

Approval of the joint application for antitrust immunity will increase alliance competition and benefit consumers worldwide.



Overview

With immunity, **oneworld** will be able to compete more effectively with SkyTeam and Star, which have both long enjoyed the benefits of comprehensive transatlantic immunized alliances. As a result, customers will benefit with a more seamless and integrated **oneworld** network and more convenient connections around the world – as well as ensuring improved and more equitable competition among all three alliances.

The airlines participating in seeking immunity will also expand their codesharing and offer combinable fares, allowing consumers to choose from multiple routings across the entire **oneworld** network – rather than just those flights marketed by a single airline. As part of the JBA, customers would have more opportunities to earn and redeem frequent flyer miles on American, British Airways and Iberia, as well as have more opportunities to enjoy each airline’s airport lounges -- closing the “transatlantic gap” between AA and BA that has long been a frustration for customers. Through the JBA, the airlines will also share revenue on transatlantic service and work together to reduce costs, important benefits given the challenges of record fuel prices and economic concerns.

Antitrust immunity and how it is obtained

Current restrictions on foreign ownership and control prevent airlines from merging to create integrated networks. However, the DOT has the authority to approve and immunize alliances between U.S. and foreign airlines from the U.S. antitrust laws. The members of such an alliance file an application with DOT in a public docket. Other interested parties are allowed to comment on the application, and DOT issues a decision granting or denying the application.

Antitrust immunity allows airlines to coordinate schedules, pricing, yield management and other functions while the public benefits from expanded and coordinated route networks, connections and other efficiencies. Since 1993, DOT has granted immunity to more than 25 alliances, allowing them to share information and coordinate efforts without risk of antitrust enforcement.

A core requirement for U.S. antitrust immunity is that the foreign carrier’s homeland must have an open skies agreement with the United States. The U.S.–E.U. Open Skies Agreement, which became effective on March 30, 2008, changed the landscape of international aviation by replacing restrictive bilateral air services agreements with a single liberalized accord. It allows any U.S. or EU carrier to fly between any point in the U.S. and any point in the E.U. – including London’s historically restricted Heathrow Airport.

Current U.S. Airline Antitrust Immunity			
United with:	Air Canada Austrian Lufthansa TAP	Air New Zealand BMI / British Midland SAS Scandinavian Continental (pending)	Asiana Airlines LOT Polish Airlines SWISS
Delta with:	Air France Alitalia Korean Air Lines	CSA Czech Airlines Northwest Airlines KLM Royal Dutch Airlines	
NWA with:	Air France Alitalia Delta	CSA Czech Airlines KLM Royal Dutch Airlines	
AA with:	Finnair Brussels Airlines	Lan (LA and LP only) (transatlantic carriers in bold)	

Antitrust immunity means benefits for customers

Antitrust immunity will allow all the participating airlines to work together on international routes by coordinating their service, schedules, connections and fares to deliver more convenient and improved travel options for customers. This would mean enhanced and improved service on **oneworld**’s network of 7,627 daily departures to 625 destinations in 128 countries.

Immunized alliances historically enable airlines to offer better service to consumers, as well as better compete in a global marketplace. This is particularly true given the U.S. government’s restriction on foreign investment (limited to 25 percent).

Immunized alliances create new online connections and frequencies by combining existing networks. They also provide incentives for participating airlines to begin serving new nonstop routes, or to sustain others that might have been unviable for an individual airline. These tighter relationships give the airlines more incentive to price more efficiently, such as through combinable fares, and also create more integrated and desirable frequent flyer programs. Corporate customers are expected to receive discounts to more destinations and with more frequencies under a single integrated contract. Airlines also can operate more efficiently by integrating customer service, airport locations and information technology systems.

A third immunized air alliance would help to ensure robust competition

Immunity for **oneworld** would ensure that customers have the ability to choose from three competitive alliances. Star and SkyTeam carriers have been granted far more antitrust immunity than **oneworld**, making it difficult for **oneworld** to compete on U.S.–EU routes without immunity.

SkyTeam has six-way transatlantic immunity and Star has ten-way transatlantic immunity (recently added its 10th carrier, Continental). By comparison, **oneworld**’s only transatlantic immunity is between American and Finnair. Star and SkyTeam either combined or individually possess a market share of 80 percent or more in 31,141 city-pairs accounting for nearly half of all transatlantic passengers. Today, Star and SkyTeam enjoy a U.S.-EU booking share of 35 and 29 percent, respectively. With this agreement, an immunized **oneworld**’s share would increase to a more competitive 19.9 percent, better positioning **oneworld** to compete more effectively with immunized SkyTeam and Star alliances.