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March 6, 1998

BY HAND

Mr. Paul Gretch
Director
Office of International Aviation
U.S. Department of Transportation
Room 6402
400 Seventh Street, S.W.
Washington, D.C. 20590

Re: Application of Air Canada for Statement of Authorization

Dear Mr. Gretch:

Pursuant to 14 CFR Part 212.4, Air Canada applies for a statement of authorization so that Air Canada may display the Lufthansa "LH" airline designator code on Air Canada flights operated between points in Canada and points in the United States.

At present, Lufthansa offers service from Germany to Calgary, Vancouver, Montreal, and Toronto. Under this arrangement, Lufthansa would hold out service to points in the United States beyond those Canadian cities by placing its LH designator code on transborder services currently operated by Air Canada, or on services which Air Canada may in the future introduce. Lufthansa would not be holding out Fifth Freedom services on the local U.S.-Canada segments.

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Approval of this statement of authorization would be fully consistent with the public interest, and authorized under applicable bilateral air service agreements. As you know, the 1995 U.S.-Canada Open Skies Agreement authorizes Air Canada to offer scheduled service between "any point or points in the United States and any point or points in Canada." See, Air Transport Agreement Between the Government of the United States of America and the Government of Canada, Annex 1, Section 1. Air Canada has held unrestricted transborder exemption authority since 1995, and needs no additional economic authority from DOT. See, e.g., Notice of Action Taken, December 5, 1997, Docket OST-96-1205 (renewing Open Skies exemption).

The U.S.-Canada Air Service Agreement, as recently amended, authorizes Air Canada to code-share with any carrier of a third country, provided that "such third country authorizes or allows comparable arrangements," and all airlines in such arrangement "hold the appropriate authority." See, Agreed Minute signed by the Government of the United States and the Government of Canada, dated November 18, 1997.

Air Canada's proposal to display the Lufthansa code on its transborder flights satisfies each requirement of the third-country code-share provision of the U.S.-Canada Agreement. Lufthansa holds authority to serve "any point or points in the United States" from "any point or points in Germany." See, e.g., Order 97-11-1, Docket OST-97-2963. Therefore, Lufthansa requires no additional economic authority to implement this service. Approval of this arrangement would be consistent with the U.S.-Germany Open Skies Agreement. Under the U.S.-Germany Agreement, Lufthansa may hold out code-sharing service to any point in the United States with any other carrier. See, U.S.-Germany Open Skies Agreement, Article 9, para. 6. Plainly, Lufthansa's plan to hold out service from Germany to points in the United States via points in Canada by placing its own code on services currently operated by Air Canada would be consistent with both the letter and spirit of the U.S.-Germany Open Skies Agreement.

Air Canada requests approval of this service for a two-year period. Air Canada and Lufthansa hope to implement and begin to market this cooperative service in mid-to-late March. Accordingly, Air Canada requests that DOT take favorable action on this application on or before Wednesday, March 11. Air Canada will serve all interested parties by facsimile, and will poll to determine whether there are any objections to this application.

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Please feel free to call me if you have any questions.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Anita Mosner".

Anita M. Mosner
**Counsel for
Air Canada**

cc: Service List