

**Airline Merger Mania -- The Effect on Regionals – Part II**  
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Part I of this series addressed the impact on the regional partners of United/US Airways should the proposed merger be approved. Today's article takes a look at the impact on the regional partners of American Airlines and Northwest Airlines.

Combined American and Northwest have four regional affiliates (AMR Eagle, Business Express, Mesaba, Express Airlines I) with 425 total aircraft fleet - 106 regional jets, 243 thirty-seat Saab 340s, and 74 ATRs. Scope clauses are under negotiaion, but American has a proposal to lift the restriction on 50-seat or less regional jets. The current American limitation is 67 regional jets. Northwest's scope clause is also under negotiation but currently limits the number of 50-seat RJs to 30 aircraft, which can be increased if the mainline adds aircraft and exempts the 69-seat Avro 85s operated by Mesaba. Thus, the scope clause restrictions for the combined carrier are very unclear.

American fully owns the American Eagle carriers, including the recent acquisition of Business Express. Northwest owns Express Airlines I and has an equity position in Mesaba. Interestingly, Northwest code-shares with Business Express in Boston.

In addition, Northwest code-shares with Horizon for certain routes on the West Coast, including Canada, and AMR Eagle out of Los Angeles. Northwest code-shares with Continental Express out of Houston, Newark and Cleveland. Big Sky is also a Northwest code-share partner serving Billings with 19-seat Metro aircraft. In the Pacific, Northwest code-shares with Pacific Island Aviation out of Guam.

American's key hubs are Dallas, Chicago, Miami, San Jose, and San Juan. Northwest's key hubs are Detroit, Memphis and Minneapolis. There is virtually no overlap between the regional partners at these hubs. So, if all of these hubs are maintained by the combined carrier, there should be very little impact on the regional partners, with the exception of the Continental Express code-share. It seems clear that the combined carrier will not continue the Northwest code-share with Continental Express.

However, an American/Northwest merger will likely result in the rationalization of certain hubs. If United/US Airways becomes the benchmark, then American/Northwest will need to develop a West Coast hub and establish an East Coast presence, besides the international hubs of JFK and Miami. Like United/US Airways' issues of having three hubs on the East Coast (Philadelphia, Pittsburgh, and Washington, Dulles), American and Northwest will need to address the hubs of Chicago, Minneapolis and Detroit.

Part III of our series will analyze the impact of a potential Delta merger with Continental Airlines on their regional affiliates.