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BEFORE THE

DEPARTMENT OF TRANSPORTATION

WASHINGTON, D. C.

Joint Application of AMERICAN AIRLINES, INC. and THE TACA GROUP for approval of and antitrust immunity for an alliance agreement and exemptions under 49 USC 41308 and 41309	OST-00-7088 -13
AMERICAN AIRLINES, INC. et al. AND THE TACA GROUP RECIPROCAL CODESHARE SERVICES PROCEEDING	OST-96-1700 -159

JOINT RESPONSE OF AMERICAN AIRLINES, INC.
AND THE TACA GROUP TO ORDER 2000-7-8

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February 28, 2001

BEFORE THE

DEPARTMENT OF TRANSPORTATION

WASHINGTON, D. C.

Joint Application of AMERICAN AIRLINES, INC. and THE TACA GROUP for approval of and antitrust immunity for an alliance agreement and exemptions under 49 USC 41308 and 41309	OST-00-7088
AMERICAN AIRLINES, INC. et al. AND THE TACA GROUP RECIPROCAL CODESHARE SERVICES PROCEEDING	OST-96-1700

JOINT RESPONSE OF AMERICAN AIRLINES, INC.
AND THE TACA GROUP TO ORDER 2000-7-8

American Airlines, Inc. and the TACA Group, in response to the Department's request for additional information, Order 2000-7-8, July 7, 2000, hereby jointly state as follows.

1. Provide documents or information that were prepared by or for any officer, director, or individual exercising similar functions that evaluate or analyze potential codesharing or other cooperative agreements/arrangements between the TACA Group (as individual airlines or as a group) and any U.S. airline in the U.S.-Central America market.

Any such documents are being submitted separately by each applicant, accompanied by a joint motion for confidential treatment under 14 CFR 302.12.

The Joint Applicants have been engaged in ongoing negotiations regarding the possible purchase by American/AMR Corporation of an equity interest of less than 15% in the TACA Group. Such a purchase would likely include certain limited corporate governance rights. Consummation of any such transaction, of course, would be subject to the receipt of all necessary governmental approvals, among other conditions precedent. At this time, the Joint Applicants cannot predict whether they will reach an agreement to proceed with such a transaction and, if they to agree to proceed, the likely target date for closing the transaction.

2. Provide documents or information that discuss/consider interrelationships of this arrangement with other codeshare and alliance arrangements in the U.S.-Central America and U.S.-South America markets. Also, provide corporate documents or information that discuss the integration of this arrangement with the oneworld alliance.

Any such documents are being submitted separately by each applicant, accompanied by a joint motion for confidential treatment under 14 CFR 302.12.

3. Provide analysis/information that shows the extent to which traffic and revenue forecasts for this arrangement will be stimulated versus diverted from other U.S. carriers.

American and the TACA Group expect that there will be some degree of stimulation, and some degree of diversion, in many of the O&D city-pairs in which new American or TACA Group on-line service will be created. The degree of stimulation and diversion will vary widely from city-pair to city-pair, and neither carrier is sable to predict reliably its size, except to say that, generally, those city-pairs in which American and the TACA Group will provide the only on-line service will enjoy a greater measure of stimulation than other city-pairs.

4. Explain in detail why American and the TACA Group have been unable to implement on Sabre the Department's Miami-Central America blocked-space condition. Explain the differences between the blocked-space arrangements displayed on Sabre and the American-TACA blocked-space requirement. Describe in detail all efforts by American-TACA to implement the Department's blocked-space condition. Explain in detail the estimated total cost of implementing the Department's blocked-space condition on Sabre and the amount of time required to complete such implementation.

American's response to this item is attached as Exhibit 1.

5. Provide corporate documents or information that discuss plans to seek additional antitrust-immunized alliances in the U.S.-Central America or U.S.-South America markets.

Any such documents are being submitted separately by each applicant, accompanied by a joint motion for confidential treatment under 14 CFR 302.12.

6. Provide copies of internal or third-party documents/studies in the possession of the applicants that discuss or consider or analyze the impact of the display of codeshare arrangements in computer reservations systems (including the multiple displays of flights under different codes) on travel agency bookings, airline sales, and airline market share.

Any such documents are being submitted separately by each applicant, accompanied by a joint motion for confidential treatment under 14 CFR 302.12.

7. Provide internal or third-party studies, surveys, analyses, and reports that were prepared by or for any officer, director, or individual exercising similar functions for the purpose of evaluating or analyzing the proposed agreements/ arrangements with respect to traffic, revenue, and market share forecasts for all markets that will be affected by the proposed codeshare arrangement.

Any such documents are being submitted separately by each applicant, accompanied by a joint motion for confidential treatment under 14 CFR 302.12.

8. Provide all studies, reports, and analyses that discuss route development, internal expansion, service expansion, or marketing plans or strategies, concerning the Joint Applicants' air services between the U.S. and Central America and the Joint Applicants' air services behind and beyond the U.S. and Central America.

Any such documents are being submitted separately by each applicant, accompanied by a joint motion for confidential treatment under 14 CFR 302.12.

9. Provide copies of the "FFP Agreements" and the "Services Agreement," defined as "Principal Agreements" by the Alliance Agreement.

Amendment No. 1 to the Alliance Agreement, dated September 25, 1997 (confidential document 1026-1028), amended the definition of "Principal Agreements" to mean "(i) the Codeshare Agreements, and (ii) the FFP Agreements." Accordingly, there is no "Services Agreement." The FFP Agreements (confidential document 1076-1212) are being submitted by American on behalf of both applicants, accompanied by a joint motion for confidential treatment under 14 CFR 302.12.

