



Newsroom

AG Racine Announces Lawsuit to Block Unprecedented Deal Between American Airlines & JetBlue

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(HTTP://WWW.OAG.DC/NEWSROOM/2021/09/21/AG-RACINE-ANNOUNCES-CEASE-AND-DESIST-LAWSUIT-TO-BLOCK-UNPRECEDENTED-DEAL-BETWEEN-AMERICAN-AIRLINES-AND-JETBLUE)

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Airlines' Agreement Would Harm Competition & District Consumers at DCA

WASHINGTON, D.C. – Attorney General Karl A. Racine today announced that his office, along with six states and the U.S. Department of Justice (DOJ), are seeking to block unprecedented agreements between American Airlines and JetBlue that would consolidate operations in key markets and, as a result, hurt competition and consumers at Ronald Reagan Washington National Airport (DCA).

“DCA is a prime hub for both District residents and travelers from all over the country, and it’s essential that those travelers have access to competitive prices for flights and quality choices when picking airlines and routes,” said AG Racine. “But these agreements would significantly hurt District consumers at our local airport. I’m joining this lawsuit because we must hold companies accountable that try to skirt fair competition rules. These agreements risk District consumers paying higher prices and having less choice in airline options – and that isn’t fair.”

The complaint alleges that the agreements between American Airlines and JetBlue will reduce important competition for routes across the country, including the well-traveled DCA to Boston route, and will significantly diminish JetBlue’s incentive to compete with American Airlines in any location it seeks to expand operations. Such a step would consolidate an already highly concentrated industry and lead to hundreds of millions of dollars in harm to air passengers across the United States through higher fares and reduced choice.

Under the agreements between the two airlines, they will consolidate their operations in Boston and New York City in a deal they call the “Northeast Alliance.” It would specifically combine operations, revenues, and planning at four major airports: Boston Logan, John F. Kennedy, LaGuardia, and Newark Liberty. On top of this, they will pool gates they use as well as takeoff and landing authorizations. JetBlue has historically been an important, scrappy competitor in the airline industry. American Airlines is the largest airline in the world and it is one of four airlines – including Delta, United, and Southwest – that combined control over 80% of domestic air travel.

The agreements between American Airlines and JetBlue will significantly hurt DCA consumers because:

- The agreements will create a monopoly for flights between Boston and DCA that will give consumers fewer choices. Because the agreements allow the airlines to coordinate flights in and out of the four northeast airports, including to and from DCA, there will be less competition on the route and consumers will have fewer options at DCA. American Airlines and JetBlue dominate the market for flights from DCA to Boston, with a combined share of around 90% of the market. Boston is perennially one of the top destinations out of DCA.
- The agreements will lead to JetBlue refraining from competing against American Airlines going forward, resulting in higher prices for consumers. The agreements between airlines reduce JetBlue’s incentive to continue to be the disruptive, low-priced competitor at DCA. As a result, the agreements will likely lead to higher airline prices for consumers at the District’s home airport. When JetBlue enters a market, airline fares typically go down, known in the industry as the “JetBlue effect.” But now, in markets where American Airlines is a competitor, JetBlue will need to consider its agreements with American Airlines, such as revenue sharing or keeping its flight capacity, if it looks to expand its presence in those markets. This concern is especially valid at DCA because American Airlines has such a large presence at the airport. From March to May of this year, American Airlines flew more than one-third of the passengers at DCA.