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

DEPT. OF TRANSPORTATION  
DOCKETS  
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**U.S.-U.K. Alliance Case**

**Docket OST-2001-11029 -42**

**ANSWER OF VIRGIN ATLANTIC AIRWAYS LIMITED IN SUPPORT OF  
EMERGENCY JOINT MOTION FOR PRODUCTION OF DOCUMENTS**

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**Dated: December 18 , 2001**

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U.S. DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
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**U.S.-U.K. Alliance Case**

**Docket OST-2001-11029**

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**ANSWER OF VIRGIN ATLANTIC AIRWAYS LIMITED IN SUPPORT OF  
EMERGENCY JOINT MOTION FOR PRODUCTION OF DOCUMENTS**

1. Virgin Atlantic Airways Limited ("Virgin Atlantic") hereby answers the Joint Motion submitted in the captioned docket on December 14, 2001 by Continental Airlines, Inc, Delta Air Lines, Inc., and Northwest Airlines, Inc. requesting the production of critical American/British Airways studies and documents. For the reasons stated herein, the Joint Motion should be granted. In support of its position, Virgin Atlantic states as follows:

2. The Joint Motion accurately describes recent press reports indicating that British Airways has under consideration a major restructuring of its business, including the possibility that all short haul flying presently maintained at London's Heathrow Airport will be discontinued. These press reports also portend the possibility of the total elimination of all British Airways' operations at Gatwick Airport. Virgin Atlantic agrees with the movants that these developments, if

true, call into question two of the justifications the Joint Applicants have proffered in support of approval of their application, namely that an American/BA alliance would create new interline connecting opportunities of value to US-Europe passengers, and that Gatwick is a good substitute for Heathrow. For the reasons stated in the Joint Motion, any new studies calling for significant restructuring in these areas must be supplied to insure that the evidentiary record is complete and accurate.

3. In particular, the Joint Applicants have emphasized that their alliance would produce significant connectivity benefits. To buttress their claim, they submitted studies by Brueckner, Ordover and Novy-Marx purporting to quantify these benefits. Virgin Atlantic has submitted rebuttal studies challenging these studies. While we imagine that American and British Airways will dispute our rebuttal points, we can imagine no disagreement between ourselves and the Joint Applicants that there must be non-trivial amounts of connecting traffic, enjoying connecting schedules, for any of these benefits to be even theoretically achievable. Having put connectivity so clearly in issue, the joint applicants must be required to supply

current studies that may undercut the very foundation of their assertions.

4. The studies requested in the Joint Emergency Motion also likely will have an important bearing on the Heathrow slot issue. The relevance of these studies to the lack of availability of Heathrow slots clearly is an additional, important reason for the DOT to grant the Emergency Motion. This Docket already is replete with evidence that British Airways has been pursuing an aggressive program of eliminating short haul flying to accumulate Heathrow slots to fund more lucrative long haul, point-to-point flying. As we demonstrated in our November 2, 2001 submission, since 1994, British Airways has dropped 21 short haul services at Heathrow to fund slots for more lucrative business point-to-point markets. Virgin Airways Answer at 81; see also Exhibit NW-40. It now appears that British Airways has decided that it is so desperate to find slots for long haul flying that it is abandoning its entire short haul system. If true, this would provide yet more proof (if any more were needed) confirming Virgin Atlantic's contention that there are no slots to be had at Heathrow Airport.

5. It would also tend to confirm that American and British Airways intend to use their huge slot portfolio at Heathrow to mount a no-holds-

barred assault on smaller Heathrow long-haul operators, like Virgin Atlantic, if this alliance were to be approved. The anti-competitive implications of this potential reorientation of British Airways' Heathrow network are significant and ominous. Evidence of British Airways' plans for its Heathrow hub is of the highest relevance and should be supplied promptly.

6. The British Airways' network reevaluation studies called for in the Emergency Motion -- "Future Size and Shape Studies" -- have the capacity to dramatically restructure the very nature of British Airways' business. In effect, the DOT now has been put on notice that British Airways is likely to become a very different company from the Company that jointly filed with American Airlines an application for antitrust immunity. That being the case, the DOT should not only grant the Emergency Motion requiring production of such drafts of studies as presently exist; it should also suspend all procedural steps in this proceeding until the final Future Size and Shape Studies are completed and submitted in this Docket. Without access to British Airways' final plans, it will be impossible to assess with confidence the public interest implications of the proposed alliance with American Airlines.

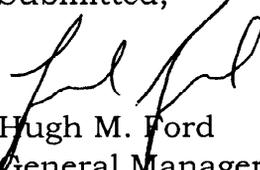
Virgin Atlantic Airways Limited  
Answer in Support of Emergency Motion

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WHEREFORE, Virgin Atlantic Airways Limited urges the Department to grant the Emergency Joint Motion of Continental Airlines, Delta Air Lines, and Northwest Airlines for the production of additional American/British Airways studies and documents. Virgin Atlantic also urges the Department to suspend further proceedings in this Docket until such time as British Airways submits to the DOT for review the final version of its Future Size and Shape studies.

Respectfully Submitted,

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Dated: December 18, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing  
“Answer of Virgin Atlantic Airways Limited in Support of Emergency  
Motion on all persons named on the attached Service List by causing a  
copy to be sent by first class mail.

  
\_\_\_\_\_  
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Dated: December 18, 2001

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