

Consolidation in the Airline Industry:
The Proposed United Airlines/American Airlines/US Airways Mergers
and
The Aviation Competition Restoration Act

Written testimony of

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Good morning, Mr. Chairman and Members of the Committee. I am Glen Hauenstein, Senior Vice President of Scheduling for Continental Airlines. It is a pleasure to be here representing the ~~53,400~~ 54,300 employees of Continental.

Thank you for your invitation to discuss the important topic of aviation industry consolidation, and, specifically, the proposed mergers between United Airlines, American Airlines, and US Airways, and the legislation which the esteemed Chairman and Ranking Member of this Committee, along with Senators Dorgan and Grassley, have proposed, the Aviation Competition Restoration Act. As the fifth largest airline in the United States, Continental has a unique perspective on the proposed mergers, the proposed legislation, and the effect these will have on the U.S. aviation system and on the passengers that utilize air travel every day.

My goal today is to explain to the sCommittee why we at Continental believe that the proposed airline mergers should not be approved. These proposed mega-mergers would harm competition and consumers. Moreover, federal approval of these mergers today would be directly at odds with positions taken by the government just a few months ago when the Department of Justice successfully opposed a much smaller airline acquisition: Northwest's purchase of 51% of Continental's voting stock. While I know that it is ultimately the Department of Justice's decision as to the future of the proposed United and American mergers, it is important that everyone be fully briefed and that everyone understand the inevitable outcome if these mergers are permitted to occur. These mega-mergers will be bad for competition and will harm consumers, communities, and employees. For this reason, Continental applauds the actions by this Committee to seek ways to stop the mergers or, at the very least, lessen the detrimental impact on competition.

Continental itself is an airline that emerged from a series of mergers in a very different era and a very different industry structure. Texas International, New York Air, PEOPLExpress and Frontier all merged into what is now Continental Airlines. As a result, Continental went through years of delivering poor service to customers, ~~poor treatment of~~ treating employees poorly and ~~maintaining a very poor balance sheet~~ managing its finances poorly (including two bankruptcies). However, in 1995 Continental implemented a sensible plan and motivated its employees to turn things around, and over the past six years things have been very different at Continental. Continental is now recognized as the best major airline in the industry. In fact, over the past five years Continental has won more JD Power and Associates/Frequent Flyer Magazine awards for customer service (this past year taking top honors for both long and short haul flights) than any other airline in history. Just two months ago, Continental was named 2001 Airline of the Year by Air Transport World, the second ~~such honor it has received~~ time Continental's worldwide peers have recognized it in five years. Finally, I am especially proud of the fact that Continental has been ranked in the top half of the past three Fortune magazine lists of the 100 Best Places to Work in America, this year ranking in the top twenty. No other major airline, except Southwest, is even on the list. It is

coming from this perspective that I want to give you my thoughts on what is currently facing the U.S. airline industry and on the legislation that has been proposed.

I. The Airline Industry Currently is Characterized by a State of Competitive Equilibrium

Allow me to describe the current environment within the U.S. airline industry. There is currently a competitive equilibrium among the major airlines in the United States. Major reviews of the airline industry since deregulation have concluded that the major network carriers provide effective competition. Air travel has skyrocketed since deregulation, airfares (adjusted for inflation) have declined and the current system of carriers has been able to offer a wide variety of competitive services. The levels of concentration in the airline industry since deregulation have remained relatively low for a network business. Even after the airline mergers of the 1980's, concentration in the airline industry has stayed below critical levels. While each major airline has strengths in specific regions of the country, none is truly strong in every U.S. region. Thus, national competition has been balanced and effective.

The major carriers can be split into three distinct groups: very large national carriers (the "Big Three"), medium national carriers, and small national carriers. United, American, and Delta make up the very large national carrier group. Each of these three airlines each represents over 16% of domestic system capacity and traffic. They are the largest three airlines in the world. They already have the largest frequent flyer programs and distribution channels, and they control more airport real estate than any other carrier. While the Big Three are considerably larger than the next group of carriers, they provide equilibrium for each other. Moreover, the medium national carriers can remain competitive because their scope and scale disadvantage is not so large that it cannot be at least partially overcome by offering superior service or lower prices compared to the Big Three.

