

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

Application of)
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)
 UNITED AIR LINES, INC.)
)
)
 for an exemption pursuant to 49 U.S.C. §40109)
 (Denver-London Heathrow))
)

Docket OST-99- 5725

**APPLICATION OF UNITED AIR LINES, INC.
FOR AN EXEMPTION**

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DATED: May 25, 1999
NOTICE: Answers to this application are due on June 9, 1999.

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DATED: May 25, 1999

**APPLICATION OF UNITED AIR LINES, INC.
FOR AN EXEMPTION**

United Air Lines, Inc. ("United") hereby requests an exemption pursuant to 49 U.S.C. §40109 from the requirements of 49 U.S.C. §41101 to operate scheduled air transportation services of persons, property, and mail between Denver, Colorado, and London, England. United proposes to start daily nonstop services between Denver and London Heathrow Airport in April, 2000. United requests designation to operate Denver-London Heathrow service pursuant to principles of comity and reciprocity in circumstances where a U.K. carrier is seeking extrabilateral exemption authority to operate double daily services between London Heathrow and New York JFK. See Application of British Midland Airways Ltd. dated May 10, 1999, in Docket OST-99-5671. In support of its application, United submits the following:

1. United is an air carrier holding authority under various outstanding certificates of public convenience and exemptions which authorize United to operate services in interstate, overseas and foreign air transportation. See, e.g., Certificate of Public Convenience and Necessity for Route 747, issued by Order 97-10-14; and Certificate of Public Convenience and

Necessity for Route 130, amended by Order 98-6-22. United is currently operating scheduled services under these various authorities and requests the Department to take official notice of its findings of United's fitness, willingness and ability to operate such services.

2. United requests exemption authority to operate daily nonstop services between Denver, Colorado, and London, England. United will operate such services commencing April 2, 2000, using B777 or other suitable equipment from its fleet or on order. United's proposed schedule for its Denver-London Heathrow operations is attached as Exhibit UA-1.

3. United will serve the Denver-London route through London Heathrow Airport. United is currently authorized to serve and is serving London Heathrow Airport. A map illustrating United's nonstop Denver-London Heathrow service is attached as Exhibit UA-2.

4. United requests that its Denver-London exemption authority be issued for a period of two years or until final action has been taken on its application for a certificate of public convenience and necessity to operate Denver-London services which will be filed in the near future.

5. United's proposed Denver-London service is supported by principles of comity and reciprocity. British Midland, a U.K.-flag carrier, has filed an application for exemption authority to operate between New York JFK and London Heathrow on an extrabilateral basis. See Docket OST-99-5671. British Midland proposes two daily New York-London services. To the extent the Department is prepared to authorize British Midland to operate New York-London service on an extrabilateral basis, it should also be prepared to authorize United to operate daily Denver-London services which should be accepted by the British government as the reciprocal of British Midland's services.

6. United and United Express have a major hub at Denver where they operate 500 daily departures, offering nonstop services to 103 points in the U.S. and foreign countries. United's proposed Denver-London nonstop flights would offer important service improvements to passengers in the Denver-London market as well as improved nonstop-to-nonstop connections to passengers in the other markets United serves via its Denver hub. See Exhibit UA-3.

United presently offers one-stop services between Denver and London. These one-stop services include daily single-plane and single-flight-number change-of-gauge operations via Chicago and Newark. Denver-London is presently a British Airways nonstop monopoly. U.S. carrier services between Denver and London were attempted by both Western Airlines, Inc., and Continental but were in both cases discontinued. BA began nonstop Denver-London service last year. The service proposed by United will restore U.S.-flag competition in this important city pair and will also offer Denver passengers nonstop service to London Heathrow Airport for the first time. BA serves London Gatwick from Denver, as did the former U.S. carriers.

7. United has long planned to institute nonstop service to London Heathrow from its Denver hub. Up to now, United has not proposed such services because the only available authority was limited to operations via London airports other than Heathrow which is the only London Airport where United operates. United's current one-stop services between Denver and London serve Heathrow. These represent the best U.S. carrier services that can be provided between Denver and London Heathrow under the present limits of the Bermuda II bilateral agreement.

8. United's Denver-London service will permit it to offer convenient nonstop service to its Denver passengers who now use its one-stop services or who use connections over United's

other gateways. In addition, United's new Denver-London nonstop services would offer improved connections for passengers in those cities United serves from its Denver hub. Many of these cities would receive online United nonstop-to-nonstop connections to London for the first time. United's new Denver-London nonstop service is essential if United is to be able to remain competitive with the nonstop services now operated by BA.

9. The application of British Midland for extrabilateral New York-London Heathrow exemption authority creates an opportunity for the U.S. to seek reciprocal extrabilateral access for U.S. carriers. While other U.S. carriers such as US Airways and American airlines have also requested extrabilateral authorizations to serve London from Pittsburgh and San Jose, respectively, United's Denver-London proposal offers relatively greater benefits.¹ Denver is a major hub for United and provides excellent access to London for the Mountain region which is underserved to Europe. Pittsburgh and San Jose offer service to already well-served regions. San Jose is not even a hub for American and was recently rejected by the Department as a new gateway to London because of its proximity to San Francisco, which has nonstop service to London operated by three carriers. Orders 98-10-19 at 4-5 and 98-7-25 at 5. Moreover, British Midland is proposing 14 weekly New York-London frequencies. United is proposing only seven weekly Denver-London frequencies. Consequently, the grant of United's Denver-London application need not exclude U.S.-London extrabilateral applications of other U.S. carriers.

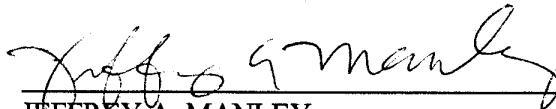
10. In conclusion, United is proposing Denver-London nonstop service in order to maintain U.S. carrier competitiveness at the Denver gateway in the face of BA's nonstop service.

¹ See Dockets OST-99-5428 and OST-99-5527.

United's request is fully consistent with principles of comity and reciprocity in light of the application of British Midland for New York-London Heathrow exemption authority.

WHEREFORE, on the basis of the foregoing, United requests an exemption under 49 USC §40109 in order to operate scheduled services in foreign air transportation of persons, property and mail between Denver, Colorado, and London, England, effective April 2, 2000 for a period of two years or until a final order with respect to United's request for a certificate of public convenience and necessity to be filed in the near future. United also requests exemption authority to integrate its Denver-Colorado service with other services operated pursuant to outstanding certificates of public convenience and necessity and exemption authorizations, subject to compliance with applicable international agreements. United also requests such other and different relief as the Department finds to be consistent with the public interest and this application.

Respectfully submitted,



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