# THE AIRLINE INDUSTRY -A LOOK BACK
## Deregulation

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**2006**

AMERICAN AIRLINES Major cost reductions to avoid bankruptcy

CONTINENTAL AIRLINES - Bankrupt at least once
( Texas International, Eastern Airlines)
DELTA AIRLINES Bankrupt
( North East, Western, parts of Pan American)
UNITED AIRLINES Bankrupt
( Pan Am Pacific Routes)

USAIR Bankrupt
(Allegheny and Piedmont)

NORTHWEST AIRLINES Bankrupt

PAN AMERICAN AIRLINES Bankrupt -Defunct

TRANS WORLD AIRLINES Bankrupt Defunct

BRANIFF Bankrupt Defunct

Lockheed – no longer builds airliners.

Convair no longer builds airliners

Douglas Aircraft no longer builds airliners

McDonnel Douglas no longer builds airliners

Boeing is sole American company building airliners.

# 2014

DELTA AIRLINES merged with Northwest

UNITED AIRLINES merged with CONTINENTAL

USAIR merged with AMERICAN AIRLINES

SWA is doing well

Lockheed – still no longer builds airliners.

Convair no longer builds airliners

Douglas Aircraft no longer builds airliners

McDonnel Douglas no longer builds airliners

Boeing is sole American company building airliners

# What Went Wrong ?

Some suggest that the airline demise is as a result of Labor Unions. Such is not the case. Southwest Airlines is one of the most unionized airline companies in existence and they are industry profit leaders. Some suggest stupid and greedy management decisions were to blame. This may be true or partially true.

Some suggest a total lack of business acumen in believing that the bankruptcy carnage would stop with a surviving 4 or 5 major airlines. The carnage was destined to continue unabated as industry conditions precedent had not changed. Simply put, the business plans of legacy airlines could not compete with upstart business plans. A radical revision in how business was to be conducted was needed and the major carriers were imbedded with inertia and in the box thinking concerning a very dynamically shifting industry.

Two other major situations affected the industry which no CEO could control. That was the cost of gasoline and the price of going to war.

A very noticeable situation developed in both Gulf War I and especially Gulf War II. Passenger levels dropped dramatically. Flying decreased by 10% or more. International routes were devoid of passengers for many months. The price of jet fuel skyrocketed.

While it might be argued that a healthy airline industry is in the nation's best interest the President and Congress did nothing to stabilize the price of kerosene destined for the commercial transportation sectors of cross country trucks, trains or planes. This was a major factor in the recent rash of airline failures. A look back to 9/11 would suggest that the debt to equity ratios of the legacy airlines more than quadrupled in the years 2001 to date in 2006.

A look back to ten years ago is very interesting in seeing what was of concern then.

Ten years ago management was thinking the way to save themselves was to chose up teams and partners in order to dominate in the world. What they needed to be thinking about was how to save themselves at home from the upstarts that could operate very much more efficiently and cost effectively in the Domestic Market place. Deltas management for one believed that if one could simply paint a Delta logo on Pan American aircraft that this alone would turn Pan Am's 28 years of red ink overnight. Such simply turned out to incorrect wishful thinking.

## INTERLINES, CODE-SHARING, ALLIANCES AND SCOPE[1 2 3]

A sovereign nation may determine who flies within its borders as well as who flies through its borders. Sovereigns by agreement may give approval to foreign nations' air carriers to penetrate their airspace, transit it or land within it. A bilateral treaty is a treaty between two countries. Bilateral treaties are negotiated through established International law protocols. When bilateral relates to flying, it usually grants equivalent flying rights to each signing nation.

The world's first aviation bilateral treaty occurred between France and Germany on July 26, 1913. This allowed each to fly into the others airspace. It was rescinded as an aftermath of World War I air combat and had to be renegotiated later.[3]

There were eight variants of what a flag air carrier may be allowed to do when involved in an international bilateral agreement relating to commercial flying. These eight variants are called Degrees of Freedom.[3]

Freedom one: Overfly a country
Freedom two: Refuel in a country/mechanical
Freedom three: Carry passengers from home to a country.
Freedom four: Carry passengers from foreign country home.
Freedom Five: Country A's aircraft flies to Country B and picks up passengers to fly to Country C.
Freedom six: Country A flies to B and receives passengers and flies to Country C via a stop at home.
Freedom seven: Carrier from A flies to B and picks up passengers and delivers to Country C without going over home.
Freedom eight: Cabotage rights.

