

TRANSATLANTIC AIRLINE COOPETITION

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AN ANTITRUST PERSPECTIVE

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Abstract In 2008, the Open Skies agreement introduced a new age of transatlantic air travel. After more than 60 years of bilateral restrictions, the agreement allows airlines for the first time to fly non-stop between any city in Europe and any in the United States. In the aftermath of the agreement, most commentators expect a boost in transatlantic air travel due to increasing airline competition.

Although the effect of the Open Skies agreement on transatlantic competition is clearly positive, there are two key reasons to believe that the size of the effect may be smaller than initially expected. First, the new Open Skies agreement leaves several regulatory interventions unchanged such as the cabotage right or the right of foreigners to control US airlines. Second, airlines themselves may have possibilities and incentives to restrict competition. For example, the last couple of years have not only seen several cases of hard-core cartels in the airline industry but also a further consolidation in the number of airline alliances.

Against this background, the paper assesses the question whether the new age in transatlantic travel needs a rethinking of the optimal degree of cooperation between airlines. In order to reach this aim, the paper develops a general antitrust framework for the investigation of joint ventures and applies it to the current state of coopetition in the transatlantic air travel market. The results indicate that, although it is undisputed that airline alliances realize substantial benefit (e.g., through increased service quality), the respective cost burden through the elimination of horizontal competition may have increased. As a consequence, antitrust authorities should refrain from granting antitrust immunity for airline alliances more or less automatically and should instead analyze the respective costs and benefits more closely in order to maximize the benefits of competition for the consumers.

Keywords Airline Industry, Antitrust Policy, Open Skies, Cartels, Strategic Alliances

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