



NORTHWEST
A I R L I N E S

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DEPT. OF TRANSPORTATION
DOCKETS

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December 4, 2001

BY HAND

Dorothy W. Beard
Chief, Dockets Section
U.S. Department of Transportation
PL-401
400 Seventh Street, S.W.
Washington, D.C. 20590

Re: U.S.-U.K. Alliance Case, Docket OST-2001-11029-22

Dear Ms. Beard:

We are enclosing statements by the Chairman and Ranking Member of the U.S. Senate Judiciary Subcommittee on Antitrust, Business Rights and Competition, the ranking Democratic Member of the U.S. House of Representatives Committee on Transportation and Infrastructure, the Governors of Alaska and South Dakota, and the President of the International Brotherhood of Teamsters raising serious concerns about the proposed alliance between American Airlines and British Airways.

We request that the enclosed statements be placed in the record. Copies of these statements are being served on all persons named on the attached service list.

Thank you for your attention to this matter.

Respectfully submitted,

Megan Rae Rosia
Managing Director, Government Affairs
& Associate General Counsel
Northwest Airlines, Inc.

cc: Service list





U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

Don Young
Chairman

James L. Oberstar
Ranking Democratic Member

Lloyd A. Jones, Chief of Staff
Michael Strachn, Deputy Chief of Staff

June 21, 2001

David Heymsfeld, Democratic Chief of Staff

The Honorable Norman Y. Mineta
Secretary of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

Dear Secretary Mineta:

On the eve of next week's informal discussions with the United Kingdom, I am writing to urge the Department of Transportation to take decisive steps to ensure that any agreements made in this or future discussions are nothing less than a full open skies agreement, with fair and open access to London's Heathrow airport for all U.S. air carriers. I urge you not to go forward on any proposals for "mini-deals", short of open skies.

The U.K. has been our oldest ally and closest friend on many fronts, but in recent years we have been far apart on aviation issues. The current agreement governing air service between the U.S. and U.K., Bermuda II, is the most restrictive agreement we have with a developed aviation partner. It restricts London's preferred airport, Heathrow, to two U.S. airlines. In addition, the agreement limits the U.S. cities eligible for non-stop service to London, and caps entry in most markets at one airline from each country.

The U.S. has been successful in negotiating open skies agreements, including agreements with some of the toughest negotiators such as Canada and Japan. Our experience has been that open skies agreements reflecting the core principles of (1) open entry on all routes; (2) unrestricted capacity and frequency on all routes; (3) flexibility in setting fares and (4) liberal charter and cargo arrangements have been pivotal in securing tremendous growth in the world aviation market. Falling short of these goals in any new agreement with the U.K. will serve only to perpetuate the inequalities found in Bermuda II. Satisfying the U.K.'s major concerns through a mini-deal, short of open skies, would make it unlikely that we could reach an open skies agreement in the foreseeable future.

I recognize that there are thorny points on both sides of the issue of U.S./U.K. aviation relations: the availability of slots at major U.S. airports and London Heathrow,

June 21, 2001

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terminal space at Heathrow, the impact of noise on airport neighbors, and access to internal markets. But, issues such as these have been confronted and overcome in bilateral negotiations with other countries. They can and must be overcome in the U.S.-U.K. negotiations if the two countries are to participate fully in the extraordinarily valuable North Atlantic aviation trade.

I am also extremely concerned with recent reports that American and British Airways are renewing their request for anti-trust immunity to implement a code-sharing alliance. In the past, our government and that of the European Union have taken the position that it would not be appropriate to allow these two major competitors to be given anti-trust immunity to collaborate on service and fares, unless there was substantial competition and realistic opportunities for new entry in markets dominated by American and British Airways. Clearly, there is not sufficient competition when only two U.S. airlines serve Heathrow, and any additional U.S. carriers authorized would be unable to obtain the slots needed for effective competition. Moreover, even if Heathrow is opened to all major U.S. carriers and slots are available, we would need to give careful consideration to what effects collaboration by American and British Airways would have on the overall competitive situation. I would not want to see either domestic or international aviation competition reduced to a few alliances, dominated by large U.S. airlines.

Thank you for your consideration of these views.

With all best wishes.

Sincerely,



James L. Oberstar, M.C.
Ranking Democratic Member

PATRICK J. LEAHY, VERMONT, CHAIRMAN

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United States Senate

COMMITTEE ON THE JUDICIARY

WASHINGTON, DC 20510-6275

November 20, 2001

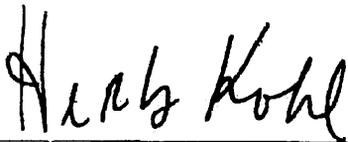
The Honorable Charles A. James
Assistant Attorney General of Antitrust
United States Department of Justice
950 Pennsylvania Avenue, NW
Washington, D.C. 20530

Dear Assistant Attorney General James:

The Senate Judiciary Subcommittee on Antitrust, Business Rights and Competition recently held a hearing that dealt with, among other matters, the proposed American Airlines/British Airways alliance. The hearing demonstrated that there are divergent views about the likely competitive impact of the proposed alliance. Some witnesses also expressed the concern that the Department of Transportation is rapidly moving forward on the alliance application, and accompanying request for antitrust immunity, without the benefit of a thorough analysis of its competitive impacts. We believe the Antitrust Division is uniquely qualified to provide this type of information.

