Submission to the European Commission on negative anti-competitive effects of the envisaged acquisition of Air Europa by IAG/Iberia

30 June 2020

INTRODUCTION & EXECUTIVE SUMMARY

(1) International Consolidated Airlines Group, S.A. ("**IAG**") envisages acquiring the entire issued share capital of the Air Division of Globalia Corporación Empresarial, S.A., which comprises several separate legal entities (referred to collectively as "**Air Europa**" in this submission) via its wholly-owned subsidiary IB OPCO Holding S.L. ("**Iberia**"; the envisaged acquisition is hereinafter rereferred to as the "**Transaction**").[1] Thus, the Transaction would lead to a significant concentration in the Spanish aviation sector as IAG is the holding company not only of the leading Spanish airline Iberia but also in particular of the leading Spanish low-cost carrier Vueling Airlines, S.A. ("**Vueling**"); to be complete, IAG is also the holding company of British Airways Plc. ("**BA**") and Aer Lingus Plc. ("**Aer Lingus**"). Given that Air Europa is generally speaking the third-largest Spanish airline operator, it becomes apparent that the Transaction – if implemented – would be a takeover of the number three by the already combined two largest players in Spain.

(2) Thus, this Transaction would strengthen IAG's market position in Spain significantly and would eradicate effective competition on an impressive number of domestic Spanish routes as well as on routes especially between Madrid and destinations in Latin America. Moreover, IAG's position as a slot-holder at the airport Madrid-Barajas would also be substantially strengthened.

(3) In essence, this has also been admitted by IAG's CEO Willie Walsh as he summarized the Transaction in the following manner (quoted in the official press release of IAG): *"Acquiring Air Europa would add a new competitive, cost effective airline to IAG, consolidating Madrid as a leading European hub and* ***<u>resulting in IAG achieving South Atlantic leadership</u>****, therefore generating additional financial value for our shareholders."*

(4) Thus, it is apparent that the clear intention of IAG's management is to create an extremely powerful market position on routes from Spain to Latin America.

(5) What is more: The main reasoning of IAG towards its shareholders for this Transaction is outlined in detail in the presentation "Capital Markets Day (8 November 2019)" and can be found online in the investor relations section of IAG.[2] Although the presentation dates from a time before COVID-19 hit the aviation sector in an unprecedented manner, it is still very insightful to have a closer look at this investor presentation. In a nutshell:

- Iberia's size should be increased **<u>by 50%</u>** and IAG as a group **<u>by 10%</u>** in terms of traffic revenue.

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1 IAG press release (dated 4 November 2019), online available at: https://www.iairgroup.com/en/newsroom/press-releases/newsroom-listing/2019/iag-air-europa.

2 IAG investor presentation "Capital Markets Day (8 November 2019)", online available at (in particular p. 158-174): https://www.iairgroup.com/~/media/Files/I/IAG/documents/CMD%202019%20Final_PRINT.pdf.

- Air Europa (figures relate to the financial year 2018) had 11.8 million annual passengers, is considered as a value carrier, operated 66 aircraft, and had annual revenue of EUR 2.1 billion. It is also interesting what is **<u>not</u>** shown on these charts: The number of employees of Air Europa.
- IAG also gives several reasons why such Transaction would be beneficial not only for its shareholders:
  - Strengthening of Madrid as an airport hub;
  - More choice and flexibility for customers;
  - Job security and job creation both for IAG's and Air Europa's staff;
  - Air transport market should remain highly competitive: Domestically the Spanish high-speed train AVE will continue to exercise competitive pressure and for air traffic towards Latin America from Europe IAG's post-deal market share will only reach 26%.

(6) This argumentation is significantly flawed on numerous levels and most importantly: **We expect that the Transaction is of such scale that it would inevitably entail numerous negative anti-competitive effects**. Negative effects on ticket prices and consumer choice are to be expected just to name a few. Moreover, it is a bitter irony that IAG is claiming to secure jobs by this Transaction, while in the UK it is using a global health pandemic as cover to impose a long-term plan to 'fire and rehire' 30,000 of its 42,000 staff on inferior terms and conditions – making the rest redundant.

