Department of Justice

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DEPARTMENT OF JUSTICE APPROVES NORTHWEST/CONTINENTAL/DELTA MARKETING ALLIANCE WITH CONDITIONS

Agreement Could Result in Lower Fares and Better Service for Passengers

WASHINGTON, D.C. – The Department of Justice today announced an agreement with Northwest Airlines, Continental Airlines and Delta Airlines that would allow the airlines to proceed with their proposed marketing alliance and codeshare agreement as long as they meet certain conditions that will preserve competition.

Under the proposed alliance agreement, the carriers will sell seats on each others' flights, placing their own "code" on its partners' flights. There will be no sharing or pooling of revenues, so each carrier will continue to compete for passengers. Northwest and Continental have been operating under a similar arrangement since 1998.

The Department's conditions prohibit conduct the alliance carriers could use to collude on fares or otherwise reduce competition among themselves. One condition prohibits the carriers from codesharing on each other's flights wherever they offer competing nonstop service, such as service between their hubs. The conditions also require the carriers to continue to act independently when setting award levels or other benefits of their own frequent flyer programs and when they are competitors for corporate contracts.

"This alliance agreement, as conditioned, has the potential to lower fares and improve service for passengers in many markets throughout the country," said R. Hewitt Pate, Acting Assistant Attorney General in charge of the Antitrust Division. "The operation of the alliance remains fully subject to the antitrust laws, and the Department will be vigilant in continuing to monitor the operation of the alliance."

According to the Department, the alliance can benefit consumers by offering codeshare service to new cities, increasing frequencies or improving connections to cities already served by the carriers, and by permitting frequent flyers to earn and redeem their miles on any participating carrier. Corporations can also benefit from joint bids for contracts from alliance airlines where the airline partners offer complementary rather than competing service.

The parties agreed to the modifications following the Department's antitrust review of the proposed marketing alliance and codeshare arrangements. The proposed arrangement also is subject to a separate and independent review by the Department of Transportation under the Federal Aviation Act.

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