AIRLINE ALLIANCES

by Paul Stephen Dempsey
Director, Institute of Air & Space Law
McGill University

Copyright © 2011 by Paul Stephen Dempsey
Open Skies

- 1992 - the United States concluded the first second generation “open skies” agreement with the Netherlands. It allowed KLM and any other Dutch carrier to fly to any point in the United States, and allowed U.S. carriers to fly to any point in the Netherlands, a country about the size of West Virginia. The U.S. was ideologically wedded to open markets, so the imbalance in traffic rights was of no concern. Moreover, opening up the Netherlands would allow KLM to drain traffic from surrounding airline networks, which would eventually encourage the surrounding airlines to ask their governments to sign “open skies” bilateral with the United States.
- 1993 - the U.S. conferred antitrust immunity on the Wings Alliance between Northwest Airlines and KLM. The encirclement policy began to corrode resistance to liberalization as the sixth freedom traffic drain began to grow; soon Lufthansa, then Air France, were asking their governments to sign liberal bilaterals.
- 1996 - Germany fell, followed by the Czech Republic, Italy, Portugal, the Slovak Republic, Malta, Poland.
- 2001 - the United States had concluded bilateral open skies agreements with 52 nations and concluded its first multilateral open skies agreement with Brunei, Chile, New Zealand and Singapore.
- 2002 – France fell.
- 2007 - The U.S. and E.U. concluded a multilateral “open skies” traffic agreement that liberalized everything but foreign ownership and cabotage.
- 2011 – cumulatively, the U.S. had signed “open skies” bilaterals with more than 100 States.
Multilateral and Bilateral Air Transport Agreements

Section 5 of the Transit Agreement, and Section 6 of the Transport Agreement, provide: “Each contracting State reserves the right to withhold or revoke a certificate or permit to an air transport enterprise of another State in any case where it is not satisfied that substantial ownership and effective control are vested in nationals of a contracting State . . . .”

Like their predecessors, modern “Open Skies” bilaterals require that “substantial ownership and effective control” be vested in the nationals of the State designating the airline, and that failure to meet this requirement would entitle either nation to revoke, suspend or limit the operations of the offending airline.
Nationality Rules Are Discretionary and May Be Waived

- The U.S. has waived the nationality requirements for airlines registered in states that met FAA Category I safety/security requirements, and that have concluded an “Open Skies” bilateral with the U.S..
- When Iberia gained control of Aerolinas Argentinas, the U.S. did not object to the fact that Spanish citizens owned and control the Argentine carrier after Argentina opened the bilateral to expand traffic rights for U.S. carriers.
- Conversely, when British Airways sought to gain effective control of USAir, the U.S. stalled until the issue of Heathrow access under Bermuda II was resolved.
• Alliances are like dating.
• Ownership is like marriage.
• Dating, marriage, infidelity and incest occur often in intercarrier relationships.
• Peter Harbison, Center for Asia Pacific Aviation: “The alliances are all being opportunistic, jumping into bed with each other and wondering whether the other bed looks warmer.”
FOREIGN AIRLINE OWNERSHIP OF U.S. AIRLINES

<table>
<thead>
<tr>
<th>Foreign Airline</th>
<th>Percentage Ownership</th>
<th>U.S. Airline</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAS</td>
<td>18.4%</td>
<td>Continental*</td>
</tr>
<tr>
<td>Swissair</td>
<td>4.6%</td>
<td>Delta</td>
</tr>
<tr>
<td>Singapore Airlines</td>
<td>5%</td>
<td>Delta</td>
</tr>
<tr>
<td>Ansett Airlines</td>
<td>17%</td>
<td>AmericaWest</td>
</tr>
<tr>
<td>Japan Air Lines</td>
<td>8.5%</td>
<td>Hawaiian</td>
</tr>
<tr>
<td>KLM</td>
<td>25%</td>
<td>Northwest</td>
</tr>
<tr>
<td>British Airways</td>
<td>15%</td>
<td>United*</td>
</tr>
<tr>
<td>British Airways</td>
<td>24.6%</td>
<td>USAir</td>
</tr>
<tr>
<td>Air Canada</td>
<td>19.6%</td>
<td>Continental</td>
</tr>
<tr>
<td>Lufthansa</td>
<td>19%</td>
<td>jetblue</td>
</tr>
</tbody>
</table>

* proposed; later withdrawn
## U.S. AIRLINE EQUITY INTERESTS IN OTHER CARRIERS

<table>
<thead>
<tr>
<th>Purchaser</th>
<th>Percentage Ownership</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMR (American)</td>
<td>33%</td>
<td>Canadian Airlines</td>
</tr>
<tr>
<td>AMR (American)</td>
<td>10%</td>
<td>Iberia</td>
</tr>
<tr>
<td>Continental</td>
<td>17.7%</td>
<td>America West</td>
</tr>
<tr>
<td>Delta Air Lines</td>
<td>2.7%</td>
<td>Singapore Airlines</td>
</tr>
<tr>
<td>Delta Air Lines</td>
<td>4.5%</td>
<td>Swissair</td>
</tr>
<tr>
<td>Mesa Air Group</td>
<td>7.6%</td>
<td>America West</td>
</tr>
<tr>
<td>Northwest Airlines</td>
<td>25%</td>
<td>Hawaiian Air</td>
</tr>
</tbody>
</table>
Before Alliances, there was
Pan American World Airways . . .