(7) Against this backdrop, we want to take the opportunity and provide the European Commission ("**Commission**") with a detailed outline of our major concerns. Unite the Union ("**Unite**") is the leading trade union in the United Kingdom and the union which represents the largest number of employees of IAG. With this submission, we aim to provide the case team of the Commission with market insights and **<u>kindly ask the Commission to conduct a thorough review of this Transaction</u>**.

(8) The full set of market data, which proves that the Transaction is particularly dangerous for competition as it would leave IAG with very high market shares on numerous routes, has been compiled in a **<u>separate attachment</u>** ("**Attachment 1**"). We are of course happy to provide the Commission with such information and stand ready to provide additional insights and data if need be.

(9) In the following, we give a **<u>brief executive summary of our key concerns</u>**, which are outlined in more detail further below in this submission:

- The envisaged Transaction would cause a **massive concentration on Spanish domestic routes** and would eradicate any effective competition there. On numerous routes IAG's combined market share post-transaction would amount even to a 100%, i.e. Bilbao-Madrid, La Coruña-Madrid etc. Also, on the route Madrid-Barcelona the combined market share post-transaction would reach 99.7%.

- Comparable to the domestic situation in Spain IAG would be the **only market player left on numerous routes between Madrid and Latin American destina-**

tions. This development is further spurred by COVID-19 related market developments, in particular the two largest airlines in Latin America, LATAM and Avianca, both filed for insolvency in the USA in May 2020 and could radically downsize their fleet or even exit the market altogether.

- In our view it is obvious that the Transaction would have **tremendous detrimental effects on the competitive situation** both on domestic routes in Spain as well as on routes between Madrid and Latin American destinations. Customers will be deprived of their possibility to pick the best offer of different operators on such routes and will often have literally no choice whatsoever other than to book a flight from IAG. **It has to be expected that IAG will reduce flight availability and increase prices on such routes**.

- This will also **affect a large number of European passengers** and is therefore not a pure Spanish issue. Madrid is **the gateway for going to Latin America**. One out of three Europeans, who is going to Latin America with one connecting flight at a European airport, does so via Madrid. If we only look to Latin American destinations without Brazil even every second European passenger having a stopover in Europa passes by Madrid.

- We also urge the Commission to take an in-depth review of the **slot situation at Madrid-Barajas airpor**t, as IAG already has a strong position there and the envisaged Transaction will further strengthen it (especially at certain peak times).

- COVID-19 undoubtedly hit the aviation sector in an unprecedented manner. Nevertheless, this does not mean that the competition rules became less meaningful for ensuring fair competition in this sector. For instance, as a response to the COVID-19 pandemic **both Iberia and Vueling received in total a 1 billion aid measure by the Spanish government**. While this, in principle, falls within the ambit of EU State aid law **such significant improvement in IAG's financial position should also be considered in the merger control assessment by the Commission**.

- Due to the turmoil caused by COVID-19 we expect that IAG will invoke the so-called Failing Firm Defence in order to get the deal through without any significant remedies. According to this concept a concentration is not suitable for substantially restricting competition, if one of the involved companies is insolvent and would exit the market without the transaction – given that there is no less anti-competitive alternative than the notified deal. Obviously, **the deal IAG is proposing is the most anti-competitive scenario one could think of. Literally any purchaser would be less harmful to competition than IAG; given the strong position IAG already has in the Spanish aviation market**. There are also numerous alternatives to IAG, which would not have such a negative effect on competition. Therefore, we urge the Commission to reject any Failing Firm Defence argumentation by IAG.

DETAILED COMPETITIVE ASSESSMENT

A. COVID-19 CAUSED ENORMOUS TURMOIL IN THE AVIATION SECTOR

(10) At the outset, we want to elaborate briefly on the unprecedented COVID-19 pandemic, which has hit airline operators harshly and the effects of the pandemic will have a lasting impact on the aviation industry in the coming years.[3] As a result, numerous operators are faced with drastic losses in revenues, various national governments have passed rescue packages for the most relevant national airline carriers and some market players are expected to leave the market.

