

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

U.S.-CHINA AIR SERVICES (2001)

Docket OST-99-6323

**ANSWER OF
THE CITY OF CHICAGO**

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November 16, 1999

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By Notice dated October 6, 1999, the Department of Transportation invited applications seeking designation to provide service between the United States and the People’s Republic of China as well as the allocation of ten additional weekly frequencies in the U.S.-China market. Applications were filed by American Airlines, Inc. (American) (designation and 10 frequencies), Delta Air Lines, Inc. (Delta) (designation and 10 frequencies), Federal Express Corporation (Federal Express) (eight frequencies), Northwest Airlines, Inc. (Northwest) (five frequencies), Polar Air Cargo, Inc. (Polar) (designation and six frequencies), United Air Lines, Inc. (United) (two frequencies) and United Parcel Service Co. (United Parcel) (designation and ten frequencies).

For the reasons set forth herein and as will be demonstrated in the proceeding to be instituted by the Department (see Notice at 2), The City of Chicago (Chicago), owner and operator of O’Hare International Airport (O’Hare), strongly urges that the Department designate American as the fourth U.S. carrier to provide service in the U.S.-China market and to allocate to American the frequencies to provide the Chicago-Shanghai and Chicago-Beijing service requested in its application. In the event that the Department determines to allocate American only

the frequencies necessary to initiate the daily Chicago-Shanghai service it requested, however, Chicago supports the allocation of two frequencies to United to enable it, as discussed infra, to provide daily competitive Chicago-Shanghai service.

During 1998, there were 818,791 operations at O'Hare, and 72.5 million passengers and over 1.5 million tons of freight and mail moved through O'Hare. Nonstop and direct access is provided to more than 200 destinations around the world by a total of 67 passenger, cargo and commuter airlines serving O'Hare. Internationally, there were 77,098 operations in 1998, and 8.9 million passengers and almost 700,000 tons of freight and mail moved through O'Hare. Nonstop and direct access is today provided to 64 international destinations by a total of 37 passenger and cargo foreign airlines, including the two most recent entrants at O'Hare, ANA and Virgin Atlantic. Indeed, O'Hare is rapidly emerging as one of the premiere international gateways in the United States.

Turning to the applications themselves, Chicago strongly supports the designation of American as the fourth U.S. carrier to serve the U.S.-China market, and the allocation of the frequencies to American to provide service between Chicago and Shanghai and Chicago and Beijing as set forth in its application.

American's entry in the U.S.-China market will provide substantial competitive benefits for passengers and shippers in the local Chicago-Shanghai and Chicago-Beijing markets, and in numerous on-line cities served by American and American Eagle via its O'Hare hub. The Chicago-China market is the second largest U.S.-China market without nonstop service, and the new service to be offered by American will provide substantial benefits to passengers that today must travel to either Detroit, San Francisco or Los Angeles to connect with existing nonstop U.S.-China services. Similarly, American serves a great number of cities via O'Hare, and pas-

sengers within this catchment area will benefit substantially from the new on-line service, and provide significant intergateway competition for passengers traveling to and from this catchment area.. Furthermore, American has indicated that it intends to display the designator code of China Eastern Airlines Corporation Limited, American's Chinese carrier code-share partner, on American's Chicago-Shanghai and Chicago-Beijing flights, as well as on certain American domestic flights to and from American's Chicago hub, and that these carriers may also extend their code-sharing arrangement to include display of the "AA" designator on flights operated by China Eastern beyond Shanghai. Finally, as set forth in American's Supplement to its Application (at 3), American will use B777-223IGW aircraft for this service that will provide substantial cargo capacity in the Chicago-Shanghai (31,177 pounds in the Chicago-Shanghai and 46,297 pounds in the Shanghai-Chicago markets, assuming a 75% load factor), and Chicago-Beijing (45,990 pounds in the Chicago-Beijing market and 54,382 pounds in the Beijing-Chicago market, assuming a 75% load factor) markets. In short, the initiation of nonstop service in the Chicago-Shanghai and Chicago-Beijing markets will provide important public benefits in the U.S.-China market.

In its application, United has indicated that it is seeking two additional frequencies for San Francisco nonstop services as an integral part of its commitment to upgrade its service between the U.S. and China. In this regard, United has indicated that, if it obtains these two additional frequencies, it will convert the use of the fourteen frequencies it was allocated prior to 1999 from one-stop operations to China via Tokyo into additional new nonstop combination services between the U.S. and China. United's new nonstop service would, under these circumstances, include daily nonstop 368-seat B747-400 combination services between Chicago and Shanghai effective in April 2001, with single-flight-number change of aircraft services behind

Chicago to New York's LaGuardia Airport. In the event that American is awarded only the frequencies necessary to provide daily Chicago-Shanghai nonstop service, Chicago supports the allocation of two frequencies to United to enable it to inaugurate daily, competitive Chicago-Shanghai service.

In the evidentiary proceeding to be instituted in this matter, Chicago will demonstrate in detail why the designation of American and the allocation of weekly frequencies to American will best serve the public interest.

WHEREFORE, for the foregoing reasons, The City of Chicago urges the Department of Transportation to designate American Airlines, Inc. as the fourth U.S. carrier to provide service in the U.S.-China market and to allocate the frequencies in the manner described more fully herein.

Respectfully submitted,

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November 16, 1999

Certificate of Service

I hereby certify that a copy of the foregoing Answer was served this day upon the persons listed on the attached service list, via first-class mail, postage prepaid.

/s/ Carolyn R. Gaunt
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Washington, D.C.
November 16, 1999

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