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BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

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Application of)
)
AMERICAN TRANS AIR, INC.)
)
for an exemption from Subparts K and S of)
14 C.F.R. 93 pursuant to 49 U.S.C. 41718(b))
(Reagan National Airport-Chicago (Midway)))
_____)

Docket OST-00-7182 - 16

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AMERICAN TRANS AIR, INC.)
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for an exemption from Subparts K and S of)
14 C.F.R. 93 pursuant to 49 U.S.C. 41718(a))
(Reagan National Airport-Los Angeles International)
Airport/San Francisco International Airport))
_____)

Docket OST-00-7181 - 25

APPLICATION OF AMERICAN TRANS AIR, INC.
FOR EXEMPTIONS

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**APPLICATION OF AMERICAN TRANS AIR, INC.
FOR EXEMPTIONS**

I. INTRODUCTION

This proceeding to determine which carriers will be the recipients of landing and takeoff slots at Ronald Reagan Washington National Airport (“DCA”) is the single most important proceeding before the Department in which American Trans Air, Inc. ("ATA") has been involved in its twenty-seven year history. ATA is probably the only applicant carrier whose ability not only to increase, but just to continue, its presence at DCA rests on the outcome of this proceeding. It is no mere coincidence that the provisions in the Wendell H. Ford Aviation Investment and

Reform Act for the 21st Century ("Air-21") authorizing the Department to award DCA slots were among the more hotly debated. The combination of the longstanding statutory limit of just thirty-seven hourly operations at DCA and the desire on the part of some established carriers to protect against the diversion of revenues from their nearby operations at Dulles International Airport ("Dulles") were repeatedly put forth as reasons for maintaining the status quo. The legislative compromise reflected in Air-21's provisions unfortunately limits new service at DCA to just six round trips within the 1,250 mile perimeter and an equal number for cities beyond that perimeter. Moreover, two of the newly provided for round trips for cities within the perimeter must be used for DCA service to small and non-hub communities, thus limiting to just four daily round trips the opportunity for new service to medium hubs such as Chicago's Midway Airport.

With so few opportunities to add nonstop service from new communities and, at the same time, inject much needed low fare competition, ATA encourages the Department to make every effort to allocate these limited new slots to those carriers which (a) have a track record of offering low fares to maximize competition and thus bring pressure on DCA's unusually high average fares and (b) are most likely to convenience the greatest number of passengers with new DCA nonstop service. With ATA's acknowledged reputation as a low fare carrier and its proposal to serve DCA to Los Angeles, San Francisco and Chicago Midway with B-757 aircraft configured for 216 passengers, no other applicant carrier will or can match ATA's average fares on a sustained basis or carry as many passengers per flight. Moreover, ATA's just announced \$2 billion commitment for forty-seven B-757-300 and B-737-800 aircraft will perfectly position ATA for years to come to accommodate the expected substantial growth in the DCA-Chicago Midway and DCA-Los Angeles/San Francisco markets.

ATA's comprehensive low fare proposal encompassing the first nonstop service to Los Angeles, San Francisco, as well as enhancement of ATA's recently inaugurated nonstop service

to Chicago Midway,' would produce consumer fare savings of more than \$64 million on an annual basis.² *Exbs. 49-50.* ATA's within-the-perimeter proposal involving only low fare non-stop service to Chicago Midway -- from which ATA currently serves twenty-five nonstop destinations -- would produce annual consumer fare savings of \$34 million. *Exbs. 49-50.* ATA is uniquely positioned to offer such low fares in the DCA markets, as ATA does elsewhere, because ATA enjoys the lowest unit costs of any scheduled U.S. carrier. *Exb. 33.*

The markets which ATA proposes to serve are:

Los Angeles (LAX) - DCA	1 daily nonstop roundtrip
San Francisco (SFO) - DCA	1 daily nonstop roundtrip
Chicago Midway - DCA	3 daily nonstop roundtrips with two of the three flights continuing beyond Midway to LAX and one continuing beyond to SFO

ATA's Los Angeles and San Francisco-DCA walk-up fares will range from \$199 to \$562, all of which are available on a one-way basis -- a significant low fare benefit which ATA uniquely offers among all of the major carriers. *ATA's ATPCO Tariffs.* ATA's Chicago Midway-DCA walk-up fares will range from \$154 to \$299, all of which are again available on a one-way basis. *ATA's ATPCO Tariffs.* ATA will also offer several even lower Chicago Midway-DCA fares from \$89 to \$125, all of which may be purchased on a one-way basis subject only to a minimal three-day advance purchase requirement. *ATA's ATPCO Tariffs.* ATA's low fares have no

¹ ATA generally refers in this Application to its proposed DCA-Midway nonstop service as the first such service in the market even though ATA initiated that service on April 3 and is currently operating three daily roundtrips. ATA has aptly characterized its DCA-Midway nonstop proposal as the first nonstop service because, as explained throughout this Application and particularly in Section VI *infra*, ATA would be compelled to abandon that service if it does not receive the DCA-Chicago Midway slots it now seeks.

² ATA's detailed exhibits set forth separate proposals for what is referred to as (a) ATA's integrated proposal combining both ATA's transcontinental LAX/SFO flights with ATA's Chicago Midway flights and (b) ATA's Midway-only proposal involving nonstop service between just Chicago Midway and DCA. ATA's status under Air-21 is that of a limited incumbent carrier because it operates fewer *than* twenty slots at DCA. *Air-21, § 41714(b)(5).* ATA only initiated service on April 3 and currently operates with just six slots at DCA.

Saturday night stay requirements and no advance purchase requirement except for the few fares in the Chicago Midway-DCA market subject to a minimal three-day advance purchase requirement. A review of the currently available fares offered by American and United shows a range of fares approximately Sabre the level proposed by ATiAc a t e s t h a t e a c h o f those fares, with only one or two exceptions at the very highest fare levels, may be purchased only on a roundtrip basis, requires a Saturday night stay and further must also be purchased from seven to twenty-one days in advance. Sabre. In the DCA-Los Angeles market, for example, the lowest available American fare which can be purchased on a one-way basis -- but still subject to a three-day advance purchase requirement -- is \$1,030! Sabre. That is more than five times greater than ATA's lowest walk-up fare which has no advance purchase requirement. In the DCA-Chicago Midway market, the lowest available fare that can be purchased on either American or United fewer than seven days in advance is \$589 which is six times greater than ATA's lowest three-day advance purchase fare and almost four times greater than ATA's lowest walk-up fare. Sabre.

The other highlights of ATA's proposal include:

- Having just inaugurated DCA-Chicago Midway service using two pairs of leased short-term slots and one pair of permanent slots, ATA's low fare service has already carried thousands of passengers -- including on certain flights as many as eighty passengers destined for California.
- With the expectation that ATA will have to surrender two pairs of leased slots in early October, ATA would be compelled to abandon DCA if it does not receive the additional Chicago Midway slots it is requesting.³ *Exbs. 2 and 3.*

³ ATA's non-leased slots are at 0600 hrs. and 2200 hrs. which, by themselves, would not allow for the creation of a viable schedule. *Exbs. 5-6 and 11-12.*

- ATA's willingness to take the business risk of paying substantial fees for short-term slots and incur the considerable expense of inaugurating service to DCA was driven by the extraordinary success and market penetration ATA has achieved in the comparable New York LaGuardia-Midway and New York LaGuardia-California markets -- success ATA is confident it could replicate at DCA. At LaGuardia:
 - ATA offers more seats and carries more passengers per slot than any other carrier serving LGA. *Exbs. 18, 26-29.*
 - ATA is already the second largest (to United) carrier in the LGA-Los Angeles market in spite of ATA operating only three LGA frequencies in marked contrast to the hourly service operated by United and American's 10.5 daily frequencies in the LGA-O'Hare market with multiple connections by both carriers to Los Angeles. *Exbs. 18 and 21.*
 - ATA's LGA-Chicago and LGA-Los Angeles/San Francisco fares average 60 percent below the average fares charged by American and United. *Exbs. 19, 22, 24, 25 and 36.*
 - ATA's operating cost is the lowest of any U.S. scheduled carrier and uniquely positions ATA to offer such low fares on a sustained basis. *Exb. 33.*
 - ATA's low fare DCA-Los Angeles/San Francisco/Midway nonstop service would bring dramatic fare reductions to both the DCA-Los Angeles/San Francisco and DCA-Midway markets currently dominated by American and United. *Exbs. 37 and 40.*
 - ATA's low fare DCA-Los Angeles/San Francisco service will also permit DCA-Honolulu and DCA-Maui passengers to enjoy lower fares and to make on-line

connections at either California gateway -- as well as stopovers at no additional charge. *Exb. 10*.

- ATA's low fare DCA-Los Angeles/San Francisco service will also permit DCA passengers traveling to other cities in California to achieve substantial fare reductions using interline connections at both California gateways. Sec. *V(B)*, *infra*.

II. **ATA's DCA-LOS ANGELES/SAN FRANCISCO AND DCA-MIDWAY SERVICE WILL OFFER CONSUMERS SIGNIFICANT FARE REDUCTIONS AND A CONVENIENT SCHEDULE THROUGHOUT THE DAY.**

ATA's combined proposal offering the first DCA-Los Angeles, DCA-San Francisco and DCA-Chicago Midway service will ". . . produce the maximum competitive benefits, including low fares . . ." and ". . . increase competition by new entrant air carriers or in multiple markets . . ." -- two of the explicit objectives set forth in Air-21. §§ *41718(b)(5) and 41718(a)(2)*. ATA's addition of these marquis nonstop routes to Los Angeles, San Francisco and Midway will also generate substantial ". . . domestic network benefits . . ." in Hawaii and other California cities as well as at ATA's Midway hub -- another stated objective of Air-21 for the award of slots outside of the perimeter. §§ *41718(a)(1)*.

ATA is offering two separate schedule proposals: (a) its integrated California and Midway proposal offering the first DCA nonstop service in three markets -- Los Angeles, San Francisco and Midway (*Exbs. 5-9*); and (b) ATA's Midway-only proposal offering the first Midway-DCA nonstop service with one-stop service continuing beyond Midway to both Los Angeles and San Francisco. *Exbs. 11-12*. ATA's integrated as well as Midway-only proposals are also designed to maximize on-line connecting options to Hawaii as well as at ATA's Midway hub from which ATA offers nonstop service to twenty-five destinations. *Exbs. 1 and 10*. Both

of these proposals would allow ATA -- a relatively new entrant with an unequaled track record for offering low fares -- to provide the maximum competitive benefits in multiple markets.

ATA is also extremely proud that Senator Bayh of Indiana, Congresswoman Nancy Pelosi, Congressman Julian Dixon, Congressman Henry Waxman, Congressman Howard Berman, Congressman Xavier Becerra and Congresswoman Mary Bono as well as California State Senate President John Burton have recognized the maximum competitive benefits, including low fares, and the increased competition that low-fare DCA nonstop service to Los Angeles, San Francisco and Chicago Midway would provide. In supporting ATA's integrated proposal to Los Angeles, San Francisco and Chicago Midway, Senator Bayh recites a broad array of competitive and consumer benefits ATA would introduce -- ". . . well-timed B-757 service . . .," "ATA's ability to penetrate markets long dominated by the established carriers . . ." and how "[u]ltimately, as it should be, the American consumer would be the major beneficiary." Senator Bayh's view is echoed by Congresswoman Nancy Pelosi who supports ". . . low-fare airlines to complement the range of air travel choices to [LAX and SFO] and specifically notes that one "low-fare entrant in these markets could offer consumer savings of up to \$64 million a year." Similar views are expressed by a number of members of the Los Angeles Congressional Delegation who are particularly seeking ". . . low cost air passenger service between Washington's Reagan National Airport (DCA) and Los Angeles International Airport (LAX) . . ." The Los Angeles Congressional Delegation points to ". . . ATA's . . . low fare service for over twenty years . . .," ". . . ATA's very low operating costs . . .," ATA's proposal to use ". . . modern, quiet B-757 aircraft . . ." and how "[t]he selection of a low-fare carrier such as ATA for these markets could bring significant new competition . . ." Congressman Becerra from the 30th District of California also underscores the importance of "ATA's demonstrated record as a low-fare carrier [which] would inject significant new competition . . ." and concludes that ". . . awarding ATA

the right to operate DCA-LAX nonstop service will not only benefit consumers and business travelers in the Los Angeles area, but scores of air travelers up and down the West Coast.”

In supporting ATA’s DCA-Chicago Midway nonstop service, Senator Durbin of Illinois refers to “ATA’s record . . .”of offering “. . . low-fare nonstop service to approximately 30 cities from [ATA’s] main hub at Chicago, Illinois Midway . . .,”ATA’s proposal to “. . . offer low fares with very few restrictions , .” and how ATA’s Chicago Midway proposal “. . . would save consumers more than \$34 million annually”

This welcome support for which ATA is indeed appreciative brings into focus the many compelling competitive and consumer benefits which ATA addresses in more detail in the ensuing sections.

A. **ATA’s Integrated Schedule Proposal**

ATA’s integrated California and Midway nonstop proposal -- which would require six DCA slots within-the-perimeter and four DCA slots outside of the perimeter -- will offer west-bound nonstop and one-stop single-plane departures from DCA throughout the day -- at 0635, 1155, 1420, 1600, 1720 and 1835 hrs. *Exb. 5*. The 0635 and 1835 hrs. departures continue beyond Midway to Los Angeles offering both an earlier and later option to ATA’s 1420 hrs. non-stop departure for Los Angeles. ATA’s 1155 hrs. departure continues beyond Midway to San Francisco complementing ATA’s 1720 hrs. nonstop departure to San Francisco. ATA’s 1155 hrs. departure to Midway will also provide a well-timed connection to ATA’s 1420 hrs. nonstop Midway departure for Los Angeles. Similarly, ATA’s 0635 and 1835 hrs. nonstop departures for Midway will provide conveniently-timed connections to other ATA Midway-Los Angeles nonstop flights. ATA’s Los Angeles and San Francisco flights will also offer passengers on-line connections to both Honolulu and Maui. *Exb. 10*. The overall service benefits of

ATA's integrated westbound proposal would be: (1) four DCA-Midway nonstop flights; (2) one nonstop, two one-stop and one connecting flight in the DCA-Los Angeles market; and (3) one nonstop, one one-stop and two connecting flights in the DCA-San Francisco market. *Exbs. 5 and 8.*

In the eastbound direction, ATA's comprehensive California and Midway proposal will offer convenient departures from Los Angeles at 0655 (one-stop via Midway), 0955 (nonstop to DCA), 1200 (connection via Midway) and 23 55 hrs. (one-stop via Midway). *Exb. 6.* From San Francisco, passengers may choose from an 0700 hrs. nonstop departure to DCA or a 1220 hrs. one-stop departure to DCA via Midway. The significant service benefits of ATA's eastbound proposal consist of (1) four Midway-DCA nonstop flights; (2) one nonstop, two one-stop departures to DCA via Midway and one connection via Midway in the DCA-Los Angeles market; and (3) one nonstop and one one-stop departure to DCA via Midway in the San Francisco-DCA market. *Exbs. 6 and 9.*

B. ATA's Midway-Only Proposal

ATA's Midway-only proposal -- which would require six DCA slots within-the-perimeter⁴ -- would offer four nonstop flights in each direction with convenient westbound departures at 0635, 1155, 1420 and 1835 hrs. and eastbound departures from Midway at 0715, 1025, 1335 and 1735 hrs. *Exbs. 11 and 12.* Two of the departures would continue in the westbound direction to Los Angeles while two of the eastbound departures would originate in Los Angeles. In the San Francisco-DCA market, ATA would offer one one-stop departure (via Midway) in both directions.

C. **ATA's Service Is Synonymous With The Maximum Competitive Benefits And Maximum Use Of Each Slot**

All of ATA's flights under either of its proposals would be operated with B-757 aircraft configured with 216 seats, This seating configuration with which ATA has had dramatic success in the comparable slot-restricted New York LaGuardia-Midway and, on a one-stop basis, New York LaGuardia-Los Angeles and San Francisco markets will provide a greater number of seats per slot than offered by any other carrier. *Exb. 18, 21-22 and 29.* In conjunction with ATA's low fares, ATA's B-757 seating configuration will also result in ATA carrying a greater number of passengers per flight than any of the other likely DCA applicant carriers. *Exbs. 26-28.* The carriage of the greatest number of passengers per flight combined with ATA's low fares will convenience 707,000 passengers under ATA's integrated California and Midway proposal and 497,000 passengers under ATA's Midway-only proposal. *Exbs. 47 and 48.*

	<u>California and Midway Proposal</u>	<u>Midway-Only Proposal</u>
DCA-Midway	410,000	398,000
- Los Angeles	164,000	53,000
- San Francisco	118,000	31,000
- Other ⁵	15,000	15,000
	707,000 passengers	497,000 passengers

The consumer fare savings ATA's two proposals would generate are \$64 million and \$34 million, respectively. *Exbs. 49 and 50.* Whatever measure the Department may choose to use -- the number of nonstop markets receiving the first nonstop service, the number of forecast passengers, the greatest competitive impact resulting from an applicant's service and low fares or the

⁴ ATA already has long-term access to two DCA slots which, in conjunction with the six additive slots ATA now seeks, would allow ATA to operate four roundtrip flights.

⁵ The "other" markets consist of Dallas/Ft. Worth, Denver, Honolulu, Maui, Las Vegas, Phoenix, Seattle, Lansing, Des Moines, Madison, Milwaukee, Minneapolis, and Grand Rapids.

consumer fare savings likely to be generated, both of ATA's proposals will irrefutably produce the maximum competitive and consumer benefits.

D. ATA's Highly Successful Track Record

ATA can comfortably make the above predictions on the basis of its LaGuardia-Midway and LaGuardia-Los Angeles/San Francisco track record. *Exbs. 18, 20-25*. After just eighteen months and in spite of being limited to just three daily LaGuardia-Midway roundtrip flights, ATA now carries more passengers per LaGuardia flight than any other carrier (*Exb. 21*), has introduced LaGuardia-Midway fares which average 49% lower than American's and United's LaGuardia-O'Hare fares (*Exbs. 19 and 35*) and 60% lower than these same two carriers' LaGuardia-Los Angeles/San Francisco fares. *Exbs. 25 and 26*. The combination of ATA's 216 seat B-757 service and its low fares has vaulted ATA into the number two position in the LaGuardia-Los Angeles market even though American and United offer hourly LaGuardia-O'Hare service with multiple connections to Los Angeles. *Exb. 21*.

