

BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
WASHINGTON, D. C.

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Application of :  
 :  
 AMERICAN AIRLINES, INC. : OST-00-  
 :  
 under 49 USC 41718 for 4 beyond- :  
 perimeter Ronald Reagan Washington :  
 National Airport exemption slots :  
 for nonstop service to Los Angeles :  
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APPLICATION OF AMERICAN AIRLINES, INC.

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APPLICATION OF AMERICAN AIRLINES, INC.

American Airlines, Inc., under 49 USC 41718,<sup>1</sup> hereby applies for 4 beyond-perimeter Ronald Reagan Washington National Airport (DCA) exemption slots (arrivals and departures) in order to operate twice-daily roundtrip non-stop service to Los Angeles International Airport (LAX), using 176-seat B757 air-craft. American's proposed service will bring substantial competitive benefits to the large

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<sup>1</sup>The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century, known as AIR 21, created a new Section 41718 of USC Title 49. This new section directs the Department to grant 12 exemption slots "to air carriers to operate limited frequencies and aircraft on select routes between Ronald Reagan Washington National Airport and domestic hub airports" located beyond the DCA perimeter of 1,250 statute miles.

Washington-Los Angeles market, and to cities in California, Nevada, and Hawaii that will receive first or competitive one-stop access to DCA. In support of this application, American respectfully states as follows.

I. LOS ANGELES IS BY FAR THE LARGEST U.S. CITY OUTSIDE THE DCA PERIMETER, AND AMERICAN'S PROPOSAL WILL BRING SUBSTANTIAL PUBLIC BENEFITS

Compared to other western cities that could be considered for beyond-perimeter DCA exemption slots, Los Angeles has by far the largest population, based on U.S. Census estimates as of December 1999 ([www.census.gov](http://www.census.gov)):

Los Angeles	9,213,533
Phoenix-Mesa	2,931,004
Denver	1,938,642
San Francisco	1,683,309
Las Vegas	1,321,546
Salt Lake City	1,267,745

Moreover, the Los Angeles-Washington (DCA and IAD) market, as measured by DB1B (adjusted by T100 data) for the year ended June 30, 1999, is far larger than any other potential beyond-perimeter market that could be considered for an award of DCA exemption slots:

	<u>Annual</u>	<u>PDEW</u>
LAX-WAS	876,912	1,201
SFO-WAS	600,833	823
DEN-WAS	534,803	733
SLC-WAS	188,598	258
PHX-WAS	173,339	237
LAS-WAS	139,099	191

At Los Angeles, American and American Eagle provide some 176 daily departures, and serve 26 U.S. points and 16 foreign points (including codeshare destinations). Four small cities in California -- Bakersfield, Monterey, San Luis Obispo, and Santa Barbara -- will receive their first-ever on-line, one-stop access to DCA under American's proposal. These four cities accounted for a total of 50,847 O&D passengers to and from Washington (DCA and IAD) for the year ended June 30, 1999.<sup>2</sup>

American and American Eagle will provide competitive one-stop service to DCA via Los Angeles to a number of

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<sup>2</sup>Bakersfield, 5,438; Monterey, 19,647; San Luis Obispo, 5,859; Santa Barbara, 19,903 (DB1B adjusted by T100 data).

other cities, including Fresno, San Francisco, San Jose, Palm Springs, and San Diego, California; Reno and Las Vegas, Nevada; and Honolulu and Kahului, Hawaii. American will also offer new one-stop access between DCA and a number of international cities served by American's codeshare partners at the Los Angeles gateway, including Beijing, China; Seoul, Korea; Tokyo, Osaka, and Nagoya, Japan; Taipei, Taiwan; Nadi, Fiji; Sydney and Melbourne, Australia; and Auckland, New Zealand.

In addition to the benefits that American will provide in the large local Los Angeles-Washington market and in connecting markets that will receive first or competitive one-stop access to DCA, an award of beyond-perimeter DCA exemption slots to American will help redress the competitive imbalance at Los Angeles International Airport, where United Air Lines is the largest carrier.

For the year ended December 31, 1999, United accounted for 29.3% of passenger enplanements at LAX, followed by Southwest with 13.4%, and American with 12.3%, or less than half of United's market share (Aviation Daily

chart, March 28, 2000, p. 8, based on carrier filings at DOT). For the year ended June 30, 1999, United carried 445,140 passengers in the Los Angeles-Washington market (DCA and IAD), a 50.9% share, followed by American with 271,350, a 31.0% share (DB1B adjusted by T100 data). Granting American's request for 4 DCA exemption slots will make American a stronger competitor at Los Angeles in general, and in the Los Angeles-Washington market in particular, with significant benefits to competition and to the public.

