

**BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.**

Application of)
)
AMERICAN TRANS AIR, INC.) Docket OST-00-7182
)
for an exemption from Subparts K and S of)
14 C.F.R. 93 pursuant to 49 U.S.C. 41718(b))
(Reagan National Airport-Chicago (Midway)))
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(Reagan National Airport-Los Angeles International)
Airport/San Francisco International Airport))
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**APPLICATION OF AMERICAN TRANS AIR, INC.
FOR EXEMPTIONS**

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I. INTRODUCTION

This proceeding to determine which carriers will be the recipients of landing and takeoff slots at Ronald Reagan Washington National Airport (“DCA”) is the single most important proceeding before the Department in which American Trans Air, Inc. ("ATA") has been involved in its twenty-seven year history. ATA is probably the only applicant carrier whose ability not only to increase, but just to continue, its presence at DCA rests on the outcome of this proceeding. It is no mere coincidence that the provisions in the Wendell H. Ford Aviation Investment and

Reform Act for the 21st Century ("Air-21") authorizing the Department to award DCA slots were among the more hotly debated. The combination of the longstanding statutory limit of just thirty-seven hourly operations at DCA and the desire on the part of some established carriers to protect against the diversion of revenues from their nearby operations at Dulles International Airport ("Dulles") were repeatedly put forth as reasons for maintaining the status quo. The legislative compromise reflected in Air-21's provisions unfortunately limits new service at DCA to just six round trips within the 1,250 mile perimeter and an equal number for cities beyond that perimeter. Moreover, two of the newly provided for round trips for cities within the perimeter must be used for DCA service to small and non-hub communities, thus limiting to just four daily round trips the opportunity for new service to medium hubs such as Chicago's Midway Airport.

With so few opportunities to add nonstop service from new communities and, at the same time, inject much needed low fare competition, ATA encourages the Department to make every effort to allocate these limited new slots to those carriers which (a) have a track record of offering low fares to maximize competition and thus bring pressure on DCA's unusually high average fares and (b) are most likely to convenience the greatest number of passengers with new DCA nonstop service. With ATA's acknowledged reputation as a low fare carrier and its proposal to serve DCA to Los Angeles, San Francisco and Chicago Midway with B-757 aircraft configured for 216 passengers, no other applicant carrier will or can match ATA's average fares on a sustained basis or carry as many passengers per flight. Moreover, ATA's just announced \$2 billion commitment for forty-seven B-757-300 and B-737-800 aircraft will perfectly position ATA for years to come to accommodate the expected substantial growth in the DCA-Chicago Midway and DCA-Los Angeles/San Francisco markets.

ATA's comprehensive low fare proposal encompassing the first nonstop service to Los Angeles, San Francisco, as well as enhancement of ATA's recently inaugurated nonstop service

to Chicago Midway,¹ would produce consumer fare savings of more than \$64 million on an annual basis.² *Exbs. 49-50.* ATA's within-the-perimeter proposal involving only low fare nonstop service to Chicago Midway -- from which ATA currently serves twenty-five nonstop destinations -- would produce annual consumer fare savings of \$34 million. *Exbs. 49-50.* ATA is uniquely positioned to offer such low fares in the DCA markets, as ATA does elsewhere, because ATA enjoys the lowest unit costs of any scheduled U.S. carrier. *Exb. 33.*

The markets which ATA proposes to serve are:

Los Angeles (LAX) - DCA	1 daily nonstop roundtrip
San Francisco (SFO) - DCA	1 daily nonstop roundtrip
Chicago Midway - DCA	3 daily nonstop roundtrips with two of the three flights continuing beyond Midway to LAX and one continuing beyond to SFO

ATA's Los Angeles and San Francisco-DCA walk-up fares will range from \$199 to \$562, all of which are available on a one-way basis -- a significant low fare benefit which ATA uniquely offers among all of the major carriers. *ATA's ATPCO Tariffs.* ATA's Chicago Midway-DCA walk-up fares will range from \$154 to \$299, all of which are again available on a one-way basis. *ATA's ATPCO Tariffs.* ATA will also offer several even lower Chicago Midway-DCA fares from \$89 to \$125, all of which may be purchased on a one-way basis subject only to a minimal three-day advance purchase requirement. *ATA's ATPCO Tariffs.* ATA's low fares have no

¹ ATA generally refers in this Application to its proposed DCA-Midway nonstop service as the first such service in the market even though ATA initiated that service on April 3 and is currently operating three daily roundtrips. ATA has aptly characterized its DCA-Midway nonstop proposal as the first nonstop service because, as explained throughout this Application and particularly in Section VI *infra*, ATA would be compelled to abandon that service if it does not receive the DCA-Chicago Midway slots it now seeks.

² ATA's detailed exhibits set forth separate proposals for what is referred to as (a) ATA's integrated proposal combining both ATA's transcontinental LAX/SFO flights with ATA's Chicago Midway flights and (b) ATA's Midway-only proposal involving nonstop service between just Chicago Midway and DCA. ATA's status under Air-21 is that of a limited incumbent carrier because it operates fewer than twenty slots at DCA. *Air-21, § 41714(b)(5).* ATA only initiated service on April 3 and currently operates with just six slots at DCA.

