

# Uffta Ya'll: The Delta-Northwest Merger

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# In the Beginning



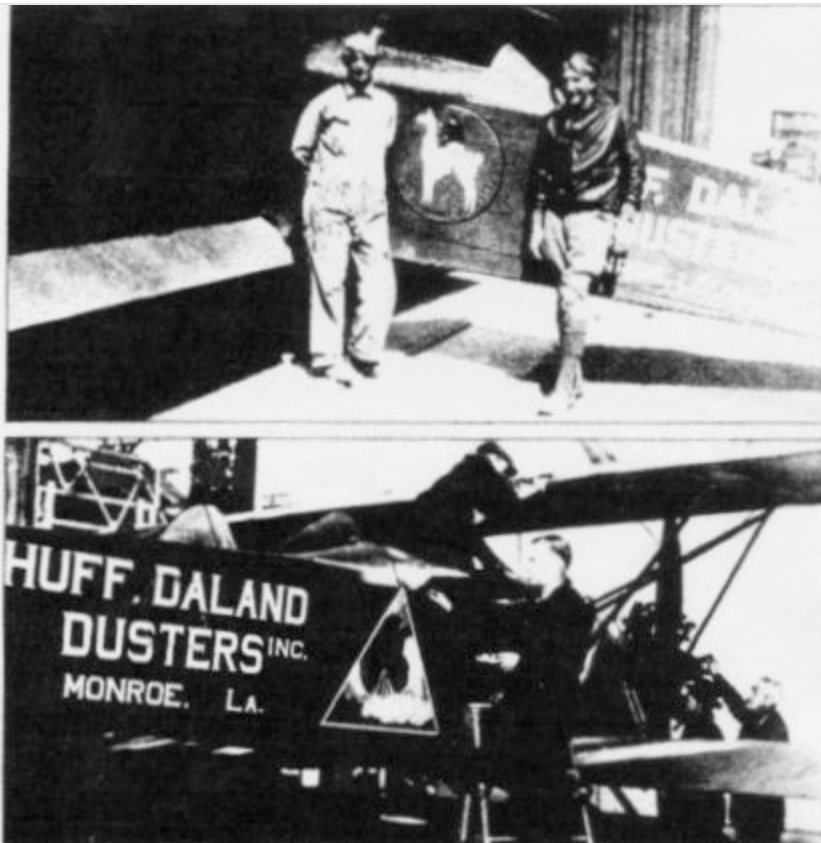
- ❑ Airmail Act of 1925
- ❑ Air Commerce Act of 1926



# The Early Days of Delta



- 1924
- 1929
- 1930
- 1978



*You are Invited to Attend*  
*Demonstration of*  
**DUSTING by AEROPLANE**

For the control of hoppers, weevils, or worms. The only known practical method of controlling insects on large acreage. You will be interested, whether you are a planter or not. Demonstration at 5:00 P. M., Wednesday, September 15th, one mile north of Clarkedale, Ark., weather permitting. If not, then Thursday at 5:00 P. M.

**R. B. SNOWDEN, JR.**  
**HUGHES, ARK.**  
Agent for  
**HUFF-DALAND DUSTERS CO.**  
*Monroe, La.*

*"It Doesn't Cost to Dust—It Costs Not to Dust"*

# The Early Days of Northwest

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- 1926
- 1927
- 1941
- 1978



# The 1930s

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1930



The 6 passenger Lockheed Orion, used by Northwest Airlines in the 1930s

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1934



The Stinson Model A, used by Delta Airlines to deliver mail overnight in the 1930s.

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1938

# 1938 Regulation

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- Entry & Exit
- Rates



Northwest hired its first stewardess in 1939.



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

# Effects of Regulation

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- ❑ On Airlines
- ❑ On Consumers



A fancy airplane meal: one way to attract passengers.

