

Airline Merger Mania -- The Effect on Regionals – Part I
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This is the summer of merger mania in the airline industry. United's announced merger with US Airways was quickly followed by announcements by American and Northwest and then Delta and Continental. Part I of this series addresses the regional partners of United/US Airways.

Combined United/US Airways have 12 regional affiliates with 556 total aircraft fleet - 109 regional jets, 220 thirty-seat turboprops, and 227 nineteen-seat turboprops. Scope clause restrictions limit the combined fleet to 137 regional jets.

United has traditionally maintained a "hands-off" relationship with the United Express carriers, while US Airways has very closely managed the US Airways Express affiliates. United does not currently own any of the United Express carriers, while US Airways owns three – PSA, Allegheny, and Piedmont. The merger plan calls for the spin-off of PSA create a new airline, setting the stage for United to ultimately sell the other two US Airways-owned affiliates.

The United/US Airways plan calls for the creation of DCAir from the certificate PSA. PSA will cease to exist and DCAir's initial fleet of Boeing 737s and turboprops will operate under the PSA certificate. The plan foresees the replacement of DCAir's 737s with regional jets within three years. It is not clear where DCAir will obtain the regional jets, since PSA currently does not operate regional jets. Total capacity in the DCAir markets will drop by at least 50%. The displaced passengers can be expected to migrate to Washington, Dulles.

Commutair has decided not to wait for the resolution of the United/US Airways merger. Commutair dropped the US Airways code-share and aligned itself with Continental. Commutair's change of allegiance removes 41 Beech 1900s from the United/US Airways system and creates a large service gap in the carriers' Northeast network.

United's lack of a southeast hub is good news for Charlotte. The hub will most likely be expanded to the benefit of Mesa subsidiary CCAir and US Airways owned carrier, Piedmont.

The United/US Airways/DCAir service at Ronald Reagan National and Washington Dulles airports will be rationalized. The displaced National passengers may cause the merged carrier to upgrade to larger jets in ACA and US Airways Express markets at Dulles causing a total restructuring of regional service. Atlantic Coast Airlines is the dominant regional at Dulles with its own terminal and 254 daily departures. US Airways Express currently serves Dulles to 20 destinations with 73 daily flights.

Both Atlantic Coast and Mesa serve the Dulles - New York LaGuardia market with 50-seat regional jets almost every hour. After the merger, United will likely offer one departure an hour with larger equipment thereby necessitating the redeployment of the Atlantic Coast and Mesa regional jets.

Philadelphia is likely to remain a strong domestic hub, but look for United to restructure US Airways' international service. The merged airline will likely downsize operations at Baltimore and Pittsburgh, to focus on growing the Charlotte, Philadelphia and Washington Dulles hubs. Pittsburgh may become a regional airline hub and lose larger jet service.

Bottomline, the United/US Airways merger will have a major impact on the US Airways Express carriers, with only a marginal impact on the United Express carriers. The United hubs of Chicago, Denver, Los Angeles, and San Francisco have no US Airways Express service. Therefore, United affiliates Air Wisconsin, Great Lakes and SkyWest will be unlikely to see much change in their operations because of the merger.

Part II of our series will analyze the impact of a potential American merger with Northwest Airlines on their regional affiliates.