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BEFORE THE DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

DEPT. OF TRANSPORTATION
DOCKET

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Application of

**THE COMMUNITY OF
SHREVEPORT, LA**

for an exemption from 14 C.F.R. Part 93,
Subpart K and S, 49 U.S.C. §41714 as to
allow the continuation of non-stop service
between Shreveport and O'Hare

Docket No. OST-99-5614

- 67

Application of

**GREATER BATON ROUGE
AIRPORT DISTRICT**

for an exemption from 14 C.F.R. Part 93,
Subpart K and S, under 49 U.S.C. §41714
to allow non-stop service to Chicago
O'Hare International Airport

Docket No. OST-99-5532

- 59

Application of

AMERICAN EAGLE AIRLINES, INC.

for an exemption from 14 C.F.R. Part 93,
Subpart K and S, under 49 U.S.C. §41714
for non-stop service to Chicago O'Hare
(Baton Rouge, LA and Huntsville, AL)

Docket No. OST-99-

5587- 6

**RESPONSE OF THE COMMUNITY OF SHREVEPORT, LOUISIANA
AND MOTION FOR LEAVE TO FILE**

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DATED: May 19, 1999

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**RESPONSE OF THE COMMUNITY OF SHREVEPORT, LOUISIANA
AND MOTION FOR LEAVE TO FILE**

The Community of Shreveport, Louisiana (“community”) hereby moves under 14 C.F.R. 302.407 for leave to file this reply to the May 6, 1999 reply American Eagle Airlines, Inc. (“American”). This reply is needed to establish a complete and factual record.

Background

On April 30, 1999, the community requested that the Department of Transportation (“Department”) withdraw the four O’Hare slots utilized by American in the Shreveport/O’Hare market and reallocate those slots to the community for a period of 180 days. The filing by the community was in response to a filing by American announcing – for the first time – that it was abandoning the Shreveport market and asking that the Shreveport slots be moved to another market although the Shreveport service was exceeding expectations and American never provided the community with any notice of a concern with the service, or that it was terminating the service. Since the date of the announcement that it was terminating service, American has still not provided any data to the community explaining its termination of the Shreveport service.

In its May 6th reply, American stated:

Regrettably, there was insufficient demand by either community [one community was Shreveport] to support nonstop O’Hare operations, and American Eagle reluctantly decided to end its service.

American provided no data to support that claim. American has operated the service for less than one year and its actions come as the peak tourism season is beginning.

The Shreveport Market

When the Department awarded the slots to American Eagle to serve the O'Hare market in Order 98-4-21 (April 24, 1998), it stated:

Shreveport, which is the highest historical traffic generator among all proposed cities, with over 612,000 O&D passengers for the twelve months ended September 1996. . . we find reasonable Simmons' representations that its O'Hare service for those cities will be financially viable.

. . . we will permit Simmons to reassign sixteen slots from its current EAS operations at Bloomington, IL, Champaign, IL, and La Crosse, WI, for its use in providing at least two nonstop round trips a day between O'Hare and Duluth, Fayetteville, Montgomery and Shreveport, and we will grant Simmons an equal number of slot exemptions for EAS purposes to enable it to maintain its obligations under that program.

(at p. 21)

The Shreveport Market Continues to Grow

The May 11, 1999 *Shreveport Times* contained the following article:

"Indicators show local, economy still on upswing. First-quarter auto sales, housing starts highest in several years."

Almost all indicators show the Shreveport-Bossier City area economy continued to improve in the first quarter, but vehicle sales and residential construction were the star performers.

Retail sales again are breaking records. . .

Commercial/industrial building is expected to pick up again, however, as other projects, such as Bossier City's \$480 million sports arena, start this year.

Housing sales for the first quarter of this year also appear to be setting records.

Since the DOT Order, demand for service to Chicago has continued to build.

The community has met the projections in American's application¹ and the market continues to grow.

