

May 29, 2003

The Honorable Read Van de Water  
Assistant Secretary of Aviation & International Affairs  
U.S. Department of Transportation  
400 Seventh Street SW  
Washington, DC 20590-0001

**Re: Opposition to the International Air Transportation  
Association ("IATA") Resolution 502 – Low Density Cargo  
Docket: OST-2003-14480-0**

Dear Assistant Secretary Van de Water:

Limited Brands is a \$8.4 billion specialty retailer and an importer of apparel and personal care products. Limited Brands, through Victoria's Secret, Bath & Body Works, Express, Express Men's (Structure), Limited Stores, White Barn Candle Co., Henri Bendel and aura science (a joint venture with Shiseido Co. Ltd.), presently operates over 4,000 specialty stores.

Limited Brands strongly opposes IATA Resolution 502 and its application for an antitrust exemption, which will have been filed with the Department of Transportation ("DOT") pursuant to the docket captioned above. The company's extensive supply chain brings product to US consumers from sources around the globe. International air cargo comprises a critical element of that supply chain due to the great distances from manufacturing to market and the short life cycle of its fashion products.

Limited Brands directly, and through its suppliers, spends over \$75million annually on international air cargo. IATA's Resolution 502 would increase our air cargo costs by approximately \$15million. While \$10million of this would be paid to foreign-flag carriers, less than \$2million would end up in the coffers of U.S. commercial airlines.

IATA's request for antitrust exemption paves the way for amendment of the Resolution 502 density rules, which is an anti-competitive vehicle to forcibly implement sweeping pricing policies that will harm U.S. companies and consumers. This comes at a time when these same companies and consumers are footing the bill for the War on Terrorism. The airline industry has already imposed a war risk surcharge of up to \$.15/kg without any quantification of their true costs and without any known expiration date of the surcharge.

Alternative competitive vehicles do exist for carriers to price their services profitably in the open market. More than 25 airlines, both U.S. and foreign-flag, carry our air imports from over 60 of the U.S. trading partners. Through annual bid processes, daily cargo transactions and in the normal course of the free market, airlines have the commercial freedom to set prices to move our shipments with full knowledge of the volume and weight.

In fact, the playing field is already tilted toward the airlines in most markets because of restrictive bilateral agreements limiting U.S. and third country carriers' acceptance of U.S. bound cargo. Taiwan's national carriers have a 61% market share of U.S. bound

exports, while Korea's have a 67% market share. The DOT should not support efforts by airlines to further tilt the market balance and cause even greater harm to US companies.

It should be noted here that there is evidence to suggest that the aircraft types accounting for the majority of the world's cargo carrying capacity would be overweight by as much as 35% if loaded to capacity with cargo of 1:5000 density.

One of IATA's arguments in their request is that such an increase would encourage shippers to change their packaging process to reduce shipment volumes. Limited Brands does not have that option. Most of our products are shipped in plastic bags and thin-walled cartons – that's all. There is no packaging reengineering to change our shipment density. When we do ship expensive, rigid products, the airline's uniform and extremely low liability limit of \$20/kg forces us to carefully protect our goods.

We believe that Resolution 502 does not meet the public interest test that DOT must apply in granting an antitrust exemption pursuant to Section 41309 of Title 49 of the US Code. Specifically, Resolution 502:

- Negatively affects the air carriers' customers through measures previously declared anti-competitive;
- Fails to address any serious transportation need not previously addressed;
- Disrupts international comity; and
- Ignores reasonably available alternatives that are less anti-competitive.

We strongly urge the Department to oppose IATA's Resolution 502 and recommend that its application be denied.

Respectfully submitted,



Nicholas J. LaHowchic  
Chief Executive Officer  
Limited Logistics Services, Inc.  
Limited Brands