



Commission clears proposed acquisition of stake in ITA Airways by Lufthansa, subject to conditions

Brussels, 3 July 2024

The European Commission has approved, under the EU Merger Regulation, the proposed acquisition of joint control of ITA Airways ('**ITA**') by Deutsche Lufthansa AG ('**Lufthansa**') and the Italian Ministry of Economy and Finance ('**MEF**'). The approval is conditional upon full compliance with the remedies offered by Lufthansa and the MEF.

Today's decision follows an [in-depth investigation](#) of the proposed transaction, including the [sending of a Statement of Objections](#). **Lufthansa** and **ITA** operate an extensive network of routes from their respective hubs in Austria, Belgium, Germany, Switzerland and Italy. Their operations are **to a significant extent complementary** as they operate from different hubs in Central Europe and Italy respectively. Lufthansa has joint ventures with United Airlines and Air Canada for transatlantic routes as well as with All Nippon Airways for routes to Japan. Whilst ITA is performing well today, **ITA's long-term sustainability** as a stand-alone carrier would have remained highly uncertain absent the transaction.

The Commission's investigation

During its in-depth investigation, the Commission gathered extensive information and feedback from market participants and other stakeholders, including from rival airlines, airports, business customers, consumer and passenger associations, as well as from individual consumers who reached out to the Commission.

Following its market investigation, the Commission had concerns that the transaction, as initially notified, would have:

- **Reduced competition** on a certain number of **short-haul routes** connecting Italy with countries in Central Europe through non-stop and one-stop flights. On such routes: (i) Lufthansa and ITA compete head-to-head or would have likely competed head-to-head soon; and (ii) competition is limited and comes primarily from low-cost carriers, such as Ryanair, who in many cases operate from more remote airports.
- **Reduced competition** on a limited number of **long-haul routes** between Italy and the US and Canada. Given that Lufthansa and its joint venture partners United Airlines and Air Canada coordinate on price, capacity, and scheduling, and share revenues, the Commission treats the activities of ITA, Lufthansa and its joint venture partners as those of a single entity when assessing this transaction. ITA and Lufthansa's joint venture partners compete head-to-head with non-stop flights on these routes and competition from other airlines is limited.
- **Created or strengthened ITA's dominant position at the Milan-Linate airport**, which could have made it harder for rivals to provide passenger air transport services from and to Milan-Linate.

The proposed remedies

To address the Commission's competition concerns, Lufthansa and the MEF submitted a remedy package consisting of:

- **Commitments for short-haul routes:** Lufthansa and the MEF will make available to one or two rival airlines the necessary assets to enable them to start non-stop flights between Rome or Milan and certain airports in Central Europe. Remedy takers would need to operate on those routes for a certain minimum period. Lufthansa and the MEF will also ensure that one of those rival airlines will have access to ITA's domestic network to offer indirect connections between certain airports in Central Europe and certain Italian cities other than Rome and Milan.
- **Commitments for long-haul routes:** The merged company will enter into agreements with rivals to improve their competitiveness on the long-haul routes of concern, for instance through interlining agreements or slot swaps. This will lead to increased frequencies of non-stop flights and/or improved connections for one-stop flights on each of the routes. In its

assessment, the Commission took into account the fact that the MEF will retain a controlling stake in ITA after the transaction and will continue to have incentives to have ITA compete against Lufthansa's joint venture partners in North America, at least until ITA is integrated into the joint venture.

- **Commitments for Milan Linate airport:** Lufthansa and MEF will transfer take-off and landing slots at Linate airport to the remedy takers for the short-haul routes. The number of slots to be divested exceeds what is necessary to operate the short-haul routes as well as the number of slots that the transaction would have added to ITA's portfolio. This will allow the remedy taker to establish a sustainable base at Linate airport and to potentially offer its own one-stop connections between Italy and Central Europe.

Pursuant to the commitments, **Lufthansa and the MEF can only implement the transaction following the Commission's approval of suitable remedy takers** for each of the short-haul, long-haul and Milan Linate commitments. The Commission will assess the suitability of remedy takers in the context of a separate buyer approval procedure.

These commitments **fully address the competition concerns** identified by the Commission.

Therefore, the Commission concluded that the transaction, as modified by the commitments, **would no longer raise competition concerns**. The **decision is conditional upon full compliance with the commitments**. Under supervision of the Commission, an independent trustee will monitor their implementation.

Companies and products

ITA, headquartered in Italy, is a full-service carrier with domestic and international operations in passenger and cargo air transport. ITA operates a hub-and-spoke network with its principal hubs in Rome and Milan. ITA was created by the Italian State in October 2020. ITA is a member of the SkyTeam alliance.

Lufthansa, headquartered in Germany, is a global full-service carrier with domestic and international operations in passenger and cargo air transport. Lufthansa also operates a hub-and-spoke network with its principal hubs in Frankfurt, Munich, Zurich, Vienna and Brussels. Its subsidiaries include Austrian Airlines, Brussels Airlines, Eurowings, Swiss International Airlines and Air Dolomiti. Lufthansa is a member of the Star Alliance, of a transatlantic joint venture with United Airlines and Air Canada and of a joint venture with All Nippon Airways for routes between the EEA and Japan.

MEF carries out the tasks and responsibilities of the Italian government in the fields of economic policy, financial policy, budgeting, and tax policies. MEF holds shareholdings in public and strategic companies in Italy, among others in the transport sector, and it is currently the sole shareholder in ITA. The companies in which MEF has shareholdings are active worldwide.

Merger control rules and procedure

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the [EU Merger Regulation](#)) and to prevent concentrations that would significantly impede effective competition in the European Economic Area 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 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

In addition to this proposed transaction, there is currently one ongoing Phase II merger investigation: the [proposed acquisition of Air Europa by IAG](#).

For More Information

More information will be available on the Commission's [competition](#) website, in the [public case register](#) under the case number [M.11071](#).

Quotes:

"At a time when consumers are facing increasingly higher prices for air travel, it is very important to preserve competition in the sector. This is why we have assessed very carefully whether the acquisition of a controlling stake in the new Italian flag carrier ITA by Europe's largest network carrier Lufthansa would raise competition concerns. We needed to prevent that passengers end up paying more or end up with fewer and lower quality air transport services on certain routes in and out of Italy. The package of remedies proposed by Lufthansa and the MEF on this cross-border deal fully addresses our competition concerns by ensuring that a sufficient level of competitive pressure remains on all relevant routes."

Margrethe Vestager, Executive Vice-President in charge of competition policy - 03/07/2024

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