(11) While we have taken – throughout this submission – data from the summer season 2019 one must take into consideration recent developments as good as possible, in particular, that **certain players have filed for insolvency**. Concerning Latin America, we want to make the Commission aware of two recent Chapter 11 bankruptcy procedures in the US, concerning, on the one hand, LATAM Airlines, S.A. ("**LATAM**")[4] and on the other hand Avianca, S.A. ("**Avianca**")[5].

[3] See for example IATA (International Air Transport Association), analysis of record loss in 2020, online available at: https://www.iata.org/en/iata-repository/publications/economic-reports/record-loss-in-2020-extending-to-2021-but-at-a-lower-level/.

[4] See for example Bloomberg (26 May 2020), online available at: https://www.bloomberg.com/news/articles/2020-05-26/latam-airlines-files-chapter-11-bankruptcy-stymied-by-lockdowns.

[5] See for example BBC (11 May 2020), online available at: https://www.bbc.com/news/world-latin-america-52612335.

Graphic 1: COVID-19 effects on Latin American aviation sector in general

(12) In simple words this means that **the largest, as well as the second-largest airline carriers of Latin America are plunging**. We expect that both airlines will drastically downsize their operations and fleet or might exit the market altogether. If both LATAM, as well as Avianca, are not taken into consideration – as shown in Graphic 1 above – the combined market share of IAG from Madrid to entire Latin American countries would reach even 100%, i.e. Chile, Colombia, Paraguay and Uruguay; to Brazil the combined market share would be above 90%.

(13) While we are of course aware of the more fine-tuned point of origin/point of destination approach applied of the Commission (such data is provided further below in this submission), this already gives a first overall indication that the market position of IAG post-transaction would become dramatically strong between Madrid and entire Latin American countries. This also holds for numerous routes, if LATAM and Avianca are fully taken into account – however, if these two plunging airline carriers are leaving the market, **IAG would be post-transaction virtually the only major player remaining**.[6]

(14) Moreover, what we identify with regard to LATAM and Avianca is just the tip of the iceberg as the underlying challenge is, of course, the question in how far data stemming from pre-COVID-19 times is still a meaningful reflection of market realities. While we rely on this submission on pre-COVID-19 data, **we urge the Commission to consider these developments and to apply forward-looking methods as much as possible**.

6 Against this backdrop we have compiled market data for Latin America with and without LATAM and Avianca in the **Attachment 1**.

B. **State aid distortions due to the pandemic & Rebuttal of failing firm defence**

(15) According to media information, Iberia and Vueling have received significant aid measures from the Spanish government as a state loan guarantee of combined EUR 1 billion due to the consequences of COVID-19.[7] Such aid amounts to an increase in the financial strength of IAG as a group and leads to a significant improvement in its competitive position and should, therefore, also be considered in the review of the present Transaction under the EU Merger Regulation ("**EUMR**") by the Commission.

<u>Graphic 2</u>**: Aid by the Spanish government to Iberia and Vueling leads to a de facto distortion of fair competition and also needs to be taken into account in the assessment under the EUMR**

(16) Although it should be noted that the financial strength of the companies involved has generally not played a significant role in the Commission's previous decisional practice under the EUMR, the close thematic link between State aid and merger control law has already been pointed out in individual cases by the Commission and the European courts in the past. The judgment of the General Court in the *RJB Mining case*, according to which the Commission must examine the possible effects of State aid granted or planned on the competitive position of the parties involved in merger control, should be emphasized in

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7 See for example: The National, IAG's Spanish carriers tap €1bn in state aid, 01.05.2020, available at https://www.thenational.ae/business/iag-s-spanish-carriers-tap-1bn-in-state-aid-1.1013625 or as well at https://www.bloomberg.com/news/articles/2020-05-01/iag-s-iberia-and-vueling-sign-1-1-billion-syndicated-loan.

this context.[8] On this occasion, the Commission and the General Court are now increasingly emphasizing the parallelism of the assessment under the merger regulation and State aid law for the maintenance of effective competition in the market concerned.[9]

(17) A major criterion here is the amount of the aid measure in relation to the financial strength of the acquiring company.[10] In view of the almost equivalent ratio between the original takeover price of IAG for Air Europa and the aid measures received by Iberia and Vueling, the Commission will have to assess any distortion of competition that this may entail.