As low as $298* to Europe
and back by Pan Am Jet

and you're
in U.S. hands
all the way!

Not just pilots... but
Pan Am pilots! U.S. airmen
trained to exacting standards!

When it comes to U.S. ideas
of comfort Pan Am deserves
make you feel at home!

Wherever you go abroad,
the U.S. is as close as the
nearest Pan Am ticket office!

TYPICAL NEW 17-DAY ROUND-TRIP JET ECONOMY EXCURSION FARES

<table>
<thead>
<tr>
<th>Destination</th>
<th>Fares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston—London</td>
<td>$298</td>
</tr>
<tr>
<td>New York—London</td>
<td>$325</td>
</tr>
<tr>
<td>Paris—London</td>
<td>$345</td>
</tr>
<tr>
<td>West Coast—London</td>
<td>$398</td>
</tr>
</tbody>
</table>

PAN AMERICAN MAKES THE WORLD SMALLER
... and Trans World Airlines.
Before the mega-Alliances, there was interlining, facilitated by IATA
Like dogs marking territory, airlines around the world are sniffing each other's tail fins looking for partners."
Daniel Riordan

“The hardest thing in working on an alliance is to coordinate the activities of people who have different instincts and a different language, and maybe worship slightly different travel gods, to get them to work together in a culture that allows them to respect each other’s habits and convictions, and yet work productively together in an environment in which you can’t specify everything in advance.”
Michael E. Levine

“Beware a pact with the devil.”
Martin Shugrue
Airline Motivations For Alliances

- the desire to achieve greater economies of scale, scope, and density;
- the desire to reduce costs by consolidating redundant operations;
- the need to improve revenue by reducing the level of competition wherever possible as markets are liberalized; and
- the desire to skirt around the nationality rules (which prohibit multinational ownership) and cabotage (which prohibits foreign carriers from flying domestic traffic).
Bilateral and Multilateral Intercarrier Agreements

- ticketing-and-baggage agreements,
- joint-fare agreements,
- dry leases,
- wet leases,
- reciprocal airport agreements,
- blocked space relationships (capacity purchase agreements),
- computer reservations systems joint ventures,
- joint sales offices and telephone centers,
- e-commerce joint ventures,
- frequent flyer program alliances,
- code-sharing,
- coordination of pricing and scheduling,
- pooling of traffic and revenue, and
- Metal Neutral Profit Sharing Joint Ventures
Hierarchy of Intercarrier Agreements

- Interlining: T&B and Joint Fare Agreements
- Frequent Flyer Program Agreement
- Code-Sharing
- Coordination of Prices and Schedules
- Revenue & Profit-Sharing Joint Venture
The term "code" refers to the identifier used in flight schedule, generally the 2-character IATA carrier designator code and flight number. Thus, XX123, flight 123 operated by the airline XX, might also be sold by airline YY as YY3456 and by airline ZZ as ZZ9876. Each would (falsely) list the flight as its own.
“Code sharing is unnecessary for, indeed irrelevant to, any legitimate purpose or actual service. Code sharing doesn't enable an airline to fly to any more places. It just enables the airline to mislead travellers into thinking that they fly to places they don't. I call that fraud.”

Edward Hasbrouck, author of "The Practical Nomad"
Alliances: Procompetitive, or Anticompetitive?

- Professor Regas Doganis: "there can be little doubt that airline executives see alliances, especially when they involve code-sharing and capacity rationalisation, as a way of reducing or limiting competition."

- US Deputy Assistant Attorney General Pate: code-sharing "can result in market allocation, capacity limitations, higher fares, or foreclosure of rivals from markets, all to the injury of consumers."

- Brattle Group study: fares have increased significantly more in open skies markets with antitrust immunity than in open skies markets without antitrust immunity

- Consumer Reports: code-sharing is a "predatory weapon."
Section 1 of the Sherman Act

- Prohibits contracts, combinations, and conspiracies in restraint of trade.
- Per se violations: Price-fixing; territorial allocations; group boycotts; tying arrangements.
- Airlines seek antitrust immunity to create alliances.
- NW/KLM granted antitrust immunity in 1993.
Section 2 of the Sherman Act

- It is unlawful to “monopolize, or attempt to monopolize . . . Any part of the trade or commerce among the several States.”
- One may not use monopoly power to foreclose competition or gain a competitive advantage to destroy a competitor.
- One may not acquire, maintain or use monopoly power by anticompetitive or exclusionary means, as opposed to growth resulting from a superior product, business acumen or historical accident.
The Clayton Act

- Asks whether a merger would reduce or eliminate competition in a relevant (product and geographic) market;
- Asks whether the merger would be likely result in “market power” – the ability to reduce competition so that the merged entity would be able to charge supra-competitive prices or reduce service below competitive levels.
USDOT Analysis

• Is the alliance agreement adverse to the public interest because it would substantially reduce or eliminate competition? Would it facilitate the exercise of market power? Would it increase market concentration? The burden of proof on this issue lies with the opponent.

