

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

**U.S. – FRANCE FREQUENCY
ALLOCATION PROCEEDING**

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: **Docket OST-00-7628**
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**CONSOLIDATED ANSWER OF
THE GEORGIA AND ATLANTA PARTIES**

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July 31, 2000

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**CONSOLIDATED ANSWER OF
THE GEORGIA AND ATLANTA PARTIES**

The Georgia and Atlanta Parties¹ hereby submit this Consolidated Answer to the applications of Delta Airlines, Inc. (Delta), American Airlines, Inc. (American) and United Airlines, Inc. (United) for the allocation of U.S.-France operating frequencies in this proceeding.

In summary, the Georgia and Atlanta Parties strongly support the application of Delta for at least seven (7) additional U.S.-France operating frequencies to enable Delta to provide critically-needed additional daily nonstop

¹ The Georgia and Atlanta Parties include the State of Georgia, the City of Atlanta, Hartsfield Atlanta International Airport, and the Metro Atlanta Chamber of Commerce.

service between Atlanta and Paris, and to improve the competitive structure in the U.S.-France market.²

For the reasons discussed below, the selection of Delta's Atlanta-Paris service proposal for allocation of seven of the immediately-available U.S.-France frequencies will clearly produce far greater public service benefits and overall competitive market structure enhancements than the less beneficial service proposals of American and United.

In addition, in view of the large and growing commercial, cultural and tourism community of interest between Georgia and France, the allocation of seven U.S.-France frequencies to enable Delta to operate a second daily nonstop flight between Atlanta and Paris is of particularly critical importance to accommodate increasing passenger and cargo traffic volumes between Paris and the City of Atlanta and the Georgia/Southeast region. Moreover, Delta's vast network of nonstop flights at its primary Atlanta hub provides frequent, convenient and non-circuitous on-line connecting service to Paris from behind-gateway regions throughout the United States for which Atlanta is an extremely well-located gateway for flights to and from France and Europe.

² Although the primary focus of this Answer is on Delta's Atlanta-Paris service proposal, the Georgia and Atlanta Parties also support Delta's application for the allocation of seven (7) additional U.S.-France frequencies, which Delta will use to provide nonstop service between New York and Paris, on the ground that the allocation of a total of fourteen U.S.-France frequencies to Delta will enhance Delta's competitive presence in the overall U.S.-France market, with resulting benefits to Atlanta-France travelers.

In Order 2000-7-13, served July 11, 2000, by which the Department instituted this proceeding, the Department has identified three primary decisional objectives which will govern the allocation of U.S.-France operating frequencies in this case, as follows:

- “...our principal objective will be to maximize the public benefits that will result from award of the authority in this case.”
- “...we will consider which applicant will be most likely to offer and maintain the best service for the traveling and shipping public.”
- “We will also consider the effects of the applicants’ service proposals on the overall market structure and level of competition in the U.S.-France market, and any other market shown to be relevant, in order to promote an air transportation environment that will sustain the greatest public benefits.”

(Order 2000-7-13, p. 7)

The grant of seven U.S.-France frequencies will enable Delta to increase its presently-limited Atlanta-Paris nonstop service, and will fully achieve all three of those decisional objectives to a far greater degree than an award of yet more U.S.-France frequencies to either American or United, who already hold a preponderance of U.S.-France frequencies.

In particular, this proceeding provides the Department with an opportunity to achieve two critically important public benefits which will: (1) produce a significant expansion in convenient access to France from under-served regions of the U.S. and (2) will achieve a substantial improvement in the U.S.-France competitive market structure.

First, and of paramount importance to the Georgia and Atlanta Parties, and the numerous regions of the United States for which Atlanta is the optimum gateway to France, the award of seven (7) U.S.-France frequencies to Delta will enable Delta to provide additional Atlanta-Paris nonstop service and new or additional on-line service with less than 20 percent circuitry between over 100 U.S. points behind Atlanta to Paris.

Second, while Georgia and Atlanta are not directly affected by Delta's New York-Paris service proposal, the Georgia and Atlanta Parties believe that the award of seven additional U.S.-France frequencies to Delta to enable Delta to expand its existing nonstop service between New York and Paris will materially strengthen Delta's competitive position in the U.S.-France market vis-à-vis American and United, and thereby improve the existing inter-carrier and intra-gateway competitive structure in that market and the broader U.S.-Europe market.

Atlanta, which is both the largest city in the Southeast and by far the largest hub gateway in this case, is located at the heart of the nation's most dynamic and rapidly growing region. That burgeoning growth, combined with Delta's demonstrated commitment and ability to serve and promote international markets, assures that the Atlanta/Southeast region will generate greater incremental trade, tourism and business travel demand between the U.S. and France than any of the other carrier/gateway regions seeking France frequencies in this proceeding.

Those same demographic and economic advantages compel the conclusion that the award of seven U.S.-France frequencies to Delta to enable Delta to expand its

Atlanta–Paris nonstop service will produce far greater new and improved services between the U.S. and France than any other applicant/gateway proposal, and will thus produce the most substantial new public benefits available in this case.