Saturday night stay requirements and no advance purchase requirement except for the few fares in the Chicago Midway-DCA market subject to a minimal three-day advance purchase requirement. A review of the currently available fares offered by American and United shows a range of fares approximately twice the level proposed by ATA. *Sabre*. It also indicates that each of those fares, with only one or two exceptions at the very highest fare levels, may be purchased only on a roundtrip basis, requires a Saturday night stay and further must also be purchased from seven to twenty-one days in advance. *Sabre*. In the DCA-Los Angeles market, for example, the lowest available American fare which can be purchased on a one-way basis -- but still subject to a three-day advance purchase requirement -- is \$1,030! *Sabre*. That is more than five times greater than ATA's lowest walk-up fare which has no advance purchase requirement. In the DCA-Chicago Midway market, the lowest available fare that can be purchased on either American or United fewer than seven days in advance is \$589 which is six times greater than ATA's lowest three-day advance purchase fare and almost four times greater than ATA's lowest walk-up fare. *Sabre*.

The other highlights of ATA's proposal include:

- Having just inaugurated DCA-Chicago Midway service using two pairs of leased short-term slots and one pair of permanent slots, ATA's low fare service has already carried thousands of passengers -- including on certain flights as many as eighty passengers destined for California.
- With the expectation that ATA will have to surrender two pairs of leased slots in early October, ATA would be compelled to abandon DCA if it does not receive the additional Chicago Midway slots it is requesting.³ *Exbs. 2 and 3.*

³ ATA's non-leased slots are at 0600 hrs. and 2200 hrs. which, by themselves, would not allow for the creation of a viable schedule. *Exbs. 5-6 and 11-12.*

- ATA's willingness to take the business risk of paying substantial fees for short-term slots and incur the considerable expense of inaugurating service to DCA was driven by the extraordinary success and market penetration ATA has achieved in the comparable New York LaGuardia-Midway and New York LaGuardia-California markets -- success ATA is confident it could replicate at DCA. At LaGuardia:
 - ATA offers more seats and carries more passengers per slot than any other carrier serving LGA. *Exbs. 18, 26-29.*
 - ATA is already the second largest (to United) carrier in the LGA-Los Angeles market in spite of ATA operating only three LGA frequencies in marked contrast to the hourly service operated by United and American's 10.5 daily frequencies in the LGA-O'Hare market with multiple connections by both carriers to Los Angeles. *Exbs. 18 and 21.*
 - ATA's LGA-Chicago and LGA-Los Angeles/San Francisco fares average 60 percent below the average fares charged by American and United. *Exbs. 19, 22, 24, 25 and 36.*
- ATA's operating cost is the lowest of any U.S. scheduled carrier and uniquely positions ATA to offer such low fares on a sustained basis. *Exb. 33.*
- ATA's low fare DCA-Los Angeles/San Francisco/Midway nonstop service would bring dramatic fare reductions to both the DCA-Los Angeles/San Francisco and DCA-Midway markets currently dominated by American and United. *Exbs. 37 and 40.*
- ATA's low fare DCA-Los Angeles/San Francisco service will also permit DCA-Honolulu and DCA-Maui passengers to enjoy lower fares and to make on-line

connections at either California gateway -- as well as stopovers at no additional charge. *Exb. 10*.

- ATA's low fare DCA-Los Angeles/San Francisco service will also permit DCA passengers traveling to other cities in California to achieve substantial fare reductions using interline connections at both California gateways. *Sec. V(B), infra*.

II. **ATA's DCA-LOS ANGELES/SAN FRANCISCO AND DCA-MIDWAY SERVICE WILL OFFER CONSUMERS SIGNIFICANT FARE REDUCTIONS AND A CONVENIENT SCHEDULE THROUGHOUT THE DAY.**

ATA's combined proposal offering the first DCA-Los Angeles, DCA-San Francisco and DCA-Chicago Midway service will "... produce the maximum competitive benefits, including low fares..." and "... increase competition by new entrant air carriers or in multiple markets..." -- two of the explicit objectives set forth in Air-21. §§ 41718(b)(5) and 41718(a)(2). ATA's addition of these marquis nonstop routes to Los Angeles, San Francisco and Midway will also generate substantial "... domestic network benefits..." in Hawaii and other California cities as well as at ATA's Midway hub -- another stated objective of Air-21 for the award of slots outside of the perimeter. §§ 41718(a)(1).

