Competition: Commission confirms sending Statement of Objections to members of SkyTeam global airline alliance

The European Commission can confirm that it has sent a Statement of Objections to members of the SkyTeam airline alliance. The Commission does not raise objections to the alliance as a whole but has concerns about a limited number of routes, for which the Commission considers that the SkyTeam cooperation may have a negative effect on competition and therefore might infringe the EC Treaty’s prohibition on restrictive business practices (Article 81). The Commission’s goal is to ensure that reduced competition in certain markets does not outweigh the benefits for customers of SkyTeam cooperation.

SkyTeam is a world wide-alliance of airlines covering cooperation on various aspects of airline services. The Statement of Objections is addressed to Aeromexico, Air France, Alitalia, Continental Airlines (US), CSA (Czech Republic), Delta Airlines (US), KLM (The Netherlands), Korean Air Lines and Northwest (US), all members of Skyteam.

The SkyTeam alliance agreements cover routes between several thousand city pairs worldwide. For the vast majority of these markets, it is very unlikely that cooperation between the parties results in negative effects for competition. On the contrary, by and large the cooperation resulting from the SkyTeam alliance has the potential to generate economic benefits, such as better connectivity, cost savings and synergies between the parties, a fair share of which may be passed on to customers. There are, however, a number of markets on which agreements between the SkyTeam carriers may in fact have a negative effect on competition, which would be against the interest of passengers on these routes. These more problematic routes exist between the EU and the US, within the EU as well as between the EU and other third countries. In general the SkyTeam carriers previously competed on these routes separately but currently do not face any significant competition pressure from other carriers.

Background

A Statement of Objections is a formal step in Commission anti-trust investigations in which the Commission informs the parties concerned in writing of the objections raised against them. Each of the members of the SkyTeam alliance have twelve weeks to reply in writing to the Statement of Objections, setting out all facts known to them which are relevant to their defence against the objections raised by the Commission. Once they have presented their replies to the statement of objections, any party may request an oral hearing to present its comments on the case.
The Commission may then take a decision on whether SkyTeam is compatible or not with the EC Treaty's anti-trust rules. Sending a Statement of Objections does not prejudge the final outcome of the procedure.

SkyTeam carriers will have the opportunity to demonstrate the economic benefits of the alliance and provide a preference on the best way to address the competition problems identified, with the aim respecting EU law and providing real benefits for consumers.

The Commission takes a broadly positive approach to airline alliances and mergers to allow carriers to compete effectively on a global level. It has previously dealt with the competitive impact of alliances and mergers on markets within the EU and between the EU and third countries such as the US (KLM/NW and Lufthansa/SAS/United Airlines (IP/02/1569). Some of the intra-EU aspects of the SkyTeam alliance agreements (routes between France and the Netherlands and between France and Italy) were addressed in the Air France/KLM merger (see IP/04/194) and the Air France/Alitalia alliance (see IP/04/469) decisions. The present case completes the intra-EU and transatlantic analysis and deals with the competitive impact of SkyTeam on other EU-third country routes.