

## RYANAIR/AER LINGUS MERGER INQUIRY

### Summary of third party hearing with Lufthansa Airlines held on 28 March 2013

#### Airline industry

1. Lufthansa Airlines (Lufthansa) stated that consolidation in the airline sector was ongoing and necessary due to airlines' challenged profitability.
2. Consolidation in the airline sector was subject to more restrictions than in other industries, making it rather difficult and slow. Two important reasons for this were the foreign ownership restrictions—which made any type of consolidation with airlines or entities outside Europe impossible or extremely difficult—and traffic right restrictions, which made cross-border consolidation challenging. Political and national interests also played a role in restricting the rate of consolidation, as countries typically wanted to have their own national carrier.
3. Small former or current flag carriers especially had been unable to make profits over recent years. Examples of this were [REDACTED]. One solution for these carriers would be to consolidate with a larger airline.

#### Synergies

4. Lufthansa distinguished between two types of synergies. Cost synergies could arise in the form of economies of scale or joint purchasing. Lufthansa gave the examples of aircraft insurance, ground handling and airport fees, aircraft or fuel purchasing which could all be jointly negotiated at better terms by a larger airline. It said that these synergies were more reliable in realization and would usually make up [REDACTED] of all synergies.
5. Revenue or network synergies could emerge as a result of joining airlines' networks, which could lead to superior network quality and a better customer offer. In order for synergies of this type to be realized, the airlines' networks needed to be compatible in some way—typically because of some overlap between the networks and from complementarity in the routes offered.
6. Lufthansa had experienced [REDACTED] in recent acquisitions that it had been involved in; however, [REDACTED].
7. In addition to the opportunity to realize synergies, another important factor for Lufthansa when considering acquisitions was the airline's strength and success in its home market. This had been an important criterion in Lufthansa's acquisition of Austrian and Swiss airlines.
8. While some synergies could be realized through lighter forms of integration, the full synergy potential of a transaction could only be realized via a full merger. This particularly applied to cost synergies.
9. Small shareholdings could sometimes be used as a way of committing to intensified cooperation. Another reason to acquire a minority shareholding could be as part of an ultimate intention to pursue a full merger.

## Aer Lingus

10. Aer Lingus's strong position in its home market would make it an attractive takeover target. It offered short, medium and long-haul routes, which would be attractive to the customer. Lufthansa also highlighted Aer Lingus's profitability; Aer Lingus had undergone a successful restructuring process in the last years and had reached a level of profitability that was unusual for an airline of its size.
11. The synergies available to Aer Lingus in the context of consolidation would still be achievable despite the recent improvements in its cost position. Synergies could make a profitable airline even more profitable.
12. Other factors that could make Aer Lingus attractive would be its position in the UK market, and its slots in London.
13. One factor that would [✂] was [✂].
14. In addition Lufthansa said that Aer Lingus had [✂].
15. [✂]
16. [✂]