

POLICY BRIEF

An electronic publication of
The Allegheny Institute for Public Policy

March 28, 2001

Volume 1, Number 3

Time to Clear the Airways: Part One

Many members of Congress are upset about it. Consumer advocates oppose it. Customers are hesitant and wary. Competitors warn that they'll be disadvantaged. What could have so many groups disturbed? Of course, we're talking about the acquisition of USAirways by United Airlines. Airline industry consolidation is suddenly a hot topic, but there's been far more heat than light shed on the subject. In a two-part series we'll try to clarify the issues.

A Good Deal All Around

The merger of United Airlines and USAirways is, plain and simple, a good thing. It is good for the customers of both airlines. They will have access to a nearly seamless, truly nationwide network of high quality airline services. From small communities currently served by the two airlines to major "hub" cities, all of the new airline's markets will find the product improved. The merger is also good news for employees at United and USAirways. By crafting a new airline uniquely positioned to take advantage of the forecast growth in demand for air travel over the next decade, career paths are broadened and lengthened for all. Add to this equation the expanded opportunities as overseas markets grow and open, and employees are beginning to recognize that they have a chance to work for a real winner.

Of course, change is a given, and it has been the growth and efficiency of upstart discount airlines that have put significant downward pressure on airfares and prompted the wave of merger considerations currently before us. Employees know the goal of combining United and USAirways is a more efficient, cost-competitive enterprise, and have signaled their support.

For this region, and Pennsylvania at large, the merger represents particularly good news. The Greater Pittsburgh area could lose between 6,500 to 8,000 jobs if USAirways were forced to fly alone. With a merger, these jobs would be assured. Just as important, a stronger airline could create hundreds of new jobs over the five years following a merger. The merger would preserve more than \$2.8 billion in annual economic activity in this region, with the potential to expand yearly airline-related economic activity to as much as \$3.5 billion post-merger. Pittsburgh International Airport would be a growing center in a global aviation network and, along with Philadelphia, likely enjoy significantly increased international activity. Best of all, this region remains a major player in the aviation industry and retains a key advantage in the global marketplace. Already there's discussion of the possibility of bringing Boeing Company's corporate offices to Pittsburgh--and there will be more such opportunities once the merger is consummated, including growth in tourism and convention activity.

A Look at Industry and Competitive Issues

In the next installment we will focus on the regulatory and competitive issues that have formed the core arguments of those who oppose the merger. We'll show why claims that the merger will result in extreme industry consolidation, poorer service and higher airfares are misplaced.

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Note to readers: Watch for details concerning an upcoming Allegheny Institute sponsored luncheon event, to be held April 24.

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