Department of Justice

FOR IMMEDIATE RELEASE
TUESDAY, NOVEMBER 12, 2013
WWW.JUSTICE.GOV

AT
(202) 514-2007
TTY (866) 544-5309

JUSTICE DEPARTMENT REQUIRES US AIRWAYS AND AMERICAN AIRLINES TO DIVEST FACILITIES AT SEVEN KEY AIRPORTS TO ENHANCE SYSTEM-WIDE COMPETITION AND SETTLE MERGER CHALLENGE

Divestitures at Airports in Boston, Chicago, Dallas, Los Angeles, Miami, New York and Near Washington, D.C. Opens Door for Low Cost Carriers to Compete Resulting in More Choices and More Competitive Airfares for Consumers

WASHINGTON – The Department of Justice today announced that it is requiring US Airways Group Inc. and American Airlines' parent corporation, AMR Corp. to divest slots and gates at key constrained airports across the country to low cost carrier airlines (LCCs) in order to enhance system-wide competition in the airline industry resulting in more choices and more competitive airfares for consumers.

The department said the proposed settlement will increase the presence of the LCCs at Boston Logan International, Chicago O'Hare International, Dallas Love Field, Los Angeles International, Miami International, New York LaGuardia International and Ronald Reagan Washington National. Providing the LCCs with the incentive and ability to invest in new capacity and permitting them to compete more extensively nationwide will enhance meaningful competition in the industry and benefit airline travelers.

"This agreement has the potential to shift the landscape of the airline industry. By guaranteeing a bigger foothold for low-cost carriers at key U.S. airports, this settlement ensures airline passengers will see more competition on nonstop and connecting routes throughout the country," said Attorney General Eric Holder. "The department's ultimate goal has remained steadfast throughout this process - to ensure vigorous competition in airline travel. This is vital to millions of consumers who will benefit from both more competitive prices and enhanced travel options."

Six state attorneys general–Arizona, Florida, Pennsylvania, Michigan, Tennessee and Virginia–and the District of Columbia joined in the department's proposed settlement, which was filed in the U.S. District Court for the District of Columbia. If approved by the court, the settlement will resolve the department's competitive concerns and the lawsuit.

"The extensive slot and gate divestitures at these key airports are groundbreaking and they will dramatically enhance the ability of LCCs to compete system-wide," said Assistant Attorney General Bill Baer of the Department of Justice's Antitrust Division. "This settlement will disrupt the cozy relationships among the incumbent legacy carriers, increase access to key congested airports and provide consumers with more choices and more competitive airfares on flights all across the country."

On Aug. 13, 2013, the department, six state attorneys general and the District of Columbia filed an antitrust lawsuit against US Airways and American alleging that US Airway's $11 billion acquisition of American would have substantially lessened competition for commercial air travel in local markets throughout the United States. The department alleged that the transaction would result in passengers paying higher airfares and receiving less service. In addition, the department alleged that the transaction would entrench the merged airline as the dominant carrier at Reagan National, where it would control 69 percent of take-off and landing slots, thus effectively foreclosing entry or expansion by competing airlines.

The settlement requires US Airways and American to divest slots, gates and ground facilities at key airports around the country. Specifically, the settlement requires the companies to divest or transfer to low cost carrier purchasers approved by the department:

All 104 air carrier slots (i.e. slots not reserved for use only by smaller, commuter planes) at Reagan National and rights and interest in other facilities at the airport necessary to support the use of the slots;

Thirty-four slots at LaGuardia and rights and interest in other facilities at the airport necessary to support the use of the slots; and

Rights and interests to two airport gates and associated ground facilities at each of Boston Logan, Chicago O'Hare, Dallas Love Field, Los Angeles International and Miami International.

The Reagan National and LaGuardia slots will be sold under procedures approved by the department. Under the terms of the settlement, JetBlue at Reagan National and Southwest at LaGuardia will be given the opportunity to acquire the slots they currently lease from American. The remaining 88 slots at Reagan National and 24 slots at LaGuardia plus any JetBlue or Southwest decline to acquire will be grouped into bundles, taking into account specific slot times to ensure commercially viable and competitive patterns of service for the recipients of the divested slots. The parties will divest these slot bundles and all rights and interests in any gates and other ground facilities (e.g., ticket counters, baggage handling facilities, office space and loading bridges) as necessary to support the use of the purchased slots.

The gates at the five airports will be transferred on commercially reasonable terms to the new acquirers. The acquirers of the slot and gate divestitures also require approval of the department. Preference will be given to airlines at each airport that do not currently operate a large share of slots or gates.

The proposed settlement allows the department to appoint a monitoring trustee to oversee the divestitures or transfers of the slots and gates. The settlement also prohibits the merged company from reacquiring an ownership interest in the divested slots or gates during the term of the settlement. The companies must also provide advance notice of any future slot acquisition at Reagan National regardless of whether or not it is a reportable transaction under the premerger notification law and further provides for waiting periods and opportunities for the department to obtain additional information in order to review the transaction.

AMR is a Delaware corporation with its principal place of business in Fort Worth, Texas. AMR is the parent company of American Airlines. Last year American flew more than 80 million passengers to more than 250 destinations worldwide and took in more than $24 billion in revenue. In November 2011, American filed for bankruptcy reorganization.

US Airways is a Delaware corporation with its principal place of business in Tempe, Ariz. Last year US Airways flew more than 50 million passengers to more than 200 destinations worldwide and took in more than $13 billion in revenue.

###

13-1202