Tennessee Joins Multistate and Federal Complaint to Block Harmful Merger of U.S. Airways, American Airlines
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Tennessee Attorney General Cooper today joined a coalition of six states in conjunction with the U.S. Department of Justice Antitrust Division and the District of Columbia in a federal court complaint challenging a pending merger that would make a combined U.S. Airways/American Airlines the largest worldwide carrier.

If approved, the merger would reduce the current number of the larger "legacy" airlines from four to three – U.S. Airways/American, United/Continental and Delta/Northwest – and the number of major airlines to five to four. In fact, the three remaining legacy airlines and Southwest would account for over 80% of domestic travel, making fare and fee increases easier to achieve and even more profitable for the airlines than they already are.

American and U.S. Airways compete directly on thousands of heavily traveled nonstop and connecting routes, including many to and from Tennessee.

"Studies show that Tennessee's four major airports in Nashville, Memphis, Knoxville and Chattanooga will experience fewer flights to certain destinations and travelers will pay more for remaining flights," Attorney General Cooper said. "If this merger is completed, consumers will face decreased competition and increased prices because airlines can cut service and raise prices with less fear of competitive responses from rivals."

For example, US Airways and American currently compete for customers with flights between Nashville and Washington Reagan Airport. The merger would eliminate this competition. Service to Chattanooga, Knoxville and Memphis could also suffer from fewer flights to major cities.

History has shown that when competition shrinks, coordination by the remaining airlines becomes easier as similarities in their networks and business models grow. Before 2008, there were six legacy airlines, but various mergers followed, ostensibly to save costs to travelers and offer more options. However, the promised cost-savings from previous mergers never materialized, and the major airlines have followed each other in raising fares, imposing new fees on travelers, reducing service, and downgrading amenities.

American entered bankruptcy with plans to restructure and remain independent, and adopted a standalone business plan designed to "restore American to industry leadership, profitability, and growth." Now American is on a path to compete independently as a profitable airline; its most recent quarterly results reported a company record-high $5.6 billion in revenues, with $357 million in profits. And earlier this year, American's management presented plans to emerge from bankruptcy on a standalone basis that would increase the destinations it serves in the U.S. and the frequency of its flights.

In contrast, if this merger goes through U.S. Airways would likely continue to pursue its 'capacity discipline' strategy – substantial reductions of service and capacity, a phenomenon that has followed each significant legacy airline merger in recent years. U.S. Airways has said that capacity reductions achieved through capacity discipline enable fare increases, and that pricing power results from reduced industry capacity. As their CEO has said, there is an "inextricable link" between removing seats and raising fares.