

Government Lawsuit Seeks to Block AM-US Airways Merger

by Joel R. Glucksman on August 23, 2013

A government lawsuit, filed by the Justice Department and several states, is seeking to halt the proposed American Airlines merger with US Airways. The merger - the final step in AMR's exit from bankruptcy protection - would create the largest airline in the world.

The government's antitrust suit was largely unexpected, as the two airlines have been making notable and unimpeded progress toward their merger in recent weeks. However, the suit will halt those plans, as the Justice Department seeks to prove that the merger will hinder competition and hurt consumers by leading to higher fares and fees. Should the merger be pushed through, the government said, it feared the new airline would control more than 80 percent of the U.S. commercial air market.

The lawsuit was filed in the U.S. District Court for the District of Columbia, and Arizona, Florida, Pennsylvania, Tennessee, Texas, and Virginia joined in the litigation. In a conference call to reporters, Bill Baer of the Justice Department said that the suit is critical to protecting consumers from hundreds of millions of dollars in unnecessary and burdensome costs.

"While shareholders might benefit, [and] creditors might benefit from consolidation, the fact of the matter is, consumers will get the shaft," said Baer. "The right option here is a full-stop injunction."

US Airways CEO Doug Parker disagreed with the Justice Department's assertions, especially as the merger has already been approved by the European Union, airline creditors, and airline shareholders.

"We are extremely disappointed in this action and believe the DOJ is wrong in its assessment," said Parker. "We will fight them."

A hearing to confirm AMR's bankruptcy exit plan is expected to move forward on Thursday, and it is unclear how the lawsuit may initially impact the company's plan to emerge from proceedings.