect to uplift of meals by the international airlines. That these airlines have expressed interest, provided the desired level of service and product is offered.

IV. ANALYSIS & OPINION

18. At the outset it needs to be clearly laid out that the Commission has no objection to the creation of a single flight kitchen at the NIIAP as long as the following competition concerns are properly addressed:
- a. Existence of factors offsetting the adverse effects of Entry Barriers;
 - b. That it does not end up in a monopoly that seeks monopoly price for flight meals regardless of quality;
 - c. That the conflict of interest that results from CAA having a stake in the business is resolved; and
 - d. Option of uplifting of meals from off premises parties is intact.

Entry barriers versus offsetting factors

19. One of the most glaring examples of creating entry barriers is when undertakings enter into exclusive agreements involving a single undertaking to carry out a contract or project to the

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detriment of its competitors. Such agreements are prohibited under the Act, unless the parties to the contract apply for exemption and demonstrate that the effect of entry barriers created as a result is offset by technical or economic progress that also offers a fair share of the benefit to the consumers, or alternatively the benefits clearly outweigh the adverse effect of lessening of competition.

20. Since the creation of a single flight kitchen facility on the NIIAP premises also has the effect of barring all the service providers except for one who is awarded the tender, it would give rise to entry barriers as in prohibited agreements. We are therefore of the view that the principle of seeking an exemption must also apply here in the same fashion i.e. the party being given the contract must be able to demonstrate that the measures that it will introduce will result in technical or economic progress a fair share of which will be enjoyed by the consumers or that it will result in benefits that outweigh any adverse effects on competition.
21. The CAA in its submissions has mentioned that the purpose of building a single flight kitchen is to introduce world class standard in terms of hygiene and quality of food so that international flights can start uplifting meals from Pakistan, but then in the Hearing it has also been brought to light that the number of international flights to Pakistan have been low on account of security reasons.
22. A realistic plan as to what the demand would be and how it would lead to economic progress and consumer welfare would thus have to be worked out and demonstrated for this plan to not have any anti-competitive bearings. Any realistic plan must also involve exhaustive research that the market being aimed at i.e. international uplifting of meals relies entirely on a certain level of quality standard and no other factors. Unless factors such as these are worked out and demonstrated, any plan of establishing a single flight kitchen would only end up foreclosing the market to maximum participation and realizing the full potential of competition.



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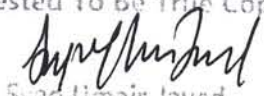
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23. Competition literature notes that entry barriers may retard, dampen or nullify the market's usual mechanism for checking market power: the attraction and arrival of new competitors.² One of CAA's submission is that the investment in a world class kitchen would not be feasible if sufficient volume is not attained. As per AirBlue's submission, its flight kitchen in Lahore is ISO 22,000 certified, something that is not denied by CAA. AirBlue does not appear to shy away from following this standard in the NIIAP. It then begs the question, as to how it would be feasible for AirBlue to invest in a high quality flight kitchen without worrying about volumes. Could it be that each airline is primarily only interested in fulfilling its own flight meal requirements without worrying much about whether other domestic or international airlines buy any in-flight meals from them?
24. If that is the case as it appears, and CAA as per its submissions is primarily interested in encouraging uplift of meals by international airlines, which again according to its submission are not satisfied with the quality of locally prepared in-flight meals, why must it worry if other airlines are allowed to build their own flight kitchens, given that only the flight kitchen built as a result of CAA's tender would have the standards and quality to encourage uplift of meals by international airlines? By that logic they should be able to capture the entire market catering to the international airlines flying in and out of NIIAP, barring perhaps the international flights of the local carriers.
25. If however, the CAA proposed kitchen must rely on uplift of meals from local airlines to be successful, the party winning the tender must in addition be able to demonstrate as mentioned above that what it offers has factors that will attract a sizable business from international airlines and that the same would benefit the consumers to a fair degree, since as per Commission's understanding, it is the latter that is understood to have the potential to translate into considerable economic progress and make a difference.
26. Talking about the domestic consumers of flight kitchen meals i.e. the local airlines flying in and out of NIIAP, some of them have shared with us what it costs them to offer in-flight

² 'Barriers to Entry and Exit in European Competition Policy', David Harbord and Tom Hoehn. International Review of Law and Economics, 1994.



