



**An Roinn Iompair
Turasóireachta agus Spóirt**

**Department of Transport,
Tourism and Sport**

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Ms. Sally Van Noorden
Inquiry Manager
Competition Commission
Victoria House
Southampton Row
London WC1B 4AD
United Kingdom

Re: Ryanair / Aer Lingus Merger Inquiry: Notice of Possible Remedies

Dear Ms. Van Noorden

I refer to the Competition Commission's notice of possible remedies in this inquiry which was published on 30 May 2013.

The Department of Transport, Tourism and Sport considers that only full divestiture of Ryanair's shareholding in Aer Lingus would be effective in addressing the substantial lessening of competition that has been identified by the Commission in its provisional findings, also published on 30 May 2013.

Ryanair has stated publicly that its intention in acquiring a significant shareholding in Aer Lingus was as a basis for acquiring control of the company. This is referred to in paragraph 4 of the provisional findings which state that Ryanair said that it bought shares in Aer Lingus "because it wanted to, and still wants to, acquire Aer Lingus". As referenced in paragraph 5 of the provisional findings, the European Commission has twice prohibited public bids by Ryanair for Aer Lingus under the EU Merger Control Rule; the first in June 2007 and the second in February 2013. The June 2007 prohibition decision was upheld by the European Court in July 2010 while the second is currently the subject of an appeal by Ryanair which the Department also expects will be upheld. Given that its ultimate stated objective of acquiring control of the company is not capable of being fulfilled, the Department considers that there is no valid reason for Ryanair to retain its shareholding.

Against this backdrop, it is likely that the retention of the shareholding (and the launch of further public bids) could damage Aer Lingus's commercial policy and strategy and thereby reduce its effectiveness as a competitor in the UK-Ireland market. As the Commission is aware, the Irish Government has opposed each public bid made by Ryanair for Aer Lingus, primarily on the grounds of the detrimental impact that a merger of the two airlines would have on competition in the market. The Government has consistently stated that it wishes to see competition maintained and that it considers that the best means of achieving this is for

Ireland to continue to be served by at least two financially strong airlines competing effectively against one another.

The Department notes the Competition Commission's conclusions regarding the potential for Ryanair to exert influence over Aer Lingus' effectiveness as a competitor and fully supports those conclusions. While a partial divestment of its shareholding may prevent Ryanair from exerting its influence through a number of the mechanisms identified (e.g. blocking special resolutions, blocking the disposal of Heathrow slots), the Department considers that anything short of full divestment would be likely to have a significant detrimental impact on Aer Lingus's ability to be acquired by, or merge with, another airline and make it more difficult for Aer Lingus to attract a strategic minority shareholding. As outlined above, the Irish Government's overriding concern is that competition be maintained in the market place and the Department considers that the only effective means of securing this is by a full divestiture of Ryanair's shareholding in Aer Lingus.

Yours sincerely

Ethna Brogan
Principal Officer
Aviation Services Division