BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

Joint Application of **UNITED AIR LINES, INC.** and **ASIANA AIRLINES, INC.** under 49 U.S.C. §§ 41308 and 41309 for approval of and antitrust immunity for an Alliance Expansion Agreement	)	Docket OST-03-14202

SUPPLEMENT NUMBER ONE TO JOINT APPLICATION OF
UNITED AIR LINES, INC. AND ASIANA AIRLINES, INC.

Communications with respect to this document should be sent to:

MICHAEL G. WHITAKER
Vice President—International and
Regulatory Affairs

JONATHAN MOSS
Managing Director—International
and Regulatory Affairs

UNITED AIR LINES, INC.
P.O. Box 66100—WHQIZ
Chicago, Illinois 60666

MARK ANDERSON
Vice President—Governmental Affairs
UNITED AIR LINES, INC.
1025 Connecticut Avenue, N.W., Suite 1210
Washington, D.C. 20036

BRUCE H. RABINOVITZ
JEFFREY A. MANLEY
CATHLEEN P. PETERSON
WILMER, CUTLER & PICKERING
2445 M Street, N.W.
Washington, D.C. 20037-1420
(202) 663-6960 (phone)
(202) 772-6960 (fax)
bruce.rabinovitz@wilmer.com (e-mail)

Counsel for
UNITED AIR LINES, INC.

JONG HANG LEE
Senior Vice President—Marketing Planning

SANG BEOM KIM
General Manager—Alliances

MIN KYU KANG
Manager—Alliances
ASIANA AIRLINES, INC.
Asiana Town
1147 Osao-Dong, Kangseo-Ku
Kangseo P.O. Box 98
Seoul, Korea

GREGORY S. WALDEN
PATTON BOGGS LLP
2550 M Street, N.W.
Washington, D.C. 20037
(202) 457-6135 (phone)
(202) 457-6315 (fax)
gwalden@pattonboggs.com (e-mail)

Counsel for
ASIANA AIRLINES, INC.

Dated: January 21, 2003

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

Joint Application of **UNITED AIR LINES, INC.** and **ASIANA AIRLINES, INC.** under 49 U.S.C. §§ 41308 and 41309 for of approval and antitrust immunity for an Alliance Expansion Agreement	)	Docket OST-03-14202

Dated: January 21, 2003

SUPPLEMENT NUMBER ONE TO JOINT APPLICATION OF
UNITED AIR LINES, INC. AND ASIANA AIRLINES, INC.

Pursuant to 14 C.F.R. § 303.04(e), United Air Lines, Inc. ("United") and Asiana Airlines, Inc. ("Asiana") (collectively, the "Joint Applicants") hereby supplement their Joint Application under 49 U.S.C. §§ 41308 and 41309 for approval of and antitrust immunity for an Alliance Expansion Agreement, currently pending in the above-captioned docket.

1. On January 3, 2003, United, Asiana, and their respective affiliates jointly applied for approval of and antitrust immunity for an Alliance Expansion Agreement, as more fully identified in the Joint Application at 1, n.1. As part of the application, United and Asiana provided information identifying, among other things, the nonstop services currently being operated between the U.S. and South Korea.[1/] Since filing the application, United has announced plans to upgrade the single-plane service it currently operates between San Francisco and Seoul via Tokyo to a daily San Francisco-Seoul

[1/] Joint Application at Exhibit JA-10.

nonstop, effective June 2, 2003.[2/] In light of this announcement, United and Asiana are submitting this supplement to update certain of the exhibits to their Joint Application, and to demonstrate that, even with the introduction of this new nonstop service to Seoul, extending antitrust immunity to the carriers' Alliance Expansion Agreement is fully supported by Department precedent and will not substantially reduce competition in any relevant market.

2. As explained in the Joint Application,[3/] to determine the competitive impact of a proposed alliance, the Department considers, among other things, whether the proposed alliance would significantly increase market concentration in a number of relevant markets, including U.S.-country pair markets and, if applicable, individual city pairs where the alliance partners operate overlapping nonstop service. At the time the Joint Application was filed, United did not operate nonstop service between the U.S. and South Korea. As a result, United and Asiana pointed out in their Joint Application that the immunity they are seeking would not reduce the number of actual nonstop competitors in the U.S.-South Korea market, or eliminate nonstop competition between them in any city pair.

