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BEFORE THE

DEPARTMENT OF TRANSPORTATION

WASHINGTON, D. C.

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U.S.-U.K. ALLIANCE CASE : OST-2001-11029 - 33

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JOINT ANSWER OF AMERICAN AIRLINES, INC.
AND BRITISH AIRWAYS PLC

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December 17, 2001

BEFORE THE

DEPARTMENT OF TRANSPORTATION

WASHINGTON, D. C.

| | | |
|---|---|---|
| U.S.-U.K. ALLIANCE CASE | : | OST-2001-11029 |

JOINT ANSWER OF AMERICAN AIRLINES, INC.
AND BRITISH AIRWAYS PLC

American Airlines, Inc. and British Airways Plc, pursuant to Order 2001-11-10, November 20, 2001 and Order 2001-12-5, December 4, 2001, hereby answer the application for antitrust immunity submitted on September 5, 2001 in OST-2001-10575 by United Air Lines, Inc., British Midland Airways Limited d/b/a bmi british midland, Austrian Airlines, Lauda Air Luftfahrt, Deutsche Lufthansa, and Scandinavian Airlines System.

We do not oppose that application, provided that the American/British Airways application for antitrust immunity, submitted on August 10, 2001 in OST-2001-10387, is contemporaneously granted. Both applications were consolidated into the U.S.-U.K. Alliance Case by Order 2001-11-10. It would be contrary to the public interest in maximizing global network competition for the Department to authorize an immunized alliance for United/bmi (and their European Star partners), while denying the same status to American and British Airways.

## I. THE UNITED/bmi ALLIANCE BY ITSELF IS INSUFFICIENT TO REALIZE THE LONG-TERM U.S. AVIATION POLICY GOAL OF OPEN SKIES WITH THE U.K.

United and bmi both recognize that their alliance is insufficient to trigger open skies between the U.S. and the U.K. However, there is a historic opportunity to grant both the United/bmi and American/British Airways applications, and thereby achieve important long-term international aviation policy objectives.

United has stated that "[a]s a matter of political reality...approval of and antitrust immunity for the proposed addition of bmi to United's integrated European alliance will be accompanied by the Department's approval of the application of American and BA.... As the Department itself has recognized, 'the U.K. is likely to be unwilling to sign an open skies agreement unless and until [DOT] has granted the [American/BA] request for approval and antitrust immunity," Order 2001-9-12 at 4. The Department in turn will not likely grant antitrust immunity for the pending application to add bmi to United's existing European alliance until a U.S.-U.K. open skies agreement is concluded. Id. at 5." See Answer of United, OST-2001-10387, November 2, 2001, p. 2.

Similarly, bmi has stated that "the grant of antitrust immunity by the Department to the proposed BA/ American alliance, as well as to bmi's immunity application with United et al., will only occur when an open skies agreement is concluded between the U.K. and U.S." See Answer of bmi, OST-2001-10387, November 2, 2001, p. 1.

We agree that the two applications are thus linked, and we urge that both should be approved promptly. Approval will lead to an open skies agreement in the U.S.-U.K. market; new and expanded entry at London by other U.S. carriers; the development of Heathrow as the only two-alliance hub in Europe; and increased competitive benefits for consumers.

## II. THE ARGUMENTS FOR ANTITRUST IMMUNITY SET FORTH BY UNITED/bmi APPLY WITH EQUAL FORCE TO THE AMERICAN/ BRITISH AIRWAYS APPLICATION

Throughout their application, United and bmi make a number of policy arguments in support of antitrust immunity as the foundation of a competitive global network alliance. Each of these arguments applies with equal force to the American/British Airways immunity application.

- "The transatlantic market continues to be intensely competitive.... Both individually and in alliance combinations, a significant number of vigorous transatlantic competitors can and will offer a strong competitive challenge to the proposed alliance" (p. 36).

- "An immunized alliance with bmi will enable United to link its global network of services to bmi's...network at Heathrow, bmi's primary hub. The ability to link U.S. points with European and other global points via Heathrow will increase significantly the number of global city pairs in which United (and its alliance partners) can compete and will enhance the range of competitive routing and service options that United can offer in U.S.-U.K. and U.S.-Europe markets and beyond" (pp. 5-6).

o "As the Department has recognized, [United's European Alliance] (and other such alliances) have generated substantial benefits for transatlantic passengers by increasing the range of competitive service options and reducing fares" (p. 6).

o The establishment of antitrust-immunized alliances has enabled carriers to transform the level, quality, and competitiveness of the international air services they offer consumers. As the Department has recognized, '[a]lliance-based networks are the principal driving force behind transatlantic price reductions and traffic gains'" (p. 8).

o "Upon implementation of a liberalized U.S.-U.K. bilateral agreement, meaningful alliance-based competition will become possible in this market for the first time. A total of nine U.S. and U.K. carriers already operate regularly scheduled passenger services, and with a more liberal bilateral environment, the number of airlines and services operated is certain to increase" (p. 9).

o "A grant of antitrust immunity to the United/bmi/ Austrian Group/Lufthansa/SAS alliance is fully consistent with U.S. competition and international aviation policies, which encourage the development of global arrangements between U.S. and foreign carriers in order to facilitate the expansion of airline networks and increase carrier efficiency, thereby benefiting consumers and enhancing competition" (pp. 21-22).

o "[S]uccessive Department reports on international airline competition have documented significant fare reductions in gateway-to-gateway city pairs where immunized alliances were operating transatlantic service. The Department has concluded that 'broad-based strategic alliances...are the principal driving force behind transatlantic price reductions and traffic gains'" (pp. 24-25).

o "The Department's policy encouraging the development of integrated global alliances, which are the primary means for carriers to fully realize the potential benefits available under open skies agreements, provides a strong incentive for nations to liberalize their air service relationships with the United States" (pp. 27).

o "The Department's expectations have been fully borne out in the marketplace, as network-to-network competition has increased substantially, producing significant consumer welfare gains" (p. 28).

o "Extending antitrust immunity...enabling bmi to engage in joint operations with United and become an integral part of the European Alliance, will enhance global competition" (p. 33).

o "Approving and granting antitrust immunity to [United/bmi] will enable the carriers to integrate their route networks at London Heathrow, operate more efficiently, establish a more integrated air transport system of U.S.-U.K. and beyond services via London through better network coordination, achieve economies of scope and scale, and enhance competition with other alliances" (p. 42).

o "Full coordination will enable the carriers to develop a wider range of seamless connecting options and ease passengers' international journeys. An optimum network of on-line service options can only be accomplished on an efficient basis, however, if the carriers are free to coordinate their schedules, integrate their network planning, and coordinate pricing, inventory and yield management without antitrust risk" (p. 42).

Every one of these statements by United/bmi is equally true for the proposed immunized alliance between American and British Airways. The Department's goal of maximizing global network competition can only be fulfilled by increasing the number of immunized alliances. The Department has already granted antitrust immunity to the principal transatlantic partners in the Wings alliance (Northwest and KLM) and in Star (United, Lufthansa, SAS, Austrian, and Lauda), and immunity for SkyTeam (Delta, Air France, Alitalia, and CSA) appears to be imminent. The Department now has the opportunity to expand global network competition exponentially by granting immunity to the principal transatlantic partners in oneworld (American and British Airways), as well as to United and bmi.

## III. BY GRANTING ANTITRUST IMMUNITY TO AMERICAN/BRITISH AIRWAYS AND TO UNITED/bmi, THE DEPARTMENT WILL FACILITATE CREATION OF THE ONLY TWO-ALLIANCE HUB IN EUROPE

An open skies agreement between the United States and the United Kingdom, and the grant of antitrust immunity to both American/British Airways and United/bmi, will result in far greater competitive benefits for consumers than has been the case with previous immunity grants. Without the constraints of Bermuda 2, not only will carriers such as Continental, Delta, Northwest, and US Airways gain the opportunity to serve Heathrow Airport, and to expand U.S.-London service, but Heathrow will be the only two-alliance hub in Europe.

All other European hubs linked with immunized (or soon to be immunized) arrangements are the sole province of a single alliance. Such is the case at Amsterdam (Wings), Copenhagen (Star), Frankfurt (Star), Milan (SkyTeam), Paris (SkyTeam), Prague (SkyTeam), and Vienna (Star). Heathrow, by contrast, will be uniquely situated as a two-alliance hub, ensuring that the already highly competitive U.S.-London market will become even more so following open skies.

Moreover, the Star alliance carriers have 27% of all slot holdings at Heathrow (see Exhibit JA-7) and ample access to facilities, leaving no doubt that Star is well-positioned as a formidable alliance competitor to American/British Airways between the U.S. and London, as well as in behind and beyond markets on a global basis. Indeed, bmi alone holds slots sufficient to operate 89 flights per day. The economic and competitive significance of this portfolio becomes readily apparent when compared to American's existing slot holdings of 16 daily rotations, United's 17 daily rotations, or Virgin's 14 daily rotations.

United's application not only seeks antitrust immunity with bmi, but to tie bmi into United's broader transatlantic alliance. Adding bmi to that alliance makes Heathrow an integral part of a highly competitive multi-hub Star network, and significantly boosts the competitive power of the Star alliance.
There is no doubt that the United/bmi alliance will be positioned to compete very effectively against American and British Airways and other alliances.

Having two alliances based at a European hub is clearly a competitive benefit that has been missing from other immunity proceedings, and one that even more strongly favors the timely approval of the American/British Airways and United/bmi applications.[1] Allegations to the contrary -- that approval of the American/British Airways and United/bmi alliances would result in "duopoly" control of U.S.-London service -- are completely unfounded, for the reasons set forth in the AA/BA joint reply in OST-2001-10387, November 9, 2001, pp. 29-30.

