

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

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Docket OST-99-5539 - 9

CONSOLIDATED ANSWER OF NORTHWEST AIRLINES, INC.

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Dated: April 26, 1999

**BEFORE THE
DEPARTMENT OF TRANSPORTATION
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U.S. – CHINA AIR SERVICES

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CONSOLIDATED ANSWER OF NORTHWEST AIRLINES, INC.

In accordance with the Department’s Notice of April 14, 1999, Northwest Airlines, Inc. (“Northwest”) submits this Consolidated Answer to the applications of United Air Lines, Inc. (“United”) and Federal Express Corporation (“Federal Express”).

A. Introduction.

The Department intends to allocate a total of 17 weekly U.S.-China frequencies that become available to currently designated U.S. carriers under the U.S.-P.R.C. Protocol of April 8, 1999: eight frequencies available as of April 1, 1999 (“year one”) and nine frequencies available as of April 1, 2000 (“year two”).

Northwest has applied for 11 frequencies: seven of the year one frequencies and four of the year two frequencies. Northwest proposes to use seven of the frequencies for combination service and four for all-cargo service. When combined with Northwest’s nine existing combination frequencies, these frequencies would give Northwest (as of year two) a total of 16 combination frequencies and four all-cargo frequencies.

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United, which holds 14 of the 23 **frequencies** presently being used for combination service, has requested seven of the year two frequencies. If its application were granted, it would operate 21 weekly combination frequencies from San Francisco to China.

Federal Express, which currently holds four all-cargo frequencies, has asked for 14 of the 17 new frequencies, all of which it would, necessarily, use for all-cargo service (primarily express small package service). If its request were granted, as of year two, Federal Express would hold 18 of the 44 frequencies available to U.S. carriers.

The Department can derive the greatest value from the newly available frequencies and achieve the best balance of benefits for the travelling and shipping public by granting Northwest's application. Northwest's proposed use of seven new combination frequencies would provide valuable and convenient new service to China from the eastern half of the United States, enhance intergateway competition between Detroit and San Francisco and provide the most nonstop service from the United States to China. Northwest's proposal would also establish a semblance of parity between United and Northwest in the U.S.-China market. Northwest's proposed use of four additional all-cargo frequencies (two in each year) would represent new U.S. carrier entry into the U.S.-China cargo market and foster effective competition with Federal Express' current all-cargo monopoly among U.S. carriers servicing China.

In response to the applications of United and Federal Express, Northwest answers as follows.

B. Answer to United.

United has requested seven of the nine year two frequencies, with which it proposes to operate nonstop daily service between San Francisco and Shanghai. United's application consists of two main points. First, in support of its proposal, United asserts that the ability to

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offer daily service in the U.S.-China market is crucial, which is why United requests seven frequencies. Second, United attacks Northwest's code-share arrangement with Air China and argues that Northwest should not be given new frequencies because its code is displayed on Air China flights. The first point, in fact, supports Northwest's application more than United's, and certainly does not overcome the inferiority of United's proposal. The second point is so lacking in merit that it should be dismissed outright.

1. United's Proposal Would Exacerbate the Imbalance Between It and Northwest.

As Northwest detailed in its Application, United has historically maintained, and still maintains, a significant advantage in the number of frequencies it holds *in* the U.S.-China market. United currently commands a 14-9 frequency advantage over Northwest. Prior to 1995, the imbalance was even more severe. This situation is due, in no small part, to the preemptive frequency grab that United successfully staged in 1994. Although the Department ultimately countenanced that maneuver, the Department also correctly attempted to narrow the disparity by allocating **five** frequencies to Northwest in 1995.

United now wants to reverse the clock and exacerbate the imbalance. If United were to receive seven frequencies and Northwest none, United's advantage would swell to an absurd 21-9 difference. On the other hand, if Northwest were to receive seven frequencies for combination service and United were to receive none, the result would be a virtual even balance of 16 Northwest frequencies and 14 United frequencies. This result would be fair and reasonable, given both the severe disparities in frequencies from which United has benefited for so many years and, as explained further below, the superiority of Northwest's service proposal.

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2. **Northwest Needs to Provide Daily Service to Shanghai. United Already Operates Daily Service from San Francisco to Shanghai and Beijing and Does Not Need More Frequencies.**

In its application, United repeatedly stresses the importance of being able to offer daily service in **the** U.S.-China markets. United asserts, based on its experience, that “a daily schedule is essential to the success of U.S.-China nonstop services.. .” Application at 9 (emphasis added). Northwest would not dispute this assertion; Northwest agrees that daily service is essential. This is precisely why Northwest needs the additional frequencies that it has requested: in order to provide daily service to Shanghai, a service that United has been able to provide for years.