(18) In this context, it should be noted that the CEO of Air Europa, Juan José Hidalgo, pleaded to the Spanish government at an economic summit.[11] Hidalgo describes the situation of his company as running out of liquidity and asked the Spanish government for more support to cope with the current situation.

(19) Against this backdrop one could anticipate of the possibility of the so-called Failing Firm Defence. We also expect IAG to invoke this concept.

(20) According to the Failing Firm Defence, a concentration is not suitable for substantially restricting competition, if one of the involved companies is insolvent and would exit the market without the transaction. The Commission considers the following three criteria to be especially relevant for its application: First, the allegedly failing firm would in the near future be forced out of the market because of financial difficulties, if not taken over by another undertaking. **Second, there is no less anti-competitive alternative than the notified merger.** Third, in the absence of a merger, the assets of the failing firm would inevitably exit the market.[12]

(21) It is clear that literally any purchaser would be less harmful to competition than IAG; given the strong position, IAG already has in the Spanish aviation market. There are also numerous alternatives to IAG, which would not have such a negative effect on competition – and would not lead to such an increase in market position. Moreover, given the fact that both Iberia and Vueling have been supported by the Spanish government, it may not be ruled out that additional aid will be given in the near future also to Air Europa – thus, it is

8 Case T-156/98 - *RJB Mining v Commission*, para 114-125.

9 Case M.5440 - Lufthansa / Austrian Airlines, para 5; see also Case T-374/00 - Verband der freien Rohrwerke und andere/Kommission, para 169.

10 See also Case M.5440 - Lufthansa / Austrian Airlines, recitals 313-325; in which the Commission addressed the amount of state aid in its decision.

11 Press release information https://www.arecoa.com/videos/2020/06/17/se-ha-derrumbado-grito-auxilio-hidalgo/.

12 See the guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings (OJ 2004 C 31/03, para 90.

anything but clear that Air Europa will inevitably exit the market. **Therefore, we urge the Commission to reject any Failing Firm Defence argumentation of IAG**.

C. MARKET DEFINITION

(22) For the purpose of this submission, we have considered the passenger air transport market as the relevant market.

(23) This submission follows the established practice as established by the Commission in its prior decisional practice in the aviation sector, i.e. the following two approaches:[13]

- **Point of origin/point of destination (O&D) city-pair approach:** Each combination of an airport or city of departure and a destination airport or city is defined as a separate market. This approach reflects the customer demand-side perspective, where passengers consider all possible alternatives of travelling from a city of departure to a city of destination that they do not consider as substitutable for another city pair.[14]

- **Airport-by-airport approach:** According to this approach, each airport (or substitutable airports) is defined as a separate market. Such a market definition is chosen in particular to assess the risks of foreclosure associated with the concentration of slots at certain airports in the hands of a single company.[15]

(24) Accordingly, in the following we will provide market data based on the O&D approach for routes (a) domestically in Spain and (ii) from Madrid to destinations in Latin America and based on the airport-by-airport approach for the specific situation at the airport Madrid-Barajas.

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13 See for example one of the more recent decisions; M.8869 - Ryanair/Lauda Motion.

14 This approach seems indisputably to be applied in almost all cases, see therefore M.3940 - Lufthansa/Eurowings, para 10; M.3770 -Lufthansa/Swiss, para 12; M.3280 - Air France/KLM, para 9; M.1855 - Singapore Airlines/Virgin Atlantic, para 16.

15 M.8869 - Ryanair/Lauda Motion, para 63.

D. MARKET DATA & ASSESSMENT

D.1. Domestic routes within Spain

(25) The graphic below illustrates the impact the Transaction has on certain selected Spanish domestic routes.