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

# Events Leading to Deregulation

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

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- 1978
  
  - Regulatory Controls
  
  - Air Cargo
    - Domestic Route Operation
  
  - Air Passenger
    - Eliminated Restriction
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# What Remains Regulated

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- International
    - Liberalized Markets
  
  - Antitrust Exemption
  
  - Essential Air Service
    - DOT
    - Reward Program
  
  - Safety
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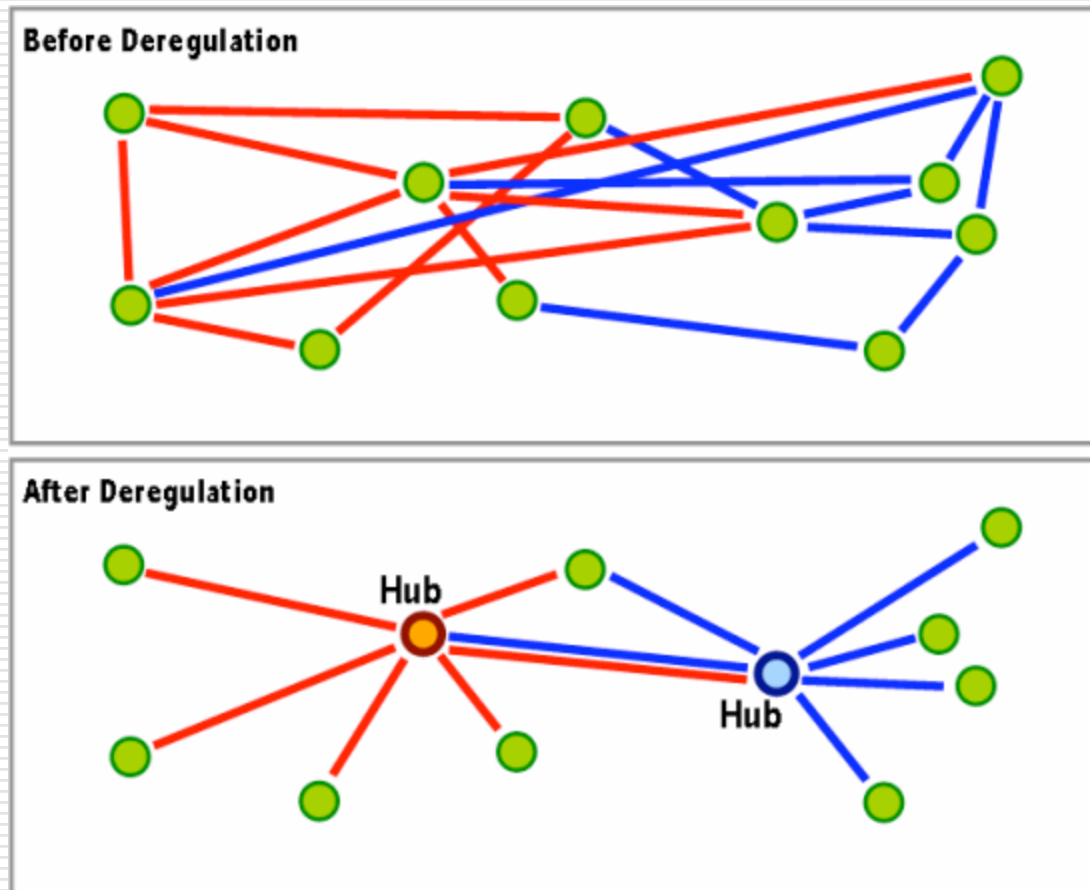
# Consequences of Deregulation

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- Hub and Spoke
    - Centers of Operation
  
  - New & Low Cost Carriers
  
  - Increased Competition
  
  - Discount Fares
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# Consequences of Deregulation

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# Consequences of Deregulation

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

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- Merger Agreement
  - Acquisitions
  - New Operations
  - "Skymiles"
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# Northwest After Deregulation

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- New Routes

- Acquisitions

- NWA-KLM

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# History of Mergers

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## □ 1980s

### □ Local Service Carriers

- Ozark, Republic, Southern

## □ 1990s

- First Persian Gulf War

- Service Issues
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# Mergers

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## □ Passenger Rights and Issues

- Delays
  - Travel Performance
  - Stranded Passengers
  - Contract of Carriage
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# Unregulated vs. Regulated

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- CAB
    - Prive Regulation
    - Service and Frequency
  - Interline Agreements
  - Cost-Plus Analysis
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# Mergers

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## □ Consumers and Employees

- Affects
  - Seniority
  - Operation Integration
  - Traveler Programs
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# Mergers

