

American Airlines, British Airways and Iberia's joint application for antitrust immunity should be granted immediately given the current competitive environment.



OVERVIEW

American, British Airways and Iberia, along with fellow oneworld alliance members Finnair and Royal Jordanian, have applied to the U.S. Department of Transportation (DOT) for worldwide antitrust immunity (ATI) to expand their cooperation and more tightly integrate their services to deliver more benefits to customers globally than is possible today.

AA and BA have asked for immunity before: What's different today?

Transatlantic competition has changed dramatically since 2002 when AA/BA last applied for ATI. The introduction of the U.S.–EU Open Skies treaty in 2008 has significantly increased the ability of other airlines to compete to and from London Heathrow, with ample access for new entrants at Heathrow.

Transatlantic Competition Then and Now		
2002	Vs	2008
Bermuda II governed U.S.–UK aviation. Only four carriers (two U.S., two UK) could fly nonstop between only 10 U.S. gateways and Heathrow.	➔	U.S.–EU Open Skies has replaced restrictive bilaterals. Any U.S. or EU carrier can fly nonstop between any U.S. gateway and Heathrow.
The US DOT indicated in April 2002 that the "price" of approval for AA/BA ATI would be the surrender of 224 Heathrow slots a week – sufficient for 16 daily flights, equal to AA's entire Heathrow slot holding at that time.	➔	At least 20 new flights a day between Heathrow and U.S. airports – equivalent to 280 weekly slots – have been launched since March 2008.
Fares for connect itineraries could not undercut nonstop fares	➔	Pricing restrictions no longer exist for connect itineraries
Secondary slot trading was illegal under EU law and tolerated – but not promoted – in the UK	➔	Secondary slot trading is now permitted in the EU, allowing new entrants to gain access through free market transactions.
Immunized alliances were still in their infancy; no evidence that intra-alliance slot transfers would take place	➔	Immunized alliances are now fully matured; intra-alliance slot transfers are now commonplace
Facility constraints limited new entry at Heathrow by U.S. carriers	➔	Heathrow has expanded and Star and SkyTeam alliances will have their own terminals at Heathrow
AA/BA would have been the largest immunized alliance, creating fears that the transaction could create market power	➔	Star and SkyTeam are now far larger than the proposed five-way alliance; oneworld is needed to provide legitimate competition to these two alliances

London Heathrow is and will remain highly competitive

Since open skies, 14 new transatlantic flights have been launched by new entrants. In the summer of 2008, consumers benefited from **866,039** new seats, an increase of more than **4,000** per day over the prior summer.

- Star launched seven daily flight from LHR to: Houston (COx2); Newark (COx3); Cleveland (COx1) and Philadelphia (USx1)
- SkyTeam launched seven daily flights from LHR to: Atlanta (DLx1); Detroit (NWx1); Los Angeles (AFx1)*; Minneapolis (NWx1); New York (DLx2); and Seattle (NWx1)

(note 1 – will be moved to JFK in summer)

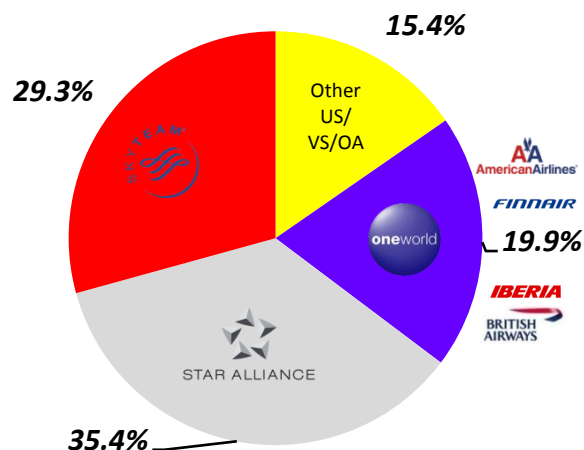
The proposed alliance will not reduce competition in the transatlantic market

The DOT has often stated that robust interalliance competition is vital to the success of its Open Skies policy.

Immunized membership in global alliances is lopsided toward Star and SkyTeam, with both having larger transatlantic booking shares and market strength across huge portions of their networks.

As a result, the positive fare trends DOT found in 2000 have been reversed by the lack of interalliance competition. oneworld is uniquely positioned to provide balance to the duopoly of Star and SkyTeam.

According to MIDT data*, immunized SkyTeam and Star alliances have vastly larger booking shares than oneworld, which today lacks the significant immunity the other alliances enjoy.



(*MIDT DATA YE DEC. 2008)