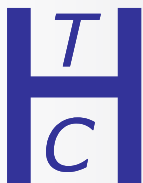


U.S. Airline Mergers: The Modern Era

**Presented at:
The Icarus Society
Northwestern University**

April 10, 2013



George W. Hamlin
Hamlin Transportation Consulting
Fairfax, Virginia
george@georgehamlin.com

Agenda

- Introduction
- A Little Theory
- Historical Review
- Another Way?

The Good

EFFECTIVE AUGUST 1, THRU SEPTEMBER 14, 1972.

DELTA AIR LINES

These schedules cover the August 1 merger of Northeast Airlines into Delta Air Lines and show new Delta service to New England, Bermuda, the Bahamas and Florida.



SYSTEM TIMETABLE

EFFECTIVE APRIL 1, 1987

Delta Air Lines 

SYSTEM TIMETABLE

Delta And Western.



Left to Right: Delta Captain Wayne Cousar, Western Flight Attendant Janet Goodin, Western Mechanic Tom Snyder, Delta Flight Attendant Cynthia Brooks, Delta Passenger Service Agent Leon Tella.

**It's More Than A
Merger. It's An
All-Star Team.**

DELTA
The Best Get Better™

The Bad

Pan Am/National
Schedules
Effective July 8, 1980

Pan Am/National
Schedules
Effective July 8, 1980



National Airlines



PAN AM

The Ugly



Applicable to Some Mergers (and maybe also to Some Presenters)

The world will little note,
no long remember what
we say here...

Some Mergers are Hard to Find Later...



