

HAWAIIAN AIRLINES AND JAPAN AIRLINES

JOINT APPLICATION FOR APPROVAL OF AND ANTITRUST IMMUNITY FOR ALLIANCE AGREEMENTS

KEY POINTS

Scope

The scope of the Joint Venture Agreement (JVA) is the “Hawai’i-Transpacific Region,” consisting of all nonstop routes between Hawai’i and Japan as well as connecting flights to Hawaiian’s inter-island network within the State of Hawai’i, JAL’s domestic network within Japan, and the Asian countries behind Japan (as well as Guam) p. 15.

Strengthening Competition

Today, only the three largest U.S. network carriers enjoy the competitive advantages of immunized cooperation. In the Japan-Hawai’i market, United and ANA, members of the Star alliance, and Delta and Korean Air, members of the SkyTeam alliance, operate immunized joint ventures. Conferring the advantages of joint venture antitrust immunity to another U.S. carrier will strengthen the competitiveness of the U.S. airline industry overall and benefit the traveling public. p. 5.

Consumer Benefits

The parties’ most valuable stakeholders are their customers, who stand to benefit from the Applicants’ revenue-sharing, metal-neutral joint venture (“JV”) in a number of ways. Under the Proposed Alliance, the Applicants will closely integrate their operations and sell each other’s flights as if they were their own....

The Proposed Alliance will allow JAL and Hawaiian to (i) expand their networks, (ii) offer seamless online service to their customers and routes covered by the JV, (iii) provide more flight choices to their passengers, (iv) optimize their joint schedules, (v) reduce connecting times, (vi) harmonize and enhance their services and products, (vii) co-locate facilities to improve passengers convenience, (viii) reduce fares through the elimination of double marginalization, (ix) grow capacity, and (x) give their valued frequent flyer members the opportunity to earn and redeem frequent flyer miles on a much larger network. p. 7.

Economic Stimulus

The proposed alliance will expand and improve services, stimulate traffic, and bring additional visitors to the State of Hawai’i to the benefit of the U.S. economy. Hawaiian and JAL project that the combination of the Hawaiian and JAL network, retiming of certain Hawai’i-Japan nonstop flights to increase connectivity, and introduction of new services will stimulate between 162,000 and 350,000 passengers every year

The money spent by these additional tourists is a U.S. export, which will have cascading benefits to the U.S. economy. Hawaiian and JAL project that an economic impact of between \$184.5 and \$402.3 million, resulting in the creation of between 1,855 and 4,049 U.S. jobs. pp. 7-8.

Metal Neutrality

Under the JV, the Applicants will be “indifferent as to which of them operates the ‘metal,’ or aircraft, when they market and sell their services on a joint network.” Such metal-indifference causes joint venture partners to open their inventory to sales by the other partner, since each partner knows that it stands to benefit through the revenue-sharing arrangements. Pp. 19.

By virtue of the carriers’ common economic interest, the JVA will significantly benefit consumers through greater service options, improved elapsed times, increased flight routings, expanded availability of discount seats, and lower fares due to the elimination of incentives for each carrier to build in separate profit markups on codeshare flights. P. 21

Expanded Networks

The Proposed Alliance will dramatically increase seamless service options for the traveling public through the Applicants’ cooperation, including an expanded network and broad codesharing. With the grant of ATI, the Applicants will be able to link together their operations in the Hawai’i-Transpacific Region and offer new online service in city-pairs that they do not presently serve on an online basis

The Proposed Alliance will open thirty-four new Hawaiian online points, including six new Asian points behind/beyond Japan and 28 new points within Japan, and six new JAL online points in the Hawaiian inter-island network. p. 22.

Optimized Schedules

As part of their joint venture, the Applicants will work together to optimize their joint schedules, resulting in reduced connecting times, expanded connecting options and greater passenger convenience. In anticipation of their joint venture, the Applicants have already taken a huge step in this regard by moving Hawaiian’s Narita operations to Terminal 2, where JAL operates. This move – made in anticipation of broad JAL-Hawaiian coordination – substantially reduces connecting times and greatly improves the overall experience for passengers connecting at Narita between JAL-operated and Hawaiian-operated flights. p. 33