<u>Graphic 3</u>: Massive concentration on Spanish domestic routes (examples of routes where the combined market share post-transaction would reach 100%)

(26) Apparently, on numerous routes, IAG's combined market share would amount even to a **100% market share**. Thus, in essence, this means that there will be literally no remaining competitive pressure by any other airline operator. Among such routes is also the route **Madrid-Barcelona**, i.e. the connection between the two largest Spanish cities (the combined market share reaches 99.7%).

(27) We also expect IAG to claim that the high-speed train AVE is the largest mode of transport in Spain and is (widely) considered as a substitute for domestic flights.[16] While the argument of IAG might have some substance on shorter distances, where the transport duration is relatively short in comparison to the flight duration and the train connection is of uninterrupted high-speed quality, **we urge the Commission to critically review such assertion**. Obviously, neither for the Spanish islands in the Mediterranean Sea nor in the Atlantic Ocean the high-speed train may function as a substitute mode of transport. But also, within the Spanish peninsula the Commission should take a close look at each connection,

[16] IAG investor presentation "Capital Markets Day (8 November 2019)", online available at (in particular p. 166): https://www.iairgroup.com/~/media/Files/I/IAG/documents/CMD%202019%20Final_PRINT.pdf.

whether there is any substance to this argument (especially at routes to geographically rather remote cities, e.g. Vigo). Moreover, there are different groups of customers with varying willingness to change from aircraft to the train. All these aspects need to be taken carefully into consideration by the Commission.

(28) Thus, on the basis that the high-speed train AVE is not considered as a substitute, which will continue to exercise competitive pressure on IAG, IAG would establish post-transaction a **monopoly position on a large number of domestic Spanish routes**.

(29) In the following 10 tables, detailed market data is provided for **such domestic Spanish routes, where IAG would reach a combined post-transaction of 100% or nearly 100%** (summer 2019 data based on total passenger transport capacity).

Table 1: Route Bilbao – Madrid

	IAG	AIR EUROPA	OTHERS	IAG + AIR EUROPA
Capacity/Seats	655,517	381,162	0	**1,036,679**
Market Share	63.2%	36.8%	0%	**100%**

(30) The current market share of IAG on the route **Bilbao – Madrid** is 63.2%. With the purchase of Air Europa IAG would acquire another 36.8% and would, thus, hold a **100%** market share.

Table 2: La Coruña – Madrid

	IAG	AIR EUROPA	OTHERS	IAG + AIR EUROPA
Capacity/Seats	451,232	357,650	0	**808,882**
Market Share	55.8%	44.2%	0%	**100%**

(31) The current market share of IAG on the route **La Coruña – Madrid** is 55.8%. With the purchase of Air Europa IAG would acquire another 44.2% and would, thus, hold a **100%** market share.

Table 3: Madrid – Vigo

	IAG	AIR EUROPA	OTHERS	IAG + AIR EUROPA
Capacity/Seats	425,465	363,216	0	**788,681**
Market Share	53.9%	46.1%	0%	**100%**

(32) The current market share of IAG on the route **Madrid – Vigo** is 53.9%. With the purchase of Air Europa IAG would acquire another 46.1% and would, thus, hold a **100%** market share.

Table 4: Madrid – Oviedo (Asturias)

	IAG	AIR EUROPA	OTHERS	IAG + AIR EUROPA
Capacity/Seats	501,795	164,436	0	**666,231**
Market Share	75.3 %	24.7%	0%	**100%**

(33) The current market share of IAG on the route **Madrid – Oviedo (Asturias)** is 75%. With the purchase of Air Europa IAG would acquire another 24.7% and would, thus, hold a **100%** market share.

Table 5: Madrid – Seville

	IAG	AIR EUROPA	OTHERS	IAG + AIR EUROPA
Capacity/Seats	448,806	149.676	0	**598,482**
Market Share	75%	25%	0%	**100%**

(34) The current market share of IAG on the route **Madrid –Seville** is 75%. With the purchase of Air Europa IAG would acquire another 25% and would, thus, hold a **100%** market share.