United already has sufficient frequencies. With its 14 frequencies, United already operates daily service to both Beijing and Shanghai. **With** only nine frequencies, Northwest is able to operate only two weekly flights to Shanghai from its Detroit hub in addition to daily service to Beijing. United now requests more frequencies so that it can increase to double-daily service to Shanghai from San Francisco, in addition to its daily service to Beijing.’ Northwest, on the other hand, needs more frequencies simply to establish the daily frequency of service to Shanghai that United already provides. **The** importance of being able to offer daily service – a factor acknowledged by both carriers - clearly weighs in favor of allocating frequencies to Northwest. not to United.

¹ United hints, rather coyly, at the possibility that it might be able to modify its Shanghai one-stop service in order to serve an unnamed point in China. Application at 2, 4. Given the deliberate lack of detail, the Department cannot give any consideration to this possibility, except to the extent it suggests that United has not developed a comprehensive U.S.-China service plan.

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3. **Northwest Would Operate More Nonstop Flights Than United.**

United also stresses the importance of nonstop service to China, and proposes to use all seven of its requested frequencies to introduce nonstop San Francisco-Shanghai service. United, despite having 14 frequencies, has not made a serious effort to maintain nonstop service to China in the past. If its application were granted, United would dedicate seven of 21 frequencies (33 percent) to nonstop service.

Northwest already has made a sustained commitment to nonstop China service, and currently operates five weekly nonstop flights to Beijing. If Northwest's application were granted, eight of its 16 weekly frequencies (50 percent) would be operated nonstop. This demonstrates a greater commitment by Northwest to nonstop service and is evidence of the greater benefits that Northwest's proposal would provide.

4. **Only Northwest's Proposed Service Will Promote Intergateway Competition.**

For many years, one of the most important decisional criteria in route cases and frequency allocation cases has been the extent to which applicants' service proposals would promote competition between U.S. gateways. See, e.g., 1998 U.S.-Brazil Combination Service Case, Docket OST-98-3863, Order 99-3-26; 1996 U.S.-Italy Service Proceeding, Docket OST-95-422, Order 96-4-23; U.S.-Colombia Combination Service Case, Docket 48261, Order 93-9-12. In this case, it is self-evident that only Northwest's proposal will promote intergateway competition. United's proposal, on the other hand, could only degrade intergateway competition.

San Francisco is the dominant U.S. carrier gateway to China: 14 of the existing 23 U.S. carrier weekly combination frequencies operate via San Francisco. The other nine are Northwest's services via Detroit. United now proposes to add seven more frequencies. If United's application were granted and Northwest's were denied, 21 out of 30 U.S. carrier weekly

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combination frequencies would operate via San Francisco. In the alternative, if the Department were to grant Northwest's application and not United's, United would still operate 14 frequencies out of San Francisco and Northwest would operate 15 frequencies out of Detroit. This would produce exactly the balanced intergateway competition that the Department should strive for in this case.

In evaluating intergateway competition, the Department should also consider the level of foreign carrier service at the respective gateways. Chinese carriers currently operate 20 West Coast-China flights: six weekly frequencies via San Francisco and 14 via Los Angeles. See Exhibit NW-IO. Thus, counting United's service, there are currently 34 weekly frequencies to China from the West Coast (including 20 from San Francisco), compared with the nine Northwest frequencies from Detroit. In addition, it is safe to assume any additional frequencies that Chinese carriers add in the next two years under the Protocol will operate out of San Francisco or Los Angeles.

United's proposal would clearly undermine competition between the San Francisco and Detroit gateways. Northwest and Detroit have for years worked very hard to establish Detroit as a viable and valuable gateway to China. These efforts have been fruitful, but Detroit still suffers the disadvantage of having significantly fewer frequencies than San Francisco. An award to United would be a major setback to these efforts and would put Detroit – and intergateway competition – further behind than they already are. Northwest's proposal would provide long awaited parity and foster healthy intergateway competition between Detroit and San Francisco, which would benefit the traveling public.

5. Detroit is Superior to San Francisco as a Gateway to China, and Northwest's Service Proposal is Superior to United's.

Despite San Francisco's current status as the dominant gateway to China, Detroit is for many reasons the superior and more valuable gateway. As is explained below, service via Detroit is shorter and more convenient from most U.S. points than service via San Francisco, and Detroit has a passenger catchment area for service to China that is larger than San Francisco's. Indeed, for travel to or from the eastern two-thirds of the United States, Detroit is the far better point of departure and arrival.

a. Passenger Base.

