

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

2004/2005 U.S.-China)
New Route Opportunities)
_____)

Docket OST-2004-18468

**APPLICATION OF UNITED PARCEL SERVICE CO.
FOR AN ALLOCATION OF FREQUENCIES**

Communications with respect to this document should be served upon:

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Attorneys for
United Parcel Service Co.

Date: June 28, 2004

NOTICE: In accordance with the Notice dated June 21, 2004, any person who wishes to support or oppose this Application must file an Answer with the Department's Documentary Services Division by July 5, 2004, and must serve that Answer on all persons served with this Application.

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**APPLICATION OF UNITED PARCEL SERVICE CO.
FOR AN ALLOCATION OF FREQUENCIES**

In response to the Department of Transportation’s (the “Department’s” or “DOT’s”) June 21, 2004 *Notice*, United Parcel Service Co. (“UPS”) hereby applies for an award of six (6) of the twenty one (21) round-trip weekly frequencies available in 2004 and six (6) of the eighteen (18) round-trip weekly frequencies available in 2005, enabling UPS to provide additional scheduled all-cargo (property and mail) air transportation services between the U.S. and China, and China and the world.

If the benefits of the 1999 U.S.-China Protocol were a “home run,” then the recently signed 2004 Protocol is a “grand slam” for the U.S. team of carriers, shippers and businesses. UPS credits the Department with this success and would like to thank the entire U.S. Government delegation for its efforts and its cooperation with industry to achieve the results in this agreement. The new agreement will accelerate the flow of goods into and out of China, providing substantial benefits to American workers, businesses and consumers.

A key provision allows U.S. cargo carriers to establish hubs in China once specific criteria are met. UPS, with its global air network and its capacity to provide total

supply chain solutions, is positioned uniquely to maximize the important benefits of this agreement. This far-sighted agreement will permit carriers such as UPS to better connect all of the major markets in the world to China. Further, as businesses streamline their supply chains, the seamless and efficient movement of goods becomes critical. The cargo hub provision in this agreement will facilitate that process.

The expansion in available route authority, and the resulting opportunities to U.S. interests, is extraordinary. The trade relationship between the United States, the largest economy in the world, and China, the most populous nation in the world, is of profound importance and is one that UPS has worked hard to strengthen with its current authority. UPS' success in China has been exceptional, and UPS is requesting additional authority so that it can bring the U.S.-China cargo market its proven track record of successful results.

For the six requested frequencies available in 2004, UPS proposes to serve the Shanghai market. UPS will serve the US and Shanghai via Osaka, Japan five (5) times per week using B-767 aircraft, and one time per week non-stop from Anchorage using MD-11 aircraft. In addition, UPS will maximize the existing change of gauge provisions by connecting this frequency to other flights. As UPS requires 60 days in order to comply with the U.S.-Japan bilateral provision requiring advance notice given to the Japanese Government for changes in a carrier's beyond points, UPS will utilize these frequencies on October 31, 2004, or upon sixty days of receipt of the authority. Prior to October 31, 2004, while it is obtaining requisite authorities and positioning aircraft and

crews as necessary to operate in the winter wind season, UPS will initially operate the double daily service to Shanghai non-stop from the US with B-747 or MD-11 aircraft three times per week.

For the six requested frequencies available in 2005, UPS proposes to serve the Guangzhou market six days per week with MD-11 aircraft. UPS will also enhance the benefits of this award by co-terminalizing this flight and using intermediate or beyond points with the frequency. UPS will commence this service on March 25, 2005.

UPS should be awarded the frequencies requested herein. UPS has experienced a 60% growth in traffic on the U.S.-Shanghai lane since initiating service in 2001 and it predicts that peak season demand will exceed current capacity. Granting UPS the requested additional authority to serve Shanghai will allow UPS to provide double-daily direct service between the U.S. and Shanghai—providing much needed capacity on this lane and greatly increasing network efficiencies. Also, by operating double-daily service, UPS will also increase its level of flight activity at Shanghai—furthering its goal of establishing an all-cargo hub there. Under the new agreement, U.S. carriers may establish hubs as early as 2007, and, when a Chinese point becomes a "hub" under the 2004 Protocol, significant additional operating flexibility accrues to the U.S. carrier operating the hub.

Further, if granted the requested authority, UPS will be able to connect Shanghai with key markets in Japan twice daily—linking the largest express market in Asia (Japan) with the largest growth market (China). Expanding commercialism in Japan and the

explosive growth of the middle-class in China demand an increase in air cargo capacity in this lane, capacity which UPS is prepared to provide. Additionally, by operating the frequencies requested in 2005, UPS will bring viable competition to the southern China integrated express services markets and will provide the latest end-of-business day departure time out of Guangzhou to the U.S.

Responsive to the Department's *Notice* and pursuant to Subpart C of the Department of Transportation's (the "Department's" or "DOT's") Procedural Regulations (14 C.F.R. §§ 302.300 *et seq.*), UPS states as follows:

1. UPS is a Delaware corporation whose current mailing address is 1400 Hurstbourne Parkway, Louisville, Kentucky 40223. UPS holds certificates of public convenience and necessity authorizing it to engage in domestic and foreign all-cargo air transportation. (*See, e.g.*, DOT Order 2003-9-9; Notice of Action Taken, Docket OST-2003-15838 (Sep. 11, 2003); Notice of Action Taken, Docket OST-96-1496 (Sep. 8, 2003)).

2. UPS is a citizen of the United States as that term is defined in the Federal Aviation Act. All officers, directors, shareholders of UPS, or persons who have the power to influence the management of UPS or persons holding any voting interest in UPS are U.S. citizens. (*See Exhibit 1*).

3. The authority requested herein is consistent with the consolidated bilateral air services agreement between the United States and China and it is comparable to that which UPS currently operates and, thus, would not constitute a substantial change in

operations requiring review under Part 204 of the Department's regulations. The proposed service would cause a near term net annual increase in aircraft fuel consumption of less than 10 million gallons and the annual fuel consumption is under the threshold set forth in Part 313 of the Department's Regulations which effectuate the Energy Policy and Conservation Act.

4. UPS requests service of documents filed in this proceeding by electronic mail to the email addresses set forth on the cover of this Application.

WHEREFORE, UPS respectfully requests that the Department grant UPS an award of six (6) round-trip weekly frequencies in 2004 and six (6) frequencies in 2005 enabling UPS to provide additional scheduled all-cargo air transportation services between the United States and China. UPS also requests that the Department grant such other and further relief as may be deemed just and necessary.

Respectfully submitted,

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Attorneys for
United Parcel Service Co.

Date: June 28, 2004

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document by electronic mail or by first-class, U.S. mail, to all persons in this proceeding.

EXHIBIT 1

City of Washington)
)
District of Columbia) **ss.**

AFFIDAVIT

I, Ted Lytle, being first duly sworn, depose and say as follows:

1. I am the Public Affairs Manager of United Parcel Service Co.
2. I am authorized to and do make this affidavit for United Parcel Service Co.
3. I have read the contents of the foregoing Application of United Parcel Service Co. and the factual statements set forth therein are true and correct to the best of my knowledge and belief.
4. United Parcel Service Co. is a citizen of the United States as that term is defined in the Federal Aviation Act. All officers, directors, shareholders of UPS, or persons who have the power to influence the management of the applicant or persons holding any voting interest in the applicant are U.S. citizens.

Ted Lytle
Public Affairs Manager,
United Parcel Service Co.

City of Washington)
)
District of Columbia) **ss.**

Subscribed and sworn to before me this 23rd day of June 2004.

Notary Public

My commission expires: _____