Not Just U.S. or Passenger Airlines







Canadian

C-GDPW

742
C







British airways cargo

G-APEJ



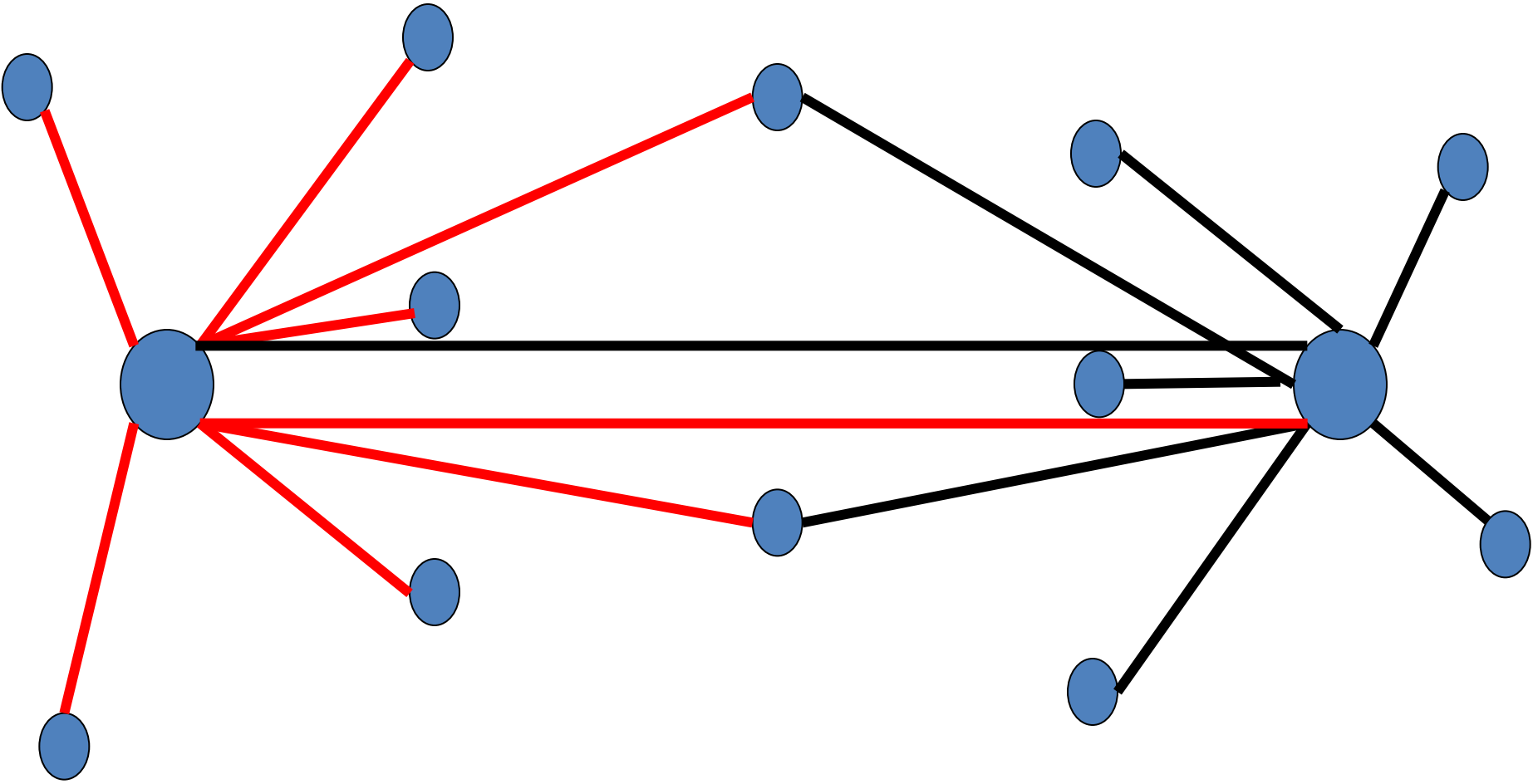
Agenda

- Introduction
- A Little Theory
- Historical Review
- Another Way?

