

## **Market Definition and Conditions to Ensure Competition in the European Market for Air Transport Services: An Analysis of Past and Upcoming Merger Cases\***

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ABSTRACT: The Single European Sky and the Open Skies Agreements introduced a fierce competition both in the European and in the International Market for air transport. Former flag carriers found out that they did not just have to compete with other carriers, but also with new business models such as low-cost carriers and the use of the new information technologies to manage their business (for example, the use of Big Data and algorithms to determine the optimal prices and capacities of their flights). In order to survive in this competitive environment, air carriers need to adopt strategic and structural decisions to adapt their sizes and scopes to the new requirements of the market. Co-operation agreements, joint ventures and mergers play a significant role in this process. Carriers that are not able to adapt to the new market structure and requirements are compelled to disappear. The cases of Air Berlin or Germania are two good examples of this.

In the last years, the European Commission has analysed and cleared many concentrations and co-operation agreements in this sector, most of the times subject to conditions in order to ensure that the operation did not jeopardize competition neither raised entry barriers, especially in congested airports. These operations need to be considered not only taking into account the individual market players – the carriers –, but also considering the airline alliances in which they participate (mainly OneWorld, SkyTeam and Star Alliance).

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The problem has also to be addressed within the current debate about whether European competition rules should foster the creation of European champions, in this case, by facilitating the formation of big European carriers or alliances that may compete worldwide.

In the last month the Spanish former flag carrier Iberia announced the acquisition of AirEuropa, an operation that raises concerns about competition in many national and international routes (mainly from Europe to Latin America and the Caribbean) as it may hinder the access to slots in the airport of Madrid-Barajas, which would become the fifth biggest hub in Europe. It is relevant to consider if the doctrine set by the European Commission up to now is still appropriate to address this operation.

**KEYWORDS:** Air transport, mergers, conditions, barriers to entry, slots.