

United States House of Representatives
Committee on the Judiciary

The Task Force on Competition Policy
and Antitrust Laws

Testimony of:
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April 24, 2008

Chairman Conyers, ranking member Chabot, and distinguished members of the Committee on the Judiciary Anti-Trust Task Force – good morning.

Ranking Member Chabot, thank you for the invitation to present testimony today.

My name is Doug Moormann and I am the Vice President for Economic Development for the Cincinnati USA Regional Chamber. As the Chamber's vice president for economic development, I lead the Cincinnati USA Partnership – the region's catalytic economic development organization focused on attracting new companies, retaining and expanding our existing companies and accelerating business growth across our entire region.

The Cincinnati USA Regional Chamber is one of the largest such business organizations in the country, approaching 6000 business members and over 300,000 employees ranging from global companies like Procter & Gamble, Toyota and GE Aviation to strong privately held mid-sized companies and sole proprietors. Eighty percent of our members have fewer than 50 employees. Our region includes 15 counties in Southwestern Ohio, Northern Kentucky and Southeastern Indiana.

It is an honor to have the opportunity to speak to the Task Force this morning. The issues on which you are deliberating – the proposed merger of Delta Air Lines and Northwest Airlines is critically important. Globally competitive, U.S.

based airlines are important to the nation and its economic well-being as trade expands and international markets become more accessible. More specifically, ensuring that Delta thrives is critically important to the Cincinnati region – its people and its economic prosperity.

Importantly, I want to stress that our Chamber's interests are aligned with the larger community interests. We are not alone in acknowledging the immense value of the Delta hub. The region is united in its recognition that air service, in particular, the hub service offered by Delta, is an unparalleled economic driver in our community and an asset that absolutely must be retained to ensure the ongoing economic competitiveness of the Cincinnati USA region.

The region benefits from the hub service in two important ways:

- 1) The hub creates jobs and economic activity - activity approaching \$2.8 billion in total annual impact according to a study conducted by the University of Cincinnati; and
- 2) The hub provides the regional business community with non-stop access to nearly 120 domestic markets and the top business destinations in Europe. To place this number of non-stop destinations in perspective, it is more than three times the number served by the five surrounding airports – combined. The CVG airport also features more non-stops than are offered at the airports in Los Angeles, Boston, Charlotte, San Francisco or New York.

In 2005, the University of Cincinnati Economic Center for Education and Research found that the benefit of the hub is an estimated \$2.85 billion annually and approximately \$22.2 billion in economic activity in the past 10 years. The hub is also responsible for 34,000 airport-related jobs. But that is just the beginning. Altogether, UC reported that the hub is responsible for 131,515 jobs in the Cincinnati USA region. Considering that overall employment in the region is just over one million, the hub effects approximately 13 percent of total regional employment. These jobs are not concentrated only around the airport – nearly half belong to workers in Hamilton County, Ohio and a full third are jobs belonging to residents of Northern Kentucky's three northern tier counties. Just as the local economy functions as a region, the impact of the hub is indeed regional.

I must acknowledge that the size of the hub has been reduced since 2005. Clearly, the reduction in service has resulted in commensurate reductions in the number of jobs and level of economic impact generated by the hub. UC researchers have estimated that the overall economic impact has not decreased by more than fifteen percent and that the scale and importance of the hub remains huge to the regional economy.

Perhaps nowhere is the impact of the hub more evident than in our regional economic development and business attraction efforts. As this region competes

in the global marketplace for jobs and capital investment, we must identify and tend to our differentiators – our key competitive advantages. In making the case for job creation and capital investment in the Cincinnati USA region one of our top advantages is accessibility, superior air service. Direct flights and same-day out and back service make a difference and businesses know it. Many businesses calculate that without same-day service per-trip costs double.

The region wins jobs, wins capital investment and grows wealth because of the hub service available to our business community.

A case in point – the North American Headquarters for Toyota Manufacturing is located minutes from the airport. This major headquarters operation employing over 1500 people chose to locate in the Cincinnati USA region in large part due to the air service available. On a typical day, Toyota flies as many as 100 people to and from the airport.

According to Dennis Cuneo, Former Senior VP for Corporate Affairs for Toyota, “Toyota selected Northern Kentucky as the site for its engineering and manufacturing offices because it is centrally located among our manufacturing plants and Midwest suppliers, and has an excellent transportation system, including a world-class airport.”