<u>Table 6</u>: Barcelona – Bilbao

	IAG	AIR EUROPA	OTHERS	IAG + AIR EUROPA
Capacity/Seats	807,112	3,348	0	**810,460**
Market Share	99.6 %	0.4%	0%	**100%**

(35) The current market share of IAG on the route **Barcelona – Bilbao** is 99.6%. With the purchase of Air Europa IAG would acquire another 0.4% and would, thus, hold a **100%** market share.

<u>Table 7</u>: Barcelona – Madrid

	IAG	AIR EUROPA	OTHERS	IAG + AIR EUROPA
Capacity/Seats	3,095,702	545,638	9,760	**3,641,340**
Market Share	84.8 %	14.9 %	0.3 %	**99.7 %**

(36) The current market share of IAG on the route **Barcelona – Madrid** is 84.8%. With the purchase of Air Europa IAG would acquire another 14.9 % and would, thus, hold a **nearly 100%** market share.

<u>Table 8</u>: Ibiza – Mallorca

	IAG	AIR EUROPA	OTHERS	IAG + AIR EUROPA
Capacity/Seats	478,994	264,240	12,758	**743,234**
Market Share	63.4%	34.9%	1.7%	**98.3%**

(37) The current market share of IAG on the route **Ibiza – Mallorca** is 63.4%. With the purchase of Air Europa IAG would acquire another 34.9 % and would, thus, hold a **nearly 100%** market share.

Table 9: Mallorca – Menorca

	IAG	AIR EUROPA	OTHERS	IAG + AIR EUROPA
Capacity/Seats	452,556	134,010	7,551	**586,566**
Market Share	76.2%	22.5%	1.3%	**98.7%**

(38) The current market share of IAG on the route **Mallorca – Menorca** is 76.2%. With the purchase of Air Europa IAG would acquire another 22.5% and would, thus, hold a **nearly 100%** market share.

Table 10: Bilbao – Mallorca

	IAG	AIR EUROPA	OTHERS	IAG + AIR EUROPA
Capacity/Seats	223,560	56,952	12,500	**280,512**
Market Share	76.3%	19.4%	4.3%	**95.7%**

(39) The current market share of IAG on the route **Bilbao – Mallorca** is 76.3%. With the purchase of Air Europa IAG would acquire another 19.4% and would, thus, hold a 95.7% market share.

(40) In our view it is obvious that the Transaction would have tremendous detrimental effects on the competitive situation on domestic routes in Spain, these ten routes are just selected examples to highlight our concerns. Any customer, who wants to take a flight within Spain, will have literally no choice whatsoever other than to book a flight from IAG on a great number of routes. **It has to be expected that IAG will reduce flight availability and increase prices on such routes**.

D.2. International routes between Madrid and Latin American destinations

(41) As pointed out initially the COVID-19 pandemic has caused massive turmoil in the aviation sector. Operators in Latin America are particularly affected and the two largest operators, LATAM and Avianca, both filed for a Chapter 11 bankruptcy proceedings in the United States. While we provide the full dataset in **Attachment 1**, i.e. market data with and without LATAM and Avianca, in the following we want to provide the Commission with the overview of what the market would look like without these players.

(42) Under such an assumption, there are – as in the domestic situation in Spain – **numerous routes between Madrid and Latin American destinations, where IAG would reach a combined post-transaction market share of 100%**.

Graphic 4: Massive concentrations on routes from Madrid to Latin America (examples of routes where IAG will reach a post-transaction market share of 100%)

(43) In the following 7 tables, detailed market data is provided for **such international routes between Madrid and Latin American destinations, where IAG would reach a combined post-transaction of 100%** (summer 2019 data based on total passenger transport capacity).