The first freedoms were established when P.C.A.O. came into existence

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[1] Principal source document and research document "The Star Alliance", April, 1998, UAL MEC Report: Kosik, Garret, Miller, Abel, Nichols.
[2] The Study of International Code Sharing, Gra Gellman, et al, December 1994
[3] Rebecca Kreis, Comparative Analysis of the Aviator Network, Vol. 24, Transportation Law Journal 1997
[3] Ibid
[3] Ibid

through the international "Treaty on the Transit of Air Services,"[3] August 15, 1945. This international treaty established freedoms one and two.

The first five freedoms were reduced to writing and endorsed in "The Treaty on the Transit of Air Transport."[3] The treaty itself did not include enough signers to be worldwide in acceptance (12 signers).

To summarize three through five and freedoms six through eight find their genesis in individual bilateral agreements. "Cabotage," freedom eight, is most fiercely objected to and least adopted.

Many bilateral agreements include combinations of one or more of the freedoms. Many such agreements include specific restrictive covenants outside the normal eight freedoms. For instance, you might restrict landing slots or route segments. Examples include slot restrictions at Heathrow and Narita. Certain restrictions of routing existed in getting to West Berlin and over Cuba.

The term Open Skies Agreement only designates certain gateway cities and allows carriers to operate without restriction between such gateways. "Open Skies" does not allow all of the eight freedoms. Those are negotiated separately. "Open Skies" only speaks of the routes to gateways. It may not include the ability to actually land at the choice spot, due to separate slot allotments. It does not include cabotage, number eight.

**II.**

The United States has granted "Open Skies" for the European community. This includes:

- Open entry on all routes
- Unrestricted frequency and capacity
- Unrestricted route and traffic rights
- Double dissolvable pricing
    - Price matching in third countries (inside)
    - Price leadership in third countries outside European markets
- Liberal charter flying
- Liberal cargo regime
- Open code-sharing opportunities
- Intermodal rights
- Access for CRS

It does not include:

- Airline ownership provisions
- Airline control provisions

- Cabotage – the eighth freedom[3]

## III.
## Slot Allocation

The European markets may liberalize restrictions and they may approach "Open Skies," but if the air carrier cannot land at a particular airport of choice he has been economically discriminated against. In many European countries "open" or liberal skies are offset by restrictive airport slot allocations both as to availability or time of day. Many airports allot up to 80% of slots on historical precedence and that, put in pilots' English, means the home team wins.

European "Third Package Liberalization" is intended to create within the European community of sovereigns a set of competition rules to prevent domination of the market by a few big carriers. It does allow freedom to price competitively except for "excessively big" or "predatorily low."

Because international flying is so highly regulated and restrictive, the airlines have used Code-sharing to gain access to markets that might otherwise be restricted, either by regulation or capacity. Code sharing allows expanding passenger-carrying capability without expanding their own flights or route structures.

> "International airline alliances are rapidly and inexorably forming to meet demands of today's global market place. The competition among rival alliances for worldwide customer loyalty and revenues will be fierce and, even in the short term, determinative of the future health of major carriers."[4]

**Hub and spoke** operations are conducted from international departure cities. For Delta, the major city is Atlanta with New York a close second. Control of a hub and spoke connecting with an international operation is specifically beneficial in a worldwide scenario where the international carrier provides transport between hubs, and subsequent travel is done by the domestic carriers. Very few airlines own successful hubs in foreign nations. (Reference Delta's failed Frankfurt Hub.)

**On-line service** is a marketing term that means a passenger simply contacts a single airline and all of the arrangements and travel are accomplished by a single carrier. From a passenger standpoint, every passenger wishes to go nonstop to a destination. Every stop and every change is an inconvenience. Inconvenience is indigenous to hub and spoke and aircraft changes. It is made worse when ticketing and aircraft change includes changing airlines and terminals. One stop shopping is desirable, but not a reality.