II. AMERICAN WILL PROVIDE THE CONVENIENCE OF TWICE-DAILY NONSTOP SERVICE BETWEEN LOS ANGELES AND DCA

American proposes to operate twice-daily nonstop roundtrip service between Los Angeles and Ronald Reagan Washington National Airport, using B757 Stage 3 aircraft with 176 seats. The B757 is the largest capacity aircraft authorized for operations into DCA. Accordingly, American's aircraft selection will ensure that maximum public benefits

are achieved from the beyond-perimeter slot opportunities provided by the new statute.

While American would prefer to operate more than two daily roundtrip services between Los Angeles and DCA, only 12 beyond-perimeter exemption slots are available under the AIR 21 Act, or enough for six daily roundtrips. American has therefore presented a measured proposal that will provide the large local Los Angeles-Washington market with its first-ever nonstop service to DCA, as well as first or competitive on-line one-stop service to a number of cities in California, Nevada, and Hawaii.

Eastbound, American will offer two flights daily departing from Los Angeles, one in the early morning departing Los Angeles at 8:30 a.m., with a late afternoon arrival at DCA at 4:40 p.m., and a second flight in the late morning departing Los Angeles at 11:45 a.m. and arriving at DCA at 7:50 p.m.

Westbound, American will offer an early morning departure from DCA at 8:15 a.m., arriving at Los Angeles at 10:45 a.m., and a late afternoon departure from DCA at 5:40 p.m., arriving at Los Angeles at 8:05 p.m. These flights are spaced throughout the day to provide convenient arrival

and departure times for business and leisure passengers, and to maximize connecting opportunities at Los Angeles.

III. AMERICAN'S PROPOSED SERVICE MEETS EACH OF THE STATUTORY CRITERIA FOR AN AWARD OF BEYOND-PERIMETER DCA EXEMPTION SLOTS

Under 49 USC 41718, the Secretary is directed to grant 12 beyond-perimeter DCA exemption slots, if the Secretary finds that such exemptions will:

"(1) provide air transportation with domestic network benefits in areas beyond the perimeter described in that section;

(2) increase competition by new entrant air carriers or in multiple markets;

(3) not reduce travel options for communities served by small hub airports and medium hub airports and within the perimeter described in section 49109;

(4) not result in meaningfully increased travel delays."

American's proposed Los Angeles-DCA nonstop service meets each of these statutory criteria.

First, American's service will provide substantial domestic network benefits in areas beyond the 1,250 mile perimeter of DCA. American will serve Los Angeles, the

largest city in the United States without nonstop access to DCA, benefiting more local passengers than any other potential applicant. At Los Angeles, American will provide on-line connecting benefits to a number of cities in California, Nevada, and Hawaii that will receive first or competitive one-stop access to DCA, as detailed in Section I.

Second, American will increase competition in multiple markets, including Los Angeles itself, as well as smaller communities such as Bakersfield, Monterey, San Luis Obispo, Santa Barbara, Fresno, Palm Springs, and Kahului, and larger cities such as San Jose, San Francisco, San Diego, Reno, Las Vegas, and Honolulu.

Third, American's proposal will not reduce travel options for other communities. American has no plans to reduce its existing DCA services to any airport within the perimeter as a result of its proposal here. By offering new competitive nonstop service between Los Angeles and DCA, the level of domestic network benefits and competitive service will be enhanced for passengers traveling throughout American's extensive system.

Fourth, American's proposal will not result in increased travel delays. To the contrary, American's ser-

vice will reduce travel time for thousands of Los Angeles-Washington passengers by providing them with nonstop access to DCA, and for thousands of on-line passengers connecting at Los Angeles from other western communities who will receive first or competitive one-stop access to DCA.

Granting four exemption slots to American at DCA, spread throughout the day, will have a negligible impact on congestion or delays at DCA or elsewhere in the national air transportation system. Indeed, in Section 41718, Congress specifically required that there be no more than 2 additional beyond-perimeter DCA exemption slots allocated in any one-hour period.

We also note that the General Accounting Office has determined that a limited number of additional slots at DCA would not create any significant aircraft delays. See GAO Report to the Secretary of Transportation on Reagan National Airport, Capacity to Handle Additional Flights and Impact on Other Area Airports, GAO/RCED-99-245, September 1999, finding that the infrastructure at DCA could accommodate up to 7 additional flights per hour (or 126 flights each day) without compromising safety or increasing flight delays.

