



Department of Justice

FOR IMMEDIATE RELEASE
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JUSTICE DEPARTMENT SETTLES ANTITRUST CHALLENGE TO USAIR/BRITISH AIRWAYS DEAL

WASHINGTON, D.C. -- The Department of Justice today filed a civil antitrust suit challenging the proposed transaction between USAir Group Inc. of Arlington, Virginia, and British Airways Plc of London, England.

At the same time, the Department filed in U.S. District Court in Washington, D.C., a proposed consent decree that would settle the suit by requiring USAir to divest its authority to provide scheduled airline passenger service to London from Philadelphia, Baltimore/Washington and Charlotte, North Carolina.

On January 21, 1993, British Airways purchased roughly 20 percent of USAir's stock for \$300 million, and the two airlines agreed to initiate joint operations on U.S.-London services. Under the joint program, the two airlines will provide connections from London to numerous U.S. cities through USAir's hubs at Philadelphia, Pittsburgh, Baltimore/Washington and Charlotte using shared airline designator codes. Airline designator codes are used by airlines and travel agents to identify carriers.

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John W. Clark, Acting Assistant Attorney General in charge of the Antitrust Division, said the transaction would likely remove USAir as an independent competitor for U.S.-London passengers, but also potentially offers significant procompetitive benefits in the form of new nonstop service between Pittsburgh and London, new online service between interior U.S. points and points beyond London, and the formation of a strong new competitor for passengers travelling between U.S. interior points and London. Clark said that the settlement preserves the procompetitive benefits of the transaction while mitigating its anticompetitive effects.

British Airways accounts for about 38 percent of the seats available for all U.S.-London travel, with nonstop flights from 14 U.S. gateways, including Philadelphia and Baltimore/Washington. USAir, with nonstop service from the Philadelphia, Baltimore/Washington, and Charlotte gateways, competes with British Airways for passengers travelling to London from cities located in the northeast and Mid-Atlantic regions of the U.S. as well as for nonstop passengers from Philadelphia and Baltimore/Washington.

Air transportation between the U.S. and London is governed by a bilateral agreement that restricts the number of U.S. cities that may receive nonstop service to London, the number of airlines that may serve each nonstop route, the amount of service they may provide, and the fares they may charge.

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The complaint alleged that the effect of the deal may substantially lessen competition in the provision of scheduled airline passenger service between interior U.S. points and London, and in the provision of nonstop scheduled airline passenger service in the Philadelphia-London and Baltimore/Washington-London markets.

Clark said the competitive concerns are heightened by the fact that carriers serving U.S.-London markets currently are permitted, under the aegis of the International Air Transport Association, to discuss and agree with one another on the fares they will charge consumers.

The consent decree will require USAir to transfer its authority from each of its gateways to an approved purchaser within 45 days of its initiation of code-sharing services with British Airways from that gateway. If USAir is unable to complete a sale, it is required to surrender the authority to the U.S. Department of Transportation for authorization of another airline.

Public comment on the proposed consent decree is invited within a 60-day period, which if approved by the court, would settle the suit. Interested persons can write to Mark Schechter, Chief, Transportation, Energy and Agriculture Section, Antitrust Division, Department of Justice, Room 9104, 555 4th Street, N.W., Washington, D.C. 20001.

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