The medium national carrier group consists of Northwest, Continental, Southwest, and US Airways. Each of these carriers maintains between 7% and 9% of domestic capacity and traffic. These four airlines, while not as large as the Big Three, offer strong competition on a national basis and have found a niche by which they are able to compete. For example, US Airways holds many slots at the four federally slot-controlled airports and has a strong position in the important Northeast region of the country. Southwest competes based on price. Northwest has a strong North Central and Asia market position. Continental competes based on its internationally recognized superior customer service. Each medium sized carrier has found a way to be successful, even though they are about half the size of their larger counterparts.

The final group, small national carriers, consists of TWA, America West, and Alaska. These carriers are each between 2.5% and 6% of domestic capacity and traffic. While these carriers have found it more difficult to compete against the

seven larger airlines, all but TWA have been successful in their regional focus. TWA has historically shown strength at its Midwest hub, while both America West and Alaska have shown similar strengths in the West.

Finally, there are currently a number of successful new entrant/low cost/niche carriers that help in maintaining balance and competition in the airline industry. Airlines such as Midway, Midwest Express, Air Tran, and JetBlue all compete vigorously with larger carriers in a limited number of individual markets.

II. The Proposed Mergers Will Harm Competition

Against this backdrop of a competitive environment that is at equilibrium is the proposal of United and American to split up US Airways. This will create an unbalanced competitive environment in which the two resulting mega-carriers are significantly larger than their next largest competitors. Clearly United and American's plan is to reach détente, build a cartel, and carve up and dominate the U.S. air travel market. Look closely at the proposals; they include sharing the Northeast shuttle and sharing the Northeast region between the cartel members. Ultimately, the same way United and American have split Chicago O'Hare and London (Heathrow), they will split the rest of the U.S. (and maybe even split global aviation). The two mega-airlines have even incorporated a provision in their agreement that restricts American's ability to merge with other carriers and puts limits on American's growth. Should American grow faster than United wants it to, United would have the right to terminate the Northeast shuttle agreement the two airlines have proposed. United would also have the right to repurchase certain US Airways assets being divested to American and ~~retains~~ a right of first refusal for any assets American divests as part of a subsequent transaction. This provision is clearly a horizontal restraint between major competitors. It allows United to restrict American's future growth by acquisition, requires cooperation between United and American on future acquisitions, and has the effect of stabilizing the relative shares of the two largest airlines.

After consolidation, United and American will each be of such vast scale and scope that other U.S. airlines will be unable to offer effective competition ~~to the two mega-carriers~~ **against them**. ~~Significant negative changes to the airline industry~~ **The airline industry will change for the worse**, adversely affecting competition, consumers, communities and employees ~~are inevitable~~. Other airlines will be forced to combine, be carved up, or be put out of business by the onslaught brought on by the United and American cartel.

After the current wave of proposed consolidation, United and American will control nearly 50% of the U.S. airline industry and have twice as many hubs as Delta, Northwest, or Continental. The new United will serve one hundred more domestic destinations than its nearest competitor. Additionally, American and

United will each become more than 50% larger in terms of capacity, traffic, and revenue than the next largest non-merged carrier (Delta), and they will be almost three times as large as Continental. After the mergers, United and American will also be the #1 and #2 airlines in the largest regions with the most revenue and business traffic, the Northeast and West regions. Via the mergers, United and American will have created the only two truly national networks. While other airlines may continue to maintain some regional presence, their ability to compete nationwide will be lost. Consummation of these mergers will allow United and American to ensure that they have eliminated competition on the national (and even on the global) stage. In conjunction with their national presence, the two mega-carriers will have frequent flyer loyalty programs two or three times as large as their nearest competitors and distribution and marketing systems that no other airline will be able to match. The combined effect of this will be to produce a quantum shift in the distribution system that squeezes out other carriers in a manner that has never occurred before.

Finally, the two airlines will operate almost 80% of all slots at the four federally slot-controlled airports (Washington Reagan, New York LaGuardia, New York JFK, and Chicago O'Hare). At Washington Reagan, where slot restrictions are expected to remain in place in perpetuity, and at New York LaGuardia, where the FAA has already stopped expansion and slot restrictions are likely to be reinstated, the two airlines will control over 65% of all slots. By way of comparison, Continental operates only 3% of all slots at the four airports, with less than 5% of the slots at Washington Reagan and New York LaGuardia.

