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BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
WASHINGTON, D. C.

DEPARTMENT OF TRANSPORTATION  
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SECRET SECTION

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Joint Application of

DELTA AIR LINES, INC.  
SWISSAIR, SWISS AIR TRANSPORT  
COMPANY, LTD.  
SABENA S.A., SABENA BELGIAN WORLD  
AIRLINES, and  
AUSTRIAN AIRLINES, OSTERREICHISCHE  
LUFTVERKEHRS AG

for approval of and antitrust immunity  
for Alliance Agreements under 49 USC  
41308 and 41309  
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OST-95-618-32

COMMENTS OF AMERICAN AIRLINES, INC.

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November 13, 1995

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COMMENTS OF AMERICAN AIRLINES, INC.

American Airlines, Inc., pursuant to Order 95-11-5, November 3, 1995, p. 7, hereby comments in response to the joint application by Delta Air Lines, Inc., Swissair, Sabena, and Austrian Airlines for approval of and antitrust immunity for an alliance agreement.

On November 3, 1995, American and Canadian Airlines International, Ltd. submitted a joint application for approval of and antitrust immunity for a similar alliance agreement (Docket OST-95-792). American has no objection to the Delta/Swissair/Sabena/Austrian joint application, provided that the American/Canadian joint application is also granted.

The American/Canadian joint application is more worthy of approval than the **Delta/Swissair/Sabena/Austrian** request based on actual marketplace competition. The **U.S.-Canada** market is far more competitive than any of the three country-pair markets at issue in the Delta, et al. request. The nonstop transatlantic frequency share of the Delta alliance carriers is 100 percent for Austria, 54 percent for Belgium, and 67 percent for Switzerland (Attachment 1). In the **U.S.-Canada** market, by contrast, the nonstop transborder frequency share of American and Canadian is 14 percent; Air Canada has the largest share, at 24.8 percent, followed by 10 carriers with shares ranging from 8.6 to 4.0 percent (Attachment 2). The U.S.-Austria market has one nonstop operator; the **U.S.-Belgium** market, four; and the U.S.-Switzerland market, five (Attachment 1). The U.S.-Canada market has 32 nonstop operators (Attachment 2).

The Delta, et al. application lists 10 overlapping city-pairs where more than one of the alliance carriers currently offer service (p. 32 and Exhibit 9). While in abstract theory there could be new entry in each of these 10 city-pairs, in the real world any new entry by non-alliance carriers is extremely unlikely, since one or more of the four joint applicants have hub operations at one or both ends of each of these

10 routes. See Order 92-11-27, November 18, 1992 (**Northwest/KLM**), p. 16 ("**w**e doubt that any other carrier would be particularly interested in providing nonstop service between Amsterdam and either Detroit or Minneapolis/St. Paul if the applicants charged supra-competitive prices, since no carrier besides Northwest has a hub at either U.S. gateway").

The U.S.-Canada market is fiercely competitive, and is becoming more competitive as new services are added by the carriers of both countries under the liberalized agreement. Air Canada, the dominant U.S.-Canada airline, with a 24.8 percent market share, already has the unlimited right to provide service between any point in Canada and any point in the U.S. For U.S. carriers, entry is now in effect limited only at **Toronto**,<sup>1</sup> and that limitation ends entirely in two years. The U.S.-Switzerland/Belgium/Austria markets are far less competitive today, and are unlikely to see significant new service despite "**Open Skies**" agreements, from any carriers other than the four alliance applicants -- Delta, Swissair, Sabena, and Austrian Airlines.

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<sup>1</sup>**As** a practical matter, the two-year restrictions at Vancouver and Montreal are not preventing U.S. carriers from entry, since there are sufficient opportunities to satisfy demand.