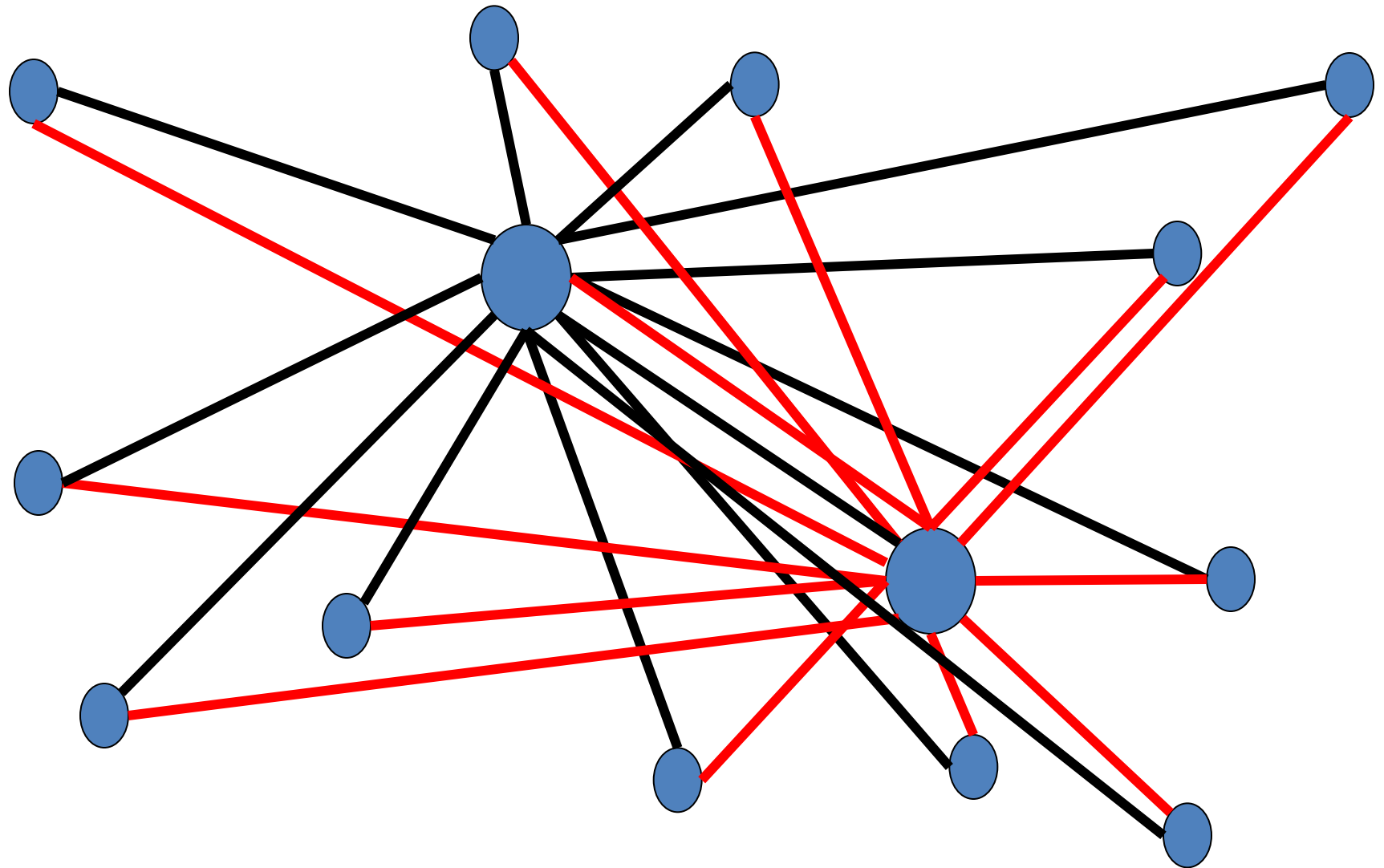
Two Principal Types

- End-to-end
 - Extend service territory
 - Enhance revenue opportunities
- Parallel
 - Eliminate duplicative services
 - Combine operations/reduce costs

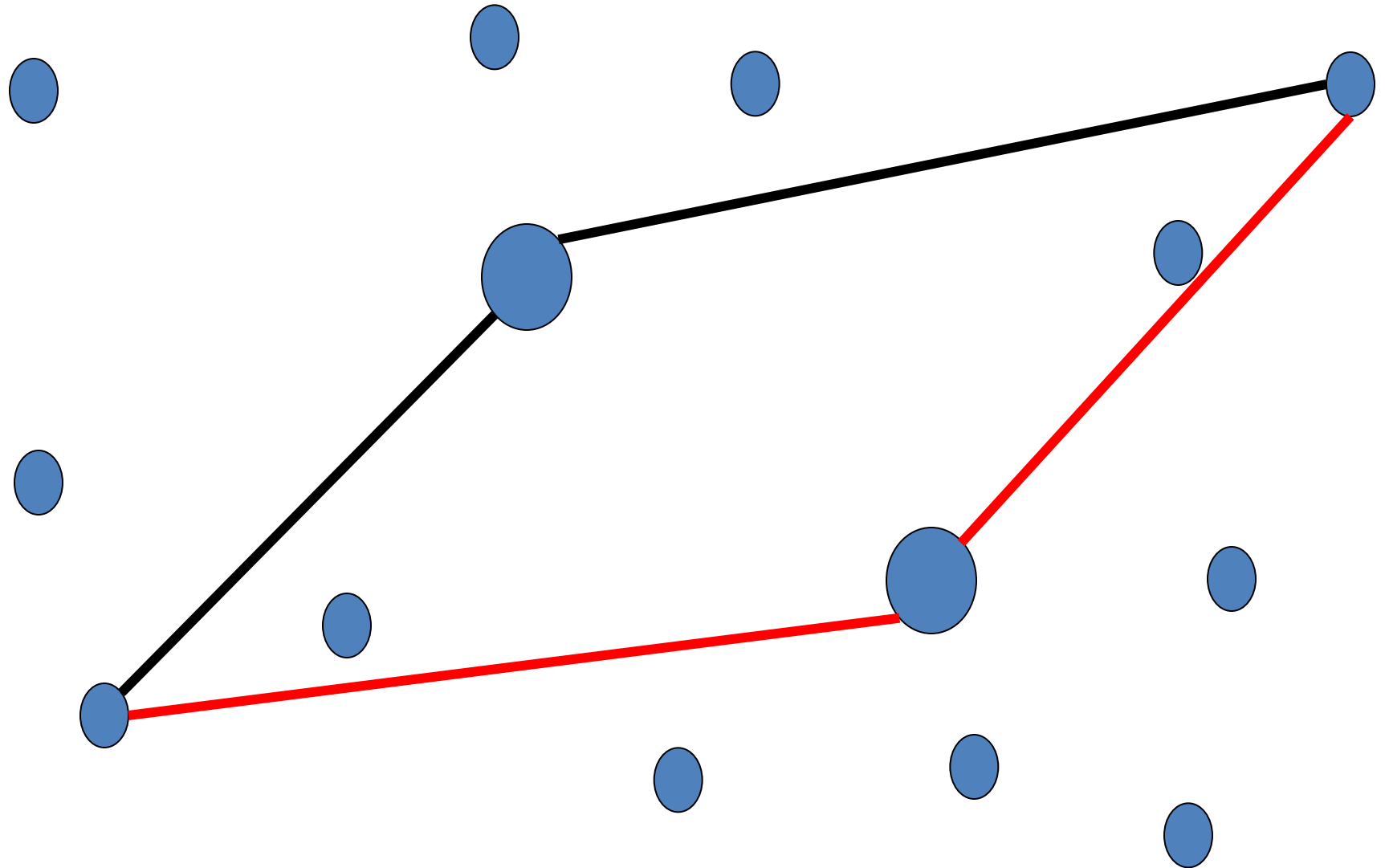
End-to-End Merger



Parallel Merger



Parallel Merger—Will Competition Continue?