## IV. THE PROPOSED UNITED/bmi/LUFTHANSA/AUSTRIAN/LAUDA/ SAS AND AMERICAN/BRITISH AIRWAYS IMMUNIZED ALLIANCES ARE COMPARABLE IN SIZE AND SCOPE

The immunized alliance that United has proposed with bmi and other European carriers is comparable in size and scope to the proposed alliance of American and British Airways. Indeed, by many measures the immunized United alliance network is larger than the one proposed by American and British Airways, making the case for contemporaneous grant of antitrust immunity

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[1]United and bmi agree. In their answers to the American/ British Airways immunity application in OST-2001-10387 submitted on November 2, 2001, both United and bmi recognized the competitive benefits of Heathrow's becoming a hub for two alliances. United stated that immunity for its proposed alliance with bmi "will allow United and its European alliance partners to try to provide an alliance network competitive with American/BA in these markets by building a hub at Heathrow" (p. 5). bmi stated that U.S.-U.K. open skies and immunity for both American/British Airways and United/bmi will enable the consumer to "enjoy the most competitive transatlantic market in Europe with a real choice between global network alliances" (pp. 4-5).

to AA/BA even more compelling in order to ensure vigorous network competition on a level playing field.

o As measured by U.S.-Europe bookings and seats, the American/British Airways alliance (including oneworld partners) share of 25% is comparable to United's transatlantic alliance (including Star partners) share of 21%. See Exhibit JA-1.

o The oneworld alliance will act as a competitive constraint on Star across Europe. As shown in Exhibit JA-3, oneworld serves 171 U.S. cities and 148 European cities, while Star serves 217 U.S. cities and 178 European cities. Both alliances compete head-to-head at 117 common U.S. cities and 77 common European cities.

o oneworld's share of U.S.-U.K. bookings is comparable to the home country shares of Star. As shown in Exhibit JA-2, oneworld has a 42% U.S.-U.K. share, whereas Star's share of U.S.-Germany is 45%; of U.S.-Austria, 57%; and of U.S.-Scandinavia, 36%.

o In U.S.-European hub city markets, the comparison is even more heavily weighted in favor of Star. oneworld's U.S.-London share is 43%; whereas Star's share of U.S.-Frankfurt is 48%; of U.S.-Vienna, 56%; and of U.S.-Scandinavia cities (Copenhagen, Oslo, and Stockholm), 38%. Id

. o bmi vigorously competes with British Airways in the largest markets beyond Heathrow, as shown in Exhibit JA-4. While BA serves more cities in Europe from Heathrow (82 cities) than bmi (36 cities), bmi provides service to the most important markets. The 36 cities served by bmi represent approximately 70% of the aggregate O&D traffic between the U.S. and BA's 82 cities. In terms of European cities with greater than 500,000 annual passengers, BA serves 16, while bmi serves 13.

o In markets beyond Heathrow not served by bmi, United will rely on its other European Star partners. Of the 46 cities served by BA but not by bmi, all but 10 small cities are served by other Star partners (Exhibit JA-12). These 10 cities represent only 0.3% of the U.S.-Europe O&D market (id.).

o As measured by annual operating revenue, annual passengers, unduplicated destinations served, RPMs, fleet size, and employees, Star is larger than oneworld, as shown in Exhibit JA-5.

o As the Department found in Order 2000-10-13, October 13, 2000, p. 10 (SAS/Icelandair), "[t]he U.S.-Europe marketplace is highly competitive. Eight U.S. airlines provide scheduled passenger service in this market from their hubs, either individually or in conjunction with an existing alliance. The U.S.-Europe market is also served by more than 30 foreign airlines, principally from hubs in their homelands."

o As shown in Exhibit JA-6, Europe's four largest hubs (Heathrow, Frankfurt, Amsterdam, and Paris CDG) each handles a comparable number of connecting passengers (in excess of 1.5 million per year) between the U.S. and Europe and beyond to the Middle East, Africa, and the Far East. Once the AA/BA, United/bmi, and Delta/Air France alliances are immunized, they will compete even more vigorously for connecting traffic as they become able to offer more convenient service.

o American needs to rely on British Airways to fill the network void left by Swissair and Sabena in order to effectively compete with other transatlantic alliances. Without access to Swissair/Sabena's former network, American is being forced to discontinue codesharing to 32 points in Europe served by Swissair and its affiliates, and American can no longer rely upon Sabena and its affiliates for the 37 points in Europe that they had served. Since British Airways serves 38 of the cities to which American was codesharing with Swissair and Sabena, American's alliance with British Airways will allow American's network potential to be restored to these cities, as well as to 75 additional BA cities, many of which were not served by Swissair or Sabena. See AA/BA joint reply in OST-2001-10387, November 9, 2001, pp. 55-60.

o The 38 cities to which AA/BA will restore on-line service represent 69% of the U.S.-Continental Europe O&D market. See Exhibit JA-8. Thus, the AA/BA alliance will protect a very large number of U.S.-Europe passengers from the diminished connectivity threatened by the demise of Swissair/Sabena.

o The damage that Star could do to international competition, if Star were permitted to outpace the other alliances, should not be underestimated. Star has been permitted to establish more codeshares between key members than has oneworld, as shown in Exhibits JA-9 and JA-10. United and Star are also significantly advantaged by numerous antitrust immunized relationships (Exhibit JA-10). Moreover, equity ties between Star carriers are well developed, while oneworld carriers have few equity links (Exhibit JA-11).

The antidote to Star's competitive lead is approval of AA/BA, the backbone of oneworld. There is no basis for disparate treatment of the United/bmi/Lufthansa/Austrian/Lauda/SAS and American/British Airways applications for antitrust immunity. The two alliances are comparable in size and scope (indeed, Star has the competitive lead), and both should be approved contemporaneously to maximize network competition.

## V. THE DEPARTMENT SHOULD REJECT ARGUMENTS BY UNITED/ bmi FOR HEATHROW SLOTS AND FACILITIES

In their answers in OST-2001-10387 on November 2, 2001, United contends that it and bmi should be provided "additional Heathrow slots and facilities" (p. 10), while bmi complains that "any redeployment of even a few of its London Heathrow slots for transatlantic use will be at the expense of reducing the passenger feed on which bmi had hoped to rely to compete with an immunized BA/American alliance" (p. 4). The Department should reject any suggestion that American/British Airways should provide United/bmi with Heathrow slots and facilities.

bmi is the second largest slot holder at Heathrow, with a share of approximately 14%. The Star alliance carriers -- bmi, Lufthansa, SAS, United, Air Canada, Austrian Airlines, Singapore Airlines, ANA, Varig, Thai Airways, and Air New Zealand -- collectively hold 180 daily rotations, or 27% of all Heathrow slots. See Exhibits JA-7; see also American/British Airways immunity application, OST-2001-10387, August 10, 2001, p. 9 n. 4. United is one of two incumbent U.S. carriers at Heathrow, and holds 17 daily slot pairs that it uses to serve the U.S.-London market.

bmi contends that its Heathrow slots are only suitable for narrow-body operations. The British Airports Authority, however, has stated that (assuming carriers have runway slot times) terminal and other facilities will allow as many as 10 new daily transatlantic services at Heathrow by U.S. carriers to be accommodated in the first traffic season after open skies (winter 2002/2003), and as many as another four in the following season (summer 2003). See BAA submission, OST-2001-10387, October 4, 2001, p. 3. In addition, United and bmi will be able to optimize use of existing facilities and redeploy them to add transatlantic service. United and bmi cannot credibly contend that they require the transfer of additional Heathrow slots and facilities from American and British Airways in order to be competitive.

Assertions by alliance partners that they will not be willing to redeploy their Heathrow slot resources in effect ask that the Department reward already immunized or soon-to-be immunized alliances for irrational and inefficient behavior. Just as British Airways has had to make sometimes painful decisions to redeploy slots in recent years to optimize its hub at Heathrow, other incumbents will have to consider the highest and best uses to which they and, in many cases, their immunized partners can redeploy Heathrow resources. Failure to do so should not be rewarded by imposing punitive divestiture remedies against the AA/BA alliance.

## VI. UNITED'S CONFIDENTIAL DOCUMENTS PROVIDE FURTHER SUPPORT FOR THE GRANT OF ANTITRUST IMMUNITY TO AMERICAN AND BRITISH AIRWAYS

A review of United's confidential documents submitted in connection with the United/bmi immunity application further shows why the public interest would be served by granting antitrust immunity to American and British Airways.

**REDACTED**

REDACTED

REDACTED

Each of these statements by United provides further support for granting antitrust immunity to the proposed American/ British Airways alliance.

CONCLUSION

The Department should grant antitrust immunity to both American/British Airways and United/bmi, and should do so on an expedited basis.

Respectfully submitted,

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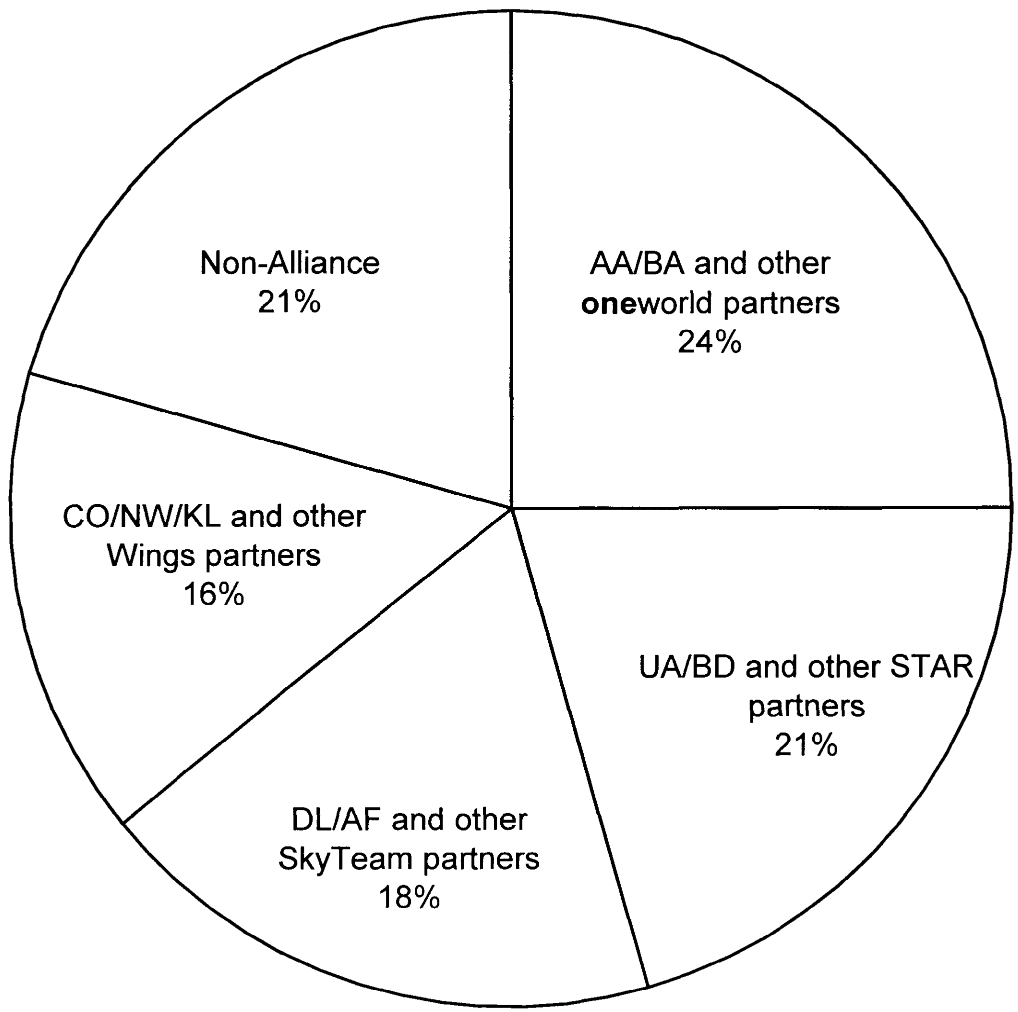
December 17, 2001

