

AAUS Boards Approve Merger: Benefits Insufficient To Offset Consumer Harms

Written by Kevin Mitchell
Friday, 15 February 2013 13:02

American Airlines – US Airways Proposed Merger Problematic; Benefits insufficient to offset consumer harms

February 13, 2013, WASHINGTON, DC – Business Travel Coalition (BTC) today responded with concern regarding the news of board approvals of an eleven billion dollar proposal from American Airlines' parent AMR Corporation and US Airways Group Inc. to merge their third and fifth largest U.S. airlines respectively. The transaction would create the country's and world's largest carrier by passenger traffic and would require various approvals from the U.S. Departments of Justice (DOJ) and Transportation (DOT) as well the EC's DG COMP. If governmental analyses don't force a regulatory tarmac delay, then decisions could be expected in some four to six months.

“From a consumer standpoint – individual traveler or corporate travel department - there are few benefits to offset the negative impacts of this proposed merger that include reduced competition, higher fares and fees and diminished service to small and mid-size communities,” stated BTC Chairman Kevin Mitchell. “To be clear, there is benefit in a financially viable air transportation system. However, previous mergers have already enabled seat capacity cuts, higher fares and billions of dollars in fees for ancillary services resulting in a financially strengthening industry. As such, consumer harms from this merger are indeed exacerbated, as there are no substantial countervailing consumer benefits,” added Mitchell.

BTC has just published an Industry Analysis of the proposed merger at <http://bit.ly/VfUnMK> . The analysis includes the following section titles:

- Introduction
- Summary Analysis
- The Right Regulatory Review Construct
- Coordinated Effects A Big Problem
- The Problem Of Monopsony Power
- No Failing Firms Here
- The Diminishing Influence Of Low Cost Carriers
- A Need To Forensically Analyze Past Merger Projections And Promises
- Anti-Consumer Elephant In The Room

The American Antitrust Institute and BTC in the coming weeks will be updating their August 2012 White Paper on the proposed American Airlines – US Airways merger. This paper titled: “The Proposed Merger of US Airways and American Airlines: The Rush to Closed Airline Systems,” can be found at <http://bit.ly/YKbshf>

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BTC's 2008 testimony before the Senate Judiciary Committee regarding the Delta Air Lines – Northwest Airlines merger can be found at <http://bit.ly/12yyuYP>

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About BTC

Founded in 1994, the mission of Business Travel Coalition is to interpret industry and government policies and practices and provide a platform so that the managed travel community can influence issues of strategic importance to their organizations.