In order to compete with the two mega-carriers, other airlines will need to grow to at least a scale that is near that of the market leaders. Independent growth to the scale of United or American will be nearly impossible. An airline like Continental, with just over 8% of the current domestic capacity, would need nearly twenty years to grow to the size of United and American even if Continental could grow at a very aggressive average annual rate of 10% (2-3 times expected GDP growth) and if the two mega-carriers grew at expected GDP levels of about 4%. By comparison, ~~Continental~~ over the past ~~five~~ **six** years **Continental** has only been able to grow at an average annual rate of just under 5%. Hyper-growth of 10% annually for Continental is not realistic over the long term.

Slot restrictions at Washington Reagan, New York LaGuardia, New York JFK, and Chicago O'Hare limit growth in major eastern markets. Not only is access to these airports limited, but United and American will hold the keys with their combined 80% share of the slots. Additionally, the limitations on the supply of **capital**, mechanics, pilots, and aircraft, and limitations on the capacity of the air traffic control system, will also impede the ability of airlines to grow at such a hyper-rate for extended periods. More importantly, however, Continental is concerned

that faster than historical growth will limit its ability to do what it does best, providing passengers with quality customer service. With hyper-growth, an airline runs a serious risk of spoiling its product, something Continental will not do.

The destruction of the competitive equilibrium that is the obvious and direct result of these proposed mergers means that independent growth to compete with United and American is virtually impossible. Airlines will be left with no choice but to merge in order to compete effectively with the two mega-carriers. Additional airline mergers will be required to restore a competitive playing field to an airline industry that would otherwise be split by the United and American cartel.

III. The Proposed Mergers Will Harm Consumers, Communities, and Employees

The proposed mergers are clearly bad for consumers. ~~I fully expect that if the two proposed mega-mergers are approved, and Continental is on its own, Continental will have a few good years.~~ The labor and service disruptions coupled with reduced customer service brought on by the integration of the four merging airline systems will, in the short run, benefit Continental as we attract passengers looking to escape the uncertainty and problems they will experience with the mega-carriers. The service disruptions and customer service complaints of the past few years are nothing compared to what is coming if the proposed mergers are approved. Think back over the past few years. American has been through pilot and flight attendant slowdowns. United also has been through work slowdowns which created some of the worst operational and customer service problems this industry has ever known, and labor unrest is the story of 2001, aside from the news generated by the proposed mega-mergers. United ranked last in Department of Transportation on-time performance statistics seven times this past year, with an average quarterly on-time performance (in the second and third quarters) of barely 50%. Continental, by way of comparison, ranked in the top three each quarter of the year. Continental's on-time performance last summer was better than previous years, and in December we beat ~~out~~our closest competitor by almost seven percentage points in on-time performance. ~~I suspect that when the Department of Transportation releases the final 2000 results, Continental will be~~was also the #1 **airline** in on-time performance for the industry **entire year 2000, out of all major network carriers**. And Continental is off to a great start in 2001 as well, finishing #2 in January and #1 in February. With regard to baggage performance, United again had poor performance, finishing each quarter in ninth or tenth place, with statistics at least 25% worse than the industry average. And regarding customer complaints, United's record has been so bad that by the third quarter of last year, United's number of complaints per 100,000 enplanements was more than double the industry average. Now think about the same service disruptions and problems aggravated by the incredibly difficult task of integrating four systems, four aircraft fleets, and most importantly four distinct groups of fragmented and hostile

workforces into two airlines. While Continental stands to gain in the short run because we offer an attractive alternative to surly and unreliable service, we will simply not be big enough to offer a truly competitive alternative in the long run. The vast majority of passengers will have no choice but to be forced to suffer whatever service, or perhaps more accurately, lack of service, United or American may offer.

~~–Competition will decrease as the other airlines find it ever harder to compete effectively with the mega-carriers.~~

The proposed mergers are also bad for communities. According to the General Accounting Office, in its report “Aviation Competition, Issues Related to the Proposed United Airlines-US Airways Merger”, released December 2000 (prior to the announcement of the American/TWA/US Airways deal), 290 (of the top 5000) markets will have reduced competition or have competition eliminated completely because of only this one merger. The report goes on to state that “About 16 million passengers traveled in those 290 markets in 1999, or about 5% of the passengers who flew in the top 5000 markets in that year...” In a hearing before this very Committee, **the GAO reported** that “the United and American proposals would each reduce competition in approximately 300 markets, with each affecting over 10 million passengers.” **As a point of comparison, the Northwest/Continental transaction opposed by the Department of Justice entailed reduced competition in only 63 markets affecting 2 million passengers.** Continental’s own internal analysis shows that

Communities not only will be affected by a loss of competition and deteriorating service, but also could face service cutbacks and route elimination as United and American rationalize their systems. By merging all of the routes each carrier serves from their pre- and post-merger hubs, it is highly likely routes will be eliminated to reduce overlap. While United has given a “commitment” that it will not eliminate routes, this “commitment” is for only two years, does not hold for American, and does not extend to reductions of service on routes short of route elimination.