ATA's low fares are not limited to slot restricted markets; rather ATA's commercial policy is to offer those fares throughout its system because ATA firmly believe that such fares will lead to ATA garnering the greatest market share on a profitable basis. Relevant examples of other markets in which ATA, although a relatively recent entrant, successfully competes at Midway against American and United's O'Hare services include: Chicago-Los Angeles where ATA's average fares are 40% lower (*Exb. 16*); Chicago-San Francisco where ATA's average fares are 50% lower (*Exb. 17*); and Chicago-Dallas/Ft. Worth where ATA's average fares are 50% lower than American's! *Exb. 14*. To assist the Department in understanding why ATA's

⁶ American also competes with ATA in the Midway-Dallas/Ft. Worth market where ATA's fares still average 30% less than the Midway fares American offers. *Exb. 15*.

fares average so much less than those of the incumbent carriers, ATA presents a current comparative DCA-Chicago fare menu in the next section. ATA also addresses its unit costs which are lower than those of any U.S. scheduled carrier and which uniquely position ATA to offer such fares on a sustained basis.

III. **ATA's CURRENT DCA-MIDWAY FARES VIVIDLY DEMONSTRATE THE REASONS WHY ITS FARES ARE DRAMATICALLY LOWER THAN THOSE OFFERED BY CARRIERS SUCH AS AMERICAN AND UNITED.**

ATA's fares average far less than those offered by carriers such as American and United because ATA's fares are virtually restriction free. For example, even though American and United routinely publish fares in, for example, the DCA-O'Hare market which are identical in amount to the same fares offered by ATA, the substantial majority of ATA's passengers purchase fares in the lower categories. However, in the case of American and United, a vastly smaller proportion of their passengers purchase fares in the lower categories. ATA's far lower average fare is a direct result of fare-conscious passengers avoiding American's and United's thicket of fare restrictions. These restrictions are imposed for the purpose of forcing passengers into higher fare categories, an objective which American's and United's average fares clearly indicate these carriers have successfully accomplished. American's and United's fare restrictions include flight-specific fares, roundtrip purchase requirements, seven to twenty-one day advance purchase requirements and Saturday night stay requirements -- and almost certainly tighter capacity controls. The illustration set forth below highlights the differences between ATA's restriction-free one-way fares and the restriction-laden American and United fares.

<u>ATA</u>			<u>AA</u>		<u>UA</u>
<u>DCA-MDW</u>		<u>DCA-ORD</u>		<u>DCA-ORD</u>	
<u>Fare</u>		<u>Fare</u>		<u>Fare</u>	
QA3NR * ¹⁾	89	NSE14SPN ²⁾⁵⁾⁶⁾⁷⁾⁹⁾	89	WE14PNQ ²⁾⁵⁾⁶⁾	89
KA3NR * ¹⁾	104	NEB14QNR ²⁾⁵⁾⁶⁾⁷⁾	89	WE21NFDX ¹⁾³⁾⁵⁾⁶⁾	104
BA3NR * ¹⁾	125	NE21FSPN ¹⁾³⁾⁵⁾⁶⁾	89	VE21NFSDX ¹⁾³⁾⁵⁾⁶⁾	104
MNR *	154	NE14FSPN ²⁾³⁾⁵⁾⁶⁾	89	VE14NFDX ²⁾³⁾⁵⁾⁶⁾	104
LNR *	204	VE21FSPN ¹⁾³⁾⁵⁾⁶⁾	104	V14NFSDX ²⁾³⁾⁵⁾⁶⁾	104
HTZ	236	VE14FSPN ²⁾³⁾⁵⁾⁶⁾	104	VE7NFSDX ³⁾⁴⁾⁵⁾⁶⁾	159
YTZ	299	NR21FSPN ¹⁾³⁾⁶⁾	104	HOE21NQ ¹⁾⁵⁾⁶⁾⁸⁾	177
		NE7FSPN ³⁾⁴⁾⁵⁾⁶⁾	154	HE21NQ ¹⁾⁵⁾⁶⁾	197
		QE21SNR ¹⁾⁵⁾⁶⁾⁸⁾	177	H14N1FSD ²⁾³⁾⁶⁾	204
		Q21ENR ¹⁾⁵⁾⁶⁾	192	MOE14NQ ²⁾⁵⁾⁶⁾⁸⁾	232
		VE14FS1N ²⁾³⁾⁵⁾⁶⁾	204	ME14NQ ²⁾⁵⁾⁶⁾	251.5
		ME14SNR ²⁾⁵⁾⁶⁾⁸⁾	232	ME7NQ ⁴⁾⁵⁾⁶⁾	356.5
		ME14ENR ²⁾⁵⁾⁶⁾	251.5	BUABIZ1D	589
		HE21NR ¹⁾⁵⁾⁶⁾	305.5	BUABIZ1	595
		HE7NR ⁴⁾⁵⁾⁶⁾	366.5	YUA	692
		Y26	589		

ATA Fare Restrictions

*NR = Nonrefundable
¹⁾ 3 day advance purchase

AA and UA Restrictions

All fares are nonrefundable except Y26, BUABIZ and YUA
¹⁾ 2 1 day advance purchase
²⁾ 14 day advance purchase
³⁾ Flight specific (available only at certain hours)
⁴⁾ 7 day advance purchase
⁵⁾ Saturday night stay
⁶⁾ Roundtrip only purchase
⁷⁾ Travel must be completed by June 30
⁸⁾ Off-Peak = Mon. noon - Thurs. midnight and Saturday
⁹⁾ Off-Peak = Tues. and Wed.

SOURCE: SABRE, April26, 2000

This dizzying array of fare categories and fare restrictions means that a \$89 fare passenger on ATA could purchase his or her ticket on a one-way basis just three days in advance and would only have to contend with a non-refundability restriction. However, to be eligible to purchase the same \$89 ticket on either American or United, the passenger, in addition to a non-refundability restriction, would have to contend at a minimum with:

- A roundtrip only purchase

- A fourteen or twenty-one day advance purchase
- A Saturday night stay

The differential in the case of the passenger deciding to travel on less than seven days notice is even more dramatic with the lowest American or United fare being \$589 -- six times ATA's three-day advance purchase fare and almost four times ATA's \$154 walk-up fare. It is the absence of these layers of restrictions which allows consumers to reap the benefits of ATA's low fares, produces enormous consumer fare savings and helps ATA rapidly gain a positive market share well in excess of its seat share in most of ATA's markets.

The acid test of the substantial consumer and competitive benefits offered by ATA is, of course, the number of passengers ATA carries at its low fares. ATA is proud to report that its low fare DCA-Midway service, started less than four weeks ago, has exceeded expectations and attracted not only substantial numbers of DCA-Midway passengers, but also as many as eighty passengers destined for California on certain flights. With DCA-O'Hare yields exceeding even those in the LaGuardia-O'Hare market (*Exbs. 34-35*), ATA's low fare service is unquestionably working in the DCA-Midway market and the Department should permit ATA to extend its same low fares service benefits on a nonstop basis to both the Los Angeles and San Francisco markets.

The bedrock on which ATA's low fares rest is ATA's low unit costs -- the lowest per ASM costs of any U.S. scheduled carrier. The graphic illustration in Exhibit 33 compares ATA's unit cost per ASM to those of every other U.S. scheduled carrier, including every likely DCA applicant carrier in this proceeding. ATA's low costs are what allows ATA to offer extremely low fares on a sustained basis and also uniquely positions ATA to generate unmatched consumer and competitive benefits.

IV. **ATA IS UNIQUELY POSITIONED TO COMPETE AGAINST AMERICAN'S AND UNITED'S ENTRENCHED POSITIONS IN THE WASHINGTON-LOS ANGELES/SAN FRANCISCO MARKETS.**

ATA's low fares, low costs, B-757 aircraft and successful track record against both American and United combine to position ATA as the best new entrant carrier likely to penetrate successfully the Washington-Los Angeles and Washington-San Francisco markets. The Washington-Los Angeles and Washington-San Francisco markets currently suffer from yields even higher than the yields in the comparable LaGuardia-California markets -- a condition which is almost certainly attributable to the fare policies of American and United which control more than 80% of each of these markets. *Exbs. 37-40.* American and United presently offer twelve daily nonstop roundtrip flights in the Washington Dulles-Los Angeles market and nine daily roundtrip nonstop flights in the Washington-San Francisco market.

The selection of ATA to offer one nonstop roundtrip each to Los Angeles and San Francisco would provide a powerful and sorely needed competitive stimulus to the traditional high fare service currently available in those markets. In the DCA-San Francisco market, ATA's low fare proposal to offer nonstop service is likely to be the only nonstop proposal in that market. Notably, the San Francisco-DCA market is also the second largest DCA market, with Los Angeles being the largest, without nonstop service. Once again, a comparison of comparable LaGuardia-Los Angeles/San Francisco fares shows that ATA is the lowest fare carrier in these two markets (*Exb. 25*) and that ATA's fares in those markets average 60% less than those offered by American and United. (*Exb. 36*). There is every reason to believe that ATA can and will -- if granted the DCA-San Francisco slots it seeks -- quickly establish a sizable market presence and generate more than \$64 million in consumer fare savings it forecasts. *Exbs. 49-50.*

V. **ATA'S LOW FARE NONSTOP SERVICE TO LOS ANGELES AND SAN FRANCISCO WOULD PROVIDE SIGNIFICANT DOMESTIC NETWORK BENEFITS TO HAWAII AS WELL AS TO NUMEROUS CITIES THROUGHOUT THE WEST COAST.**

The combination of nonstop, one-stop and connecting services ATA is proposing for both Los Angeles and San Francisco and ATA's substantially lower fares will position ATA to offer important new domestic network benefits to Hawaiian passengers as well as passengers traveling throughout the West Coast.

A. **Hawaii**

ATA particularly appreciates the recognition by Mr. Edward Hogan, the CEO of Pleasant Hawaiian Holidays, the largest U.S. consolidator and tour wholesaler for travel to Hawaii, that ATA's proposed DCA-Los Angeles and San Francisco nonstop flights would also provide valuable low-fare on-line connecting service for DCA-Hawaii passengers. This important opportunity to link ATA's proposed DCA-California service with ATA's major presence in the West Coast-Hawaii market would directly benefit East Coast-Hawaii travelers. ATA currently offers nonstop flights to both Honolulu and Maui from Los Angeles, Phoenix and San Francisco. During last summer's peak season, ATA carried more than 1,400 daily passengers between the West Coast and both Honolulu and Maui. *Exb. 10*. By allowing ATA to operate nonstop service to Los Angeles and San Francisco, ATA would be in a position to not only offer Washington area-Hawaii passengers improved on-line connections at lower fares, but ATA would also continue its well-received policy of allowing its Hawaiian passengers to enjoy free stopovers at any city on ATA's system including Los Angeles and San Francisco. American and United, in comparison, do not offer unrestricted Washington area-Honolulu fares at the same level ATA charges

and American and United also impose stopover charges on their Mainland-Hawaii passengers.

Sabre.

B. Other West Coast Cities

The extremely low unrestricted DCA-Los Angeles and DCA-San Francisco fares ATA would offer -- walk-up fares of just \$199 to \$562 -- will allow ATA to offer DCA passengers interline connections between the Los Angeles and San Francisco gateways and virtually any West Coast city at combined fares significantly below the fares charged by American and United for their on-line connections.

The examples set forth below are illustrative of the substantial fare savings a passenger traveling from DCA to San Diego or San Jose would enjoy by traveling to Los Angeles on ATA and then making an interline connection to any of these other California cities:

	<u>DCA-San Diego</u>		<u>DCA-San Jose</u>	
	<u>ATA Plus Interline Connection</u>	<u>American</u>	<u>ATA Plus Interline Connection</u>	<u>American</u>
Lowest Fare if Purchased:				
Fewer than 21 days in advance	\$282	\$427	\$255	\$458.50
Fewer than 14 days in advance	\$341	\$670	\$255	\$728
Fewer than 7 days in advance	\$696	\$1,049	\$711	\$1,129
Fewer than 3 days in advance	\$696	\$1,149	\$711	\$1,229

NOTE: The advance purchase requirement for the ATA Plus Interline Connection columns results strictly from the advance purchase restrictions imposed by the interline carrier

SOURCE: Sabre, April 26, 2000

The fare savings from traveling on ATA in conjunction with an interline connection in comparison with on-line travel on American would range from 34 to 50 percent in the DCA-San Diego market and from 44 to 65 percent in the DCA-San Jose market.

The fare savings these Hawaii and West Coast passengers would enjoy are extremely important domestic network benefits and ones to which the Department should assign a priority. Even though carriers such as American and United can undoubtedly list a larger number of West Coast cities to which they may offer on-line connecting service, allocating DCA slots to such carriers on the basis of a longer list of on-line cities -- in spite of walk-up fares 4 to 6 times higher than those offered by ATA -- would deprive consumers of the very essence of meaningful new competition. That simply cannot be what the drafters of Air-21 meant when they also said that the beyond-the-perimeter slots are to be allocated so that they “. . . increase competition by new entrant carriers or in multiple markets.” § 41718(a)(2) Granting further slots to carriers which already dominate 80% of the DCA-Los Angeles market would be the antithesis of Air-21's statutory directive to “increase competition.” Granting such slots to ATA, on the other hand, would produce significantly increased competitive and consumer benefits which ATA has proven time and again it will offer and is uniquely positioned to sustain.

VI. THE OUTCOME OF THIS PROCEEDING WILL ALSO DETERMINE WHETHER ATA CAN EVEN REMAIN – MUCH LESS INCREASE – ITS PRESENCE AT DCA

The Department's decision in this proceeding will almost certainly have a greater impact on ATA than on any other applicant carrier. That outcome will determine not only whether ATA may increase its presence at DCA, but indeed whether ATA can even continue its presence at all. For years, ATA has tried to acquire -- by purchase, lease or otherwise -- a sufficient number of slots at DCA to provide nonstop service to its primary hub at Midway. It was only within the

past few weeks that ATA has been able to realize its long-sought objective of bringing its low fare service to passengers for whom DCA is the Washington area airport of choice. On April 3, 2000, ATA commenced three daily nonstop roundtrips between DCA and Midway with 216 seat B-757 aircraft. Those flights currently continue on a single-plane basis beyond Midway to Los Angeles and San Francisco. ATA was obliged to enter into costly, short-term leases to obtain these slots -- leases which ATA expects are unlikely to be renewed after October. *Exb. 2*. Indeed, there is also some uncertainty whether even the fifth of ATA's DCA slots will continue to be available at a commercially usable hour. The net effect is that, unless ATA receives at least four of the six within-the-perimeter slots it is now requesting, ATA will be forced to discontinue all service to DCA. ATA's investment in initiating such service would be lost -- as will be the extremely attractive low fares which ATA now offers to Midway as well as numerous beyond cities including Los Angeles and San Francisco.

With ATA's very presence at DCA hanging in the balance, no other DCA applicant carrier can match anywhere near ". . . the maximum competitive benefits including low fares . . ." (*Air-21, § 41718(b)(5)*) or show that its proposal will ". . . increase competition by new entrant carriers in multiple markets . . ." (*Air-21, § 41718(a)(2)*) to the same degree as ATA. Simply put, granting ATA's application for at least the within-the-perimeter Midway slots ATA seeks will not only allow ATA to increase its DCA-Midway nonstop frequencies from one to four daily roundtrips, but it also assures that ATA can and will maintain its DCA presence -- currently at three daily roundtrips. The difference between success and ATA being compelled to abandon DCA is therefore four daily roundtrips. It is also the difference between whether ATA can offer its well-received DCA low fare service not only to Midway, but to many beyond Midway cities including Los Angeles and San Francisco. The "maximum competitive benefits, including low

fare service” flowing from the difference between four daily roundtrips and no Midway service at all are surely greater than those which any other DCA applicant is likely to demonstrate.⁷

VII. ATA’S PROPOSALS WILL BOTH INCREASE TRAVEL OPTIONS AND REDUCE TRAVEL DELAYS; ATA’S PROPOSALS WILL ALSO STIMULATE EMPLOYMENT

Both of ATA’s service proposals and, most certainly, ATA’s integrated proposal including the first nonstop service to both Los Angeles and San Francisco, will more than satisfy the last two selection criteria for beyond-the-perimeter slots -- slots awarded should “. . . not reduce travel options for communities served by small hub airports and medium hub airports within the perimeter . . .” and should “. . . not result in meaningful increased travel delays.” Air-2 1, §§ 4 1718(a)(3) and (4). These proposals would additionally increase ATA’s employment rolls at, *inter alia*, DCA, Chicago Midway, Los Angeles and San Francisco by well over 150 jobs in addition to the enormous employment increase Boeing, GE and their many suppliers will experience as a direct result of ATA’s \$2 billion aircraft commitment.

ATA’s proposed nonstop service to Los Angeles and San Francisco will not reduce travel options for any other communities. ATA will not reduce service to DCA from any airport within the 1,250 mile perimeter should this application receive the Department’s approval. Indeed, the result would likely be just the opposite as ATA continues its search for additional slots to expand service between DCA and other communities within the perimeter. That search would only

⁷ ATA’s proposals will also effectively provide the first nonstop service to a new “community,” namely the rapidly growing community of users who prefer Midway Airport. Providing the first nonstop service to this burgeoning community of users favoring low fares also satisfies the alternative Air-21 selection criterion favoring nonstop service “. . . to communities without existing nonstop air transportation to Ronald Reagan Washington National Airport.” *Air-21*, § 41718(b)(2). Chicago’s rapidly growing Midway Airport has become the Chicago Airport for fare conscious travelers in addition to being considerably more convenient for a large number of Illinois communities south and east of Chicago as well as all of northern and central Indiana. *Exb. 41*. Most of the Midway Airport “community” extending from Chicago’s Loop to central Indiana would certainly consider ATA’s Midway-

become easier if ATA's presence at Midway were enhanced as a result of ATA being permitted to serve the DCA-Los Angeles and DCA-San Francisco marquis routes in conjunction with ATA's single-plane service via Midway to both West Coast cities.

