



The American Antitrust Institute

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AAI RELEASES WHITE PAPER ON MERGER OF DELTA AND NORTHWEST SAYING MERGER SHOULD BE BLOCKED

(Washington, DC) The American Antitrust Institute (AAI) today issued a white paper analyzing how the proposed merger of Delta Air Lines and Northwest Airlines could harm competition and consumers. The \$3.1 billion deal would create the single largest airline in the U.S. and worldwide.

In a white paper authored by AAI Vice President and Senior Fellow Diana Moss, the AAI presents a five-part analysis of the proposed deal. The AAI analysis lists a variety of potential adverse competitive effects that could flow from the merger, any (or all) of which could result in restricted seat availability, higher fares, degraded service quality, and less choice for consumers. The AAI finds that efficiencies claimed by Delta and Northwest are likely to be defeated by larger network size. In addition, entry by legacy networks and low-cost carriers cannot be counted on to discipline post-merger price increases.

The Department of Justice (DOJ) is currently in the process of investigating the merger. Moss noted that while the AAI does not have access to the quality of data and information that the DOJ does in a merger investigation, “our analysis of public information shows that there are too many indicators that the merger would harm competition and consumers and should therefore be blocked.”

The white paper argues that both city-pair and system-based markets would be adversely affected by the proposed merger. “City-pair analysis is the backbone of DOJ airline merger review,” said Moss. “But we also believe that the merger would eliminate head-to-head competition between the Northwest and Delta systems in the broader, system-based market for air travel, something that isn’t typically considered.”

AAI President Albert Foer stated, “The dismal airline industry climate does not establish a good case for haste or exception in reviewing the Delta/Northwest merger application. We think pressure on the airlines to downsize, when paired up with eliminating rivals through merger, does a disservice to consumers.” Foer previously testified on this merger before the House Transportation Committee.

About the American Antitrust Institute

The American Antitrust Institute is an independent non-profit education, research and advocacy organization. Since its formation in 1998, the AAI’s mission has been to increase the role of competition, assure that competition works in the interests of consumers, and challenge abuses of concentrated economic power in the American and world economy. To learn more about the AAI, please visit www.antitrustinstitute.org

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