One of the most significant components of Atlanta’s superiority as a gateway to France is the extraordinary breadth and scope of flight operations, and particularly Delta’s Atlanta hub operations, at Hartsfield Atlanta International Airport. Atlanta is currently served by 31 air carriers providing scheduled passenger service on a nonstop basis to 165 cities every day. Delta, which is the preeminent carrier at Atlanta, currently operates 902 daily departures serving over 160 nonstop destinations in the U.S. and foreign countries from Atlanta (see U.S.-Brazil Case, Docket OST-99-6284, Exhibits ATL-203 through 205, DL-173).

The scope of Delta’s domestic and international operations at Atlanta, and the unequalled magnitude and efficiency of Atlanta’s Hartsfield Atlanta International Airport facilities for handling large volumes of domestic and international passenger and cargo traffic, have been fully demonstrated by Delta and the Georgia and Atlanta Parties in numerous recent proceedings (see, e.g. , 1999 U.S. Brazil Combination Service Case, Docket OST-99-6284; U.S.-Colombia Combination Service Proceeding (2000), Docket OST-00-7655, Order 2000-7-19, served July 14, 2000). Those prior submissions and Department findings are hereby incorporated by reference in support of this Answer.

By every measure of service quality, maximization of public benefits over the broadest geographic scope, enhanced competitive market structure, and

superior promotional ability, the Georgia and Atlanta Parties submit that the overwhelming public interest requires the award of at least seven, and preferably fourteen, U.S.-France frequencies to Delta to enable Delta to implement its critically-needed Atlanta–Paris nonstop service proposal and its highly-competitive New York-Paris service proposal. Delta’s U.S.-France frequency application clearly merits selection over the proposal of any other applicant in this proceeding under each of the principal decisional objectives established in this case, and under a long and consistent line of Department precedents in similar international route proceedings.

Conversely, the award of additional U.S.-France frequencies to American or United would substantially forfeit the improved service and market structure benefits attainable in this case, and would be inconsistent with long-established Department precedent. Thus, as discussed below, grant of the applications of American or United would not only result in far fewer public benefits to travelers and shippers between the U.S. and France, but would also worsen the already-imbalanced competitive structure in the U.S.-France market.

American is already by far the dominant entrenched incumbent in the U.S.-Paris market, holding an allocation of 49 weekly frequencies, amounting to 29 percent of the total of 168 frequencies currently allocated to U.S. carriers, and more than double the 21 U.S.-Paris frequencies currently held by Delta.

Similarly, United holds an allocation of 35 U.S.-Paris frequencies, amounting to 14 more frequencies than the total currently allocated to Delta.

Grant of additional U.S.-France frequencies to American or United would substantially reinforce the already-dominant position of those two carriers in the U.S.-France market, and would damage, rather than improve, the U.S.-France competitive market structure. That damage is not offset, and cannot be justified, by the relatively limited public benefits attainable through authorization of either carrier's proposed expanded service between the U.S. and France.

One of the principal decisional objectives identified by the Department in this case is to select the carrier applicant which "will be most likely to offer and maintain the best service for the traveling and shipping public" (Order 2000-7-13, p. 7).

Delta's proposed expanded Atlanta-Paris service will be operated utilizing Delta's state-of-the-art Boeing 777 aircraft, configured to carry 277 passengers (52 Business, 225 Coach). The Boeing 777 is the largest aircraft in Delta's fleet and is far larger than the aircraft proposed to be utilized by American and United, and will enable Delta to offer far more seats and benefit far more U.S.-France passengers than either American or United.

The quality and scope of Delta's service is best demonstrated by the unmatched scope and quality of public benefits which Delta's service will provide. Delta's commitment, incentive and ability to maintain the highest level of service between Atlanta and Paris is confirmed by Delta's massive investment and presence at its Atlanta hub, and by Delta's well-established track record of success in promoting and developing international markets.

Delta's strong commitment to developing a major long-term presence in France and Europe, together with Delta's enviable financial strength and operating efficiency, and Delta's proven track record of success in developing international services from Atlanta and its other U.S. hubs, all combine to provide the highest degree of assurance that Delta is the one applicant which is "most likely to offer and maintain" the highest quality of service for the traveling and shipping public between the U.S. and France.

The award of additional France frequencies to American or United would be inconsistent with the Department's stated objectives of making an award which will improve the "overall market structure" and enhance the "level of competition" in the U.S.-France market. American and United already hold dominant positions in the U.S.-France market, and between them hold exactly one-half of the total U.S.-France combination service frequencies currently allocated to U.S. carriers. An award to either American or United would increase their existing dominant position in the U.S.-France market and effectively reduce the level of potential competition in the market.

For all of the foregoing reasons, the award of at least seven, and preferably fourteen, U.S.-France frequencies to Delta will have a far more beneficial impact "on the overall market structure and the level of competition in the U.S.-France market" than the award of any additional U.S.-France frequencies to American or United.

In conclusion, the award of fourteen U.S.-France frequencies to Delta will achieve each of the Department's announced decisional objectives in this case, and will both maximize the attainable public benefits and foster the optimum use of the valuable U.S.-France authority at issue. On that basis, the Georgia and Atlanta Parties urge the Department to grant Delta's Application for fourteen (14) U.S.-France frequencies in this proceeding.

Respectfully submitted,

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SHAW PITTMAN

Attorneys for
**THE GEORGIA AND ATLANTA
PARTIES**

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing Consolidated Answer by messenger, telecopier transmission, or United States mail, properly addressed and with postage prepaid, upon all persons listed in the attached Service List.

Pauline C. Donovan

Washington, D.C.
July 31, 2000