However, with United's announcement that it will upgrade its single-plane San Francisco-Seoul service to a daily nonstop, effective this coming June, United will become the fourth carrier operating nonstop service on that route, a route Asiana is also

---

[2/] See United Press Release, dated January 10, 2003 ("United Announces Changes to International Services").

[3/] See Joint Application at 18.

serving nonstop.[4/] Thus, the grant of immunity to the United/Asiana alliance would arguably eliminate United as an independent new entrant providing nonstop service between the U.S. and South Korea and between San Francisco and Seoul. Even so, the grant of immunity will not substantially reduce competition in either market.[5/]

Even with United's upgrade of its single-plane San Francisco-Seoul service to a daily nonstop, service between the U.S. and South Korea will continue to be dominated by Korean Air, which participates in an immunized alliance with Delta. Based on schedules published in the current OAG, as of June 15, 2003, Korean Air will operate 60.7% of the average daily U.S.-South Korea nonstop services and 63.4% of the average daily nonstop seats.[6/] By comparison, United and Asiana combined will operate only 31.8% and 29.4%, respectively, of the average daily departures and seats, an increase of just 8.2 percentage points over the combined share of daily nonstop seats they currently operate and an increase of 8.7 percentage points in term of frequencies.[7/]

[4/] See Notice of United and Asiana, dated January 16, 2003 in Docket OST-02-13320 (Asiana plans to place its code on United's nonstop flights between San Francisco and Seoul).

[5/] Certainly, United's introduction of a single daily San Francisco-Seoul nonstop will have no adverse effect at all on competition in either the global market or the United States-Far East market, two other relevant markets United and Asiana analyzed in their Joint Application. See Joint Application at 18-20.

[6/] See Exhibit JA-10R attached hereto.

[7/] Compare Exhibit JA-10, with JA-10R (In calculating the updated U.S.-South Korea nonstop seat and departure shares in Exhibit JA-10R, Asiana's JFK-ICN service is included as a daily nonstop, even though Asiana's service from JFK to ICN requires a technical stop in Anchorage. Thus, part of the increase in United's and Asiana's combined nonstop seat and departure share in the U.S.-South Korea market is attributed

3. This relatively modest increase in the percentage of daily frequencies and nonstop seats to be operated by United and Asiana will not have an adverse effect on competition in the U.S.-South Korea air travel market. On the contrary, by linking United's hub at San Francisco with Asiana's hub at Seoul's Incheon Airport on a daily basis, United's new nonstop service will better connect the carriers' networks than does Asiana's current four day per week nonstop service between San Francisco and Seoul.[8/] With better network connections, United and Asiana will be able to offer improved online connections to passengers traveling between the U.S. and Asia, and enhance their ability to compete with the Korean Air/Delta alliance, the leading competitors in the U.S.-South-Korea market.[9/]

Furthermore, the U.S.-South Korea market will continue to be served on a nonstop basis by Singapore Airlines, which is free to add frequencies and routes at any time as part of its service between the U.S. and Singapore. The market will also continue to be served by Northwest, Japan Airlines and ANA, which offer indirect service in the market via Japan. Moreover, under the U.S.-South Korea open skies agreement, Northwest is free to upgrade its U.S.-Korea service to one or more daily nonstops at any

---

to the carriers' decision to include Asiana's JFK-ICN service in calculating nonstop seat and frequency shares in Exhibit JA-10R, whereas because of the technical stop requirement, they did not list the flight as a nonstop in the original exhibit attached to their Joint Application.)

[8/] Although Asiana operates nonstop service on a daily basis between Seoul and United's hub at Los Angeles, the geographic location of United's San Francisco hub makes it a superior connecting point for passengers traveling between the U.S. and Asia.

[9/] See Joint Application at Exhibit JA-13.

time should prices rise or service levels decline. Other U.S. carriers are also free to enter the market at any time on either a direct or indirect basis, helping to ensure that competition remains robust.

