



Department of Justice

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**JUSTICE DEPARTMENT SETTLES AIRLINES PRICE FIXING SUIT,
MAY SAVE CONSUMERS HUNDREDS OF MILLIONS OF DOLLARS**

WASHINGTON, D.C. -- Six of the nation's largest airlines agreed today to changes in a price information system that was used to increase the cost of airplane tickets by perhaps more than a billion dollars between 1988 and 1992. Earlier, two other airlines settled the case filed by the Justice Department's Antitrust Division.

Today's settlement involves American Airlines, Delta, Northwest, Continental, Trans World Airlines, Alaska Airlines, and a computerized fare information system owned by the airlines, the Airline Tariff Publishing Company, known as ATP.

Two other participants, United Air Lines and USAir, entered into a consent decree in December 1992, after the Justice Department filed a suit against the eight major carriers for using the information system to conduct a detailed electronic dialogue to raise prices and eliminate discounts.

The Antitrust Division has identified over 50 separate price fixing agreements covering hundreds of routes. By supplying or

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withdrawing changes in fares, the airlines told each other what fares they wanted to charge in which markets, what competitors' fares were acceptable to them, and what deals they were willing to make, according to the Justice Department.

The Justice Department said ATP allowed the airlines to float "trial balloon" price increases, make and receive counterproposals, and reach consensus on the amount and timing of price increases or the removal of discounts.

Assistant Attorney General Anne K. Bingaman in charge of the Antitrust Division said, "The airlines used the ATP fare dissemination system to carry on conversations just as direct and detailed as those traditionally conducted by conspirators over the telephone or in hotel rooms. Although their method was novel, their conduct amounted to price fixing, plain and simple."

As a result of one agreement, consumers paid as much as \$138 more for travel between Chicago and Dallas. In another, airlines agreed to raise discount one-way fares by \$20, said the Justice Department.

A government economist calculated that consumers in 300 markets would have paid \$238 million more for air travel between April 1988 and December 1992 if coordination through ATP increased airline fares by as little as \$1. If coordination through the information exchange raised fares by as much as five percent (\$8 on an average ticket), the harm to consumers would have amounted to \$1.9 billion, the Department said.

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Attorney General Janet Reno said, "The Department is determined to challenge price fixing or other anticompetitive conduct no matter how sophisticated the tools or technology employed."

Today's settlement, to be filed in U.S. District Court in Washington, D.C., allows the airlines to continue to use ATP for legitimate purposes.

However, the settlement eliminates the information exchange features that let the airlines negotiate prices with each other. The airlines may no longer file fares with a "first ticket date," a future date on which a fare may first be offered for sale. This gave competitors time to signal their intentions either to challenge or accept the fare increase, or propose modifications and linkages. It was not uncommon for airlines to link fares and attach first ticket dates, saying, in essence, "If you raise your fare in market A, where I prefer a higher price, I will raise my fare in market B, where you prefer a higher price," said the Department. Under the decree, all fares in the system must be available for immediate purchase by consumers.

The settlement also strictly limits the communication of "last ticket dates," except when used to say when sales end. It prohibits the use of last ticket dates to convey messages to competitors such as "I will remove my discounts if you remove yours," and "All right, I will remove my discount fares on this date," the Department said. The proposed decree also prohibits

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the use of other methods to communicate future pricing intentions.

The settlement reached with the airlines today provides substantially the same relief as the decree obtained from United Airlines and USAir, which was approved by the court.

To become effective, today's settlement must be approved by the court following the expiration of a 60-day comment period as required by the Antitrust Procedures and Penalties Act.

The proposed consent decree would settle the suit against American Airlines Inc. of Fort Worth, Texas; Delta Air Lines Inc. of Atlanta; Northwest Airlines Inc. of St. Paul, Minnesota; Continental Airlines Inc. of Houston; Trans World Airlines Inc, of Mt. Kisco, New York; and Alaska Airlines Inc. of Seattle. It would also settle the suit against the Airline Tariff Publishing Company, headquartered in Chantilly, Virginia.

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