

Background – lack of Cabotage

- 1944 Chicago Convention generally banned “cabotage.” Nearly all countries ban foreign airlines from operating domestic service.
- Even true if there is “open skies” in international service between two countries.
- The EU is one common market, but non-EU carriers cannot provide local service.

Foreign Ownership Restrictions

- Most countries have restrictions that cap foreign ownership of airlines based in the country.
- The U.S. cap is 25% (dating back to 1938). Moves to change that to 49% by the Bush Administration in 2003 failed.
- Also restrictions on citizenship of senior management and the Board.

In the beginning . . .

- 1989: code share between American and Qantas
- 1993: Northwest-KLM (code share and anti-trust immunity)
- 1996: failed similar move by American – British Airways
- 1990s: various international (and domestic) bilateral code-share agreements

Alliance	Star Alliance		
Founded	1997		
North America	United Air Canada		
Central / South America			
Europe	Lufthansa SAS		
Russia			
Middle-East			
Africa			
Asia	Thai		
China			
Aus - NZ			

Alliance	Star Alliance	oneworld	
Founded	1997	1999	
North America	United Air Canada	American (Canadian)	
Central / South America			
Europe	Lufthansa SAS	British Airways	
Russia			
Middle-East			
Africa			
Asia	Thai		
China		Cathay Pacific	
Aus - NZ		Qantas	

Alliance	Star Alliance	oneworld	SkyTeam
Founded	1997	1999	2000
North America	United Air Canada	American (Canadian)	Delta
Central / South America			Aeromexico
Europe	Lufthansa SAS	British Airways	Air France
Russia			
Middle-East			
Africa			
Asia	Thai		Korean
China		Cathay Pacific	
Aus - NZ		Qantas	

Airlines >100 planes	Star Alliance	oneworld	SkyTeam
Founded	1997	1999	2000
North America	United Air Canada	American	Delta
Central / South America	Avianca Copa	LATAM group	
Europe	Lufthansa SAS	British Airways Air Berlin	Air France Alitalia KLM
Russia			Aeroflot
Middle-East	Turkish	Qatar	Saudia
Africa			
Asia	Thai ANA Air India Singapore	Japan	Korean Garuda
China	Air China Shenzen	Cathay Pacific	China Eastern China Southern Xiamen
Aus - NZ		Qantas	

Anti-Trust Immunity

- 1993: Northwest-KLM (prior to alliances)
- 1997: United - Lufthansa
- 2002/2008: Air France /KLM - Delta (NWA) – Korean – Alitalia – Czech within SkyTeam
- 2009: United (Continental) – Air Canada – Lufthansa and others within Star
- 2010: American – British Airways / Iberia and others within oneworld

Largest Airlines by Revenue Passenger Kms		RPK (billion) 2015	
1	American	321	oneworld
2	Delta	303	SkyTeam
3	United	295	Star Alliance
4	Emirates	251	
5	China Southern	189	SkyTeam
6	Southwest	189	
7	Lufthansa	146	Star Alliance
8	British Airways	141	oneworld
9	Air France	139	SkyTeam
10	Ryanair	125	