4. Competition in the local San Francisco-Seoul market will also remain robust after United upgrades its San Francisco-Seoul single-plane service to a daily nonstop. As noted above, the grant of immunity to United and Asiana will not reduce the number of carriers currently operating nonstop service between San Francisco and Seoul, which will remain at three. Rather, as also noted above, the upgrade will enhance competition on the route. This is because the United/Asiana alliance currently offers nonstop service on the route only four days per week, whereas the Korean Air/Delta alliance and Singapore Airlines each operates daily nonstop service. With the upgrade of United's indirect service to a daily nonstop, United/Asiana will be better able to compete with the daily nonstop services now being offered on the route by Korean Air/Delta and by Singapore Airlines. Moreover, Northwest, Japan Air Lines, and ANA will continue to offer indirect competition on the route via points in Japan, ensuring that the existing competition for local San Francisco-Seoul passengers remains robust.

In that regard, in prior cases, the Department has routinely granted antitrust immunity to alliances even though the parties operated overlapping service in a small number of city pair markets.[10/] For example, in November 2002, the Department granted antirust immunity to American Airlines and Swiss International Air Lines even

---

[10/] See, e.g., Order 2002-11-12 (American/Swiss); Order 2002-1-6 (Delta/Air France/Alitalia/Czech); Order 1996-6-33 (Delta/Swissair/Sabena/Austrian).

though both carriers operated nonstop service on the New York-Zurich route and, based on CRS booking data, had a combined 65% share of local passengers.[11/] In approving the American/Swiss alliance without conditions, the Department noted that, although the American/Swiss alliance would control the majority of the nonstop New York-Zurich bookings, there remained "a significant competitor to the alliance for nonstop travel … [and] a number of competitive one-stop and connecting services."[12/] Here, by comparison, United and Asiana have not historically had a dominant share of San Francisco-Seoul local bookings. Nor are they likely to gain such a share as a result of United's replacing of its single-plane service with a daily nonstop; United/Asiana will continue to face daily nonstop competition on the route from Korean Air/Delta and Singapore. For that reason, it is even more true here than it was in the case of American/Swiss, that there remain "significant competitor[s] to the [United/Asiana] alliance for nonstop travel … [and] a number of competitive … connecting services."[13/] As such, the granting of immunity without conditions to the alliance proposed between United and Asiana would be fully consistent with Department precedent.

* * * * *

[11/] See Order 2002-11-12 at 12 (American/Swiss).

[12/] Order 2002-11-12 at 12.

[13/] Id.

In sum, even with United's plan to introduce nonstop service between San Francisco and Seoul later this year, there will be no reduction in current competition in either the U.S.-South Korea or San Francisco-Seoul markets. The alliance proposed by United and Asiana, and the integration of the carriers' services that will be possible as a result of such alliance, will provide important service and competition benefits to the traveling and shipping public. As such, the Department should proceed expeditiously and grant the carriers' application.

Respectfully submitted,

GREGORY S. WALDEN
PATTON BOGGS LLP
2550 M Street, N.W.
Washington, D.C. 20037
(202) 457-6135 (phone)
(202) 457-6315 (fax)
gwalden@pattonboggs.com (e-mail)

Counsel for ASIANA AIRLINES, INC.

BRUCE H. RABINOVITZ
JEFFREY A. MANLEY
CATHLEEN P. PETERSON
WILMER, CUTLER & PICKERING
2445 M Street, N.W.
Washington, D.C. 20037-1420
(202) 663-6960 (phone)
(202) 772-6960 (fax)
bruce.rabinovitz@wilmer.com (e-mail)
cathleen.peterson@wilmer.com (e-mail)

Counsel for UNITED AIR LINES, INC.

Dated: January 21, 2003
\\DCNT1\Client\038345\0002\0203 Supp. No. 1 to Jnt App. of UA and Asiana.doc

U.S. - South Korea Nonstop Departures and Seats

Shares of Nonstop Departures and Seats

Airline	Daily Departures	Daily Seats
Korean Air	60.7%	63.4%
Asiana Airlines	24.4%	23.2%
Singapore Airlines	7.4%	7.2%
United Airlines	7.4%	6.2%
Total	**100%**	**100%**

Korean Air's Daily Departures and Number of Seats From the U.S.

Origin	Destination	Daily Departures	Daily Seats
Anchorage	Seoul	0.7	274
Atlanta	Seoul	0.4	129
Dallas/Fort Worth	Seoul	0.4	129
Honolulu	Seoul	0.7	215
Washington (Dulles)	Seoul	0.4	165
New York (JFK)	Seoul	1.0	384
Los Angeles	Seoul	2.7	983
Chicago	Seoul	0.9	258
San Francisco	Seoul	1.0	301
Total		**8.2**	**2838**

Asiana Airline's Daily Departures and Number of Seats From the U.S.