- The portions of Northwest Louisiana, Southwest Arkansas, and East Texas served via Shreveport offer a diverse, growing economy with a balance of business, leisure, and military traffic.
- Louisiana is the number one tourism growth market in the United States. Within the state, the Shreveport/Bossier City area is the fastest growing tourism destination, and ranks number two in overall visitors behind only New Orleans.
- A recent University of New Orleans study revealed that the Shreveport/Bossier City area currently attracts 3.5 million visitors per year.
- The number of hotel rooms in the Shreveport-Bossier City area continues to increase.
- Currently four casinos operate in the area: Horseshoe, Isle of Capri, Harrah's, and Casino Magic. Another, Hollywood Casinos, is expected to have a 450-room resort facility open by the end of 2000.
- General Motors operates a truck assembly plant in the Shreveport area that employs 3,000, and is slated for expansion in the near future. The facility has strong traffic demand to other GM locations in the Midwest and Northeast.
- Greater Shreveport is the home of Barksdale Air Force Base. The base is the largest employer in the area, providing 8,750 jobs.

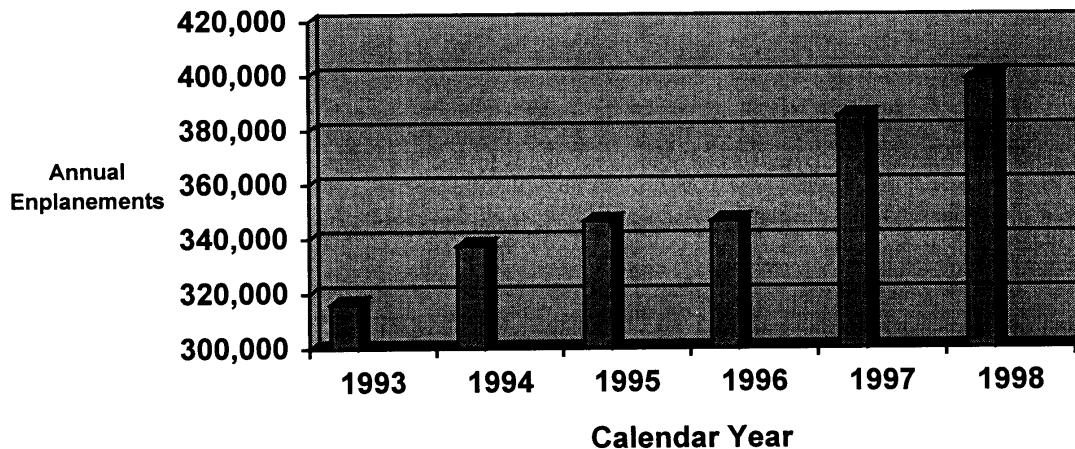
The Shreveport Metropolitan Area consists of approximately 370,000 persons in the Caddo, Bossier, and De Soto parishes of Northwest Louisiana. The catchment area for service extends into a substantial portion of Northwest Louisiana, East Texas, and Southwest Arkansas

¹ In the April 14, 1999 *Shreveport Times*, an American spokesperson stated, "Consumer demand for the route didn't grow as much as hoped. The planes between Shreveport and Chicago typically were only about 49 percent full the first five months of operation." America's first year projections were approximately 50% and they admit it was 49% after only 5 months with little marketing. Based upon data provided to the airport, load factors were only below 50% in two months – including the first month of service – while it reached monthly totals of 56% and 60% in the

that includes a population of over 1.4 million. While all regions of this catchment area would likely not utilize Shreveport for all flights, they would utilize the airport for longer-haul trips. They would clearly utilize the airport for new carrier service to Chicago, the Midwest, the Northwest, Canada, and other international destinations.

Traffic at Shreveport Regional Airport has grown steadily over the past five years. This trend is indicative of the inherent demand in the market and of the responsiveness that the region shows to new air travel opportunities. As new hotels open, additional traffic will be generated.

SHREVEPORT ENPLANEMENT GROWTH 1993-1998



American Eagle recently filed its intent to terminate service at Longview, Texas. In its May 4, 1999 filing [OST-99-5632], American Eagle states that Shreveport is one of two alternative airports. This will increase passengers bound for Chicago and beyond.