ATA is offering two separate schedule proposals: (a) its integrated California and Midway proposal offering the first DCA nonstop service in three markets -- Los Angeles, San Francisco and Midway (*Exbs. 5-9*); and (b) ATA's Midway-only proposal offering the first Midway-DCA nonstop service with one-stop service continuing beyond Midway to both Los Angeles and San Francisco. *Exbs. 11-12*. ATA's integrated as well as Midway-only proposals are also designed to maximize on-line connecting options to Hawaii as well as at ATA's Midway hub from which ATA offers nonstop service to twenty-five destinations. *Exbs. 1 and 10*. Both

of these proposals would allow ATA -- a relatively new entrant with an unequalled track record for offering low fares -- to provide the maximum competitive benefits in multiple markets.

ATA is also extremely proud that Senator Bayh of Indiana, Congresswoman Nancy Pelosi, Congressman Julian Dixon, Congressman Henry Waxman, Congressman Howard Berman, Congressman Xavier Becerra and Congresswoman Mary Bono as well as California State Senate President John Burton have recognized the maximum competitive benefits, including low fares, and the increased competition that low-fare DCA nonstop service to Los Angeles, San Francisco and Chicago Midway would provide. In supporting ATA's integrated proposal to Los Angeles, San Francisco and Chicago Midway, Senator Bayh recites a broad array of competitive and consumer benefits ATA would introduce -- “. . . well-timed B-757 service . . .,” “ATA's ability to penetrate markets long dominated by the established carriers . . .” and how “[u]ltimately, as it should be, the American consumer would be the major beneficiary.” Senator Bayh's view is echoed by Congresswoman Nancy Pelosi who supports “. . . low-fare airlines to complement the range of air travel choices to [LAX and SFO] and specifically notes that one “low-fare entrant in these markets could offer consumer savings of up to \$64 million a year.” Similar views are expressed by a number of members of the Los Angeles Congressional Delegation who are particularly seeking “. . . low cost air passenger service between Washington's Reagan National Airport (DCA) and Los Angeles International Airport (LAX) . . .” The Los Angeles Congressional Delegation points to “. . . ATA's . . . low fare service for over twenty years . . .,” “. . . ATA's very low operating costs . . .,” ATA's proposal to use “. . . modern, quiet B-757 aircraft . . .” and how “[t]he selection of a low-fare carrier such as ATA for these markets could bring significant new competition . . .” Congressman Becerra from the 30th District of California also underscores the importance of “ATA's demonstrated record as a low-fare carrier [which] would inject significant new competition . . .” and concludes that “. . . awarding ATA

the right to operate DCA-LAX nonstop service will not only benefit consumers and business travelers in the Los Angeles area, but scores of air travelers up and down the West Coast.”

In supporting ATA’s DCA-Chicago Midway nonstop service, Senator Durbin of Illinois refers to “ATA’s record . . .”of offering “. . . low-fare nonstop service to approximately 30 cities from [ATA’s] main hub at Chicago, Illinois Midway . . .,”ATA’s proposal to “. . . offer low fares with very few restrictions . . .” and how ATA’s Chicago Midway proposal “. . . would save consumers more than \$34 million annually . . .”

This welcome support for which ATA is indeed appreciative brings into focus the many compelling competitive and consumer benefits which ATA addresses in more detail in the ensuing sections.

A. **ATA’s Integrated Schedule Proposal**

ATA’s integrated California and Midway nonstop proposal -- which would require six DCA slots within-the-perimeter and four DCA slots outside of the perimeter -- will offer west-bound nonstop and one-stop single-plane departures from DCA throughout the day -- at 0635, 1155, 1420, 1600, 1720 and 1835 hrs. *Exb. 5.* The 0635 and 1835 hrs. departures continue beyond Midway to Los Angeles offering both an earlier and later option to ATA’s 1420 hrs. nonstop departure for Los Angeles. ATA’s 1155 hrs. departure continues beyond Midway to San Francisco complementing ATA’s 1720 hrs. nonstop departure to San Francisco. ATA’s 1155 hrs. departure to Midway will also provide a well-timed connection to ATA’s 1420 hrs. nonstop Midway departure for Los Angeles. Similarly, ATA’s 0635 and 1835 hrs. nonstop departures for Midway will provide conveniently-timed connections to other ATA Midway-Los Angeles nonstop flights. ATA’s Los Angeles and San Francisco flights will also offer passengers on-line connections to both Honolulu and Maui. *Exb. 10.* The overall service benefits of

ATA's integrated westbound proposal would be: (1) four DCA-Midway nonstop flights; (2) one nonstop, two one-stop and one connecting flight in the DCA-Los Angeles market; and (3) one nonstop, one one-stop and two connecting flights in the DCA-San Francisco market. *Exbs. 5 and 8.*

In the eastbound direction, ATA's comprehensive California and Midway proposal will offer convenient departures from Los Angeles at 0655 (one-stop via Midway), 0955 (nonstop to DCA), 1200 (connection via Midway) and 2355 hrs. (one-stop via Midway). *Exb. 6.* From San Francisco, passengers may choose from an 0700 hrs. nonstop departure to DCA or a 1220 hrs. one-stop departure to DCA via Midway. The significant service benefits of ATA's eastbound proposal consist of: (1) four Midway-DCA nonstop flights; (2) one nonstop, two one-stop departures to DCA via Midway and one connection via Midway in the DCA-Los Angeles market; and (3) one nonstop and one one-stop departure to DCA via Midway in the San Francisco-DCA market. *Exbs. 6 and 9.*