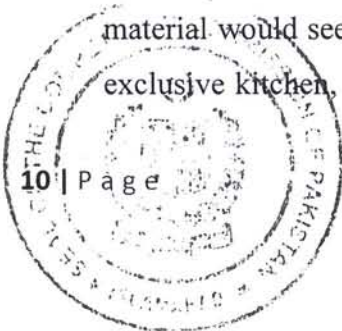


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meals for both domestic as well as international flights prepared at their own kitchen as well as those procured from catering services at different airports of Pakistan. In addition, CAA has also shared the expected price of a meal from the proposed exclusive kitchen for both local as well as international flights (PKR 314-524 for domestic flights; PKR 743-943 for international flights). One of the airlines has also shared the cost it incurs in uplifting meals for its international flights from caterers situated in various destinations of the world.

27. The cost figures provided by various airlines for offering meals on domestic flights whether through own kitchen or a specialized catering service if taken on face value appear to be lower than the CAA's anticipated cost of meals from the proposed flight kitchen for similar flights. If the exclusive kitchen at the NIIAP does end up being an expensive option in relative terms, for the airlines, in as far as the meals in domestic flights are concerned, the party who would be responsible for running the kitchen must be able to demonstrate as to how it wishes to add value in terms of variety, quality or any other pertinent metrics such that switching to this option is a viable proposition for these airlines.

28. Although the average cost of procuring a meal for international flights from international destinations as submitted by one of the airlines falls in the same range as the CAA's anticipated price for international flight meals, it is important to note that circumstances surrounding a catering service at NIIAP may completely differ from those surrounding international catering services operating out of airports located in cities like New York and Toronto. As per some estimates, while the cost of uplifting meals from New York and Toronto could be around PKR 744 and PKR 1014, that of uplifting the same from Beijing is only PKR 508. Catering services in each of these countries are effected by factors such as availability and cost of raw material, business volume, competitiveness of a particular airport (how strongly the airlines compete among each other), kind of airlines, length of flight, the passenger mix, and the passenger ticket price from a specific airport. While airport competitiveness and business volume are factors that may favor these international catering services, all other factors including passenger mix, passenger ticket price, cost of raw material would seem to take the prices to the higher side in these countries. In running an exclusive kitchen, then the CAA must be able to demonstrate as to how it expects to add



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value to its flight meals such that it justifies the prices that go along with them and is consequently able to attract the local and international airlines to buy meals from them.

29. Similarly there are airlines whose cost of offering meals in their international flights seem to be on the lower end, perhaps because they mostly carry out short haul flights. Would the exclusive kitchen at NIIAP have the diversity in their options to cater to the specific needs of their consumers? For example a consumer on a short haul flight may be more willing to compromise on certain facilities including a hot meal such that a reasonably good meal is preferred over an excellent meal as long as he/she gets a bargain on the ticket.
30. The Commission is of the view that the foregoing carry examples of the type of concerns that a party who wants the contract to run a flight kitchen on a solo basis at the NIIAP must work out and resolve before proceeding with this project.

Creation of monopoly and possibility of abuse of dominance

31. If the likelihood of the realization of the outcome mentioned in the preceding paragraph is low in the absence of sufficient assuring factors and it so happens that the single flight kitchen will only be a feasible business on account of the local airlines purchasing flight meals from it in the absence of any other option, there is a likelihood of the single flight kitchen to assume a monopoly abusing behavior with ensuing disadvantages:

- a. In the absence of competition the new flight kitchen could assume the position of a price maker i.e. it would have the ability to dictate prices of meals to the extent of prices involved when airlines deal with third parties. Submissions by one airline show that prices of meals bought from a third party vendor could be double the cost of preparing the same in-house. As per data submitted by that airline, the cost of uplifting of chicken or vegetarian options in-house for an international flight costs around Rs 120 and Rs 97 respectively as against uplifting the same options from a third party vendor where it costs Rs 220 and 185 respectively.