Table 11: Madrid – Recife (Brazil)

	IAG	AIR EUROPA	OTHERS	IAG + AIR EUROPA
Capacity/Seats	0	38,932	0	**38,932**
Market Share	0%	100%	0%	**100%**

(44) The current market share of IAG on the international route **Madrid – Recife (Brazil)** is 0%. With the purchase of Air Europa IAG would acquire a total 100% and would, thus, control the entire market.

Table 12: Madrid – Salvador (Brazil)

	IAG	AIR EUROPA	OTHERS	IAG + AIR EUROPA
Capacity/Seats	0	46,929	0	**46,929**
Market Share	0%	100%	0%	**100%**

(45) The current market share of IAG on the international route **Madrid – Salvador (Brazil)** is 0%. With the purchase of Air Europa IAG would acquire a total 100% and would, thus, control the entire market.

Table 13: Madrid – Asunción (Paraguay)

	IAG	AIR EUROPA	OTHERS	IAG + Air EUROPA
Capacity/Seats	0	81,249	0	**81,249**
Market Share	0%	100%	0%	**100%**

(46) The current market share of IAG on the international route **Madrid – Asunción (Paraguay)** is 0%. With the purchase of Air Europa IAG would acquire a total 100% and would, thus, control the entire market.

Table 14: Madrid – Iguazú (Argentina)

	IAG	AIR EUROPA	OTHERS	IAG + AIR EUROPA
Capacity/Seats	0	4,439	0	**4,439**
Market Share	0%	100%	0%	**100%**

(47) The current market share of IAG on the international route **Madrid – Iguazú (Argentina)** is 0%. With the purchase of Air Europa IAG would acquire a total 100% and would, thus, control the entire market.

Table 15: Madrid – Bogota (Colombia)

	IAG	AIR EUROPA	OTHERS	IAG + Air EUROPA
Capacity/Seats	158,699	108,040	0	**266,739**
Market Share	59.5%	40.5%		**100%***

(48) The current market share of IAG on the international route **Madrid – Bogota (Columbia)** is 29.5%. With the purchase of Air Europa IAG would acquire a total 100% and would, thus, control the entire market. This is because due to Covid-19 Pandemic, on the post-transaction market share situation the airlines LATAM & AVIANCA who had 50.5% market shares, have not been considered due to insolvency proceedings.

Table 16: Madrid – Montevideo (Uruguay)

	IAG	AIR EUROPA	OTHERS	IAG + AIR EUROPA
Capacity/Seats	88,416	61,564	0	**49,980**
Market Share	59.0%	54.0%	0%	**100%**

(49) The current market share of IAG on the international route **Madrid – Montevideo (Uruguay)** is 59%. With the purchase of Air Europa IAG would acquire a total 100% and would, thus, control the entire market.

Table 17: Madrid – Panama City (Panama)

	IAG	AIR EUROPA	OTHERS	IAG + AIR EUROPA
Capacity/Seats	116,942	35,816	0	**152,758**
Market Share	76.6%	23,4%	0%	**100%**

(50) The current market share of IAG on the international route **Madrid – Panama City (Panama)** is 76.6%. With the purchase of Air Europa IAG would acquire another 23.4% and would, thus, control the entire market.

(51) What we want to highlight with these selected examples (the full dataset can be found in **Attachment 1**) is to show that "South Atlantic leadership" essentially means to eradicate any competition on the routes between Madrid and various Latin American capitals or other metropolitan cities. The picture is already worrisome if LATAM and Avianca are taken into account. **However, as we have shown in the tables above if these two players are taken out, we see that IAG will be the unchallengeable South Atlantic monopolist**. Thus, we stress the Commission to carefully review this Transaction and also undertakes various forward-looking approaches in assessing the market conditions as COVID-19 might have already altered the situation in Latin America on a lasting basis.

(52) Concerning likely anti-competitive effects of the Transaction, the same holds true as for domestic routes in Spain. Customers are likely to be deprived of choice and have to expect higher prices.

D.3. Anti-competitive effects of this Transaction will affect a large number of Europeans going to Latin America

(53) The airport Madrid-Barajas is one of the largest, most important hubs for European passengers going to Latin America.

