

Congress examines giant airline merger

Airline CEOs and industry officials testify about the ramifications of a proposed Delta-Northwest union.

By Beth Braverman, CNNMoney.com contributing writer
Last Updated: May 14, 2008: 6:36 PM EDT

[EMAIL](#) | [PRINT](#) | [SHARE](#) | [RSS](#)

NEW YORK -- Congress Wednesday examined a proposed \$3.1 billion merger that would create the world's largest carrier as critics of the deal warned it could drive up the price of air travel.

In his opening statement, committee Chairman James Oberstar, D-Minn., said that the merger would have far-reaching ramifications for the global airline industry.

"This should not be and must not be considered as a standalone, individual transaction but rather as the trigger of what will surely be a cascade of subsequent mergers that will consolidate aviation in the United States and around the world into global, mega carriers," he said.

Oberstar said the Delta-Northwest merger would discourage competition at major hubs, reduce service to customers and result in higher fares.

Executive testimony: Delta Chief Executive Officer Richard Anderson said that the merger would not limit competition because the carriers primarily serve different geographic regions. Delta focuses domestically on the East and the "mountain" West and internationally on Europe and Latin America, while Northwest's domestic strengths are in the Midwest and internationally in Asia. The companies only have 12 overlapping markets.

Anderson and Northwest Chief Executive Officer Douglas Steenland testified under direct questioning that they would not be surprised if other airlines considered a merger to compete with their merged airline.

The executives said they would not close any hubs following the proposed merger and would not eliminate any frontline positions, instead realizing savings by trimming management, corporate staff and overhead costs.

"We think it's procompetitive," Anderson said. "It's good for small communities and it will be good for our employees."

Witnesses on tap: About a dozen witnesses scheduled to testify before the House Subcommittee on Transportation and Infrastructure were likely to focus on whether a merger between Delta Air Lines ([DAL](#), [Fortune 500](#)) and Northwest Airlines ([NWA](#), [Fortune 500](#)) would benefit consumers by lowering prices through cost savings, or harm them by reducing competition.

"The ... dirty little secret of these megamergers is the permanent end to meaningful competition between the United States and Continental Europe," Kevin Mitchell, chairman of the Business Travel Coalition, said in prepared testimony.

Delta announced its plans to acquire Northwest on April 14. The combined carrier, which would operate under the Delta name, would have \$35 billion in combined sales, operate more than 800 airplanes and employ 75,000 workers, according to Delta.

After the merger, Delta would still be headquartered in Atlanta and operate the nine hubs of both airlines in the United States, Europe and Asia, serving 390 destinations in 67 countries.

The airline executives claimed that record fuel prices and increased competition from discount carriers and foreign airlines necessitate the merger, which will create a more profitable combined company that will offer greater choice and competitive fares to travelers.

Monopoly fears: Critics decry such arguments.

"It is my firm belief, and the belief of many others, that airline executives are using a crisis of their own making to justify the establishment of what can only be called a monopoly," Robert Roach, general vice president of the International Association of Machinists and Aerospace Workers, said in a prepared statement.



- | | | |
|-------------|----------------------|---------------------|
| Top Stories | Most Popular Stories | Most Popular Videos |
|-------------|----------------------|---------------------|
1. [US job growth slowed in March](#)
 2. [Dow falls at the open as trade war fears return](#)
 3. [Trump threatens China with new \\$100 billion tariff plan](#)
 4. [President Trump to skip White House Correspondents' Dinner again](#)
 5. [Richard Quest: The trade war has begun](#)

Photo Galleries

 **17 cool gadgets that tease the future**
Smart telescopes, surveillance for dogs, an electric roadster and more from CES 2018.

[More](#)

 **These 12 airplane beds let you really sleep on a flight**
For the price of a premium class ticket, you may just get a space that's comfortable, private, and quiet enough to ensure a good rest. [More](#)

 **CES 2018 kicks off with oddball gadgets**
The biggest tech show of the year opened with a collection of quirky gadgets. [More](#)

Sponsors

Figures from the U.S. Department of Transportation show that the airline industry was profitable in 2007, with an overall net income of \$3.8 billion, up from \$1.7 billion in 2006. Record fuel prices in 2008, however, led to a total loss of about \$1.7 billion in the first quarter of 2008.

Aviation industry outlook: "Going forward, the outlook for airlines has certainly become cloudy," said Michael Reynolds, acting assistant secretary for aviation and international affairs at the U.S. Department of Transportation. Reynolds did not comment specifically on Delta or Northwest.

Reynolds said fuel prices, a potentially weaker economy and labor-cost pressures pose significant challenges to the aviation industry in 2008.

"Our consideration of aviation economic policy must focus on what is best for both a healthy and competitive industry," Reynolds said. "Our goal must be to strike what is admittedly a very difficult balance in the face of a complex and dynamically changing industry. It must also embrace not just a short-term view of the impact on a particular group of stakeholders, but must consider the longer term, collective impact on all stakeholders."

James O'Connell Jr., deputy assistant attorney general in the Antitrust Division of the U.S. Department of Justice, said his division takes a special interest in trust issues in the airline industry. The merger will need approval from the Department of Justice in order to proceed. O'Connell declined to comment specifically on the Delta-Northwest merger because of the ongoing evaluation. ■

First Published: May 14, 2008: 2:10 PM EDT

[High fares to cut into summer air travel](#)

[Delta, American, United raise prices](#)

[Continental looking for friends](#)



[Contact Us](#)

[Closed Captioning](#)

[Site Map](#)



Most stock quote data provided by BATS. Market indices are shown in real time, except for the DJIA, which is delayed by two minutes. All times are ET. Disclaimer. Morningstar: © 2018 Morningstar, Inc. All Rights Reserved. Factset: FactSet Research Systems Inc. 2018. All rights reserved. Chicago Mercantile Association: Certain market data is the property of Chicago Mercantile Exchange Inc. and its licensors. All rights reserved. Dow Jones: The Dow Jones branded indices are proprietary to and are calculated, distributed and marketed by DJI Opco, a subsidiary of S&P Dow Jones Indices LLC and have been licensed for use to S&P Opco, LLC and CNN. Standard & Poor's and S&P are registered trademarks of Standard & Poor's Financial Services LLC and Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC. All content of the Dow Jones branded indices © S&P Dow Jones Indices LLC 2018 and/or its affiliates.

© 2018 Cable News Network. A Time Warner Company. All Rights Reserved. Terms under which this service is provided to you. [Privacy Policy](#). [AdChoices](#)