# The American / British Airways Alliance Is Comparable In Size To United's Transatlantic Alliance

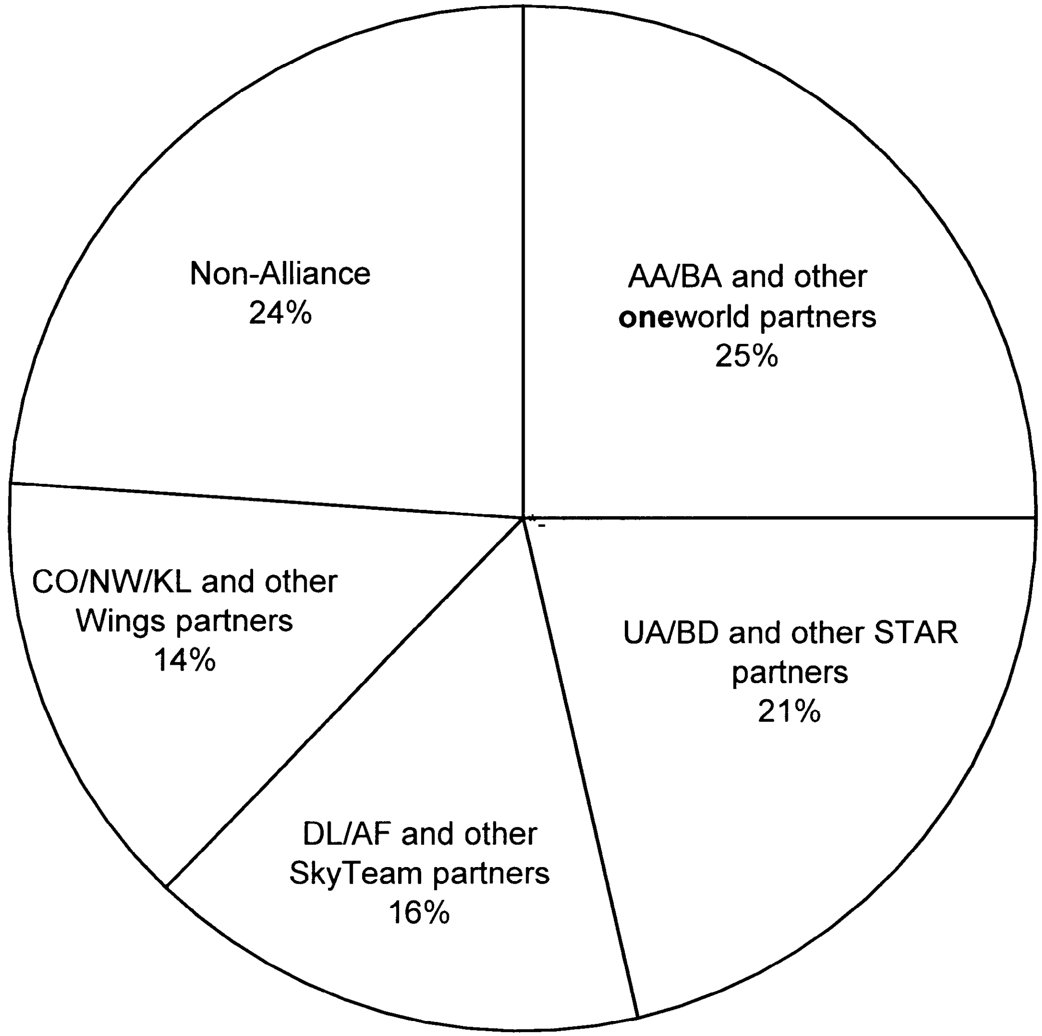
## U. S. - Europe Bookings




Source: CONCRS, Year 2000

# The American / British Airways Alliance Is Comparable In Size To United's Transatlantic Alliance

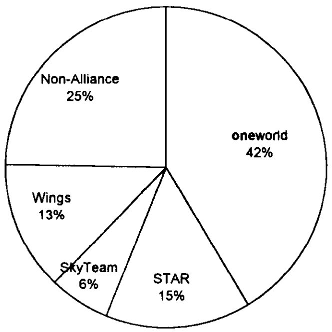
## U.S. - Europe Seats



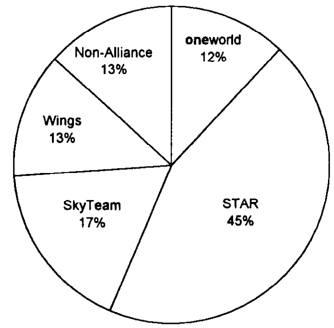

Source: OAG Year Ending Aug, 2001

# oneworld's U.S.-U.K. Market Share Is Comparable To The Home Country Market Share Of Competing Alliances

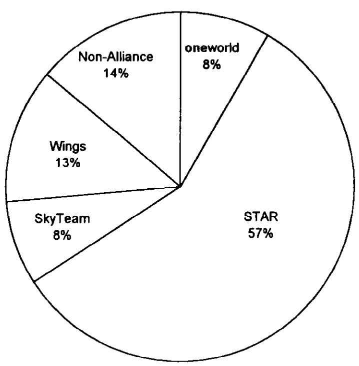
### U.S. - U.K.



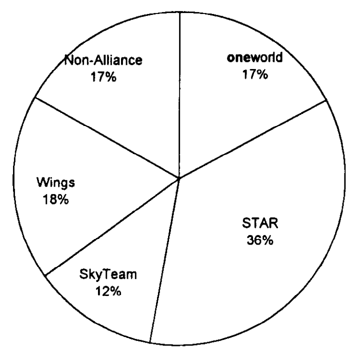

### U.S. - Germany




### U.S. - Austria




### U.S. - Scandinavia

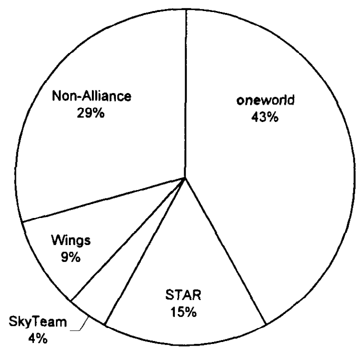



Note: Includes Denmark, Norway, Sweden

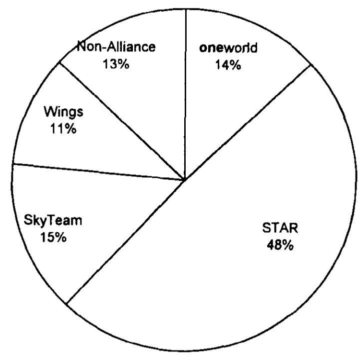
Source: CONCRS 2000

# oneworld's U.S.-London Market Share Is Comparable To The Hub Market Share Of Competing Alliances

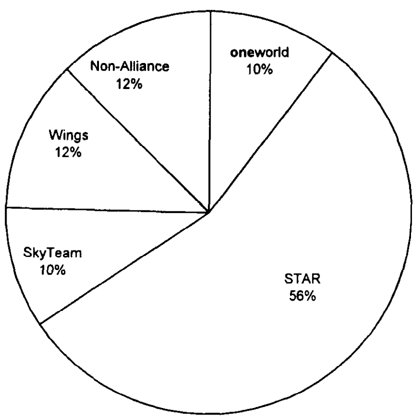
U.S. - London



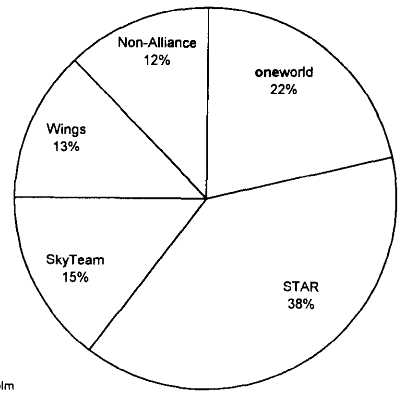

U.S. - Frankfurt




U.S. - Vienna




U.S. - Scandinavia Cities

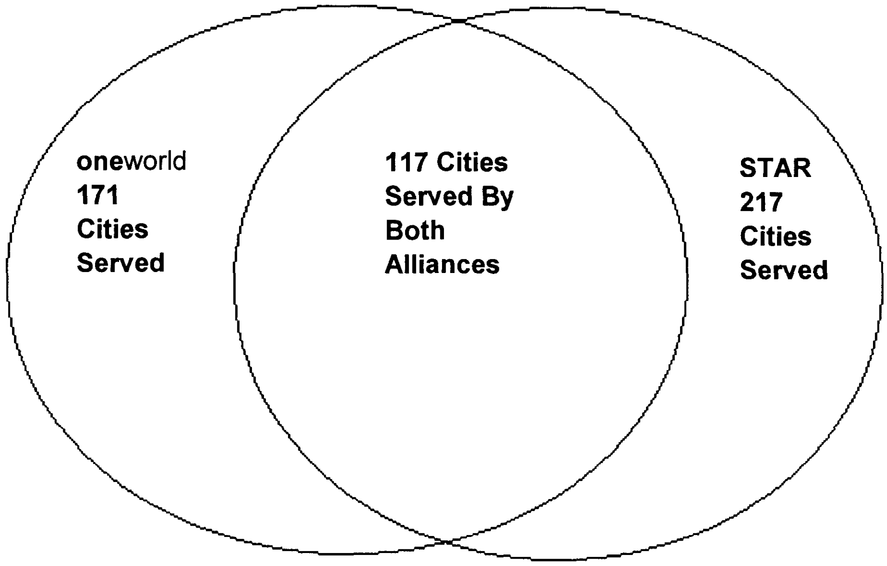



Note: Includes Oslo, Copenhagen, Stockholm

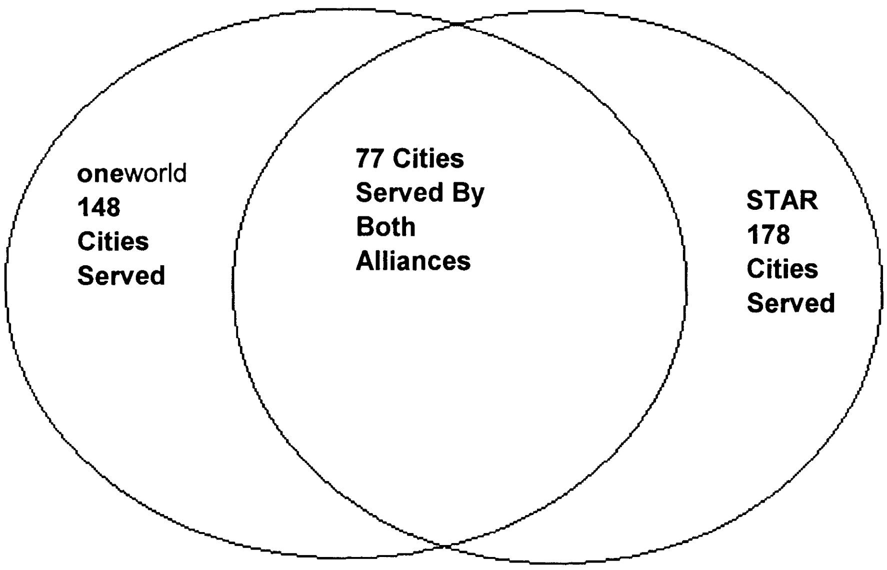
Source: CONCRS, Year 2000

# The oneworld Alliance Will Provide Competitive Discipline To United's Transatlantic Alliance At A Large Number Of U.S. And European Cities

