



Department of Justice

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**REMARKS AS PREPARED FOR DELIVERY BY ASSISTANT ATTORNEY
GENERAL BILL BAER AT THE CONFERENCE CALL REGARDING
THE JUSTICE DEPARTMENT'S PROPOSED SETTLEMENT
WITH US AIRWAYS AND AMERICAN AIRLINES**

WASHINGTON, D.C.

Good afternoon. Thanks for joining me on this call.

As you have all seen by now, today the Department of Justice filed a proposed settlement with US Airways and American Airlines that, if approved by the court, would resolve our lawsuit challenging their proposed merger. Under the agreement, we are requiring US Airways and American Airlines to divest critically important facilities at seven key airports across the country.

Specifically, the parties will divest 104 air carrier slots at Reagan National here in D.C., 34 slots at LaGuardia in New York, and 2 gates and ground facilities at each of Logan in Boston, O'Hare in Chicago, LAX in Los Angeles, Miami and Dallas Love Field. These divestitures are the largest ever in an airline merger and will allow low cost carriers to fly more direct and connecting flights throughout the country each day. This is a game changer. As the Attorney General said in this morning's press release, this agreement has the potential to shift the landscape of the airline industry.

As you know, we filed a lawsuit to block this merger out of concerns about the potential reduction in competition for air travel throughout the country. This settlement addresses those concerns and opens up the marketplace as never before. It will disrupt today's cozy relationships among the incumbent legacy carriers and provide consumers with more choices and more competitive airfares.

New York, Washington, Los Angeles, Chicago, Boston, Miami and Dallas are among the largest, most important business centers in the country. But due to access limitations – such as slot and gate constraints – key airports in these cities are among the most difficult for an airline to enter and establish a meaningful presence.

The divestitures announced today changes that limiting dynamic. Making slots and gates available to low cost carriers will lower barriers to entry, providing the incentive and ability for those carriers to invest in new capacity, and positioning those carriers to provide significant new

competition system-wide. The low cost carriers that acquire the slots and gates will be able to offer increased competition not just on direct flights to and from these key airports, but also on connecting flights nationwide.

How do we know this? Because, in the past, providing even modest competitive opportunities for the LCC's has made a real difference. A few years ago, when JetBlue started service from Reagan National, prices to Boston dropped 30 percent and consumers saved \$50 million per year. And those savings came from just 16 slots, or 8 round trips a day. This agreement divests those slots – currently subleased from American – and makes available 88 more at Reagan National.

Southwest's entry into Newark Liberty airport after the United-Continental merger shows how consumers benefit from increased competition on both non-stop and one-stop routes. In 2010, Southwest acquired 36 divested slots at Newark Liberty, and added direct service to six cities – but with connections to more than 60 more. That new competition benefited consumers: on the nonstop routes alone fares dropped more than 10 percent and passenger traffic increased by 36 percent.

The combined slot divestitures announced at Reagan National and LaGuardia today – 138 in total – are almost four times the size of the United divestitures to Southwest at Newark Liberty. The additional gate divestitures at five other major airports around the country will amplify the procompetitive impact of this settlement. Non-stop and one-stop opportunities for both leisure and business travelers will increase.

When we filed this lawsuit, I explained that this merger would eliminate the head-to-head competition between US Airways and American, risked increased coordination between the remaining three legacy carriers – New American, United and Delta – and increased the parties' dominance at Reagan National.

This settlement addresses each of these concerns. In important ways this outcome is better than a full stop injunction.

- By lowering barriers to enter and compete, this settlement will enable low cost carriers to expand their presence, injecting new competition into the marketplace.
- By divesting all of the 104 air carrier slots that American Airlines owns today at Reagan National, the settlement will allow JetBlue to keep competing with the slots it currently subleases from American and further expands competition by placing the other 88 slots in the hands of low cost carriers. Thus, the settlement not just prevents the increased dominance of US Airways at Reagan National, it provides for expanded competition at this airport.

In designing the remedy, we were mindful of concerns that the merger would lead to fewer flights from Washington to small and medium-sized cities. The settlement allows the parties to retain the small aircraft commuter slots at Reagan National intended to serve small and medium-sized cities. The parties have pledged to do just that in an agreement with the Department of

Transportation which requires them to use those slots exclusively for service to small, non-hub and medium-sized airports. The state attorneys general who have joined in our settlement have also secured additional relief specific to their states in a separate settlement with the parties.

As you are aware, we were preparing to go to trial. And, I can assure you that we were confident in the evidence we would have presented at trial. That said, why settle this case? Because in the ways I have discussed, this settlement improves on a problematic status quo. It provides more competition than exists today in this industry. That is good news for consumers all across the country who will benefit from more choices and more competitive airfares.

I'm proud of our team, proud of our collaboration with the Attorneys General of the seven states who joined in this settlement and proud of what we have accomplished for U.S. consumers.

I'm happy to take your questions.

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