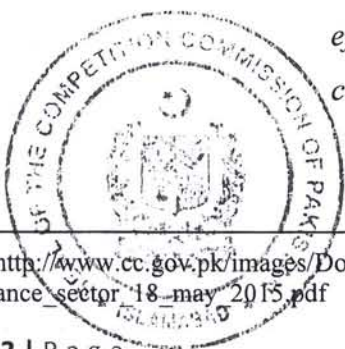


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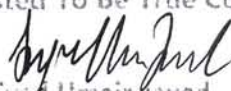
- b. Another concern highlighted by an airline was that it negotiates contracts with catering services and tries to get the best possible deal. These caterers are also involved in the provision of other ancillary services as per an airline's demand. There is an apprehension that a caterer in a monopoly position with CAA's involvement would be unable to provide these facilities. The same airline also submitted that it surveys the airline caterers market to select the best available choice for its passengers in terms of food quality and variety. However, wherever such choices are not available they have to pay premium prices.
- c. In the absence of appreciable competitive pressure, catering companies almost always become complacent in terms of offering the best product at the best price possible. It is after all under competitive constraints that undertakings are continually working on quality improvement while simultaneously taking cost cutting measures. In the matter at hand, with no other flight kitchens to compete, there is this fear that the sole flight kitchen may cash on its monopoly status by being complacent on quality improvement measures, by being negligent of production efficiency measures that can cut down costs and by not feeling the need to carry out any value addition in terms of offering a variety of meals that suit the needs of all local and international airlines to a considerable extent. This effect arising out of monopoly situations is also commented on by the Commission in its policy note on NICL as produced below:

"Competition is a key to economic growth because it provides more choice, strong incentives for undertakings to be more efficient than their rivals and to reduce their costs and innovate. Choice of creating a monopoly over free competition may have deleterious effects to consumers. It deprives the consumers from the benefits of competition; more choice, better quality and a competitive price³".



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³http://www.cc.gov.pk/images/Downloads/policy_notes/policy_note_statutory_monopoly_of_nicl_in_non_life_insurance_sector_18_may_2015.pdf

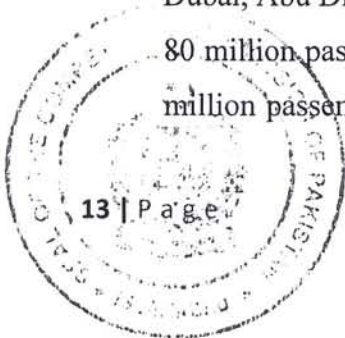
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32. In certain instances, the regulator may have certain regulatory considerations for granting such exclusivity. In the instant matter CAA has cited quality assurance as a prime consideration for the single kitchen.
33. It is observed that in performance of its regulatory role CAA issues Airline Operator Certificate (AOC) to catering companies. The function of CAA in this regard is stated in clause 3.6.16 of the AOC Manual as reproduced below:

"Catering facilities These facilities shall be inspected (particularly by the CMO or his rep) for adequacy and conformity to hygienic requirements for: a) Life of the food items; b) Food storage facilities; c) Refrigerating and freezing facilities; d) Packing of meals; e) Water quality; f) Medical fitness of working staff".

34. While there is no denying that ensuring the quality of in-flight meals and inspection of catering facilities is a high priority for the CAA, a fundamental question that needs to be addressed is whether the same objective can only be achieved through operation of a single facility or by CAA itself entering the business. While the latter part of this question is addressed in the following section, with respect to the former part, it is observed that if CAA's prime consideration for a single kitchen is ensuring quality, then the most obvious way of achieving it is by strictly enforcing the relevant quality and food safety standards on catering facilities. It is up to CAA to make its quality standards as stringent as those applicable internationally, irrespective of whether there is one flight kitchen facility in an airport or more. The existence of more than one flight kitchen facility in an airport does not bar the CAA to apply high benchmarks for quality, as long as it entertains only those entities who conform to the same.

