



**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 2<sup>nd</sup> day of November, 2015

**Joint Application of**

**AMERICAN AIRLINES, INC.  
QANTAS AIRWAYS LIMITED**

**Under 49 U.S.C. §§ 41308 and 41309 for  
Approval of and Antitrust Immunity for  
Alliance Agreements**

**Docket DOT-OST-2015-0129**

**ORDER REQUESTING ADDITIONAL INFORMATION**

**Summary**

By this Order, the Department requests additional information, as described in the Attachment, from American Airlines, Inc. and Qantas Airways Limited (collectively, the “Joint Applicants”). We find that the additional information is necessary to analyze the application and make a decision.

**Discussion**

In this proceeding, the Joint Applicants seek antitrust immunity to form a joint business for service between the United States and Australia/New Zealand. Following the initial submission of the application on June 9, 2015,<sup>1</sup> the Department suspended the procedural schedule to allow the Joint Applicants to submit supplemental materials, and also to make the application and all supplemental materials available to interested parties subject to the Department’s rules of confidentiality.<sup>2</sup> The notice further provided time for the Department to evaluate whether additional evidence is necessary to decide this matter on the merits.

The Department has reviewed the Joint Applicants’ initial submission, which includes their application for antitrust immunity as well as supporting confidential documents. Our review indicates that further information is required to evaluate the issues raised by the application, including: details of the specific levels of service that the proposed joint business would provide; analysis of the competitive impacts to other carriers; quantification and description of the consumer benefits to be provided as a result of this proposed joint business; and the extent to

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<sup>1</sup> See Joint Application.

<sup>2</sup> See Notice (June 18, 2015).

which ATI is necessary to achieve these benefits. Information about these and other related issues is sought in the clarification questions and document requests that we have produced in the Attachment to this Order.

Accordingly, the Department directs the Joint Applicants to provide the additional data and evidentiary information set forth in the Attachment. This information should be filed in Docket DOT-OST-2015-0129, in accordance with Department rules. We remind the Joint Applicants of the importance of discussing the merits of the case on the public record to the maximum extent possible. Unnecessarily broad redactions are contrary to the public interest and result in delay in reviewing the application. To the extent necessary, the Joint Applicants may seek confidential treatment of the information as set forth in the Department's regulations. To the extent that the Joint Applicants affirm that information sought in the attachment has already been filed in the docket, they need only identify which documents satisfy the request.

When the additional evidence requested has been submitted, we will have all the necessary elements to determine that the record is substantially complete and to establish a procedural schedule.

**ACCORDINGLY:**

1. We direct American Airlines, Inc. and Qantas Airways Limited to file the additional information and evidence described in Attachment 1 to this Order as a supplement to its application; and
2. We will serve this order on all parties on the service list in this docket.

By:

**SUSAN L. KURLAND**  
Assistant Secretary for Aviation  
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at:*  
<http://www.regulations.gov>

**ATTACHMENT 1**  
**Request for Additional Information**  
**Docket DOT-OST-2015-0129**

**General Instructions**

1. The following definitions of terms used in this request apply:
  - A. “You,” “Your,” “Your Company,” “Joint Applicants,” “applicants,” “Partner(s),” “Party,” or “Parties” means American Airlines, Inc. (AA) and Qantas Airways Limited (QF), as well as each of their regional affiliates, individually and collectively. These definitions also include your domestic and foreign parents, predecessors, divisions, and all officers and directors who work at your corporate headquarters (the site where your chief executives and senior operating, marketing, and financial officers are located).
  - B. “Application for Antitrust Immunity” or “application” or “Joint Business” means the Joint Applicants’ application for Approval of and Antitrust Immunity for Alliance Agreement submitted to DOT on June 11, 2015. “ATI” refers to antitrust immunity.
  - C. “Joint Cooperation Agreement” or “Agreement” or “Joint Business Agreement” has the same meaning as defined by the Joint Applicants on pages 3 and 4 of their Application for Antitrust Immunity.
  - D. “Document(s)” means (1) all written, recorded, transcribed, electronic, or graphic material, including letters, electronic mail, memoranda, reports, studies, forecasts, lists, and directives, as well as minutes and records of meetings, conferences, telephone or other conversations or communications; and (2) all information contained in data processing equipment. Except where otherwise specified, a request for Documents is limited to documents created or revised since March 1, 2012. Copies of Documents requested herein shall be full, complete and unredacted. For each Document, if not contained in the Document itself, include the date of preparation and the name and title of each individual who prepared the Document.
  - E. “Discuss” means analyze, constitute, summarize, report on, consider, recommend, set forth, or describe a subject, regardless of the length of the discussion. Documents that merely mention or refer to a subject without further elaboration do not discuss that subject. Documents that discuss a particular subject include all Documents that contain reports, studies, forecasts, analyses, plans, proposals, evaluations, recommendations, directives, procedures, policies, guidelines, or any other comments that address or concern the subject, or that constitute a discussion of the subject.
  - F. “And” and “or” shall be construed disjunctively and conjunctively as necessary in order to bring within the scope of each information directive all responses that might otherwise be construed to be outside its scope.