B. ATA's Midway-Only Proposal

ATA's Midway-only proposal -- which would require six DCA slots within-the-perimeter⁴ -- would offer four nonstop flights⁴ in each direction with convenient westbound departures at 0635, 1155, 1420 and 1835 hrs. and eastbound departures from Midway at 0715, 1025, 1335 and 1735 hrs. *Exbs. 11 and 12.* Two of the departures would continue in the westbound direction to Los Angeles while two of the eastbound departures would originate in Los Angeles. In the San Francisco-DCA market, ATA would offer one one-stop departure (via Midway) in both directions.

C. **ATA's Service Is Synonymous With The Maximum Competitive Benefits And Maximum Use Of Each Slot**

All of ATA's flights under either of its proposals would be operated with B-757 aircraft configured with 216 seats. This seating configuration with which ATA has had dramatic success in the comparable slot-restricted New York LaGuardia-Midway and, on a one-stop basis, New York LaGuardia-Los Angeles and San Francisco markets will provide a greater number of seats per slot than offered by any other carrier. *Exb. 18, 21-22 and 29.* In conjunction with ATA's low fares, ATA's B-757 seating configuration will also result in ATA carrying a greater number of passengers per flight than any of the other likely DCA applicant carriers. *Exbs. 26-28.* The carriage of the greatest number of passengers per flight combined with ATA's low fares will convenience 707,000 passengers under ATA's integrated California and Midway proposal and 497,000 passengers under ATA's Midway-only proposal. *Exbs. 47 and 48.*

	<u>California and Midway Proposal</u>	<u>Midway-Only Proposal</u>
DCA-Midway	410,000	398,000
- Los Angeles	164,000	53,000
- San Francisco	118,000	31,000
- Other⁵	<u>15,000</u>	<u>15,000</u>
	707,000 passengers	497,000 passengers

The consumer fare savings ATA's two proposals would generate are \$64 million and \$34 million, respectively. *Exbs. 49 and 50.* Whatever measure the Department may choose to use -- the number of nonstop markets receiving the first nonstop service, the number of forecast passengers, the greatest competitive impact resulting from an applicant's service and low fares or the

⁴ ATA already has long-term access to two DCA slots which, in conjunction with the six additive slots ATA now seeks, would allow ATA to operate four roundtrip flights.

⁵ The "other" markets consist of Dallas/Ft. Worth, Denver, Honolulu, Maui, Las Vegas, Phoenix, Seattle, Lansing, Des Moines, Madison, Milwaukee, Minneapolis, and Grand Rapids.

consumer fare savings likely to be generated, both of ATA's proposals will irrefutably produce the maximum competitive and consumer benefits.

D. **ATA's Highly Successful Track Record**

ATA can comfortably make the above predictions on the basis of its LaGuardia-Midway and LaGuardia-Los Angeles/San Francisco track record. *Exbs. 18, 20-25.* After just eighteen months and in spite of being limited to just three daily LaGuardia-Midway roundtrip flights, ATA now carries more passengers per LaGuardia flight than any other carrier (*Exb. 21*), has introduced LaGuardia-Midway fares which average 49% lower than American's and United's LaGuardia-O'Hare fares (*Exbs. 19 and 35*) and 60% lower than these same two carriers' LaGuardia-Los Angeles/San Francisco fares. *Exbs. 25 and 26.* The combination of ATA's 216 seat B-757 service and its low fares has vaulted ATA into the number two position in the LaGuardia-Los Angeles market even though American and United offer hourly LaGuardia-O'Hare service with multiple connections to Los Angeles. *Exb. 21.*

ATA's low fares are not limited to slot restricted markets; rather ATA's commercial policy is to offer those fares throughout its system because ATA firmly believe that such fares will lead to ATA garnering the greatest market share on a profitable basis. Relevant examples of other markets in which ATA, although a relatively recent entrant, successfully competes at Midway against American and United's O'Hare services include: Chicago-Los Angeles where ATA's average fares are 40% lower (*Exb. 16*); Chicago-San Francisco where ATA's average fares are 50% lower (*Exb. 17*); and Chicago-Dallas/Ft. Worth where ATA's average fares are 50% lower than American's.⁶ *Exb. 14.* To assist the Department in understanding why ATA's

⁶ American also competes with ATA in the Midway-Dallas/Ft. Worth market where ATA's fares still average 30% less than the Midway fares American offers. *Exb. 15.*

fares average so much less than those of the incumbent carriers, ATA presents a current comparative DCA-Chicago fare menu in the next section. ATA also addresses its unit costs which are lower than those of any U.S. scheduled carrier and which uniquely position ATA to offer such fares on a sustained basis.

