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United Airlines and Continental Airlines Transfer Assets to Southwest Airlines in Response to Department of Justice’s Antitrust Concerns

Department of Justice Closes Investigation, Transfer of Newark, N.J., Assets Resolves Competition Concerns

Washington — The Department of Justice announced today that in light of the agreement by United Airlines Inc. and Continental Airlines Inc. to transfer takeoff and landing rights (slots) and other assets at Newark Liberty Airport to Southwest Airlines Co., the department has closed its investigation into the proposed merger of UAL Corporation, the parent of United, and Continental. United and Continental entered into the arrangement with Southwest in response to the department’s principal concerns regarding the competitive effects of the proposed United/Continental merger.

The department conducted a thorough investigation. The proposed merger would combine the airlines’ largely complementary networks, which would result in overlap on a limited number of routes where United and Continental offer competing nonstop service. The largest such routes are between United’s hub airports and Continental’s hub at Newark airport, where Continental has a high share of service and where there is limited availability of slots, making entry by other airlines particularly difficult. The transfer of slots and other assets at Newark to Southwest, a low cost carrier that currently has only limited service in the New York metropolitan area and no Newark service, resolves the department’s principal competition concerns and will likely significantly benefit consumers on overlap routes as well as on many other routes. The slot transfer is through a lease that permanently conveys to Southwest all of Continental’s rights in the assets, in compliance with FAA rules.

Led by the office of the Ohio Attorney General, the offices of the attorneys general from California, Ohio, Texas, Virginia, Pennsylvania, North Dakota, New Jersey, Hawaii and the District of Columbia have also been investigating the proposed merger. The department is supportive of the states’ efforts to have any of their additional concerns about the proposed merger addressed.

United Airlines, based in Chicago, is the third largest carrier in the United States by revenue. In 2009, it collected $16.3 billion in revenue carrying approximately 80 million passengers. United and its regional affiliates offer service to more than 230 destinations in the United States and 30 other countries throughout the world.
Continental Airlines, based in Houston, is the fourth largest carrier in the United States by revenue. In 2009, it collected $12.6 billion in revenue carrying approximately 67 million passengers. Continental and its regional affiliates offer service to 265 destinations in the United States and over 50 other countries throughout the world.

Southwest Airlines, based in Dallas, is the sixth largest carrier in the United States by revenue. In 2009, it collected $10.4 billion in revenue carrying approximately 86 million passengers. Southwest serves 69 cities in the United States.

The Antitrust Division provides this information under its policy of issuing announcements related to the closing of investigations in appropriate cases. This announcement is limited by the division’s obligation to protect the confidentiality of certain information obtained in its investigations. As in most of its investigations, the division’s evaluation has been highly fact-specific, and many of the relevant underlying facts are not public. Consequently, readers should not draw overly broad conclusions regarding how the division is likely in the future to analyze other collaborations or activities, or transactions involving particular firms. Enforcement decisions are made on a case-by-case basis, and the analysis and conclusions discussed in this statement do not bind the division in any future enforcement actions. Guidance on the division’s policy regarding announcements related to the closing of investigations is available at www.usdoj.gov/atr/public/guidelines/201888.htm.

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