35. Internationally, we find examples of airports with single as well as multiple flight kitchens. Dubai, Abu Dhabi, Doha and Jeddah have only one flight kitchen. Dubai has traffic of over 80 million passengers per annum, whereas Abu Dhabi and Doha handle 40 million and 30 million passengers respectively. Singapore Changi, a world renowned airport handling in



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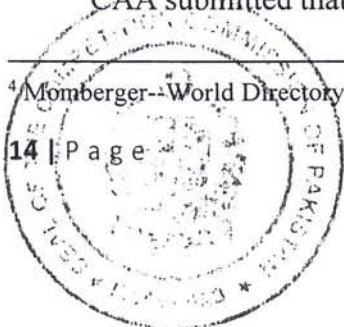
excess of 55 million passengers has two flight kitchens. Airports that are privately owned have more than one flight kitchen. London Heathrow has 07 kitchens, London Stansted 03, New York JFK 06, Paris CDG 06, Bangkok 03, Delhi 04, Mumbai 03, Cochin 03, Shanghai 04, and Beijing 03⁴. A large number of these airports are situated in countries that are understood to have high benchmarks for quality in terms of meals uplifted for local or international flights. Whether there is only one flight kitchen or seven operational on a facility in an airport would then have no bearing on the quality of meals uplifted from them as long as common standards apply to each. What then emerges is that it is the application of high and across the board quality benchmarks that is important as against the number of flight kitchens that are operational in an airport to achieve high competitiveness in terms of quality.

36. CAA has itself in the past allowed multiple flight kitchens at each of the international airports. The fact that Air Blue's flight kitchen at Lahore and Kitchen Cuisine flight kitchen Islamabad are ISO 22,000 certified indicates that airlines and other caterers realize the importance of high quality benchmarks and are willing to invest in the same. This also indicates that undertakings such as those mentioned above would be willing to invest in any international quality benchmarks that CAA deems essential in bringing a considerable quality conscious business to Pakistan.

Participation of CAA through a JV

37. One apprehension that was jointly raised by the airlines and other stake holders was CAA's intended involvement in the concerned market through a JV. The Airlines contended that given that they would be forced to uplift meals only from the CAA and the latter would have involvement in the business, how would it respond to any complaints that the former may have with respect to quality, price or any other aspect concerning food. CAA said that its participation in the flight kitchen business would be nothing new, as it has been leasing lands to the Airlines and other stakeholders for these purposes since 1982. Other than that, CAA submitted that its regulatory and commercial functions are carried out by two separate

⁴ Mombberger--World Directory of Flight Kitchens, Winter 2014/15



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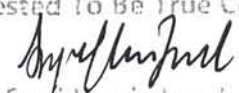
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and independent wings within the CAA namely 'Regulatory' and 'Airport Services'. In its own words, the primary motive of CAA to want to enter the business is as follows:

"The CAA taking cognizance of the market and the requirement of the airline, decided to tender the facility on Joint Venture basis, with emphasis on regulatory and pricing considerations rather than monetary gains".

38. Regarding the sensitive question of price and quality, CAA submitted that it was contemplating the constitution of a board comprising senior officials of CAA, representative of successful bidder and perhaps some representatives of airline to monitor and ensure that consumers would not be paying a high price. CAA further submitted that with margins running very thin on Food and Beverages in the airline catering business, it would not be possible to charge high rates if the JV is to gain market penetration. If anything, the prices would be lower due to economies of scale.
39. Now we take each of the positions opted by the CAA and examine their merit. CAA has submitted that its regulatory and commercial functions are handled by separate wings. However, it must be borne in mind that even if these wings are separate, they operate under one umbrella and that heads of all the wings report to the additional DG of the CAA. This kind of administrative arrangement is bound to create interests that are intertwined, and make it almost impossible for any of the wings to work in complete isolation or independence. Therefore, it is reasonable to assume a low likelihood of any action by a wing operating under the CAA that is detrimental to the interest of any of its sister wings.
40. With regard to CAA's position that its involvement in the business is nothing new and that it has been leasing lands for a long time for operation of flight kitchens, it is important to realize that CAA's currently intended involvement in the business is on a revenue sharing basis. This changes the scenario entirely, because when an undertaking offers land to one or more businesses on lease, the former is going to get its due for lending a facility to the latter regardless of whether it makes a gain or loss, a high revenue or a meager one. In other



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words the income earned from lease is not directly linked with the financial health of a business. On the contrary, in a revenue sharing model, any undertaking who participates in such venture as a sleeping partner as is the case with the CAA, it stands to gain when its operating partner is successful in generating a high revenue and conversely lose if the desirable gains are not achieved.