Unlike many other small and medium markets, residents of the tri-state Shreveport area do not have the option of flying to/from a large airport that offers multiple jet flights to Chicago.

first six months. In March 1999, the load factor was close to 60% and the strongest months were yet to be served. Therefore, American admits that it beat its projections.

While American may believe that it can route Chicago (and beyond traffic) through DFW, the community wants direct nonstop jet service.²

As to American's claim that there was insufficient demand for the service, how did the results differ from American's own forecasts? Based upon the boarding projections supplied by American when it first applied for the service, boardings at Shreveport exceeded those original projections and were building through April. When did the service become insufficient? And if it was insufficient, wouldn't the airline have contacted the community with such information?

In spite of American's claims concerning boardings, within the past week (after it announced its abandonment of the market), American erected a sign in Shreveport reading: "A New Way to Fly To Chicago. Nonstop Jet Service Now Available. American Eagle." (See photo as Attachment #1.) It is highly doubtful that the sign would have been erected unless the boardings were on target. An airline that is not meeting projections and has decided to pull out of a market would not invest in marketing.

Notice of Service

In the April 30, 1999 filing, the community asked that it be given 180 days to initiate service if the slots are allocated to it. The community is confident that it will be able to reach an agreement with a carrier to operate the service within 60 days of receiving the slot award. Some discussions have already been held with an interested carrier. The May 12, 1999 *Shreveport Times* includes the following: "Shreveport Airport Authority hopes to find another airline to provide two round-trips daily to the Windy City. So far it contacted United Express, which is 'considering' Shreveport as well as a number of other destination opportunities, said Rick Delisi, director of public relations for United Express." Therefore, the community agrees that it will

² By pulling the Chicago service, American is also pulling all regional jet service from the Dallas market. This will further build the market for a new Chicago regional jet operator.

provide the name and start-up date of a new carrier to the Department within 60 days. With a new carrier in the market and at the airport, that carrier will have an incentive to build traffic and make the service successful.

Conclusion

Although the community is disappointed with the unilateral actions of American to abandon the Shreveport-O'Hare market and its failure to discuss the decision or its impact with those business and civic parties that supported the original application, the community recognizes that carriers make route decisions based on factors not relating to market performance. Shreveport is not the first community to be treated in this manner and will not be the last. Nevertheless, the community – its residents and businesses – and its future economic growth should not be damaged because a carrier attempts to dictate that the community will enjoy airline service only through DFW and attempts to dominate federally allocated landing rights. It appears that American may never have wanted to operate the Shreveport-Chicago route because it impacted American's DFW route. It is now time to allow another carrier to bring a competitive alternative to the residents of the tri-state area.

The Department has extensive authority to issue slot exemptions and to place conditions on the use of slots. It has shown that slots can be awarded to communities.³ It should not allow carriers to receive exemption slots, ignore commitments and expenses incurred by communities and have unlimited authority to move those slots. Such actions can have a significantly negative impact on communities and businesses.

³ United Airlines submitted a comment again urging that the Department not award slots to the community. United correctly notes that the problem addressed in this docket was created by American Eagle. The community notes, however, that if the slots had originally been awarded to the community, the current battle over the slots would be minimized. The slots were awarded to the largest market based upon market size. Therefore, the slots should stay with the community.

Therefore, the community asks the Department to temporarily designate the slots utilized by American Eagle for service between Shreveport and O'Hare for withdrawal and to allocate those slots for community use if new service is established within 180 days after one of the following dates, whichever is later: when American Eagle terminates its service on June 1, 1999 or when the Department issues an order awarding the four slots to the community. If not, those four slots will be returned to the Department. The community would provide the Department with details of new service within 60 days of an award.

Approving the request in this petition will promote service to small and medium communities and will allow the American public to determine the future of competition.

The Department should take the steps necessary to ensure that all parties enjoy the benefits of deregulation and that those benefits are not negated by marketing decisions of the area's dominant carrier. This proposal is consistent with Department actions to enhance opportunities for small and medium communities as well as with actions previously taken by the Department to increase community rights with regard to slots.

Respectfully submitted,



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