III. **ATA's CURRENT DCA-MIDWAY FARES VIVIDLY DEMONSTRATE THE REASONS WHY ITS FARES ARE DRAMATICALLY LOWER THAN THOSE OFFERED BY CARRIERS SUCH AS AMERICAN AND UNITED.**

ATA's fares average far less than those offered by carriers such as American and United because ATA's fares are virtually restriction free. For example, even though American and United routinely publish fares in, for example, the DCA-O'Hare market which are identical in amount to the same fares offered by ATA, the substantial majority of ATA's passengers purchase fares in the lower categories. However, in the case of American and United, a vastly smaller proportion of their passengers purchase fares in the lower categories. ATA's far lower average fare is a direct result of fare-conscious passengers avoiding American's and United's thicket of fare restrictions. These restrictions are imposed for the purpose of forcing passengers into higher fare categories, an objective which American's and United's average fares clearly indicate these carriers have successfully accomplished. American's and United's fare restrictions include flight-specific fares, roundtrip purchase requirements, seven to twenty-one day advance purchase requirements and Saturday night stay requirements -- and almost certainly tighter capacity controls. The illustration set forth below highlights the differences between ATA's restriction-free one-way fares and the restriction-laden American and United fares.

<u>ATA</u>		<u>AA</u>		<u>UA</u>	
<u>DCA-MDW</u>		<u>DCA-ORD</u>		<u>DCA-ORD</u>	
<u>Fare</u>		<u>Fare</u>		<u>Fare</u>	
QA3NR * ¹⁾	89	NSE14SPN ²⁾⁵⁾⁶⁾⁷⁾⁹⁾	89	WE14PNQ ²⁾⁵⁾⁶⁾	89
KA3NR * ¹⁾	104	NEB14QNR ²⁾⁵⁾⁶⁾⁷⁾	89	WE21NFDX ¹⁾³⁾⁵⁾⁶⁾	104
BA3NR * ¹⁾	125	NE21FSPN ¹⁾³⁾⁵⁾⁶⁾	89	VE21NFSDX ¹⁾³⁾⁵⁾⁶⁾	104
MNR *	154	NE14FSPN ²⁾³⁾⁵⁾⁶⁾	89	VE14NFDX ²⁾³⁾⁵⁾⁶⁾	104
LNR *	204	VE21FSPN ¹⁾³⁾⁵⁾⁶⁾	104	V14NFSDX ²⁾³⁾⁵⁾⁶⁾	104
HTZ	236	VE14FSPN ²⁾³⁾⁵⁾⁶⁾	104	VE7NFSDX ³⁾⁴⁾⁵⁾⁶⁾	159
YTZ	299	NR21FSPN ¹⁾³⁾⁶⁾	104	HOE21NQ ¹⁾⁵⁾⁶⁾⁸⁾	177
		NE7FSPN ³⁾⁴⁾⁵⁾⁶⁾	154	HE21NQ ¹⁾⁵⁾⁶⁾	197
		QE21SNR ¹⁾⁵⁾⁶⁾⁸⁾	177	H14N1FSD ²⁾³⁾⁶⁾	204
		Q21ENR ¹⁾⁵⁾⁶⁾	192	MOE14NQ ²⁾⁵⁾⁶⁾⁸⁾	232
		VE14FS1N ²⁾³⁾⁵⁾⁶⁾	204	ME14NQ ²⁾⁵⁾⁶⁾	251.5
		ME14SNR ²⁾⁵⁾⁶⁾⁸⁾	232	ME7NQ ⁴⁾⁵⁾⁶⁾	356.5
		ME14ENR ²⁾⁵⁾⁶⁾	251.5	BUABIZ1D	589
		HE21NR ¹⁾⁵⁾⁶⁾	305.5	BUABIZ1	595
		HE7NR ⁴⁾⁵⁾⁶⁾	366.5	YUA	692
		Y26	589		

ATA Fare Restrictions

*NR = Nonrefundable
¹⁾ 3 day advance purchase

AA and UA Restrictions

All fares are nonrefundable except Y26, BUABIZ and YUA
¹⁾ 21 day advance purchase
²⁾ 14 day advance purchase
³⁾ Flight specific (available only at certain hours)
⁴⁾ 7 day advance purchase
⁵⁾ Saturday night stay
⁶⁾ Roundtrip only purchase
⁷⁾ Travel must be completed by June 30
⁸⁾ Off-Peak = Mon. noon - Thurs. midnight and Saturday
⁹⁾ Off-Peak = Tues. and Wed.

SOURCE: SABRE, April 26, 2000

This dizzying array of fare categories and fare restrictions means that a \$89 fare passenger on ATA could purchase his or her ticket on a one-way basis just three days in advance and would only have to contend with a non-refundability restriction. However, to be eligible to purchase the same \$89 ticket on either American or United, the passenger, in addition to a non-refundability restriction, would have to contend at a minimum with:

- A roundtrip only purchase

- A fourteen or twenty-one day advance purchase
- A Saturday night stay

The differential in the case of the passenger deciding to travel on less than seven days notice is even more dramatic with the lowest American or United fare being \$589 -- six times ATA's three-day advance purchase fare and almost four times ATA's \$154 walk-up fare. It is the absence of these layers of restrictions which allows consumers to reap the benefits of ATA's low fares, produces enormous consumer fare savings and helps ATA rapidly gain a positive market share well in excess of its seat share in most of ATA's markets.

