

Testimony of

The Honorable Patrick Leahy

November 7, 2001

Mr. Chairman, thank you for holding this hearing on international airline competition, in particular the proposed alliance between American Airlines and British Airways. It is important for this subcommittee to carefully review any potential antitrust complications arising from such deals.

I also thank this distinguished panel of airline executives for testifying today. I fully expect this hearing will address the current state of airline competition, as well as airline safety and security issues stemming from the events of September 11.

American Airlines and British Airways are seeking antitrust immunity from the Department of Transportation and clearance from the United Kingdom and the European Commission for their proposed international aviation alliance. This is the second attempt in recent years for American Airlines and British Airways to form an alliance. These two airlines first filed for antitrust immunity in 1997, but withdrew their application after it became clear American and European regulators would deny the application as it was structured.

If the Department of Transportation approves antitrust immunity for the AA/BA alliance, it will likely condition this immunity upon the United States and Great Britain entering into an "Open Skies" agreement, permitting any United States or British airline to fly between the United States and any airport in Great Britain.

The AA/BA alliance is an attempt by both airlines to make them stronger competitors against the other existing airline alliances, United Airlines/Lufthansa (the Star Alliance), based in Frankfurt, Germany, and Northwest Airlines/KLM, based in Amsterdam. Another alliance with an extensive transatlantic routes between the United States and Europe would clearly benefit competition between these destinations.

Customers would also benefit from the AA/BA alliance by access to more destinations, more convenient schedules, greater ticket interchangeability, greater flexibility and ease of transfer, and new and improved check-in and luggage facilities.

London-Heathrow is an important gateway to Europe from the United States. Currently, American Airlines and British Airways are head-to-head competitors at Heathrow for travel to and from the United States. While some opponents argue that competition would be lessened if the AA/BA alliance is approved, it may actually make more slots available to other airlines at Heathrow.

It is also important to review competition from the entire European perspective. For example, Northwest/KLM has a 70 percent slot share at its European hub in Amsterdam. United/Lufthansa has a 69 percent slot share at its European hub in Frankfurt. And Delta/Air France has a 55

percent slot share at its European hub in Paris de Gaulle. These are all higher than the 47 percent slot share American/British Airways would have at Heathrow.

Mr. Chairman, thank you again for holding this hearing today. I look forward to the testimony from all of the witnesses.

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