One of the region's most notable development accomplishments in recent memory is the attraction of Tata Consultancy Services to Cincinnati USA. This Indian investment will create 1000 new information technology jobs in our region. As is evident in its company name – this business provides information technology consulting services around the nation and indeed around the world. One of the top reasons that Tata selected Cincinnati is because of the outstanding air service we offer – direct flights to its customers locations. In this case, the region won, in large part, because of the air service we offer.

The region's success in attracting foreign investment to the United States tracks very closely with the onset of international service from CVG. Between 1999 and 2003, the number of foreign owned companies in the Cincinnati USA region doubled from 150 to 300. Today that number stands at over 400 international businesses investing in the United States, employing our workers and paying our taxes. Hence, the hub service at the airport is providing this region with significant levels of economic growth and wealth creation.

The region's Fortune 500 companies – those companies leading the way in terms of global competitiveness and success – are reliant on the hub service at CVG to meet the competition on the world stage.

Charlotte Otto, Global External Relations Officer for P&G says, “Hundreds of our people are moving- day after day – to cities all around the U.S. and the world. Our ability to fly nonstop to so many destinations is truly a strategic advantage.”

P&G is a global business and could be located anywhere in the world. One of the top reasons the company remains here and expands here, aside from it calling Cincinnati home since its inception, is reflected in Charlotte’s quote – the ability to fly direct to destinations around the world.

The international access afforded to the region also results in a more robust export market. Among similarly situated cities (Charlotte, Columbus, Indianapolis and Kansas City) Cincinnati USA has the highest levels of exports per capita and the greatest share of economic activity devoted to exports.

A 1998 study from George Mason University sums it up best. “Cities that are not on the world’s international air service map today are not going to be on the world’s economic map tomorrow.” Cincinnati USA simply must remain on the international service map.

Based on the Chamber’s preliminary assessment, the merger of Delta and Northwest represents a combination of complementary air service providers. Domestically, Delta’s strength lies in the East, Southeast and Mountain West portions of the United States. Northwest primarily serves the Midwest.

Internationally, Delta offers strong connections to Europe and Latin America while Northwest is a major provider of service to Asia. It appears to us that there is little overlap in the routes offered by the two carriers. In fact, Delta has reported to us that there are only four routes where the combined would be the exclusive provider of non-stop service.

Beyond that, our understanding is that the overall industry will remain competitive if the Delta-Northwest merger is approved. In a post merger, our understanding is that no single carrier will have more than a twenty percent share of the domestic market. In fact, Southwest currently carries more domestic passengers than Delta and Northwest combined.

Clearly, from a competitive stand point, in a merged environment there will be no less competition at CVG than currently exists. In fact, the reduced service noted earlier, may present an opportunity to attract new carrier service to the CVG airport and actually enhance the level of competition.

The Cincinnati USA region is viewing the merger through five lenses:

- 1) Retain the maximum number of jobs at the hub
- 2) Maintain the maximum level of service at the hub - 115 non-stop domestic destinations

- 3) Retain non-stop international service at CVG - service to Paris, London, and Frankfurt, Roma and Amsterdam are key to our international job attraction efforts
- 4) Retain, and consider expanding through consolidation, the reservations center in Cincinnati
- 5) Assurance that Delta will continue to utilize Comair as a major provider of regional air service.

We have posed these questions to top Delta executives and have received assurances that the merged business plans to retain the hub, continue and possibly expand international service, retain the reservations center and continue to utilize the regional air services offered by Comair. We take them at their word and will monitor the progress of the merger with guarded optimism.

Cincinnati USA is poised for growth. A new riverfront and skyline is emerging, we have a revitalized central business district and an improved business tax environment. Unified, regional action plans are under development and our business and community leaders are engaged. One of the key underpinnings of our success is an airport that offers superior air service. We respectfully request that you keep in mind the prospects for prosperity for the 2.1 million residents of Cincinnati USA as the merger is evaluated.

Before closing, I would be remiss if I did not mention air fares. CVG is historically among the national leaders in the high cost of air fares – one top national ranking we would prefer to shed. The Chamber, and indeed the entire community, hopes that a new merged entity will result in some fare relief for this region's loyal customers of the airline.

Mr. Chairman, the Cincinnati USA region benefits greatly from a competitive, economically sustainable and healthy Delta - if the company's path to competitiveness and financial stability requires a merger then this community realizes that a merger is in its own best interest.

In closing, thank you for convening this hearing and considering the implications of a Delta/Northwest merger. I am confident our interests are aligned – focused on building and maintaining strong economies in metropolitan areas.

Chairman Conyers, again, thank you for the opportunity to visit with you.

Members of the Task Force, I appreciate your attention and will answer any questions you may have about my testimony.