• If so, is it necessary to meet a serious transportation need or achieve important public benefits? The burden of proof lies with the applicant.

• If so, can those needs or benefits be satisfied by reasonably available alternatives that are materially less anticompetitive? The public benefits require consideration of *inter alia*, international comity and foreign policy factors. The burden of proof lies with the opponent.

• Is the agreement required by the “public interest”? DOT may exempt the agreement from the antitrust laws “to the extent necessary to allow the person to proceed with the transaction” if DOT concludes the exemption is required by the “public interest.” However, DOT insists on an “open skies” bilateral with the State whose flag the airline flies as a prerequisite to antitrust immunity.

  *49 USC § 41308.*
USDOT Analysis

If the agreement contemplates a joint venture similar to a merger, DOT purports to use Clayton Act analysis:

- Will antitrust immunity substantially reduce competition and facilitate the exercise of market power?
- Will the alliance substantially increase market power?
- Will the alliance cause potential competitive harm?
- Will new entry into the market be timely and sufficient to deter or counteract competitive harm?
Antitrust Immunity: Public Interest?

• The USDOT insists upon an “open skies” agreement as a prerequisite to antitrust immunity.

• Will the alliance benefit travelers by enabling applicants to offer better and more efficient service?

• Will the alliance enhance competition by providing “new on-line services” [sic]?

• Will the allied carriers be able to improve the efficiency of their operations?
Carve-Outs

• “When antitrust immunity has been sought, we have recommended that DOT "carve out" certain unrestricted fares involving these city pairs from the order granting antitrust immunity . . . . For example, the [Antitrust] Division recommended that seven city pairs be carved out of the Delta/Swissair/Sabena/Austrian alliance (Atlanta-Zurich, Atlanta-Brussels, Cincinnati-Zurich, New York-Brussels, New York-Geneva, New York-Vienna, and New York-Zurich); one for the American/Canadian Air alliance (New York-Toronto); two for the United/Lufthansa alliance (Washington-Frankfurt and Chicago-Frankfurt); and two for the United/Air Canada alliance (Chicago-Toronto and San Francisco-Toronto).”

• USDOT no longer requires “carve-outs” and removes them from the metal neutral JVs
US DOT Wants Integrated Operations

• “We have emphasized the high standard necessary to justify a grant of immunity and the need for applicants to demonstrate that substantial public benefits are likely to be produced at the time the immunity is requested. For example, in the SkyTeam case in 2005, we tentatively denied a request for antitrust immunity because there was both insufficient information in the record to make a complete assessment of public benefits and the competitive conditions were in flux. There, as in this case, the Department identified barriers to integration that we believed reduced the incentives of the airlines to integrate their operations and pass on the benefits of immunized cooperation to consumers.”

• SkyTeam, Docket OST-2004-19214, Show Cause Order 2005-12-12 at 2, 30, and 37 (December 22, 2005).
USDOT Insists on “Metal Neutrality” as a Prerequisite for Antitrust Immunity

What is Metal Neutrality? “…an industry term meaning that the partners in an alliance are indifferent as to which operates the “metal” (aircraft) when they jointly market services. Without a metal neutral sales environment, the partners have a strong economic incentive to book passengers on their own aircraft in order to retain a larger share of the revenue for themselves, which may not be in the best interest of the consumer or the alliance as a whole. Metal neutrality may be achieved through revenue and/or comprehensive benefit sharing arrangements.”
Article 81 of EC Treaty

• Prohibits “all agreements between undertakings … which may affect trade … and which have as their object or effect the prevention, restriction or distortion of competition . . . .”

• Examples:
  Price-fixing;
  Limitation or control of production;
  Shared markets or sources of supply;
  Applying dissimilar conditions to equivalent transactions, placing other trading parties at a competitive disadvantage;
  Making the conclusion of contracts subject to approval by others without commercial justification.
EU Approval Criteria

The European Commission can exempt a restrictive alliance if it believes the overall benefits of the transaction outweighs its anticompetitive effects, and if those benefits will be enjoyed by consumers. Specifically, the EU evaluates the following criteria:

• Does the agreement contribute to improving the production and distribution of goods or promote technical or economic progress;
• Do consumers receive a fair share of the resulting benefits;
• Are the restrictions imposed by the agreements indispensable to the attainment of these objectives; and
• Do the agreements afford the parties the possibility of eliminating competition in respect of a substantial part of the products or services in question?

EU Restrictions

• Remedies that constrain operations on certain routes, such as freezes or reductions in capacity and constraints on fares;
• Remedies that require the parties to agree to allow competitors to have access to certain facilities;
• Remedies involving governments, such as requiring relaxation of traffic rights or fares in bilateral air transport agreements; and
• Other remedies, such as restraints on volume discounts, bonus commissions, or CRS display.