[3] Ibid, at page 316
[4] Paper by UAL MEC Chairman Glawe, Michael; Chairman's Report. The Leading Edge, Summer 1997

## HOW TIGHT CAN IT GET?

There are any number of agreements allowed and they have different names. The simplest statement of truth between international airlines is that any agreement reached must comply with the bilateral agreement of the two nations, as well as the particular laws of either nation. For instance, pure mergers with foreign carriers are currently impossible because of equity ownership restrictions imposed by the United States.

The varieties of agreements range from cooperation through interlines, code-sharing, co-branding, varying alliances and merger.

The most prevalent, historically, was the interline agreement. This type of agreement allows the sale of the other airline's tickets, accommodating flight schedules to match up with another and handling of through baggage. Generally fees were split or prorated.

**Code-sharing** is the next step of the ladder. It is defined as "one airline placing its flight code on a different airline's flight."[1]

It is an agreement wherein two airlines show their code on a single aircraft owned and flown by one of the companies. Thus the flight appears in each airline's timetable as its own code as well as the partner's. Differentiate this from interlines by remembering that an interline is simply one airline flying passengers to a gateway of departure and transferring the passengers to the interline partner's flight.

**Alliances** are potentially as complex as an airline contract drafter can be imaginative. The alliance partner is more closely aligned with the partner than is a code-share partner. Alliance partners can share codes, ticketing, facilities, servicing, fees, and frequent flyer programs, clubs, advertising and more. Alliance, when used in the airline context, is not a word of art with precise definition.

Generally alliances and code-sharing are allowed under US law where:

- Either code-sharing partner is jointly and severally responsible, and
- Code-share is in the public interest.

Code-sharing must not negatively impact full competition. If the Department of Justice provides anti-trust immunity, the code-sharing partners may even share previously off-limits information such as competitive pricing data and other sensitive and competitive data. This variety of data was usually withheld because of anti-trust conditions.

### Reasons to Interline, Code-Share or Form Alliances

[1] Ibid

Any interline, code-share, or alliance usually derives the marketing benefit of being shown on both computer reservation systems. Code-shares and alliances give passengers better choices between city pairs, worldwide.

[Litigation in the United States has blunted some of the computer preferences on the computer reservation systems.]

Code-sharing and alliances are beneficial to penetrate markets in foreign countries that may be restricted in the freedoms allowed and disallowed within the bilateral agreement. Code-sharing generally increases total passengers handled by an airline, albeit not all the way to destination. Generally any increase in passenger load is good. Code-sharing increases reach. By this, we mean a network or route structure extends beyond that of the single airline. This, in turn, reaches passengers it normally would not. Code-sharing can take passengers from competitors by establishing control of the passenger at point of departure.

If code-sharing gains DOJ immunity from antitrust provisions, the airlines are free to share scheduling and other marketing advantages to become more efficient. This helps the airlines cut costs and optimize efficiencies. [This aspect may help airlines but does not necessarily mean growth of fleet sizes or workforces required.]

True alliances or permissive code-sharing agreements, when approved and bestowed with Department of Justice anti-trust immunity, can enjoy all of the above advantages and more, to include, but not be limited to: *[Note: No current proposed domestic alliance has gotten DOJ approval, let alone anti-trust immunity at this juncture.]*

- All the benefits of joint marketing
- The benefits of computer reservations
- The benefits of frequent flyer shared programs
- Shared ground facilities
- Shared catering
- Shared marketing data
- Shared cost data
- Shared maintenance
- Shared club perks
- Shared aircraft [if scope waived]
- Can have company pass privileges
- Shared slots at restricted airports [permission granted]
- Agreed-upon board members, voting or non
- Access to pricing data

An alliance approved, but without immunity, is restricted to:

- Some benefits of joint marketing
- Benefits of shared frequent flyers
- Shared codes on computer reservations

- Shared club perks
- Some other arms-length competitive agreements

Sharing the aircraft with dual codes includes a myriad of ways of sharing the seats in advance (blocking seats) or simply sharing as they fill through natural seat sales. How the seats are paid for is also open to negotiation within the individual agreement. There are three prevalent rates associated with a code-share. They are:

- A ticketing fee: A sells a ticket on B and receives a simple fee.