The facts establish Detroit's strengths as a gateway to China. DOT traffic data show that Detroit's catchment area for U.S.-China passengers and U.S.-Shanghai passengers is two-to-three times larger than San Francisco's catchment area. As shown in Exhibit NW-14, the overall population base in Detroit's catchment area is almost three times greater than San Francisco's. Exhibit NW-14 also shows that the Chinese population is larger in the Detroit catchment area than in San Francisco's. DOT data show that over twice as many passengers traveling from the United States to China originate in the East and Midwest United States.

United states that it should receive seven new frequencies for San Francisco-Shanghai service because "California is by far the largest U.S. market for service to China." Application at 5; Exhibit UA-5. Even if that is true,² United's exhibit shows that the heavy majority of California-Shanghai traffic comes from Los Angeles, which has 11 weekly flights to Shanghai on Air China and China Eastern and will probably receive more service from these carriers under

² United's exhibit uses CRS booking data, not DOT traffic data.

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the Protocol. This Los Angeles traffic will not be better served by connecting over San Francisco. Thus, United's reliance on the importance of the size of the California market is largely misplaced.

United also asserts that San Francisco is the home to the largest Chinese population in the United States. Application at 5. While that may be true, the states with the second (New York), third (Massachusetts) and fourth (New Jersey) largest Chinese populations are on the East Coast and are better served via Detroit. Exhibit NW-14.

b. Elapsed Time.

In its application, United goes to great lengths to attempt to show the elapsed-time benefits of service via San Francisco. United even suggests, perhaps unintentionally, that a passenger traveling from Detroit to Shanghai would save time by connecting over San Francisco. See Exhibit UA-7.

The facts are clear: from most U.S. points and for most passengers, travel over Detroit on Northwest's service will involve a shorter elapsed time journey. Exhibit NW-14 demonstrates that twice as many passengers traveling to Shanghai will enjoy shorter journeys if they travel on Northwest via Detroit. Exhibits NW-12 and NW-13 list the best U.S.-Shanghai elapsed times. These exhibits show in detail the large number of U.S. metropolitan areas from which travel to and from Shanghai on Northwest service via Detroit will be faster than travel on United via San Francisco.³

³ United's corresponding exhibit, UA-7, is simply a comparison of current and future elapsed times on United. This exhibit sidesteps any comparison with Detroit.

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In promoting its elapsed time benefits, United explains that passengers from the Washington, D.C. area will benefit from United's nonstop service to Shanghai, saving 2.5 hours over United's existing service. Application at 6. While this may be true, the greater truth is that passengers in Washington D.C. will find it faster and preferable to take a short flight to Detroit and then connect to Shanghai. Exhibits NW-12 and NW-13 show that a passenger travelling between Washington and Shanghai will save between 2.3 and 2.0 hours outbound and up to 2.6 hours inbound (depending on which Washington area airport is used) if he travels via Detroit on Northwest instead of via San Francisco on United. The same is true for New York area passengers. Travel for them via Detroit will be between 3.9 and 1.2 hours shorter outbound and between 5.3 and 0.8 hours shorter inbound than travel via San Francisco, again depending on which New York airport is used. Even from Chicago, a point west of Detroit and United's principal hub, outbound travel is one hour shorter on Northwest via Detroit than on United via San Francisco.

c. Seats and Service.

In support of its application, United touts its "First Suite configuration" for first-class passengers. Although this configuration may be very comfortable, as is Northwest's first class service, which is also configured with sleeper seats, a relatively small number of revenue passengers fly in first class in the U.S.-China market, and first class service is of little or no importance in this case.

What is important is the most beneficial use of capacity in a capacity-restricted market, i.e., the number of business and economy seats that are available on a given flight. Northwest's 747-400 aircraft will be configured to offer a greater number of business class and economy seats, which will better serve the average traveler and the public at large. Northwest will offer

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418 seats on its 747-400 service (18 First, 62 Business and 338 coach), while United's 474-400's will offer only 368 seats (a 14 percent difference per flight). Assuming daily service by each carrier to Shanghai, on an annual basis Northwest will offer 36,400 more seats to Shanghai than United. Furthermore, Northwest's proposal represents an 86 percent increase in the number of Detroit-China seats being offered, while United's proposal represents an increase on 50 percent in the number of San Francisco-China seats. These facts are significant in a case in which the Department must allocate precious frequencies in a restricted market.

