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BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
WASHINGTON, D. C.

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Application of :  
: DELTA AIR LINES, INC. : OST-98-4577  
: :  
for an exemption pursuant to 49 USC :  
40109 (Houston-Cancun) :  
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Joint Application of :  
: DELTA AIR LINES, INC. and : Undocketed  
: AEROVIAS de MEXICO, S.A. de C.V. :  
: :  
for a statement of authorization under :  
14 CFR Part 212 (Houston-Cancun) :  
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JOINT ANSWER OF AMERICAN AIRLINES, INC.  
AND AERO CALIFORNIA, S.A. de C.V.

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JOINT ANSWER OF AMERICAN AIRLINES, INC.  
AND AERO CALIFORNIA, S.A. de C.V.

American Airlines, Inc. and Aero California, S.A. de C.V. hereby jointly answer in opposition to the application submitted on October 14, 1998 by Delta Air Lines, Inc. and Aerovias de Mexico, S.A. de C.V. for requisite authority to permit display of Delta's "DL" designator code on flights operated by Aeromexico between Houston, Texas and Cancun, Mexico.

This latest Delta/Aeromexico request for increased codeshare operations should be denied. In view of the regrettable inability of the United States to reach an acceptable codesharing arrangement with Mexico, it would be highly impru-

expansion by Aeromexico of codesharing services in the U.S.-Mexico market.

As the Department is aware, the Cintra Group, the government-controlled parent of Aeromexico and Mexicana, has long been the principal impediment to reaching an agreement with Mexico on codesharing. This is due to Cintra's desire to protect its two airlines from competition. The Department should not allow Aeromexico and Mexicana to expand their codeshares on U.S.-Mexico routes, where the Government of Mexico has in large measure refused to authorize the American/Aero California codeshare arrangement because that could increase competition against Cintra.

The central issue is Mexico's refusal to reach a bilateral agreement providing for open third/fourth freedom codesharing. As long as the Department continues to give away extrabilateral rights to Mexican carriers for codesharing, the Government of Mexico will have no incentive to change its restrictive policy.

U.S. and Mexican negotiators met in January 1998 to resolve this matter, and Mexico promised to respond to U.S. liberalization proposals within 60 days. We understand that even now, some nine months later, Mexico has made no response, nor has it engaged the outside consultant whose report was to provide the basis for a response. Such a delay is intolerable

provide the basis for a response. Such a delay is intolerable in a setting where American and Aero California remain at a competitive disadvantage relative to the Mexican government-owned Cintra airlines.

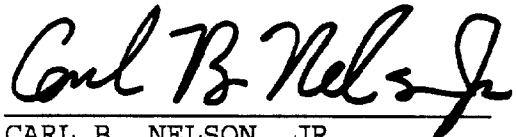
The Department should continue to press the Mexican negotiators to respond to the liberalization proposals. In the meantime, all requests by Aeromexico/Delta (or by Mexicana/United) to further expand their codesharing services should be denied.

Respectfully submitted,



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