The Department of Justice played an important role in the consideration of this matter when it was before the Department of Transportation several years ago and should have an equally important role in the consideration of this proposal today. While we know there are many critical issues before you and the Department at this time, we believe it is crucial that the Antitrust Division provide its official assessment of the competitive implications of this proposed alliance to the Department of Transportation. This is a complex matter, and the Department of Transportation will clearly benefit from the expertise of the Department of Justice as it considers whether or not to grant antitrust immunity to American Airlines and British Airways.

Thank you for your personal attention to this matter.



HERB KOHL
Chairman, Subcommittee on
Antitrust, Business Rights, and
Competition

Very Respectfully Yours,



MIKE DeWINE
Ranking Member, Subcommittee on
Antitrust, Business Rights, and
Competition

cc Attorney General John Ashcroft
Secretary of Transportation Norman Y. Mineta



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November 9, 2001

The Honorable Norman Mineta
Secretary of Transportation
U.S. Department of Transportation
400 Seventh Street, SW
Washington, DC 20201

Re: OST Docket: 2001-10387

Dear Mr. Secretary:

I write you on behalf of Northwest Airlines concerning a request pending before the U.S. Department of Transportation (USDOT) by American Airlines to secure antitrust immunity for its operating agreement with British Airways.

The State of Alaska has always stepped forward to ensure the airlines that serve our state have a fair shot at gaining access to critical national and international markets. We continue to play an active role in ensuring that Northwest has access to Japan and China and we weighed in on behalf of Alaska Airlines obtaining landing rights at Reagan National in Washington, D.C. Now, we are focusing on access to the United Kingdom, and the need for additional access to Heathrow International Airport in London.

U.S.-U.K. routes constitute America's largest country-to-country air service market, and the U.S.-Heathrow routes are the largest U.S. foreign airport market in the world. Heathrow is one of the world's key business destinations, which makes it particularly important to Alaska in three areas: international visitor access, trade, and in-state investment. The U.K. is one of Alaska's top international visitor markets and is growing annually. Improved ease of access to Heathrow by Northwest would have a stimulating effect on our state's visitor industry. In addition, Alaska's trade ties to the U.K. are strong, with our exports to the U.K. last year estimated at \$80 million. Also, multi-billion dollar investments in Alaska by London-headquartered multinationals such as BP and Rio Tinto creates additional demand for convenient access to Heathrow.

Unfortunately, Heathrow is also one of the most closed airports in the world. Existing agreements between the United States and the United Kingdom bar all but two airlines using Heathrow Airport. For the past 20 years, Northwest Airlines has not been allowed

The Honorable Norman Mineta

November 9, 2001

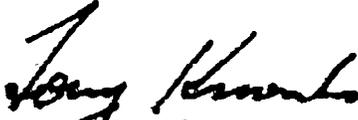
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to serve Heathrow. Instead, its nonstop service is restricted to Gatwick, an airport shunned by many business travelers.

If agreed to by the United States, these proposals would likely lock any new competition, including Northwest Airlines, out of Heathrow for the indefinite future. That would be a blow to our efforts to continue expanding international air service at Ted Stevens Anchorage International Airport. The degree of market concentration that would occur at Heathrow would make it extremely difficult for any new airline to compete there with new service, even in the unlikely event it could get into Heathrow.

Therefore, we strongly encourage the USDOT to support regulatory requests that increase liberalization of all international markets, both passenger and cargo. I look forward to working with you and appreciate your support for our efforts on behalf of air service development and growth in Alaska.

Sincerely,


Tony Knowles
Governor



STATE OF SOUTH DAKOTA
WILLIAM J. JANKLOW, GOVERNOR

November 8, 2001

The Honorable Tom Daschle
The United States Senate
509 Hart Senate Building
Washington, DC 20510

The Honorable John Thune
United States House of Representatives
1005 Longworth House Office Building
Washington, DC 20515

The Honorable Tim Johnson
The United States Senate
502 Hart Senate Office Building
Washington, DC 20510

Dear Senators Daschle and Johnson and Congressman Thune:

Air transportation plays a critical role in the economic life and well-being of all South Dakotans. Whether for business or leisure travel, the majority of our connections to major destinations, foreign and domestic, are through Northwest Airlines in Minneapolis. Northwest Airlines is indisputably the major carrier operating in our state and is our gateway to the world.

American and British Airways have reached an agreement and are seeking antitrust immunity from the United States Department of Transportation (US DOT) and European authorities. The agreement presumes a modification in the air service agreement between the United States and the United Kingdom. Up until now, only American and United Airlines from the United States have been allowed to land at Heathrow, the largest foreign airport market in the world as well as one of the most restricted. If these proposals come to fruition, Northwest Airlines would likely be locked out of Heathrow Airport indefinitely. The proposed American and British Airways agreement would continue denying South Dakotans and all who use the Minneapolis hub access to one of the most important airports in the world.

