

# GAO Highlights

Highlights of [GAO-19-237](#), a report to congressional requesters

## Why GAO Did This Study

Each year, millions of passengers travel internationally by plane. Many of these passengers are served by U.S. and foreign air carriers that have formed alliances to coordinate and integrate their networks. With antitrust immunity provided by DOT, airline alliances pursue a wide range of cooperative activities as outlined in joint venture agreements between the airlines. While this cooperation is meant to provide consumers with better services, it could also affect the extent of airline competition.

GAO was asked to review consumer issues related to immunized international air alliances. This report (1) describes how DOT's review of antitrust immunity applications considers the potential effects on consumers and (2) evaluates how DOT monitors approved grants of antitrust immunity. GAO analyzed DOT's antitrust immunity proceedings, interviewed officials from DOT, the Department of Justice, as well as a nongeneralizable selection of 13 stakeholders, including consumer organizations and domestic air carriers with and without antitrust immunity.

## What GAO Recommends

GAO recommends that DOT externally report to policymakers and the public on the effects of antitrust immunity, based on DOT's monitoring activities. DOT agreed to provide public information on its monitoring, but not to report on the effects of antitrust immunity. GAO continues to believe its recommendation, in full, is valid as discussed further in the report.

View [GAO-19-237](#). For more information, contact Andrew Von Ah at (202) 512-2834 or [vonaha@gao.gov](mailto:vonaha@gao.gov).

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## INTERNATIONAL AIR ALLIANCES

### Greater Transparency Needed on DOT's Efforts to Monitor the Effects of Antitrust Immunity

## What GAO Found

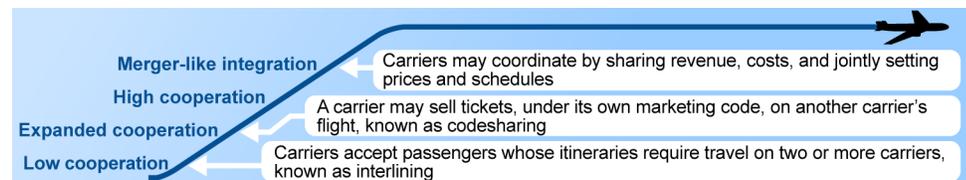
Potential effects on consumers are included in the analyses the Department of Transportation (DOT) conducts when reviewing international air carriers' requests for antitrust immunity. If granted, this immunity allows the airlines to engage in certain cooperative activities, such as coordinating prices and schedules, without risk of violating U.S. antitrust laws (see figure). DOT's analyses examine:

- The potential competitive effect of the proposed cooperative agreement in terms of relevant markets, on changes in the number of competitors and market shares, and on market entry.
- The potential for the close integration of carriers to create public benefits, such as lower consumer prices or expanded service offerings.

Such analyses involve DOT staff's reviewing an array of data, documents, and reports filed in a public docket by carriers and interested parties and, ultimately, making a decision based on their assessment of the application. DOT has premised its decisions to grant immunity on the expectation that consumer benefits flow from high levels of integration of critical business functions between carriers. To date, DOT has granted antitrust immunity 31 times, with 23 grants currently in effect, which cover agreements made among carriers in each of the three major international air alliances. DOT has rejected three applications due to concerns about potential anticompetitive harm or insufficient public benefits for consumers. Stakeholders GAO interviewed generally agreed that DOT's decisions were transparent, but some disagreed on the potential benefits of immunity for consumers.

DOT takes multiple steps to monitor alliances and understand the effects of immunity. Since 2009, DOT has required all transatlantic and transpacific partnerships to submit annual reports on the status of their immunized agreement. Additionally, DOT recently commissioned an empirical evaluation of immunities' effects and is currently reviewing the findings. However, DOT does not externally report information on the effects of granted immunities to Congress, industry stakeholders, and the public. As a result, these external entities are unable to determine what, if any, steps DOT is taking to ensure that grants of antitrust immunity remain in the public interest. Further, without additional transparency and information on DOT's findings on the effects of immunities, external entities do not know if immunized alliances have delivered the expected consumer benefits that DOT used as a basis to approve the carriers' request for antitrust immunity.

#### International Air Carriers May Cooperate to Varying Degrees



Source: GAO analysis of Department of Transportation information. | [GAO-19-237](#)