## U.S. Cities Served

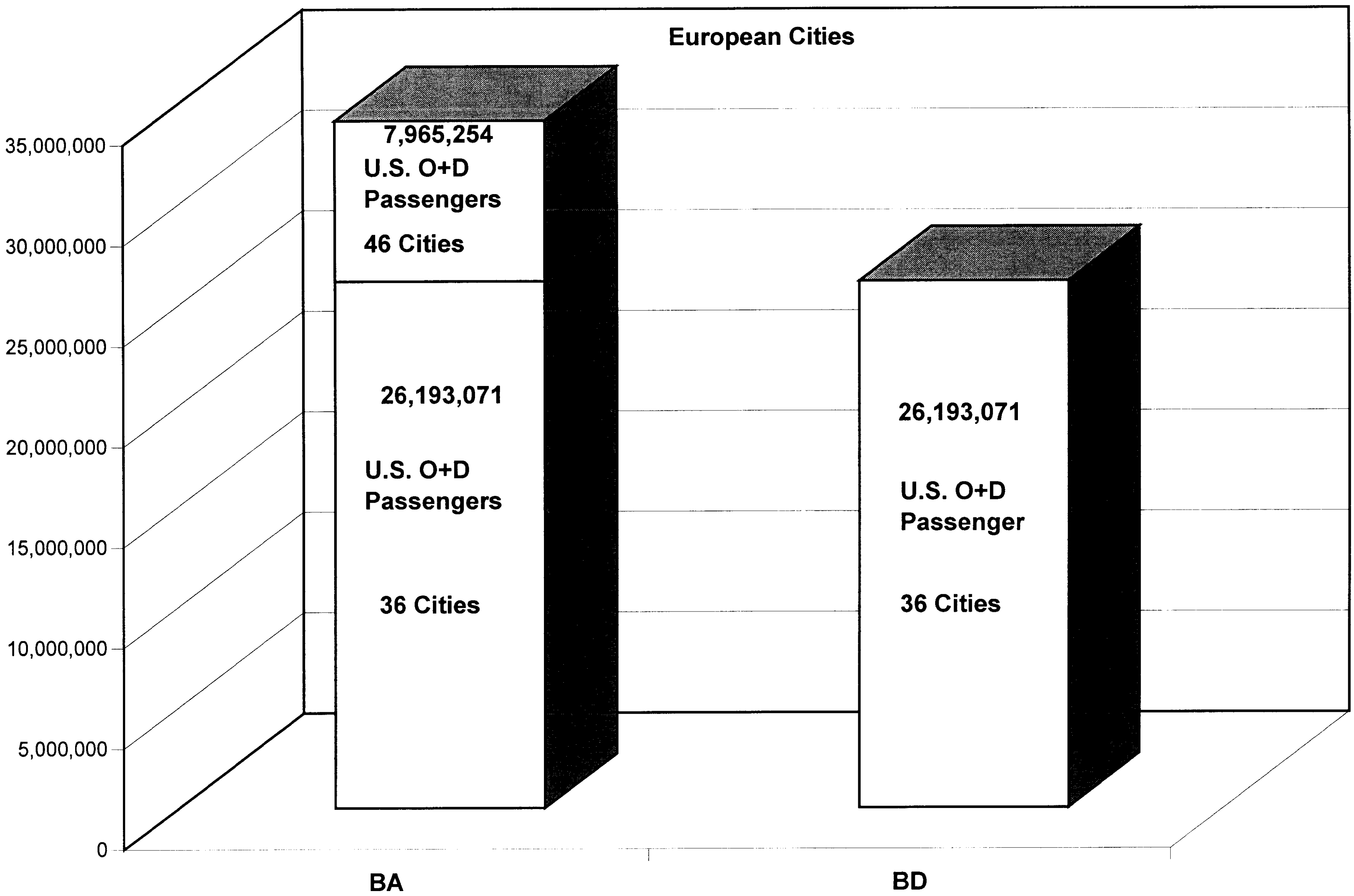



## European Cities Served



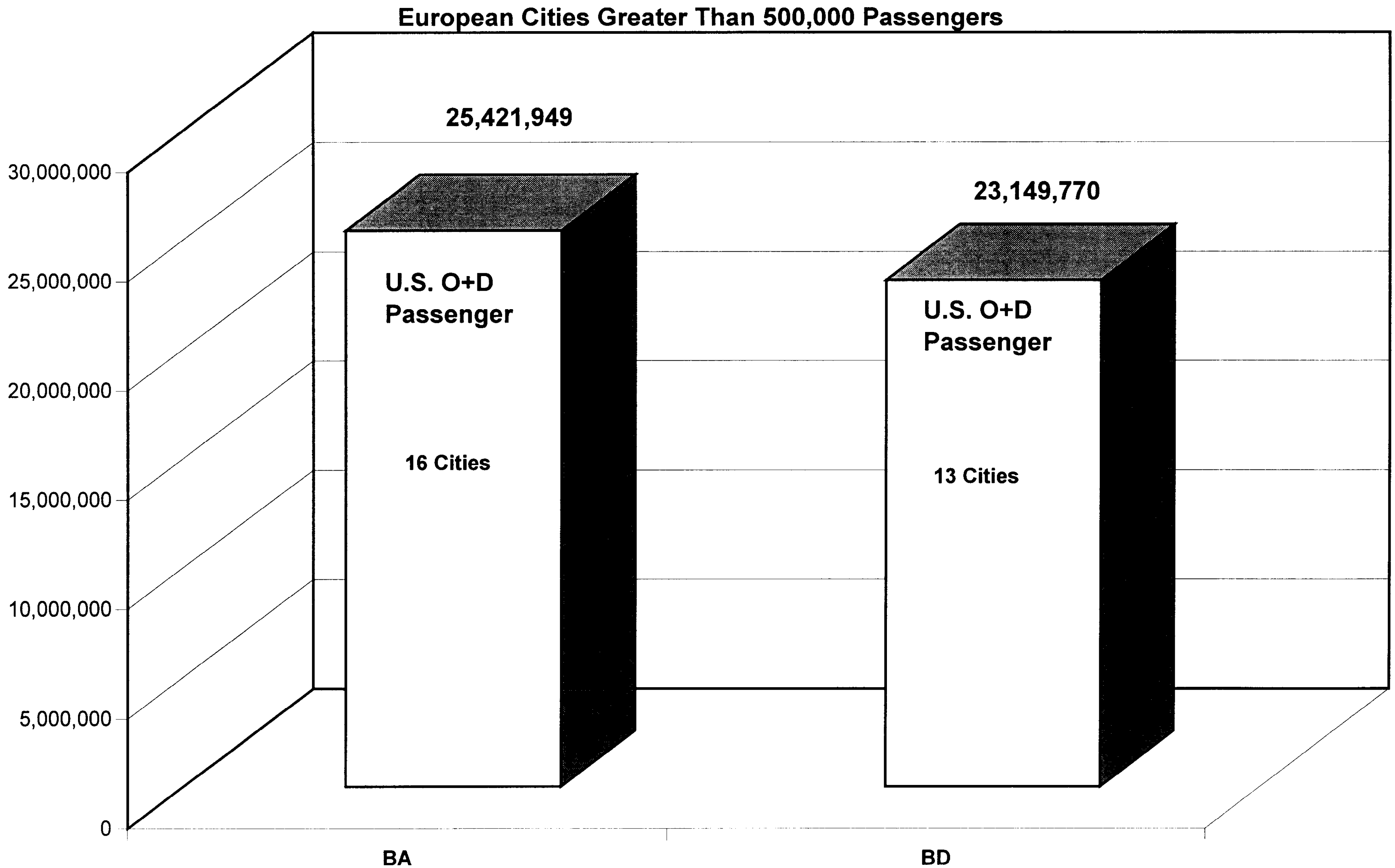

Source: OAG, August 2001

# British Midland Vigorously Competes With BA In The Largest Markets Beyond Heathrow




Source: CONCRS, Year 2000

# British Midland Vigorously Competes With BA In The Largest Markets Beyond Heathrow



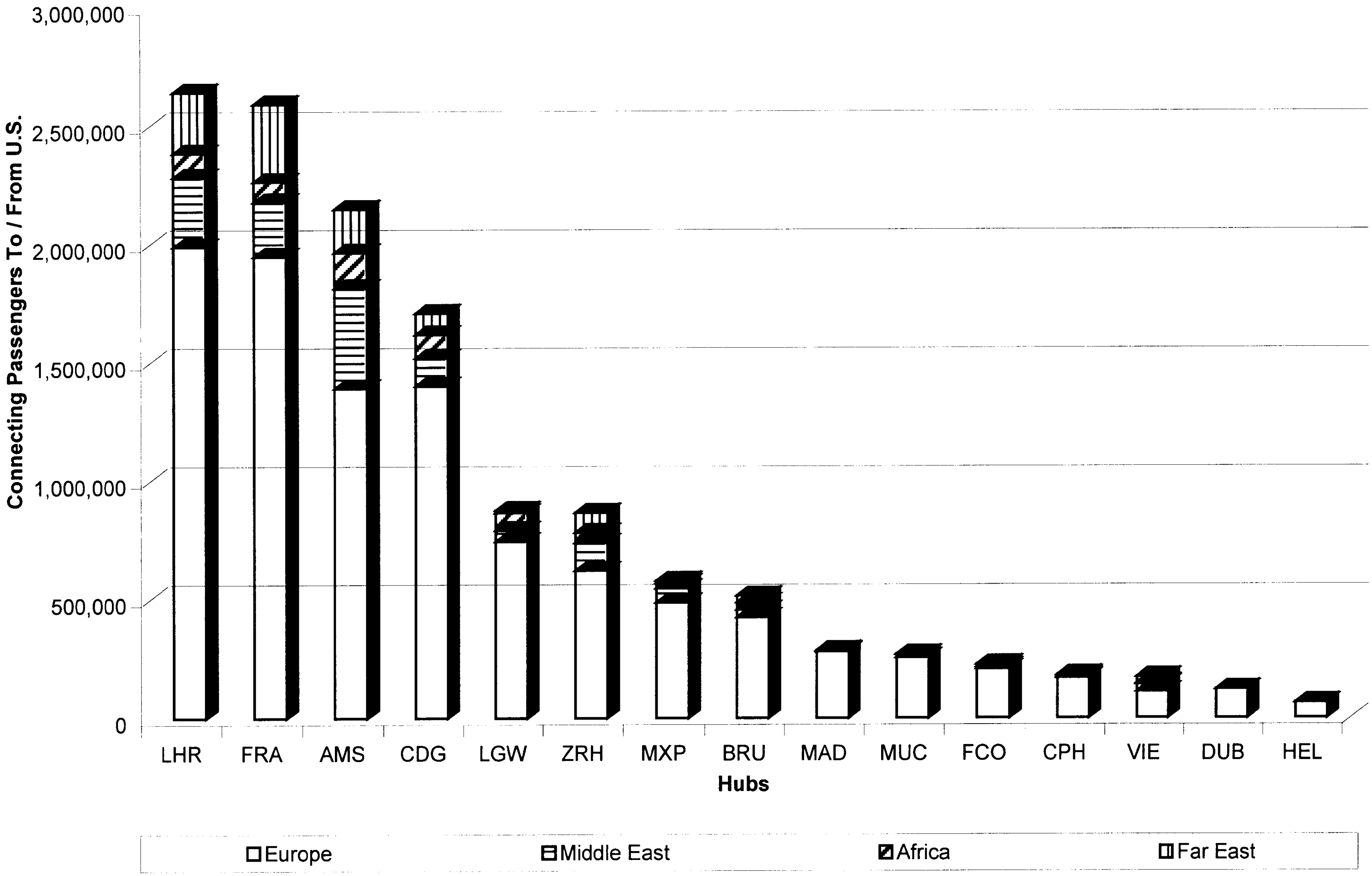

Source: CONCRS , Year 2000

# STAR Is Larger Than **one**world

| Alliance | Airlines | Operating Revenue ($ millions) | Annual Passengers (000) | Unduplicated Destinations Served | RPM's (millions) | Fleet | Employees |
|---|---|---|---|---|---|---|---|
| Star | Air Canada | 7,155 | 24,395 | 194 | 42,285 | 239 | 39,323 |
| | Air New Zealand | 1,610 | 8,968 | 48 | 13,967 | 90 | 9,560 |
| | ANA | 10,606 | 43,460 | 62 | 35,986 | 140 | 15,273 |
| | Austrian | 1,387 | 4,751 | 104 | 6,424 | 97 | 8,114 |
| | British Midland | 1,100 | 7,098 | 36 | 2,379 | 57 | 4,734 |
| | Lufthansa | 13,662 | 45,476 | 168 | 58,385 | 307 | 56,421 |
| | Mexicana | 976 | 8,801 | 60 | 8,369 | 59 | 6,354 |
| | SAS | 4,900 | 23,240 | 103 | 14,041 | 199 | 25,454 |
| | Singapore | 5,146 | 14,874 | 65 | 43,893 | 97 | 27,906 |
| | Thai | 2,787 | 17,392 | 73 | 26,186 | 79 | 24,071 |
| | United | 19,530 | 84,461 | 252 | 126,596 | 619 | 100,001 |
| | Varig | 2,760 | 11,167 | 66 | 16,298 | 150 | 19,991 |
| | Alliance Total | 71,619 | 294,083 | 869 | 394,809 | 2,133 | 337,202 |
| **one**world | Aer Lingus | 990 | 6,639 | 28 | 5,511 | 38 | 5,635 |
| | American | 23,288 | 124,885 | 361 | 139,943 | 1205 | 124,474 |
| | British Airways | 13,427 | 43,801 | 226 | 75,324 | 374 | 67,711 |
| | Cathay Pacific | 4,421 | 11,844 | 45 | 29,200 | 69 | 13,159 |
| | Finnair | 1,514 | 6,024 | 64 | 4,625 | 58 | 9,214 |
| | Iberia | 3,642 | 24,919 | 101 | 24,809 | 159 | 27,005 |
| | Lan Chile | 1,425 | 4,632 | 43 | 6,470 | 45 | 9,207 |
| | Qantas | 5,485 | 17,815 | 91 | 39,367 | 159 | 29,217 |
| | Alliance Total | 54,192 | 240,559 | 586 | 325,250 | 2,107 | 285,622 |

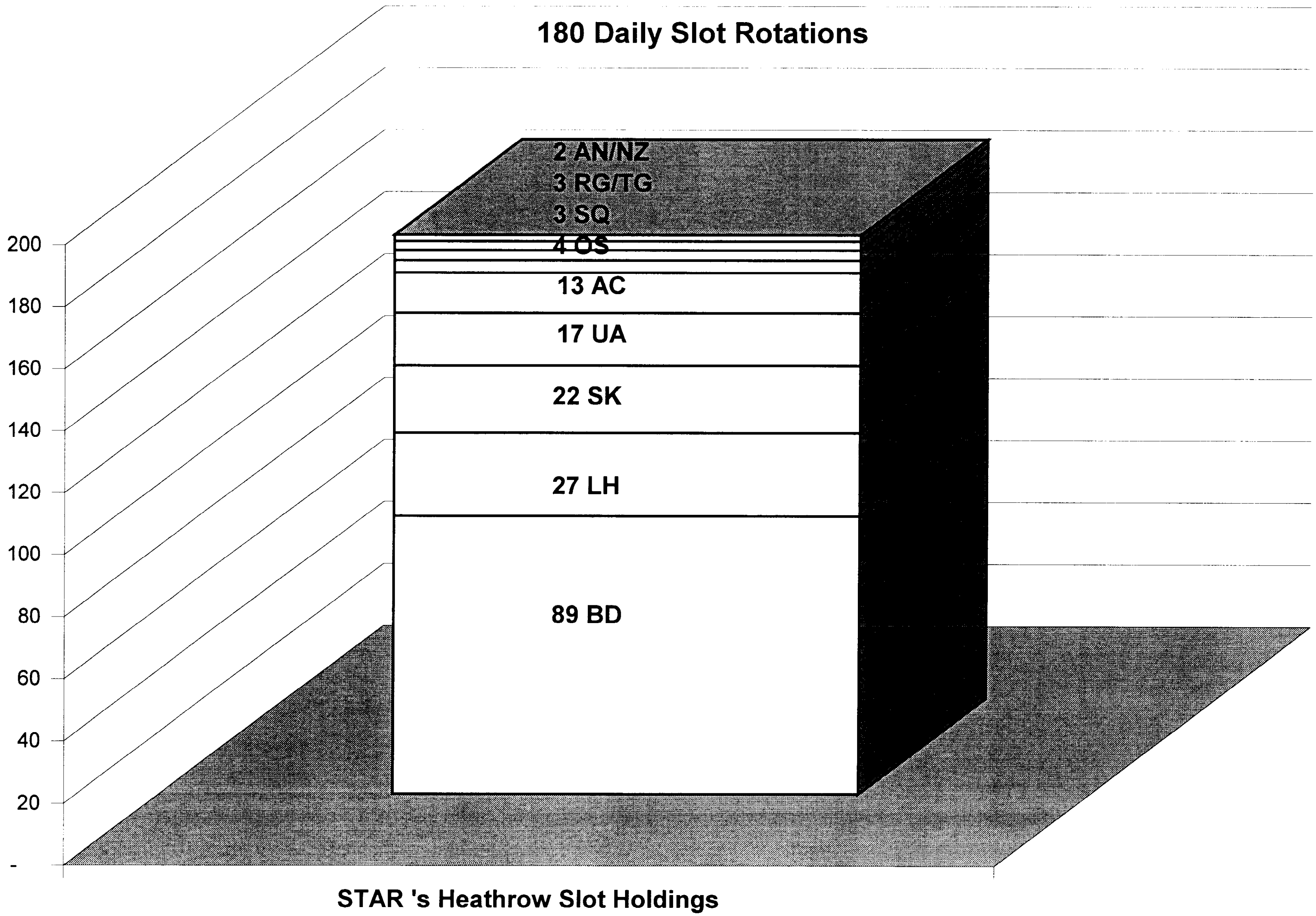
Source: IATA WATS 2001
Reed Air Transport Intelligence
Company Sources

# Europe's Principal Alliance Hubs Vigorously Compete For Connecting Passengers




Source: CONCRS Year 2000

# STAR Has Very Significant Slot Holdings At Heathrow




Source: ACL
Week of July 16,2001