Origin	Destination	Daily Departures	Daily Seats
Los Angeles	Seoul	1.7	519
Seattle	Seoul	0.4	141
San Francisco	Seoul	0.6	187
New York (JFK)*	Seoul	0.6	191
Total		**3.3**	**1038**

Singapore Airline's Daily Departure and Number of Seats From the U.S.

Origin	Destination	Daily Departure	Daily Seats
San Francisco	Seoul	1.0	323

United Airline's Daily Departure and Number of Seats From the U.S.

Origin	Destination	Daily Departure	Daily Seats
San Francisco	Seoul	1.0	278

Total Number of U.S. - South Korea Daily Departures: 13.50
Total Number of U.S. - South Korea Daily Seats: 4,477

Source: OAG Schedule as of June 2003
Excludes U.S. Pacific Territories

---

* Asiana's JFK-ICN flight requires one-stop in Anchorage, but its ICN-JFK flight is nonstop.

CERTIFICATE OF SERVICE

I hereby certify that on this day I served a copy of the foregoing Supplement Number One To Joint Application Of United Air Lines, Inc. and Asiana Airlines, Inc., upon all persons listed on the attached Service List by causing a copy to be sent via first-class mail, postage prepaid.

Brenda Gardner

Brenda Gardner

DATED: January 21, 2003

Megan Rae Rosia
Managing Director, Government Affairs
& Associate General Counsel
Northwest Airlines, Inc.
901 15th Street, N.W., Suite 310
Washington, D.C. 20005

USTranscom/TCJ5-AA
Attention: Air Mobility Analysis
508 Scott Drive
Scott AFB, IL 62225-5357

Carl B. Nelson, Jr.
Associate General Counsel
American Airlines, Inc.
1101 Seventeenth Street, N.W.
Suite 600
Washington, D.C. 20036

Roger W. Fones
Chief, Transportation, Energy &
Agriculture Section, Antitrust Division
U.S. Department of Justice
325 Seventh Street, N.W.
Suite 500
Washington, D.C. 20530

Jim Fry
World Airways
HLH Building
101 World Drive
Peachtree City, GA 30629

David Vaughan
For UPS
Kelley, Drye & Warren
1200 Nineteenth Street, N.W., Suite 500
Washington, D.C. 20036

Director of Flight Standards
Federal Aviation Administration, AFS-1
800 Independence Avenue, S.W.
Washington, D.C. 20591

William Evans
For Evergreen
Piper Rudnick LLP
901 15th Street, N.W.
Suite 700
Washington, D.C. 20005

John L. Richardson
For Amerijet
Crispin & Brenner, PLLC
1156 Fifteenth Street, N.W.
Suite 1105
Washington, D.C. 20005

Marshall S. Sinick
For Aloha and Alaska
Squire, Sanders & Dempsey
1201 Pennsylvania Avenue, N.W.
Suite 500
Washington, D.C. 20004

Jonathan B. Hill
For Hawaiian
Dow, Lohnes & Albertson
1200 New Hampshire Avenue, N.W.
Suite 800
Washington, D.C. 20036

Robert E. Cohn
For Delta
Shaw Pittman
2300 N Street, N.W.
Washington, D.C. 20037

R. Bruce Keiner, Jr.
For Continental, Continental Micronesia
and Air Micronesia
Crowell & Moring LLP
1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Kevin Montgomery
Vice President - Planning &
Government Affairs
Polar Air Cargo, Inc
100 Oceangate, 15th Floor
Long Beach, CA 90802

Angie Bird Garbuzinski
Federal Express Corporation
3620 Hacks Cross Road, Building B
Memphis, TN 38125

Russell E. Pommer
Associate General Counsel and
Director of Regulatory Affairs
Atlas Air, Inc.
901 - 15th Street, N.W.
Suite 400
Washington, D.C. 20005

John Byerly
Deputy Assistant Secretary for
Transportation Affairs
State Department
2201 C Street, N.W.
Room 5830
Washington, D.C. 20520

Embassy Of Republic of Korea
2400 Massachusetts Avenue, N.W.
Washington, D.C. 20008

Daniel J.McCauley
Southern Air, Inc.
67 Glover Avenue
Norwalk, CT 06850

\\DCNT1\Client\809875\1110\7963 - service list ati app.doc