

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

Application of	:	
	:	
AMERICAN AIRLINES, INC.	:	Docket OST-00-7181
	:	
under 49 USC 41718 for 2 beyond-perimeter	:	
Ronald Reagan Washington National Airport	:	
exemption slots for nonstop service to	:	
Los Angeles	:	

ANSWER OF
CONTINENTAL AIRLINES, INC.

Continental¹ and American agree that the nonstop Washington Reagan-Los Angeles service begun by TWA should continue when TWA discontinues serving the route itself. Just last year, however, the Department denied American's application for Washington Reagan-Los Angeles authority for precisely the same reasons it should now grant Continental's application for a Washington Reagan-Los Angeles exemption rather than American's application.

¹ Common names are used for airlines.

Continental opposes American's application as follows:

1. Both Continental and American have demonstrated that awarding authority to continue nonstop Washington Reagan-Los Angeles service would provide compelling public benefits. Los Angeles is by far the largest city outside the perimeter for Washington Reagan, and far more passengers travel the Washington-Los Angeles route than any other beyond-perimeter route. Even Delta, which has applied for a Washington Reagan-Salt Lake City perimeter exemption, recognized the importance of Los Angeles when it said that if the perimeter rule were lifted at LaGuardia it would provide "at least three daily nonstop flights to Los Angeles" which would "produce service and competitive benefits that are equal to or greater than America West's proposal" for Phoenix and Las Vegas service because "Los Angeles produces more longhaul O&D traffic to New York than any other city located outside the perimeter."² The same can be said for Los Angeles-Washington. The decision to continue nonstop Washington Reagan-Los Angeles service should be easy. The decision to select Continental to replace TWA should be equally easy.

2. Unlike American, 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

² See Delta's February 16, 2001, Answer to America West's application in Docket OST-2000-7176 at 5.

benefits between Los Angeles and 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).³ 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 last July. To ensure continuous service on the Washington Reagan-Los Angeles route without interruption, Continental agrees with American and Delta that a proceeding to reallocate TWA's slots should be expedited.

3. The Department rejected American's Washington Reagan-Los Angeles 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,

³ American, Delta and US Airways together control approximately 75% of the slots at Washington Reagan today (ATA Slot Statistics Report, January 22, 2001), and American and United together carry 80% of the Washington, D.C.-Los Angeles passengers. (Order 2000-7-1 at 23)

American was operating 63 daily slots at Washington Reagan, and American and American Eagle now operate 100 Washington Reagan slots. (See ATA Slot Statistics Report, January 22, 2001) If American succeeds in acquiring TWA, it would hold a total of 13 slots at Washington Reagan. Although American's plan to acquire DC Air and slots and gates at Washington Reagan as well as forming a joint venture with United to split the shuttle flights without competing on shuttle prices with United should be disapproved, if even part of that plan were approved American would so dominate Washington Reagan that the Department should not even consider awarding any slot exemptions to American at Washington Reagan. Clearly, awarding American 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)

4. American's February 12, 2001, application relies on the same arguments and same support the Department previously found unpersuasive. When the Department rejected American's previous Los Angeles proposal, it concluded that "the competitive significance of" American'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" and the fact that American was already a "major operator" at Washington Reagan. (Order 2000-7-1 at 23, 22)

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

Respectfully submitted,

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February 22, 2001

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CERTIFICATE OF SERVICE

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

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February 22, 2001

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