

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

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New Route Opportunities (U.S.-China)))))	Docket OST-2004-18468
2004/2005 All-Cargo Frequencies))))	
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CONSOLIDATED REPLY OF NORTHWEST AIRLINES, INC.

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July 8, 2004

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Northwest Airlines, Inc. (“Northwest”) submits this Consolidated Reply in accordance with the Department’s Notice of June 21, 2004, to the answers filed by the other applicants on July 6, 2004.

The U.S. delegation is to be commended for its unprecedented success in achieving substantial liberalization in the critical U.S.-China trade market. Based on the applications filed in response to the Department’s Notice inviting applications, there is an overwhelming demand for greater access to the critical U.S.-China all-cargo market. Northwest actively participated and supported the U.S. delegation in negotiations and has been very consistent in its requests for the opportunity to develop a substantial all-cargo network serving China. Although Northwest has been operating at a frequency disparity in the all-cargo market since it began China all-cargo service in 1999, the demand for Northwest’s heavy freight capabilities has been robust and Northwest has remained committed to the market.

Various of the other applicants assert that Northwest should receive no new all-cargo frequencies (or at least fewer frequencies than Northwest requests) because Northwest can fund any new all-cargo service by converting existing combination frequencies to all-cargo operations. This argument is misleading; it presumes, incorrectly, that all frequencies are fungible and that Northwest has or will have excess combination frequencies that it can freely convert to all-cargo service at any time. The facts show otherwise. Between the United States and China, Northwest offers service in two distinct markets – combination and all-cargo. Each market has its own minimum frequency pattern needed to offer consumers a competitive product, and conversion of frequencies from one market to the other has a direct adverse effect on Northwest's customers and its product in the first market. Northwest's current allocation is 16 frequencies, 13 of which are used for combination service and three of which are used for all-cargo service. These allocations are substantially less than the frequencies held by Northwest's competitors in the two markets: FedEx and UPS have 11 and six all-cargo frequencies, respectively, and United has 21 combination frequencies. The award of ten new all-cargo frequencies will allow Northwest to operate in total a daily all-cargo service to Shanghai, and 5 weekly all-cargo service to Guangzhou, as well as competitive daily combination service to both Beijing and Shanghai. These ten all-cargo frequencies will address the frequency pattern deficit, and allow Northwest to offer consumers attractive options in each of the two markets.

The legal requirement for a comparative selection proceeding is obvious based on the competing service proposals set forth by the applicants. Northwest will submit information in support of its own Application and detailed analyses of the competing proposals in accordance with the procedural schedule to be established by the Department. However, it is clear that Northwest offers superior overall service and competitive benefits, and should be awarded the

ten frequencies it has requested – five available August 1, 2004 and five available March 25, 2005.

As a final matter, Northwest urges the Department, in its instituting order, to resolve the frequency counting methodology issue which has been raised by UPS. UPS argues that FedEx requires only 12 frequencies, not the 18 it has requested, because the FedEx request for 12 to be used for around-the-world service in both directions is collapsible into six. UPS argues that FedEx in its application has not considered that frequencies under the U.S.-China Agreement may be used for round-trip operations. See Consolidated Answer of UPS, at 5. As the Department has done in past cases in which such issues have been presented, a clear standard must be established so that all carriers have an opportunity to present proposals that are consistent with such definitions and to provide a comparative analysis of the various proposals grounded in what is bilaterally feasible.

Northwest believes that FedEx's around-the-world operations would consume 12 frequencies (and its overall service proposal would consume 18 frequencies in total) and, thus, does not agree with UPS's interpretation. (This is not to suggest that FedEx's service proposal is meritorious or represents an efficient use of the frequencies.) This is because FedEx's eastbound around-the-world operation enters and exits China twice, and so in effect is already a round-trip for purposes of U.S.-China frequency counting. See Application of FedEx, at Exhibit FX-3. Taken to an extreme, UPS's argument would support unlimited entry and exit between points in China and third countries with one frequency, so long as all flight segments are through flight numbered.

WHEREFORE, Northwest Airlines requests an allocation of U.S.-China all-cargo frequencies in accordance with its Application.

Respectfully submitted,

/s/ Megan Rae Rosia /s/

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CERTIFICATE OF SERVICE

On this 8th day of July 2004, a copy of the foregoing Consolidated Reply of Northwest Airlines was served by electronic mail on the following:

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