In sum, Detroit is the superior gateway to China. Northwest's proposed daily service from Detroit to Shanghai will provide both greater consumer benefits than United's double-daily service from San Francisco and direct competition for United in the Shanghai market. San Francisco, as demonstrated herein, is already over-represented in the U.S.-China market, whereas the eastern two-thirds of the country clearly lacks adequate service to China. If United's application were granted, a larger number of consumers would become even more dependent on a less convenient and more time-consuming service to Shanghai. Northwest's application, on the other hand, offers the most convenient service to the largest number of passengers. Northwest's application should be granted.

6. **Northwest's Code-Share with Air China Is Not a Factor in this Case.**

In its application, United complains repeatedly about the code-share arrangement between Northwest and Air China. United, which does not have a Chinese carrier code-share partner, asserts that this arrangement actually gives Northwest 17 frequencies to China (compared with United's 14) and argues that United needs additional frequencies in order to be competitive in the market.

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This argument is disingenuous on several levels. The notion that Northwest's code-share services on Air China flights are the functional or economic equivalent of United's or Northwest's own services to China is far-fetched. In the 1998 U.S.-Brazil Combination Service Case, in which United sought more frequencies to Brazil, United discussed its extensive code-share arrangement with VARIG (the largest carrier in South America) and said: "United's code-share with Varig is no substitute for direct service on United's own aircraft." Objections of United Airlines, Inc., at 12, Docket OST-98-3863 (Jan. 8, 1999). With regard to U.S. carrier/Brazilian carrier code-sharing in general, United also said: "The answer to all of these code-share alternatives for U.S.-Brazil gateway-to-gateway service is that they do not offer the same benefits as direct U.S. carrier service." Brief of United Airlines, Inc., at 30, Docket OST-98-3863 (Aug. 7, 1998). The same is true in this case. Air China, not Northwest, determines the itinerary and schedules of Air China's flights. Northwest does not have control over or access to the entire capacity of the Air China flights. While Air China's flights are a valuable supplement to Northwest's service from Detroit, these flights go to Los Angeles and San Francisco, neither of which is a Northwest hub. And in terms of the relative economic value of frequencies, none of the Air China flights on which Northwest displays its code provides Northwest with the ability to sell Japan-China service, whereas all 14 of United's China flights carry Fifth Freedom traffic to and from Tokyo.

United also argues that it needs new frequencies in order to implement a competitive response to the Northwest-Air China arrangement. United has it backwards. Northwest's code-share arrangement with Air China was, in large part, an attempt to respond to the superiority in frequencies and the resulting competitive advantage commanded by United in the U.S.-China

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combination market. United can not bootstrap Northwest's attempts to even the playing **field** with the use of code-sharing into a valid basis for more United frequencies.

Further, United's complaints about not having a Chinese code-share partner should fall on deaf ears. Even though United currently has no code-share partnership in China, it has a strong partner in the China market. Ail Nippon Airways, United's code-share partner - and fellow member of the closely integrated STAR Alliance – provides a high level of service to China. United and ANA already code-share between Japan and the United States. United's Exhibit UA-10 shows that ANA provides service from United's gateways in Japan to nine points in China, while Exhibit NW-1 1 shows ANA's 11 weekly flights between Tokyo and points in China. This represents more service to more points in China than Air China offers to Northwest.

United and its STAR Alliance partners engage in extensive joint marketing and tout a well-developed and extensively integrated series of services and programs, including, no doubt, aggressive agency incentive programs that reward travel agents for putting passengers on connecting services of Alliance members. With these relationships, United is not at a disadvantage. Even though United's code may not be displayed on the **final** segment of a U.S.-Japan-China itinerary, its code is on the **first** segment and it does achieve one of the basic objectives of a code-share arrangement: to provide convenient, joint connecting service and, thereby, place more traffic on its own flights. United is able to accomplish this goal at least as efficiently with its STAR Alliance partners as Northwest is through its arms-length code-share arrangement with Air China.

The full benefits to be gained from an allocation of new frequencies for direct U.S. carrier service cannot be compared to the more limited value of Northwest's code-share

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operations on Air China flights. Northwest's code-share arrangement with Air China should not even be a consideration in this case.

