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

ESTABLISHMENT OF SLOT EXEMPTION PROCEEDING

PURSUANT TO 49 U.S.C. § 41718(a)

Docket OST-2000-7181 - 358

Docket OST-2001-9185 - 9

NOTICE

On July 5, 2000, pursuant to the provisions of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21) the Department issued Order 2000-7-1, which granted a total of 12 slot exemptions at Ronald Reagan Washington National Airport (DCA) for services outside the 1,250 mile perimeter to the following carriers: America West Airlines, Inc., Frontier Airlines, Inc., National Airlines, and Trans World Airlines, Inc.

Under the provisions of that order, Trans World was granted two slot exemptions to provide nonstop service to Los Angeles, California.

On January 10, 2001, Trans World filed for Chapter 11 bankruptcy protection and concurrently, American Airlines, Inc., proposed to acquire substantially all of Trans World's assets. The two parties subsequently provided materials for competitive review by the Department of Justice. By letter dated January 23, 2001, the Department of Transportation informed American and Trans World that the language of AIR-21 does not permit the exemptions to be transferred or conveyed. The letter further advised that, were Trans World to cease to utilize the exemptions, they would be recalled by the Department. The letter was placed in Docket 2000-7181.

Recent events have prompted us to consider the time ripe to initiate a formal proceeding to select a replacement carrier for these exemptions.

On March 12, the Bankruptcy Court approved American's bid for substantially all of Trans World's assets, over competing offers. On March 15, TWA Airlines LLC, a wholly-owned subsidiary of American and the entity that would acquire TWA's assets at the conclusion of the bankruptcy proceedings, advised that TWA would cease to utilize the slot exemptions as of the closing date in the bankruptcy case, an event the parties were seeking to have expedited. Given the Department's intention to recall the exemptions at that time, TWA Airlines LLC also applied for *pendente lite* authority to operate the Los Angeles route until the Department could select a replacement carrier to

utilize the exemptions.¹ Then, on March 16, the Department of Justice announced that it would not oppose the proposed transaction under its antitrust authority.

Moreover, several air carriers, anticipating the likelihood that the Department would move to select a replacement carrier, have filed applications for the exemptions,² and other air carriers have indicated an interest in requesting the available slot exemptions at an appropriate time.

Given these developments, the Department will now consider, using the criteria set forth in 49 U.S.C. § 41718(a), applications from air carriers for the two slot exemptions, should they become available, to provide nonstop service to DCA from airports beyond the 1,250 mile perimeter.³ Completed applications must be submitted by April 16, and comments with respect to any timely filed request for slot exemptions must be filed by April 30. The applications from the carriers that have applied prior to this notice will be considered and need not be resubmitted; however, such carriers may update or supplement their applications.

As a final matter, we note that TWA's currently allocated slot times for its nonstop DCA-Los Angeles service are in the 1100 and 1300 hour periods. Since 49 U.S.C. § 41718(c)(2) does not allow us to assign more than two slot exemptions per one hour period, and most one hour periods were fully subscribed by the Department's Notice dated August 2, 2000, we may not be able to accommodate carrier requests for alternative slot exemption times.

¹ Docket OST 2001-9185. Answers supporting or opposing this application are due on March 30. We will independently deal with TWA Airlines LLC's request.

² Applications have been received from American Airlines, Continental Airlines, Inc., Delta Air Lines, Inc., Frontier Airlines, Inc., and United Air Lines, Inc.

³ The Department is continuing to process various matters associated with the proposed acquisition, and other matters remain pending in connection with the bankruptcy proceeding. Those issues will be resolved in their respective forums. Potential applicants are advised, however, that this proceeding could be mooted or delayed by other events.

We shall serve a copy of this notice on all certificated air carriers, the Metropolitan Washington Airports Authority, and the Federal Aviation Administration's Slot Administration office.

By:

SUSAN MCDERMOTT
Deputy Assistant Secretary for Aviation
and International Affairs

Dated: April 3, 2001

(SEAL)

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