

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

Joint Application of :
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 :
 THE AUSTRIAN GROUP :
 BRITISH MIDLAND AIRWAYS LIMITED :
 DEUTSCHE LUFTHANSA AG :
 POLSKIE LINIE LOTNICZE LOT S.A. :
 SCANDINAVIAN AIRLINES SYSTEM :
 SWISS INTERNATIONAL AIR LINES LTD. :
 TAP AIR PORTUGAL :
 and : Docket OST-2005-22922
 UNITED AIR LINES, INC. :
 :
 :
 under 49 U.S.C. §§ 41308 and 41309 for approval :
 of and antitrust immunity for Alliance Expansion :
 Agreements and an Amended Coordination Agreement :
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Joint Application of :
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 UNITED AIR LINES, INC. :
 and :
 AIR CANADA :
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 under 49 U.S.C. §§ 41308 and 41309 for approval of and :
 antitrust immunity for commercial alliance agreements :
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REPLY OF
CONTINENTAL AIRLINES, INC.

Communications with respect to this document should be sent to:

Rebecca G. Cox
Senior Vice President,
Government Affairs
CONTINENTAL AIRLINES, INC.
1350 I Street, N.W.
Washington, DC 20005-3389

Hershel I. Kamen
Staff Vice President,
Security and Regulatory Affairs
Daniel A. Weiss
Director, International Policy
& Regulatory Affairs
CONTINENTAL AIRLINES, INC.
P.O. Box 4607 – HQSGV
Houston, TX 77210-4607

Thomas Newton Bolling
Senior Attorney, Regulatory
CONTINENTAL AIRLINES, INC.
P.O. Box 4607 - HQSLG
Houston, TX 77210-4607
(713) 324-5606
thomas.bolling@coair.com

R. Bruce Keiner, Jr.
CROWELL & MORING LLP
1001 Pennsylvania Avenue, N.W.
Washington, DC 20004-2595
(202) 624-2615
rbkeiner@crowell.com

Counsel for
Continental Airlines, Inc.

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Most of American's¹ answer opposing the Star Alliance application to expand its antitrust immunity is devoted to complaints that immunized alliances provide few new online service benefits, particularly where overlapping routes are served; reduce competition on routes previously served independently by members of immunized alliances; drive independent airlines out of alliance hubs; increase fares to consumers; and choke off

¹ Common names are used for airlines.

connecting opportunities for independent airlines at hubs dominated by immunized alliances. Moreover, American argues that most of the network benefits of alliance cooperation can be achieved through non-immunized codesharing. American's real intentions become clearer, however, when it complains that it and its oneworld partners "have been relegated to the regulatory equivalent of a DC-3 while its competitors have entered the jet age" through antitrust immunity (American Answer at 29) and waxes enthusiastic about making London Heathrow "the only true two-alliance hub in Europe (with American/British Airways in oneworld, and United/British Midland in Star." (American Answer at 31)

While the interests of American/oneworld and United/Star may be benefited by creation of a Chicago-on-the-Thames at London Heathrow, domination of London Heathrow by two such powerful alliances would create all the harms American complains of in its answer, and then some, at London Heathrow. Since U.S. airlines such as Continental are now de jure excluded from operating at London Heathrow and would be de facto excluded from operating competitive flights at London Heathrow unless any open skies agreement covering London Heathrow provides competitive slots and facilities at London Heathrow on economically-viable terms for carriers such as Continental. If American has been forced to operate in the regulatory equivalent of a DC-3, however, that is because American has picked alliance partners in the world's most restricted markets, where they benefit more

