

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

Application of :
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 :
 DELTA AIR LINES, INC. : Docket OST-00-7181
 :
 :
 for "beyond perimeter" slot exemptions :
 pursuant to 49 U.S.C. § 41718 :
 Washington, D.C. (DCA)-Salt Lake City, Utah :
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ANSWER OF
CONTINENTAL AIRLINES, INC.

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February 7, 2001

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Just six months ago, the Department rejected Delta's¹ application for a beyond-perimeter slot exemption to operate nonstop service between Ronald Reagan Washington National Airport ("Washington Reagan") and Salt Lake City in favor of Washington Reagan-Los Angeles nonstop service operated by an airline with a far smaller presence at Washington Reagan. Now, Delta asks the Department to terminate nonstop Washington Reagan-Los Angeles service and authorize the very nonstop Salt Lake City service the Department just rejected. Rather than terminating nonstop Washington Reagan-Los Angeles service and the benefits it has brought to both Washington and Southern California, the Department should

¹ Common names are used for airlines.

grant Continental's application to provide nonstop Washington Reagan-Los Angeles service. Since Continental's proposal to replace TWA's service when TWA terminates service will provide even more public benefits than the TWA service which was selected over Delta's Salt Lake City service before, the Department should deny Delta's application.

In support of its position, Continental states as follows:

1. Unlike Delta, Continental has a small presence at Washington Reagan. Enabling Continental to provide daily nonstop service between Washington Reagan and Los Angeles will expand that small presence, enhance competition for Washington-Los Angeles traffic and provide on-line connecting benefits between Los Angeles and even more California cities than TWA offers. Granting Continental slot exemptions to institute nonstop service between Washington Reagan and Los Angeles would enhance Continental's ability to compete with the largest carriers at Washington Reagan (American, Delta and US Airways) and with the largest carriers at Los Angeles (American and United).² Continental proposes to continue the same service now provided by TWA, and only Continental can provide the same benefits that compelled the Department to select TWA for Washington Reagan-Los Angeles service just seven months ago. To ensure continuous service on the Washington Reagan-Los Angeles route without

² American, Delta and US Airways together control 74% of the slots at Washington Reagan today, and American and United together carry 80% of the Washington, D.C.-Los Angeles passengers. (Order 2000-7-1 at 23)

interruption, Continental agrees with Delta that a proceeding to reallocate TWA's slots should be expedited.

2. The Department rejected Delta's Washington Reagan-Salt Lake City proposal and awarded TWA two slot exemptions for Washington Reagan-Los Angeles service seven months ago to expand "service opportunities for a carrier with a relatively limited presence at DCA." (Order 2000-7-1 at 23) The Department said then that "it would undermine the otherwise pro-competitive intent of § 41718 were we to make available the limited pool of slot exemptions to carriers that have relatively large operations at DCA." (Order 2000-17-1 at 23) At that time, Delta was operating 95 slots at Washington Reagan, and Delta now operates 112 Washington Reagan slots. (See FAA Slot Statistics, dated January 9, 2001) Awarding Delta the two slot exemptions TWA plans to abandon would not further the "statutory intent" in 49 U.S.C. § 41718 of "increasing competition." (Order 2000-7-1 at 20) Delta itself recognized the principle that the public interest is benefited by awarding authority to carriers seeking to compete with major incumbents when it argued that "United is the least deserving of any applicant [because it] is one of the two dominant U.S.-flag incumbent carriers. . . . The public interest demands that United receive more . . . competition in this proceeding, not more . . . authority." (Brief of Delta in the 1999 U.S.-Argentina Combination Service Proceeding, Docket OST-99-6210, filed March 6, 2000, at 6-7, emphasis in original) The Department agreed and awarded authority to Delta and Continental, rejecting United's application in light of its "large number of

frequencies . . . and its significant presence in the market.” (Order 2001-1-14 at 8)

Delta needs more competition, not more slots, at Washington Reagan.

3. Delta’s January 29, 2001 application relies on the same arguments and same support the Department previously found unpersuasive. Delta’s resubmitted Salt Lake City proposal would provide new one-stop service to seven fewer cities than Delta’s rejected application proposed. (Compare January 29, 2001 application at 6 with Delta’s March 22, 2000 application at 11) When the Department rejected Delta’s previous Salt Lake City proposal, it concluded that “the competitive significance of” Delta’s application “is limited by the fact that many of the passengers for which [it] would provide new single-connecting service are already served . . . over alternate inside-perimeter hubs.” (Order 2000-7-1 at 23) As TWA showed in the last proceeding, the network benefits of Delta’s Salt Lake City proposal are modest by any measure: Delta’s previous broader proposal would have brought new online onestop service to only 16,690 annual O&D passengers. (TWA Comments in Docket OST-00-7181, filed May 22, 2000, at 15) The Department has already rejected Delta’s claim that its proposal would “excel in terms of the two critical objectives identified by Congress when it enacted Air-21 – maximizing ‘domestic network benefits’ and enhancing ‘competition in multiple markets’” once, and it should do so again. (Delta Application at 3)

4. Similarly, there is no merit in Delta’s contention that its January 29 application should be granted because Salt Lake City is a major hub for Delta that is outside the perimeter and, thus, cannot be linked directly with Washington

Reagan. (See Delta Application at 3-4, 8) The Department rejected the same argument in the last Washington Reagan slot proceeding, finding it outweighed by the fact that “Delta now serves on a single-connection basis via its principal inside the perimeter hubs many of the same cities it would serve via Salt Lake City.”

(Order 2000-7-1 at 23) Salt Lake City’s population is only 13.5% of the Los Angeles population, and the number of Salt Lake City-Washington O&D passengers is only 23% of the Washington–Los Angeles O&D passengers. (TWA Comments, filed May 22, 2000, at 3) Delta already offers two daily nonstop Dulles International Airport-Salt Lake City flights as well as connecting flights via Atlanta and Cincinnati. If Delta really believed service between the Washington area and its Salt Lake City hub were critical, it would also offer one-stop service between Washington Reagan and its Salt Lake City hub and nonstop Baltimore Washington International-Salt Lake City service. Additional Delta service would not enhance competition since Delta today offers the only nonstop Washington-Salt Lake City service.³ In sharp contrast, Continental would be a new entrant on the Washington-Los Angeles nonstop route and provide new competition for both American and United, which now dominate Washington-Los Angeles service.

³ Southwest Airlines does offer nonstop BWI-Salt Lake City service.

For the foregoing reasons, the Department should deny Delta's application and award two slot exemptions to Continental so it can continue providing the Washington Reagan-Los Angeles service TWA plans to abandon.

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CERTIFICATE OF SERVICE

I certify that I have this date served a copy of the foregoing document on counsel for Delta and all persons named on the attached service list in accordance with the Department's Rules of Practice.

/s/ Lorraine B. Halloway

Lorraine B. Halloway

February 7, 2001

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