

# USA: AIRLINE MERGERS HAVE NOT AFFECTED FARES



The last decade has been extremely busy for U.S. airlines and multiple mergers took place. Many specialists anticipated that these business moves would affect fares, digging deeper into the average consumer's pocket. Despite the fact that travel watchers have published grim predictions, the outcome of these mergers were not as bad for domestic fares.

In 2005, US Airways and America West initiated the chain of events. Three years later, Delta and Northwest airlines merged, marking 2008 as another year of corporate acquisitions. **The most recent merger took place in 2010 when Southwest's acquired AirTran.**

Many predicted that these mergers and acquisitions would cause fare prices to rise significantly. In reality, a report extracted from federal transportation data revealed that the prices for domestic flights experienced an average yearly growth of only 1.8% from 2004 to 2011.

Despite the fact that prices haven't spiked, Jonathan Kletzel, transportation and logistics practice specialist for PwC US, mentioned that the data is irrelevant for fare surges. According to his analysis, there is a false impression that the mergers lead to a sharp increase in airfares. This misconception is not backed up by the data collected by PwC US. One of the facts that the report can confirm is that flight choices were not reduced by these mergers and acquisitions.

Looking deeper through the data in the report, statistics revealed that in 2004, the top 1000 routes were mainly served by the top two competing companies. These numbers were recorded a year before the mergers took place. After the corporate acquisitions began, the statistics remained almost unchanged.

**Even if the trend continues with more mergers, other low-cost companies will come in to fill in the spot and incidentally prices will not spike.** This statement is backed up by Henry Harteveltdt, travel analyst at Hudson Crossing. According to him, low-cost airlines continue to stand their ground and prevent fare prices from going up.

Because there is more than one carrier and the consumer can make a choice, the battle for customers is dictated by prices and service quality. All these low-cost airlines act as price regulators, keeping the giants from monopolizing the market.

This constant battle for customers also leads to a service quality improvement. Customer complaints have dropped and recent statistics showed that mishandled luggage records are placed now at 2.97 per 1000.

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