

Opinions

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MONDAY, 8.19.2013
THE ARIZONA REPUBLIC
OPINIONS.AZCENTRAL.COM

THE ARIZONA REPUBLIC
Founded in 1890 • A Gannett newspaper
JOHN ZIDICH, *President and CEO*

Airline merger would increase prices, reduce flights

The Arizona Republic editorial board criticizes my antitrust action to stop the merger of US Airways and American Airlines ("Public interest ignored," Opinions, Wednesday).

I love our hometown airline, and I use it whenever I have that choice. But this merger would result in four airlines dominating 87 percent of the domestic market, and it would inevitably result in higher fares and lesser service. More routes would be monopolized by just one carrier. The editorial board says this action constitutes "a government that presumes to know more about market forces than the market does." In general, it is my philosophy that the economy does best when the govern-



MY TURN
TOM HORNE

ment does not interfere with the market. But antitrust is an exception. And enforcing antitrust laws is my responsibility. In "The Wealth of Nations," Adam Smith argued that governmental prevention of monopoly power was absolutely necessary for a successful free-enterprise system. Smith wrote: "The monopolists, by keeping the market constantly under stocked, by never fully supplying the effectual demand, sell their commodities much above the natural price."

The law of supply and demand is an unchangeable law of nature, like the law of gravity. Just as I know if I jump out the window I will go down and not up, I know equally that when there are more suppliers, prices go down and service goes up as they compete to get my business. This is not just theory. It has been observed many times throughout history. When Russia abandoned communism, it deregulated prices before establishing competition. Prices went through the stratosphere. It was a disaster. Competition is absolutely necessary to a well-functioning free-enterprise system.

As the number of airline carriers decreased in recent years, we've all seen fares go up, and

new fees imposed for baggage, desirable seats, etc. Our complaint quotes one of the airline presidents as reporting that consolidation (mergers that reduce the number of airlines) has enabled the airlines to raise prices.

The airlines have written that increased consolidation enables them to exercise "capacity discipline." This means fewer flights. In addition to higher prices, passengers will have fewer flight options to their destinations. These results have been observed as a result of previous mergers in the airline industry. American Airlines is exiting bankruptcy with \$6 billion in revenue in its last quarterly report. Its plan was to expand do-

mestically and internationally, adding service on nearly 115 new routes. For US Airways, this plan would disrupt the industry "capacity discipline momentum" (i.e., reducing flights and driving up prices). This merger, if approved, would enable it to squelch that expanded competition. Less competition means fewer choices, less service and higher prices. It is a law of nature.

Tom Horne is Arizona attorney general. He, attorneys general from five other states and the District of Columbia and the U.S. Department of Justice filed an antitrust lawsuit last week to block the merger of US Airways and American Airlines.

REPUBLIC MEDIA

THE ARIZONA REPUBLIC

Vol. 124, No. 93 (ISSN 0892-8711) (USPS 030-920)

Published daily by Phoenix Newspapers Inc. 200 E. Van Buren St., Phoenix, AZ 85004 or P.O. Box 1950, Phoenix, AZ 85001. Phone 602-444-8000. Periodicals Postage Paid in Phoenix, AZ 85026. Member: Audit Bureau of Circulations
Postmaster: Send address changes to The Arizona Republic, P.O. Box 1950, Phoenix, AZ 85001.

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