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

Joint Application of

AMERICAN AIRLINES, INC.

and

QANTAS AIRWAYS LIMITED

under 49 U.S.C. §§ 41308 and 41309 for approval
of and antitrust immunity for proposed joint
business agreement

JOINT REPLY OF AMERICAN AIRLINES, INC. AND QANTAS AIRWAYS LIMITED

Communications with respect to this document should be addressed to:

For American Airlines:

Stephen L. Johnson
Executive Vice President – Corporate Affairs
R. Bruce Wark
Vice President and Deputy General Counsel
Robert A. Wirick
Managing Director – Regulatory and International Affairs
James K. Kaleigh
Senior Antitrust Attorney
AMERICAN AIRLINES, INC.
4333 Amon Carter Blvd.
Fort Worth, Texas 76155
(817) 963-1234
bruce.wark@aa.com
james.kaleigh@aa.com

Dated: December 4, 2018

For Qantas Airways:

Andrew J. Finch
General Counsel and Company Secretary
Anna R. Pritchard
Head of Legal and Assistant Company Secretary
QANTAS AIRWAYS LIMITED
QCA1, 10 Bourke Road
Mascot NSW 2020
+61 (02) 9691-3636
andrewfinch@qantas.com.au
annapritchard@qantas.com.au
American Airlines, Inc. (“American”) and Qantas Airways Limited (“Qantas”) submit this Joint Reply to the Answers filed in accordance with the Department’s November 1, 2018 Notice Establishing Procedural Schedule.

In the nine months since the Parties filed their Joint Application in February 2018, the Parties have submitted extensive data, documents, and information about the Proposed Joint Business (“Proposed JBA”). In June 2018, the Department issued a detailed request to the Parties to supplement the record, and in August 2018 the Parties provided a comprehensive response to that request, including additional data and documents. The Department opened the docket for Answers on November 1, 2018, which were due on November 23, 2018. The public record in this matter is voluminous, and now complete. And the message from that record is unambiguous:

- There is robust evidence that the Proposed JBA will generate substantial consumer benefits, valued at up to $310 million annually, before considering that the Proposed JBA
will stimulate additional demand of 180,000 new passengers annually. On top of these benefits, the Proposed JBA will substantially improve the quality of travel to Australasia. The counterfactual scenario, in contrast, if antitrust immunity (“ATI”) is denied, risks significant loss of connectivity and puts important routes at significant risk – in particular Qantas’ Dallas-Sydney service (that route alone is estimated to generate $133 million in consumer benefits annually).

- The consumer benefits of the Proposed JBA are not conjecture – they are empirically proven. On average, revenue-pooling JBAs result in connecting fares that are almost 8% lower than interline/codeshare fares and nearly as low as the fares for “online” connecting service on a single carrier. As for nonstop fares, the record includes robust econometric evidence demonstrating that, on nonstop routes with characteristics similar to LAX-SYD, American’s transatlantic JBA led to a reduction in nonstop fares. This evidence is unambiguous and unopposed.

- There is widespread support for the Proposed JBA. It has been approved by the regulatory authorities in Australia and New Zealand, and the Department has received signatures from 1,138 supporters across many constituencies, including 64 U.S. state and local officials, 17 airports, 825 travel agents, 45 business associations, 87 individual corporations, and 26 other non-profits, universities, and organizations from 37 U.S. States and 28 countries in the Americas and Australasia, as shown in Appendix 1. Major

---

2 Id. at 46-53.
3 See CEI Study (Application, Appendix 2); Compass Report (Application, Appendix 4).
4 See CEI Study at 17-18 (Application, Appendix 2). The CEI Study also found “no evidence of fare increases when carriers on a nonstop route enter into an ATI or JV, relative to the same route before ATI or JV formation.” CEI Study at 22 (Application, Appendix 2).
5 Compass Report at 36-37 (Application, Appendix 4).
6 See Application, at 15 n. 16.
signatories supporting the Proposed JBA include Mayor Mike Rawlings of Dallas, TX; Mayor Betsy Price of Fort Worth, TX; Mayor Eric Garcetti of Los Angeles, CA; Commissioner Jamie T. Rhee of Chicago, IL; the Fort Worth Chamber of Commerce; the American Australian Association; the Australian Government’s Department of Infrastructure, Regional Development and Cities; Tourism Australia; the American Chamber of Commerce in New Zealand; World Trade Center Los Angeles; the Dallas Fort Worth International Airport Board (“DFW”) (which filed its own comments in the docket); Brisbane Airport; and Los Angeles World Airports.

- No party has identified any specific consumer harms that are likely to result from the Proposed JBA. Only four parties have submitted answers: DFW strongly supports the Proposed JBA; JetBlue Airways has identified no issue with the Proposed JBA and merely recommends a periodic review procedure that we address below; and two other parties identified concerns that are not specific to the Proposed JBA and therefore not relevant to the Department’s assessment.

