

BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
WASHINGTON, DC.

DEPARTMENT OF TRANSPORTATION  
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DOCKET SECTION

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ORIGINAL

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Application of :

AMERICAN AIRLINES, INC. :

Docket OST-984328 -//

under 49 U.S.C. 40109 for an exemption :  
and frequency allocation (Chicago-Moscow) :

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Application of :

AMERICAN AIRLINES, INC. :

Docket OST-98-4522 -//

under 49 U.S.C. 40109 for an exemption :  
(U.S.-Riga, Latvia; Tallinn, Estonia; and :  
St. Petersburg, Russia via Helsinki) :

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CONSOLIDATED ANSWER OF  
CONTINENTAL AIRLINES, INC.

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February 11, 1999

BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
WASHINGTON, D.C.

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Application of :  
  
          AMERICAN AIRLINES, INC. :           Docket OST-98-4328  
  
under 49 U.S.C. 40109 for an exemption :  
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Application of :  
  
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CONSOLIDATED ANSWER OF  
CONTINENTAL AIRLINES, INC.

American<sup>1</sup> has responded to Continental's U.S.-Russia code-share proposal with Air France, which is clearly superior to American's proposal to abandon plans for its own Chicago-Moscow flights and code-share with Finnair instead, by filing motions to amend its U.S.-Russia frequency allocation and exemption authority and to expedite action on its application to code-share with Finnair. American's motions should be denied, and Continental's application for U.S.-Russia code-sharing authority should be granted.

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<sup>1</sup> Common names of carriers are used.

In support of its position, Continental states as follows:

1. American has asked the Department to grant its U.S.-Russia code-share applications “immediately.” (Motion of American to Amend Exemption and Frequency Allocation at 4; Motion of American for Immediate Action on Deferred Portion at 4) American is not entitled to priority in securing one of the five newly - available U.S.-Russia third-country code-share opportunities because it already has unused U.S.-Russia authority to operate its own Chicago-Moscow flights or because it has a deferred application for additional U.S.-Russia code-share authority with Finnair pending. American’s Chicago-Moscow service would have added nonstop U.S.-flag Russia service at a large hub gateway while its code-share proposal would merely place American’s code on existing Finnair JFK-Russia connecting service at a U.S. gateway which already has nonstop service. The frequencies awarded to American for nonstop Chicago-Moscow service should be returned to the Department for reallocation, not “amended” to permit a far less beneficial service.
2. When applying for Chicago-Moscow exemption authority and U.S.-Russia frequencies last year, American said “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.” (Application of American Airlines, Inc. for an Exemption (Chicago-Moscow), Docket OST-98-1328, August 14, 1998, at 4) Applying that principle, Continental’s proposed code-share service with Air France should have priority over

American's proposed code-share service with Finnair because American is not proposing to operate any segment of its proposed code-share service between New York (JFK) and Russia via Helsinki with Finnair. American's own logic suggests that its application should have a low priority.

3. Continental's U.S.-Russia service proposal with Air France offers far more public benefits than American's proposal. Continental operates its own flights between Newark and Houston and Paris (CDG), and Continental has true hubs at both U.S. gateways providing connections service between points throughout the United States and points in Russia via Paris. Continental and Continental Express serve 81 North American points nonstop at Newark and 107 North American points nonstop at Houston, but American serves only 21 U.S. points at JFK, mostly with American Eagle flights. (See, Attachment to 1 to Answer of American Airlines, Inc. to Application of Continental Airlines, Inc. for an Exemption and Frequency Allocation (U.S.-Russia Code-Sharing with Air France), Docket OST-9-5049, February 10, 1999) American is proposing code-share service with Finnair at a single U.S. point, New York (JFK), which is not one of American's hubs, while Continental code-share service would be provided at Newark, Houston and Miami. Thus, Continental's service with Air France involves both transatlantic and domestic U.S.-carrier flights providing true hub connections at two U.S. gateways and additional service at a third gateway.

4. Continental and Air France would introduce an entirely new network competing for traffic between the U.S. and Russia and advance the Department's goal of promoting meaningful new competition between the U.S. and Russia. On-line service through Continental's hubs at Newark and Houston, on the one hand, and Russia, on the other hand, will result in more service options, new network competition throughout the United States, and strong competition with U.S. and foreign airlines and alliances offering U.S.-Russia service. Because of the public benefits from Continental's proposal, Continental should receive at least one of the newly available U.S.-Russia code-share opportunities, and American's application should be denied to the extent it could preclude the award of authority to Continental.

For the foregoing reasons, the Department should deny American's motions to amend its current authority and to expedite action on American's applications.

Respectfully submitted,

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February 11, 1999

CERTIFICATE OF SERVICE

I certify that I have this date served the foregoing document upon counsel for American and the persons served with its motions in the manner specified in the Department's Rules of Practice.

  
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February 11, 1999

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