

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

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U.S.-CHINA AIR SERVICES (2001)	:	Docket OST-99-6323
	:	
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**ANSWER OF  
THE CITY AND COUNTY OF  
SAN FRANCISCO**

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November 16, 1999

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By Notice dated October 6, 1999 (served October 12, 1999), the Department of Transportation invited interested carriers to file applications seeking designation and frequency allocations for the third phase of market expansion opportunities available to U.S. carriers as provided in the April 8, 1999 Protocol between the U.S. and the People's Republic of China, which amended the U.S.-China Air Transport Services Agreement. Applications in response to this Notice were filed by seven carriers, including United Air Lines, Inc. (United) which requested the allocation of two frequencies to enable it to provide daily nonstop service in the San Francisco-Shanghai market.<sup>1</sup> For the reasons stated herein and those that will be set forth in its submissions in the proceeding to be instituted by the Department (Notice at 2), the City and County of San Francisco ("San Francisco"), owner and operator of the San Francisco International Airport ("SFO"), strongly supports the allocation of two additional frequencies to provide daily nonstop service in the San Francisco-Shanghai market.

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<sup>1</sup> As discussed in greater detail infra, United has also indicated in its application that it will, using the frequencies allocated prior to 1999 and which are currently used for one-stop operations to China via Tokyo, operate additional new nonstop combination services between the U.S. and China. Indeed, among those new services will be new daily nonstop combination services between San Francisco and Beijing to begin in summer 2000.

In the U.S.-China Air Services Proceeding (Docket OST-99-5539), San Francisco demonstrated that:

- A critical need exists for daily nonstop U.S. carrier service in the San Francisco and California markets to China, with the passenger and cargo traffic in this corridor exceeding that of all other U.S. markets to China combined;

- An unparalleled and well-established ethnic and business community of interest exists between San Francisco and China in general, and between San Francisco and Shanghai in particular;

- The Bay Area has the largest Chinese-American community in North American, and San Francisco and Shanghai have been sister cities for over nineteen years;

- Over twenty-nine San Francisco Bay Area firms have offices, plants or other facilities in Shanghai, eight of which are Fortune 500 companies;

- San Francisco is the largest exporting region in the United States, accounting for \$45.2 billion dollars in exports in FY 1996. Additionally, the San Francisco Bay Area leads the West Coast gateways in export sales to China, amounting to \$2.4 billion during the same time period. In 1997, high tech goods valued at over \$800 million were shipped by air between the San Francisco Bay Area and China;

- The San Francisco-Shanghai local O&D passenger market is large in its own right, and is likely to attract passengers originating in or destined to Los Angeles as well;

- SFO is a particularly effective hub and gateway airport for U.S.-China service, with about 450 daily domestic scheduled nonstop jet departures, and San Francisco-Shanghai service will significantly enhance both inter-gateway and intra-gateway competition;

- San Francisco-Shanghai nonstop service is a perfect “bridge” between two strong coastal gateways; and
- Finally, San Francisco’s new international terminal will significantly enhance service for passengers traveling to and from San Francisco.

In awarding the 17 weekly frequencies available for allocation in the U.S.-China Air Services proceeding, the Department specifically recognized that United’s San Francisco-Shanghai proposal “would provide significant public benefits for the traveling and shipping public,” Order 99-6-17 at 7, and that the “addition of five new nonstop flights in the U.S.-Shanghai market would offer an important service upgrade in that market, since currently only one-stop service is available to Shanghai,” Id. at 8. Faced with a limited number of frequencies available for allocation and finding that the public interest would be served best by ensuring that all three applicants were provided a significant opportunity to expand their services in the market, the Department allocated “the available frequencies as equally as possible among the three carriers – six to Federal Express, six to Northwest, and five to United.” Id. at 7.

The present proceeding provides the Department with the important opportunity to provide the necessary allocations to make possible daily nonstop combination service in the San Francisco-Shanghai market and, thereby, complete the “important service upgrade” in this market from one-stop to daily non-stop service. In addition, the allocation of these two additional frequencies will facilitate the upgrade of service between San Francisco and China -- including a true daily nonstop to Shanghai, and as recently announced by United, a new daily nonstop to Beijing. This latter service would replace the current one-stop service over Tokyo with a new daily nonstop 368-seat B747-400 combination service between San Francisco and Beijing to

begin in summer 2000 in recognition of the strong community of interest that exists between San Francisco and China.

The award of two additional weekly frequencies to operate San Francisco-Shanghai daily nonstop service would offer business and leisure travelers a substantial enhancement of San Francisco-China service, and San Francisco's strength as a local market will provide support for daily nonstop service to both Shanghai and Beijing. San Francisco will submit exhibits demonstrating these benefits in response to the Department's procedural schedule to be established for "instituting a proceeding," Notice, dated October 6, 1999, at 2-3.

WHEREFORE, for the foregoing reasons, the City and County of San Francisco urge the Department of Transportation to allocate two frequencies to provide daily, nonstop-combination service between San Francisco and Shanghai beginning April 1, 2001.

Respectfully submitted,

/s/ Mara E. Rosales  
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November 16, 1999

**Certificate of Service**

I hereby certify that a copy of the foregoing Answer was served this day upon the persons listed on the attached service list, via first-class mail, postage prepaid.

/s/ Linda Keza

Linda Keza

Washington, D.C.  
November 16, 1999

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