ATA's proposed service will also reduce rather than increase travel delays. ATA's non-stop, one-stop and connecting flights to Los Angeles and San Francisco should reduce travel time to the West Coast for tens of thousands of passengers every month. Eighty-five percent of all Washington area passengers traveling to Los Angeles and San Francisco currently resort to either Washington Dulles or Baltimore-Washington International Airport. *Exhs. 45-46*. ATA's low fare service in the DCA-Los Angeles/San Francisco markets will most assuredly be more convenient for the populous areas located within the District of Columbia as well as Montgomery County, Arlington County, Alexandria and many areas east and south of the District of Columbia. The slots requested by ATA for its nonstop services will have little or no impact on congestion at DCA and will certainly not adversely impact the National Air Transportation System. In fact, Congress' limitation on the number of slots that can be awarded during any one hour period virtually assures that the effect on airfield congestion will be *de minimis*.

Air-21 also states that the Department "may consider, among other determining factors, whether the petitioning air carrier's proposal provides the maximum benefit to the United States economy, including the number of United States jobs created by the air carrier, its suppliers, and related activities." § 41715(C)(1). ATA's proposals involving the first DCA nonstop service to Midway, Los Angeles and California would increase ATA's employee headcount by at least 150 jobs in the short term. In conjunction with ATA's just-announced more than \$2 billion commitment for forty-seven B-757-300 and B-737-800 Boeing aircraft and the central role that ATA's

DCA low fare service as separate and distinct from the high fare DCA services American and United currently offered to O'Hare.

DCA entry would have on the deployment of these aircraft, there are almost certainly several thousand new jobs either directly or indirectly tied to ATA's comprehensive low fare proposals. It is rather unlikely that any other such DCA slot applicant could demonstrate comparable employment increases.

VIII. CONCLUSION

ATA can confidently state that no other DCA slot applicant with a record for successfully penetrating slot-restricted and other markets dominated by the established carriers is likely to propose service with anywhere near what ATA will and can offer in terms of the service benefits, low fares and consumer savings. Nor has there been a proceeding in ATA's history as important to ATA as this opportunity for the Department to decide which markets and which carriers will most effectively use these few new DCA slots to generate competition and consumer benefits on a sustained basis. The Los Angeles, San Francisco and Chicago Midway markets should be at the top of the list of markets most deserving of new DCA nonstop service and ATA is singularly qualified to best fulfill Congress' objective of maximizing competition with low fare service.

Respectfully submitted,



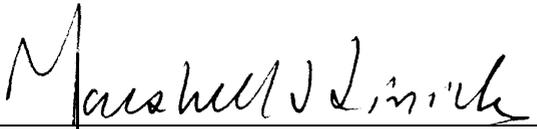
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202-626-6651

Counsel for American Trans Air, Inc.

DATED: May 5, 2000

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application of American Trans Air, Inc. For Exemptions was served this date upon the following by postage paid first-class mail.


Marshall S. Sinick

DATED: May 5, 2000

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Letters
of
Support

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COMMITTEES:
BANKING, HOUSING, AND URBAN AFFAIRS
ENERGY AND NATURAL RESOURCES
SPECIAL COMMITTEE ON AGING

United States Senate

WASHINGTON, DC 20510-1404

April 28, 2000

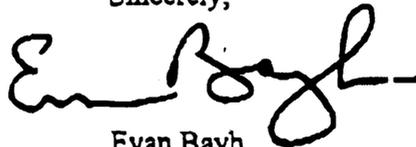
The Honorable Rodney Slater
Secretary
U.S. Department of Transportation
400 Seventh Street, S. W.
Washington, D.C. 20590

Dear Secretary Slater:

I am writing to support the application of American Trans Air, Inc. (ATA) to operate the first nonstop service between Reagan National and Chicago's Midway Airport as well as between Reagan National and both Los Angeles and San Francisco. ATA's demonstrated record as a low fare carrier and its well-timed B-757 service would inject significant new competition in those important Reagan National markets.

ATA's history of low fare operation based on the carrier's extremely low operating costs and the success ATA has had in the similar New York LaGuardia-Midway and New York LaGuardia-West Coast markets make it virtually certain that ATA would generate the same service benefits and fare savings in the comparable Reagan National markets. A telling indication of ATA's ability to penetrate markets long dominated by the established carriers is ATA's success in the LaGuardia-Los Angeles market. I understand that ATA's share of that market is now very close to that of other carriers even though ATA has been limited to just three frequencies in the LaGuardia-Chicago Midway market with only one of those frequencies continuing on a single-plane basis on to Los Angeles. ATA's low fares in the LaGuardia-Los Angeles market, averaging 40 percent to 50 percent below other carrier's average fares, have unquestionably been the catalyst for ATA's remarkable market penetration. These very same considerations are strong indications that ATA would enjoy similar success in the Reagan National-Chicago Midway and West Coast markets. Ultimately, as it should be, the American consumer would be the major beneficiary.

Sincerely,



Evan Bayh
United States Senator

RICHARD J. DURBIN
ILLINOIS

COMMITTEE ON APPROPRIATIONS

COMMITTEE ON
GOVERNMENTAL AFFAIRS

COMMITTEE ON THE BUDGET

SELECT COMMITTEE ON ETHICS

ASSISTANT DEMOCRATIC
FLOOR LEADER

United States
Washington, DC 20540

May 1, 2000

The Honorable Rodney Slater
Secretary
U.S. Department of Transportation
400 Seventh Street, S. W.
Washington, D.C. 20590

Dear Mr. Secretary:

I am writing in support of an application filed by American Trans Air, Inc. (ATA) to operate nonstop service between Reagan National Airport (DCA) and Chicago's Midway Airport.

As you know, ATA, which offers low-fare nonstop service to approximately 30 cities from its main hub at Chicago, Illinois' Midway Airport, has recently filed an application with the Department of Transportation for three daily round-trip flights. One of these flights is between Reagan National and Chicago-Midway.

It is estimated that ATA's low-fare proposals for nonstop service between DCA and Chicago-Midway would save consumers more than \$34 million annually.

I believe that the ATA proposal would offer low fares with very few restrictions. Furthermore, ATA's record is solid. For example, after just 18 months operating from LaGuardia with only three daily LaGuardia-Midway round-trips, it carries more passengers per LaGuardia flight than any other carrier. Its Midway-LaGuardia fares are, on the average, approximately 49 percent lower than those offered by other airlines. To that end, I believe it is good for the consumer, good for the industry, and more importantly, good for Illinois.

COPY

May 1, 2000

Page 2

I hope that the Department of Transportation will give ATA's application the attention it deserves, and I thank you in advance for your consideration regarding this important matter.

Sincerely,


Richard J. Durbin
United States Senator

RJD/mp

Congress of the United States
House of Representatives
Washington, DC 20515

May 5, 2000

The Honorable Rodney E. Slater
Secretary
U.S. Department of Transportation
400 Seventh Street, SW
Washington, DC 20590

Dear Mr. Secretary:

As members of the Los Angeles County congressional delegation, we are writing to express our interest in providing low-cost air passenger service between Washington's Reagan National Airport (DCA) and Los Angeles International Airport (LAX).

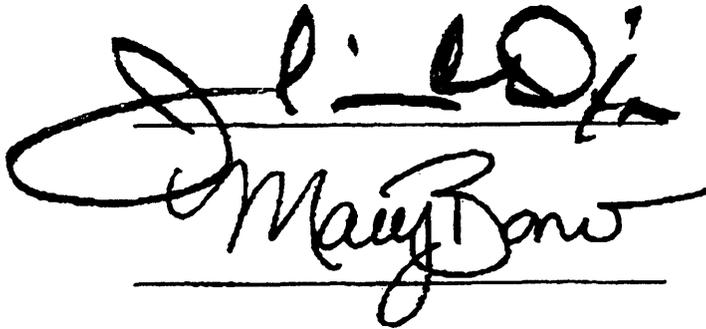
We understand that American Trans Air (ATA) is among the carriers who have applied for the six long-distance flights now available out of DCA as a result of the Aviation and Reform Act for the 21st Century. The airline proposes to offer its low-fare nonstop service to Los Angeles from DCA. ATA has operated scheduled, low-fare service for over twenty years and now serves 25 nonstop destinations from its Chicago Midway hub.

ATA's record of low-fare service results from its very low operating costs. The selection of a low-fare carrier such as ATA for these markets could bring significant new competition for which the American consumer would be the ultimate beneficiary. ATA has proposed using modern, quiet B-757 aircraft on these routes.

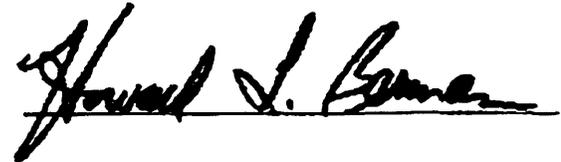
Honorable Rodney Slater
May 5, 2000
Page two

We understand the demands placed on you as you make the decision to allocate the limited number of new slots at DCA. We are confident that your selection of airlines to serve the DCA-LAX route will increase competition and convenience to the benefit of the traveling public. Thank you for considering our views on this matter.

Sincerely,







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<http://www.house.gov/npelosi>

May 3, 2000

The Honorable Rodney Slater
Secretary
Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

Dear Secretary Slater:

I am writing in strong support of proposals to provide daily non-stop service between Reagan National Airport (DCA) and San Francisco Airport (SFO). In addition, I would like to join several of my California colleagues who recently sent a letter in support of non-stop routes between DCA and Los Angeles Airport (LAX).

As you know, the Wendall H. Ford Aviation Investment and Reform Act for the 21st Century, allows the Department of Transportation (DOT) to award six new roundtrip flights between Reagan National Airport and cities located outside the 1,250-mile perimeter limit on operations at that airport.

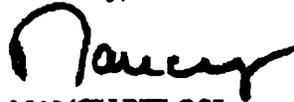
The addition of daily nonstop routes between DCA-SFO and DCA-LAX would allow consumers a convenient alternative when traveling in and out of the D.C. Metro area. Currently, customers are required to travel either to Dulles Airport or to Baltimore/Washington Airport in order to obtain non-stop flights to SFO or LAX. With increasing traffic congestion in the Washington area, travel to these airports from Washington, D.C. can require at least one hour of driving time, not including the fatigue and frustration that accompanies traffic gridlock.

As you consider applications for these expanded routes, I hope you will also give your strong consideration to high quality, low-fare airlines. Low-fare airlines offer travelers tickets with few restrictions and travel date flexibility. It has been estimated that a low-fare entrant in these markets could offer consumers savings of up to \$64 million a year. In addition, these airlines also add a competitive stimulus for reducing traditional fares for California destination markets.

Again, I offer my strongest support for the proposals for non-stop routes between DCA and SFO and between DCA and LAX, and for low-fare airlines to complement the range of air travel choices to these cities.

Thank you for your consideration of this request.

Sincerely,



NANCY PELOSI
Member of Congress

Congress of the United States
House of Representatives
Washington, DC 20515-0530

May 1, 2000

The Honorable Rodney Slater
Secretary of Transportation
U.S. Department of Transportation
400 Seventh Street, S.W., Room 10200
Washington, D.C. 20590

Dear Secretary Slater,

I am writing to urge you to give the strongest possible consideration to American Trans Air, Inc.'s (ATA) application to operate the first nonstop service between Washington's Reagan National Airport (DCA) and both Los Angeles International Airport (LAX) and San Francisco International Airport (SFO).

ATA's demonstrated record as a low-fare carrier would inject significant new competition into these markets. For example, consumers would enjoy the freedom to purchase low fare tickets that are unrestricted, do not require advance purchase or Saturday night stays, and offer flexibility of one-way travel. ATA's entree into the DCA-LAX market would undoubtedly generate enormous savings for consumers and likely exert pressure on other airlines to drive down their economy fares as well.

Los Angeles is currently the largest U.S. city without nonstop service to National Airport. Indeed, far more consumers would benefit from a nonstop route between Washington National and Los Angeles than between National and other competing cities, such as Phoenix or Salt Lake City. DOT's data for 1999 show that the Washington-Los Angeles air market is five times the size of the Washington-Phoenix market (2,308 passengers per day versus 466 passengers per day) and over four times the size of the Washington-Salt Lake City market (526 passengers per day).

As such, the introduction of new nonstop service from DCA to LAX would clearly increase competition. Accordingly, awarding ATA round-trip flights to enable DCA-LAX nonstop service will not only benefit consumers and business travelers in the Los Angeles area but scores of air travelers up and down the west coast.

Thank you for considering my views.

Sincerely,


XAVIER BECERRA
Member of Congress

LEGISLATIVE COUNSEL
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COMMITTEES
RULES
STANDING

California State Senate

JOHN L. BURTON
PRESIDENT PRO TEMPORE

April 27, 2000



The Honorable Rodney Slater
Secretary of Transportation
400 Seventh Street, NW
Room 10200
Washington, DC 20590

Dear Secretary Slater:

In the near future, your office will make a decision to grant "slots" to air carriers wishing to provide non-stop service between San Francisco International Airport (SFO) and Washington's Reagan National Airport (DCA). I write in support of American Trans Air's (ATA) application for nonstop service between SFO and DCA and I strongly urge you to support their application.

As a legislator, the centerpiece of my agenda is to lend assistance to low and middle-income families and individuals in my district. One area over which I have little control, but you do, is airfare. The cost of airfare, particularly on flights from the West to the East Coast, precludes flying as a viable means of travel to many families who reside in or near San Francisco. For this reason, among others detailed below, I strongly urge you to grant ATA's application for the available nonstop slots from SFO to DCA.

ATA is one of, if not the leading low fare carrier in the United States. Unlike other, larger airlines, ATA fares can be purchased on a one-way basis, with no advance purchase requirements or with no Saturday night stay-over. The only comparable fare that can be purchased without the above-mentioned restrictions costs four times what ATA charges. This purchasing flexibility provides inherent advantages to families and individuals on fixed incomes or with limited financial means. ATA's low cost fares provide a wide range of options to those who currently wish to travel to our nation's capital but cannot afford to do so.

As the nation's 11th largest air carrier, ATA already carries substantial traffic volumes between Chicago's Midway Airport, and SFO and DCA on its one-stop flights. The addition of a direct route will provide an efficient, low-cost alternative for many travelers between those two cities who should have affordable non-stop services available to them.

With a 20-year history of providing low fares, a solid reputation for customer service and an excellent safety record, ATA is positioned to provide increased competition that will benefit all air travelers. Simply put, ATA's low fares will exert downward pressure on the majority of the

airline industry, which will lower future airfares on other airlines. The end result is that consumers will benefit from less-expensive flights and improved travel options.

Once again, I would like to offer my strong endorsement for American Trans Air's application for direct flights from SFO to DCA. Thank you for your consideration.

Peace and friendship,



John L. Burton
President pro Tempore
of the Senate

April 28, 2000

The Honorable Rodney Slater
Secretary of Transportation
UNITED STATES DEPARTMENT OF TRANSPORTATION
400 Seventh Street, S.W.
Washington, D.C. 20590

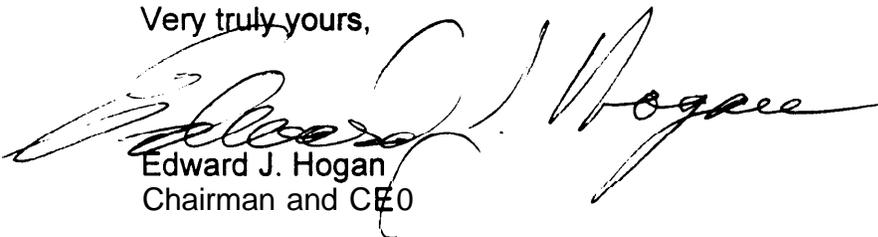
Dear Mr. Secretary:

On behalf of Pleasant Hawaiian Holidays and the more than **450,000** tourist we bring from the other **49** States to Hawaii each year, I am writing you this letter to support the application of American **Trans Air (ATA)** for authority to provide either non-stop Reagan National Airport to Los Angeles service or non-stop Reagan National Airport to San Francisco service.

According to the Hawaii Visitor & Convention Bureau, Pleasant Hawaiian Holidays is "the largest travel company serving Hawaii and Mexico." During peak season last year, **ATA** carried **1400** passengers each day from its two California hubs. Based on **ATA's** proven track record of providing safe and inexpensive alternatives to the more established carriers, **ATA's** proposed non-stop service between Reagan National and either Los Angeles or San Francisco will significantly increase competition not only in the Washington D.C.-**California** market, but through **ATA's** California-Hawaii connections, onward to Hawaii as well.

In view of the obvious competitive advantages **ATA** would offer to Pleasant Hawaiian Holidays and to our customers, we most strongly urge you to grant **ATA** authority to provide either non-stop Reagan National Airport to Los Angeles service or non-stop Reagan National Airport to San Francisco service from Reagan National Airport.

