



**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 3rd day of December, 1996

Served: December 3, 1996

In the matter of

**SEATTLE, WASHINGTON-  
VANCOUVER, BRITISH COLUMBIA,  
CANADA SERVICE**

**Undocketed**

**ORDER TO SHOW CAUSE**

**SUMMARY**

By this order, we have tentatively decided to select Horizon Air Industries, Inc. d/b/a Horizon Air, and Mountain West Airlines d/b/a United Express to serve the Seattle, Washington-Vancouver, British Columbia, Canada, market.

**BACKGROUND**

Under the United States-Canada Air Transport Agreement of 1966, the U.S. may designate one U.S. carrier to serve the Seattle-Vancouver market (Route F.7).<sup>1</sup> There are no size limitations on aircraft operated on this route. We may also designate one carrier to serve the market with small aircraft under the 1984 U.S.-Canada Agreement on Regional, Local and Commuter Services (Regional Notes).<sup>2</sup> Under the 1995 U.S.-Canada Air Transport Agreement, effective February 25, 1997, there will be no limit on the number of U.S. carriers that may serve Vancouver.

United ceased nonstop service in the Seattle-Vancouver effective September 7, 1996.<sup>3</sup> Three carriers--Horizon, Mountain West, and Wings West Airlines, Inc. d/b/a American Eagle--applied to the Department for authority to serve the Seattle-Vancouver market. Horizon requested that it be designated to replace United on Route F.7 and stated that it would operate three daily round-trip flights in the market with Fokker F-28-1000 and F-28-4000 jet aircraft configured with 62 to 69 seats. Mountain West also requested that it be designated to replace United and stated

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<sup>1</sup> United is currently the carrier designated to serve the route. However, as discussed below, it has ceased service.

<sup>2</sup> Horizon Airlines is the carrier authorized to operate aircraft with 60 or fewer seats.

<sup>3</sup> At the time it ceased service, United was operating two weekly round-trip flights, one with B-727 aircraft and one with B-737 aircraft.

that it would display United's "UA" designator code on five daily round-trip flights in the market with 19-seat Beech 1900 aircraft.<sup>4</sup> Wings West requested endorsement to serve the Seattle-Vancouver market under the provisions of the Regional Notes and stated that it would place its "AA" designator code on flights operated by Time Air, Inc. d/b/a Canadian Regional, a Canadian carrier, in the market. Time Air operates 47-seat aircraft in the market.

United Airlines filed a response to the applications of Mountain West and Wings West, stating that it supports the application of Mountain West to be the designated U.S. carrier on Route F.7, and that it has no objection to the endorsement of Wings West under the Regional Notes so long as this does not interfere with Mountain West's proposal to operate a commuter service displaying United's code pursuant to a designation on Route F.7.

In view of the short period of time remaining until the limits on U.S. carrier operations in the Vancouver market are lifted effective February 25, 1997, we requested that the Government of Canada grant extrabilateral authority to permit all three carriers to perform their proposed services. By diplomatic note dated November 7, 1996, the Canadian Government denied our request. Thus, we must select among the applicants in order for replacement service to be implemented prior to February 25, 1997.

#### **TENTATIVE DECISION**

We have tentatively decided to select Horizon to serve the market on Route F.7, and Mountain West to serve the market under the Regional Notes.

Two opportunities are available for service in the Seattle-Vancouver market--one on Route F.7 with no aircraft size limitations, and one under the Regional notes for service with aircraft with 60 or fewer seats. We tentatively conclude that the public interest would best be served with the selection of Horizon and Mountain West because we tentatively find that these two carriers would increase the service options to travelers in the Seattle-Vancouver market more than any other combination of the applicants. Horizon will introduce service with larger aircraft than it has been operating, and larger than the aircraft size limits of the Regional Notes. Mountain West will be a new entrant in the market. While the selection of Wings West, like that of Mountain West, would add a new U.S. carrier presence in the market, it would not result in any new service since all the service would be operated on Time Air's existing services in the market.

Furthermore, we believe that there are competitive considerations that support award to Horizon and Mountain West. Under the 1995 U.S.-Canada aviation agreement, Canadian carriers were granted immediate unlimited access to the United States. U.S. carrier operations at Montreal, Vancouver, and Toronto are to be phased-in with limitations expiring in February 1997 for Montreal and Vancouver

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<sup>4</sup> Subsequently the carrier informed us that it would initiate service with three daily round-trip flights.

and in February 1998 for Toronto. Canadian carriers have used their free access to expand their operations in all three markets significantly.<sup>5</sup> While we would have preferred to be in a position to authorize the services of all three of the applicants here, we may select only two. Given the current competitive environment where U.S. carrier rights are limited and Canadian carrier rights are not, we believe that the public interest is best served if we use these valuable service opportunities to authorize service by U.S. carriers operating services with their own aircraft. After February 24, 1997, all carriers will be able to serve as market demand warrants. Since Horizon proposes service with larger aircraft than permitted under the Regional Notes, we propose to designate it under Route F.7 which has no aircraft size limitations. We propose to replace Horizon's existing service under the Regional Notes with Mountain West's proposed operations with 19-seat aircraft.

**ACCORDINGLY,**

1. We tentatively select Horizon Air Industries, Inc. d/b/a Horizon Air, to provide scheduled foreign air transportation of persons, property, and mail between Seattle, Washington, and Vancouver, British Columbia, Canada, on U.S. Route F.7;
2. We tentatively select Mountain West Airlines d/b/a United Express to provide scheduled foreign air transportation of persons, property, and mail between Seattle, Washington, and Vancouver, British Columbia, Canada, under the 1984 U.S.-Canada Agreement on Regional, Local and Commuter Services;
3. We tentatively deny the application of Wings West Airlines, Inc. d/b/a American Eagle to provide scheduled air transportation of persons, property, and mail between Seattle, Washington and Vancouver, British Columbia, Canada, pursuant to a code-share arrangement with Time Air, Inc. d/b/a Canadian Regional;
4. We direct any interested parties having objections to our tentative decision in ordering paragraphs 1, 2, and 3 above, to file their objections with the Director, Office of International Aviation, X-40, Room 6402, Department of Transportation, 400 Seventh Street, S.W. Washington, D.C. 20590, no later than seven calendar days after the date of service of this order; answers to objections shall be filed no later than three calendar days thereafter;
5. If timely and properly supported objections are filed, we will afford full consideration to the matters raised by the objections before we take further action;<sup>6</sup>
6. If no objections are filed, we will deem all further procedural steps to have been waived, and will proceed to enter a final order in this case; and

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<sup>5</sup> See, e.g., Order 96-7-18, *U.S.-Toronto Second Year Service Proceeding*, and Order 95-11-1, *U.S.-Toronto Service Proceeding*.

<sup>6</sup> As we are providing for the filing of objections to our tentative decision, we will not entertain petitions for reconsideration of this order.

7. We will serve this order on Horizon Air Industries, Inc. d/b/a Horizon Air; Mountain West Airlines d/b/a United Express; Wings West Airlines, Inc. d/b/a American Eagle; the Ambassador of Canada in Washington, D.C.; the Department of State (Office of Aviation Negotiations); and the Federal Aviation Administration.

By:

**PATRICK V. MURPHY**  
Deputy Assistant Secretary for  
Aviation and International Affairs

(SEAL)