G. "Plans" means tentative and preliminary proposals, recommendations, analyses, forecasts, or considerations, whether or not finalized or authorized, as well as those that have been adopted.

2. All responses to these information directives shall reflect the cumulative knowledge of the responding Parties and shall be accompanied by a sworn statement or statement under penalty of perjury, executed by a responsible officer of the responding Party, that the responses are full, complete, and accurate. All responses shall identify clearly the information directives to which they respond, as well as the person(s) who is (are) the source(s) of the information. Supplemental responses shall be submitted in the event that information is discovered after submission of the initial responses.
3. To the extent that any responsive documents are written in a language other than English, provide a copy of the original document, as well as an English translation of the document.
4. Documents produced in response to any request shall be consecutively numbered, and shall be marked with the number of the request to which they respond. Responding carriers shall prepare an index of the documents produced, setting forth the document number, date, preparer, addressee, and subject of each document, and the information directive to which it responds.
5. These information directives are requesting only material and documents now or previously located at corporate headquarters of any of the Parties (the site where the Parties' chief executives and senior operating, marketing, and financial officers are located) and only those documents, material, and messages prepared by or for the Board of Directors, senior management, or middle management responsible for strategic planning, marketing, alliance relations, pricing, revenue management, or schedule and route planning.
6. Please provide a privilege log identifying and describing all withheld documents, as required by 14 C.F.R. § 303.04(h).
7. Please provide an original and two copies of all Documents. The original filing should be on 8.5" x 11" paper using dark ink and be unbound without tabs, which will expedite use of our docket imaging system. To the extent that the carriers deem it necessary, they may seek confidential treatment of the information as set forth in the Department's regulations.

### **Clarification Questions & Accompanying Documents**

Please provide responses to the following questions **and all Documents that discuss the issues addressed in each of the following questions.** Do not resubmit Documents that were already submitted to DOT in response to the information request drafted by the Joint Applicants and presented with your Application for Antitrust Immunity in Docket DOT-OST-2015-0129. Whether previously or newly submitted, you should identify the reference number(s) of the Documents responsive to the requests below:

1. The Department has been willing to grant ATI in past cases where substantial new public benefits are enabled that would not have been possible without ATI. Our review of the supporting documents in this case indicates that the Joint Applicants generally foresee a range of potential public benefit outcomes (see Application, Pages 17-24). Please provide for the public record a clear analysis of the public benefits expected from this Joint Business for the subparts noted below. For each of the subparts, please identify whether, and to what extent, a grant of antitrust immunity is necessary to achieve the benefits. For example, please address why a grant of ATI is necessary in the future given the growth the airlines achieved during their non-immunized alliance and American's business decision in June 2015 to launch service to Australia. The response should address the following:
  - a. The number of potential new city pairs enabled, detailing the number and location of new U.S. and Australia or New Zealand gateways;
  - b. Likely passenger volumes year over year;
  - c. Fare reductions resulting from the coordination efficiencies discussed in the Application on pages 18-19;
  - d. Time savings, such as through a more integrated network, improved ground services and streamlined customs processes; and
  - e. Any other public benefits that will be achieved as a result of this Joint Business.
2. Please discuss the counterfactual to the granting of ATI in terms of each carrier offering expanded services, either through the current partnership or as competitors, between the United States and Australia/New Zealand, addressing the impact to all possible consumer benefits as identified in Question 1.
3. Please describe the five-year outlook for the Joint Business. Your answer should include analysis and metrics (e.g., run-rate analysis) for years 1-5, as well as total expected results at the end of year 5 with regard to:
  - a. Estimated expenditures for needed structural changes and one-time investments in business operations that each carrier expects to make to stand up the joint venture (e.g., IT investments, withdrawal of sales staff in reliance on the other partner, training costs, investment in new aircraft or facilities); and
  - b. Operational plans and financial forecasts, which include –
    - i. The number of nonstop markets served within the scope of the joint venture;
    - ii. Estimated capacity growth in the joint venture markets, including amount of seats and details about gauge and frequency;
    - iii. Revenue to be earned by the joint venture.
4. Please provide the following information:
  - a. The number of annual departures from the United States to Australia/New Zealand by Qantas Airways as of the year ended June 2015. Please describe the seasonality in the schedule by explaining how many of the 12 months are considered "peak" and "non-peak." Provide aircraft type and seats available per departure.

