
November 12, 2013, #13-27

Tennessee Attorney General Bob Cooper announced an agreement today in the State's challenge to the proposed merger of US Airways and American Airlines. The settlement will require the New American Airlines to continue to serve each of Tennessee's five major airports in Nashville, Memphis, Knoxville, Chattanooga and the Tri-Cities for five years.

Since 2008, several other major airlines have merged including Delta and Northwest, United and Continental and Southwest and Airtran. Each of those mergers has resulted in reductions in seat capacity and in some cases a dramatic reduction of service such as in Memphis following the Delta and Northwest merger. This resulted fewer flying options and higher prices for Tennesseans.

"Today's agreement should provide Tennesseans more opportunities to buy low-cost airline options," Attorney General Cooper said. "It also opens the door to increased competition to smaller carriers, benefiting consumers and businesses."

As part of the agreement, US Airways and American commit to continue to offer service in Tennessee. At issue for Tennesseans was divestiture of airline slots at Reagan National Airport and LaGuardia International Airport. The divestiture of 104 Reagan slots and 34 LaGuardia slots will allow lower-cost carriers such as Jet Blue and Southwest to bid for the slots. Without divestiture, the New American Airlines would have controlled 69 percent of the slots at Reagan.

The U.S. Department of Justice (DOJ) and the States also signed off on a related proposed final judgment that will remain in place for 10 years. That judgment requires the divestiture of flight slots at Reagan National in Washington, DC, LaGuardia in New York City and of gates at Boston, Chicago, Dallas-Love Field and Los Angeles International. The divestitures of flight slots will enable new carriers to enter the Washington and New York markets. Divestitures of gates should enable new carriers to enter the other affected markets.

The States and DOJ filed the action on August 13 this year and a trial was scheduled to begin on November 25. Tennessee was joined by the States of Arizona, the District of Columbia, Florida, Michigan, Pennsylvania and Virginia.