# STAR Heathrow Slot Holdings by Carrier

## Weekly Total by Hour

**STAR**

| Arrivals | 0500 | 0600 | 0700 | 0800 | 0900 | 1000 | 1100 | 1200 | 1300 | 1400 | 1500 | 1600 | 1700 | 1800 | 1900 | 2000 | 2100 | 2200 | 2300 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| British Midland | | | 32 | 49 | 28 | 40 | 41 | 53 | 19 | 51 | 35 | 41 | 33 | 34 | 36 | 49 | 47 | 38 | | 626 |
| Lufthansa | | 5 | 7 | 21 | 7 | 8 | 20 | | 7 | 28 | 6 | 15 | 14 | 14 | 14 | 15 | | 7 | | 188 |
| SAS | | | | 7 | 28 | | 7 | 14 | | | 7 | 21 | 13 | 27 | 8 | 7 | 13 | | | 152 |
| United | 7 | 28 | 21 | 7 | 14 | 7 | 7 | 7 | 14 | | | | | | | | 7 | | | 119 |
| Air Canada | | 7 | 17 | 11 | | 14 | 7 | 7 | 21 | | | | | | | | 7 | | | 91 |
| Austrian | | | | 7 | | | | 6 | | 1 | | | | 7 | | | 7 | | | 28 |
| Singapore | 7 | | | | | | | | | | 7 | 1 | | | 7 | | 1 | | | 23 |
| Varig | | | | | | | | | 3 | 4 | | | | | | | 3 | | | 10 |
| Thai | | | 7 | | | | | | | | | | | 3 | | | | | | 10 |
| All Nippon | | | | | | | | | | | 7 | | | | | | | | | 7 |
| Air New Zealand | | | | | | 7 | | | | | | | | | | | | | | 7 |
| Hour Total > | 14 | 40 | 84 | 102 | 77 | 76 | 82 | 87 | 64 | 84 | 62 | 78 | 60 | 85 | 65 | 71 | 85 | 45 | 0 | 1261 |
| % of Hour Total > | 16.3 | 15.2 | 30.4 | 36.4 | 27.0 | 27.7 | 28.7 | 31.6 | 21.3 | 31.9 | 22.7 | 27.7 | 21.6 | 28.7 | 21.4 | 23.1 | 32.2 | 38.1 | 0.0 | **26.8** |

| Departures | 0500 | 0600 | 0700 | 0800 | 0900 | 1000 | 1100 | 1200 | 1300 | 1400 | 1500 | 1600 | 1700 | 1800 | 1900 | 2000 | 2100 | 2200 | 2300 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| British Midland | | 35 | 49 | 71 | 14 | 42 | 35 | 36 | 34 | 20 | 38 | 61 | 38 | 36 | 28 | 48 | 35 | 1 | 5 | 626 |
| Lufthansa | | | 14 | 14 | 14 | 14 | 7 | 7 | 7 | 14 | 21 | 5 | 16 | 7 | 14 | 21 | 7 | 6 | | 188 |
| SAS | | 14 | 6 | | 7 | 21 | 7 | 7 | 7 | 7 | | | 14 | 14 | 34 | 7 | 7 | | | 152 |
| United | | | 7 | 14 | 21 | 14 | 21 | 7 | 14 | 7 | | 7 | | 7 | | | | | | 119 |
| Air Canada | | | | | 7 | | | 14 | 14 | 14 | 21 | 14 | | | | | 7 | | | 91 |
| Austrian | | 7 | | | 7 | | | 6 | | | 1 | | | | 7 | | | | | 28 |
| Singapore | | 1 | | | | | | 7 | | | | | | 7 | | 1 | | 7 | | 23 |
| Varig | | | | | | | | | | 3 | | | | | | | | 7 | | 10 |
| Thai | | | | | | 1 | | 6 | | | | | | | | | 3 | | | 10 |
| All Nippon | | | | | | | | | | | | | | 7 | | | | | | 7 |
| Air New Zealand | | | | | | | | | | | | 7 | | | | | | | | 7 |
| Hour Total > | | 57 | 76 | 99 | 70 | 92 | 70 | 90 | 76 | 65 | 81 | 94 | 68 | 78 | 83 | 77 | 59 | 21 | 5 | 1261 |
| % of Hour Total > | | 35.4 | 25.8 | 32.1 | 24.7 | 29.0 | 24.3 | 31.1 | 25.0 | 23.9 | 25.7 | 29.8 | 23.2 | 25.8 | 27.4 | 25.6 | 30.9 | 12.6 | 71.4 | **26.8** |