- Off-line distribution fee: This is a finder's fee, similar to a ticket agency fee. Both the

- ticketing fee and the off-line distribution fee is summed and averaged so that a monthly or quarterly accounting is made. These may result in a wash if ticketing is about equal as between carriers.

- Pro-rates are shares of ticket prices agreed upon by the airlines in the alliance in accordance and pursuant to the ticket fee split arrangement sections of the alliance.

**DOMESTIC CODE-SHARING AND DOMESTIC PARTNERS**

In the domestic United States, code-sharing between domestic airlines could be prohibited because of two major factors. These factors were:

1. Department of Justice approval requirements to show anti-trust competitiveness will continue.

2. The Scope sections of various airline contracts prohibited domestic code-shares, with the exception of commuters and feeders with size and speed restrictions.

An obvious way around this was simple domestic mergers. The take-over/merger was the game in the late seventies and eighties. Even though there were restrictions, these were circumvented through mergers. In the last thirty years, there were many mergers, e.g.:

- Delta merged with Northeast, then Western, and bought a portion of Pan Am
- Texas International became Continental
- USAir absorbed Piedmont and PSA
- American bought Air Cal and a portion of TWA
- United bought feeders
- Northwest got Southern and Hughes Air West,
- Continental and Northwest code share with now Delta

Each of these six major airlines has now formed proposed Alliances. The proposed alliances are:

- United
- Northwest - Continental
- American - US Air

With regard to these proposed domestic airline alliances, the same benefits accrue to the partner airlines as they do from international code-sharing.

Questions come immediately to mind for the employees and pilots of the individual airlines. The idea that "what is good for Bullmoose is good for everybody" holds true for management, the passengers and the stockholders. Such an alliance is only good for the employee if it produces more growth and stability than a stand-alone operation. Generally speaking:

- A strong company financial position usually bodes well for its employees. (Especially true when the employees cannot be replaced by automation.)

- The global predictions are that flying passenger miles are expected to grow steadily and significantly.
- Delta management has stated that it intends to actively seek growth and expansion.

Now it is time to speak about Scope Clauses contained within Section One of airline contracts. An understanding of scope is necessary, for it is the Scope Clause that gives the DELTA pilot the ability to allow or deny the Company to formalize any alliance with United Airlines.

## UNDERSTANDING SCOPE

### SCOPE MADE SIMPLE

What precisely is Scope? It has no particular Labor Law or legal definition. Scope is defined as "space for activity, opportunity for operation, or extent in space."[10]

Scope is included in Section One of all airline contracts represented by ALPA and most other unions. Put very simply, the Scope Section contractually defines and attempts to limit the Company from flying operations without utilizing union seniority pilots to conduct that flying. The addition of any form of Scope Clause took place on airline property for the first time in the 1980 Contracts. It was made necessary because of the changing airline environment due to deregulation, and because of expanding roles of commuter airlines, feeder airlines, and the economic advantages to the companies of adding code-sharing agreements.

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[10] The Living Webster Dictionary, 1977

There are no secrets to Section One scope contracting, only a lot of legal wording to make difficult reading. The philosophy and premise behind any scope agreement is to regulate the difference between a company that would like its ledger to reflect the most cost efficient flying and a union that wishes to protect and expand the seniority list flying.

Generally speaking, the various scope clauses contained within individual airline contracts are designed to define and limit conditions specific and particular to their property. They generally include boilerplate provisions dressed specifically for the time, place and property they exist on. Typical provisions are:

## I.
## Flying Restricted to Union Pilots

A clause that states that union pilots shall fly all revenue flights flown by the company. Within this paragraph or series of paragraphs lies the definition of precisely what variety of flying is considered "revenue" flying for the purpose of the individual contract. (One company's contract may include test flights, another might not.) Examples: test flying, charter flying, instructional flying, ferry flights, management flying, air show and demonstration flying, advertising flying, etc.

## II.
## The Company Defined

In simpler times, airlines flew airplanes owned or leased by the company. There was little need to define which airplanes were contemplated within the Scope Clause. Today such is not the case and a great amount of verbiage is included to specifically define which aircraft must be flown by seniority list pilots.