The acid test of the substantial consumer and competitive benefits offered by ATA is, of course, the number of passengers ATA carries at its low fares. ATA is proud to report that its low fare DCA-Midway service, started less than four weeks ago, has exceeded expectations and attracted not only substantial numbers of DCA-Midway passengers, but also as many as eighty passengers destined for California on certain flights. With DCA-O'Hare yields exceeding even those in the LaGuardia-O'Hare market (*Exbs. 34-35*), ATA's low fare service is unquestionably working in the DCA-Midway market and the Department should permit ATA to extend its same low fares service benefits on a nonstop basis to both the Los Angeles and San Francisco markets.

The bedrock on which ATA's low fares rest is ATA's low unit costs -- the lowest per ASM costs of any U.S. scheduled carrier. The graphic illustration in Exhibit 33 compares ATA's unit cost per ASM to those of every other U.S. scheduled carrier, including every likely DCA applicant carrier in this proceeding. ATA's low costs are what allows ATA to offer extremely low fares on a sustained basis and also uniquely positions ATA to generate unmatched consumer and competitive benefits.

IV. **ATA IS UNIQUELY POSITIONED TO COMPETE AGAINST AMERICAN'S AND UNITED'S ENTRENCHED POSITIONS IN THE WASHINGTON-LOS ANGELES/SAN FRANCISCO MARKETS.**

ATA's low fares, low costs, B-757 aircraft and successful track record against both American and United combine to position ATA as the best new entrant carrier likely to penetrate successfully the Washington-Los Angeles and Washington-San Francisco markets. The Washington-Los Angeles and Washington-San Francisco markets currently suffer from yields even higher than the yields in the comparable LaGuardia-California markets -- a condition which is almost certainly attributable to the fare policies of American and United which control more than 80% of each of these markets. *Exbs. 37-40.* American and United presently offer twelve daily nonstop roundtrip flights in the Washington Dulles-Los Angeles market and nine daily roundtrip nonstop flights in the Washington-San Francisco market.

The selection of ATA to offer one nonstop roundtrip each to Los Angeles and San Francisco would provide a powerful and sorely needed competitive stimulus to the traditional high fare service currently available in those markets. In the DCA-San Francisco market, ATA's low fare proposal to offer nonstop service is likely to be the only nonstop proposal in that market. Notably, the San Francisco-DCA market is also the second largest DCA market, with Los Angeles being the largest, without nonstop service. Once again, a comparison of comparable LaGuardia-Los Angeles/San Francisco fares shows that ATA is the lowest fare carrier in these two markets (*Exb. 25*) and that ATA's fares in those markets average 60% less than those offered by American and United. (*Exb. 36*). There is every reason to believe that ATA can and will -- if granted the DCA-San Francisco slots it seeks -- quickly establish a sizable market presence and generate more than \$64 million in consumer fare savings it forecasts. *Exbs. 49-50.*

V. **ATA'S LOW FARE NONSTOP SERVICE TO LOS ANGELES AND SAN FRANCISCO WOULD PROVIDE SIGNIFICANT DOMESTIC NETWORK BENEFITS TO HAWAII AS WELL AS TO NUMEROUS CITIES THROUGHOUT THE WEST COAST.**

The combination of nonstop, one-stop and connecting services ATA is proposing for both Los Angeles and San Francisco and ATA's substantially lower fares will position ATA to offer important new domestic network benefits to Hawaiian passengers as well as passengers traveling throughout the West Coast.

A. **Hawaii**

ATA particularly appreciates the recognition by Mr. Edward Hogan, the CEO of Pleasant Hawaiian Holidays, the largest U.S. consolidator and tour wholesaler for travel to Hawaii, that ATA's proposed DCA-Los Angeles and San Francisco nonstop flights would also provide valuable low-fare on-line connecting service for DCA-Hawaii passengers. This important opportunity to link ATA's proposed DCA-California service with ATA's major presence in the West Coast-Hawaii market would directly benefit East Coast-Hawaii travelers. ATA currently offers nonstop flights to both Honolulu and Maui from Los Angeles, Phoenix and San Francisco. During last summer's peak season, ATA carried more than 1,400 daily passengers between the West Coast and both Honolulu and Maui. *Exb. 10.* By allowing ATA to operate nonstop service to Los Angeles and San Francisco, ATA would be in a position to not only offer Washington area-Hawaii passengers improved on-line connections at lower fares, but ATA would also continue its well-received policy of allowing its Hawaiian passengers to enjoy free stopovers at any city on ATA's system including Los Angeles and San Francisco. American and United, in comparison, do not offer unrestricted Washington area-Honolulu fares at the same level ATA charges

and American and United also impose stopover charges on their Mainland-Hawaii passengers. Sabre.