It is clear that the proposed merger will be bad for consumers and bad for communities. The mergers will also be bad for employees. Unlike Continental, which prides itself on its excellent management-labor relationships and on the fact that it is a great place to work, history has shown that both United and American have different views on how they treat employees. The ramifications of poor labor relations that we have felt over the past few years will be amplified and continue for years to come. Significant labor integration issues have accompanied virtually every major airline merger in the history of our industry, and these proposed mergers would not be exceptions to this rule. As you know, our industry is currently facing significant labor unrest, including problems at the four largest domestic airlines (United, American, Delta, and Northwest). The risk of compounding this turmoil with the labor integration issues of a consolidating industry is massive, and the problems faced by passengers every day are sure to be greatly compounded.

IV. US Airways Has Other Options

While it is clear that US Airways will lose a significant amount of money this quarter, and possibly this year, ~~in order to ensure that this isolated merger remains pro-competitive.~~ It is simply unclear that ~~US Airways needs to merge with anyone~~ **any merger is necessary**, as ~~they have~~ **US Airways has** one of the richest pools of valuable assets in the industry. Their cache of lucrative slots and their Northeast strength cannot be matched. If Continental was able to turn itself around (with its more limited assets yet intensely focused management team) and become the financial and commercial success it is today, there is no reason that US Airways, with the right incentives and appropriate management, utilizing US Airways' crown jewels of assets, cannot do the same. But if US Airways is determined to sell itself, allowing the airline to be split by United and American is not the only option. Continental made an offer for US Airways' Washington Reagan position that was for a much higher price than the current DC Air/American deal. Continental's offer was turned down, not based on the economics, but based on the fact that it would put a crimp in the cartel's plan. Continental is also very interested in the significant slot and facility holdings of US Airways in New York. These assets were never even offered to anyone except American. Other carriers have also expressed interest in significant portions of US Airways assets, although it is unclear why the carrier feels that it has no choice but to sell itself.

Reports indicate that US Airways may be a failing concern, or soon will be, much in the same way that TWA is being seen as a failing concern. While it is clear that TWA has many problems and probably could not survive on its own, it is equally clear that this is not the case for US Airways. First, US Airways is growing. Its revenue base, year over year (2000 versus 1999) has grown by nearly 8%, as has the number of aircraft the airline has in its fleet. System capacity for US Airways (as defined by the available seat miles it offers) has grown by nearly 12%. While earnings for the airline have declined (as they have for most U.S. airlines), high fuel prices have been the key driver of reduced profits. US Airways' cash balance has grown to over \$1.2 billion, more money than Continental currently has on hand, and clearly a sustainable amount. Finally, US Airways has spent nearly \$2 billion over the past three years on a stock buyback program. Companies that are having serious financial problems and that are concerned about their long-term future do not spend their cash buying back their own stock. All of this points to the reality that the "financial concerns" about US Airways are myth, and certainly not reality.

V. The Proposed Mergers Should Be Disapproved

So what is the answer to the proposed mergers that will create two mega-carriers that have the ability to dominate the market, reduce or eliminate competition and are bad for all constituencies? ~~The answer, and I freely admit that I have plagiarized this, the quick, easy, and absolutely right answer to the question is~~ “JUST SAY NO!”

The conspiracy by United and American to reach détente, create a duopoly, and control the U.S. domestic market (thereby tightening their stranglehold on foreign markets as well), if implemented, will be so devastating that it should be disapproved outright. The government should stop trying to find fixes to mergers that should not be approved in the first place. And the government needs to clearly understand that it cannot fix, after the fact, the problems these mergers will create.