In our Delta 1996 Contract, flying by the Company includes: flying by the Company, flying by an affiliate, flying performed for the Company or an affiliate by any other affiliate or air carrier, flying using any designator code, trade name, brand, logo, service mark, or paint scheme. <u>This flying must be done by a seniority pilots unless written permission is given by the MEC.</u> It is this provision found at Section 1.C.1 –3.[8]

## III.
## Exceptions

Exceptions allow the Company to engage in agreements with other airline entities for their mutual benefit. These carried out exceptions come in many varieties.

A. International Code-sharing
B. Domestic Code-sharing

[8] The Pilot Working Agreement, S1.C.1-4, Delta Air lines, 1996

C. Code-sharing with Domestic Commuters
D. Code-sharing with Feeders
E. Wholly-owned: Commuter, Feeder Operations
F. Sunshine or Express Operations

With each such allowed transaction comes specially drafted restrictions or covenants.
In international code-sharing, it is standard to see attempts made to warrant expansion through growth, or at least restrict downsizing. Most such code-shares attempt to tie code-sharing to agreements to continue flying a specified number of block hours. Some say continue to utilize a certain number of pilots, or some even specifically exclude specific route segments or city pairs (American-Canadian Transporter Agreement)

In domestic flying code-sharing of equals, it is more usual to see very restrictive language or covenants totally banning code-sharing. (United, for instance, only allowed 1% of total flying to be code-shared domestically.) Most airlines, up until the current alliances, actually banned such operations.

Domestic code-sharing: With commuters, feeders and wholly-owned feeder entities, these agreements are very common and they typically result in numerous varieties of restrictions. Some are:

Restriction on the number and type of aircraft as determined by:

A) Aircraft passenger carrying capacity (seats)
B) Aircraft cargo carrying capacity (weight)
C) Aircraft propulsion system (pure jet) (RJ)

Restrictions as to the total number of each specifically allowed aircraft the sub may run. Or, finally: The feeder may own larger (non-permitted aircraft) but is restricted to running those aircraft over non-feeding, non-competitive routes.

## IV.
## Stipulations

Usually found in Scope Clause [Section One] provisions are any number of other stipulations deemed appropriate or necessary by the contracting parties. These include, but are not limited to, areas such as:

**Successorship**: What happens if the company is sold or merges? What happens if a large or substantial portion of the airline flying is deregulated? Adoption of the Allegheny-Mohawk labor protection provisions.

**Furlough Clause**: The "no furlough" clauses are standard in most contracts, but vary dramatically in content and effectiveness.

**Remedies or Penalties Section:** This section delineates what may be undertaken in

case of a violation of the Agreement. Most do not attempt to impose pre-conditional penalties. Most contracts simply say that violations will be handled in accordance with the Railway Labor Act that generally requires a grievance, System Board of Adjustment, and/or Federal Court as the last avenue for settling a dispute. A Federal Court may act directly on a major dispute.

Now to simplify: As contract negotiators, we are attempting to write language that provides job security by ensuring that company airplanes are flown by union pilots. Other varieties of flying will be restricted or controlled for the benefit of job security of the union pilots.

Having said that, it is further stated that each set of contract negotiators design acceptable restrictions and covenants for inclusion in Section One of the contracts. These are designed to satisfy the individual needs on the property for the time and expectations of the contractual duration. The final step is to give these agreed-upon covenants to lawyers so they can make them impossible to read.

## V.
## What Does It All Mean?

The United States' policy (DOT, Nov. 1, 1994) toward International Code Sharing is illuminating and, if expanded to include Domestic Code Sharing, the cycle is fulfilled. The reader should be <u>aware</u> that Domestic Code Share is very much in practice domestically as between majors and their commuter/feeders. Therefore, it is no great stretch to apply the same rules and allow Domestic Code Sharing among equals.

What does the government state as policy?