Antitrust Immunity Conferred by USDOT to:

- American-CAI
- American-British Airways
- American-Finnair
- American-LAN Chile
- American-Sabena-Swissair
- American-TACA Group
- American-Swiss Int’l Air Lines
- Continental-COPA
- Delta-Austrian-Sabena-Swissair
- Delta-Air France-Alitalia-Czech Airlines
- Delta-Korean Air Lines-Air France-Alitalia-Czech Airlines
- Northwest-KLM
- Northwest-KLM-Alitalia
- Northwest-Malaysia
- United-Asiana Airlines
- United-Lufthansa
- United-Lufthansa-SAS
- United-Austrian-Lauda-Lufthansa-SAS
- United-British Midland-Austrian-Lauda-Lufthansa-SAS
- United-Air Canada
- United-Air New Zealand
- SAS-Icelandair
Metal Neutral Joint Ventures

By 2010, the highest levels of integration under antitrust immunity in “metal neutral” joint ventures had been achieved by the following airlines:

- Air Canada, Lufthansa, United-Continental
- Air France-KLM, Alitalia, Delta
- American, British Airways, Iberia

*European Commission & U.S. Dept of Transportation, Transatlantic Airline Alliances: Competitive Issues and Regulatory Approaches 7 (2010).*
SPECTRUM OF ALLIANCE COOPERATION: ALLOWING SOME TO COOPERATE MORE THAN OTHERS

<table>
<thead>
<tr>
<th>HIGH</th>
<th>MERGER-LIKE INTEGRATION</th>
<th>REVENUE, COST AND BENEFIT SHARING JV</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEDIUM</td>
<td>EXPANDED COOPERATION TO DEVELOP JOINT NETWORK</td>
<td>DIRECT COORDINATION (PRICES, ROUTES, SCHEDULING, FACILITIES ETC.)</td>
</tr>
<tr>
<td>LOW</td>
<td>LIMITED COOPERATION ON SPECIFIC ROUTES</td>
<td>FFP AND LOUNGE ACCESS</td>
</tr>
</tbody>
</table>
• The telephone regulators insist on “seamless interconnectivity.”
• The airline regulators allow “preferential connectivity.”
<table>
<thead>
<tr>
<th>Alliance</th>
<th>United/ Lufthansa</th>
<th>British Airways/ USAir</th>
<th>Delta/Swiss Air</th>
<th>Northwest/ KLM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
<td>1997</td>
<td>1996</td>
<td>1997</td>
<td>1994</td>
</tr>
<tr>
<td><strong>US cities covered</strong></td>
<td>60</td>
<td>52</td>
<td>15</td>
<td>88</td>
</tr>
<tr>
<td><strong>European Cities Covered</strong></td>
<td>46</td>
<td>1</td>
<td></td>
<td>30</td>
</tr>
<tr>
<td><strong>Daily code-shared flights</strong></td>
<td>440</td>
<td>190</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td><strong>Daily flights per city</strong></td>
<td>4</td>
<td>3.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Extra passengers per day</strong></td>
<td>1500</td>
<td>560</td>
<td>110</td>
<td>1000</td>
</tr>
<tr>
<td><strong>Extra passengers per flight</strong></td>
<td>3.4</td>
<td>2.9</td>
<td>3.7</td>
<td></td>
</tr>
</tbody>
</table>
Purported Consumer Benefits

• Beyond-segment competition;
• One-stop travel purchase services;
• Joint frequent flyer benefits;
• Reciprocal airport lounge access;
• Seamless connectivity of passengers and luggage; and
• Coordinated arrival and departure scheduling.
Airline Benefits of Alliances

- An ability to provide more capacity and enter new markets without having to make large capital expenditures for aircraft purchases or airport infrastructure;
- An ability to generate thousands of new “on-line” [sic] city-pair combinations;
- An ability to extend the reach and scope of their frequent flyer programs to enhance consumer loyalty;
- An ability to generate between three and four new passengers per flight;
- An ability to enhance market power at hub airports making it more difficult for new entry into the network’s markets;
- An ability to sell and market jointly to corporate customers;
- An ability to steal market share from non-aligned competitors;
- An ability to fix prices with competitors in dominant markets;
- An ability to reduce competitive capacity in key markets to improve yields;
- A reduction in the costs of equipment and services from third party vendors as a result of greater bargaining power of pooled purchases;
- A reduction in airport handling, airport operations, selling and ticket costs as a result of economies of scale and the sharing of support services;
- A reduction in travel agent and GDS costs as a result of enhanced oligopsony market power; and
- An ability to pool costs and revenue to share risks and rewards.

