Obama administration approves merger of airline giants

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Attorney General Eric Holder announced on Tuesday that the US government had withdrawn its opposition to the merger of the parent companies of American Airlines and US Airways, paving the way for the creation of the world's largest air carrier and the further monopolization of the US and international airline industry.

Just three months ago, the Obama administration reported that it had filed a suit to block the merger, announced by the two airlines last February, on the grounds that it would impede competition and lead to higher fares and fewer flights. At that time, the Justice Department warned that if the merger went ahead, only four giant airlines--Delta, United, the new American Airlines and Southwest--would account for 80 percent of all US domestic flights. The merger would cost consumers hundreds of millions of dollars, the government declared.

Yet on Tuesday, Holder presented the settlement of the Justice Department suit against the merger as a victory for the flying public and a boon to competition. Citing modest reductions agreed to by the merged company in takeoff and landing slots at Washington DC's Reagan National Airport and New York's LaGuardia, Holder claimed the deal would increase the presence of low-cost carriers and "ensure airline passengers will see more competition on non-stop and connecting routes throughout the country."

These cynical and dishonest statements were belied by the remarks of American and US Airways executives as well as the response on Wall Street to Holder's announcement. The airline officials pointed out that even with the sale of 52 slot pairs at Reagan National, the merged company would still have 57 percent of all flights from that airport. The divestiture at Reagan, combined with the sale of 17 slots at LaGuardia and two each at five other airports, will reduce the merged company's daily flight total by just 112, out of 6,500 daily flights to be operated by the merged airline.

Moreover, many of the slot pairs and gates to be sold off under the Justice Department settlement are either currently being leased to other carriers or slated be eliminated as part of the merged airline's plans to consolidate operations.

US Airways Chief Executive Doug Parker, who will become CEO of the combined carrier, said in an interview Tuesday that the concessions were "not material enough to offset what we said the day we announced," which was that the merger would create more than $1 billion in total annual savings and revenue gains. Parker called the reduction of flights at Reagan, LaGuardia and the other airports "pretty modest."

Shares of AMR, the parent of American Airlines, shot up by 26 percent on Tuesday on news of the settlement of the anti-trust suit. US Airways shares rose by more than 1 percent. Other airline stocks also closed higher, with JetBlue surging 6.1 percent, Southwest climbing 1.25 percent, United rising 4.2 percent and Delta jumping 2.4 percent.

The *Wall Street Journal* in its report succinctly summed up the sweetheart character of the deal, writing: "AMR Corp. and US Airways Group Inc. reached an antitrust settlement with the US government to allow their $17 billion merger to proceed with only limited concessions, paving the way for a new global airline colossus." The newspaper went on to say that the settlement "left the vast majority of the airlines' merger plan intact."

Notwithstanding the assurances of Holder and other Justice Department officials, the merger will result in loss of service to a small-market towns and cities. The *New York Times* cited Michael Boyd, an aviation consultant, as saying “the most likely losers would be places like Akron, Ohio; Chattanooga, Tenn.; and Bangor, Me., because the airlines in line to get those slots do not have small planes to serve smaller communities.”

The merger of American and United Airways, which is likely to take effect as early as next month, is the latest act in a massive restructuring and consolidation of the US airline industry that has been underway for the past decade. The airlines have used bankruptcy protection and mergers to slash costs and increase revenues by imposing draconian job, wage and benefit cuts on airline workers, reducing flights and raising fares. At every point, they have been assisted by the airline unions, which have collaborated in imposing sweeping concessions on their members.

Delta and Northwest merged in 2008, United and Continental airlines merged in 2010, and Southwest and AirTran merged in 2011.

A study published by the American Antitrust Institute and the Business Travel Coalition found that ticket prices had risen 20 percent on some key Delta routes and 30 percent on several United-Continental routes after their mergers.

AMR filed for bankruptcy in November of 2011 for the explicit purpose of ripping up contracts with its unions and imposing deep cuts in pensions and jobs. Last year it announced the elimination of 13,000 jobs. The judge overseeing the company’s restructuring approved its plan to emerge from Chapter 11 protection, based on the proposed merger with US Airways, last September.

While both American and US Airways claim the merger will not result in a reduction in the current combined work force of 100,000 people, that promise cannot be given any greater credence than the legions of previous promises made by the airline officials.

The International Association of Machinists (IAM), the largest union at US Airways, has been unable to negotiate a new contract for mechanics and fleet service workers for two years. Nevertheless the IAM, as well as the rest of the unions at US Airways and American, has applauded and lobbied for the merger.

Gary Hummel, president of the US Airways pilots union, wrote in a letter to pilots that, “the overall synergies of the combined airline will be good for the employees and flying public.”

In a conference call, US Airways CEO Parker praised the unions, saying their backing for the merger was the “most noteworthy” component of “the overall outpouring of support.”

There is a historical logic to a Democratic administration approving the creation of the biggest airline monopoly in US history. It is the outcome of the process of deregulation, pitched at the time as a means of increasing competition and benefiting consumers, launched 34 years ago under the Democratic administration of President Jimmy Carter.

Deregulation was the precursor to the ruling class’s assault on the working class that has continued ever since, alongside the lifting of virtually all restrictions on the corporations and banks. The nonstop growth of social inequality, accelerated since the financial crash of 2008 and under the Obama administration, is the inevitable and intended result.