**Nonstop Transatlantic Market Shares of  
Delta/Austrian/Sabena/Swissair Alliance Between the  
United States and Selected European Countries**

<b>Country</b>	<b>Operating Carrier</b>	<b>Weekly Roundtrip Freq.</b>	<b>Freq. Share (Before)</b>	<b>Alliance Freq. Share (After)</b>
<b><i>Austria</i></b>				
	<b>Austrian</b>	7	100%	100%
<b><i>Belgium</i></b>				
	<i>American</i>	14	<b>30%</b>	
	<b>Delta</b>	7	15%	
	<b>Sabena</b>	<b>18</b>	39%	
	<b>United</b>	7	15%	
		<b>46</b>		<b>54%</b>
<b><i>Switzerland</i></b>				
	<i>American</i>	14	<b>22%</b>	
	<i>Austrian</i>	5	6%	
	<b>Delta</b>	5	<b>8%</b>	
	<b>Swissair</b>	<b>33</b>	<b>52%</b>	
	<b>United</b>	7	11%	
		<b>64</b>		<b>67%</b>

**U.S. - Canada Transborder Market Concentration  
Before and After Alliance**

Rank	Operating Carrier	Frequency Share Before	HHI Score Before	Frequency Share After	HHI Score After
1	Air Canada	24.84%	616.80	24.84%	616.80
2	American	8.59%	73.71	0.00% 1/	0.00 1/
3	Business Express 2/	6.88%	47.27	6.86%	47.27
3	Northwest	8.86%	47.27	8.88%	47.27
5	Delta	6.45%	41.57	6.45%	41.57
6	United	5.69%	32.39	5.89%	32.39
7	Canadian	5.43%	29.46	1401% 3/	196.37 3/
8	USAir	4.93%	24.35	4.93%	24.35
8	Horizon 2/	4.93%	24.35	4.93%	24.35
10	Air Ontario 2/	4.54%	20.81	4.54%	20.61
11	USAir Express 2/	3.98%	15.84	3.98%	15.84
12	Air BC 2/	2.60%	6.75	2.60%	6.75
13	Comair 2/	2.43%	5.93	2.43%	5.93
14	Flagship Airlines 4/	2.30%	5.30	2.30%	5.30
15	Mesaba 2/	1.97%	3.90	1.97%	3.90
16	AirAlliance 2/	1.02%	1.04	1.02%	1.04
17	Air Nova 2/	0.95%	0.91	0.95%	0.91
18	Kenmore Air Harbour	0.69%	0.48	0.69%	0.48
19	Ontario Express 5/	0.66%	0.43	0.88%	0.43
19	Time Air 5/	0.86%	0.43	0.66%	0.43
21	Air Atlantic 5/	0.63%	0.39	0.63%	0.39
22	America West	0.48%	0.21	0.46%	0.21
22	Continental	0.46%	0.21	0.46%	0.21
22	Reno Air	0.46%	0.21	0.46%	0.21
25	Midwest Express	0.39%	0.18	0.39%	0.18
26	Skyway Airlines 2/	0.36%	0.13	0.38%	0.13
27	British Airways	0.23%	0.05	0.23%	0.05
28	Air North	0.20%	0.04	0.20%	0.04
29	Athabaska Airways	0.13%	0.02	0.13%	0.02
29	Columbia Pacific	0.13%	0.02	0.13%	0.02
31	Royal Air Maroc	0.10%	0.01	0.10%	0.01
32	Taquan Air Service	0.03%	0.00	0.03%	0.00
<b>Total</b>		<b>100%</b>	<b>1,000</b>	<b>100%</b>	<b>1,093</b>

Change In HHI Score

**+93 +9.3%**

1/ American and Canadian combined below.

2/Regionalairline partner of non-alliance carrier(s).

3/ American and Canadian combined.

4/ Regional airline partner of American.

5/ Regional airline partner of Canadian.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing answer by fax on Delta, Swissair, Sabena, and Austrian Airlines, and by first-class mail on all persons named on the service list attached to their joint application.



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CARL B. NELSON, JR.

November 13, 1995