The A++ JV

In approving and immunizing the United-Lufthansa-Continental-Air Canada transatlantic joint venture, DOT cited the following “substantial public benefits”:

• An expanded network, serving many new cities;
• New online [sic] service, which includes the likelihood of new routes and expanded capacity on existing routes;
• Enhanced service options, such as more routings, reduced travel times, expanded nonstop service in select markets, new fare products, and integrated corporate contracting and travel incentives;
• Enhanced competition due to the addition of a major new gateway, Newark, as well as the elimination of multiple mark-ups on code-share segments and more vigorous competition between the alliances;
• Cost efficiencies; and
• A strengthened financial position for the carriers.

*Expanded Star Application, DOT Order 2009-4-5 (2009).*
Infidelity in the Airline Industry

- Aer Lingus: oneworld → non-alligned
- Austrian: SkyTeam → Star
- Canadian: oneworld → Star
- Continental Airlines: Skyteam → Star
- Mexicana: Star → oneworld
- Northwest/KLM: Wings → Star
- Singapore: Skyteam → Star
- USAirways: oneworld → Star
# Global Alliance Membership

<table>
<thead>
<tr>
<th>ONE WORLD MEMBERS*</th>
<th>SKYTEAM MEMBERS</th>
<th>STAR MEMBERS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CARRIER</strong></td>
<td><strong>CARRIER</strong></td>
<td><strong>CARRIER</strong></td>
</tr>
<tr>
<td>American Airlines</td>
<td>Aeroflot Russian Airlines</td>
<td>Adria Airways</td>
</tr>
<tr>
<td>British Airways</td>
<td>Aeromexico</td>
<td>Aegean Airlines</td>
</tr>
<tr>
<td>Cathay Pacific</td>
<td>Air Europa</td>
<td>Air Canada</td>
</tr>
<tr>
<td>Finnair</td>
<td>Air France</td>
<td>Air China</td>
</tr>
<tr>
<td>Iberia</td>
<td>Alitalia</td>
<td>Air New Zealand</td>
</tr>
<tr>
<td>Japan Airlines</td>
<td>China Southern Airlines</td>
<td>ANA</td>
</tr>
<tr>
<td>LAN</td>
<td>CSA Czech Airlines</td>
<td>Asiana Airlines</td>
</tr>
<tr>
<td>Malev Hungarian Airlines</td>
<td>Delta Air Lines</td>
<td>Austrian Airlines</td>
</tr>
<tr>
<td>Qantas</td>
<td>Kenya Airways</td>
<td>Blue1</td>
</tr>
<tr>
<td>Royal Jordanian</td>
<td>KLM</td>
<td>bmi</td>
</tr>
<tr>
<td>S7 Airlines</td>
<td>Korean Air</td>
<td>Brussels Airlines</td>
</tr>
<tr>
<td><strong>INVITED TO JOIN</strong></td>
<td><strong>INVITED TO JOIN</strong></td>
<td>Continental Airlines</td>
</tr>
<tr>
<td>Air Berlin</td>
<td>TAROM</td>
<td>Croatia Airlines</td>
</tr>
<tr>
<td>Kingfisher Airlines</td>
<td>Vietnam Airlines</td>
<td>Egyptair</td>
</tr>
<tr>
<td></td>
<td></td>
<td>LOT Polish Airlines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lufthansa</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SAS Scandinavian Airlines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Singapore Airlines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>South African Airways</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Spanair</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Swiss International Air Lines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TAM Linhas Aereas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TAP Air</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thai Airways</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Turkish Airlines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>United</td>
</tr>
<tr>
<td></td>
<td></td>
<td>US Airways</td>
</tr>
<tr>
<td></td>
<td><strong>INVITED TO JOIN</strong></td>
<td>Air India</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Avianca-TACA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ethiopian Airlines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Copa</td>
</tr>
</tbody>
</table>

*Mexicana omitted
THE STAR ALLIANCE

1995
United Airlines, Atlantic Coast, Air Wisconsin, Lufthansa, Lauda Air Luxair, South African Airways, SAS, British Midland, Air Canada, Varig, Thai Airways
Sales: $46 billion
Fleet: 1,522 aircraft
Employees: 243,000
RPKs: 377 billion
Passengers: 189 million

2002
Air Canada, Air New Zealand, Ansett Australia, All Nippon Airways, Austrian Airlines Group (Austrian Airlines, Lauda Air and Tyrolean Airways), British Midland, Canadian Airlines, Lufthansa, LOT, Mexicana Airlines, SAS, Singapore Airlines, Thai International Airways, United Airlines, and Varig
Passengers: 276 million
Aircraft: 2,002
arranged by
united.imkewww.com
#1 UA enthusiast site
United Network without Lufthansa
United Network with Lufthansa
Star Alliance Network

Legend:
- Air Canada
- Air New Zealand
- All Nippon
- Ansett Australia
- Lufthansa
- Mexicana
- SAS
- Thai
- United
- Varig

Source: OAG (Jul-99)
The Star Alliance (2009)