Source: ACL
All Times Local
Week of July 16, 2001

# U.S.-European O+D Markets, Previously Served By The American/Swissair/Sabena Alliance, That Can Now Be Served By The American/British Airways Alliance

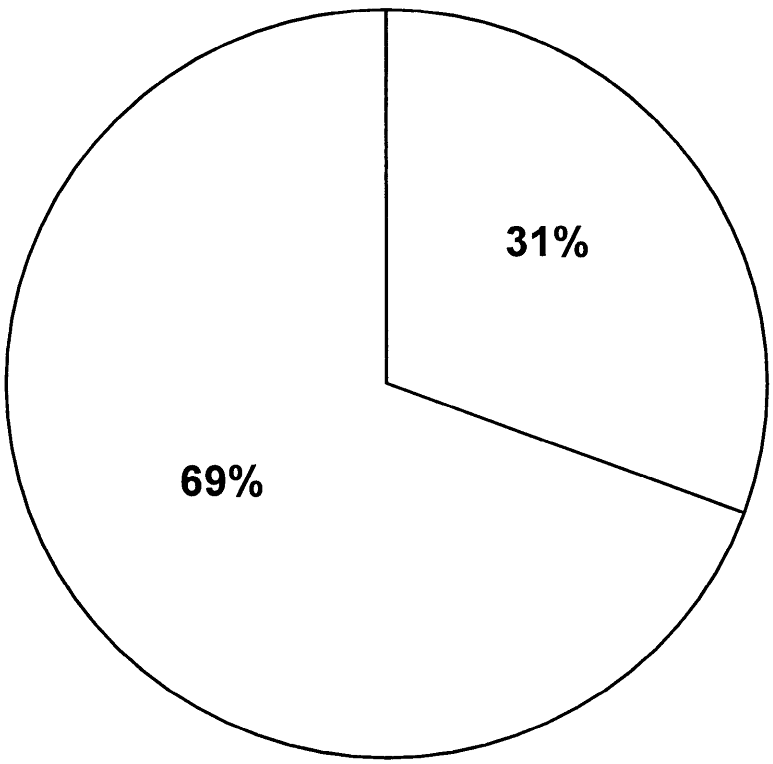
| City | Annual U.S. O + D Passengers |
|---|---|
| CDG | 3,578,916 |
| FRA | 2,970,766 |
| AMS | 1,931,620 |
| MUC | 1,115,995 |
| ZRH | 1,033,903 |
| MXP | 922,804 |
| BRU | 882,097 |
| DUS | 597,541 |
| ARN | 544,778 |
| VIE | 459,935 |
| TXL | 435,034 |
| WAW | 432,259 |
| STR | 424,194 |
| CPH | 419,206 |
| HAM | 414,341 |
| LIS | 410,745 |
| GVA | 388,016 |
| BUD | 335,299 |
| NCE | 325,349 |
| VCE | 282,763 |
| PRG | 250,439 |
| OSL | 246,693 |
| HEL | 216,280 |
| HAJ | 184,439 |
| LYS | 181,652 |
| GOT | 156,894 |
| NAP | 138,426 |
| MRS | 121,704 |
| OTP | 120,313 |
| BLQ | 116,894 |
| CGN | 112,086 |
| BSL | 91,184 |
| TLS | 87,299 |
| LUX | 82,358 |
| OPO | 62,643 |
| LIN | 50,678 |
| BOD | 45,235 |
| VRN | 30,311 |
| **Total 38 Cities U.S. O+D Passengers** | **20,201,089** |

| | |
|---|---|
| **Total U.S.-Continental Europe O+D Market (without U.K.)** | **29,235,649** |

Source: Year 2000, CONCRS

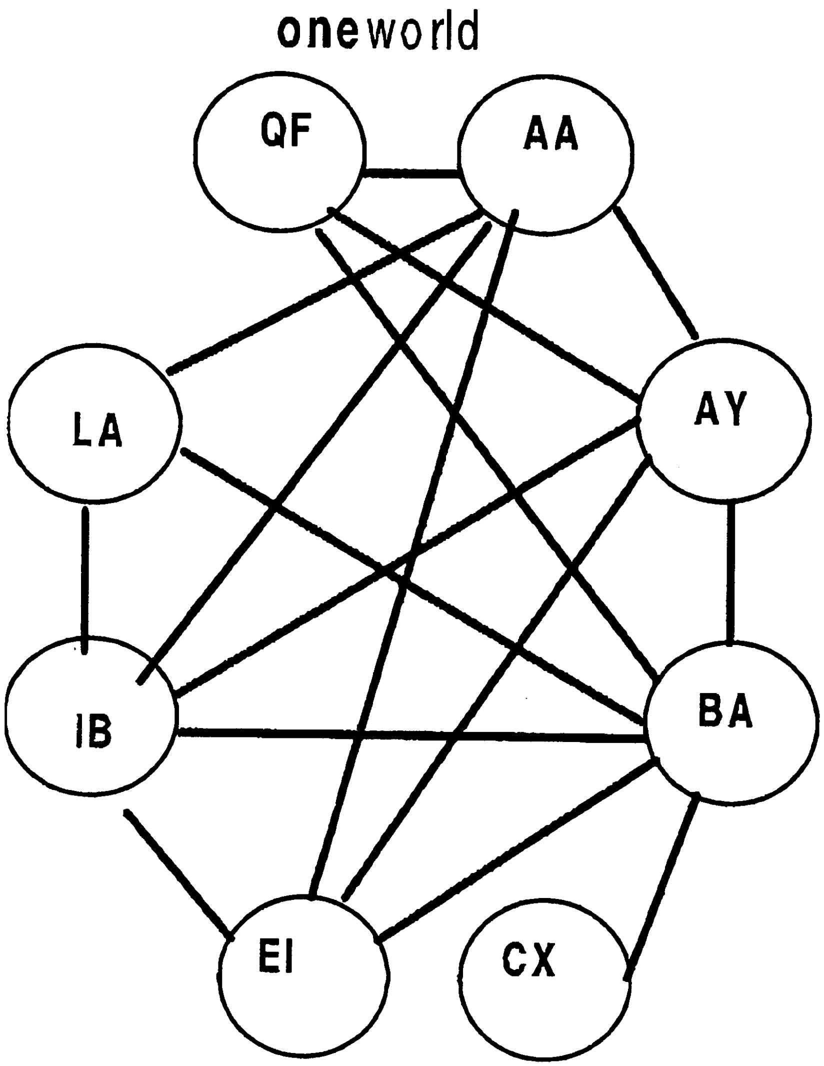
# U.S.-European O+D Markets, Previously Served By The American/Swissair/Sabena Alliance, That Can Now Be Served By The American/British Airways Alliance

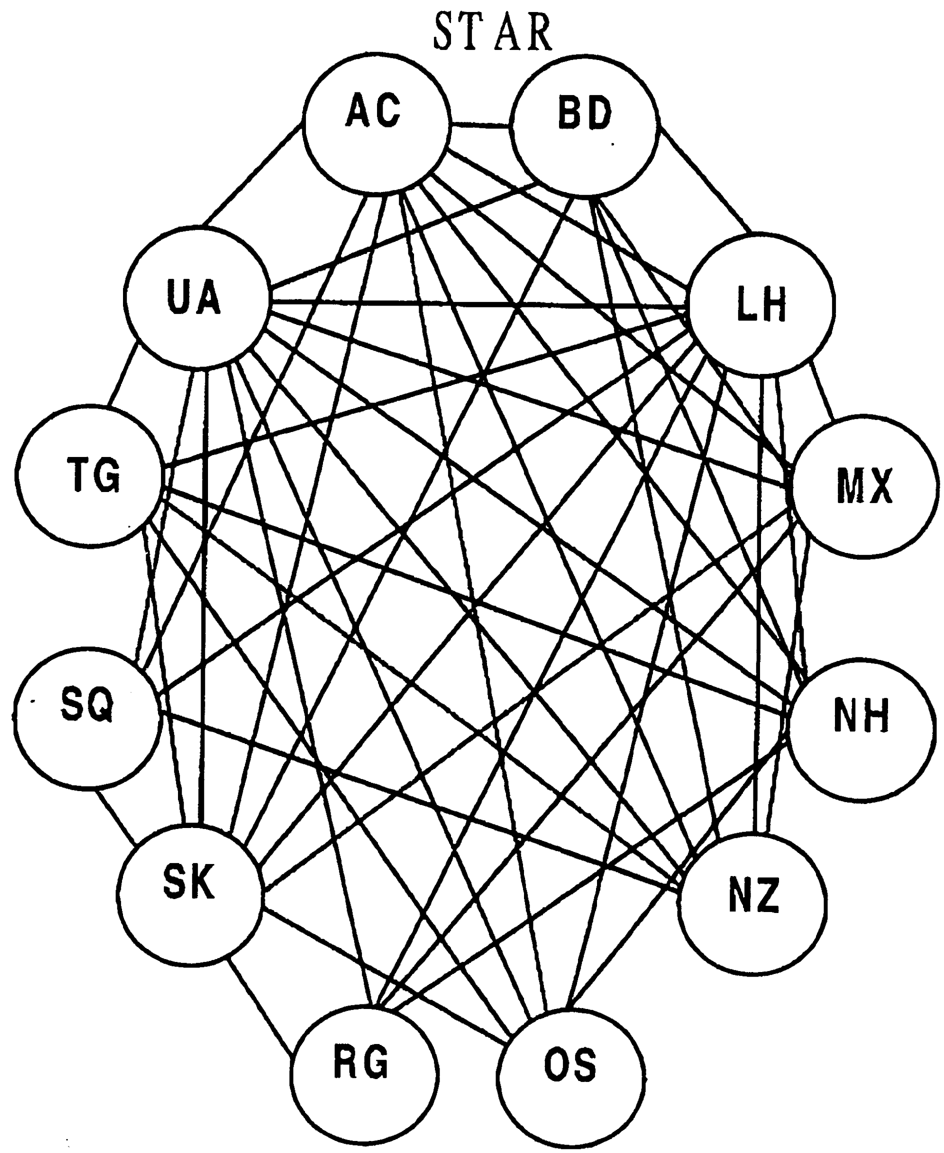
| | |
|---|---|
| Total U.S. O+D Passengers for the AA/SR/SN cities | 20,201,089 |
| Total US-Continental Europe O+D Market (without U.K.) | 29,235,649 |




