

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D. C.

In the matter of :
: OST-2006-25275
2007 U.S.-CHINA COMBINATION AND ALL- :
CARGO FREQUENCY ALLOCATION PROCEEDING :

APPLICATION OF AMERICAN AIRLINES, INC. FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
AND ALLOCATION OF FREQUENCIES (DFW-BEIJING)

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July 20, 2006

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American Airlines, Inc., pursuant to Order 2006-7-9, July 10, 2006 instituting the 2007 U.S.-China Combination and All-Cargo Frequency Allocation Proceeding, hereby applies under 49 USC 41102 for a certificate of public convenience and necessity to engage in scheduled foreign air transportation of persons, property, and mail between Dallas/Ft. Worth, Texas and Beijing, People's Republic of China. American also applies for the allocation of seven weekly U.S.-China combination frequencies for the DFW-Beijing route.

American proposes to initiate daily nonstop service between Dallas/Ft. Worth International Airport, one of the Nation's largest connecting hubs, and Beijing on March 25, 2007 using B777-200ER aircraft. We request that our application be processed through non-hearing, show-cause procedures under 14 CFR 302.207.

In support of this application, American respectfully states as follows.

1. American is a Delaware corporation with its principal office at 4333 Amon Carter Boulevard, Ft. Worth, Texas 76155.

2. American is a citizen of the United States within the meaning of 49 USC 40102(a)(15); its president and two-thirds or more of its board of directors and other managing officers are such citizens; and at least 75 percent of its voting stock is owned or controlled by persons who are such citizens.

3. American presently engages in scheduled air transportation and foreign air transportation of persons, property, and mail pursuant to various certificates of public convenience and necessity and exemptions.

4. American is fit, willing, and able to provide the foreign air transportation at issue in this application, and to conform to the provisions of the statute and to the rules, regulations, and requirements issued by the Department.

OPENING ARGUMENT

5. On July 24, 2004, representatives of the United States and the People's Republic of China signed a Protocol which provides, among other things, for seven additional weekly combination frequencies to be operated by already-designated U.S. carriers effective March 25, 2007.

6. Using aircraft on hand, American proposes to initiate daily nonstop service on a year-round basis between Dallas/Ft. Worth International Airport and Beijing on March 25, 2007 using 247-seat B777-200ER aircraft (16F/37C/194Y). Illustrative data is attached.

7. By Order 2005-3-40, April 1, 2005, American received its only authority to serve China. That authority is limited to seven weekly frequencies. On April 2, 2006, American began daily nonstop service between Chicago and Shanghai.

8. American's operations in the Dallas/Ft. Worth-Beijing market will provide substantial benefits for passengers on the nonstop segment, and for scores of on-line cities conveniently served by the vast American/American Eagle connecting hub at Dallas/Ft. Worth.

9. In addition, shippers in the DFW Metroplex, as well as in on-line beyond cities, will significantly benefit from American's cargo service operated from a state-of-the-art handling facility at Dallas/Ft. Worth International Airport.

10. American's application should be promptly granted in the public interest. United Air Lines, Inc. and Northwest Airlines, Inc. have an enormous lead in U.S.-China service, with 28 weekly combination frequencies now operated by United, and 21 by Northwest.¹ Enhancement of American's U.S.-China service is essential and is the most effective option to challenge the longstanding dominance of United and Northwest. Those two carriers operate 49 U.S.-China weekly combination frequencies, should not be considered for additional authority.

11. Continental Airlines, Inc. is the remaining U.S. incumbent combination carrier serving China. Continental received authority by Order 2005-3-24, March 17, 2005, and started service between Newark and Beijing in June 2005. On April 1, 2005, Continental applied for the seven additional 2007 frequencies at issue here, proposing service between Newark and Shanghai (OST-2005-20889).

12. This proceeding in effect presents a one-on-one contest between American's Dallas/Ft. Worth-Beijing service and Continental's Newark-Shanghai proposal. American should be selected over Continental because, among many other factors:

¹Northwest operates all of its U.S.-China combination service on a connecting basis via Tokyo. Northwest also holds three U.S.-China frequencies that it currently uses for all-cargo service (but could use for combination service). In addition, by Order 2004-10-8, October 13, 2004, the Department awarded Northwest six U.S.-China all-cargo frequencies (OST-2004-18468).

- Dallas/Ft. Worth, one of the largest U.S. domestic hubs, will be a new gateway to China, with first-ever nonstop service, whereas Newark already has nonstop flights to China by a U.S. carrier (Continental), and New York (JFK) already has nonstop flights by a Chinese carrier (Air China)
- Dallas/Ft. Worth will provide far greater network benefits than Newark, measured both by the number of on-line one-stop behind cities and the number of on-line one-stop connecting passengers
- Through its codeshare arrangement with China Eastern, American will offer on-line service beyond Beijing to up to 24 cities within China, including multiple daily flights to Shanghai, which will be of particular benefit as an on-line bridge for passengers with itineraries that include both Beijing and Shanghai
- Beijing, American's destination city in China, has a greater need for additional service than Shanghai, Continental's destination city, particularly in light of the Beijing Olympics in 2008

- Continental benefited from the 2005 award in the 2005/2006 U.S. China Case, while American's entry to China was delayed until 2006 (OST-2004-19077), and American should receive the award available in 2007 as a matter of competitive balance

13. Because of the substantial lead time required to open a new station in Beijing, and to allow for advance promotional and sales activities necessary for a successful start-up, American requests that this proceeding be concluded on an expedited basis.

14. American will submit evidence in support of its application as required by the procedural schedule set forth in Order 2006-7-10.

15. American requests that the Department grant any other or further relief it may deem appropriate in the public interest.

Respectfully submitted,



CARL B. NELSON, JR.
Associate General Counsel
American Airlines, Inc.

July 20, 2006

American's Dallas/Ft. Worth - Beijing Service

Effective
March 25, 2007

AA189
1234567
B777-200ER

Flight Number
Frequency
Equipment

AA188
1234567
B777-200ER

1100

Dallas/Ft. Worth (DFW)

1635



1430

Beijing (PEK)

1645

14:30

Elapsed Time

12:50

**American's Dallas/Ft. Worth - Beijing Service
Annual Operating Statistics**

Aircraft	B777-200ER
Departures	730
Segment Miles (sm)	6,971
Plane Miles (sm)	5,088,830
ASMs	1,256,941,010
Fuel Burn (Gallons/Hour)	2,230
Fuel Consumption (000 Gals.)	22,188

Seating Configuration

First Class	16
Business Class	37
<u>Economy Class</u>	<u>194</u>
Total	247

FUEL AVAILABILITY - American anticipates no difficulty in obtaining fuel from its existing supplier at Dallas/Ft. Worth. American anticipates no difficulty in arranging for fuel at Beijing, and expects to make such arrangements with the assistance of its alliance partner China Eastern.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document by email on the following persons:

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July 20, 2006