

American Airlines"

DEPT. OF TRANSPORTATION
DOCKET SECTION

January 23, 1998

98 JAN 26 PM 12:13

OST-97-3285-10

Regis Milan
William Bertram
Department of Transportation
400 7th Street, S.W.
Room 6401
Washington, D.C. 20590

Re: American/Lan Chile Antitrust Immunity (OST-97-3285)

Dear Messrs. Milan and Bertram:

In response to your telephone call of January 23, 1998 with respect to American's confidential document 424, we are enclosing a more legible copy, as well as a transcription of all of the numbers shown on this page. We are providing three copies of this material in a sealed envelope. This material is protected from public disclosure by our motion for confidential treatment under 14 CFR 302.39 filed on December 23, 1997.

In compliance with Order 97-1-21, January 22, 1998, we are also providing a description of information requirement items referenced in the Bates number index we submitted on January 20, 1998.

We believe that today's submission, together with our submission on January 20, fully satisfies the Department's request. As we have previously indicated, we are ready to bring the unredacted pages in the American/Lan Chile agreements to your office for in camera review at your earliest convenience. Please let us know.

Respectfully submitted,



Carl B. Nelson, Jr.
Associate General Counsel
American Airlines, Inc.
(202) 496-5647

Enclosure

cc: Charles Simpson

AMERICAN AIRLINES/LAN CHILE ANTITRUST
IMMUNITY APPLICATION (OST-97-3285)

DEPT. OF TRANSPORTATION
DOCKET SECTION
98 JAN 26 PM 12:15

DESCRIPTION OF INFORMATION REQUIREMENT ITEMS
REFERENCED IN BATES NUMBER INDEX OF AMERICAN'S
CONFIDENTIAL DOCUMENTS (PER ORDER 98-1-21)

(1) Complete copies of all agreements, including marketing and any other cooperative agreements between the parties.

(2) Separate description of each party's strategic objectives in forming the alliance agreement(s).

(3) All studies, reports, and analyses that discuss route development, internal expansion, service expansion, or marketing plans or strategies, concerning air services between the U.S. and Chile and air services behind and beyond the U.S. and Chile

(4) All corporate documents, dated or produced within the last two years, that address in whole or in part the subject of competition (or lack of competition or any impediments or restrictions on competition) in air travel between the U.S. and Chile and/or any points within those countries, as well as air travel beyond Chile from the U.S. The documents requested include (but are not limited to) all documents reflecting communications between Lan Chile and any U.S. air carrier relating to such competition.

(5) All studies, reports, or analyses that were prepared by or submitted to either or of the joint applicants' senior corporate officers, staff, or directors, or any financial institution regarding the proposed relationship.

(6) All documents reflecting any consideration (whether or not already acted upon) by either of the Joint Applicants to seek additional immunized international alliances (other than that between the Joint Applicants) contemporaneous or subsequent to the present alliance.

(7) All studies, surveys, analyzes, and reports, dated or produced within the last two years, that were prepared by or for any officer, director, or individual exercising similar functions which, in whole or in part, address, evaluate, or analyze the proposed alliance with respect to market shares, competition, competitors, markets, potential for traffic growth or expansion into geographic markets. (If not contained in the document itself, the date of preparation and the name and title of each individual who prepared each such document should be included).

(8) All documents that discuss any service or operational changes anticipated at American's hub airports, stemming from the agreement(s), including JFK International Airport.

(9) A list of all routes that each of the parties is currently serving, and of routes each would serve if the agreement(s) are approved. Additionally, fully identify all of the parties' current code-share/alliance arrangements and their route systems.

(10) List of all "overlap" markets now existing between American and Lan Chile. This list is not limited to markets where American and Lan Chile compete with nonstop services. Rather it should include markets where these carriers compete on a connecting basis, either true on-line connections, or in combination with code-share or marketing partners. For connecting markets, include all markets served with code-share or marketing partners whether or not the passengers moved under a single code, otherwise shared codes, or on a purely interline basis.

(11) A detailed discussion of the anticipated integration of the Joint Applicants' operations, including domestic, transatlantic, and other international routes. The Joint Applicants should include in this discussion a description of other existing code-share/alliance or marketing arrangements and the markets served by these other arrangements.

(12) A comparison of the parties' current schedules before and after implementation of the arrangement.

(13) Identification of other U.S. and foreign airline services at American's U.S. hub airports and JFK International Airport.

(14) A discussion of the level of service that the parties intend to provide in the U.S.-Chile marketplace (including behind- and beyond-gateway markets).

(15) A discussion of significant service and equipment changes that the parties would expect to make within two years of DOT approval of the proposed alliance.

(16) Analysis of how much traffic each alliance partner carries in each "overlap" market (specifically, differentiate between true on-line passengers, code-share passengers, interline passengers with code-share or marketing alliance partners, and other interline passengers).

(17) Origin-Destination Survey of Airline Passenger Traffic data for 1996 for the top 25 Lan Chile markets that involve a U.S. passenger origin, destination, or connecting point.

(18) All current marketing arrangements between the parties and other airlines, and all such arrangements which the parties are in any way contemplating or considering for the future.

(19) A discussion of Lan Chile's alliances with other U.S. and non-U.S. airlines. Provide copies of these agreements (with translations where necessary). Describe how these services have been or will be integrated. Describe how operations under the AA/Lan Chile alliance will be integrated with other AA/Lan Chile code-share/alliance arrangements and partners.

(20) A discussion of whether and how the transaction is consistent with the public interest, and what public benefits are expected to result from the transaction.

(21) A discussion of how the transaction affects important international aviation policy objectives of the United States.

(22) A discussion of the transaction's impact on both U.S. domestic and international airline competition.

(23) Forecast information concerning any traffic diversion anticipated from U.S. flag carriers should the application be approved.

(24) All information describing the extent to which airport facilities, including, but not limited to, gates, counter space, and ground-handling, are or will be made available to any U.S. airlines desiring to begin or increase service at Chilean airports.

(25) A description of the impact that implementation of the proposed alliance agreements(s) would have on American's operating revenue, and on its operating and net profit and loss results.

(26) A discussion of the degree to which a grant of the application would or should affect Lan Chile's participation in IATA, especially price coordination.

(27) A discussion as to any labor issues that may result from the transaction, and whether, how and to what extent employees of the applicant airlines will be integrated. In particular, state whether the transaction or this type of transaction was the subject of recent collective bargaining between American and any of its unions and the nature of such discussions. Discuss whether American's unionized employees adversely affected by the agreement would be compensated or protected by a collective bargaining agreement and whether adversely affected non-unionized employees would be compensated pursuant to separate arrangement(s).

(28) Describe any effect of granting the application on the U.S. applicant's Civil Reserve Air Fleet (CRAF) commitments.