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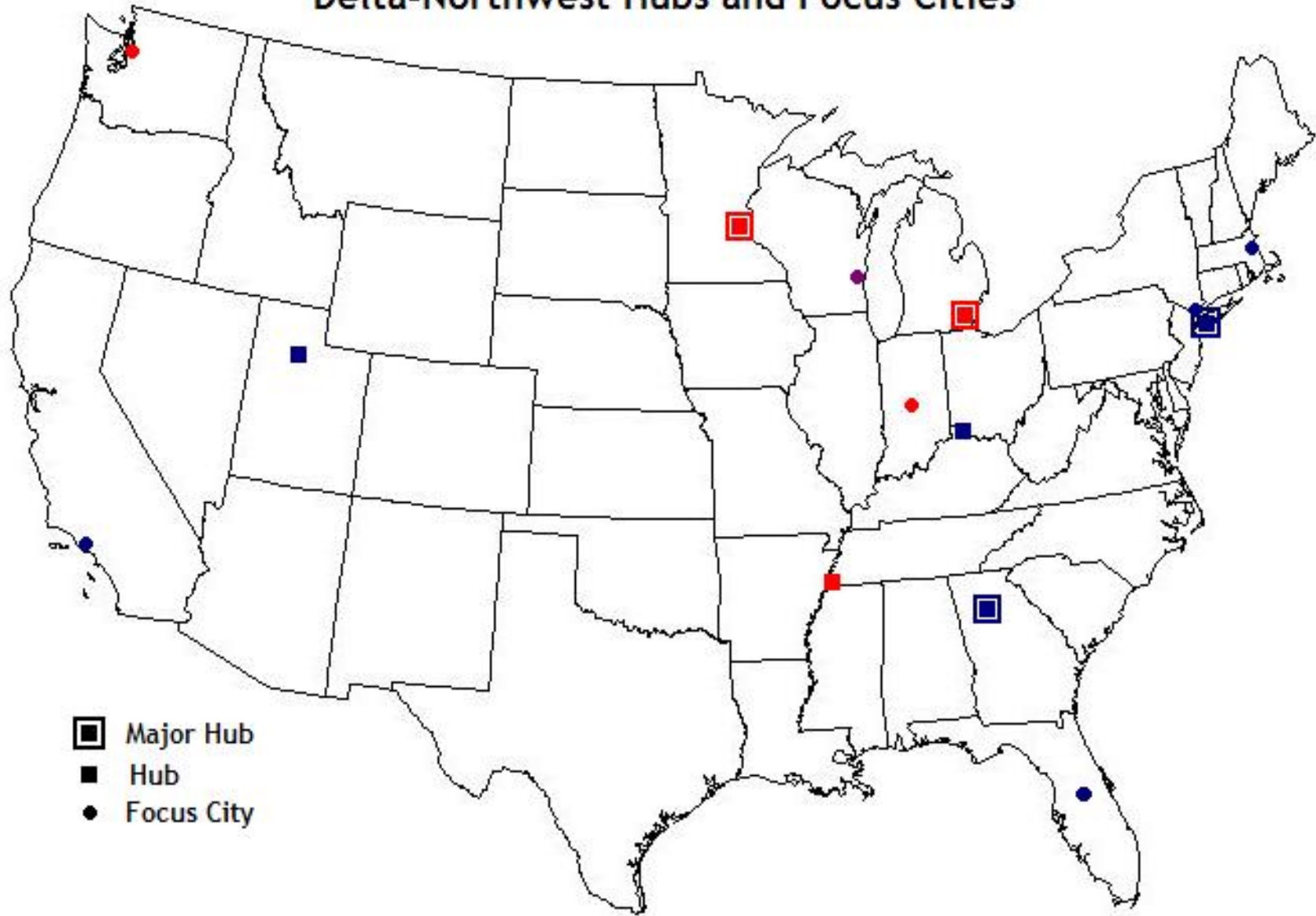
## □ Congressional Intervention

- Triggered reactions
- DOJ

## □ Delta-Northwest

- Competition
  - Operating Costs
  - Reductions
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## Delta-Northwest Hubs and Focus Cities



# Conclusion

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## □ Mergers

- Bad record
- Regulatory Environments

## □ Regulation

- Past
  - Reintroduction
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# Debate

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## Mergers

- Pros

- Cons

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# Discussion Questions

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

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

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

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Enjoy your flight!

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