41. As per CAA, the revenue sharing will be done on an agreed percentage of the gross turnover. It is needless to say that when one enters a business on a revenue sharing basis, irrespective of whether it is an active participant or a silent partner, it would have a particular interest in that business generating a high revenue. If the business fails to improve income on account of production efficiency or gaining business volume, it can always make use of a monopoly situation to raise prices and make up for that. It is unlikely that any partner who is benefitting from higher revenues would then be willing to take action against the former's well-being, as their interests are intertwined and that is exactly what is being seen here as a conflict of interest.
42. Now we come to CAA's argument that it has a regulatory justification for entering the concerned market on a JV basis. In its own words its decision to want to enter a JV is led by regulatory and pricing considerations as against monetary gains. As explained above, CAA entering the business on a revenue sharing basis will create a conflict of interest that will make it impractical or less likely for it to carry out its regulatory functions. The action of entering any business on a revenue sharing model implies monetary considerations, above anything else. If anything, having business interests can prejudice or hamper the vision of a regulator to carry out its most important duties of quality check, and preventing monopoly based exploitation etc. to the fullest extent possible.

Contracting meals from parties located off the premises of NIAP

43. Last but not the least, the airlines must not be prohibited from contracting their flight meal services from parties located outside the premises of the airport, as they are allowed in other international airports of the country.



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44. However, even this permission may not allay the concerns raised above on account of practical considerations. For example, these parties may require setting up a facility in proximity to the NIIAP as against leasing it, which may make it an infeasible business prospect given that they will have to then recover these costs from the airlines, which may not be willing to pay.
45. If the only options available to the airlines are facilities located far off, they may not be able to offer certain services, including the choice of menu or certain ancillary services, as the airlines would be able to do for themselves. It is also possible that the former are willing to customize their services to the airlines requirements, but not without charging a premium. There may be other non-monetary factors such as security, which may not make the off-premises option viable for the airlines as a substitute for their own flight kitchens.
46. This scenario would thus ostensibly relieve the exclusive flight kitchen at the NIIAP from a considerable competitive pressure, and in effect restrict the options available to the airlines for uplifting meals.

V. Conclusion & Recommendation

47. Based on the foregoing, we are of the view that the establishment of a single flight kitchen at the NIIAP may not be a problem from a competition perspective, as long as the concerns laid out above are amply addressed.
48. The establishment of a single flight kitchen at the NIIAP would only be justified if there is a realistic plan to show that the entry barriers created as a result of its exclusivity are balanced by technical or economic progress, a fair share of which is passed on to the end consumers, or that any adverse impact on competition is outweighed by any resulting benefits. The onus of demonstrating these benefits must lie with the party/parties entering this business. If the foregoing concern is not thoroughly addressed, the creation of a single flight kitchen is only bound to restrict competition in the market at the detriment of all



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Government of Pakistan
Islamabad.

potential participants, save one. Therefore it is strongly recommended that any party winning the contract of the single flight kitchen at the NIIAP must seek exemption from the Commission under Section 9 of the Act on a preemptive basis.

49. Having done the above, it must be further made certain that the single flight kitchen would never at any point abuse its monopoly position in the manner described above. The only way that it seems possible is if the conflict of interest that is likely to be created as a result of the Regulator entering the business on a revenue sharing business is resolved. We are therefore of the view that the CAA must consider other arrangements in giving out its facility for the business, such that its well-being is not directly linked with the monetary success of the same. In that regard, the Commission is also of the view that if the alternative CAA chooses to shift to involves an airport fee or royalty levied on caterers for meals they provide in international flights, it must not be so high so as to serve as a barrier to the CAA's own stated objective of achieving high volumes in terms of uplift of meals by international carriers flying in and out of NIIAP.

50. Lastly, we are of the view that at no point should any of the airlines be barred by the CAA to uplift meals from any feasible off-premises options available to them.



Vadiya Khalil

Vadiyya Khalil
Chairperson

Shahzad Ansar

Shahzad Ansar
Member

Mueen Batlay

Mueen Batlay
Member

Islamabad, 14 December, 2016

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Syed Imair Javed 14/12/16
Syed Imair Javed
Registrar
Competition Commission of Pakistan
Government of Pakistan
Islamabad.