(54) While the exact figures can all be found in **Attachment 1**, here the brief summary:

- In June 2019 approx. 530,000 passengers took a direct flight between Europe and Latin America, a larger number of approx. 670,000 passengers took one connecting flight at a European airport.

- From all those passengers approx. 226,000 or 33.9% did so via Madrid-Barajas. In other words, **one out of three Europeans going to Latin America with one stopover did so via Madrid**.

- As Lisbon is an important hub for Brazil, the figures for Madrid become even more compelling, if passengers between Europe and Brazil are excluded. If looking **only to Latin American destinations (without Brazil) almost half of all Europeans chose to stopover in Madrid**.

Graphic 5: Anti-competitive effects on routes between Madrid and Latin American destinations are likely to affect one out of three European indirect flight passengers

(55) In light of the utmost importance of Madrid as the gateway for European passengers to Latin America – even more for those going anywhere but Brazil – it is quite spurious if IAG claims that Madrid will turn into an important hub for Latin America. Madrid is already the most important hub for such flights. While it is not conclusive in how far Madrid will be strengthened by this Transaction as an important airport hub for Latin

America – which it already is – **it is inevitable, that anti-competitive effects on routes between Madrid and Latin American destinations will also be felt to an appreciable extent by European passengers using Madrid as a stopover for going to Latin America**.

D.4. Potential foreclosure effects at the airport Madrid-Barajas

(56) Lastly, we also want to provide the Commission with data on the slot position at Madrid-Barajas. In the past, the Commission has already emphasized the importance of slots on relevant airports. Accordingly, the availability of slots for take-off and landing at airports is considered to be the necessary condition for market entry on a given route. Without a sufficient number of slots in relevant periods, it would be impossible for a new entrant to offer a regular service. It would therefore not be able to exert an effective competitive pressure on airlines already operating on a route.[17]

(57) In addition, airlines with a strong position at an airport can usually – in contrast to competitors who do not have such a strong presence at that airport – change the routes they offer and adapt them flexibly to the market situation, which gives them an enormous competitive advantage.[18]

(58) Based on the summer season 2019 IAG and Air Europa held the overall share of slots at Madrid-Barajas (based on OAG data):

Airline Name	Frequency Share %	Capacity Share %
Iberia	45.4	42.3
Air Europa	16.9	16.2
Vueling Airlines	2.3	2.2
British Airways	0.8	0.9
Aer Lingus	0.2	0.2
Total	65.6	61.9

(59) Accordingly, the combined slot holding of IAG post-transaction would amount to 65.6% (frequency-based) and 61.9% (capacity-based), while the increment due to the Transaction is quite significant with 16.9% (frequency-based) and 16.2% (capacity-based).

(60) Focusing on IAG's combined post-transaction control of slots and taking a closer look on the arrival hours, IAG would hold at 9 a.m. 29.3% and at 10 a.m. even 44.6% of the declared slots. At 9 p.m. a 47.2% and at 10 p.m. even a **87.8%** slot share position would be reached. Regarding the departure hours, IAG would hold at 7 a.m. 33.8%, at 8 a.m. 28.1%

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[17] Case M.3940 - Lufthansa/Eurowings, para 22; Case M.88698 - Ryanair/Laudamotion, para 99.

[18] See also T-342/07 Ryanair Holdings v Commission; Commission Case No M.7270 – CeskyAeroholding/Travel Service/Ceske Aerolinie.

and at 11 a.m. a 41.4% of the declared slots. At 3 p.m. IAG would even have a slot share of 63.6%.

(61) As elaborated above, given the importance of Madrid as a hub for indirect European passengers going to Latin America such a strong concentration of slots – in combination with the strong position of IAG post-transaction on routes between Madrid and Latin America – could make it very difficult for new market players to enter the Madrid airport and to make attractive offers to customers. **Thus, we strongly encourage the Commission to have a thorough review of this Transaction as "South Atlantic leadership" could easily turn into a dipping of the overall aviation market segment between Madrid and Latin America leaving consumers with no alternative but IAG on those routes**.