Very truly yours,

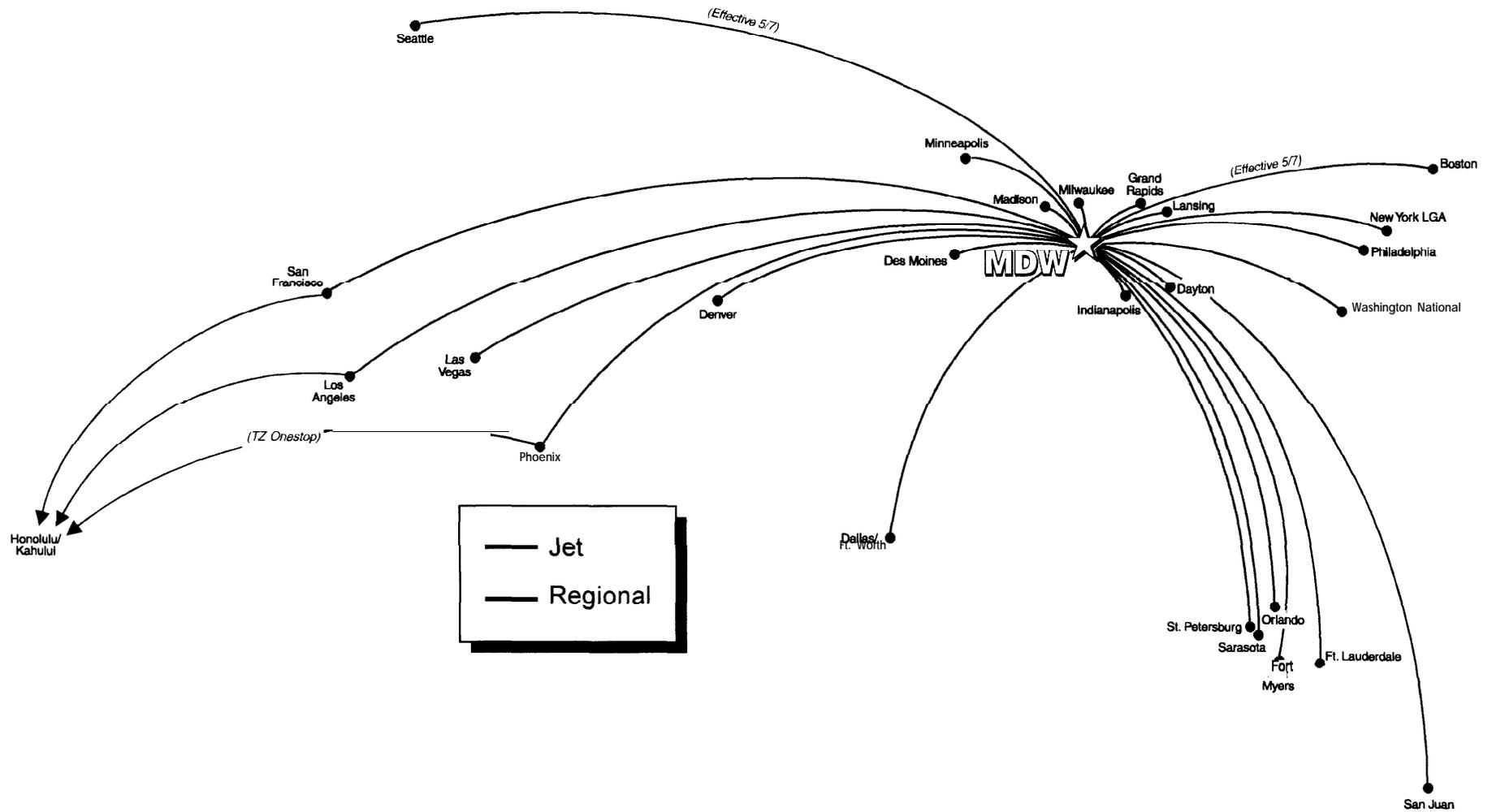


Edward J. Hogan
Chairman and CEO

EJH:shm:ejhcoorsp2000

Exhibits

The American Trans Air (ATA) Midway Hub



ATA Needs Six Additional Within the Perimeter DCA Slots to Maintain a Meaningful Competitive Chicago Schedule, and No Fewer than Four Additional Slots Even to Remain at DCA

- An Effective DCA Presence Requires ATA to Offer Four Daily Roundtrip *DCA–Midway* Flights:
 - United has 16 daily roundtrips to O’Hare
 - American has 10.5 daily roundtrips to O’Hare

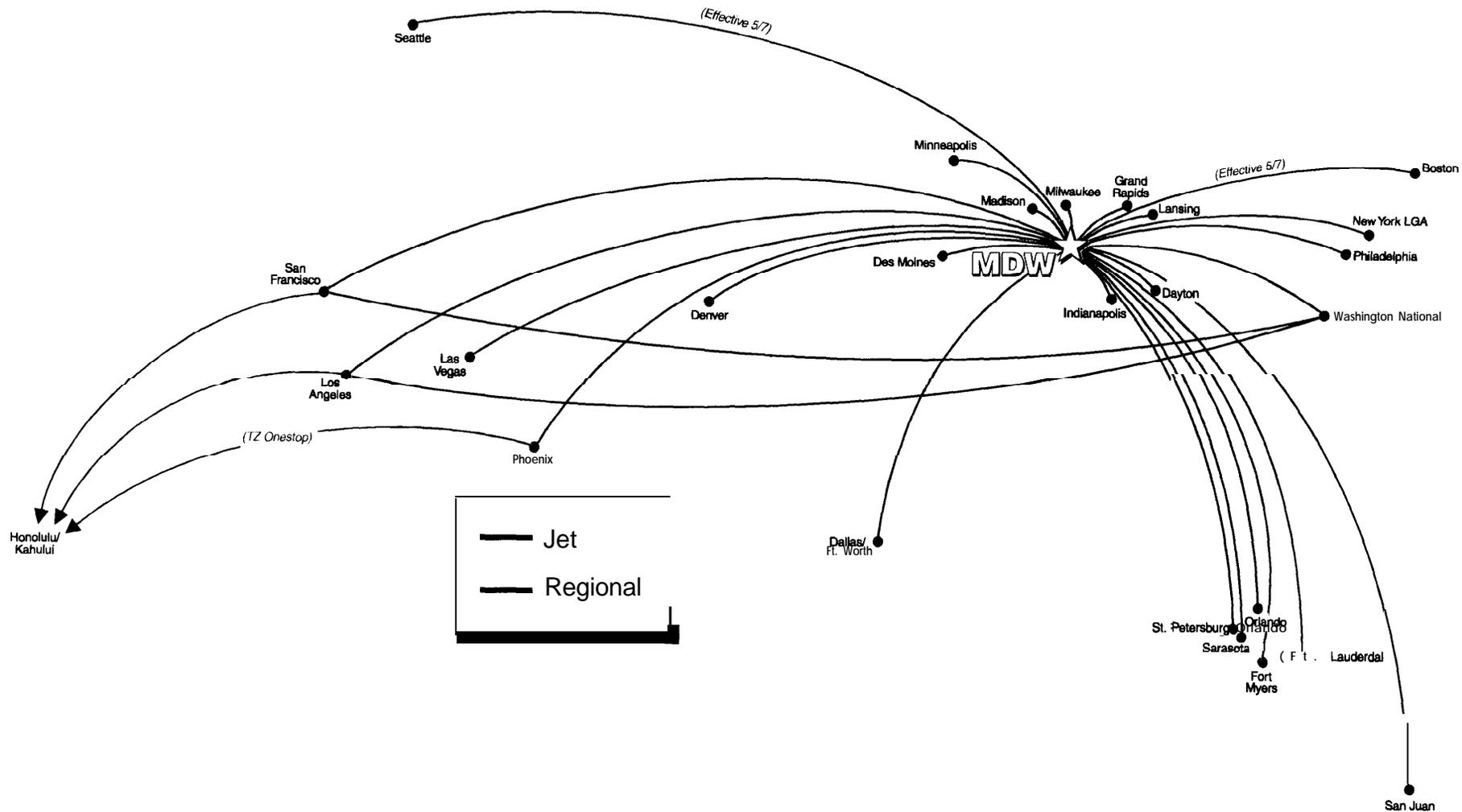
- Excluding Two Permanent Slots, ATA’s Current DCA Slots are Leased on a Short Term Basis:
 - ATA is leasing four of its six current slots and will likely lose the four slots in October
 - There are no alternative DCA slots available for lease or purchase
 - ATA’s other two slots are not commercially viable on a stand-alone basis

ATA Needs Four Beyond-Perimeter DCA Slots to Become an Effective DCA–California Competitor

- In Conjunction With Its DCA-Midway Service, ATA Will Offer Five Daily *DCA–California* Single-Plane Roundtrips:
 - One nonstop to LAX
 - Two one-stops to LAX
 - One nonstop to SFO
 - One one-stop to SFO

- ATA Will Also Provide Connecting Opportunities at Its Midway Hub to Both Los Angeles and San Francisco for a Total of:
 - Five time channels *DCA–Los Angeles*
 - Five time channels *DCA–San Francisco*

ATA's DCA-California Nonstops Will Complement Its Midway Hub



ATA's DCA-California Single-Plane Schedule

Flight	A	B	I	C	J	D
DCA	0735	1155	1420	1600	1720	1835
	→	→	→	→	→	→
MDW	0725	1245		1650		1925
MDW	0835	1355				2045
	→	→	→			→
LAX	1048		1630			2258
SFO		1630			1950	

Notes: Westbound – All Flights Operate Daily

→ Denotes Existing Permanent Slot

ATA's California-DCA Single-Plane Schedule

Flight	E	F	K	G	L	H
SFO			0700			2220
LAX	2355			0655	0955	
						1820
MDW	0541			1241		
MDW	0715	1025		1335		1935
DCA	1000	1310	1450	1620	1730	2220

Notes: Eastbound – All Flights Operate Daily

Denotes Existing Permanent Slot

**With Connections at MDW
ATA will Offer Nine Daily
DCA-California Services**

ATA Will Offer a Superior DCA–California Schedule with Nonstops, One-Stops and Connections

Flight	M	A	B	N	I	C	J	D	P
DCA		1048	1155		1420	1600	1720	1835	
MDW		0725	1245			1650		1925	
MDW	0820	0835	1355	1420				2045	2030
LAX		1048			11630			2258	
SFO	1055		1630	1633	16		1950		2305

Notes: Westbound – All Flights Operate Daily

Denotes Existing Permanent Slot

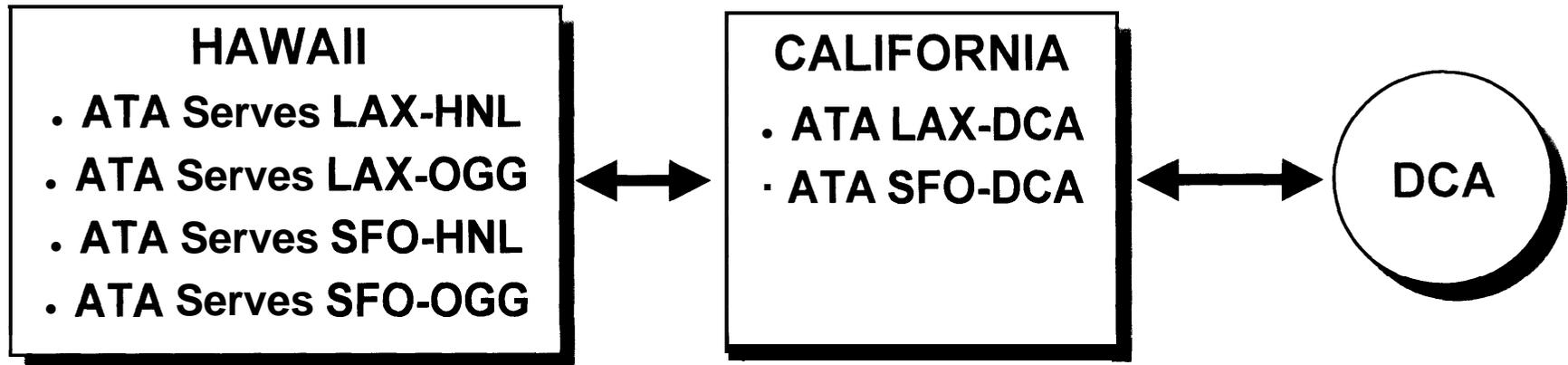
ATA Will Offer a Superior DCA–California Schedule with Nonstops, One-Stops and Connections

Flight	E	F	K	G	L	H	Q
SFO			0700			2220	
LAX	2355			0655	0955		1200
MDW	0541			1241		1820	1746
MDW	0715	1025		1335		1935	
DCA	1000	1310	1450	1620	1730	1220	

Notes: Eastbound – All Flights Operate Daily

Denotes Existing Permanent Slot

ATA's DCA-California Service will also Provide On-Line Service to Hawaii



ATA Carried More Than 1,400 Daily California-Hawaii Passengers During the 1999 High-Season

ATA DCA-Midway Schedule Proposal for New Entrant Slots

Flight	A	B	C	D
DCA	0725	1155	1420	1835
	→	→	→	→
MDW	0725	1245	151 ^o	1925
MDW	0835	1355		2045
	→	→		→
LAX	1048			2258
SFO		1630		

Notes: Westbound – All Flights Operate Daily

^o Denotes Existing Permanent Slot

ATA Midway–DCA Schedule Proposal for New Entrant Slots

Flight	W	F	G	H
SFO				1220
LAX	2355		0655	1820
MDW	0541		1241	1935
MDW	0715	1025	1335	2200
DCA	1000	1330	1620	

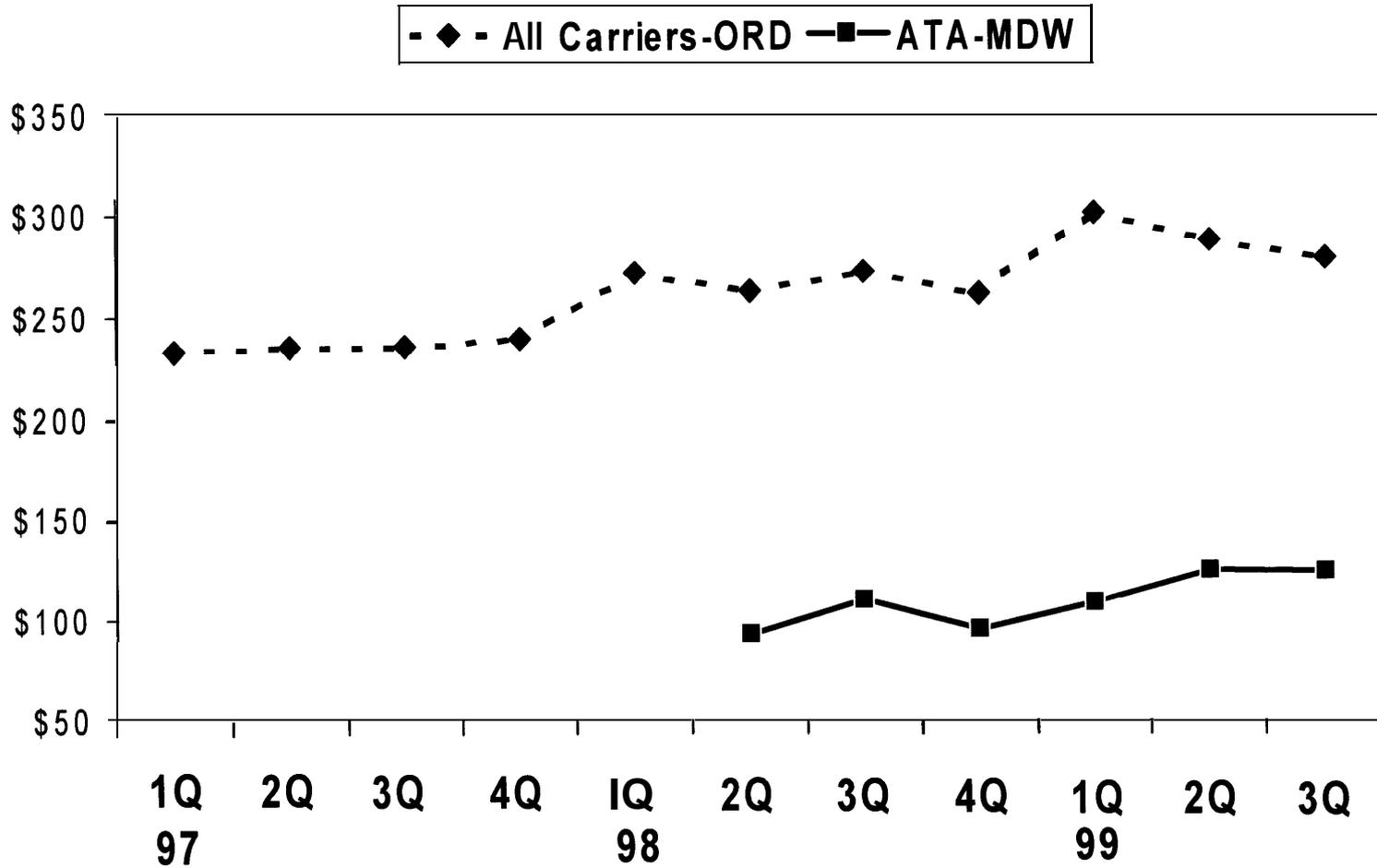
Notes: Eastbound – All Flights Operate Daily

