

# DELINEATING AIRLINE MARKETS FOR ANTITRUST ANALYSIS

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**Abstract** The delineation of relevant markets is of paramount interest in almost every antitrust investigation – not only as an essential input for the calculation of market shares but also for an assessment of ‘the full set of competitive forces that operate in the market’. However, this importance of market delineation is not reflected in the literature on airline economics. Most of the theoretical and/or empirical studies simply assume the relevant market as a certain city-pair without expounding the problem of market delineation in greater detail. Even the antitrust authorities around the world put surprisingly little effort into questions of market delineation in the airline industry.

Against this background the paper aims at developing a theoretical framework for market delineation for antitrust purposes in the airline industry. To reach this aim, the first section reviews pivotal airline antitrust cases in the United States of America (e.g. *People Express-Frontier (1985)* or *TWA-Ozark (1986)*), the European Union (e.g. *Air France-Sabena (1992)*, *British Midland-Air Lingus (1992)* or *KLM/Alitalia (1999)*) and Australia (e.g. *Qantas-Air New Zealand (2003)*) with respect to market definition. The identified differences are the basis for a theoretical assessment in the following section which is subdivided into supply substitution (e.g. routes (direct and indirect), networks, potential entrants) and demand substitution (e.g. airports, other transport modes, timesensitiveness of passengers). A special focus lies on the usefulness of standards tools of market delineation - like the SSNIP-test - in airline antitrust cases (mainly mergers and monopolization issues). The results of the case-based and theory-based assessments merge into the proposal of a general framework in the third section. Section four concludes the paper and provides avenues for further research.

**Keywords** Antitrust, Airline Industry, Market Delineation  
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