- b. The number of annual departures from the United States to Australia/New Zealand currently planned by American Airlines (without an immunized Joint Business in place) for the years ended June 2016 and June 2017. Provide planned aircraft type and seats available per departure.
  - c. The number of annual departures from the United States to Australia/New Zealand currently planned by Qantas (without an immunized Joint Business in place) for the years ended June 2016 and June 2017. Provide planned aircraft type and seats available per departure.
  - d. The number of annual departures from the United States to Australia/New Zealand planned by Qantas Airways as part of an immunized Joint Business for the years ended June 2016 and June 2017. Provide estimated aircraft type and seats available per departure; and
  - e. The number of annual departures from the United States to Australia/New Zealand planned by American Airlines as part of an immunized Joint Business for the years ended June 2016 and June 2017. Provide planned aircraft type and seats available per departure.
5. Please discuss specific metrics and goals for the short term (the initial 18 months of the Joint Business) and the medium term (the first five years of the Joint Business) for each of the seven areas detailed on Pages 19-20 of the Application.
6. For the public record, please explain the geographic scope of the proposed Joint Business, detailing all included countries. If any markets within this geography are to be excluded from the Joint Business, please explain why such exclusions are necessary and how such exclusions impact the provision of public benefits.
7. For the public record, please detail the markets that will be served in the first 18 months of the Joint Business, including –
  - a. The aircraft used to serve each market by each carrier;
  - b. The total number of seats by each carrier that will be operated in those markets; and
  - c. The frequency of flights operated by each carrier.
8. Please explain for the public record any economic and financial incentives planned by either carrier to start new services (e.g., Alliance Settlement Agreement, §3.3). Please include details on the type and amount of any such incentives, including any up-front payments as well as any balance of benefits payments that that might arise through a year-end settlement process. Please explain the relevant considerations of these benefits in light of the applicants' expectation that the Joint Business will be metal neutral and profitable for both participants.
9. The Joint Business Agreement contains a provision regarding exclusivity (see Alliance Agreement §(1)(B)(3)). Please explain for the public record:
  - a. What the provision cited above in this question means and how it applies to this Joint Business;
  - b. Why this provision is necessary for the Joint Business to be successful;

- c. How this provision applies to services to and from Hawaii; and
  - d. The expected competitive impact in the marketplace, particularly given that exchanging traffic among competing airlines in ultra-long haul markets such as U.S.-Australia may provide all parties with tangible benefits, and that, on balance, an approved Joint Business must be procompetitive under the Department's applicable standards and policies.
10. Please provide for the public record a list of-
    - a. All airline subsidiaries or affiliates for each of the Joint Applicants; and
    - b. A description of current codeshare partners in the markets covered by this Joint Business and how those relationships might change as a result of receiving antitrust immunity.
  11. For Qantas Airways, please detail any financial and strategic relationships that the carrier has with global distribution services (GDSs), explaining how these relationships affect competition between the U.S. and Australia/New Zealand.
  12. Please explain how the airlines participating in the proposed Joint Business will coordinate services, including those operated by subsidiaries, to compete on routes between Australia/New Zealand and Hawaii, between Australia/New Zealand and the U.S. mainland via Hawaii, and between Hawaii and the U.S. mainland.
  13. Please provide for the public record any studies that have been conducted by Qantas or on its behalf that document the operational and network efficiencies of alliances in general (e.g., the role of alliance joint ventures in maximizing the utilization of widebody long-haul aircraft), and the unique geographic and demographic challenges of serving the Australia/New Zealand market and connecting that market to long-haul destinations around the world in particular.
  14. Please describe the slot allocation and control rules at SYD regarding-
    - a. Potential challenges faced by the Joint Business in serving the airport in the future; and
    - b. Opportunities for new entrants to obtain slots.
  15. Please provide traffic data as follows:

