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March 13, 1998

BY FACSIMILE

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: Air Canada-Lufthansa Code-Share

Dear Paul:

On Friday, March 6, Air Canada applied to DOT for a statement of authorization which would authorize Air Canada to display the Lufthansa "LH" airline designator code on all of Air Canada's transborder flights which connect with Lufthansa's Germany-Canada services. Air Canada had requested expedited approval of the application, and served all interested U.S. parties by facsimile.

On Wednesday, March 11, I called Allen Brown to inform him that no interested party expressed any objection to the application. At that time, Allen told me that he had received a call from a non-U.S. airline -- Canadian Airlines ("CP") -- which intended to file an objection to the application on the grounds that its own application for authority to code-share with LanChile remains pending before the Department.

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Air Canada respectfully urges that the Department reject CP's transparent (and groundless) attempt to block or delay the Air Canada-Lufthansa code-share. The applications at issue have nothing whatsoever to do with one another. Air Canada has no knowledge as to why the CP-LanChile arrangement should (or should not) be approved. Simply put, CP's answer is irrelevant to this proceeding. As CP itself acknowledges, the CP/LanChile/American arrangement is under review by DOT/DOJ, probably because LanChile and American have applied for antitrust immunity, and because American has an equity stake in and antitrust immunity with CP. The Lufthansa/Air Canada arrangement is in no way analogous.

CP's comments concerning Germany and the Germany-Canada relationship are, at best, irrelevant. CP appears to be arguing that, unless Germany approves a BA-CP Canada-U.K.-Germany code-share, DOT should not approve this application, which involves bilaterally authorized code-share services offered by carriers from two Open Skies nations. Air Canada's code-share with Lufthansa is expressly authorized under the newly-executed U.S.-Canada MOC, and under the U.S.-Germany Open Skies agreement. If DOT were to try to hold this arrangement hostage because of Germany's potential acceptance (or non-acceptance) of a British Airways-CP code-share, which does not even involve a point in the United States, DOT would be violating the spirit, if not the letter, of those agreements.²⁷

CP's arguments border on abuse of DOT processes. By filing its groundless pleading, CP appears to be bent on forcing already-overburdened DOT staff to deal in writing with what would otherwise have been an uncontested application. Air Canada finds it more than a bit disingenuous that CP has chosen to place additional burdens on DOT staff, which contributes to DOT's backlog and perhaps might further delay disposition of its own pending application. DOT must not reward CP's specious tactics by delaying approval of this request.

As we previously have stated, Air Canada has requested expedited approval of this application so that Air Canada and Lufthansa can implement their code-share arrangement as close as possible to the beginning of the summer season. Accordingly, we request that this application be granted without delay.

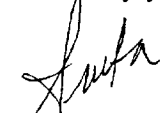
²⁷ CP also demands "assurances" that DOT will approve an AA-CP code-share to Germany. This is a bit odd, since no such application is pending before the Department. Air Canada knows of no reason why such an application should not be approved.

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

Sincerely yours,

A handwritten signature in black ink, appearing to read "Anita", written in a cursive style.

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

cc: Service List
Evelyn Sahr, Condon & Forsyth