1. To the greatest extent possible, airlines should be free to set prices and offer various service products in response to passenger preferences;

2. These opportunities should include unrestricted rights for airlines to operate between international gateways by way of any point and beyond to any point, at the discretion of airline management. Carriers should be able to pursue both direct service using their own equipment and indirect service through commercial relationships with other carriers;

3. Global systems and the growing use of code sharing may put significant competitive pressure on carriers whose strategy does not include participation in such systems or in code-sharing alliances, or whose options to participate may be limited due to the lack of potential partners. Such carriers will have to develop other commercial responses to complete effectively. We expect these pressures and responses to lead to a restructuring of service and airlines, similar to the U.S.

domestic experience in the 1980's.[7]

If the reader simply applies global policy to the domicile scenario, it is easy to envision the second coming of deregulation.

## VI.
## What Is the Result?

Code sharing is not all it is cracked up to be. This seems evident from the large number of code sharing agreements entered into and then discarded. [Airline Business, July 1994, and Air Transport World, November 1993] suggests that 12 American carriers had engaged in 48 separate code share agreements while of these 7 were waiting approval and 13 had been discontinued or suspended. This suggests a stability quotient of 1/3 – 2/3 and further suggests either a learning curve or feeding frenzy. Generally speaking the reason to form partnerships is the seeking out of mutually beneficial and synergistic results. In code sharing the hoped for result is increased profits to both carriers. Such is not always the case.

A look at two different International agreements point out two typical results from code sharing agreements:

The first problem is that one of the two partners benefits unduly and derives all the benefits while the other partner derives little or in fact loses. Such was the case as between BA and USAir. On the other hand the code sharing agreement as between KLM and Northwest is a success in that both companies are profiting from the arrangement. However, the Northwest benefit is gained at the expense of the other United States carriers who are losing passengers to Northwest and KLM.

## VII.
## In Conclusion

It is expected that the new millennium will see a total restructuring of service and airlines. This is a stage two deregulation shake out.

If the alliance agreements are appropriately written and monitored, both code-sharing partners should benefit and prosper. If the Domestic Alliances are allowed, their increased profitability will come at the expense of the airlines not participating. The niche carriers like Southwest will not be affected, but airlines not in alliances will be in a position of losing passengers to the various consorts.

It is noted that Interline Agreements, Code Sharing Agreements, Alliances and even Mergers are not fashioned with the employees' interest as paramount. Therefore, it is incumbent upon collective bargaining units within companies about to form alliances to insure Labor Protective Provisions are sufficient to force survivability growth of the work force.

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[7] DOT Policy Statement, November 1, 1994

Table I reflects Scope Clause provisions included in each airline’s current contract in Section One.

The actual wording of provision differs, but the general provision philosophy is to restrict and define allowable operators.

Table II reflects the type and variety of flying agreements in effect on each property and what code- sharing and alliances are in effect.