IV. NONSTOP SERVICE FROM LOS ANGELES TO DCA WAS SPECIFICALLY CONTEMPLATED BY CONGRESS IN ENACTING AIR 21

During consideration of the Air 21 legislation by Congress, Senator Feinstein and Senator Boxer of California asked Senator McCain, Chairman of the Committee on Commerce, Science and Transportation, about the DCA beyond-perimeter slot provision (145 Congressional Record (daily ed.), S10946, September 25, 1998). Senator Boxer said that this is a matter "which affects the people of our state and many of the other western states." Senator Feinstein stated:

"We have some questions as to who will be served if these exemptions are enacted by Congress. We would like to see the highest level of service provided to the most number of passengers. Do you believe that this perimeter rule exemption would prevent airlines from competing to provide the greatest amount of service to the most number of passengers?"

Senator McCain responded:

"This provision included by the committee is intended to implement a process that will provide numerous domestic cities, including small and medium-sized communities, with improved service. However, the provision allows for competition for routes to larger communities."

Senator Boxer then asked:

"Specifically, would carriers be prevented from competing on routes from National Airport to Los Angeles or San Jose or other California airports under this bill?"

Senator McCain responded:

"No. As long as carriers can demonstrate that their routes provide domestic network benefits and increase competition in multiple markets, they may compete for these nonstop routes, including select routes to California airports."

As demonstrated above, American will provide domestic network benefits and increase competition in multiple markets, including the large Los Angeles-Washington market itself, and a number of other markets that will enjoy first or competitive one-stop access via Los Angeles to DCA.

No other potential applicant for beyond-perimeter DCA exemption slots would benefit a greater number of passengers.

V. AMERICAN'S PROPOSAL IS SUPPORTED BY SENATOR BOXER, THE LOS ANGELES WORLD AIRPORTS, AND THE CALIFORNIA TRAVEL AND TOURISM COMMISSION

Senator Boxer has written to Secretary Slater to express her strong support for American's proposal (Attachment 1). In her letter, dated March 27, 2000, she stated her understanding that American will apply for DCA

exemption slots to operate two daily roundtrips to Los Angeles, and urged the "strongest consideration" of American's proposal. She noted that Los Angeles is currently the largest U.S. city without nonstop service to National Airport, and that "far more consumers would benefit from a nonstop route between Washington National and Los Angeles than between National and other competing cities, such as Phoenix or Salt Lake City." She concluded that "the introduction of new nonstop service from National Airport to LAX would clearly increase competition for the most nonstop air travelers possible," and that American's proposal "will not only benefit consumers and business travelers in the Los Angeles metro area but scores of air travelers on the west coast as well."

On March 12, 1999, the Executive Director of Los Angeles World Airports wrote to Senators Feinstein and Boxer in support of American's potential entry in the Los Angeles-DCA market (Attachments 2 and 3). He stated that such service by American "will help meet the continued passenger demand to the Washington, D.C. area," and that American "qualifies as an airline we would like to help because the

additional of these flights to LAX works to keep a healthy balance between the major carriers at LAX."

On March 23, 2000, the California Travel and Tourism Commission wrote to Secretary Slater "to express strong support" for American's request to provide twice-daily nonstop service between Los Angeles and DCA (Attachment 4). The Commission pointed out that "Los Angeles is currently the largest U.S. city without nonstop service to the premier airport of the nation's capital," and that "far more consumers would benefit from a nonstop route between Washington National and Los Angeles than between National and noncoastal cities, such as Phoenix or Salt Lake City." The Commission also stated that "awarding two roundtrips to American will help strengthen competition along the West Coast as American continues to aggressively expand its coastal network following its acquisition of Nevada-based Reno Air."

#### CONCLUSION

Congress has mandated that the Department improve access to Ronald Reagan Washington National Airport from points in the western United States. Los Angeles is by far the largest U.S. city without nonstop access to DCA, and Los

Angeles-Washington is by far the largest O&D market without nonstop access to DCA. American's proposed service will provide Los Angeles with its first nonstop service to DCA, and will also provide cities in California, Nevada, and Hawaii with first or competitive one-stop service to DCA. The Department should promptly grant 4 beyond-perimeter DCA exemption slots to American for twice-daily nonstop service between Los Angeles and DCA.

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March 30, 2000

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March 30, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document by first-class mail on all persons named on the attached service list.

CARL B. NELSON, JR.

March 30, 2000

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