# Questions for the Record: The American Airlines / US Airways Merger

## For Mr. Parker from Senator Blumenthal

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**Fares**

**As the witnesses noted, the overlap in exact routes is not large, but competition for direct flights between several major cities would decrease in the wake of the merger.**

**Mr Horton, as you noted in the hearing, "…airlines are a network business, as you know. So even where we don't have a direct overlap, of course we're competing via connections over hubs."**

**Mr Parker you similarly noted, "We absolutely are competitors today. We compete vigorously against each other. But we have two route networks that independently aren't as capable of competing against the larger carriers as we will be together. So I think by putting us together we create a stronger competitor to the rest of the industry."**

**After this merger four major airlines would control 70 percent of the US market.**

- **Mr Parker, what assurances to travelers have that the prices for direct flights won't significantly increase as a result of the decreased competition after this merger?**

The airline industry, both domestically and internationally, is intensely competitive, with numerous companies offering different business models in the hope of appealing to consumers. The industry will remain highly competitive after the proposed merger. Although the New American Airlines will be the largest airline in the U.S., it will have less than 25 percent of domestic available seat miles and will compete against the nationwide networks of Delta, with 21 percent, and United and Southwest, each with 19 percent. Moreover, the new American Airlines will also compete against Southwest's significantly lower cost structure and a host of smaller, but fast-growing lower cost airlines, including JetBlue, Spirit, Allegiant, Frontier and Virgin America. Low cost carriers will continue to offer strong competition to the New American Airlines and the other legacy carriers. These are tough, agile competitors, providing attractive service and innovative product offerings in the most competitive markets in the United States. They can and will add new service, challenge our fare offerings, and move quickly to address whatever we offer in the marketplace. For example, Spirit has already announced that they will look at entering a number of hub-to-hub routes where the New American will operate.

**Pensions**

**I have heard from retired American Airlines employees in Connecticut who are concerned their pensions and benefits will be cut as a result of American's bankruptcy. Some of these retirees are in their 70's and 80's, and the health benefits package is their only medical coverage. I feel strongly that retirees should not be exposed to undue financial hardship.**

- **Mr Parker, how does this merger impact the ability of American Airlines to fulfill its obligations to its retired workers?**

The issue of American Airlines retiree benefits is something that is being handled in the context of the airline's bankruptcy process by the court. Once the bankruptcy process is complete, if the merger is approved the New American Airlines will comply with any rulings made by the court with regards to retiree benefits.

- **Mr Parker, what commitments have you made to current American Airlines retirees through your merger negotiations? What can retired American Airline employees expect from the New American Airlines should this merger be granted?**

US Airways has been committed to delivering on the promises that have been made to our retirees, as it relates to benefits and pensions. This commitment will continue under the New American Airlines, if the merger is approved. As far as exactly what will happen to these retirees, this is something we will only know once the bankruptcy court announces its ruling – which for the stability and financial security of these employees will hopefully come in the near future.