Source:Year 2000 CONCRS

# STAR Has Been Permitted To Establish More Codeshares Between Key Members Than Has oneworld

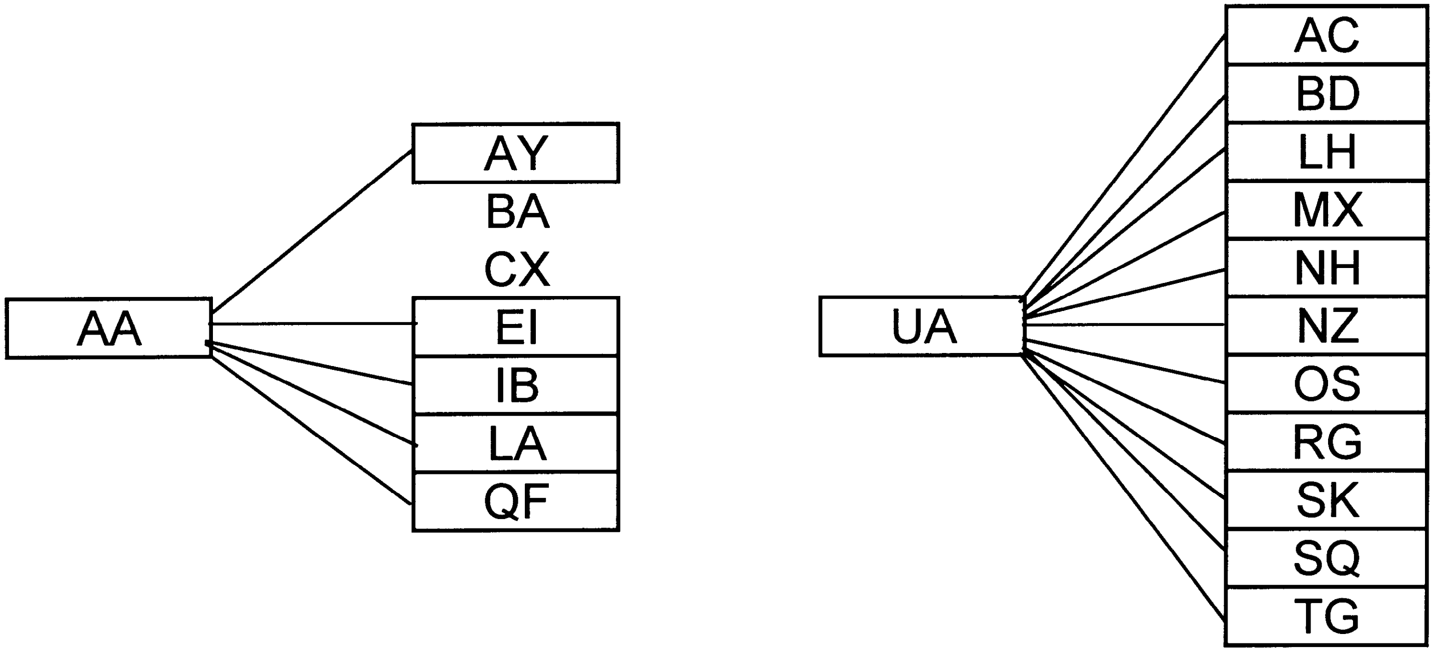



Note: Links depict codeshare relationships between alliance members

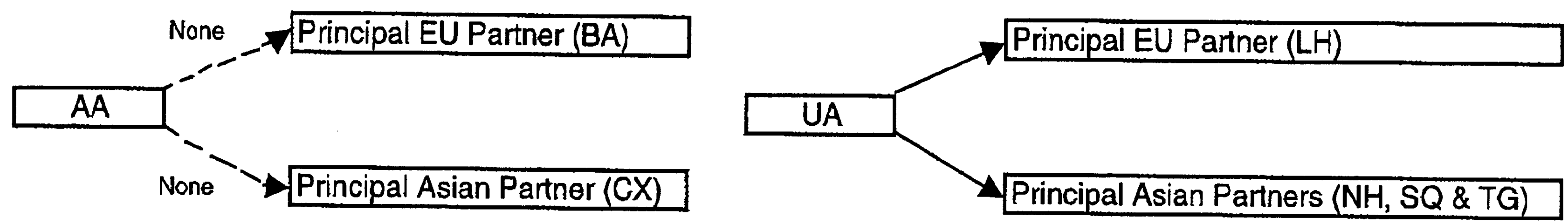
Source: Company records

# United Has Access To More Codeshare Partners Than American



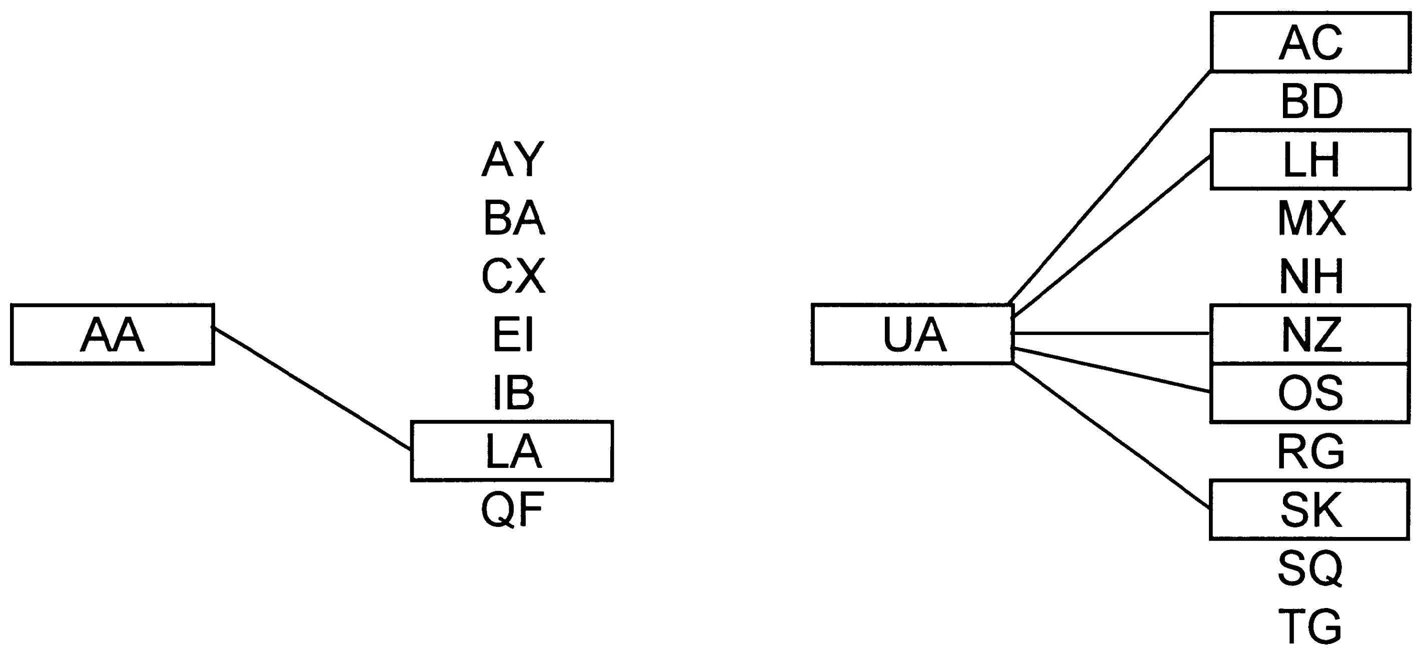

Source: Company Records

# Unlike United, American Lacks Codeshare Approval With Key Alliance Partners



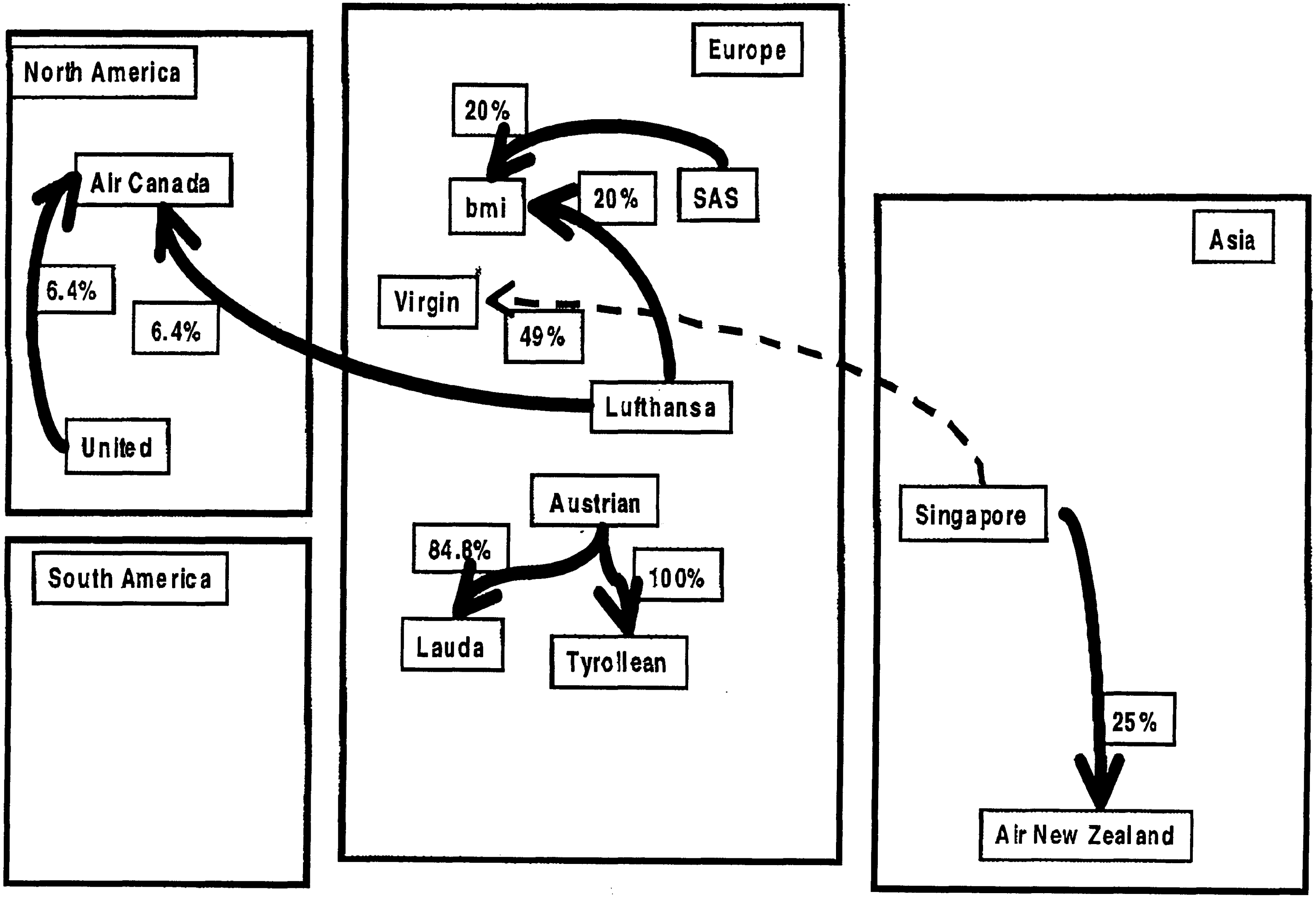

Source: Company Records

# United Is Already Advantaged By Its Numerous Antitrust Immunized Relationships



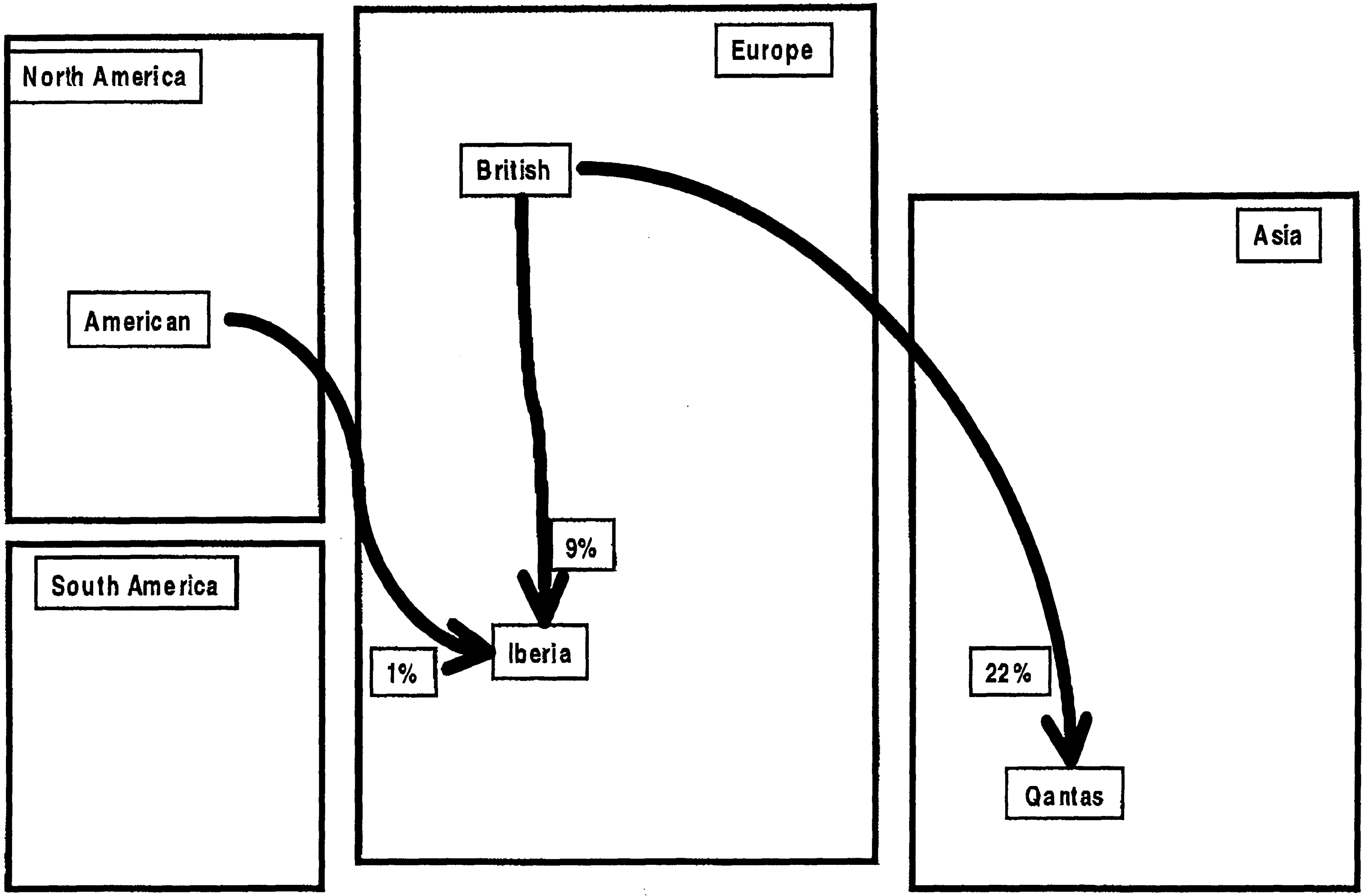

Source: Company Records

# Equity Ties Between STAR Carriers Are Well Developed



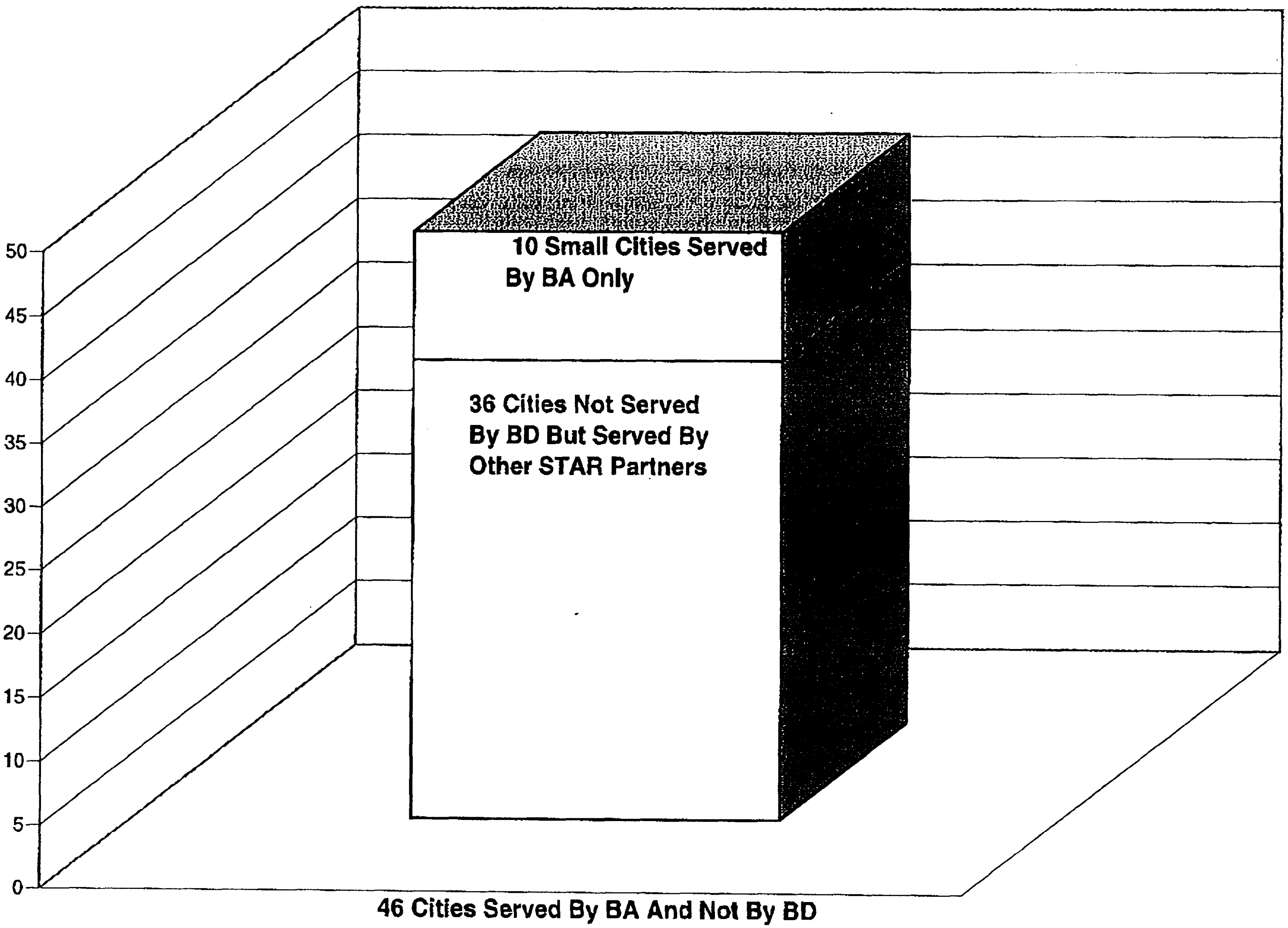

* Virgin is not a STAR carrier but is shown because of substantial STAR ownership
Source: Various company websites

# By Contrast, oneworld Carriers Have Few Equity Ties




Source: Various company websites

# Of The 46 Cities Beyond Heathrow Served By BA But Not BD, 36 Are Served By Other STAR Partners




Source: CONCRS, Year 2000

# Of The 46 Cities Beyond Heathrow Served By BA But Not BD, 36 Are Served By Other STAR Partners

| | 36 Cities | STAR Carrier* |
|---|---|---|
| 1 | Athens | Lufthansa |
| 2 | Belgrade | Lufthansa |
| 3 | Berlin | Lufthansa |
| 4 | Bilbao | Lufthansa |
| 5 | Bologna | Lufthansa |
| 6 | Bucharest | Lufthansa |
| 7 | Budapest | Lufthansa |
| 8 | Cologne | Lufthansa |
| 9 | Gdansk | SAS |
| 10 | Geneva | Lufthansa |
| 11 | Genoa | Lufthansa |
| 12 | Gothenburg | SAS |
| 13 | Helsinki | SAS |
| 14 | Kiev | Lufthansa |
| 15 | Lisbon | Lufthansa |
| 16 | Lyon | Lufthansa |
| 17 | Marseille | Lufthansa |
| 18 | Moscow | Lufthansa |