1000/1000 Denotes Existing Permanent Slot

**Ata is An Acknowledged
Low Fare Carrier**

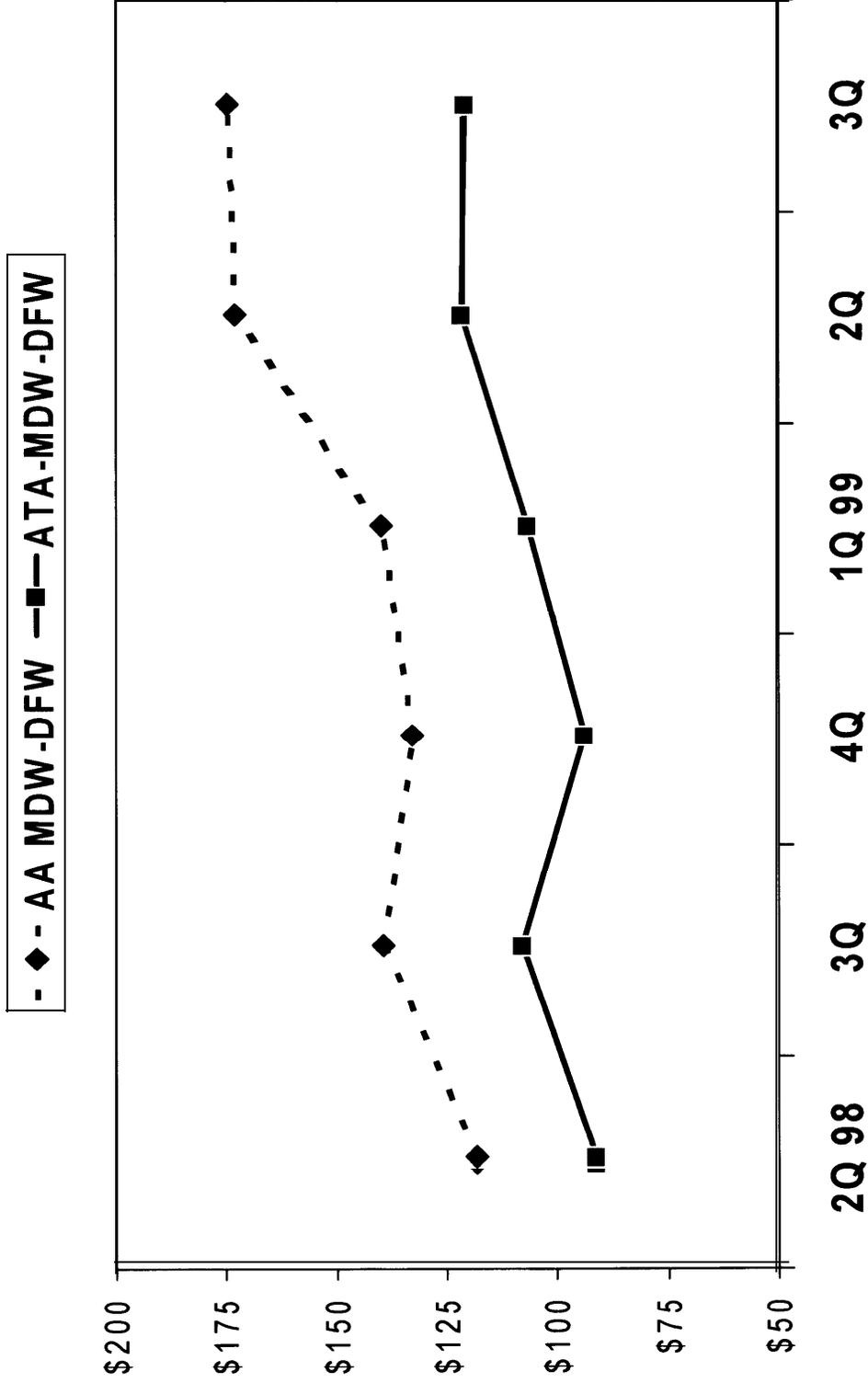
ATA Has Consistently Offered Low Fares in the Chicago-Dallas Market

Average Fare



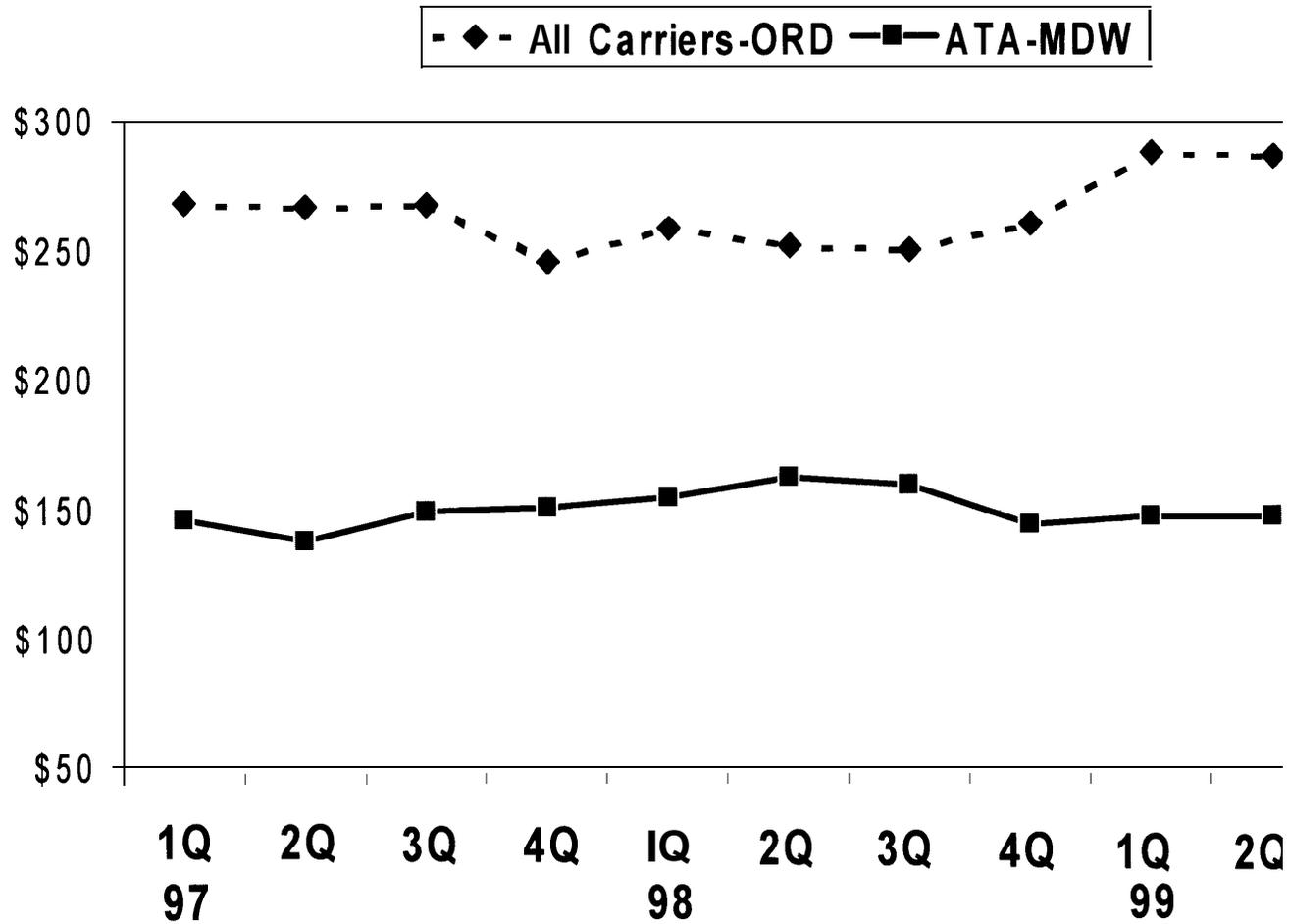
ATA Offers Lower Fares than American in the Midway-Dallas Market

Average Fare



ATA Has Consistently Offered Low Fares in the Chicago-Los Angeles Market

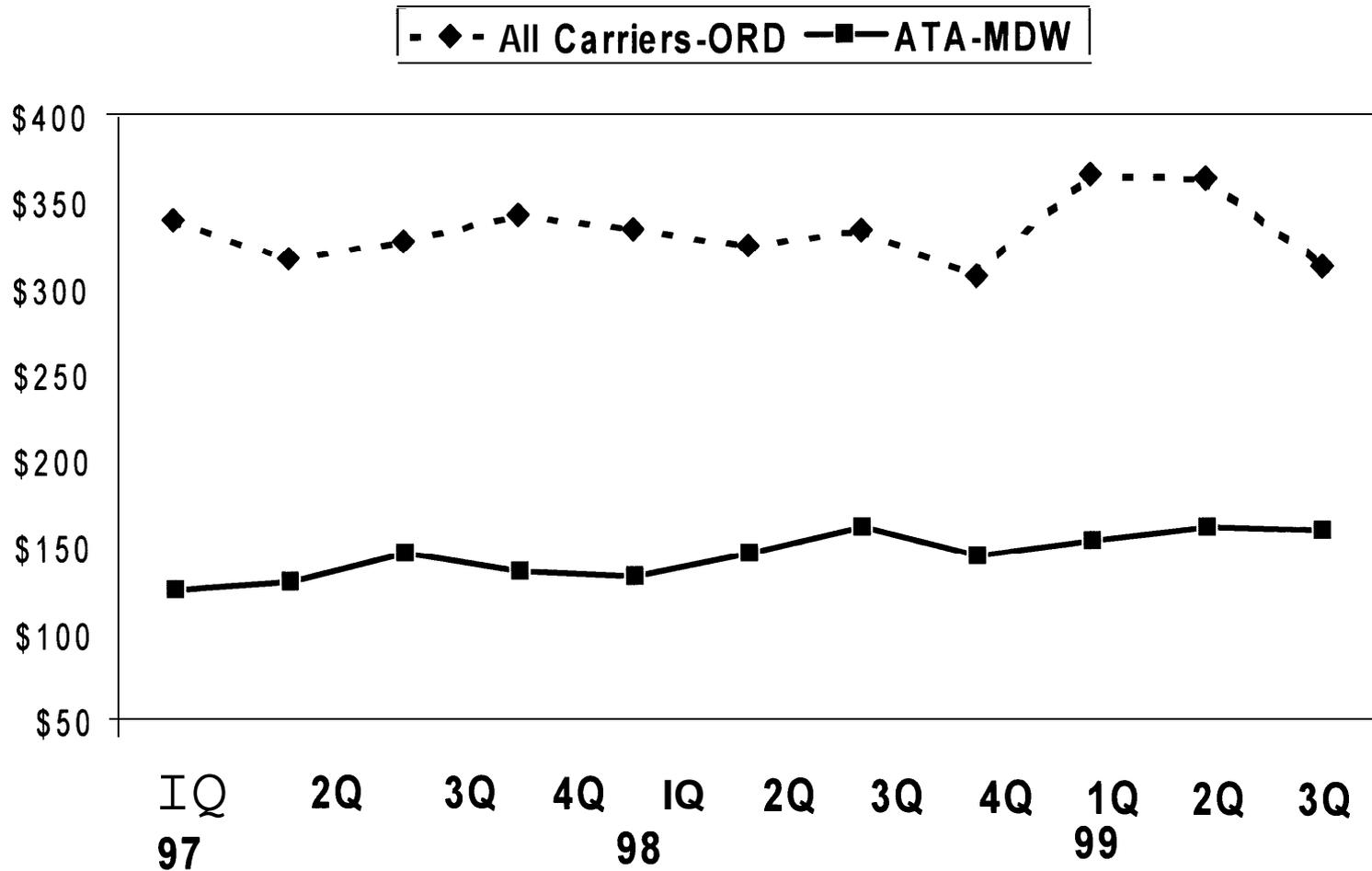
Average Fare



Source: DB1A through Data Base Products

ATA Has Consistently Offered Low Fares in the Chicago-San Francisco Market

Average Fare



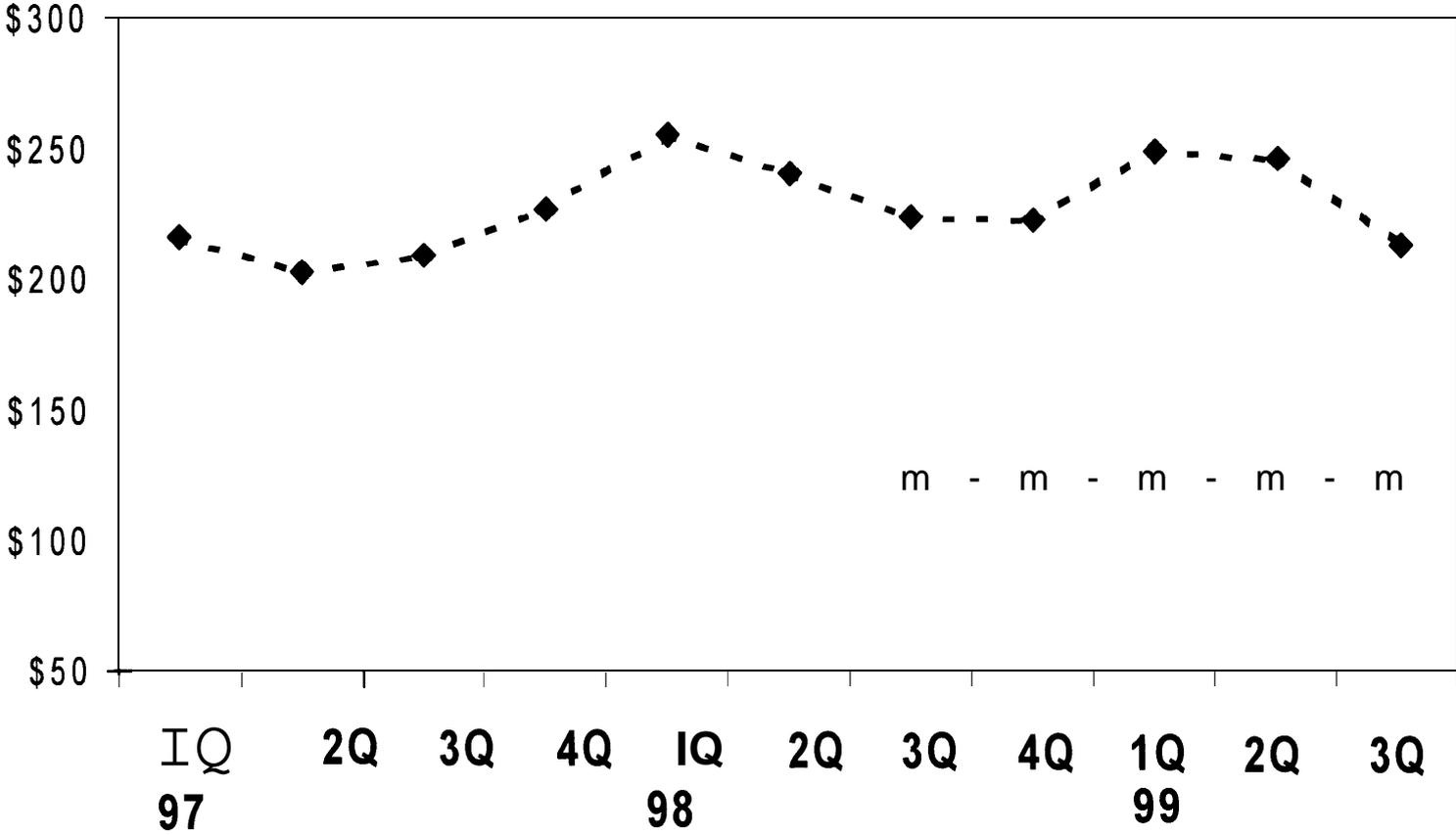
ATA's Highly Successful LGA-MDW Track Record

- ATA Started Three Daily LGA-Midway Roundtrips in July 1998
- ATA's Average LGA-Midway Fare is 50% Below the Average LGA-O'Hare Fares
- ATA Has Extended Its Low LGA Fares to Many Beyond Markets Including Los Angeles and San Francisco
- ATA Now Has the Second Largest LGA-LAX Market Share
- ATA Carries More Passengers Per Flight and Offers More Seats Per Flight than Any LGA Carrier