- Established in 1987
- Total of 20 member airlines
- Annual passengers: 492.77 million
- Daily departures: nearly 18,000
- Number of employees: 396,195
- Countries served: 162
- Airports served: 965
- Fleet: 3,294
Star Alliance statistics 2010
Member Airlines: 26
Number of aircraft: 3,993
Number of employees: 458,817
Passengers per year: 603.5 million
Sales Revenue (in US$): 171.22 billion
Daily departures: 19,700
By 2010, the Star Alliance flew 3,993 aircraft in 19,700 daily departures, employed 458,817 workers, flew 603.5 million passengers, and had revenue of $171.22 billion. It consisted of the following 27 airlines:
1995
American Airlines, British Airways, Canadian Airlines, USAir, Qantas
Sales: $44 billion
Fleet: 1,706 aircraft
Employees: 252,000 aircraft
RPKs: 399 billion
Passengers: 195 million

2002
Aer Lingus, American Airlines, British Airways, Cathay Pacific Airways, Finnair, Iberia, LANChile and Qantas
Destinations: 574 in 134 countries
Passengers: 200 million
Aircraft: 1,481
Oneworld in 2009

- Added Japan Airlines, Malev Hungarian Airlines, and Royal Jordanian Airlines
- 10 airlines
- 9,190 flights per day flying 320 million passengers to 692 destinations in 142 countries
- More than 500 airport departure lounges
In 2011, the oneworld alliance flew 335 million passengers to 901 destinations in 45 countries in 2,473 aircraft with 312,000 employees. Oneworld consisted of the following 12 airlines:

American Airlines
British Airways
Cathay Pacific
Finnair
Iberia
JAL Japan Airlines
LAN
Malév Hungarian Airlines
Mexicana
Qantas
Royal Jordanian Airline
S7 Airlines
SkyTeam

1995
Atlantic Southeast, Austrian, Comair, Delta Air Lines, Skywest, Swissair, Sabena, Virgin, Singapore
Sales: $27 billion
Fleet: 1,004 aircraft
Employees: 123,000
RPKs: 227 billion
Passengers: 127 million

2002
Aeromexico, Air France, Alitalia, CSA Czech Airlines, Delta Air Lines, and Korean Air
500 destinations in 114 countries
Passengers: 179 million
Aircraft 1,047
WINGS

1995
Northwest, Mesaba, Express, KLM, Martinair-Holland, Air UK, Kenya Airways
Sales: $17 billion
Fleet: 654 aircraft
Employees: 80,000

2002
Braathens, Continental, Kenya Airways, KLM, and Northwest
Passengers: 122 million
Aircraft: 899
SkyTeam (2009)

Sky team had 11 member airlines and 16,409 daily flights to 841 destinations in 162 countries.
SKYTEAM IN 2010
Destinations: 856
Countries: 169
Daily Departures: 13,133
Annual Passengers: 384 million
Frequent Flyer Members: 116 million
Number of Lounges: 415+
Fleet: 1,941 mainline fleet (+1,199 from related carriers)
Year of Formation: 2000
Employees: 316,445
In 2010, the SkyTeam alliance flew 384 million passengers to 169 countries in 1,941 aircraft with 13,133 daily departures, employed 316,445 workers. It consisted of the following 13 carriers:

- Aeroflot
- Aeromexico
- Air Europa
- Air France
- Alitalia
- China Southern Airlines
- Czech Airlines
- Delta Air Lines
- Kenya Airways
- KLM
- Korean Air
- TAROM
- Vietnam Airlines
<table>
<thead>
<tr>
<th>Alliance</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>oneworld</strong> (8 member airlines)</td>
<td><em>Founding members:</em> American Airlines, British Airways, Canadian Airlines, Cathay Pacific Airways and Qantas Airways (1 February 1999).&lt;br&gt;<em>Additional members:</em> Finnair and Iberia (September 1999), Aer Lingus and LAN Airlines (May 2000).&lt;br&gt;<em>Former members:</em> Canadian Airlines, after being purchased by Air Canada, withdrew from the alliance in June 2000. Aer Lingus intends to leave the alliance in April 2007.&lt;br&gt;<em>Future members:</em> Malev, Japan Airlines and Royal Jordanian will offer oneworld services and benefits from 1 April 2007. Members of the JAL and LAN Groups are to become Affiliate members. Dragonair is joining in 2007.</td>
</tr>
<tr>
<td></td>
<td>Star Alliance</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td><strong>Passengers per year</strong></td>
<td>455.5 million</td>
</tr>
<tr>
<td><strong>Destinations</strong></td>
<td>912</td>
</tr>
<tr>
<td><strong>Market share</strong></td>
<td>25.1%</td>
</tr>
<tr>
<td><strong>Participants</strong></td>
<td>Adria Airways (JP)</td>
</tr>
<tr>
<td></td>
<td>Air Canada (AC)</td>
</tr>
<tr>
<td></td>
<td>Air China (CA)</td>
</tr>
<tr>
<td></td>
<td>Air New Zealand (NZ)</td>
</tr>
<tr>
<td></td>
<td>ANA (NH)</td>
</tr>
<tr>
<td></td>
<td>Asiana Airlines (OZ)</td>
</tr>
<tr>
<td></td>
<td>Austrian Airlines (OS)</td>
</tr>
<tr>
<td></td>
<td>Blue (KF)</td>
</tr>
<tr>
<td></td>
<td>BMI (BD)</td>
</tr>
<tr>
<td></td>
<td>Croatia Airlines (OU)</td>
</tr>
<tr>
<td></td>
<td>LOT Polish Airlines (LO)</td>
</tr>
<tr>
<td></td>
<td>Lufthansa (LH)</td>
</tr>
<tr>
<td></td>
<td>SAS (SK)</td>
</tr>
<tr>
<td></td>
<td>Shanghai Airlines (FM)</td>
</tr>
<tr>
<td></td>
<td>Singapore Airlines (SQ)</td>
</tr>
<tr>
<td></td>
<td>South African Airways (SA)</td>
</tr>
<tr>
<td></td>
<td>Spanair (JK)</td>
</tr>
<tr>
<td></td>
<td>Swiss International Air Lines (LX)</td>
</tr>
<tr>
<td></td>
<td>TAP Portugal (TP)</td>
</tr>
<tr>
<td></td>
<td>Thai Airways International (TG)</td>
</tr>
<tr>
<td></td>
<td>Turkish Airlines (TK)</td>
</tr>
<tr>
<td></td>
<td>United Airlines (UA)</td>
</tr>
<tr>
<td></td>
<td>US Airways (US)</td>
</tr>
</tbody>
</table>
## Comparison of Alliances

