

BEFORE THE  
U.S. DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, DC

In the Matter of

2004 U.S.-CHINA CARGO DESIGNATION  
AND 2004/2005 ALL CARGO FREQUENCIES

Docket OST-2004-18468

CONSOLIDATED ANSWER  
OF  
GEMINI AIR CARGO, INC.

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July 6, 2004

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Pursuant to the Department's Notice dated June 21, 2004, Gemini Air Cargo, Inc. files this Consolidated Answer to the Applications of Arrow Air, Inc., Evergreen International Airlines, Inc., Polar Air Cargo, Inc., Federal Express Corporation, Northwest Airlines, Inc., and United Parcel Service Co., for, in the case of Arrow, Evergreen, and Polar, a certificate of public convenience and necessity to operate scheduled foreign air transportation of property and mail between the United States and China, and for the allocation of frequencies in the case of all applicants.

Among the four applicants for the additional certificate and designation to China, Gemini's proposed service will best advance the public interest. Gemini's proposal seeks an allocation of six of the frequencies available August 1, 2004 and an allocation of an additional six frequencies from those available March 25, 2005. All of Gemini's flights will operate to Shanghai and will be divided equally between flights serving New York and flights serving Los Angeles/San Francisco, three frequencies initially to and from each U.S. market, and six for each as of March 25, 2004.

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The proposals of Arrow, Evergreen, and Polar provide far fewer public benefits to the shipping public, either in the United States or in China, as does Gemini's proposal. Arrow's proposal, for example, is inferior to that of Gemini's in several respects. First, Arrow does not have equipment to serve the market. It states that it will obtain two 747 freighter aircraft, which it does not currently operate. Obtaining these aircraft and becoming capable of operating them to China, will obviously cause a significant time delay in implementing Arrow's proposed service, even if Arrow has the financial resources to undertake such service. In contrast, Gemini's fleet of MD-11F aircraft are already positioned to undertake the service. Furthermore, the seven round trip itineraries that Arrow proposes are complex and would require a widespread marketing presence. Gemini has operated in Asia for many years and has the marketing ability to operate service it proposes between the U.S. East and West Coasts and Shanghai.

Evergreen's service proposal is also defective in comparison to Gemini's in that it does not focus on the China market to the same extent as Gemini's. Two of the seven frequencies sought by Evergreen will be operated as round-the-world flights, with all of the attendant commercial risk associated with such service. Furthermore, Gemini proposes to offer more capacity to China as of March 25, 2005, with its 12 MD-11 frequencies, than Evergreen will offer with its seven B-747 frequencies.

Polar's application only proposes China service that originates in New York and operates via Chicago. Although Polar's Application states that it will provide connecting

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service for Los Angeles, it does not provide include the frequent service to and from the Los Angeles and San Francisco markets as does the Gemini proposal. Furthermore, as of March 25, 2005, the capacity available on the nine B-747 frequencies that Polar proposes to operate will not differ substantially from that which Gemini will offer with its 12 weekly MD-11F flights.

The award to Gemini of the six frequencies available as of August 1, 2004, and of six of the additional frequencies available as of March 25, 2005, will still leave 15 out of 21 frequencies available for allocation to the incumbent applicants -- FedEx, Northwest, and UPS. Awarding Gemini six of the 18 frequencies that become available on March 25, 2005, will leave 12 frequencies for the three incumbent carriers. The number of frequencies that Gemini has sought represent a quantity that is essential for Gemini to mount new service in the important Chinese market. Gemini takes no position, therefore, on how the Department may choose to distribute the remaining frequencies among the 18 (12 and 6) sought by FedEx, the 10 (5 and 5) sought by Northwest, and the 12 (6 and 6) sought by UPS.

Gemini is prepared to demonstrate fully in the course of this proceeding the superiority of its proposal and its commitment to this expansion of its operations in Asian markets.

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Wherefore, the Department should select Gemini Air Cargo, Inc. for the award of a certificate of public convenience and necessity to operate scheduled foreign air transportation of property and mail from point or points in the United States; via intermediate points; to point or points in the People's Republic of China open to scheduled international operations; and beyond. The Department should also designate Gemini as the third U.S. scheduled all-cargo carrier to China and allocate to Gemini six all-cargo frequencies to operate to China in 2004 and six additional all-cargo frequencies to operate to China in March 2005.

Respectfully submitted,

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July 6, 2004

CERTIFICATE OF SERVICE

I hereby certify that on this 6<sup>th</sup> day of July 2004, a copy of the foregoing Consolidated Application of Gemini Air Cargo, Inc. was served via email or fax upon the following parties. No indication was received that any transmission had failed.

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