C. Answer to Federal Express.

Federal Express' request for all eight year one frequencies and six of the nine year two frequencies for its express service is extreme. Northwest is confident that the United States Government did not negotiate for 17 valuable new frequencies with the objective of dedicating 14 of those frequencies (82 percent) to Federal Express and its specialized service. If Federal Express' application were granted, in year one 12 out of the 35 U.S. carrier frequencies (34 percent) would be used by Federal Express for "high value" express, small package service. In year two, 18 out of 44 U.S. carrier frequencies (40 percent) would be used by Federal Express for this service. As is shown below, the dedication of 40 percent of U.S. frequencies to this service would be anomalous and grossly out of proportion to the amount of express service that is provided and needed in other markets around the world. To make matters worse, Federal Express would use the frequencies to serve a narrow product market that is but a tiny portion of the U.S.-China cargo market. Although it would be appropriate for the Department to allocate some of the new frequencies for all-cargo service, it would plainly not be in the public interest to grant Federal Express' request.

1. Allocation of Frequencies to Federal Express Would Be a Drastic Waste of Valuable Economic Rights.

As is explained below, it would be a drastic waste of valuable economic rights to grant Federal Express' request.

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a. Federal Express Would Serve Only a Tiny Portion of the U.S.-China Air Cargo Market.

As Federal Express explains in its application and exhibits, Federal Express provides a very specialized product: “on-line express” transportation of “high value,” small packages. See Application at 2; Exhibits FX-211 and FX-214. Federal Express’ exhibits show that as much as 99 percent of its revenue and 98 percent of its volume would be derived from this narrow express market. Exhibits FX-301,302 and 303.

This express market, however, represents only a tiny portion of the U.S.-China air cargo market. Exhibit NW-25, which uses Federal Express’ own data, shows that the “high value” market constitutes only 4.3 percent of the total U.S.-China air cargo market.

Thus, Federal Express’ new frequencies would be used almost exclusively to serve 4.3 percent of the market. If Federal Express’ application were granted, 80 percent of the new U.S. carrier frequencies and 40 percent of total U.S. carrier frequencies would be dedicated to the service of 4.3 percent of the air cargo market. This tiny slice of the market does not demand the extraordinary increase in frequencies and capacity that Federal Express’ proposal represents, and such an award to Federal Express would be unsupportable and plainly not in the public interest.

b. Federal Express Would Use the Frequencies Primarily for Non-U.S. Markets

Federal Express’ own projections show that less than half of the revenue from its new frequencies will be derived from U.S. markets. As shown in Exhibit NW-22, under each of Federal Express’ scenarios (4 frequencies, twelve frequencies, eighteen frequencies) 62 percent of its U.S.-China revenue will be derived from non-U.S. market sources, i.e., Fifth Freedom and other services between China and the rest of the world. It should go without saying that the primary beneficiaries of any frequencies allocated to cargo service should be shippers in the

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U.S.-China market. Federal Express' plan to use those frequencies primarily for other purposes is another reason not to grant its request.

2. Federal Express' Proposal Ignores Market Realities.

Under the Federal Express proposal, by year two, 18 of the 44 U.S. carrier frequencies – 40 percent-would be used for express small package service. This ratio is significantly out of proportion with the realities in other major U.S. markets. As shown in Exhibit NW-20, in U.S. transpacific markets only 13.1 percent of U.S. carrier frequencies are used for all-cargo service (of which express service is a small part). In U.S. transatlantic markets, only 4.6 percent of U.S. carrier frequencies are used for all-cargo service (of which express service is a small part). Given the fact that most of the U.S.-country markets involved are unrestricted, these data show that the free market's demand for express frequencies is far, far below the 40 percent of U.S.-China frequencies that Federal Express requests. This is yet more evidence of the extreme nature of the Federal Express proposal.

3. Northwest's All-Cargo Proposal Would Provide Much Greater Public Benefits.

a. Northwest Will Provide New Service and New Competition; Federal Express Will Not.

Northwest proposes to use four frequencies (two per year) to operate nose-loading 747-200 freighters to Shanghai from Chicago and Anchorage, via Tokyo. Seattle would also be served on the westbound direction. There currently is no U.S. carrier providing heavy, oversize cargo transportation in the U.S.-China market. As detailed above and in the Federal Express application, Federal Express' focus is on an express small package service that is a tiny portion of the market. Federal Express proposes to provide more of the same. Northwest, on the other hand, proposes to provide new entry and a new type of service by a U.S. carrier and to give the United States an effective presence in the U.S.-China heavy cargo market.

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In addition, Northwest's new service will create competition for Federal Express in the U.S.-China express small package market, something that is currently missing. Using the bellies of its 747-400 combination service flights, Northwest will be able to provide daily express service between Shanghai and Beijing, on the one hand, and the full network of U.S. points served via Northwest's Detroit hub, on the other.

b. Northwest Will Primarily Serve the U.S. Market; Federal Express Will Not.