Important in both Types

- **Achieve Critical Mass Size**
 - Create more revenue opportunities
 - Reduce operating costs through economies of scale
- **Eliminate Unnecessary Overhead Costs**
 - Maintenance & Overhaul
 - Station Operations
 - Management

Current Situation

- **Increased Activity**
 - Relatively mature industry in N. America, Europe
 - Seen as a means of coping with LCC encroachment, economic overcapacity
- **Both Sides of the Atlantic**
 - Air France/KLM; BA/Iberia
 - Delta/Northwest
 - United/Continental
 - Southwest/AirTran
 - Domino theory applicable?

Agenda

- Introduction
- A Little Theory
- Historical Review
- Another Way?

Airline Mergers: A Little History

- Long history of airline mergers
- In regulated era, use of ‘failing business’ doctrine
- Post-deregulation: ‘build or buy’
- Some successful
- Some not

1961

**Capital Merged Into
United**





UNITED

N7455

VISCOUNT MAINLINER

UNITED

UNITED

373

1967

Panagra Merged Into
Braniff





1967

**Central Merged Into
Frontier**



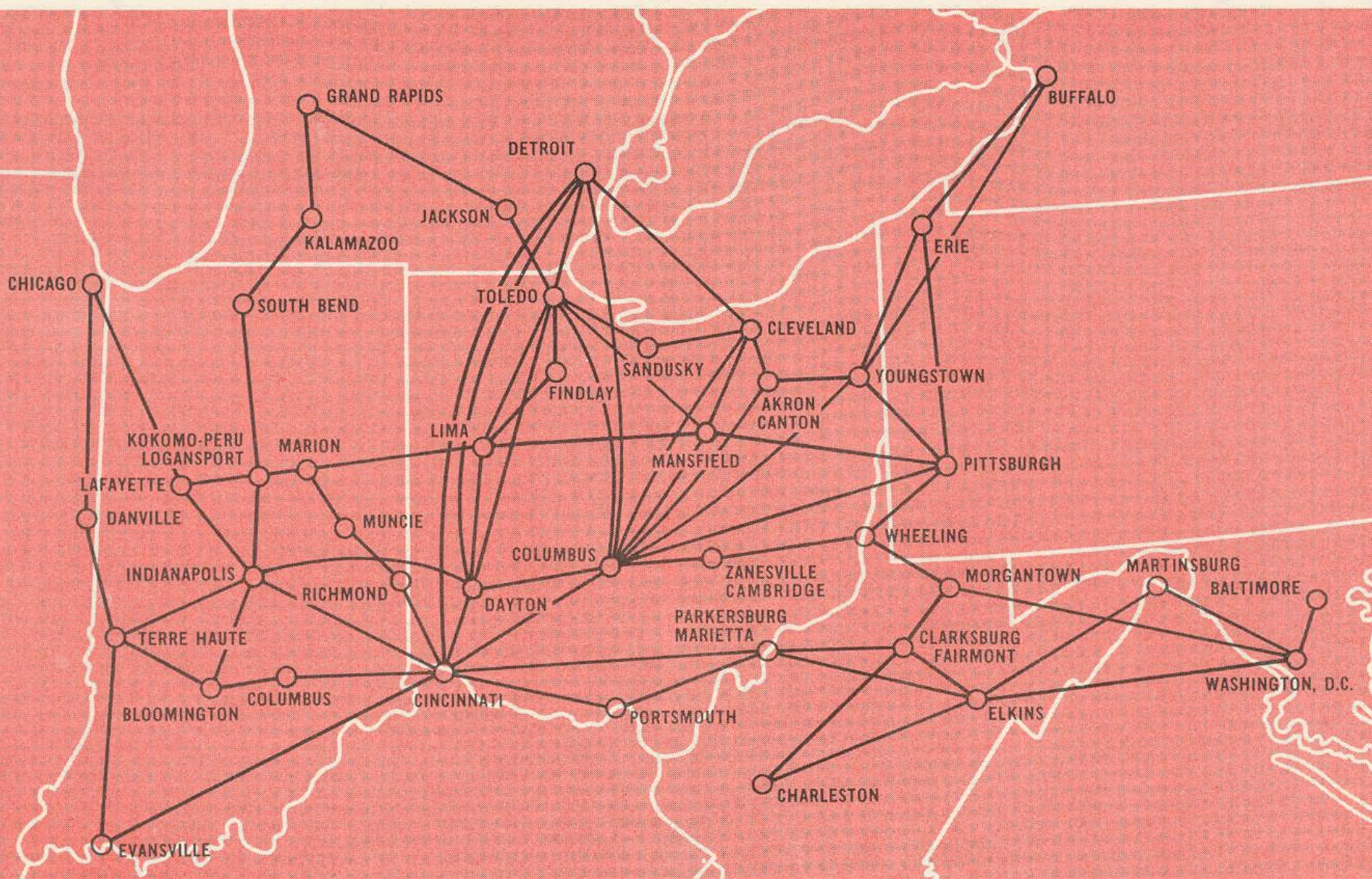
1968

Air West Formed by
Merger of Bonanza,
Pacific & West Coast



1968

Lake Central Merged
Into Allegheny





1971

**Trans-Caribbean
Merged Into
American**



1972

Mohawk Merged Into
Allegheny



1972

Northeast Merged
Into Delta



1979

Republic Formed by
Merger of North
Central & Southern



1980

National Merged Into
Pan Am



1980

Hughes Air West
Merged Into Republic



1982

Continental Merged
With Texas
International



1985-87

Frontier acquired by
People Express & Merged
Into Continental



1986

Empire Merged Into
Piedmont



empire

N512

empire

1986

Republic Merged Into
Northwest



1986

Ozark Merged Into
TWA



1987

New York Air Merged
Into Continental



3504T

N541NY

Continental
NEW YORK AIR

1987

People Express
Merged Into
Continental



1987

Western Merged Into
Delta



1987

AirCal Merged Into
American



1987

Jet America Merged
Into Alaska



Alaska

N780JA

1988

Florida Express
Merged Into Braniff
(II)



1988

PSA Merged Into
USAir



USAIR

N383AU

