

# Mergers: Commission approves acquisition of joint control over Virgin Atlantic by Air-France-KLM, Delta and Virgin Group

Today's decision concerns the proposed acquisition by Air France-KLM of a 31% joint-controlling interest in Virgin Atlantic Limited, which leads to joint control over Virgin Atlantic by Air France-KLM, Delta Air Lines Inc. and Virgin Group.

## **The Commission's investigation**

The Commission investigated the impact of the transaction on the market for (i) **air transport of passengers** (ii) **cargo air transport services** and (iii) **maintenance, repair and overhaul services**.

As regards the **air transport of passengers**, the transaction gives rise to overlaps on direct/indirect flights (i.e. one of the companies provides a direct flight from one city to another, while the other provides a one-stop flight for the same route) and indirect/indirect flights (i.e. the companies provide one-stop flights between two cities). These relate to routes from the UK to North America, Africa, Asia and the Caribbean, and from Continental Europe/Ireland to North America.

The Commission also investigated whether the companies' combined slot holdings at airports where their portfolios overlap, would prevent competitors from entering or expanding their presence at these airports (namely London Heathrow and Manchester). Control over a large portfolio of slots at congested airports could result in higher barriers to entry for airlines wanting to operate at these airports, which in turn could result in higher fares for passengers.

The Commission's investigation found that:

- None of the overlapping routes raises competition concerns despite a small number of routes with high combined market shares, because (a) the overlapping routes are direct/indirect overlaps; (b) Virgin Atlantic, Delta and Air France-KLM are not close competitors and they continue to face significant competition from other carriers on the routes where the activities of both airlines overlap.
- The increase in their combined slot portfolio is unlikely to have a negative effect on passengers at London Heathrow and Manchester airports.

As regards the **cargo air transport markets**, the transaction is unlikely to

raise competition concerns notably because Air France-KLM, Delta and Virgin Atlantic are not close competitors and continue to face strong competition on the affected cargo routes (e.g. from Lufthansa or Cargolux).

Finally, as regards **maintenance, repair and overhaul services**, the transaction does not raise any competition concerns because of its limited impact on these market.

The Commission therefore concluded that the proposed transaction would raise no competition concerns in any of the relevant markets and cleared the case unconditionally.

## **Background**

The Commission previously approved the acquisition of joint control of Virgin Atlantic by Delta and Virgin Group in [June 2013](#).

Today's decision approves the acquisition of joint control by Air France-KLM, Delta Air Lines Inc. and Virgin Group over Virgin Atlantic Limited by way of purchase of shares. At the same time, Air France-KLM, Delta and Virgin Group intend to enhance the scope of their existing cooperation in the provision of air transport services for passengers and cargo by combining and expanding two pre-existing "metal neutral" joint venture arrangements between Delta and Air France-KLM, and between Delta and Virgin Atlantic. These are cooperative arrangements in which they jointly plan and manage capacity, pricing, and inter-airline financial settlements, with all participating airlines sharing profits equally.

## **Companies and products**

**Air France-KLM**, based in France, is the holding company of Air France, the French national carrier airline and KLM, the Dutch national carrier airline. The company provides passenger air transport services, cargo air transport services and maintenance, repair and overhaul services.

**Delta** is an international airline with headquarters in the United States. Delta provides passenger air transport services and cargo air transport services (using cargo holds on its passenger aircraft), as well as maintenance, repair and overhaul services.

**Virgin Group**, based in British Virgin Islands, is the holding company of a group of companies, including Virgin Atlantic, active in a wide range of products and services worldwide. The Virgin Group holding company, Virgin Group Holdings Limited, is wholly-owned by Sir Richard Branson.

**Virgin Atlantic** is an international airline with headquarters in the UK, providing passenger air transport services and cargo air transport services (using cargo holds on its passenger aircraft), as well as maintenance, repair and overhaul services.

## **Merger control rules and procedures**

The transaction was notified to the Commission on 8 January 2019.

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the Merger Regulation) and to prevent concentrations that would significantly impede effective competition in the EEA or any substantial part of it.

The vast majority of notified mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has a total of 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

More information will be available on the Commission's [competition website](#), in the public [case register](#) under the case number [M.8964](#).