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December 20, 2001

Ms. Dorothy Beard
Chief, Documentary Services Division
Department of Transportation
400 Seventh Street, S.W.
Room PL-401
Washington, DC 20590

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

Dear Ms. Beard:

Enclosed for filing in the above-referenced docket is a letter to Secretary Mineta from Houston's Congressional delegation opposing approval of the American/British Airways alliance.

Respectfully submitted,

Lorraine B. Halloway

Lorraine B. Halloway
Counsel for
Continental Airlines, Inc.

Enclosure

cc: Parties on the Service List

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Congress of the United States
House of Representatives
Washington, DC 20515

December 19, 2001

The Honorable Norman Y. Mineta
Secretary of Transportation
400 Seventh Street, S.W.
Room 10200
Washington, DC 20590

Dear Secretary Mineta:

As you know, competition between the U.S. and U.K. is of great importance to the millions of passengers and thousands of corporations that travel between the two countries each year. More people travel between the U.S. and London's Heathrow airport (the premiere airport in Europe) than any other airport in Europe. In fact markets between the U.S. and London Heathrow are the largest intercontinental markets in the world.

It is because of the importance of the U.K., and London Heathrow specifically, that we are so concerned at the Department's apparent willingness to proceed with approving the American Airlines/British Airways antitrust immunized alliance. This alliance, between the largest two airlines serving the restricted U.S.-London Heathrow market (and the largest airlines in the U.S. and U.K.) is highly anticompetitive and, in the words of the Department of Justice "threatens a substantial loss of competition and higher prices for a large number of consumers". While we understand the importance of the relationship between the U.S. and U.K. and of your goal of signing an open skies agreement between the two countries, approval of this alliance is not the correct means to achieving the desired result.

While American and British Airways argue that there will be substantial access to London Heathrow for new entrant carriers if an open skies agreement is reached, it is an established fact, based on the comments of all other parties in this case, including the British Airports Authority and the London Heathrow slot coordinator (ACL), that slots and facilities at the airport are so highly constrained that new entrant access is impossible. The Department of Justice has agreed that London Heathrow is so highly favored by consumers that it constitutes a separate market, and that access to London Heathrow remains severely constrained. The Department of Justice has also concluded, "slots and facilities are not likely to be available in a timely manner". They reminded the Department of Transportation that de facto open skies, including "adequate provision for new and expanded U.S. carrier service through London airports, particularly Heathrow," must be achieved before antitrust immunity can even be considered. The Department of Justice has found that Texas will be particularly harmed if the American Airlines/British Airways antitrust immunized alliance is approved. DOJ concluded that there will be no new entry

in Texas-London Heathrow and that consumers will clearly be harmed. This is why the City of Houston and Continental have argued to DOT that while the proposed alliance should be disapproved, if despite all of the warnings it is approved, Houston must have access to competitive slots and facilities for three new entrant London Heathrow roundtrip operations in order to provide a modicum of competition for Texas consumers.

Houston is currently at a critical crossroads. While many cities are battling an economic crisis, our city is being hit harder than most. Starting with the substantial losses and layoffs Continental Airlines has faced since the terrorist attacks of September 11, to the uncertainty over Compaq's merger and future in Houston, to the crisis in the energy markets and significant job loss caused by the bankruptcy of Enron, Houston and its residents can ill afford another substantial blow. We are deeply concerned that approval of the American Airlines/British Airways is such a blow.

We thank you for your leadership during the past three very difficult months and look to your leadership once again to protect consumers and competition.

Sincerely,

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