USAIR

PSA

PSA

1989

Piedmont Merged
Into USAir



1992

Trump Shuttle
Acquired/Operated
by USAir



1994

Morris Air Merged
Into Southwest



1997

AirTran Acquired by
ValuJet; Name
Retained



1997

Carnival Acquired by
Pan Am (II)



1999

Reno Air Merged Into
American



2001

**TWA Merged Into
American**



2005

America West Merged
With US Airways



2008

Northwest Merged
Into Delta





2010

Continental Merged
Into United




© 2011 United Airlines, Inc.

**Who's merging isn't
nearly as exciting
as what's emerging.**

UNITED



A STAR ALLIANCE MEMBER 

2011

AirTran Merged Into
Southwest



2013?

US Airways Merged
Into American??



2013

US Airways Merged
Into American

Agenda

- Introduction
- A Little Theory
- Historical Review
- Another Way?

Is There Another Way?

- General agreement that capacity needs to come out of the system in the short run
- Would 'Creative Destruction', via carrier failure, be a more efficient process?
 - Possibility of optimizing route systems
 - Asset acquisition could enable LCCs to participate effectively

Creative Destruction



Asset Acquisition: A Better Alternative?



Sometimes, They Just Disappear



A Key Question: What Are Implications of Mergers?

- Service decreases; routes, hubs
- If concentration at fewer hubs, will average aircraft size increase?
- How will smaller markets be impacted?
- Role of regional carriers
- Domestic vs. international emphasis
- Will this create further opportunities for LCCs?

Stay Tuned!

Stay Tuned!

(And wondering whether Southwest's next 'special' will be Georgia 1 or Peach 1)

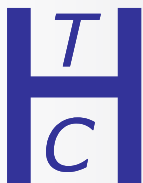
In Summary

- Mergers are a prominent feature of airline history
- U.S. industry is now relatively concentrated; will it remain stable in its near-term form?
- May need to be policy changes to address the industry's future

U.S. Airline Mergers: The Modern Era

**Presented at:
The Icarus Society
Northwestern University**

April 10, 2013



George W. Hamlin
Hamlin Transportation Consulting
Fairfax, Virginia
george@georgehamlin.com

