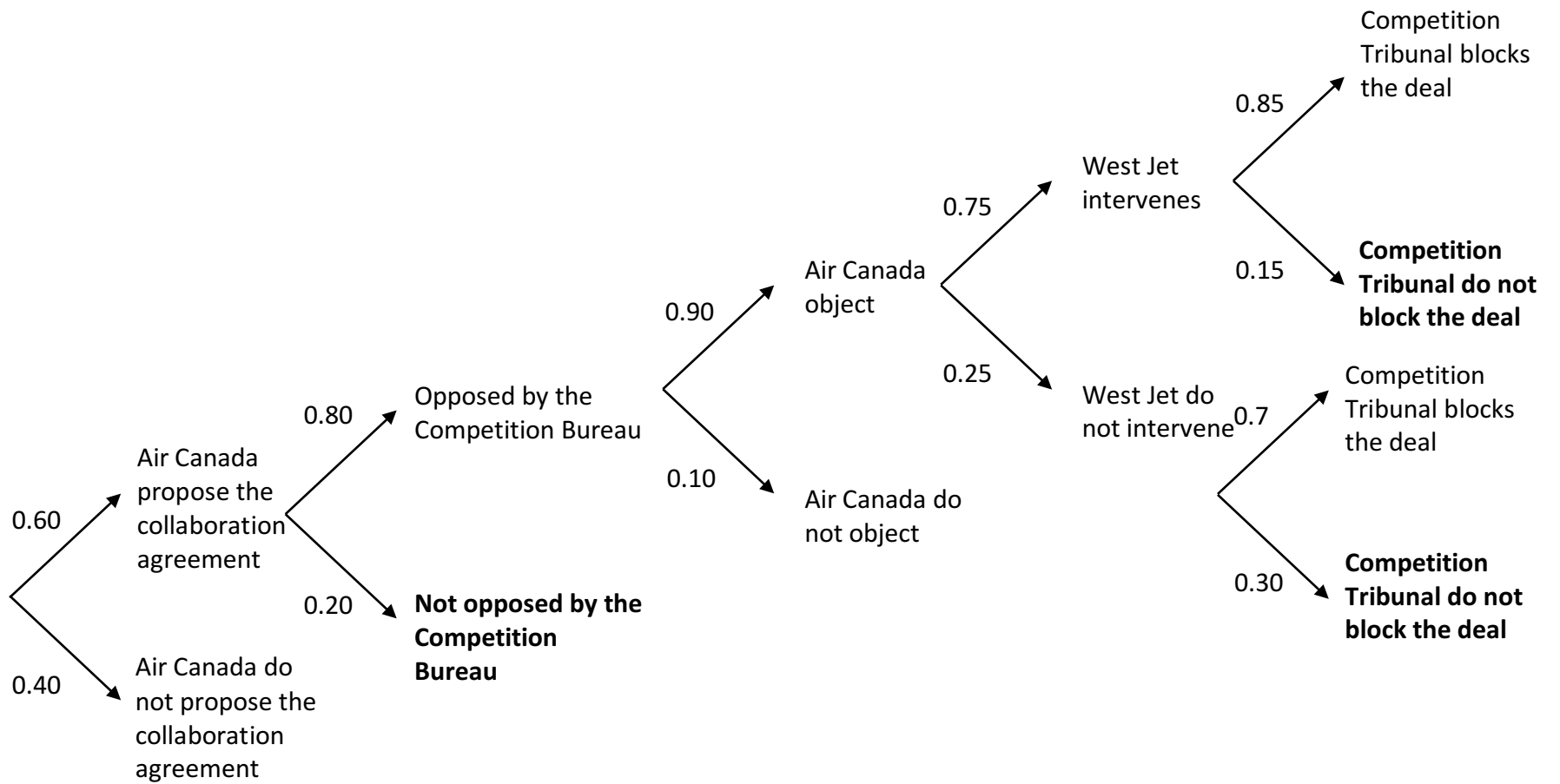


ASSIGNMENT 2 PART 2

a)



b) and c)

The probabilities of a closer collaboration agreement between Air Canada and United Continental:

Outcome 1:

Joint Probability:

P (Air Canada propose the collaboration agreement *and* Air Canada gets opposed by the Competition Bureau *and* Air Canada objects *and* West Jet intervenes *and* Competition Tribunal DO NOT block the deal)

$$P = 0.60 \times 0.80 \times 0.90 \times 0.75 \times 0.15$$

$$P = \mathbf{0.0486}$$

Outcome 2:

Joint Probability:

P (Air Canada propose the collaboration agreement *and* Air Canada gets opposed by the Competition Bureau *and* Air Canada objects *and* West Jet DO NOT intervene *and* Competition Tribunal Do NOT block the deal)

$$P = 0.60 \times 0.80 \times 0.9 \times 0.25 \times 0.30$$

$$P = \mathbf{0.0324}$$

Outcome 3:

Joint Probability:

P (Air Canada propose the collaboration agreement *and* Air Canada DO NOT get opposed by the Competition Bureau)

$$P = 0.6 \times 0.2$$

$$P = \mathbf{0.12}$$

The probability is 12%.

Final answer:

**Because each outcome can't occur at the same time, they are disjoint (Addition Rule)*

P (closer collaboration agreement between Air Canada and United Continental)

$P = (\text{Outcome 1} + \text{Outcome 2} + \text{Outcome 3})$

$P = 0.0486 + 0.0324 + 0.12$

P = 0.201

Therefore, the probability of a closer collaboration agreement between Air Canada and United Continental is 0.201.