<table>
<thead>
<tr>
<th>Alliance</th>
<th>Star</th>
<th>SkyTeam</th>
<th>oneWorld</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>2005</td>
<td>2005</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>2010</td>
<td>2010</td>
</tr>
<tr>
<td><strong>Countries</strong></td>
<td>139</td>
<td>137</td>
<td>135</td>
</tr>
<tr>
<td></td>
<td>181</td>
<td>169</td>
<td>146</td>
</tr>
<tr>
<td><strong>Destinations</strong></td>
<td>795</td>
<td>658</td>
<td>599</td>
</tr>
<tr>
<td></td>
<td>1,130</td>
<td>815</td>
<td>679</td>
</tr>
<tr>
<td><strong>Passengers (million)</strong></td>
<td>384</td>
<td>321</td>
<td>223</td>
</tr>
<tr>
<td></td>
<td>545</td>
<td>384</td>
<td>298</td>
</tr>
<tr>
<td><strong>Market share</strong></td>
<td>29.3</td>
<td>20.6</td>
<td>23.2</td>
</tr>
<tr>
<td>Pax RPK (m)</td>
<td>43.8</td>
<td>29.3</td>
<td>27.9</td>
</tr>
</tbody>
</table>
QUALIFLYER

Air Europe, Air Liberte, Air Littoral, AOM French Airlines, Crossair, LOT Polish Airlines, Portgulia, Sabena, Swissair, TAP Air Portugal, and Turkish Airlines

Passengers: 61 million
Aircraft: 531
<table>
<thead>
<tr>
<th>Alianza Summa</th>
<th>Avianca, SAM and ACES (formed in May 2002) This alliance is undergoing reorganization. Avianca is operating under Chapter 11 bankruptcy protection and ACES ceased operations on August 19, 2003.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CaribSky</td>
<td>LIAT, Windward Islands Airways (Winair), Air Caraibes in conjunction with other alliance member airlines including - Trans Island Air 2000 (TIA), Carib Aviation, Tyden Air and C.A.T.</td>
</tr>
</tbody>
</table>
And now, mergers . . .
And more mergers?

Lufthansa

Austrian

Swiss
Lufthansa Group

- Air Dolomiti
- Austrian Airlines
- Austrian Arrows
- British Midland Airways Limited
- BMIbaby
- BMI Regional
- Brussels Airlines
- Eurowings
- Germanwings
- Korongo
- Lauda Air
- Lufthansa Cargo
- Lufthansa CityLine
- Lufthansa Italia
- Lufthansa Regional
- Swiss International Air Lines
- Swiss European Air Lines
### Top 10 world airports by international passengers in 2007 (ACI) - Alliance / non alliance airline share by international flight departures for January 2009