**TABLE I**

| [9] | DELTA | UAL | NWA | USAir | AMR |
|---|---|---|---|---|---|
| Scope Clause, All flying by Seniority Pilot | Section 1<br><br>Yes 1.C | Section 1<br><br>Yes 1.B | Section 1<br><br>Yes 1.C. | Section 1<br><br>Yes 1.B | Section 1<br><br>Yes 1.C |
| International Code-share | Yes<br>1.E | Yes<br>1.C.3. | Yes<br>1.C.5.b. | Yes<br>1.J.,1.B.5 | Yes<br>1.H.1-14 |
| Equal Domestic Code-share Allowed | No<br><br>(New Alliance)<br>1.C.3 | Yes-1%<br>1.B.<br>(New Alliance)<br>1.C.2 | No<br><br>(New Alliance)<br>1.C.7 | No<br><br>(New Alliance) | No<br><br>(New Alliance) |
| Allows Commuters/ Feeders | Yes<br>1.D.1-5 | Yes<br>1.C.1 | Yes | Yes<br>1.B.3a-d | Yes<br>1.D.(1)-7 |
| Feeder/ Commuters Ownership | Contract + Equity | Contract<br><br>1.C.1 | Marketing Owns + Horizon | Owns | Owns |
| #Aircraft Prop (Allows) | Yes<br>1.D.1. | Yes - %<br>1.C.1. | Yes<br>1.C.2. | Yes<br>1.B.3.2. | Yes<br>1.D.1-7 |
| Size Aircraft Prop/Jet (Allows) | Yes<br>1.D.1.<br>70,000 | Yes<br>1.C.1.a.2.<br>75,000 | Yes<br>1.C.2.A.b.<br>70,000 | Yes<br>1.B.3.2.<br>75,000 | Yes<br>Average<br>?1.D.4.E. |
| Number Jet A/C (Restricted) | No<br>______ | Yes<br>1.C.3 | No Restrictions if DC-9 or other | Yes<br>12, 15, 25<br>1.B.3.D.1-3 | Yes<br>1.D.5<br>% |
| Size A/C Passengers | Yes<br>1.D.1.<br>70 Seats | Yes<br>1.C.1.a.1.<br>75 Seats | Yes<br>1.C.2.A.b.<br>70 Seats | Yes<br><br>69 Seats | Yes<br>1.D.4.e<br>50 seat avg. |
| No Furlough Clause | Yes<br>1.I.1 | Yes<br>1.G.<br>1.C.1.4.f. | Yes<br>1.D.1<br>1.D.2 | Yes<br>1.G. | Yes<br>1.D.3 |
| Flow Through | N/A | N/A | N/A | N/A | Yes - 1.D.7 |
| Merger/ Successor Clause | Yes<br>1.D.5 | Yes<br>1.D, 1.E. | Yes<br>1.B., 1.E.A. | Yes<br>1.C. | Yes<br>1.I. |
| International Restriction | Block hour<br>1.E.,2.E. | Block hour<br>1.C.3.b. | Block hour | Block hour<br>1.B.5. | Block hour<br>1.H.1-14 |

[9] Sources: Contracts of DAL, UAL, NWA, USAir & AMR

**TABLE II**

| | DELTA | UNITED | NORTHWEST | USAIR | AMERICAN |
|---|---|---|---|---|---|
| Names of Commuter Feeders | Comair<br>SkyWest<br>ASA | SkyWest<br>United<br>Express | Northwest<br>Air Links<br>Horizon | USAir<br>Express | American Eagle |
| Owned Low Cost | Delta<br>Express | U2<br>Letter 94-5 | N/A | Metro Jet | N/A |
| Int'l Code-share – Now Proposed – Historical | Swissair<br>Sabena<br>Austrian<br>Aerlingus<br>Aero Mexico<br>KAL<br>Aero Peru | Lufthansa<br>SAS<br>Air Canada<br>Thai<br>Varig<br>All Nippon<br><br>United*<br>Lit*<br>SAS*<br>Immunity* | KLM<br>JAS<br><br><br><br>Continental<br>Air France | British | British<br>JAL |
| Alliances | Delta<br>United | United<br>Delta | NWA<br>Continental | USAir<br>AMR | AMR<br>USAir |
| | Atlantic<br>Excellence<br>Alliance | Star<br>Alliance | NWA – KLM<br>Binding ten<br>year<br>immunity | | |

**TABLE III**[11]

| **DELTA** | **UNITED** |
|---|---|
| Hubs | Hubs |
| Atlanta<br>Dallas<br>Cincinnati<br>Salt Lake | Chicago<br>Denver<br>San Francisco<br>Los Angeles<br>Washington Dulles<br><br>166 airports<br>32 countries |
| 2500 +/- departures* | 2,262 departures |
| 63,000 employees*<br><br>300,000 passengers/day | 92,000 employees<br><br>250,000 passengers/day |
| 561 A/C | 572 A/C |
| **AMERICAN** | **US AIRWAYS** |
| Hubs | Hubs |
| Dallas<br>Miami<br>Chicago | Pittsburgh<br>Philadelphia<br>Charlotte<br>Baltimore/Washington |
| 18.6 billion | 8.5 billion |
| 113,900 employees | 38,500 employees |
| **NORTHWEST** | **CONTINENTAL** |
| Hubs | Hubs |
| Detroit<br>Minneapolis<br>Memphis | Newark<br>Houston<br>Cleveland |
| 50,800 employees | 40,000 employees |
| 10.2 billion | 7.2 billion |

[11] News Digest, May 4, 1998, Delta Air Lines

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## CONCLUSIONS

Conclusions are the author's and are not official representations of The A.L.P.A.