It is important to note that the Department of Justice prevailed in its antitrust challenge of Northwest's proposed acquisition of 14% of Continental's stock (representing a little more than 50% of Continental's voting rights). This case was brought to trial notwithstanding the fact that Northwest signed a governance agreement limiting its control of Continental for at least six years. The government brought the case because it believed that Northwest's partial ownership would lessen competition primarily on routes between the six Northwest and Continental mainland U.S. hubs. Today we are faced with the prospect of a combined United/US Airways (10 hubs) and American/US Airways (7 hubs). Consolidation of these carriers would give the combined firms more than 90% of the non-stop traffic on the routes between their respective hubs. Moreover, unlike the Continental/Northwest transaction in which Continental and Northwest would have continued to compete, United and American will actually have eliminated their primary competition between those important hubs and have agreed not to compete with one another on some of the most important routes in the world (the Northeast shuttle markets).

While the facts should compel the government to reject the proposed acquisitions, I am not confident that the right thing will be done to protect airline consumers and competition from the United and American duopoly. Because of my skepticism, I must impress upon you that if, against all of the best wisdom, United and American are allowed to move forward with their plans, further airline consolidation is inevitable and will be required to assure effective competition. The U.S. aviation industry will require at least three large national network carriers to recreate the equilibrium that we currently have and that will be lost if United and American are allowed to ~~follow through with their plans~~ **complete their proposed transactions**. Only through the smaller airlines' ability to grow and their ability to further consolidate will competition be possible. Consolidation will be required

because, absent legislation to make sure that the assets necessary to compete are available, there will be no other choices.

Congress, the Department of Transportation, and the Department of Justice must together ensure that appropriate slots, gates, and other facilities at slot and capacity constrained airports are made available to smaller network competitors. The legislation offered by Senators McCain, Hollings, Dorgan, and Grassley, the “Aviation Competition Restoration Act”, brings together many of the elements necessary to prevent mega-mergers from wiping out the competition.

Continental supports the thrust of this legislation as to mergers and acquisitions because it combines the aviation expertise of the Department of Transportation with the antitrust expertise of the Department of Justice. Continental agrees that the Department of Transportation must play a more active role in the analysis of the proposed mergers and their impact on competition and consumers. We are encouraged that Secretary Mineta has made a commitment to begin this process. The Department of Transportation has the information, knowledge, and experience needed and can be a worthwhile contributor to the Hart-Scott-Rodino process by providing an analysis of the impact of the proposed mergers on competition, and whether or not the mergers would result in unreasonable industry concentration, excessive market domination, or monopoly powers. The Department of Transportation can and should provide specific recommendations for needed asset divestitures at all airports impacted by mergers. Additionally, the Department of Transportation must act aggressively in areas under its unique jurisdiction – particularly in those areas managed by the Department of Transportation, such as the federally created high density rule slots, international route rights, and antitrust immunity for international alliances. Where the Department of Transportation finds that, in the context of mergers, these Department of Transportation managed assets can and will be used to reduce competition, it must act to protect and defend consumers. Many of these important elements are contained in the proposed legislation.

Continental suggests, however, that the legislation could be strengthened by the addition of specific requirements for the redistribution of federally limited slots and the gates and facilities necessary to operate these slots, when a mega-merger causes the concentration of slots to become so high that it simply will not be possible to adequately compete. We are also concerned that, as drafted, the merger and acquisition section of the proposed legislation would not only require two separate reviews by two different government departments, but that those two departments could come to different and opposite conclusions. Much as we would like to see the proposed mega-mergers disapproved, we believe that each of the two departments should retain primary jurisdiction and its unique areas of expertise. The Department of Justice should continue to be the final arbiter of the antitrust issues, but it should do so taking into account the analysis required under this legislation by the Department of Transportation. The Department of Transportation should be directed to provide specific recommendations for asset divestitures

necessary to protect competition. This means that the Department of Transportation should be directed to review all airports (not just hub airports) that are impacted by the mergers to determine whether or not facilities are reasonably available. And in this instance, let me say that special attention must be given to airports such as New York LaGuardia, Washington Reagan, Chicago O'Hare, Boston Logan, Los Angeles International, and San Francisco International, just to name a few! This specific analysis and recommendation should be provided to the Department of Justice for use in their deliberations under Hart-Scott-Rodino.

As to the Department of Transportation, it should have primacy and be required to act in areas under its control and expertise. Therefore, the legislation could be strengthened by setting out the concentration level that would trigger specific and required actions by the Department of Transportation in the areas of slots, international routes, and antitrust immunity for international alliances.