ATA's Low LGA-Chicago Fares are Half Those of the Established Carriers

Average Fare: LGA-Chicago

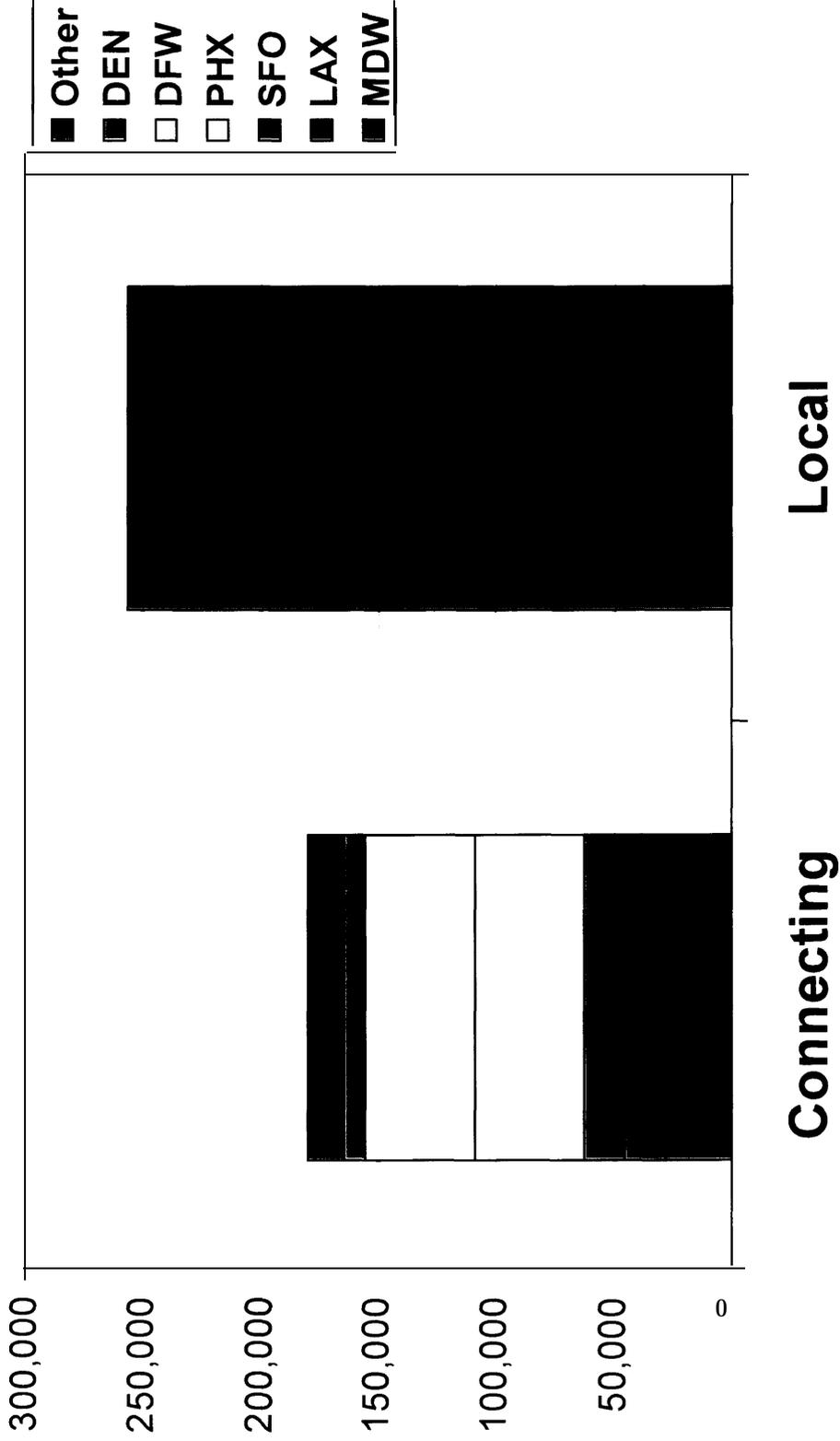
- ◆ - All Carriers-ORD - ■ - ATA-MDW



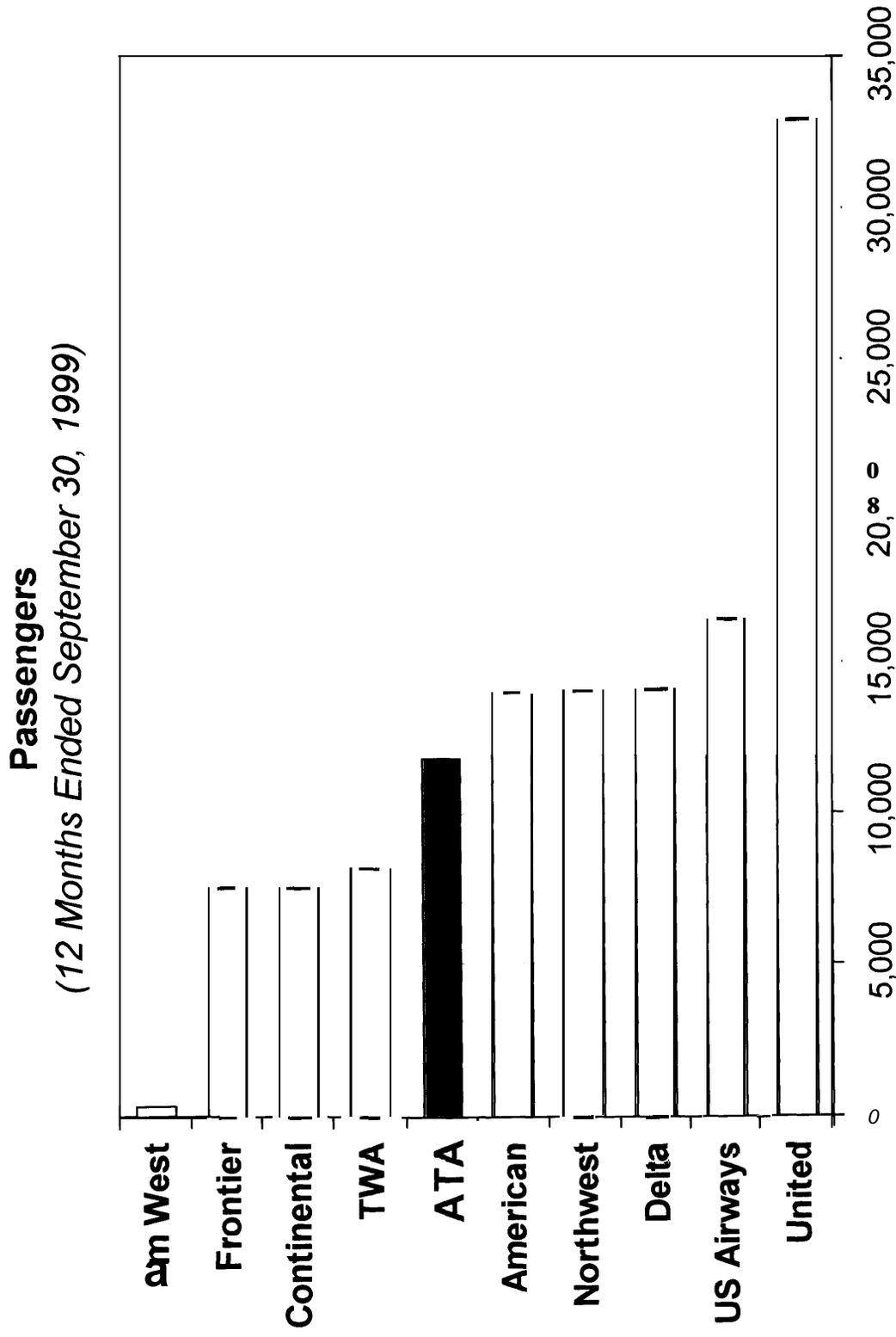
Source DB1A through Data Base Products

ATA Has an Established Presence in LAX and SFO

ATA's LGA-LAX and LGA-SFO Passengers
July 1998-February 2000

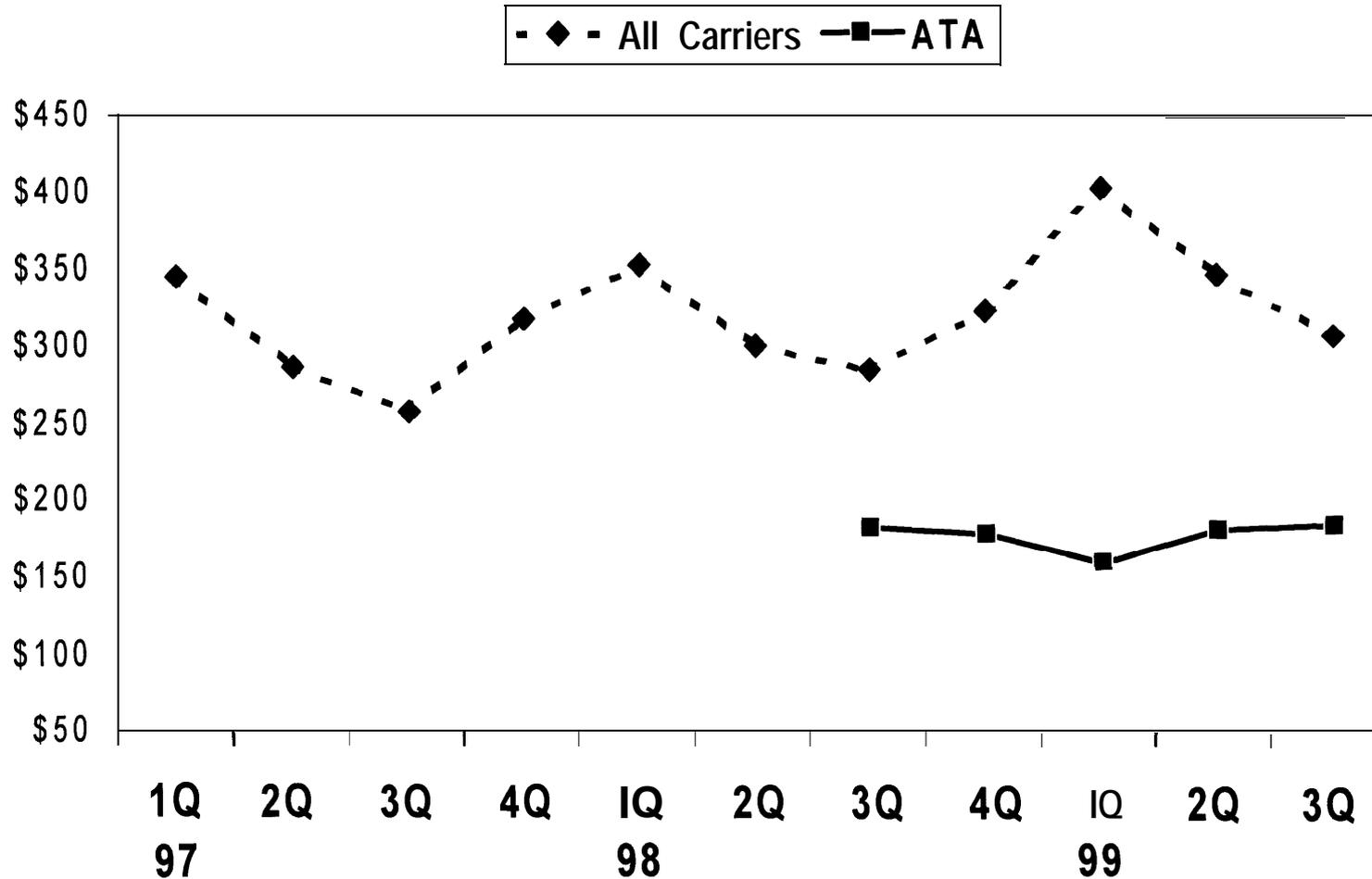


ATA Has Become a Major Competitor in the LGA-SFO Market In Spite of a Limited Operation



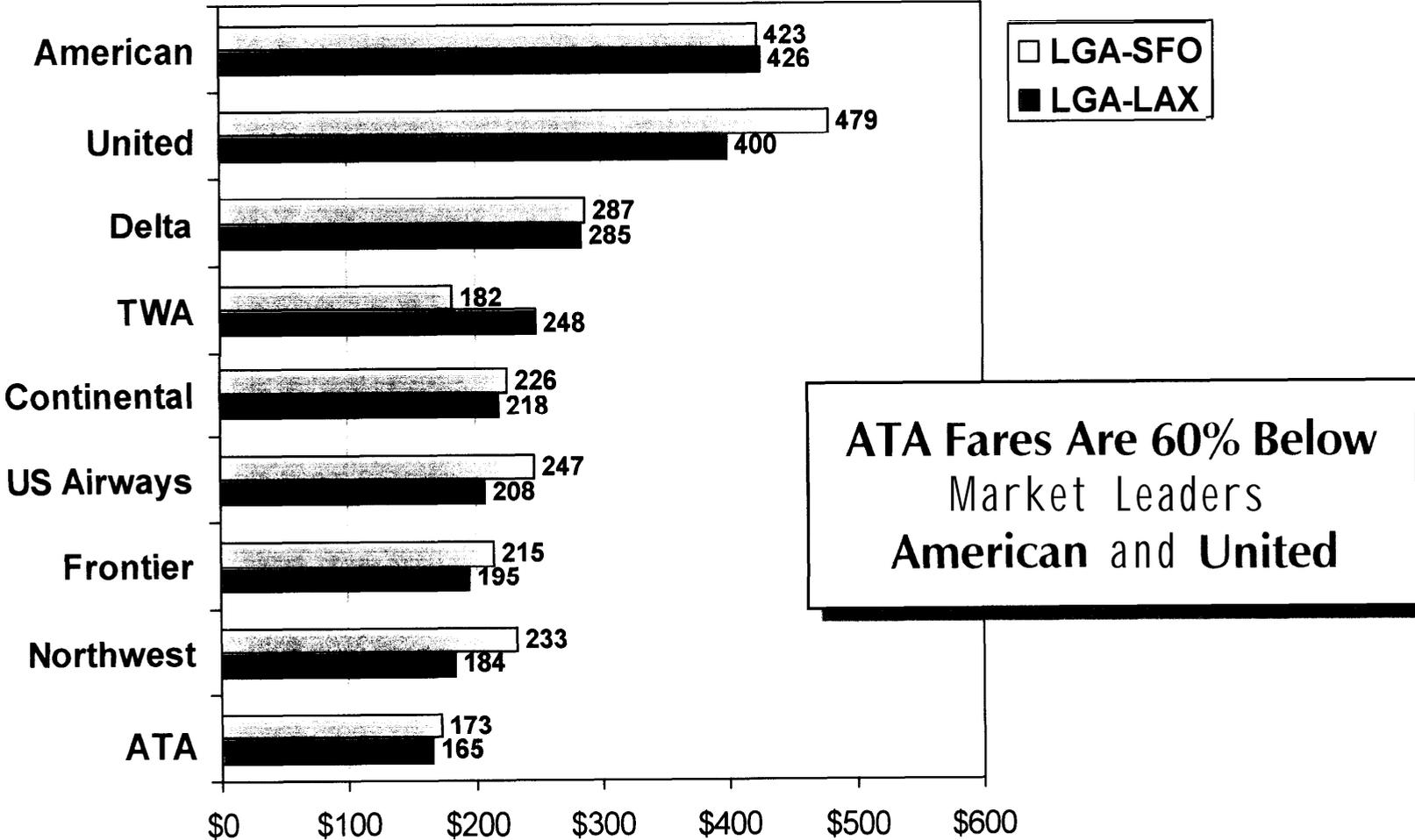
ATA Offers Low Fares in Markets Beyond MDW

Average Fare: LGA-SFO



ATA Is The Low Fare Carrier Between LGA And California

Average Fare
(12 Months Ended September 30, 1999)

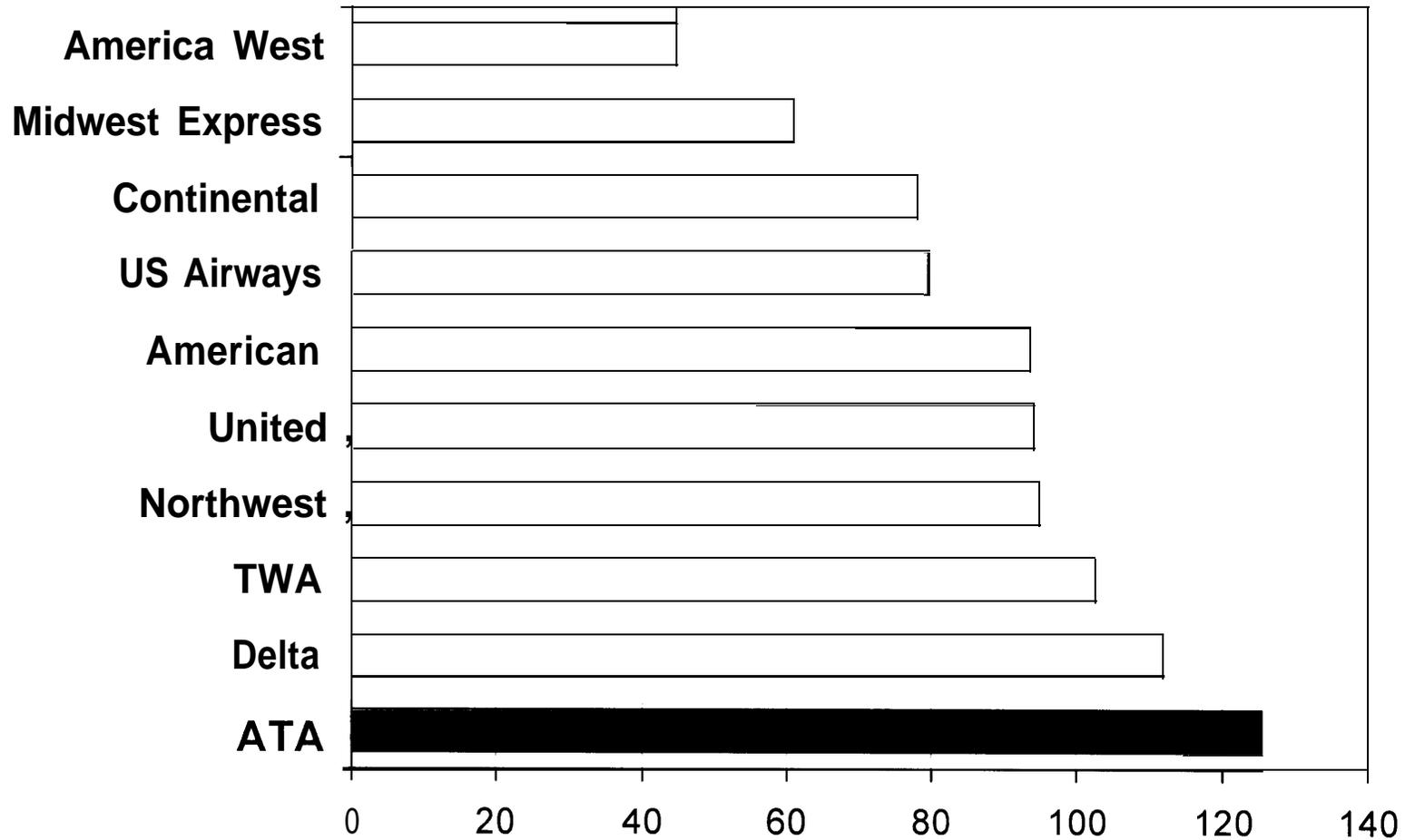


Source: USDOT Through Data Base Products

**ATA Uses Its Slots at Restricted Airports
More Intensively than Other Carriers**

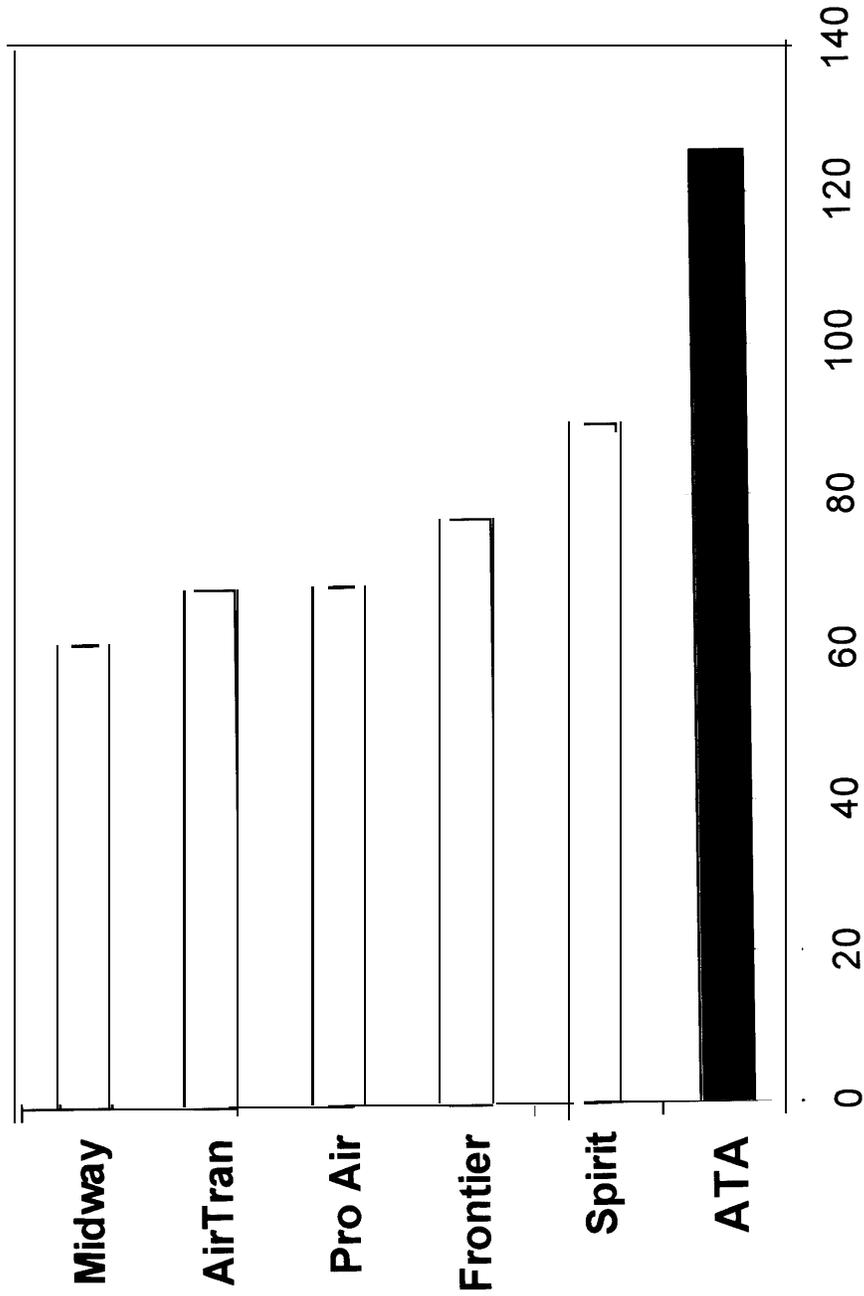
ATA's LGA Slots are More Productive than Established Carriers

