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**BEFORE THE
U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Joint Application of

**AMERICAN AIRLINES, INC.
And
BRITISH AIRWAYS PLC**

**For Approval of and Antitrust Immunity
for an Alliance Agreement under 49
U.S.C. §§ 41308 and 41309**

Docket OST-2001-10387-44

Joint Application of

**AMERICAN AIRLINES, INC.
And
BRITISH AIRWAYS PLC**

**For Blanket Code-Share Authorizations
and Related Exemptions**

Docket OST-2001-10388-34

**ANSWER OF VIRGIN ATLANTIC AIRWAYS LIMITED TO THE
MOTIONS OF CONTINENTAL AIRLINES AND NORTHWEST AIRLINES**

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Dated: September 7, 2001

**BEFORE THE
U.S. DEPARTMENT OF TRANSPORTATION
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Joint Application of

**AMERICAN AIRLINES, INC.
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Docket OST-2001-10387

Joint Application of

**AMERICAN AIRLINES, INC.
And
BRITISH AIRWAYS PLC**

**For Blanket Code-Share Authorizations
and Related Exemptions**

Docket OST-2001-10388

Date: September 7, 2001

**ANSWER OF VIRGIN ATLANTIC AIRWAYS LIMITED TO THE
MOTIONS OF CONTINENTAL AIRLINES AND NORTHWEST AIRLINES**

Pursuant to Rule 11(c) of the Department's Rules of Practice and the two Notices Shortening Answer Period issued by the Department in these proceedings on September 5 and 6, 2001, respectively, Virgin Atlantic Airways Limited ^{1/} hereby files this answer to the motions filed by Continental Airlines, Inc. on August 30, 2001 and by Northwest Airlines, Inc. on September 6, 2001.

^{1/} Virgin and other carriers mentioned in this Answer are referred to by their commonly used names.

Virgin agrees fully with the most important element of Continental's motion -- supported by Northwest -- that the Department should dismiss without prejudice the Joint Applications filed by British Airways Plc and American Airlines, Inc. It is both illogical and unreasonable to impose on so many parties the extraordinary burden of reviewing the voluminous material filed by the Joint Applicants, analyzing the competitive implications of their proposed collusion, and preparing detailed answers and supporting exhibits -- all without any assurance that the prerequisite open skies agreement between the U.S. and the U.K. ^{2/} will be achieved. The parties know even less about how carriers with aspirations to inaugurate or increase services between London's Heathrow Airport and the U.S. in competition with the proposed alliance would ever be able to do so given Heathrow's long saturated condition, ^{3/} even if an open skies agreement were signed by the two governments.

^{2/} The Department has written that the existence of an open skies agreement is "a predicate to any decision approving and granting antitrust immunity to an alliance application." Order Terminating Proceedings, Order 99-7-22 at 2.

^{3/} Although Virgin enjoys a presence in a number of Heathrow-U.S. markets today, its difficulty in obtaining the Heathrow slots to support those services (Virgin currently holds 2 percent of the slots at Heathrow) underscores the importance of knowing much more about how the access issue will be addressed as a basis for analyzing and answering the Joint Applications. Virgin is extremely doubtful that there would be scope to expand its own services at Heathrow under an open skies regime, let alone to accommodate meaningful new entry by U.S. carriers.

Many of the same parties were compelled to endure a similar ordeal five years ago in response to the Joint Applicants' first attempt to obtain antitrust immunity for their alliance, only to have the entire proceeding abruptly terminated for lack of the required open skies agreement. The enormous waste of resources occasioned by that last instance of prematurely scrutinizing the proposed alliance should not be forgotten; it would be fundamentally unfair for the Department to perpetrate the same costly mistake on the parties a second time.

If, for whatever reason, the Department prefers to keep the Joint Application on file and pending, Virgin strongly supports Continental's alternative recommendation that the Department stay the procedural deadlines established by the Scheduling Notice issued on August 27, 2001, until an open skies agreement has been entered into by the U.S. and the U.K. Only then will the parties be in a position to understand the extent to which meaningful new service opportunities will be made available at Heathrow, if at all. Only then will they be in a position to furnish the Department informed views of the likely consequences of an immunized British Airways-American alliance.

Finally, if the Department prefers to maintain a procedural schedule that includes a date certain for answers to the Joint Applications, Virgin supports Northwest's alternative proposal that the deadline be at a minimum not less than 120 days from the date of the

Scheduling Notice. There is simply no way that interested parties can effectively analyze the Joint Applications and prepare useful submissions to the Department in the time made available in the Department's August 27 Scheduling Notice. As Northwest correctly points out, maintenance of the current schedule would be tantamount to denying interested parties the fundamental due process to which they are entitled.

The filing this week of a Joint Application for approval of and antitrust immunity for an alliance between United and bmi British Midland (with participation by Austrian Airlines, Lufthansa, and SAS) exacerbates the parties' difficulty all the more. No party will be able to comment meaningfully on the implications of either of these proposed alliances without being first fully apprised of the details of the other. The alternative forms of relief sought in the Continental and Northwest motions are thus essential to informed participation by the parties and to the rendering of decisions in the instant proceedings that are in the public interest.

In summary, the time is not yet ripe for the Department to process the Joint Applications of British Airways and American. In the interests of administrative economy and efficiency, the Department should not require interested parties to answer the Joint Applications now, when the Joint Applicants clearly are not entitled, and may never be entitled,

to the relief that they seek. If the Department continues to insist on the filing of answers, it must provide the parties adequate time to develop those answers in an informed way.

WHEREFORE, Virgin Atlantic Airways Limited urges the Department to grant the relief sought by Continental Airlines and Northwest Airlines in their respective motions by dismissing the Joint Applications of British Airways and American Airlines or, alternatively, by staying the procedural deadlines previously established for these proceedings.

Respectfully submitted,



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Director, External Affairs & Route
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Virgin Atlantic Airways Limited

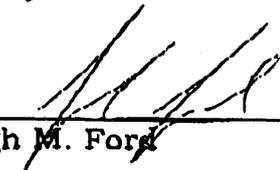


Hugh M. Ford
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Dated: September 7, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing "Answer of Virgin Atlantic Airways Limited to the Motions of Continental Airlines and Northwest Airlines" on all persons named on the attached Service List by causing a copy to be sent by first class mail.



Hugh M. Ford

Dated: September 7, 2001

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