| 19 | Naples | Lufthansa |
| 20 | Newcastle | Lufthansa |
| 21 | Oslo | SAS |
| 22 | Pisa | Lufthansa |
| 23 | Porto Portugal | Lufthansa |
| 24 | Prague | Lufthansa |
| 25 | Riga | Lufthansa |
| 26 | Salzburg | Austrian |
| 27 | Skopje | Austrian |
| 28 | Sofia | Lufthansa |
| 29 | St. Petersburg | Lufthansa |
| 30 | Stockholm | SAS |
| 31 | Venice | Lufthansa |
| 32 | Verona | Lufthansa |
| 33 | Vienna | Austrian |
| 34 | Warsaw | Lufthansa |
| 35 | Zagreb | Lufthansa |
| 36 | Zurich | Lufthansa |

| | 10 Cities |
|---|---|
| 1 | Bristol |
| 2 | Cork |
| 3 | Guernsey |
| 4 | Ibiza |
| 5 | Montpellier |
| 6 | Newquay |
| 7 | Pamplona |
| 8 | Plymouth |
| 9 | South Hampton |
| 10 | Tenerife |

Note: *At minimum the indicated STAR carrier serves this market; other STAR carriers may provide additional service

Source: CONCRS, Year 2000
OAG December 2001

# Of The 46 Cities Served By BA But Not BD, Only 10 Are Not Served By BD's STAR Partners

**10 Cities Beyond Heathrow Served By BA Only** → **Represents Only 124,269 U.S. O+D Annual Passengers Or 0.30% Of The U.S. - Europe Market**

Source: CONCRS, Year 2000

# Of The 46 Cities Served By BA But Not BD, Only 10 Are Not Served By BD's STAR Partners

| U.S. - Destination O+D Market<br>10 Cities Not Served By BD | |
|---|---|
| Bristol | 12,363 |
| Cork | 52,915 |
| Guernsey | 3,981 |
| Ibiza | 6,481 |
| Montpellier | 27,088 |
| Newquay | 4,580 |
| Pamplona | 4,133 |
| Plymouth | 5,114 |
| South Hampton | 1,115 |
| Tenerife | 6,499 |
| TOTAL | 124,269 |

TOTAL U.S. - Europe O+D Market
41,279,649

Source: CONCRS, Year 2000

# CERTIFICATE OF SERVICE

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

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CARL B. NELSON, JR.

December 17, 2001

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