<table>
<thead>
<tr>
<th>Airport</th>
<th>Intl Pax (m)</th>
<th>Non Alliance</th>
<th>oneworld</th>
<th>SkyTeam</th>
<th>Star</th>
<th>Alliance Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>London Heathrow</td>
<td>62.1</td>
<td>19%</td>
<td>48%</td>
<td>7%</td>
<td>26%</td>
<td>81%</td>
</tr>
<tr>
<td>Paris CDG</td>
<td>54.9</td>
<td>20%</td>
<td>5%</td>
<td>65%</td>
<td>10%</td>
<td>80%</td>
</tr>
<tr>
<td>Amsterdam</td>
<td>47.7</td>
<td>20%</td>
<td>6%</td>
<td>66%</td>
<td>9%</td>
<td>80%</td>
</tr>
<tr>
<td>Frankfurt</td>
<td>47.1</td>
<td>16%</td>
<td>5%</td>
<td>5%</td>
<td>74%</td>
<td>84%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>46.3</td>
<td>50%</td>
<td>31%</td>
<td>5%</td>
<td>13%</td>
<td>50%</td>
</tr>
<tr>
<td>Singapore</td>
<td>35.2</td>
<td>37%</td>
<td>9%</td>
<td>1%</td>
<td>53%</td>
<td>63%</td>
</tr>
<tr>
<td>Tokyo Narita</td>
<td>34.2</td>
<td>18%</td>
<td>27%</td>
<td>22%</td>
<td>33%</td>
<td>82%</td>
</tr>
<tr>
<td>Dubai *</td>
<td>33.5</td>
<td>87%</td>
<td>3%</td>
<td>3%</td>
<td>7%</td>
<td>13%</td>
</tr>
<tr>
<td>Bangkok</td>
<td>31.6</td>
<td>53%</td>
<td>6%</td>
<td>4%</td>
<td>37%</td>
<td>47%</td>
</tr>
<tr>
<td>London Gatwick</td>
<td>31.1</td>
<td>61%</td>
<td>34%</td>
<td>1%</td>
<td>4%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Source: Emirates Airlines
Top 5 Europe-Asia city pairs by passenger numbers in 2008 (IATA) - Alliance / non alliance airline share by passenger bookings in 2008

<table>
<thead>
<tr>
<th>City Pair</th>
<th>Non Alliance</th>
<th>oneworld</th>
<th>SkyTeam</th>
<th>Star</th>
<th>Alliance Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>London - Hong Kong</td>
<td>18%</td>
<td>68%</td>
<td>2%</td>
<td>12%</td>
<td>82%</td>
</tr>
<tr>
<td>Paris - Tokyo</td>
<td>1%</td>
<td>29%</td>
<td>28%</td>
<td>41%</td>
<td>99%</td>
</tr>
<tr>
<td>London - Tokyo</td>
<td>28%</td>
<td>41%</td>
<td>5%</td>
<td>26%</td>
<td>72%</td>
</tr>
<tr>
<td>Frankfurt - Bangkok</td>
<td>33%</td>
<td>1%</td>
<td>0%</td>
<td>66%</td>
<td>67%</td>
</tr>
<tr>
<td>London - Bangkok</td>
<td>59%</td>
<td>10%</td>
<td>1%</td>
<td>31%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Source: Emirates Airlines
Top 5 Europe-US city pairs by passenger numbers in 2008 (IATA) - Alliance / non alliance airline share by passenger bookings in 2008

<table>
<thead>
<tr>
<th>City Pair</th>
<th>Non Alliance</th>
<th>oneworld</th>
<th>SkyTeam</th>
<th>Star</th>
<th>Alliance Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>London - New York</td>
<td>32%</td>
<td>48%</td>
<td>19%</td>
<td>1%</td>
<td>68%</td>
</tr>
<tr>
<td>Chicago - London</td>
<td>14%</td>
<td>52%</td>
<td>1%</td>
<td>32%</td>
<td>86%</td>
</tr>
<tr>
<td>Los Angeles - London</td>
<td>26%</td>
<td>36%</td>
<td>12%</td>
<td>26%</td>
<td>74%</td>
</tr>
<tr>
<td>New York - Paris</td>
<td>13%</td>
<td>21%</td>
<td>61%</td>
<td>4%</td>
<td>87%</td>
</tr>
<tr>
<td>London - Washington</td>
<td>21%</td>
<td>27%</td>
<td>2%</td>
<td>50%</td>
<td>79%</td>
</tr>
</tbody>
</table>

Source: Emirates Airlines
While other carriers shun joining the major alliances.
## Major Non-Alligned Carriers

<table>
<thead>
<tr>
<th>CARRIER</th>
<th>BASE</th>
<th>RPKs</th>
<th>PASSENGERS</th>
<th>REVENUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emirates</td>
<td>UAE</td>
<td>126,273</td>
<td>27</td>
<td>11,565</td>
</tr>
<tr>
<td>Southwest</td>
<td>USA</td>
<td>119,801</td>
<td>86</td>
<td>10,350</td>
</tr>
<tr>
<td>Ryanair</td>
<td>Europe</td>
<td>72,000</td>
<td>65</td>
<td>4,222</td>
</tr>
<tr>
<td>China Eastern</td>
<td>China</td>
<td>60,942</td>
<td>44</td>
<td>5,896</td>
</tr>
<tr>
<td>easyJet</td>
<td>Europe</td>
<td>45,236</td>
<td>40</td>
<td>4,101</td>
</tr>
<tr>
<td>JetBlue</td>
<td>USA</td>
<td>41,762</td>
<td>22</td>
<td>3,286</td>
</tr>
<tr>
<td>Qatar Airways</td>
<td>Qatar</td>
<td>40,401</td>
<td>10</td>
<td>3,505</td>
</tr>
</tbody>
</table>