---

8 Answer of JetBlue Airways Corporation, November 23, 2018, DOT-OST-2018-0030-0133. JetBlue’s Answer raises only three potential issues: one about exclusivity, which is irrelevant as the Proposed JBA is non-exclusive; a second about airport access, which is not an issue here as JetBlue recognizes in its submission (at 4); and a third issue about periodic review, which we address below.
9 Answer of Mike Borsetti, November 20, 2018, DOT-OST-2018-0030-0130 (discussing frequent flyer programs on routes not at issue here); Comment from Air Travel Fairness, November 23, 2018, DOT-OST-2018-0030-0132 (identifying fare distribution issues not implicated by the Proposed JBA). Both submissions make conclusory allegations of the type that the Department has routinely rejected in prior cases. See Continental-United-Air Canada-Austrian-bmi-Brussels-LOT-Lufthansa-SAS-TAP, DOT-OST-2008-0234, Final Order 2009-7-10, at 23 (“The burden of proving anticompetitive effects rests with opposing parties.”) They must show that “cognizable harm will occur, and more importantly, that a causal link exists between the alleged harm and the granting of antitrust immunity.”) (emphasis added); see also id. (rejecting objection “not attributable to immunized alliances”); American-British Airways-Finnair-Iberia-Royal Jordanian, DOT-OST-2008-0252, Final Order 2010-7-8, at 10 (rejecting objection “not supported by the record”). Specifically, Borsetti’s grievance (which pertains to the wholly separate transatlantic JBA) completely ignores that the transatlantic JBA delivered on its promise to allow AAdvantage members to redeem miles on British Airways-operated transatlantic flights on top of the significant network connectivity benefits of that JBA. See Application, at 5 (describing benefits of transatlantic JBA).

Regarding Borsetti’s allegations about fees, because this is not a merger, the parties will retain their own individual frequent flyer programs that apply to each carrier’s own unique network, which extends beyond the geography of any JBA. Regardless, revenue-pooling JBAs like the Proposed JBA and the transatlantic JBA align the carriers’
Given the significant record evidence of substantial consumer benefits from the Proposed JBA and absence of any substantial complaints, the Department should promptly approve and grant ATI under 49 U.S.C. §§ 41308-09.

Although American and Qantas consider that the record speaks for itself in this matter, there are two issues raised in answers in the docket that merit particular attention:

First, the Answer submitted by DFW further confirms the counterfactual that the Parties described in their Joint Response to the Department’s June 13, 2018 Order Requesting Additional Information.10 The Parties estimate a loss to consumers of $133 million annually from the elimination of nonstop service on DFW-SYD – a grant of ATI would avoid this loss, bringing total net annual consumer benefits of the Proposed JBA to $443 million ($310 million in annual consumer benefits plus avoided loss in the counterfactual of $133 million annually).11 DFW’s Answer substantiates the likely loss in the counterfactual scenario, describing how Qantas’ DFW-SYD service relies critically on flow passengers connecting through DFW (85% of passengers on Qantas’ DFW-SYD service).12 DFW identifies additional harms and inconvenience to travelers in the counterfactual scenario, describing how loss of DFW-SYD service would mean passengers have to connect through Los Angeles, adding at least four hours of additional travel time.13 In addition, DFW explains how denial of ATI would eliminate over 100 connection options for travel through DFW to Sydney, crippling the airport’s ability to

---

11 Id. at 3; see also Application at 45 n. 52.
13 Id. at 9.
compete with other gateways.\textsuperscript{14} As the Parties have explained, consumer loss in the
counterfactual scenario where ATI is denied will not be limited to the Dallas-Fort Worth area –
up to 121 American and 35 Qantas codeshare segments will be eliminated, and American’s
LAX-SYD and LAX-AKL flights will be at risk.\textsuperscript{15} These facts confirm the real consumer harms
that would result if ATI is denied.

Second, JetBlue Airways Corporation, in its submission on November 23, 2018,
proposed that the Department limit its grant of ATI to three to five years, with a requirement that
American and Qantas seek a renewal of ATI thereafter.\textsuperscript{16} The Parties are confident that the
Proposed JBA will generate substantial consumer benefits and, for this reason, would not oppose
a Department review of the Proposed JBA after five years—indeed, the Department has the
authority to review any of its grants of ATI at any time.\textsuperscript{17}

However, as explained in the Application, given the deep level of integration planned for
the Proposed JBA and the nature of joint investments and infrastructure improvements
contemplated, any review of ATI by the Department should be no sooner than five years after
implementation.\textsuperscript{18} While the Proposed JBA will begin to benefit consumers immediately, a
review any sooner than five years after implementation will capture only a snapshot of the then-
current progress of integration and infrastructure investment within the Proposed JBA. As a
specific example, in its transatlantic JBA with British Airways, it took several years for the JBA

\textsuperscript{17} See, e.g., Delta-Virgin Australia, DOT-OST-2009-0155, Final Order 2011-6-9, at 7 (“We may amend, modify, or
revoke this authority at any time without hearing.”); United-Air New Zealand, DOT-OST-1999-6680-8, Final Order
2001-4-2, at 4 (same).
\textsuperscript{18} Although JetBlue did not specify a specific review procedure, any subsequent review should not require any “re-
application” for ATI. Rather, should the Department consider future review of the Proposed JBA is appropriate, the
Department can conduct that review and in the unlikely event of any substantive issue, that issue can then be
addressed.
carriers to fully implement the technical requirements needed to integrate revenue and yield management systems.\textsuperscript{19} For these reasons, to fully evaluate the consumer benefits of the Proposed JBA, any future review of ATI for the Proposed JBA should be no sooner than five years after implementation.

