

Two Folsom Street
San Francisco, CA 94105

Gap Inc.

Gap
Banana Republic
Old Navy

DEPT. OF TRANSPORTATION
2003 MAY 29 P 3:46

244638 May 28, 2003

The Honorable Read Van de Water
Assistant Secretary for Aviation and International Affairs
Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

RE: Opposition to IATA application, Docket: OST-2003-14480-26

Dear Assistant Secretary Van de Water:

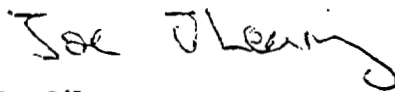
As one of the world's largest specialty retailers with \$14.5 billion in sales, and three of the most recognizable brands – Gap, Banana Republic, and Old Navy – Gap Inc. would like to register our strong opposition to the International Air Transport Association's (IATA) proposal to change the Resolution 502 density rule. Granting this antitrust immunity for air carriers will not only dramatically increase our shipping costs, but by eliminating competition among air carriers, will lead to inefficiencies and additional expenses beyond those already projected.

Like many retailers, Gap Inc. relies heavily on ocean freight to deliver goods. However, as a specialty retailer, our focus on speed to market requires that airfreight remain a major aspect of the supply chain. In a trend driven business, having the right product in the store at the right time often makes the difference in sales and margin. Because ocean shipments take two to three weeks longer to arrive in our stores than airfreight, we often have no choice but to ship by air.

We conservatively estimate that the proposed change in the rate of calculation for low-density cargo will increase our airfreight costs by 11 percent, but could go as high as 18 percent. This translates into unexpected additional costs of \$20-35 million per year. American importers would be forced to pass these additional costs onto customers at a time when the economy is fragile and restoration of consumer confidence is absolutely critical.

While every industry is feeling the pain of the current economic slowdown, it is tough to justify an increase in airfreight costs that is plainly not market driven. Given the devastating impact this could have on our company, the American retail industry, and many other sectors important to the strength of our national economy, I urge you deny IATA's application for antitrust immunity.

Sincerely,



Joe O'Leary
Senior Vice President, Logistics Division
Gap Inc.