Northwest plans to use its cargo frequencies to operate across the Pacific between Shanghai and the United States, via Japan. The beneficiaries of this service will be shippers in the U.S. markets. As is explained above, Federal Express will use the frequencies to operate services that primarily benefit shippers in non-U.S. markets.

c. Federal Express' Shenzhen Service Would Offer Little Benefit.

Federal Express proposes to add daily service to Shenzhen, using one year one frequency and six year two frequencies. Although Shenzhen may well be an important cargo center, it also borders on Hong Kong, which is an established and viable gateway to Shenzhen. Shenzhen is only 32 kilometers from Kowloon – 35 minutes by rail – and is connected to Hong Kong by an express highway.⁴ There is already an enormous amount of cargo service between Hong Kong and the United States, and nine U.S. carriers, including Federal Express, are authorized to provide U.S.-Hong Kong all-cargo service. See Exhibits NW-28 and NW-29. It makes little sense to allocate six valuable frequencies to service that would largely duplicate existing service. Furthermore, the Shenzhen service would be secondary, tag end service beyond Subic Bay and would operate via Tokyo. It is unlikely that Federal Express would allocate a significant amount

⁴ Source: Shenzhen Trade Development Bureau, <http://sztdb.asiansources.com>

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of capacity on those flights to cargo moving to or from Shenzhen. Finally, it appears that the Shenzhen market does not even need the “high value” express service that Federal Express provides. Exhibit NW-26, which is based on Federal Express exhibits, shows that of the top ten industries in Shenzhen, not one of them produces “high value” exports to the United States of the sort that Federal Express transports. The use of valuable U.S. frequencies for such marginal service would be wasteful.

In sum, with the limited number of available frequencies, Federal Express’ proposal to utilize six frequencies for Shenzhen service is not a reasonable use of resources. Northwest’s proposed cargo service to Shanghai would better serve the shipping public than Federal Express’ proposed six new weekly frequencies express cargo services to Shenzhen.

d. Federal Express’ Claims of Economic Impact and Market Growth Are Greatly Exaggerated.

Federal Express claims, with no small degree of immodesty, that its new service will have a major impact on U.S. export and import trade with China. Exhibits FX-109-FX-I 13. In fact, historical data show that Federal Express’ entry into overseas markets has had no measurable impact on U.S. trade. Exhibit NW-21 examines U.S. trade with Japan, Singapore, Thailand, China, Taiwan and Korea, all countries served by Federal Express. The exhibit shows that there is no significant statistical correlation between the level of Federal Express operations in those markets and the amount of trade with the United States.

Federal Express also forecasts an extraordinary **annual** market growth rate of 90 percent in the U.S.-China express market. See Exhibit NW-23 and Exhibit FX-301. This bold projection is undermined by Federal Express’ own experience in the transpacific market. As shown by Exhibit NW-24, since 1990 Federal Express’ transpacific traffic has actually decreased

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by 27 percent. Against this background, Federal Express' grand claims of market growth and general economic impact should be dismissed.

As is shown above, Federal Express' proposal is extreme and unsupportable and, at best, would merely add frequencies to an existing operation that serves a tiny portion of the market. Northwest's proposal will make better use of frequencies. Northwest will not only provide sorely-needed small-package competition for Federal Express, but with its nose-loading 747 freighters, Northwest also will provide the only U.S. carrier service in the U.S.-China market for heavy, oversize cargo. In addition, Northwest will maximize the use of these frequencies by dedicating the largest amount of capacity to U.S.-China cargo. To the degree in which the Department chooses to allocate frequencies for all-cargo service, the Department should award these valuable frequencies to Northwest.

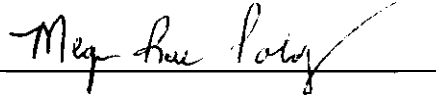
D. Conclusion.

The foregoing analysis establishes that Northwest has the strongest overall proposal for the use of the new frequencies available under the U.S.-China Protocol. Northwest's combination service proposal will provide new nonstop and new daily service via its well-positioned Detroit hub, which would significantly strengthen intergateway competition, whereas United's proposal would exacerbate the historic disparity in U.S. carrier service and undermine intergateway competition. Northwest's proposed all-cargo service would provide new entry in the U.S.-China heavy cargo market and create new competition in the express small package market, whereas Federal Express proposes to introduce an extraordinary amount of specialized service that would be dedicated to only 4 percent of the U.S.-China air cargo market.

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WHEREFORE, Northwest Airlines requests an allocation of U.S.-China frequencies in accordance with its April 21, 1999 application.

