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Cuccinelli joins complaint against proposed merger of U.S. Airways and American Airlines

- Merger would significantly reduce competition and likely raise fares and fees for Virginia consumers -

RICHMOND (August 13, 2013) - Attorney General Ken Cuccinelli announced today that Virginia is part of a coalition of seven states that filed a complaint in federal court challenging the pending merger of U.S. Airways and American Airlines on the grounds that it would reduce competition and raise fares for Virginia consumers because airlines could cut service and raise prices with less fear of competitive responses from rivals. The seven states joined the U.S. Department of Justice Antitrust Division in the complaint.

"The merger, as proposed, significantly reduces competition and poses too big a threat of higher fares for Virginia consumers at Reagan National, Richmond International, Norfolk International, and Charlottesville-Albemarle airports. This is especially true at Reagan National Airport, where the combined airline would hold 69 percent of the takeoff and landing slots - almost six times more than its closest competitor," said Cuccinelli.

Without access to the slots, other airlines cannot enter the market at Reagan National or expand the number of flights they offer. Currently, American leases some of its slots to JetBlue, which has generated reduced fares on routes where U.S. Airways and JetBlue compete. The combined American/U.S. Airways would have the right to terminate the JetBlue leases, thereby diminishing competition on those routes.

U.S. Airways also provides nonstop service to 71 airports from Reagan National. Post-merger, it would face no nonstop competition to 59 of those airports, further reducing price competition and likely increasing fares.

Reduced competition would not only affect passengers at Reagan National, but also at Richmond International, Norfolk International, and Charlottesville-Albemarle airports.

Nationwide, American and U.S. Airways compete directly on thousands of heavily traveled nonstop and connecting routes. Through its Advantage Fares program, U.S. Airways aggressively discounts ticket prices on connecting routes that compete with other airlines' higher-priced nonstop routes. After a merger, U.S. Airways would no longer have to compete with American's current nonstop routes, and the discount pricing would likely vanish. U.S. Airways would also likely increase American's existing ancillary fees (such as checked bag fees and ticket change fees) to match its own higher fee structure, bringing
in an additional $280 million each year to the merged airline.

Industry 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 large "legacy" airlines, but mergers followed, ostensibly to save costs and offer more options for travelers. However, the promised cost-savings from those mergers never materialized, and the major airlines followed each other in raising fares, imposing new fees on travelers, reducing service, and downgrading amenities.

**Flight capacity likely to be reduced, allowing for even higher prices**

American entered bankruptcy in November 2011 with plans to restructure and remain independent, and adopted a stand-alone business plan designed to restore profitability by expanding domestically and internationally, adding service on nearly 115 new routes by 2017. The plan appeared to be working, since American recently placed the largest aircraft order in industry history and has reported revenue growth that has outpaced the industry since entering bankruptcy. American's most recent quarterly results reported a company record-high $5.6 billion in revenues, with $357 million in profits.

In contrast, if the merger goes through as proposed, U.S. Airways would likely reduce the combined company's routes and continue to pursue its "capacity discipline" strategy -- a strategy to substantially reduce flight capacity (the number of daily seats on a route), a phenomenon that has followed significant airline mergers in recent years. U.S. Airways' CEO has said there is an "inextricable link" between removing seats and then raising fares.

If approved, the merger would reduce the current number of larger "legacy" airlines from four to three -- U.S. Airways/American, United/Continental, and Delta/Northwest -- and the number of major airlines from five to four. The three remaining legacy airlines and Southwest Airlines would account for more than 80 percent of domestic air travel.

More about Attorney General Cuccinelli

Photos of the attorney general

A copy of this news release may be found on the attorney general's web site here.