

**BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.**

DEPT. OF TRANSPORTATION
BOOKETS

2004 OCT 13 PM 4:02

Applications of

Continental Airlines, Inc.,
Continental Micronesia, Inc.,
Alitalia-Linee Aeree Italiane-S.p.A.,
and Alitalia Express S.p.A.

OST-2004-19210 -5

for blanket statements of authorization pursuant
to Part 212 to engage in codesharing

REPLY OF
ALITALIA-LINEE AEREE ITALIANE – S.P.A. AND ALITALIA EXPRESS

Communications with respect to this document should be sent to:

Richard D. Mathias
ZUCKERT, SCOUTT & RASENBERGER,
LLP
888 Seventeenth Street, NW
Suite 700
Washington, DC 20006-3939
202-298-8660

Counsel for
Alitalia-Linee Aeree Italiane-S.p.A.
and Alitalia Express

Dated: October 13, 2004

**BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.**

Applications of)	
Continental Airlines, Inc.,)	
Continental Micronesia, Inc.,)	
Alitalia-Linee Aeree Italiane-S.p.A.,)	OST-2004-19210
and Alitalia Express S.p.A.)	
for statements of authorization pursuant to Part)	
212 to engage in codesharing)	

Dated: October 13, 2004

**REPLY OF
ALITALIA-LINEE AEREE ITALIANE-S.p.A. AND ALITALIA EXPRESS**

Alitalia-Linee Aeree Italiane- S.p.A. and Alitalia Express S.p.A. herein reply to the Answer filed by United Air Lines, Inc. to the above-referenced joint application for statements of authorization to provide reciprocal codeshare services between the United States, Italy, and third countries. United argues that the Government of Italy is in violation of the bilateral air services agreement by reason of the limitations on services at Milan's Linate Airport and, therefore, the Department should retaliate by withholding grant of the bilaterally authorized codesharing rights requested here by Alitalia, Continental, and their two affiliated carriers. United's claim that Italy is violating the bilateral air services agreement has no substance and, even if it had the color of validity, this is not the proper forum for the U.S. and Italy to consider and attempt to resolve the matter.

As the Department is well aware, the Italian Government's policy for the use of Milan's airports, Linate and Malpensa, limits operations at Linate to flights to points in the European Union, with restrictions on the number of daily frequencies in each city-pair based on the size of

the markets. These limitations are part of an overall airports policy for Milan. The policy is rationally based on efforts over several decades to develop Malpensa airport for intercontinental services and to cope with severe environmental, operational, and congestion problems at Linate. As a result, most EU carriers and all non-EU carriers are unable to offer services at Linate, either with their own flights or by codesharing on the flights of others. For example, Alitalia's current codeshare partner, Delta Airlines, cannot place its code on Alitalia's Linate-Rome flights. Nor will Continental be able to hold out service to Linate upon approval of this codeshare application. However, like United, they have unlimited access to Malpensa Airport which is now Milan's principal airport and the gateway for international services.

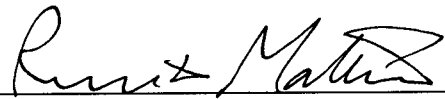
In short, the limitations on direct and codeshared services at Linate are based on Italy's policy for development of Milan's multiple airports. It is not unreasonable or unfairly discriminatory for the policy to allow the carriers serving Linate to offer on-line connections to their systems, nor to prohibit the multitude of other carriers worldwide to offer services to Linate by codeshare or other marketing arrangements.

United has failed to show either that Italy has violated the bilateral air services agreement or that this is proper forum or proceeding for the U.S. to consider the issue. Even if there were a legitimate issue, it should be taken up between the Governments of Italy and the United States under diplomatic procedures provided for in the agreement. As asserted by United, it involves equally all other U.S. carriers, although notably only United has complained. It has been in place since January, 2001. United is asking the Department to bypass all normal procedures for dispute resolution by rushing to judgment and instant retaliation by withholding the bilaterally authorized codesharing rights sought by Alitalia and Continental. Nobody except United has objected to the application and its request to "defer" approval cannot disguise what would be

effective denial. Such action herein by the Department would be premature, taken in the wrong forum, and counter-productive to full and effective consideration of the matter. The normal, sensible, and appropriate course, if there were a real issue here, would be for the two Governments to discuss the matter through diplomatic efforts and maintain their positive bilateral relationship.

Wherefore, Alitalia and Alitalia Express request that the Department expeditiously approve the joint application for blanket codesharing authority submitted in this docket with Continental and Continental Micronesia.

Respectfully submitted,



Richard D. Mathias
Counsel for Alitalia-Linee Aeree Italiane,
S.p.A. and Alitalia Express

Dated: October 13, 2004

CERTIFICATE OF SERVICE

I certify that I have this date served the foregoing document on counsel for the parties listed below in accordance with the Department's Rules of Practice:

Carl B. Nelson, Jr.
Associate General Counsel
American Airlines, Inc. and American
Eagle Airlines
E-mail: carl.nelson@aa.com

Robert E. Cohn
Alexander Van Der Bellen
Counsel for Delta Air Lines
Shaw, Pittman
E-mail: robert.cohn@shawpittman.com
sascha.vanderbellen@shawpittman.com

John L. Richardson
Counsel for Amerijet International
John L. Richardson, P.L.L.C.
E-Mail: jrichardson@johnlrichardson.com

Marshall S. Sinick
Counsel for Florida West
Squire, Sanders & Dempsey L.L.P.
E-Mail: msinick@ssd.com

Megan Rae Rosia
Managing Director, International Affairs
and Associate General Counsel
Northwest Airlines, Inc.
E-Mail: megan.rosia@nwa.com

Russell E. Pommer
Associate General Counsel and
Director of Regulatory Affairs
Atlas Air, Inc.
E-Mail: rpommer@atlasair.com

Jeffrey A. Manley
Bruce H. Rabinovitz
Counsel for United Air Lines
Wilmer, Cutler & Pickering
E-mail: jmanley@wilmerhale.com

bruce.rabinovitz@wilmerhale.com

Angeline Garbuzinski
Sandra Lunsford
Federal Express Corporation
E-Mail: anbird@fedex.com

Howard Kass
Associate General Counsel
USAirways
E-Mail: Howard.kass@usairways.com

Joanne W. Young
Baker & Hostetler, LLP
America West and World
Airways
E-Mail: jyoung@bakerlaw.com

David L. Vaughan
Counsel for United Parcel Service
Kelley, Drye & Warren
E-mail: dvaughan@kelleydrye.com

Moffett B. Roller
Counsel for Gemini Air Cargo
Roller & Bauer, PLLC
E-Mail: mroller@rollerbauer.com

James J. Ballough
Director
Flight Standards Service
Federal Aviation Administration
E-mail: jim.ballough@faa.gov

Tom Lydon
Director of Government Affairs
Evergreen International Aviation, Inc.
E-Mail: tom.lydon@evergreenaviation.com

Mark W. Atwood
Counsel for Kalitta Air and Custom
Air Transport
matwood@sherblackwell.com

Roger W. Fones
Chief, Transportation, Energy
& Agriculture Section
Antitrust Division
Department of Justice
E-Mail: Roger.fones@usdoj.gov

U.S. TRANSCOM/TCJ5-aa
Attention: Air Mobility Analysis
E-Mail: David.bentley@hq.transcom.mil

A handwritten signature in black ink, appearing to read "Richard D. Mathias", written over a horizontal line.

Richard D. Mathias

October 13, 2004