Respectfully submitted,

A handwritten signature in cursive script, reading "Megan Rae Poldy", is written over a horizontal line.

Megan Rae Poldy
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Northwest's Proposal Will Enhance U.S.-Beijing/Shanghai Competition

(In Rebuttal to the Application of United Air Lines)

	<u>Weekly Combination Frequencies</u>	
	<u>Northwest</u> (Exhibit NW-1)	<u>United</u>
<u>Current</u>		
Non-stop	5	
Via Japan 5 th Freedom	<u>4</u>	<u>14</u>
Totals	9	14
<u>Proposed for Frequencies Available April 1, 1999</u>		
Non-stop	6	
Via Japan 5 th Freedom	<u>8</u>	<u>14</u>
Totals	14	14
<u>Proposed for Frequencies Available April 1, 2000</u>		
Non-stop	8	7
Via Japan 5 th Freedom	<u>8</u>	<u>14</u> ^{1/}
Totals	16	21

1/ Seven U.S.-China frequencies not specified in Application

Northwest's Proposal Will Enhance U.S.-Beijing/Shanghai Competition

(In Rebuttal to the Application of United Air Lines)

	Average Weekly Seats			
	Northwest		United	
	<u>Model</u>	<u>Seats</u>	<u>Model</u>	<u>Seats</u>
	(Exhibit NW-2)		(Exhibit UA-8)	
<u>Current</u>	-400/-200	7,148	-400	10,304
<u>Proposed for Frequencies</u> <u>Available April 1, 1999</u>	-400/-200	11,657	-400	10,304
<u>Proposed for Frequencies</u> <u>Available April 1, 2000</u>	-400/-200	13,282	-400	15,456
Capacity Growth		86%		50%

Note: Both carriers to offer service with 8747 aircraft. Seating per model: NW = 418/371; UA = 368.

Northwest's Proposal Will Enhance U.S.-Beijing/Shanghai Competition

(In Rebuttal to the Application of United Air Lines)

- Chinese carriers already provide significant west coast to China service

<u>Carrier</u>	<u>U.S. Gateway</u>	<u>Weekly Frequencies</u>		
		<u>Non-Stop</u>	<u>One-Stop</u>	<u>Connecting</u>
<u>To Beijing</u>				
Air China	LAX	4		2
	SFO	3	1	2
	SEA			2
China Eastern	LAX	4	3	
	SFO	2		
<u>To Shanghai</u>				
Air China	LAX		4	2
	SFO	1	3	2
	SEA			2
China Eastern	LAX	3	4	
	SFO		2	
<u>To Guangzhou</u>				
China Southern	LAX	3		
Totals		20	17	12

Northwest's Proposal Will Enhance U.S.-Beijing/Shanghai Competition

(In Rebuttal to the Application of United Air Lines)

- Chinese carriers already provide significant China to west coast service

<u>Carrier</u>	<u>U.S. Gateway</u>	<u>Weekly Frequencies</u>		
		<u>Non-Stop</u>	<u>One-Stop</u>	<u>Connecting</u>
<u>From Beijing</u>				
Air China	LAX	-	4	
China Eastern	LAX	-	7	
	SFO	2		
<u>From Shanghai</u>				
Air China	LAX	4	4	
	SFO	4		
China Eastern	LAX	7		
	SFO	-	2	
<u>From Guangzhou</u>				
China Southern	LAX			
Totals		20	17	

All Nippon Airways Supplements United's Service To China

(In Rebuttal to Exhibit UA-10)

<u>Between Tokyo and</u>	<u>Carrier</u>	<u>Weekly Frequencies</u>
Beijing	All Nippon	7
Dalian	All Nippon	2
Shanghai	All Nippon	2
		<hr/>
Total Opportunities		11

Outbound U.S.-China Passenger Markets That Will Save Time By Connecting With Northwest in Detroit

(In Rebuttal to Exhibit UA-7)

