

Balancing Competition and Cooperation: Evidence from Transatlantic Airline Markets

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Abstract

In the last two decades, airline alliances were not only successful in extending the size of their networks, but also received approvals by public authorities to intensify their cooperation through to merger-like revenue-sharing joint ventures (JVs). We empirically investigate the impact of the implementation of such joint ventures on both the respective airlines' competitive strategies as well as productive efficiency. Using U.S. DOT T100 International Segment data and applying airline-market fixed effects models, we find that joint ventures – compared to services with a lower degree of cooperation – lead to a 3-5 percent increase in capacity between the respective partner airlines' hub airports; however, this is done at the expense of services elsewhere in the network. Productive efficiency, as measured by load factors, is found to be 0.5-5 percent lower for joint venture routes compared to routes operated under antitrust immunity only. We use our empirical results to discuss implications for the balancing of competition and cooperation in transatlantic airline markets.

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