

URÍA ADVISES GLOBALIA ON THE MERGER CONTROL OF ITS SALE OF AIR EUROPA TO IAG BEFORE EC

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Uría Menéndez has advised Globalia on the merger control proceedings before the European

Commission (currently at Phase II) for its sale of Air Europa to International Airlines Group (IAG)



The European Commission has opened an in-depth investigation to assess the proposed acquisition of Air Europa by IAG, under the EU Merger Regulation. The Commission is concerned that the proposed transaction may reduce competition in the markets for passenger air transport services on Spanish domestic routes and on international routes to and from Spain.

IAG and Air Europa are respectively the first and third largest providers of scheduled passenger air transport services in Spain. They both operate a network of Spanish domestic routes, as well as short-haul routes between Spain and other countries in the European Economic Area (EEA) or outside the EU, and long-haul routes between Spain and the Americas.

The Commission's preliminary market investigation revealed that IAG and Air Europa compete head-to-head for passenger air transport services in Spain, in particular on several routes from Madrid to the US and Latin America, and on several domestic and short-haul routes, including feeder traffic routes bringing passengers to Madrid to continue their journey on long-haul flights to the US and Latin America.

At this stage, the Commission is concerned that the proposed transaction could significantly reduce competition on 70 origin and destination (O&D) city pairs within and to/from Spain, on which both airlines offer direct services. On some routes, IAG and Air Europa have been the only two airlines operating.

The Commission is also concerned about the effect of the proposed transaction on routes on which other airlines rely on Air Europa's domestic and short-haul network for their own operations at the Madrid airport and a number of other EU airports. Without Air Europa's feeder traffic, some airlines may decide to terminate their services to international destinations also served by IAG, reducing choice for travellers.

The proposed transaction was notified to the Commission at a point in time where the recovery of the aviation sector from the consequences of the coronavirus outbreak is still uncertain. The Commission investigated the extent to which the coronavirus crisis would impact IAG, Air Europa and their competitors' operations and hence the competitive landscape in the mid- and long-term.

IAG and Air Europa have entered into Memoranda of Understanding with two Spanish airlines as potential remedy takers but they decided not to submit remedies during the initial investigation. The Commission will now carry out an in-depth investigation into the effects of the proposed transaction to determine whether it is likely to significantly reduce effective competition.

Uría Menéndez advised Globalia with a Madrid office Competition team formed by partner Antonio Guerra (pictured left) and senior associate François Doumont (pictured right).