Uffta Ya’ll:
The Delta-Northwest Merger

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In the Beginning

- Airmail Act of 1925
- Air Commerce Act of 1926
The Early Days of Delta

• 1924
• 1929
• 1930
• 1978
The Early Days of Northwest

- 1926
- 1927
- 1941
- 1978
The 1930s

1930 1934 1938

The 6 passenger Lockheed Orion, used by Northwest Airlines in the 1930s.
The Stinson Model A, used by Delta Airlines to deliver mail overnight in the 1930s.
1938 Regulation

- Entry & Exit
- Rates

The Douglas DC 3, first flown by Northwest in 1939.

Northwest hired its first stewardess in 1939.
Effects of Regulation

- On Airlines
- On Consumers

Delta was the first airline to launch jet service in 1959 with the Douglas DC-8.

A fancy airplane meal: one way to attract passengers.
Events Leading to Deregulation

- CAB
- Wide-body Aircrafts
- Middle Eastern Oil Embargo of 1973
- Inflation
- Economic Downturn
- Government Regulatory Reforms
Airline Deregulation Act

- 1978

- Regulatory Controls

- Air Cargo
  - Domestic Route Operation

- Air Passenger
  - Eliminated Restriction
What Remains Regulated

- International
  - Liberalized Markets

- Antitrust Exemption

- Essential Air Service
  - DOT
  - Reward Program

- Safety
Consequences of Deregulation

- Hub and Spoke
  - Centers of Operation

- New & Low Cost Carriers

- Increased Competition

- Discount Fares
Consequences of Deregulation
A fancy airplane meal: one way to attract passengers.
Consequences of Deregulation

- Growth in Air Travel
- Frequent Flyer Programs
- Increased Bankruptcy/Unhealthy Competition
- Health of Industry
Delta After Deregulation

- Merger Agreement
- Acquisitions
- New Operations
- “Skymiles”
Northwest After Deregulation

- New Routes
- Acquisitions
- NWA-KLM
History of Mergers

- 1980s
  - Local Service Carriers
    - Ozark, Republic, Southern

- 1990s
  - First Persian Gulf War
  - Service Issues
Mergers

- Passenger Rights and Issues
  - Delays
  - Travel Performance
  - Stranded Passengers
  - Contract of Carriage
Figure 1. Selected Airline Mergers, Acquisitions, and Bankruptcies, 1978-2007

Source: CRS analysis of various sources.
Unregulated vs. Regulated

- CAB
  - Prive Regulation
  - Service and Frequency

- Interline Agreements

- Cost-Plus Analysis
Mergers

- Consumers and Employees
  - Affects
  - Seniority
  - Operation Integration
  - Traveler Programs
Mergers

- Congressional Intervention
  - Triggered reactions
  - DOJ

- Delta-Northwest
  - Competition
  - Operating Costs
  - Reductions
Conclusion

- Mergers
  - Bad record
  - Regulatory Environments

- Regulation
  - Past
  - Reintroduction
Debate

- Mergers
  - Pros
  - Cons
Discussion Questions

- What is the best possible outcome of the Delta-Northwest merger for both airlines and passengers?
Discussion Questions

Based on the previous discussion of the airline industry under regulation and deregulation, what are possible mechanisms for achieving the best outcome?
Discussion Questions

Aside from mergers, what techniques can be implemented to improve the performance of the airline industry.
Thank you...

Enjoy your flight!