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Willie Walsh on AA/BA

The competitive environment has changed dramatically since our last application for antitrust immunity with American, therefore Virgin's arguments are stuck in the past, says British Airways chief executive Willie Walsh.

British Airways' application for a transatlantic joint business agreement with American Airlines and Iberia takes place in a competitive environment that has changed dramatically in recent years.

When we made previous applications for antitrust immunity in 1996 and 2001, Heathrow was a closed shop. The right to fly from there to the US was restricted to four carriers: BA, American, United and Virgin. The first stage of the European Union-US Open Skies agreement has changed all that.

The Heathrow-US market is now open to any EU or US carrier. In only six months since Open Skies came into effect, five additional airlines have begun transatlantic services and capacity has increased by 22%.

Heathrow has more competition on US routes than any other European airport - and there is nothing to stop more airlines coming in. Bmi, Heathrow's second largest airline with 11% of the slots, has yet to enter the fray.

The second major change is that our main European competitors Lufthansa and Air France-KLM have been granted antitrust immunity with their US alliance partners - and the competition concerns that some raised at the time have not been borne out by experience. So our application for **one**world airlines to have the same freedom to co-operate over the Atlantic as Star and SkyTeam do is not about weakening competition, but strengthening it.

Star has 35% of the EU-US market, and Skyteam 28%. **one**world has 21%. If you look at shares on transatlantic routes from their European hubs, the Big Two are even more prominent. Star has an 80% share from Frankfurt while Skyteam has 73% from Paris and 85% from Amsterdam. In comparison, the combined share of British Airways and American from Heathrow is 51%.

Nonetheless, Virgin - which did not oppose ATI for Star or Skyteam - claims that ATI for us would lead to higher fares and poorer service. This is nonsense. The exceptional competition levels at Heathrow (which are growing for the winter with Continental increasing its schedule) are not going to disappear if our tie-up with American goes ahead.

Airline passengers are extremely discerning. If we were sufficiently misguided to jack up fares and cut service quality, our customers would vote with their feet - straight on to the aircraft of our many competitors. Is Virgin saying its own product is not good enough?

The truth is our operation with American would create real customer benefits. It would provide not only better connections, but also greater access to discounted fares, reciprocal frequent flier rewards and - for corporate customers - more flexible and geographically extensive deals.

Competition regulation is no longer a narrow matter between the UK and US. It is between the EU and the US.

That is a market of 42 airlines. If Virgin thinks that ATI confers advantages, there is nothing to stop it joining an alliance and making its own application. You don't have to stay a virgin all your life. Richard Branson claims that we have massaged our market share figures. This is a red herring. They are not our figures. They are MIDT data, which we are required to submit by the competition authorities.

The regulators use this data because it is the most authoritative markets information available. They used it in determining the Star and Skyteam ATI applications.

It is curious why Virgin rubbishes these figures now, yet in a previous US Department of Transportation filing praised MIDT data as a unique source that “helps carriers make decisions about whether or not to enter markets or expand capacity”.

Virgin is a lone voice. Its arguments are stuck in the past. We are facing the future. Our aim is to create a stronger business, able to withstand the present economic storms, invest and compete for the benefit of customers - the one group that can ensure long-term success.