

DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.

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Applications of	:	
	:	
UNITED AIR LINES, INC. and	:	DOCKET DOT-OST-2007-0021
AMERICAN AIR LINES, INC.	:	DOCKET DOT-OST-2008-0157
	:	
for frequency allocations (U.S. - Russia)	:	

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COMBINED ANSWER OF BALTIA AIR LINES, INC. (Baltia)

Baltia opposes United's application for an additional 7 frequencies and American's application for an additional one frequency on the grounds that United does not need additional frequencies and American is banking the frequency, not intending to use it for more than a year. In principal, Baltia opposes the holding of frequencies for an indefinite period.

Baltia has no opposition to United commencing daily scheduled nonstop service between Washington, D.C., and Moscow provided it uses the seven frequencies it has been holding unused for the past 13 years, provided further that if United does not commence operations on the stated date, those frequencies held for past 13 years expire for dormancy.

Baltia has no opposition to American reapplying next year for a frequency to increase its service but applying more than one year prior to initiating an increase of one day's service seems unreasonable. It appears that American may be concerned that there may not be a frequencies available next year.

Through negotiations, the U.S. obtained 63 frequencies in the US-Russia market. This huge number of frequencies should enable nine U.S. carriers to operate daily round trips to Russia seven days a week. But, only one US carrier, Delta, actually operates into Russia. Yet, only 15 of the 63 frequencies remain available today. Further, if the current applications of United and American are granted, only 7 frequencies would remain.

What has happened to this huge number of frequencies! US carriers have banked this huge number of frequencies under various rationales for a decade.

The Department has maintained that frequencies are national values to be used. "The limited U.S.-Russia combination frequencies represent valuable operating rights obtained in exchange for valuable route rights for Russian carriers. It is not our policy to permit such rights to remain unused indefinitely ... Order 97-9-12, pp. 2-3. See also, Order 96-1-41, p.6. "We believe that it is in the public interest to select carriers on a timetable that will allow the selected carrier(s) to enjoy the maximum benefit of these rights as soon

as they become available.” Order 94-9-2, Order 93-8-11, Order 91-9-12, Order 90-1-4, and Order 82-8-19.

In addition, it is well-established that in limited-frequency international markets, direct services operated by U.S. carriers should have priority over services operated by foreign carriers under codeshare arrangements. See, e.g., U.S.-Mexico, Order 97-9-38, September 29, 1997, p. 3; Delta/Varig, Order 94-3-33, April 26, 1994; American/South African Airways, Order 92-10-19, October 9, 1992, p.5 n.9.

Frequencies held as codeshares in the US-Russia market have provided no national value for 10 years and it is unlikely they will for the foreseeable future. Nearly 13 years have passed since, in October 1996, the Department held that the dormancy period respecting United’s codeshare frequencies would begin on the date the, then, Russian Federation permits code-share services with Lufthansa. If, or when, Russia permits code-share services with Lufthansa, United might reapply.

Obviously, U.S. airlines have not developed the U.S.-Russia market. The benefit and value of the Russian market have gone to foreign carriers. If frequencies are neither used nor available, U.S. carriers will not be the ones who develop, and enjoy the benefits of, the market in the future.

Baltia has overcome odds in raising the capital for a start-up airline to enter this market. After having established its initial operations, Baltia has an interest to develop daily service to St. Petersburg, daily service to Moscow and to other cities in Russia. Baltia does not want to be precluded from developing this market because carriers have banked the US-Russia frequencies. The Department of Transportation is the depository of frequencies, not private carriers. The Department’s stated policy is to use frequencies or lose them.

Respectfully submitted,  
Baltia Air Lines, Inc.

By \_\_\_\_\_  
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