10. Provide copies of all "written reports" submitted by the Joint Alliance Committee to the management of American and/or the TACA Group, as described under § 8(b) of the Alliance Agreement.

There are no such reports. See Order 98-5-26, May 20, 1998, p. 23 ¶ 5(a) ("neither American nor the TACA Group shall give any force or effect to the establishment of a Joint Alliance Committee as defined in section 8 of the Applicants' Alliance Agreement").

11. Provide the Department with all redacted provisions of the Alliance Agreement.

The unredacted Alliance Agreement (confidential document 1001-1025) is being submitted by American on behalf of both applicants, accompanied by a joint motion for confidential treatment under 14 CFR 302.12.

12. Provide copies of all analyses, studies, or reports in the possession of the applicants which were prepared either by the staff of the applicants or by any third party (regardless of whether they were acting on behalf of the applicants) that address the issue of Miami's comparative advantage as a U.S. gateway/hub in the U.S.-Central America market.

Any such documents are being submitted separately by each applicant, accompanied by a joint motion for confidential treatment under 14 CFR 302.12.

CONCLUSION

American and the TACA Group urged expedited processing and approval of the captioned applications, so that the public may begin to enjoy the benefits of enhanced services and increased competition at the earliest possible date.

Respectfully submitted,

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CARL B. NELSON, JR.
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American Airlines, Inc.

February 28, 2001

EXHIBIT 1

Explain in detail why American and The TACA Group have been unable to implement on Sabre the Department's Miami-Central America blocked-space condition. Explain the differences between the blocked-space arrangements displayed on Sabre and the American-TACA blocked-space requirement. Describe in detail all efforts by American-TACA to implement the Department's blocked-space condition. Explain in detail the estimated total cost of implementing the Department's blocked-space condition on Sabre and the amount of time required to complete such implementation.

Sabre's codeshare functionality relies on a series of tables and supporting software logic to manage a variety of codeshare structures, including free sale and blocked-space arrangements.

The table which controls most of Sabre's codeshare functionality (known as the TCS AT table), is designed to process codeshare bookings based principally on the identity of the marketing carrier. The identity of the carrier drives the basic functionality of the table and determines whether, for example, a passenger's basic reservation record (PNR) is processed as a free sale booking or a blocked space booking.

Once a PNR is identified by the table for processing as a free sale, as opposed to a blocked space, booking, the table will drive up to an additional 30 variables, such as inventory management and pre-reserved seating functions, based on that initial determination. PNRs that are identified as free sale are, for example, transmitted to the operating carrier immediately upon sale, whereas blocked-space PNRs are held for batch transmission 24 to 48 hours prior to departure.

The table does not allow American or TACA to set parameters or control variables by specific city-pair market or by flight number. Therefore, American and TACA can implement either a free sale or blocked-space arrangement, but not both with the same carrier. In order to implement DOT's Miami-Central America blocked-space condition, the TCS AT table, and related Sabre processes governing schedule changes, inventory management and teletype messaging, would need to be modified to recognize bookings at the city-pair market or flight number level. The following illustrates the problem:

Current TCS AT Table

Marketing Carrier	Codeshare Type
TA	Freesale

Proposed TCS AT Table

Marketing Carrier	Market	CodeshareType
TA	MIA-GUA	Blocked-space
TA	MIA-SJO	Blocked-space
TA	All others	Freesale

For the reasons explained above, none of Sabre's customers can support both a free-sale and blocked-space arrangement with the same carrier. For example, American has a blocked-space arrangement with China Eastern Airlines applicable to all routes and flights and cannot support a blend of blocked-space and free sale arrangements with China Eastern.

Commencing in January 1998, and continuing for a period of over eight months, American, TACA and Sabre undertook an extensive review of Sabre's codeshare capabilities to support DOT's blocked-space condition. The parties attempted to identify alternative solutions requiring the least extensive programming, and concluded that the only feasible solution was to modify the TCS AT table and related functions. Other alternatives were dismissed due to potential customer service shortcomings and safety and security concerns.

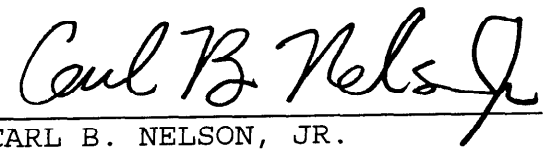
Sabre's most recent high level estimate for this work is approximately 5 person-years (8,050 hours) or $676,000. Depending upon the availability of technical resources, Sabre expects the project to take 12 to 15 months to complete.

Schedule Change		
Modify KRT Table	250 hrs.	
Turn on INM indicator	125 hrs.	
Inventory		
Modify INM and PNID	250 hrs.	
Modify KK process	750 hrs.	
Teletype		
Modify TCSAT table and utility	1,500 hrs.	
Modify Outbound TTY	1,000 hrs.	
Modify Inbound TTY	1,000 hrs.	
Modify Inbound PNL process	250 hrs.	
Create link between TCSAT/TCS	750 hrs.	
Modify extended BAS item	375 hrs.	
Sabre Project Management	900 hrs.	
Test	900 hrs.	
Total	8,050 hrs.	$676,000

This estimate does not include a cost of $361,000 incurred in 1999 and 2000 to expand Sabre's inventory master record. This expansion, which was completed to support other functionality enhancements, was a prerequisite to modifying the TCS AT table. This estimate also does not include significant management time and expense that would be incurred by American to manage the TCS AT modification project.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document by first-class mail on all persons named on the attached service list.



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February 28, 2001

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