

106TH CONGRESS
2D SESSION

S. RES. 344

Expressing the sense of the Senate that the proposed merger of United Airlines and US Airways is inconsistent with the public interest and public convenience and necessity policy set forth in section 40101 of title 49, United States Code.

IN THE SENATE OF THE UNITED STATES

JULY 26, 2000

Mr. McCAIN (for himself and Mr. GORTON) submitted the following resolution; which was referred to the Committee on Commerce, Science, and Transportation

RESOLUTION

Expressing the sense of the Senate that the proposed merger of United Airlines and US Airways is inconsistent with the public interest and public convenience and necessity policy set forth in section 40101 of title 49, United States Code.

Whereas, in 1999, the 6 largest hub-and-spoke airlines in the United States accounted for nearly 80 percent of the revenue passenger miles flown by domestic airlines;

Whereas, according to Department of Transportation statistics, a combined United Airlines and US Airways would result in at least 20 airline hub airports in the United States where a single airline and its affiliate air carriers

would carry more than 50 percent of the passenger traffic;

Whereas the Department of Transportation and the General Accounting Office have documented that air fares are relatively higher at those airline hub airports where a single airline carries more than 50 percent of the passenger traffic;

Whereas a combined United Airlines and US Airways would hold approximately 40 percent of the air carrier takeoff and landing slots at the 4 high density airports, even taking into account the parties' planned divestiture of slots at Ronald Reagan Washington National Airport;

Whereas most analysts agree that a United Airlines-US Airways merger would lead to other mergers in the airline industry, likely resulting in combinations that would reduce the 6 largest domestic hub-and-spoke airlines to 3 airlines;

Whereas media reports indicate that American Airlines has made a tangible offer to purchase Northwest Airlines and that Delta Air Lines and Continental Airlines have engaged in merger negotiations;

Whereas it would be difficult for the Department of Transportation and other responsible Federal agencies of jurisdiction to disapprove subsequent airline merger proposals if the government allows the largest domestic airline, in terms of total operating revenue and revenue passenger miles flown in 1999, United Airlines, to merge with the sixth largest airline, US Airways, making United Airlines substantially bigger than its next largest competitor;

Whereas 3 larger domestic airlines will have substantially increased market power, and would have the ability to use that market power to drive low fare competitors out of direct competition and to thwart new airline entry into the marketplace;

Whereas the Department of Transportation credits nearly all of the benefits of deregulation (a reported \$6.3 billion in annual savings to airline passengers) to the entry and existence of low fare airline competitors in the marketplace;

Whereas a combined United Airlines and US Airways, including their commuter airline partners, would be the only carrier offering nonstop flights between at least 26 domestic airports in 12 States;

Whereas, in 1999, United Airlines and US Airways enplaned 22 percent of all revenue passengers flown by domestic airlines;

Whereas the transition from 6 major airlines to 3 would likely result in less competition and higher fares, giving consumers fewer choices and decreased customer service;

Whereas it is the role of the Senate Committee on Commerce, Science, and Transportation and, more specifically the Subcommittee on Aviation, to conduct over-sight of the aviation industry and to promote consumers' receiving a basic level of airline customer service;

Whereas the Air Transport Association member air carriers agreed to an Airline Customer Service Commitment to improve the current level of customer service in the airline industry;

Whereas, in an interim oversight report, the Department of Transportation Inspector General recently concluded that the results are mixed with respect to the effectiveness of

the efforts of the major airlines to implement their Airline Customer Service Commitment;

Whereas the combination of 2 entities as large as United Airlines and US Airways could cause at least short-term disruptions in service; and

Whereas, according to the Department of Transportation statistics for the month of May 2000, for the 10 major airlines, a combined United Airlines and US Airways would have had the lowest percentage of on-time flight arrivals, the highest percentage of flight operations canceled, the second highest rate of consumer complaints, and the second highest rate of mishandled baggage: Now, therefore, be it

1 *Resolved*, That—

2 (1) The Senate expresses concern about the
3 proposed United Airlines-US Airways merger be-
4 cause of its potential to leave consumers with fewer
5 travel options, higher fares, and lowered levels of
6 service; and

7 (2) it is the sense of the Senate that the poten-
8 tial consumer detriments from the proposed United
9 Airlines-US Airways merger outweigh the potential
10 consumer benefits.

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