

## Another Day, Another Airline Merger: Alaska Airlines Buys Virgin America

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Over the last fifteen years, an era of mergers has left the airline industry in the hands of a few giants. Since 2005, nine of the USA's biggest airlines have been reduced to just four, with Delta, Southwest, American, and United [controlling 80% of the U.S. market](#). Following in the footsteps of American Airlines' merger with US Airways in late 2013, a new \$2.6 billion dollar merger between Alaska Air and Virgin America seeks to further reshape the airline industry.

The merger comes after a close bidding war for Virgin America between Alaska Air and JetBlue; the two airlines have sought to surpass each other from their equal footing in controlling roughly 5% of the U.S. market respectively. However, Alaska's [investment-grade credit rating and \\$1.3 billion in cash](#) on its balance sheet provided the company with greater buying power, and Alaska ultimately defeated JetBlue in securing its place as the fifth biggest U.S. airline, which will control 6.1% of the market after consolidation.

The merger has provided Alaska with several key benefits. Primarily, the acquisition has prevented JetBlue, an East Coast focused carrier, [from gaining a foothold in western markets](#) through the acquisition of a San Francisco-based airline. The acquisition will also allow Alaska to gain traction against Southwest Airlines, as operations in key markets, [particularly in California](#), can now be scaled up.

While the acquisition has garnered substantial support, the deal has not been met without its criticisms. Richard Branson, Virgin's co-owner, wrote an open letter expressing sadness that there was "[nothing \[he\] could do to stop \[the merger\]](#)," and general disappointment with consolidation as a "[trend that sadly cannot be stopped](#)." Further criticism comes from [Virgin's defensively loyal customers](#) who value the airline's stylish aircraft design, top-rated customer service, and affordability. The merger could eliminate or erode Virgin's quirky cachet, and failure to seamlessly integrate complex computer systems and technologies could also cause substantial delays, as was the case in the [United-Continental merger headache in 2010](#).

Despite the costs and benefits, the future of the merger remains in the hands of U.S. government regulators and Virgin shareholders, who are set to vote on the transaction by January 1, 2017. Until then, the exact ramifications of the Alaska-Virgin consolidation remain in the air.