B. Other West Coast Cities

The extremely low unrestricted DCA-Los Angeles and DCA-San Francisco fares ATA would offer -- walk-up fares of just \$199 to \$562 -- will allow ATA to offer DCA passengers interline connections between the Los Angeles and San Francisco gateways and virtually any West Coast city at combined fares significantly below the fares charged by American and United for their on-line connections.

The examples set forth below are illustrative of the substantial fare savings a passenger traveling from DCA to San Diego or San Jose would enjoy by traveling to Los Angeles on ATA and then making an interline connection to any of these other California cities:

	<u>DCA-San Diego</u>		<u>DCA-San Jose</u>	
	<u>ATA Plus Interline Connection</u>	<u>American</u>	<u>ATA Plus Interline Connection</u>	<u>American</u>
Lowest Fare if Purchased:				
Fewer than 21 days in advance	\$282	\$427	\$255	\$458.50
Fewer than 14 days in advance	\$341	\$670	\$255	\$728
Fewer than 7 days in advance	\$696	\$1,049	\$711	\$1,129
Fewer than 3 days in advance	\$696	\$1,149	\$711	\$1,229

NOTE: The advance purchase requirement for the ATA Plus Interline Connection columns results strictly from the advance purchase restrictions imposed by the interline carrier

SOURCE: Sabre, April 26, 2000

The fare savings from traveling on ATA in conjunction with an interline connection in comparison with on-line travel on American would range from 34 to 50 percent in the DCA-San Diego market and from 44 to 65 percent in the DCA-San Jose market.

The fare savings these Hawaii and West Coast passengers would enjoy are extremely important domestic network benefits and ones to which the Department should assign a priority. Even though carriers such as American and United can undoubtedly list a larger number of West Coast cities to which they may offer on-line connecting service, allocating DCA slots to such carriers on the basis of a longer list of on-line cities -- in spite of walk-up fares 4 to 6 times higher than those offered by ATA -- would deprive consumers of the very essence of meaningful new competition. That simply cannot be what the drafters of Air-21 meant when they also said that the beyond-the-perimeter slots are to be allocated so that they “. . . increase competition by new entrant carriers or in multiple markets.” § 41718(a)(2) Granting further slots to carriers which already dominate 80% of the DCA-Los Angeles market would be the antithesis of Air-21’s statutory directive to “increase competition.” Granting such slots to ATA, on the other hand, would produce significantly increased competitive and consumer benefits which ATA has proven time and again it will offer and is uniquely positioned to sustain.

VI. THE OUTCOME OF THIS PROCEEDING WILL ALSO DETERMINE WHETHER ATA CAN EVEN REMAIN – MUCH LESS INCREASE – ITS PRESENCE AT DCA

The Department’s decision in this proceeding will almost certainly have a greater impact on ATA than on any other applicant carrier. That outcome will determine not only whether ATA may increase its presence at DCA, but indeed whether ATA can even continue its presence at all. For years, ATA has tried to acquire -- by purchase, lease or otherwise -- a sufficient number of slots at DCA to provide nonstop service to its primary hub at Midway. It was only within the

past few weeks that ATA has been able to realize its long-sought objective of bringing its low fare service to passengers for whom DCA is the Washington area airport of choice. On April 3, 2000, ATA commenced three daily nonstop roundtrips between DCA and Midway with 216 seat B-757 aircraft. Those flights currently continue on a single-plane basis beyond Midway to Los Angeles and San Francisco. ATA was obliged to enter into costly, short-term leases to obtain these slots -- leases which ATA expects are unlikely to be renewed after October. *Exb. 2.* Indeed, there is also some uncertainty whether even the fifth of ATA's DCA slots will continue to be available at a commercially usable hour. The net effect is that, unless ATA receives at least four of the six within-the-perimeter slots it is now requesting, ATA will be forced to discontinue all service to DCA. ATA's investment in initiating such service would be lost -- as will be the extremely attractive low fares which ATA now offers to Midway as well as numerous beyond cities including Los Angeles and San Francisco.

With ATA's very presence at DCA hanging in the balance, no other DCA applicant carrier can match anywhere near ". . . the maximum competitive benefits including low fares . . ." (*Air-21, § 41718(b)(5)*) or show that its proposal will ". . . increase competition by new entrant carriers in multiple markets . . ." (*Air-21, § 41718(a)(2)*) to the same degree as ATA. Simply put, granting ATA's application for at least the within-the-perimeter Midway slots ATA seeks will not only allow ATA to increase its DCA-Midway nonstop frequencies from one to four daily roundtrips, but it also assures that ATA can and will maintain its DCA presence -- currently at three daily roundtrips. The difference between success and ATA being compelled to abandon DCA is therefore four daily roundtrips. It is also the difference between whether ATA can offer its well-received DCA low fare service not only to Midway, but to many beyond Midway cities including Los Angeles and San Francisco. The "maximum competitive benefits, including low

fare service” flowing from the difference between four daily roundtrips and no Midway service at all are surely greater than those which any other DCA applicant is likely to demonstrate.⁷

