

Brussels, 13 June 2001

## **Commission approves partnership between bmi british midland, Lufthansa and SAS**

***The European Commission has granted a six-year exemption to a co-operation agreement between bmi british midland, Lufthansa and SAS. The three airlines have submitted important undertakings to address competition concerns raised previously by the Commission. As a result, consumers will benefit from the increased competition created by the co-operation agreement itself and from the remedies offered.***

On 1 March 2000 bmi british midland, Lufthansa of Germany and the Scandinavian Airlines System (SAS) notified to the Commission a co-operation agreement, applying for an exemption under Article 81 (3) of the EC Treaty. The agreement consists of a Tripartite Joint Venture Agreement which enables bmi british midland to re-organise and extend its network services out of London and Manchester to new routes within the EU, in particular from London to Madrid, Barcelona, Milan and Rome. BM has already started flying these routes.

The agreement will allow Lufthansa and SAS, who are members of the STAR alliance, to improve their competitive position in the UK market insofar as it enables them to sell online services between London and a number of intra-UK regional destinations, as well as between London and Dublin. It also offers them improved access to London Heathrow, Europe's largest and most congested airport. As a result, the STAR alliance expects to compete more vigorously with the oneworld alliance of British Airways.

### **London-Frankfurt route**

But the agreement also caused bmi british midland to withdraw from the London Heathrow -Frankfurt route, something that the Commission did not view favourably given that this is one of the busiest routes in the EU and that it is important to ensure a sufficient degree of choice for consumers to benefit from competitive prices.

Following discussions with the Commission, the airlines proposed to make the slots previously used by bmi british midland at Frankfurt's main and also highly congested airport for its London Heathrow - Frankfurt service available allowing a new entrant on the route to offer up to four return flights a day. In allocating the slots, priority will be given to newcomers and in the unlikely event that not all the slots will be taken up, the parties have undertaken to give them back to the slot pool at Frankfurt.

The Commission believes that the agreement will lead to important consumer benefits in terms of greater choice of services and better connections on a number of routes within Europe in particular from London-Heathrow and Manchester.

Consumers will particularly benefit from the airlines' entry into routes currently operated by only one alliance (for example, London Heathrow-Barcelona or London Heathrow-Madrid), as increased competition is expected to generate lower fares. Consumers should also benefit from better flight connections, more convenient scheduling and seamless travel. Existing arrangements relating to lounge access, through check-in and so on will also be improved and extended to services which hitherto were not covered in the bilateral arrangements between the companies.

## **Background**

On 14 March 2001, the Commission published a summary of the agreement and of the remedies in Official Journal C83 of the European Union.

The agreement was notified under regulation 3975/87, which foresees that if the Commission does not object within 90 days of publication in the Official Journal, the deal is automatically exempted for a maximum period of six years. The 90-day period expired on June 12 without the Commission having raised serious doubts.