Passengers Per Scheduled Departure (Slot)
(Year Ended September 30, 1999)



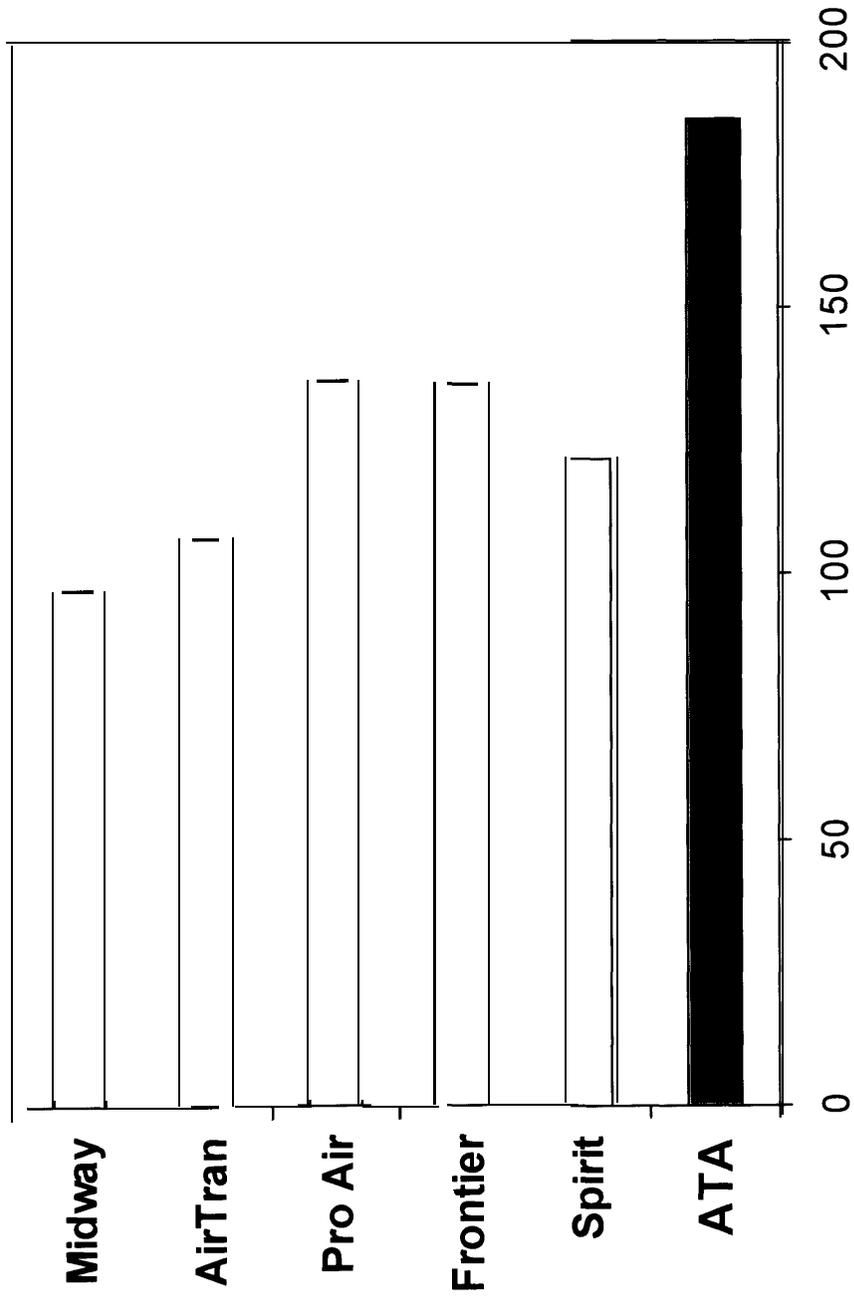
ATA's LGA Slots are the Most Productive of Any New Entrant

Passengers Per Scheduled Departure (Slot)
(Year Ended September 30, 1999)



ATA's LGA Slots are the Most Productive of Any New Entrant

Seats Per Scheduled Departure (Slot)
(Year Ended September 30, 1999)



**ATA's low Fare Service Has Produced
Far Greater Market Shares in the
New York-Chicago and New York-California
Markets than Economic Modeling Would Suggest**

ATA Has Been an Outstanding Competitor in the New York-Chicago and New York-California Markets

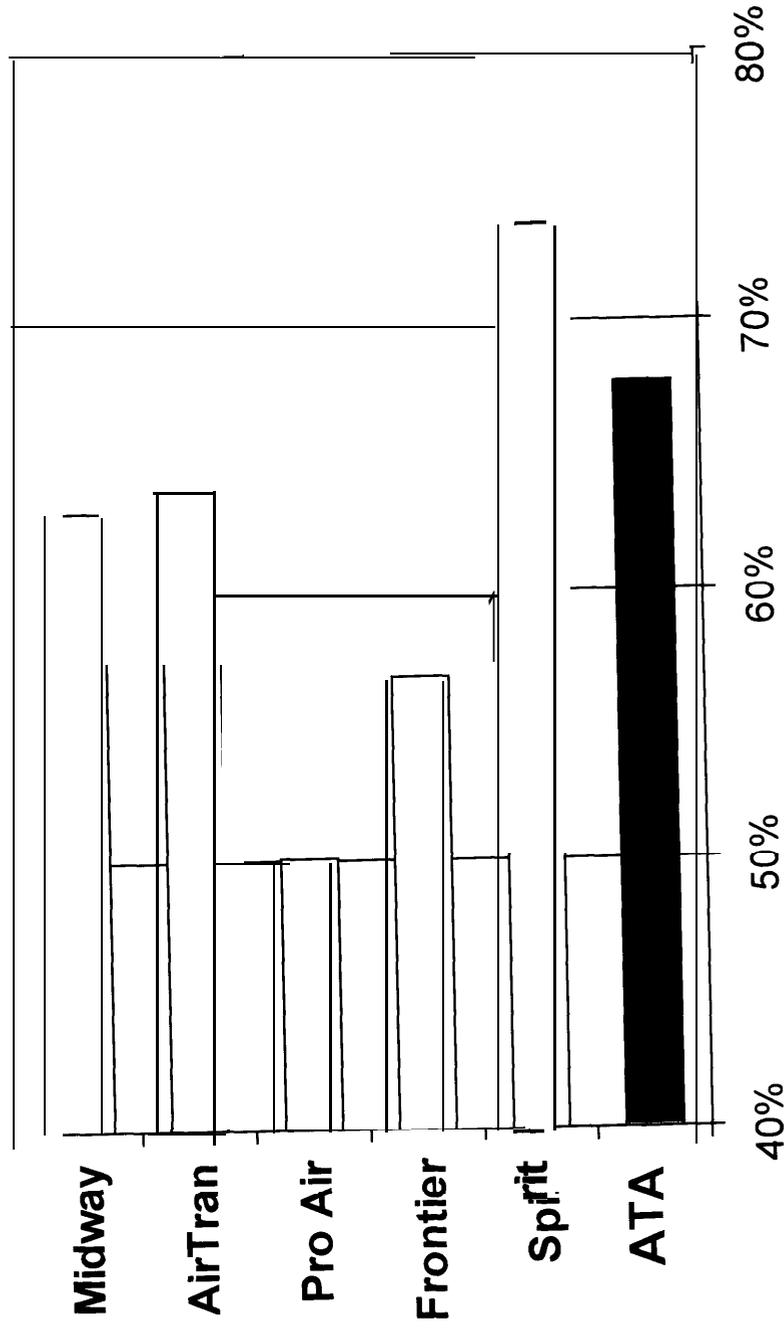
Market	QSI Share	Market Share	Competitive Effectiveness
Chicago	6.3%	10.0%	159
Los Angeles	0.6%	1.2%	200
San Francisco	0.6%	1.1%	183

Note: New York Includes LaGuardia, Kennedy and Newark

Source Market Share From DOT O&D Survey Year Ended September 30, 1999; QSI Share From SH&E Model

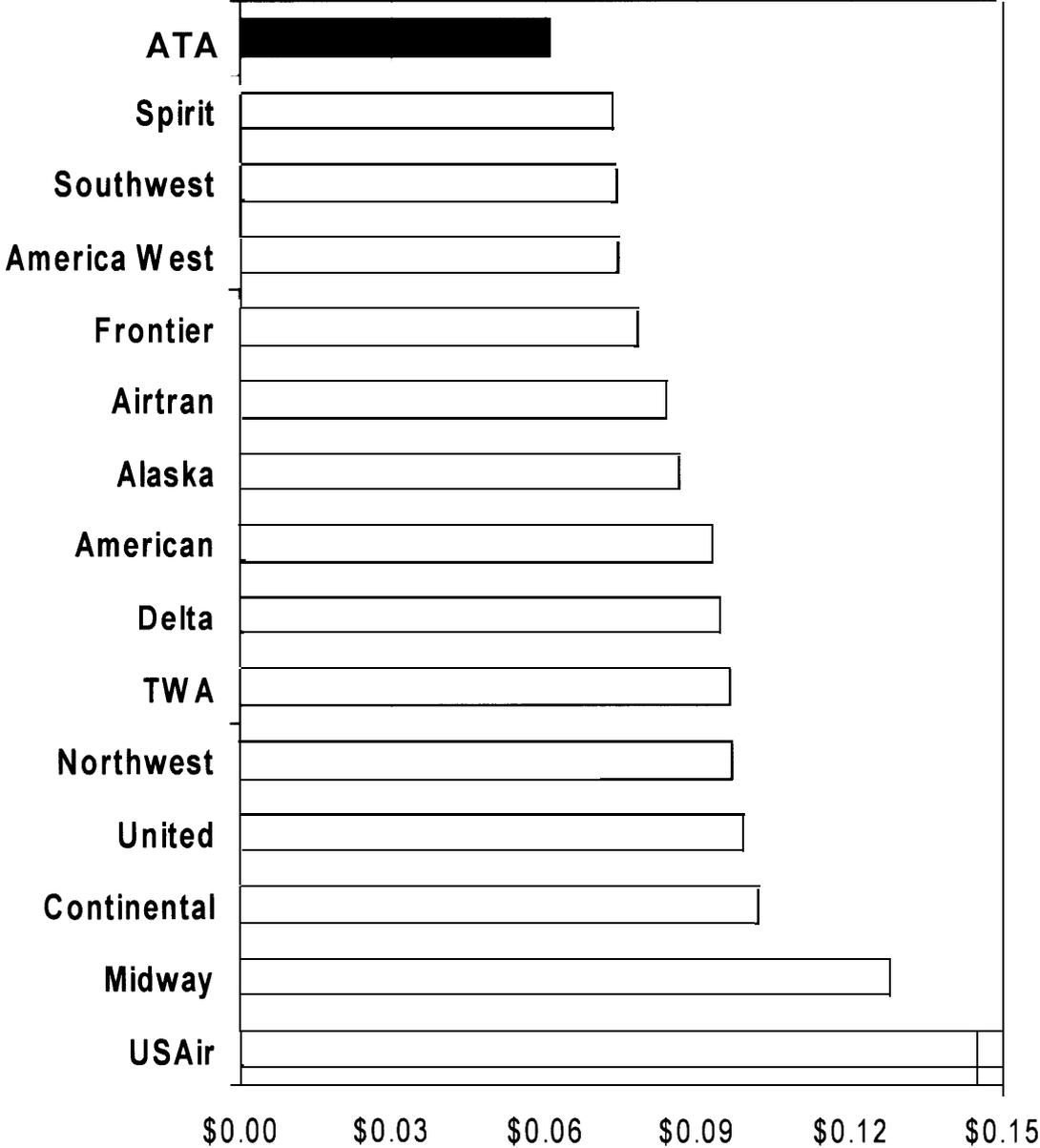
ATA's Low Fares Create High Load Factors

Load Factors
(Year Ended September 30, 1999)



**ATA Offers Low Fares
Because It is the Lowest
Cost Carrier in The
United States**

**Cost per Available Seat
Mile, Domestic Operations
YE 9/30/99**



**Washington DCA Needs an Effective
Low Fare Network Competitor**

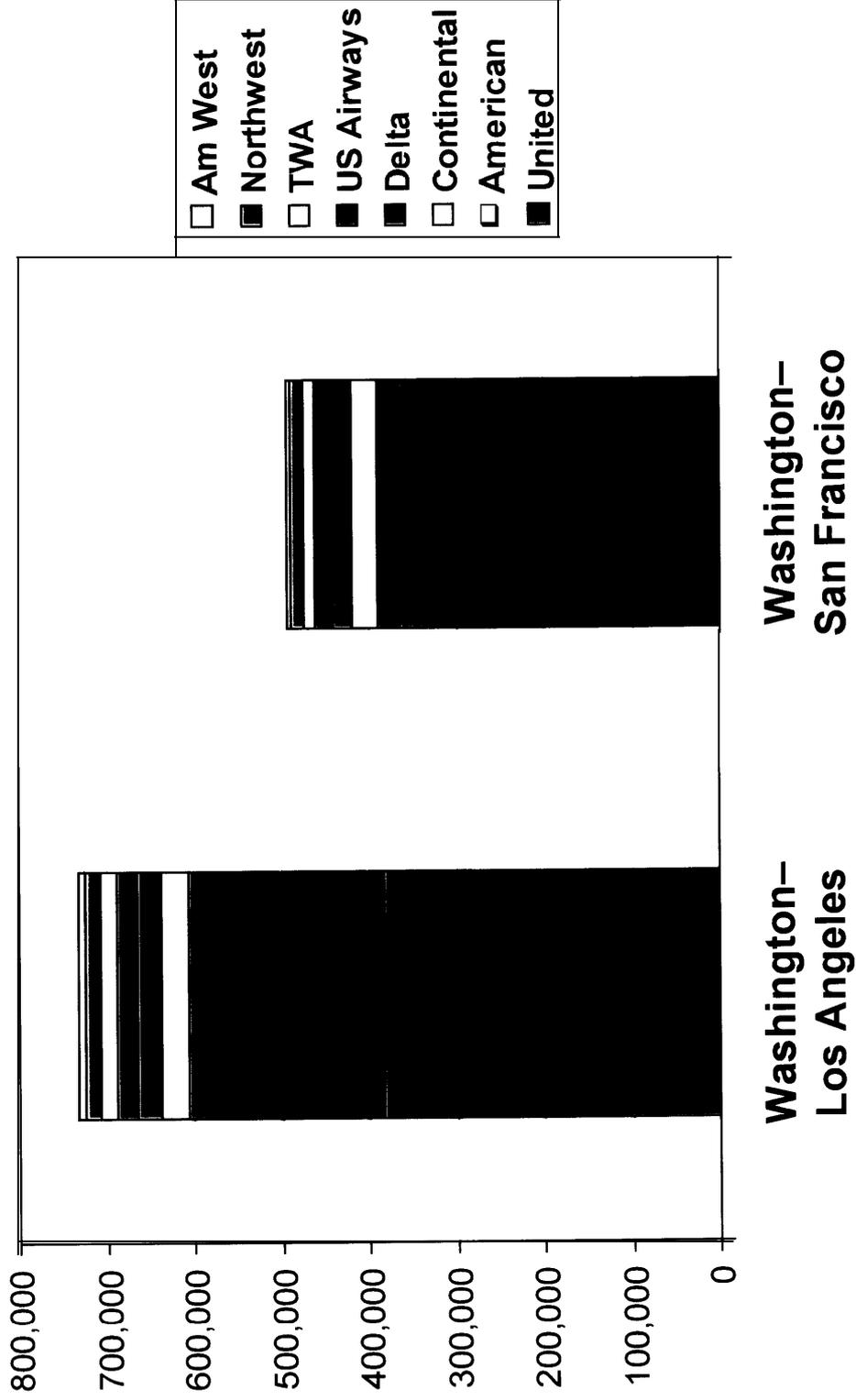
ATA Regularly Extends Its Low Fares to Beyond Markets

At New York's LaGuardia Airport...