VII. ATA’S PROPOSALS WILL BOTH INCREASE TRAVEL OPTIONS AND REDUCE TRAVEL DELAYS; ATA’S PROPOSALS WILL ALSO STIMULATE EMPLOYMENT

Both of ATA’s service proposals and, most certainly, ATA’s integrated proposal including the first nonstop service to both Los Angeles and San Francisco, will more than satisfy the last two selection criteria for beyond-the-perimeter slots -- slots awarded should “. . . not reduce travel options for communities served by small hub airports and medium hub airports within the perimeter . . .” and should “. . . not result in meaningful increased travel delays.” Air-21, §§ 41718(a)(3) and (4). These proposals would additionally increase ATA’s employment rolls at, *inter alia*, DCA, Chicago Midway, Los Angeles and San Francisco by well over 150 jobs in addition to the enormous employment increase Boeing, GE and their many suppliers will experience as a direct result of ATA’s \$2 billion aircraft commitment.

ATA’s proposed nonstop service to Los Angeles and San Francisco will not reduce travel options for any other communities. ATA will not reduce service to DCA from any airport within the 1,250 mile perimeter should this application receive the Department’s approval. Indeed, the result would likely be just the opposite as ATA continues its search for additional slots to expand service between DCA and other communities within the perimeter. That search would only

⁷ ATA’s proposals will also effectively provide the first nonstop service to a new “community,” namely the rapidly growing community of users who prefer Midway Airport. Providing the first nonstop service to this burgeoning community of users favoring low fares also satisfies the alternative Air-21 selection criterion favoring nonstop service “. . . to communities without existing nonstop air transportation to Ronald Reagan Washington National Airport.” *Air-21*, §41718(b)(2). Chicago’s rapidly growing Midway Airport has become the Chicago Airport for fare conscious travelers in addition to being considerably more convenient for a large number of Illinois communities south and east of Chicago as well as all of northern and central Indiana. *Exb. 41*. Most of the Midway Airport “community” extending from Chicago’s Loop to central Indiana would certainly consider ATA’s Midway-

become easier if ATA's presence at Midway were enhanced as a result of ATA being permitted to serve the DCA-Los Angeles and DCA-San Francisco marquis routes in conjunction with ATA's single-plane service via Midway to both West Coast cities.

ATA's proposed service will also reduce rather than increase travel delays. ATA's non-stop, one-stop and connecting flights to Los Angeles and San Francisco should reduce travel time to the West Coast for tens of thousands of passengers every month. Eighty-five percent of all Washington area passengers traveling to Los Angeles and San Francisco currently resort to either Washington Dulles or Baltimore-Washington International Airport. *Exhs. 45-46.* ATA's low fare service in the DCA-Los Angeles/San Francisco markets will most assuredly be more convenient for the populous areas located within the District of Columbia as well as Montgomery County, Arlington County, Alexandria and many areas east and south of the District of Columbia. The slots requested by ATA for its nonstop services will have little or no impact on congestion at DCA and will certainly not adversely impact the National Air Transportation System. In fact, Congress' limitation on the number of slots that can be awarded during any one hour period virtually assures that the effect on airfield congestion will be *de minimis*.

Air-21 also states that the Department "may consider, among other determining factors, whether the petitioning air carrier's proposal provides the maximum benefit to the United States economy, including the number of United States jobs created by the air carrier, its suppliers, and related activities." § 41715(C)(1). ATA's proposals involving the first DCA nonstop service to Midway, Los Angeles and California would increase ATA's employee headcount by at least 150 jobs in the short term. In conjunction with ATA's just-announced more than \$2 billion commitment for forty-seven B-757-300 and B-737-800 Boeing aircraft and the central role that ATA's

DCA low fare service as separate and distinct from the high fare DCA services American and United currently offered to O'Hare.

DCA entry would have on the deployment of these aircraft, there are almost certainly several thousand new jobs either directly or indirectly tied to ATA's comprehensive low fare proposals. It is rather unlikely that any other such DCA slot applicant could demonstrate comparable employment increases.

VIII. CONCLUSION

ATA can confidently state that no other DCA slot applicant with a record for successfully penetrating slot-restricted and other markets dominated by the established carriers is likely to propose service with anywhere near what ATA will and can offer in terms of the service benefits, low fares and consumer savings. Nor has there been a proceeding in ATA's history as important to ATA as this opportunity for the Department to decide which markets and which carriers will most effectively use these few new DCA slots to generate competition and consumer benefits on a sustained basis. The Los Angeles, San Francisco and Chicago Midway markets should be at the top of the list of markets most deserving of new DCA nonstop service and ATA is singularly qualified to best fulfill Congress' objective of maximizing competition with low fare service.

Respectfully submitted,

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