

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

Joint Application of :
 :
 AMERICAN AIRLINES, INC. :
 and :
 CATHAY PACIFIC AIRWAYS, LTD. : Docket OST-00-6824
 :
 under 14 CFR Part 212 for statements of :
 authorization (reciprocal codesharing) and :
 under 49 USC 40109 for related exemption :
 authority :

ANSWER OF
CONTINENTAL AIRLINES, INC.

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February 8, 2000

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American¹ and Cathay Pacific have applied for extrabilateral codeshare and exemption authority between the U.S. and Hong Kong, and Continental does not oppose their requests so long as the Hong Kong government is willing to show comparable flexibility in granting authority to U.S. airlines, either under a new bilateral agreement or extrabilaterally. The Department should weigh carefully the alleged benefits of the proposed American/Cathay Pacific codeshare arrangement and Hong Kong's flexibility on grants of authority under a new bilateral agreement

¹ Common names are used for airlines.

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or extrabilaterally in deciding whether to permit the codesharing for which extrabilateral authority has been sought.

Continental answers the American/Cathay Pacific application as follows:

1. Neither codesharing nor the vast majority of U.S. points Cathay Pacific proposes to serve are permitted under the U.S.-Hong Kong bilateral aviation agreement.² Since Cathay Pacific and American are requesting extrabilateral authority, the Hong Kong government should be equally flexible in approving requests by U.S. airlines for extrabilateral authority. American has applied for extrabilateral authority not only with Cathay Pacific but also with Aer Lingus,³ obtaining codeshare partners in countries without bilateral aviation agreements with the U.S. expressly permitting codeshare service as well as in countries, such as the U.K., which retain highly-restrictive agreements. If the U.S. government is receptive to extrabilateral codesharing between Cathay Pacific and American, the Hong Kong government should be willing to ensure reciprocity for U.S. airlines by accommodating their requests for authority to offer public benefits comparable to

² Scheduled combination service between the U.S. and Hong Kong is limited to six U.S. points other than points in Alaska, Guam and Hawaii. (See Appendix, Section I to the Hong Kong/United States of America Memorandum of Understanding dated September 29, 1995) Cathay Pacific requests exemption authority for 35 such points.

³ See Applications of American and Aer Lingus, Dockets OST-00-6725 and OST-00-6728, January 4, 2000.

those claimed by Cathay Pacific and American and allowing them to compete with American and Cathay Pacific.

2. Although American currently provides no U.S.-Hong Kong service, the Department must evaluate American's Cathay Pacific proposal in the context of American's attempt to control airline routes around the world with dominant foreign partners and weigh the adverse impact of American's expanding dominance against the alleged benefits of the American/Cathay Pacific codeshare proposal. In doing so, the Department must consider reasonable accommodations by Hong Kong required for U.S. airlines seeking the ability to compete with the American/Cathay Pacific service.

For the foregoing reasons, Continental does not oppose the American/Cathay Pacific application to codeshare between the U.S. and Hong Kong so long as the

Hong Kong government shows flexibility in approving requests by U.S. airlines for comparable authority under a new bilateral agreement or extrabilaterally.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that I have this date served a copy of the foregoing document on counsel for American and Cathay Pacific and the persons served with their application in accordance with the Department's Rules of Practice.

Johnetta D. Jackson

February 8, 2000