- **ATA's Average Fare Is 61% Lower than AA to Los Angeles**
- **ATA's Average Fare Is 64% Lower than UA to San Francisco**

United and American Already Dominate the Washington-Los Angeles and Washington-San Francisco Markets

Annual Passengers
(Year Ended September 30, 1999)



Granting the Slot Requests of Established Carriers will Only Protect These Carriers' Positions at Washington IAD from Low Fare Competition

- **American Offers:**
 - 4 Daily IAD-LAX Roundtrip Flights

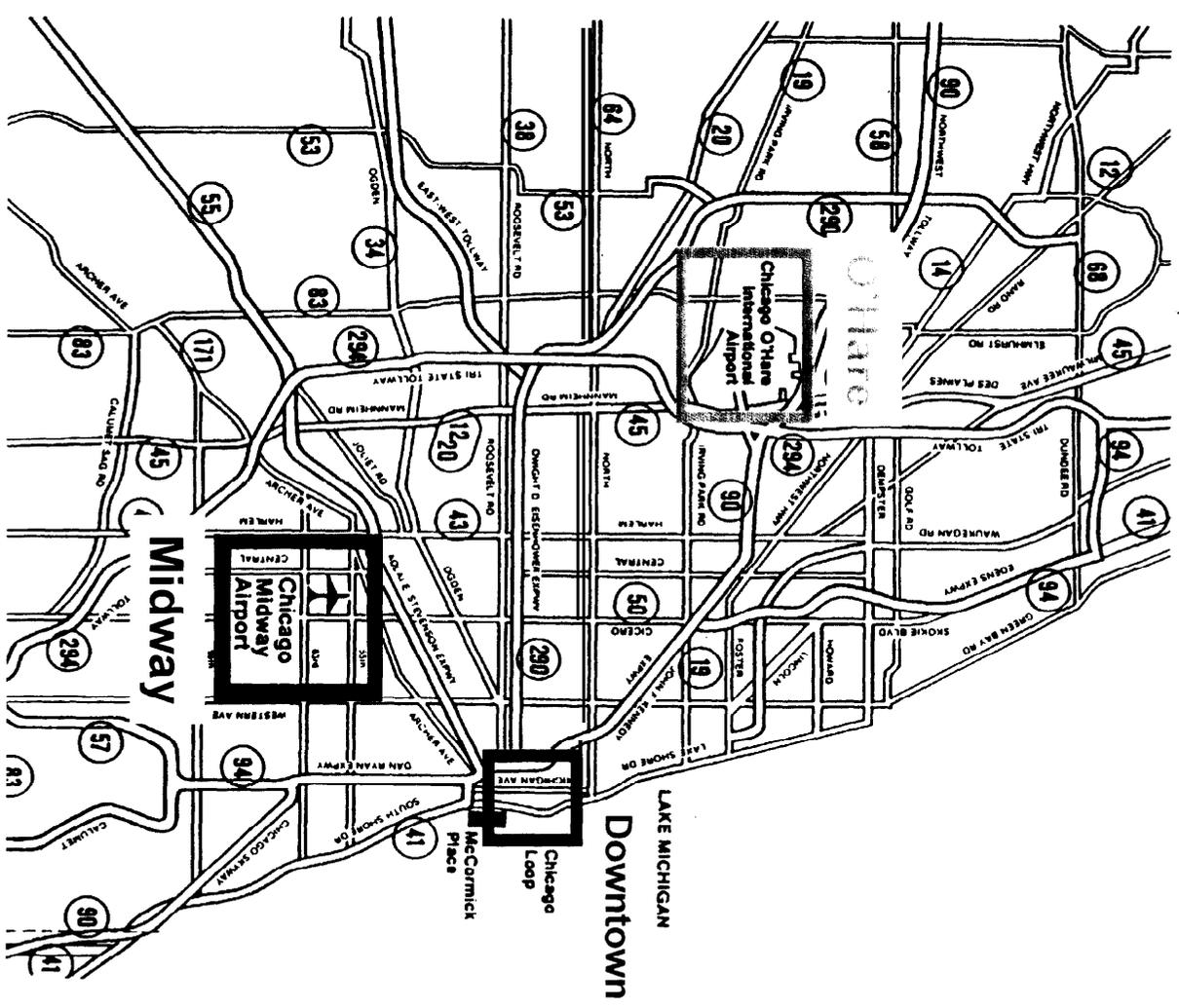
- **Delta Offers:**
 - 2 Daily IAD-SLC Roundtrip Flights

- **United Offers:**
 - 8 daily IAD-DEN Roundtrip Flights
 - 9 daily IAD-LAX Roundtrip Flights
 - 9 Daily IAD-SFO Roundtrip Flights

Midway is Much Closer to Downtown Chicago than O'Hare and Increasingly a Viable Alternative for Business and Leisure Travelers

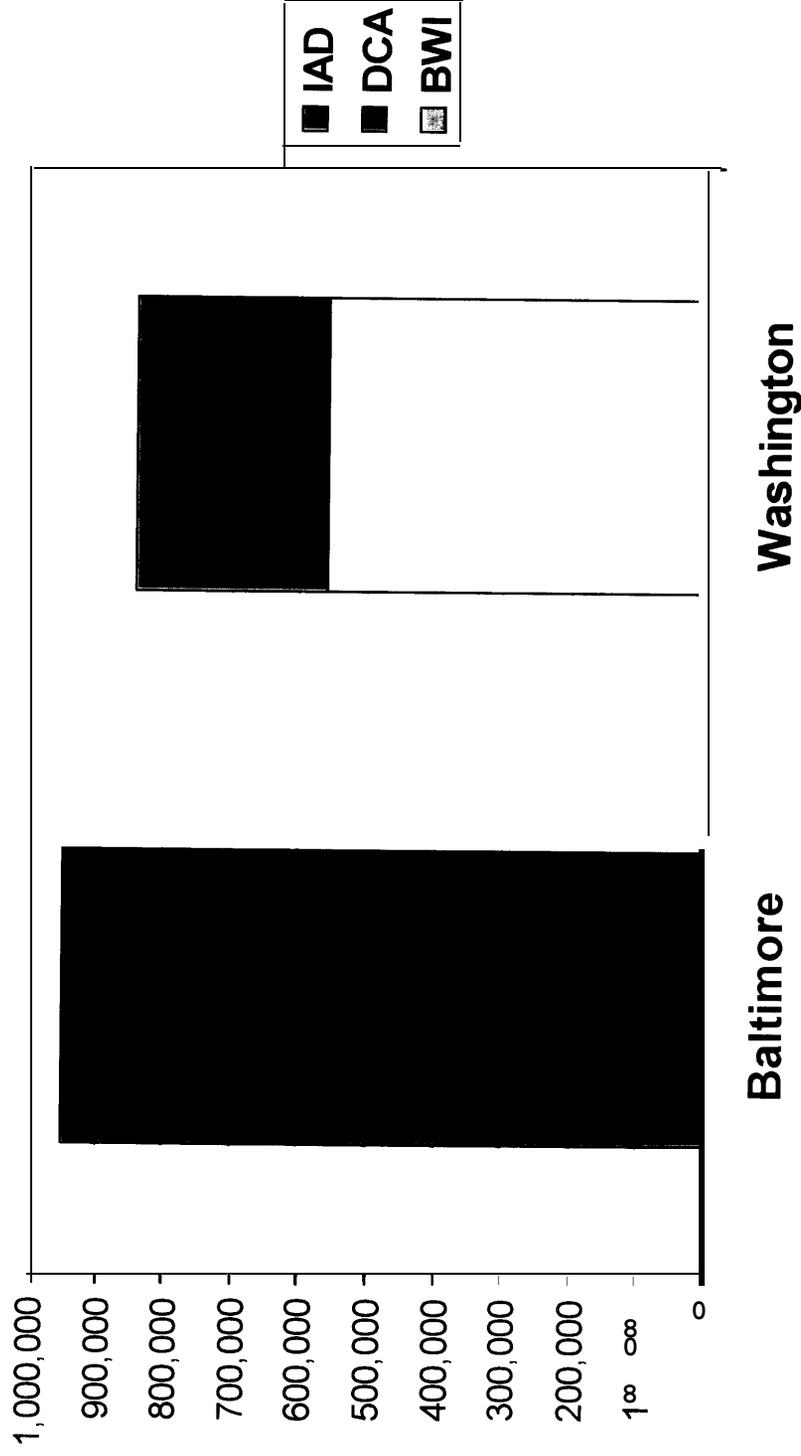
Distance to Loop
 O'Hare 23 mi.
 Midway 11 mi

Chicago Metropolitan Area Airports



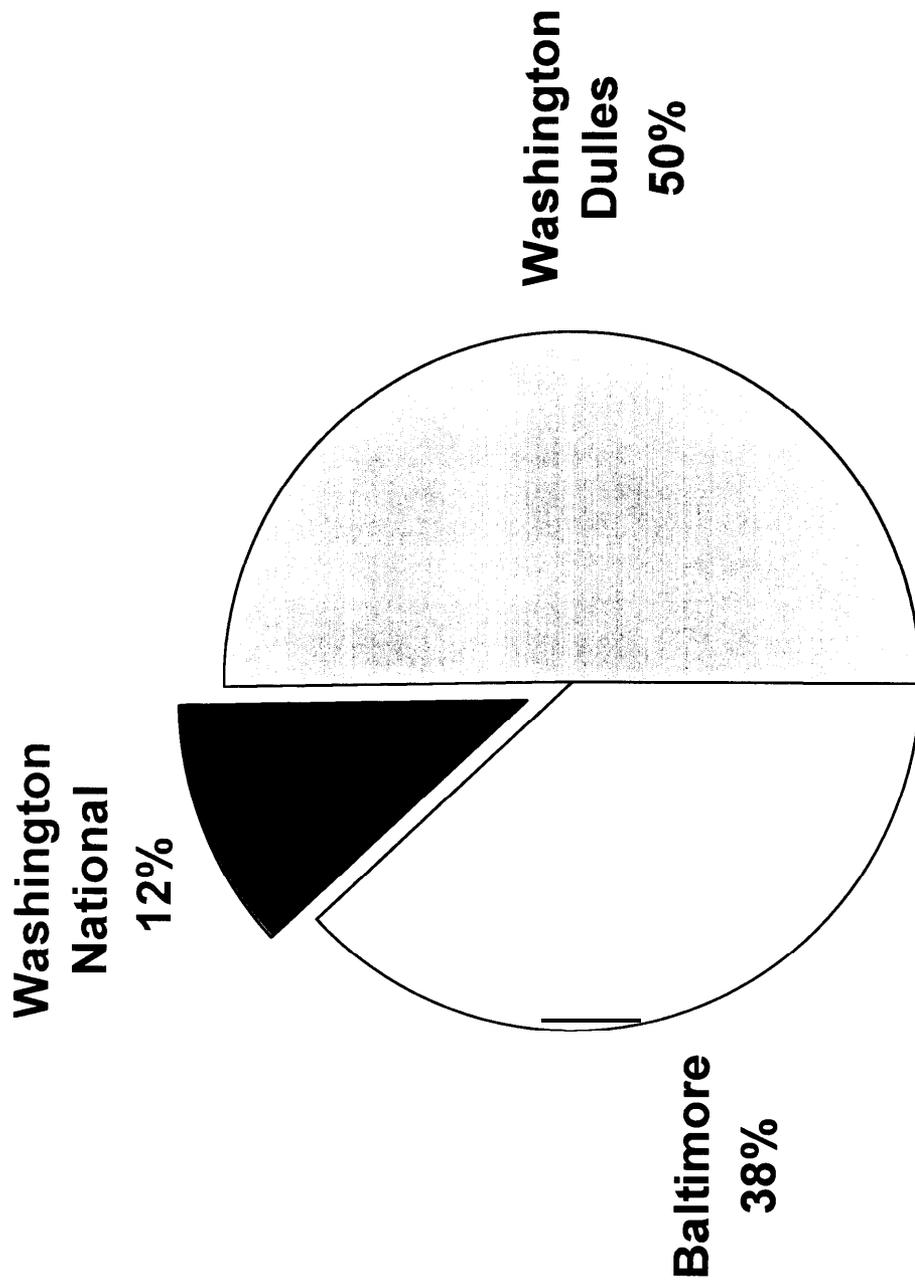
Thousands of Chicago Passengers are Inconvenienced by Having to Travel to BWI to Enjoy Low Fares

Annual Chicago–Washington Area Passengers
(Year Ended September 30, 1999)



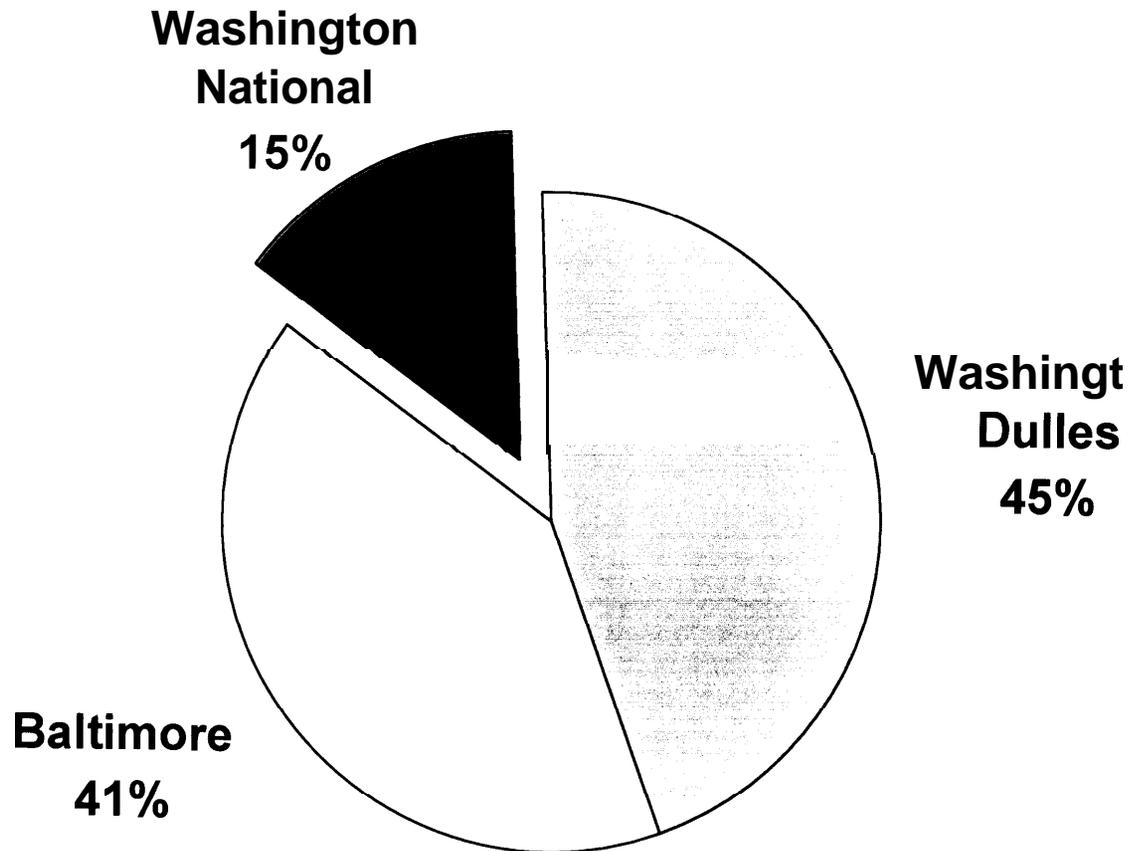
Only 12% of Washington Area-LAX Passengers Currently Use DCA

Market Distribution by Airport
(Year Ended September 30, 1999)



Only 15% of Washington Area–SFO Passengers Currently

Market Distribution by Airport
(Year Ended September 30, 1999)



Note: Numbers Do Not Total 100% Due to Rounding

Source, USDOT O&D Survey

With Ten DCA Slots, ATA Would Benefit Over 700,000 Annual MDW/LAX/SFO Passengers

ATA Forecast Passengers	
Washington-Chicago	410,000
Los Angeles	165,000
San Francisco	118,000
Other	15,000
Total	708,000

Notes:

"Other" Includes DCA traffic to Dallas/Ft. Worth, Denver, Des Moines, Grand Rapids, Honolulu, Lansing, Las Vegas, Madison, Maui, Milwaukee, Minneapolis, Phoenix and Seattle

Forecast traffic from DOT O&D survey YE Sep 1999 adjusted for normal growth, ATA market performance and recapture from BWI

ATA Will Benefit Almost One-Half Million Annual Passengers if It is Awarded Six Daily New Entrant Slots to Midway

ATA Forecast Passengers	
Washington-Chicago	400,000
Los Angeles	54,000
San Francisco	31,000
Other	13,500
<hr/>	
Total	498,500

Notes:

"Other" Includes DCA traffic to Dallas/Ft. Worth, Denver, Des Moines, Grand Rapids, Honolulu, Lansing, Las Vegas, Madison, Maui, Milwaukee, Minneapolis, Phoenix and Seattle

Forecast traffic from DOT O&D survey YE Sep 1999 adjusted for normal growth, ATA market performance and recapture from BWI

Low Fares Will Save Washington Passengers Millions in Air Fares

- **ATA Fares at LGA are 47-64% Lower than AA and UA Fares:**
 - ATA *LGA-MDW* fares are 46.8% lower than the average for AA & UA *LGA-ORD*
 - ATA *LGA-LAX* fares are 60.0% lower than the average for AA & UA
 - ATA *LGA-SFO* fares are 63.6% lower than the average for AA & UA

- **Applying Similar Savings For DCA Passengers Produces Savings Of \$34-64 Million Annually:**
 - \$64 million if ten additional slots are awarded
 - \$34 million if six additional slots are awarded

Washington Passengers Will Save \$34-64 Million Annually if ATA is Awarded Additional Slots at DCA

	10 Daily New Slots			Total Savings
	DCA-CHI	DCA-LAX	DCA-SFO	
ATA Forecast Passengers	410,000	165,000	118,000	
Less BWI Low Fare Passengers	(155,000)	(25,000)	(18,000)	
ATA Passengers Directly Benefitted	255,000	140,000	100,000	
Average Fare, AA & UA	\$ 190.99	\$ 266.35	\$ 303.72	
Revenue at AA/UA Fares	\$ 48,702,450	\$ 37,289,000	\$ 30,372,000	
Typical Savings On ATA	46.8%	60.0%	63.6%	
Passenger Savings	\$ 22,792,747	\$ 22,373,400	\$ 19,316,592	\$ 64,482,739
	6 Daily New Slots			
ATA Forecast Passengers	400,000	54,000	31,000	
Less BWI Low Fare Passengers	(154,000)	(7,500)	(5,500)	
ATA Passengers Directly Benefitted	246,000	46,500	25,500	
Average Fare, AA & UA	\$ 190.99	\$ 266.35	\$ 303.72	
Revenue at AA/UA Fares	\$ 46,983,540	\$ 12,385,275	\$ 7,744,860	
Typical Savings On ATA	46.8%	60.0%	63.6%	
Passenger Savings	\$ 21,988,297	\$ 7,431,165	\$ 4,925,731	\$ 34,345,193