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BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

DEPT. OF TRANSPORTATION
DOCKETS
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Joint Application of)
MALAYSIA AIRLINES)
And)
NORTHWEST AIRLINES, INC.)
Under 49 U.S.C. §§ 41308 and 41309 for)
approval of, and antitrust immunity for,)
alliance agreement)
_____)

Docket OST-2000-6791 → L
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JOINT RESPONSE OF MALAYSIA AIRLINES AND
NORTHWEST AIRLINES, INC. TO ORDER 2000-1-26

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Dated: April 14, 2000

**BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.**

Joint Application of)

MALAYSIA AIRLINES)

And)

NORTHWEST AIRLINES, INC.)

Under 49 U.S.C. §§ 41308 and 41309 for)
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**JOINT RESPONSE OF MALAYSIA AIRLINES AND
NORTHWEST AIRLINES, INC. TO ORDER 2000-1-26**

Malaysia Airlines (“MAS”) and Northwest Airlines, Inc. (“Northwest”) (collectively the “Joint Applicants”), hereby jointly respond to the Department’s Order 2000-1-26 requiring the production of certain categories of documents and information.

In response to items A and B of the information request contained in Order 2000-1-26, the Joint Applicants are separately submitting certain proprietary and sensitive corporate documents to the Department accompanied by Motions for Confidential Treatment of those documents pursuant to Rule 302.12 of the Department’s Rules of Practice (14 C.F.R. § 302.12). The Joint Applicants have prepared indices to their respective confidential documents, which are attached hereto.

Responses:

A. The requested documents are being submitted separately with a Motion for Confidential Treatment.

B. The requested documents are being submitted separately with a Motion for Confidential Treatment.

C. The primary joint objective of the Joint Applicants is to form an alliance that will allow the carriers to serve the U.S.-Malaysia market with a more efficient and cost effective system and provide new service options to the **travelling** and shipping public. Northwest's objective is, further, to maintain service in the U.S.-Malaysia market pursuant to the proposed alliance. As a small player in a weakened market, Northwest believes that it must establish the proposed alliance with **MAS** in order to offer daily service in the U.S.-Malaysia market and to secure its long-term presence (and, thereby, secure U.S. carrier long-term presence) in the market. One of **MAS**'s objectives in forming the alliance is to access Northwest's broad network of connecting services and provide on-line service to an array of U.S. points that **MAS** would not otherwise be able to serve. One of Northwest's objectives, in turn, is to utilize **MAS**'s comprehensive knowledge of the local Malaysia market. The Joint Applicants plan to achieve these objectives through their reciprocal codeshare arrangement, reciprocity in their frequent flyer programs and coordination of other various functions as outlined in the Joint Application.

D. The Northwest/**MAS** alliance will have no adverse competitive effects. Although Northwest and **MAS** are the only U.S. and Malaysia-flag passenger carriers in the U.S.-Malaysia

market, Northwest has been serving Malaysia only since February 1999 and has a very small presence in the market. Neither carrier provides nonstop service between Malaysia and the United States, and there is no overlap in the city-pairs served by them on a single-plane or through-number basis. Furthermore, third-country carriers offer a significant amount of on-line Fifth and Sixth Freedom service between Malaysia and the United States, and the U.S.-Malaysia open skies agreement allows unlimited opportunities for new entry by interested U.S. carriers.

The Department has concluded that its past approvals of immunized inter-carrier agreements have proven successful in promoting competition. The Joint Applicants believe that their alliance will have the effect of stimulating traffic and accelerating the revival of the U.S.-Malaysia travel market, which is still recovering from the general economic decline in Asia. The proposed arrangement should have no negative effect on competition and may in the long term stimulate both traffic and competition in the U.S.-Malaysia market.

The referenced **MAS** traffic data are being submitted separately with a Motion for Confidential Treatment.

E. Joint Applicants do not envision the proposed alliance having any significant effect on the current level of service provided by either carrier in any of the U.S.-Pacific markets. Northwest currently offers single flight number, change of gauge service three times per week between **Kuala Lumpur** and Detroit, via Osaka. Malaysia Airlines currently operates single plane service three times per week between **Kuala Lumpur** and New York (Newark), via **Dubai**, three times per week between **Kuala Lumpur** and Los Angeles, via Tokyo, and four times per week

between **Kuala Lumpur** and Los Angeles, via Taipei. **MAS** plans to maintain its existing level of service to the United States. Likewise, Northwest does not anticipate changing its existing level of service in any U.S.-Pacific markets, with the limited exception of routine schedule adjustments.

MAS plans initially to codeshare on Northwest flights to the following U.S. interior points beyond Detroit: Minneapolis, San Francisco, Houston, Chicago, Washington, D.C., New York City, Atlanta, Miami, Boston, Orlando, Memphis, Philadelphia, Dallas/Fort Worth, Seattle and Honolulu. Northwest plans to codeshare on **MAS** flights to the following points in Malaysia beyond **Kuala Lumpur**: **Johor Bharu, Kota Bharu, Kota Kinabalu, Kuala Terengganu, Kuantan, Kuching, Labuan, Langkawi, Penang** and **Sibu**. These codeshare points have yet to be finalized and are subject to change.

Northwest has filed an application for one of the three third-country codeshare designations to Vietnam, recently made available by the U.S.-Vietnam MOD, signed March 3, 2000. See Docket OST-2000-7 194. If awarded the designation, Northwest plans to codeshare on **MAS** flights between **Kuala Lumpur** and Hanoi and between **Kuala Lumpur** and Ho Chi Minh City.

F. There currently are no constraints on access to either gates or slots at Malaysian airports that would affect the ability of U.S. carriers to begin service to Malaysia. The new **Kuala Lumpur International Airport**, which opened in 1998, is one of the largest and most advanced airports in the world. The new facilities are sufficient to accommodate new entry by U.S.

carriers.

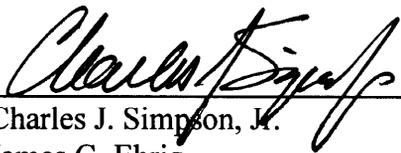
G. The Joint Applicants do not currently anticipate any significant service or equipment changes in connection with the proposed alliance. See Response E for proposed interior U.S. and Malaysia codeshare points.

H. The proposed alliance does not involve any exchange of equity or any other form of cross-ownership between the Joint Applicants.

I. The proposed alliance will have positive effects on labor, creating growth and expansion opportunities for each of the alliance partners, which will in turn create enhanced job opportunities and job security for Northwest employees. In recently concluded labor negotiations, Northwest and its unions reached agreements which include comprehensive job security provisions for employees, including no-layoff protection for employees in job classifications covered by the ratified agreements. Northwest employees covered by ratified agreements have job security covenants that would prohibit layoff subject to specified exceptions. Notwithstanding the protection afforded by the job security covenants, in the event any employee is adversely affected by alliance activities, their entitlement to compensation will

be governed by the respective collective bargaining agreement or if a management employee,
company policy. There are no plans for employee integration between Northwest and MAS.

Respectfully submitted,



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Dated: April 14, 2000

CERTIFICATE OF SERVICE

I hereby certify that on this 14th day of April, 2000, a copy of the foregoing Joint Response of Northwest Airlines and Malaysia Airlines was served by first class mail, postage prepaid, on the following:

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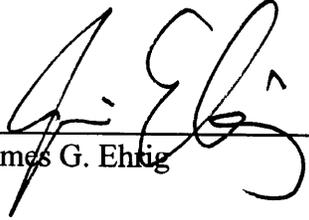
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