Please provide traffic data as follows:

- a. ***Demand (Market Share) Data***

Using MIDT or other market demand data source, for the most recent 12-month period as well as annual 2010 and 2012, provide directional net passenger bookings for all itineraries that touch Australia/New Zealand *or* the United States and its territories and possessions. Include the following data elements:

Field 1: Trip Originating Airport

Field 2: Booked Point of Sale Country Code

Field 3: Airport Path, Marketing Carrier Designator String, Operating Carrier Designator String by Leg

Example: Tucson – Los Angeles – Sydney - Perth directional trip with segments marketed by AA operated by Skywest and Qantas respectively would be reported as:

“TUS AA OO LAX AA QF SYD AA QF PER”.

Use a “//” to represent the marketing carrier on any ARNK (Arrival Not Known) segments.

Field 4: Volume of Net Bookings

Include an explanation of the trip break methodology used to create directional trips from itinerary data.

***b. Origin - Destination Fare Data***

For all itineraries that American or Qantas (including subsidiaries such as Jetstar, as well as joint venture partners including Emirates and China Eastern) participate in, provide all itineraries that touch Australia/New Zealand and the United States. United States itineraries should include both mainland U.S. destinations as well as those to and from Hawaii. The Department prefers the O&D data represent an internal 100% census of itineraries meeting the above criteria, however suitable alternatives will be considered if proposed. Data should be submitted on a quarterly basis for the most recent year ended period for which data is available. Provide all information for any itinerary that began during the period described above irrespective of when the full itinerary was completed.

Provide the itinerary in an origin-destination (by direction of travel) format, referred to as “market directional.” Provide the number of (1) passengers, (2) market fare, (3) purchase class, (4) period, (5) airport sequence, (6) operating carrier code sequence, (7) change in operating carrier flag, (8) ticketing/marketing carrier code sequence, (9) change in ticketing/marketing carrier flag, (10) origin, (11) destination, (12) number of market coupons, (13) sequence number of each market directional that makes a full itinerary, (14) total distance flown (all kilometers converted to miles), (15) distance between the origin and destination (all kilometers converted to miles), (16) unique itinerary identifier, (17) one-way/round-trip itinerary identifier, (18) reporting carrier, and a (19) full itinerary online identifier. Fares must include all taxes, fees, and applicable surcharges (particularly any fuel surcharges paid.) Provide the passenger counts summarized by the unique combination of period, flight sequence, ticketing/marketing carrier sequence, operating carrier sequence, reporting carrier, directional market fare, one-way/round-trip itinerary identifier, full itinerary online identifier, and purchase class value.



For itineraries that include a segment provided by ground transportation, note the ground segment as ‘—‘ in the *tkcarriergroup* and *opcarriergroup* variables.

Provide a description of the methodologies used to determine market directional trip breaks within itineraries and the prorate for assigning the market directional fare from the full itinerary fare. DOT proposes using the industry standard “four hour rule” for intra-North American travel and the “24-hour rule” for all other travel to determine market directional trip breaks. DOT prefers the use of the square root of the miles methodology for market directional fare proration. Square root of the miles methodology distributes the itinerary revenue by dividing the itinerary fare by the square root of the number of miles distance between airports in the itinerary. To the extent the applicants prefer to use alternative methodologies for determining market directional trip breaks or prorates, they must provide appropriate methodological descriptions and validation.

The purchase class values should provide detail that allows for the evaluation of a given itinerary’s level of service purchased. The classes should be broken down by both Restricted and Unrestricted fares sold in First Class, Business Class, Premium Economy, and Economy cabins. DOT is open to alternative mappings and levels of detail that the applicants may suggest. If multiple purchase classes are assigned to different segments in a market directional provide the most premium class assigned from any of the segments in the market directional. Figure 1 provides a detailed listing of the variables required (meta data) and Figure 2 provides a sample of the final format. The minimum combination of variables that make each row unique (composite primary key for the dataset) is highlighted in yellow.

Provide the data electronically as a comma separated value (CSV) or other delimited text file format. If a format other than CSV is selected provide the meta-data detail necessary to allow for the loading of the data into a relational database environment.