For the past twenty years, Northwest Airlines has been relegated to offering nonstop service to Gatwick, a second tier airport shunned by business travelers. However, a full third of the Minneapolis-London passengers so prefer Heathrow that they settle for one-stop service there rather than nonstop to Gatwick. Clearly, Northwest's lack of access to Heathrow has inhibited South Dakota's international business

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Senators Daschle and Johnson and Representative Thune

November 8, 2001

Page 2

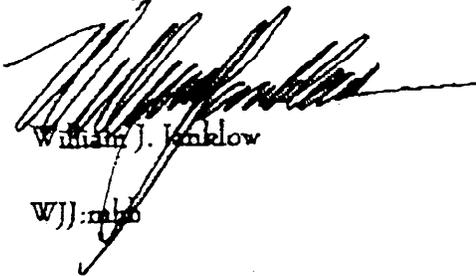
development efforts. If the proposed agreement is approved, Northwest will have no opportunity to compete on an even playing field.

If the US DOT grants the antitrust immunity arrangement between American and British Airways, Heathrow will be a virtual fortress hub which excludes the people of South Dakota, Minnesota, and the entire upper Midwest. American and British Airways, the world's largest airline and Europe's largest airline, will completely dominate airline traffic between the United States and Heathrow, causing a ripple effect that will be felt in all the capitals of the world and all the hubs in the United States. It will be felt keenly at Northwest's hub in Minneapolis, South Dakota's window to the world.

If the US DOT denies the antitrust immunity request, perhaps free enterprise will be allowed to raise its capitalistic head and new agreements between Great Britain and the United States will allow other United States airlines such as Northwest to get a foot in the Heathrow door. Then Northwest would be able to offer one-stop service to Heathrow and Europe, giving our people access to the world.

Please support South Dakota's primary carrier in its efforts to improve service for South Dakotans. It will open up better travel and consequently better business opportunities for the entire state.

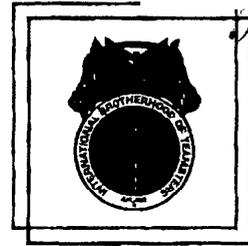
Sincerely,



William J. Jenklow

WJJ:mhb

INTERNATIONAL
BROTHERHOOD OF TEAMSTERS
AFL-CIO



OFFICE OF
JAMES P. HOFFA
GENERAL PRESIDENT

November 7, 2001

The Honorable Norman Y. Mineta
Secretary of Transportation
Nassif Building, 400 Seventh Street, S.W.
Washington, D.C. 20590

Dear Mr. Secretary:

I am writing to you to express my concern regarding the proposed anti-trust immunity for an American-British Airways alliance and related discussion of an Open Skies arrangement between the United States and the United Kingdom. As you know, the U.S.-London Heathrow market is the largest United States international air transport market, larger in fact than the next three markets combined. In addition, Heathrow is a severely congested airport that cannot accommodate additional transatlantic services by new United States carriers.

The United States-United Kingdom is an extraordinarily important market, the complexity of which has been only compounded by the events of September 11, 2001. I understand that normal operations at Heathrow will be reinstated at the earliest in summer 2002, and there is simply no realistic way to evaluate the impact of the proposed American/British Airways (AA/BA) alliance until the worldwide aviation crisis stabilizes. In these circumstances, there should not be any rush to conclude an accord that may prove to be harmful to U.S. airlines, their employees, and consumers.

In the event the AA/BA alliance is approved, every indication suggests that fares will increase in the United States-United Kingdom market by approximately 30 percent, monopoly positions with no viable remedies will be created, and there will be a denial of real competitive opportunities for United States airlines that do not serve Heathrow. Given the severe restrictions at Heathrow, any Open skies agreement would prove hollow - US airlines not now serving Heathrow would be effectively barred from adding US service to Heathrow.

The Honorable Norman Y. Mineta
November 7, 2001
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For example, Northwest which has 11,000 IBT-represented flight attendants, would not be able to transfer either its Detroit-Gatwick service to the Detroit-Heathrow market (which is now served by British Airways) or transfer its Minneapolis-Gatwick service to Heathrow. Nor could Northwest enter the Seattle-Heathrow market (which is also served by British Airways) or Memphis-Heathrow.

Similarly, Continental Airlines, with 4,000 IBT-represented mechanics, would be precluded by physical constraints from providing important Heathrow services from its strategic hubs at Houston and Newark/New York.

To make matters worse, your Department is asked to immunize an agreement that would make it impossible for even American Airlines to add service from most US cities to Heathrow.

At a time when the European Court of Justice is considering the very legitimacy of United States Open Skies agreements reached with European Union member nations, it would be ill-advised and contrary to United States national interests to approve an anti-competitive, immunized alliance between American and British Airways in order to secure hollow "Open Skies" treaty rights, when even those hollow rights would be subject to abrogation, renegotiations, and changes by the European Commission.

These factors compel me to urge you, on behalf of the 50,000 Teamster employees in the airline industry, to suspend consideration of the AA/BA application until a more appropriate time when its competitive effects can be objectively analyzed and the current emergency that is confronting aviation worldwide abates.

Sincerely,


James P. Hoffa
General President

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