

106TH CONGRESS
2^D SESSION

S. RES. 344

[Report No. 106-]

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

SEPTEMBER —, 2000

Reported by Mr. MCCAIN, without amendment

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.

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

1 Whereas, according to Department of Transportation sta-
2 tistics, a combined United Airlines and US Airways
3 would result in at least 20 airline hub airports in the
4 United States where a single airline and its affiliate
5 air carriers would carry more than 50 percent of the
6 passenger traffic;

7 Whereas, the Department of Transportation and the Gen-
8 eral Accounting Office have documented that air fares
9 are relatively higher at those airline hub airports
10 where a single airline carries more than 50 percent
11 of the passenger traffic;

12 Whereas, a combined United Airlines and US Airways
13 would hold approximately 40 percent of the air carrier
14 takeoff and landing slots at the 4 high density air-
15 ports, even taking into account the parties' planned
16 divestiture of slots at Ronald Reagan Washington Na-
17 tional Airport;

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

23 Whereas, media reports indicate that American Airlines
24 has made a tangible offer to purchase Northwest Air-

1 lines and that Delta Air Lines and Continental Air-
2 lines have engaged in merger negotiations;

3 Whereas, it would be difficult for the Department of
4 Transportation and other responsible Federal agen-
5 cies of jurisdiction to disapprove subsequent airline
6 merger proposals if the government allows the largest
7 domestic airline, in terms of total operating revenue
8 and revenue passenger miles flown in 1999, United
9 Airlines, to merge with the sixth largest airline, US
10 Airways, making United Airlines substantially bigger
11 than its next largest competitor;

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

17 Whereas, the Department of Transportation credits nearly
18 all of the benefits of deregulation (a reported \$6.3 bil-
19 lion in annual savings to airline passengers) to the
20 entry and existence of low fare airline competitors in
21 the marketplace;

22 Whereas, a combined United Airlines and US Airways, in-
23 cluding their commuter airline partners, would be the
24 only carrier offering nonstop flights between at least
25 26 domestic airports in 12 States;

1 Whereas, in 1999 United Airlines and US Airways en-
2 planed 22 percent of all revenue passengers flown by
3 domestic airlines;

4 Whereas, the transition from 6 major airlines to 3 would
5 likely result in less competition and higher fares, giv-
6 ing consumers fewer choices and decreased customer
7 service;

8 Whereas, it is the role of the Senate Committee on Com-
9 merce, Science, and Transportation and, more specifi-
10 cally the Subcommittee on Aviation, to conduct over-
11 sight of the aviation industry and to promote con-
12 sumers' receiving a basic level of airline customer
13 service;

14 Whereas, the Air Transport Association member air car-
15 riers agreed to an Airline Customer Service Commit-
16 ment to improve the current level of customer service
17 in the airline industry;

18 Whereas, in an interim oversight report, the Department
19 of Transportation Inspector General recently con-
20 cluded that the results are mixed with respect to the
21 effectiveness of the efforts of the major airlines to im-
22 plement their Airline Customer Service Commitment;

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

1 Whereas, according to the Department of Transportation
2 statistics for the month of May, 2000, for the 10
3 major airlines, a combined United Airlines and US
4 Airways would have had the lowest percentage of on-
5 time flight arrivals, the highest percentage of flight
6 operations canceled, the second highest rate of con-
7 sumer complaints, and the second highest rate of mis-
8 handled baggage: Now, therefore, be it

9 *Resolved*, That—

10 (1) the Senate expresses concern about the pro-
11 posed United Airlines-US Airways merger because of
12 its potential to leave consumers with fewer travel op-
13 tions, higher fares, and lowered levels of service; and

14 (2) it is the sense of the Senate that the poten-
15 tial consumer detriments from the proposed United
16 Airlines-US Airways merger outweigh the potential
17 consumer benefits.

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