**Figure 1 - Technical description of the required dataset**

**Market (Directional)**

1	AirportGroup	Sequential order of airport routing in the market directional, “:” separated, 3 digit IATA airport code designator
2	Dest	Market of travel destination for the passenger(s), 3 digit IATA airport code designator
3	Itin_Online	Indicates if for entire itinerary the passengers stayed on the same carrier for all segments ticketed and operated
4	Itin_RoundTrip	Indicates if passengers flew one way or round trip for the itinerary, 0=One-way, 1=Round Trip
5	ItinID	Identifies all market directionals for a single itinerary with the same value
6	MktCoupons	Total number of segments traveled for the directional market
7	MktFare	Fare paid by passengers for the market directional
8	MktMilesFlown	Total track miles for each segment of the market directional minus ground miles
9	MktSeq	Identifies the order the market directionals are traveled
10	NonStopMiles	Market origin to destination distance, excludes ground segments (radian miles, point to point computation)
11	OpCarrierChange	Identifies if there is a change to the operating carrier in the segments within the directional, 1=Yes, 0=No
12	OpCarrierGroup	Sequentially identifies the operating carriers for each segment of the directional, “:” separated
13	Origin	Market of travel origination for the passenger(s), 3 digit IATA airport code designator
14	Passengers	Number of passengers flying for the market directional record
15	Period	Period first segment of the itinerary was flown, four digit year plus single digit quarter (YYYYQ)
16	PurchaseClass	Restricted and Unrestricted sales of First Class, Business Class, Premium Economy, and Economy
17	RpCarrier	Code for the carrier that reports the data to DOT
18	TkCarrierChange	Identifies if there is a change to the ticketing/marketing carrier in the segments within the directional, 1=Yes, 0=No
19	TkCarrierGroup	Sequentially identifies the ticketing/marketing carriers for each segment of the market directional, “:” separated

Figure 2 – Sample of the final format of the required dataset

itinid	mktseq	mktcoupons	period	origin	dest	airportgroup	tkcarrierchange	tkcarriergroup	opcarrierchange	opcarriergroup	rpcarrier	passengers	mktfare	mktmilesflown	nonstopmiles	itin_roundtrip	itin_online	purchase_class
1	1	3	20151	PER	YYZ	PER:MEL:LAX:YYZ	1	QF:QF:AA	1	QF:QF:AA	AA	1	1078.89	11777	10781	1	0	Y
1	2	3	20151	YYZ	PER	YYZ:LAX:BNE:PER	0	QF:QF:QF	1	AA:QF:QF	AA	1	1061.11	11583	10781	1	0	Y
2	1	4	20151	CBR	BTV	CBR:SYD:LAX:ORD:BTB	1	QF:UA:UA:UA	1	QF:UA:UA:G7	QF	3	1327.38	10141	10006	1	0	Y
2	2	4	20151	BTB	CBR	BTB:EWR:SFO:SYD:CBR	1	UA:UA:UA:QF	1	EV:UA:UA:QF	QF	3	1360.62	10395	10006	1	0	Y
3	1	3	20142	AKL	MEX	AKL:BNE:LAX:MEX	0	QF:QF:QF	1	QF:QF:AS	QF	1	1487.18	10142	6809	1	0	Y
3	2	3	20142	MEX	AKL	MEX:LAX:SYD:AKL	0	QF:QF:QF	1	AS:QF:QF	QF	1	1522.82	10385	6809	1	0	Y
4	1	3	20151	PER	DCA	PER:DOH:JFK:DCA	1	QR:QR:MQ	1	QR:QR:MQ	AA	1	712.50	12706	10917	1	0	Y
4	2	3	20151	DCA	PER	DCA:JFK:DOH:PER	1	AA:QR:QR	1	MQ:QR:QR	AA	1	712.50	12706	10917	1	0	Y
5	1	2	20151	DPS	HNL	DPS:SYD:HNL	0	JQ:JQ	0	JQ:JQ	QF	3	1258.58	7937	6244	0	1	Y
6	1	2	20143	GUM	SYD	GUM:NRT:SYD	1	DL:QF	1	DL:QF	QF	1	2964.00	6405	3288	1	0	Y
6	2	2	20143	SYD	GUM	SYD:NRT:GUM	1	JL:DL	1	JL:DL	QF	1	2964.00	6405	3288	1	0	Y

Indicates Primary Key