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DELTA AIR LINES, INC.

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

Joint Application of)

DELTA AIR LINES, INC., and)
AEROVIAS DE MEXICO, S.A. DE C.V.)

for a codeshare statement of authorization)
(Atlanta-Guadalajara))

OST-99-5573
May 2, 1999

JOINT MOTION FOR LEAVE TO FILE AND
REPLY OF DELTA AIR LINES, INC., AND
AEROVIAS DE MEXICO, S.A. DE C.V. TO ANSWERS

On April 19, 1999, Delta Air Lines, Inc., ("Delta") and Aerovias de Mexico, S.a. de C.V. ("Aeromexico"), referred to collectively as "Joint Applicants," filed a joint application for a statement of authorization permitting Delta to carry the code of Aeromexico on flights operated between Atlanta, Georgia, and Guadalajara, Mexico, beginning July 1, 1999. ^{1/} Answers to the application have been filed by American Airlines, Inc., ("American") and its codeshare partner Aero California, S.A. de C.V. ("Aero California") and Continental Airlines, Inc. ("Continental")^{2/}.

^{1/} By Notice of Action Taken in OST-5574, April 27, 1999, the Department granted Delta an exemption to serve Atlanta-Guadalajara route. On April 30, 1999, Aeromexico also filed an application for an exemption to serve that route.

^{2/} Continental filed its answer late but did not include a motion for leave to file. At Continental's request, Delta has provided a copy of the codeshare agreements between Delta and Aeromexico.

MOTION

Pursuant to Rule 4(f) of the Department's Rules of Practice, Joint Applicants respectfully request leave to file the following reply to the joint answer of American and Aero California and the answer of Continental. The three respondents argue that the Department should not grant the Delta-Aeromexico application because each of them have applications for codeshare authority pending before the Department and that Delta/Aeromexico are seeking to "jump the queue." Joint Applicants disagree with the respondents and submit that the following reply should be permitted so that the Department has a full record on which to base its decision.

REPLY

For some time, the United States had been pursuing a codeshare arrangement with Mexico, and to that end, the Department has imposed limited durations on its approvals of codeshare arrangements between Aeromexico and Delta, as well as on its approvals of codeshare arrangements between American and Aero California and between United Airlines and Mexicana. All of the recent approvals have been limited to 179 days or less so as to preclude the applicants from invoking the provisions of Part 377 when seeking renewal of those authorizations. The underlying rationale of the restricted approvals was to put pressure on the Mexican government to agree to a liberalized codeshare regime. For example, in Order 98-12-23, the Department stated:

In light of U.S. carrier interest in serving the market, however, the United States has supported a more liberal regime for code-share services and made proposals to the Mexican Government designed to establish such a regime. Because of lack of progress in obtaining a liberal agreement, we have been reluctant to approve new and expanded code-share operations, and have deferred action on a number of applications in this regard.

The Department went on to authorize Delta to carry Aeromexico's code in certain beyond-Atlanta markets for a very limited period, "while we pursue our negotiations with Mexico on a more liberal code-share regime."

In January of this year, bilateral negotiations were convened in Ixtapa, Mexico, and on February 15, 1999, the Department accomplished its goal when the two countries executed an amendment to the 1960 Air Transport Agreement, liberalizing and regularizing the codeshare regime. Recognizing the economic importance of an expansion of its codeshare arrangement with Delta, Aeromexico supported the concept of a liberalized codeshare regime only to find now that the Department continues to delay implementation of the agreement reached in Ixtapa. The agreement expressly provides for codeshare arrangements between U.S. and Mexican airlines in transborder markets, the precise objective of the present application.

For what ever reason the Department has decided to defer action on the respondent's applications, there is no basis under the bilateral for the Department to withhold authority to allow Aeromexico to codeshare on Delta's Atlanta-Guadalajara flights. Similarly, there is no basis in the amendment that supports the argument of American, Aero California and Continental that the Department should not act on the Joint Application until it acts on their applications. Joint Applicants do not oppose the American/Aero California codeshare proposals that are pending before the Department; however, the fact that the Department has not acted on their blanket request does not warrant delay in acting upon the limited request of the Joint Applicants in this proceeding, especially when a grant of the authorization clearly is in the public interest. Indeed, none of the respondents refute the public interest bases for the grant of the Delta/Aeromexico

application. The Department was successful in its efforts to reach an agreement with Mexico, which is acceptable to both governments and the respective airlines, and it should not now act in a manner that is inconsistent with the objectives of that agreement by delaying approval of the present application.

The approval of the codeshare arrangement will generate substantial benefits for U.S.-Mexico consumers and, thus, is in the public interest. As noted in the Joint Application, on July 1, 1999, Delta proposes to institute nonstop service between Guadalajara and Atlanta, a market which currently has no such service. The codeshare arrangement will accomplish two significant goals. First, it will provide travelers with competitive nonstop options. Not only will consumers receive the standard benefits of codesharing such as single carrier responsibility, but they also will receive immediately the benefits of competitive nonstop service, fares, and amenities. Second, it will improve the economics of the service and foster the long term viability of Delta's nonstop service. Thus, the proposal embodies all of the best attributes of codesharing and clearly is consistent with the Department's international aviation policy in that it will enhance service and promote competition.

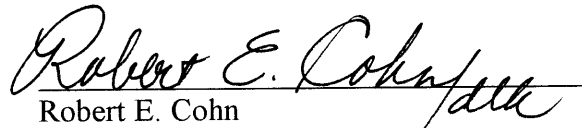
WHEREFORE, Delta and Aeromexico respectfully request that the Department issue the Statement of Authorization as requested herein.

Respectfully submitted,



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Dated: May 3, 1999

CERTIFICATE OF SERVICE

I hereby certify that I have caused a copy of the foregoing Joint Motion for Leave to File and Reply of Delta Air Lines, Inc. and Aerovias de Mexico, S.A. de C.V. to Answers to be served this 3rd day of May, 1999, upon those persons on the attached list by facsimile or U.S. mail, postage prepaid.



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