There is no doubt that where there are mergers which result in particularly high levels of system capacity concentration, such as the proposed United and American mega-mergers, there will have to be divestiture of assets at high density airports, most importantly Washington Reagan and New York LaGuardia, airports where federal slot controls are not likely to ever be removed. Slots at these airports should be reallocated to ensure that other carriers, like Continental, have a reasonable chance to compete. In addition, gates, ticket counters, and other required facilities should accompany the reallocation of slots so as to make sure it is possible for the receiving airline to use the slots.

Moreover,

As United and American strengthen their domestic positions, the ability of other U.S. carriers to compete internationally will be reduced. For example, United and American are already the only two airlines with the right under the U.S.-U.K. bilateral to fly into London Heathrow airport, the most important business airport in Europe. United and American's growing control of the domestic market will make this already huge disadvantage to Continental and other U.S. airlines even greater. The U.S. should renew its efforts to negotiate more access to London Heathrow for competitors of the mega-carriers **or to negotiate to substitute other carriers at London Heathrow for the two mega-carriers.** Additionally, United and American have a large array of foreign partners with which they have alliances, making their control of world air transport even greater. The ability of small network carriers to offer foreign partners enough scale and scope in the U.S. is limited, and it is clear that given a choice of partnering with a member of the duopoly or partnering with a smaller carrier, foreign airlines will choose the duopoly. As antitrust immunity only exacerbates this problem, I call for a serious re-evaluation and revocation of the antitrust immunity already granted to the mega-carriers and their foreign partners.

VI. Hubs Provide Important Consumer Benefits

Last year, Congress required all airports to develop and implement a plan to guarantee access to the facilities necessary to preserve and protect competition. Many airports have moved quickly to address the capacity issues of concern to this Committee and should be commended for their work in this area. Certainly, the Department of Transportation should survey all airports to determine if there are continued capacity constraints and whether or not the airport has a plan in place to deal with the constraints. The Department of Transportation should report back to the Congress as to the progress that has taken place and outline those airports where improvements are still needed. If the airports are not meeting their obligations under Air-21, the Department of Transportation should withhold federal funding for those airports.

However, Continental is concerned that any action requiring the Department of Transportation to confiscate assets and force divestiture in the absence of a proposed mega-merger could have disastrous unintended consequences. Consumers could be harmed by major reductions in airline service, loss of employment for airline employees, and reductions in service to the very small and medium sized communities the Congress tried to assist last year with the passage of the Air-21 legislation.

Airline hubs do provide important benefits for consumers and allow more passengers more options every day. Hubs allow airlines to serve many more destinations than they would otherwise be able to and allow airlines to create connections across the world. This benefits passengers who have more options than they would have if connecting complexes were not available. Hub airports and consumers could be devastated if the non-merger elements of the proposed legislation are implemented, as airlines are forced to reduce schedules and as the communities these airports serve are faced with a loss of nonstop service. Airline employees could see their opportunities dwindle as the airlines are forced to shrink to meet legislative requirements. And small and medium sized communities will be the first to see a loss of service, as they are usually the thinnest routes an airline operates and therefore would be the first to lose service.

That having been said, Continental understands the need for a study on constraints at airports, but would urge the Committee to refrain from further action, at least until the Department of Transportation study is completed and Congress has had a chance to review the Air-21 provisions already enacted in this area. This, however, must be contrasted with the actions that must be taken quickly to provide competition in the face of the proposed mega-mergers. Tying the hands of those remaining independent carriers who are fighting for their lives will only exacerbate the problem.

VII. Conclusion

Mr. Chairman, the time has come for the Government to put a stop to the mega-mergers being proposed by the two largest airlines in the world. I hope that I have helped to explain to you, this Committee, your constituents, and all Americans the dangers that face the U.S. aviation industry should the proposed United/American/US Airways mergers be approved.

While I know that it is not ultimately this Committee's decision as to whether the mega-mergers are allowed to proceed, it is within this Committee's power to ensure that all of the facts are available and that the consequences are known. This Committee has also taken an important first step in discussing the legislative options available, in a small way, to help ensure that competition remains if the mergers are incorrectly allowed to proceed. Continental urges this Committee and the Congress to act quickly, as time is running out. I must also remind you that if these two mega-mergers are permitted, other airlines will be forced to merge, and those mergers will be necessary to restore effective competition. Therefore, if the Department of Justice approves the pending mega-mergers, others will follow and must be approved to permit effective competition.

Mr. Chairman and members of the Committee, I thank you for giving me the opportunity to discuss these very important issues with you and for your attention. I would now be pleased to answer any questions that you may have.