Finally, there should be no suspension or expiry of ATI for the Proposed JBA during any review. This will ensure that the Department’s review does not interrupt the consumer benefits of the Proposed JBA, maintaining the status quo until the Department completes its review and all interested parties have had an opportunity to be heard. Again, the Parties would not be opposed to such a review, assuming the Department applied the requirement fairly across all future grants of ATI and not only for the Proposed JBA.\textsuperscript{20}

\begin{center}
\begin{tabular}{|c|c|c|}
\hline
& * & *
\hline
\end{tabular}
\end{center}

The consumer benefits of metal-neutral JBAs are clear and proven. The Proposed JBA is virtually unopposed, and no party has disputed that the Proposed JBA will unlock hundreds of millions of dollars in benefits to travelers between the United States and Australasia. Accordingly, American and Qantas respectfully request that the Department expeditiously approve the Proposed JBA and grant ATI.

\textsuperscript{20} A review of grants of ATI every five years would obviate the need for annual reporting that the Department has required for prior JBA applications. For the reasons explained, these annual reports would not fully reflect the consumer benefits of the Proposed JBA to the same extent as a five-year review.
For American Airlines, Inc.:

Stephen L. Johnson  
Executive Vice President - Corporate Affairs
R. Bruce Wark  
Vice President and Deputy General Counsel
Robert A. Wirick  
Managing Director - Regulatory and International Affairs
James K. Kaleigh  
Senior Antitrust Attorney

AMERICAN AIRLINES, INC.  
4333 Amon Carter Blvd.  
Fort Worth, Texas 76155

bruce.wark@aa.com
robert.wirick@aa.com
james.kaleigh@aa.com

Respectfully submitted,

For Qantas Airways Limited:

Andrew J. Finch  
General Counsel and Company Secretary
Anna R. Priichard  
Head of Legal and Assistant Company Secretary
QANTAS AIRWAYS LIMITED  
QCA1, 10 Bourke Road  
Mascot NSW 2020

andrewfinch@qantas.com.au
annapriichard@qantas.com.au

Date: December 4, 2018
Appendix 1: Support For The American-Qantas Application For ATI Is Widespread

Supporters From 37 States, the District of Columbia and Puerto Rico

Supporters From 28 Countries In The Americas And Australasia
CERTIFICATE OF SERVICE

I hereby certify that on December 4, 2018, I served a copy of the foregoing document upon the following persons via email.

**Department of Transportation**
kristen.davis@dot.gov
jeffrey.gaynes@dot.gov
david.short@dot.gov
brian.hedberg@dot.gov
todd.homan@dot.gov
peter.irvine@dot.gov
brett.kruger@dot.gov
laura.remo@dot.gov
benjamin.taylor@dot.gov

**Federal Aviation Administration**
john.s.duncan@faa.gov

**Department of Justice**
Kathleen.oneill@usdoj.gov

**Department of Commerce**
Eugene.Alford@trade.gov

**Department of State**
YonHY@state.gov
forsbergap@state.gov

**Atlas Air**
rpommer@atlasair.com

**Alaska Airlines, Inc.**
megan.ouellette@alaskaair.com
john.kirby@alaskaair.com
jeremy.ross@alaskaair.com
dheffernan@cozen.com

**Delta Air Lines, Inc.**
chris.walker@delta.com
alex.krulic@delta.com

**Federal Express Corp.**
ssprosse@fedex.com

**Frontier Airlines**
matwood@cozen.com
slachter@cozen.com

**Hawaiian Airlines**
perkmann@cooley.com
jrenehan@cooley.com

**JetBlue Airways Corp.**
robert.land@jetblue.com
adam.schless@jetblue.com
Reese.Davidson@jetblue.com
esahr@eckertseamans.com
dderco@eckertseamans.com

**Polar Air Cargo**
kevin.montgomery@polaraircargo.com

**Southwest Airlines Co.**
bob.kneisley@wnco.com
leslie.abbott@wnco.com

**Spirit Airlines**
jyoung@yklaw.com
dkirstein@yklaw.com

**United Airlines, Inc.**
dan.weiss@united.com
steve.morrissey@united.com
abried@jenner.com

**United Parcel Service**
anita.mosner@hklaw.com
jennifer.nowak@hklaw.com
dsmalls@ups.com

**Airline Info**
info@airlineinfo.com

Seung Wan (Andrew) Paik