**Best Elapsed Time
U.S. to Shanghai**

Origin	NW Connect in DTW	UA Connect in SFO	Time Saved via DTW
LGA	17.9 hrs.	21.9 hrs.	3.9 hrs
CLE	16.9	20.8	3.8
CMH	16.9	20.4	3.5
RDU	18.1	21.4	3.4
SYR	17.9	21.3	3.4
PIT	17.1	20.4	3.3
MKE	17.3	20.5	3.2
ALB	18.1	20.9	2.8
BUF	18.0	20.8	2.8
ROC	18.1	21.0	2.9
EWR	17.8	20.4	2.6
PHL	17.8	20.4	2.6
BNA	17.7	20.2	2.5
SDF	19.2	21.7	2.5
BHM	19.6	22.1	2.5
STL	17.9	20.3	2.3
BWI	17.9	20.2	2.3
TPA	19.0	21.2	2.2
DCA	17.9	N.A.	
IAD	17.9	19.9	2.0
MSP	18.1	20.1	2.0
BOS	18.6	20.4	1.8
IND	17.3	19.1	1.8
ATL	17.8	19.4	1.7
CVG	16.9	16.5	1.5
BDL	18.2	19.4	1.3
CLT	18.0	19.2	1.2
JFK	18.3	19.4	1.2
MCO	19.1	20.3	1.2
PBI	20.6	21.8	1.2
ORD	17.4	18.4	1.0
MI A	19.4	20.3	0.8
MEM	17.8	18.2	0.4
MCI	19.4	19.6	0.2
FLL	22.8	21.4	-1.5
DFW	19.1	16.9	-2.2
HOU	22.7	19.4	-3.3
IAH	22.4	18.4	-4.0
MSY	22.4	18.1	-4.3
DEN	22.7	17.2	-5.5
PHX	22.3	16.8	-5.6
LAX	22.2	15.3	-6.9
LAS	25.2	16.7	-8.5
SEA	25.6	15.6	-10.0

Note: N.A. = No same day online connecting service available

Source: OAG. April '99 (assumes April '00 schedule is same as April '99 schedule)

Inbound U.S.-China Passenger Markets That Will Save Time By Connecting With Northwest in Detroit

(In Rebuttal to Exhibit UA-7)

**Best Elapsed Time
Shanghai to U.S.**

<u>Origin</u>	<u>NW Connect in DTW</u>	<u>UA Connect in SFO</u>	<u>Time Saved via DTW</u>
DSM	17.8 hrs.	24.6 hrs	6.7 hrs.
LGA	17.6	23.0	5.3
MCO	18.2	22.8	4.6
CLE	16.8	19.7	3.0
MI A	19.0	21.8	2.9
CMH	16.7	19.6	2.8
DCA	17.1	19.7	2.6
STL	17.5	20.1	2.5
IND	17.3	19.1	1.7
PHL	17.4	18.7	1.3
MKE	17.5	18.7	1.2
BUF	18.5	19.6	1.1
PVD	19.2	20.2	1.1
BWI	17.5	18.6	1.0
FLL	19.1	20.1	1.0
TPA	19.0	19.9	0.9
BNA	17.5	18.4	0.9
BDL	19.0	19.9	0.9
EWR	18.0	18.8	0.8
JFK	19.2	20.0	0.8
MCI	18.2	18.7	0.5
CVG	16.8	17.2	0.4
MDW	16.8	16.9	0.1
BOS	19.5	19.4	-0.1
ATL	18.3	18.1	-0.2
ORD	17.5	17.2	-0.3
IAD	19.1	18.2	-0.7
PIT	18.5	17.6	-0.9
MEM	17.9	16.8	-1.1
CLT	19.3	17.6	-1.7
MSY	20.3	18.4	-1.8
IAH	19.5	17.5	-2.0
MSP	20.6	18.5	-2.1
DFW	19.3	16.9	-2.5
DEN	19.2	16.0	-3.1
HOU	22.1	18.8	-3.3
RNO	20.9	17.1	-3.9
SEA	20.6	16.6	-4.1
PHX	20.4	15.3	-5.0
LAX	21.0	14.8	-6.2
SNA	26.0	17.4	-8.6
LAS	25.8	16.2	-9.6
PDX	25.7	15.4	-10.4
SAN	26.0	15.4	-10.6

Source: OAG. April '99 (assumes April '00 schedule is same as April '99 schedule)

The Detroit-China Gateway Is More Advantageous To Over 70% Of The U.S. Population

(In Rebuttal to the Application of United Air Lines)



	<u>United's San Francisco Catchment Area</u>	<u>Northwest's Detroit Catchment Area</u>
U.S. Population (mil)	69	178
Chinese Immigrant Population	254,181	265,230

Note: Based on total elapsed flight time to Shanghai
Source: U.S. Census Bureau

The Detroit-China Gateway Is More Advantageous To Over 70% Of The U.S. Population

• United States Population by State

Northwest via Detroit		United via San Francisco	
Florida	12,938	Texas	16,986
Georgia	6,478	Nebraska	526
South Carolina	3,486	South Dakota	348
North Carolina	6,632	North Dakota	320
Virginia	6,189	New Mexico	1,515
Maryland	4,781	Colorado	3,294
Delaware	666	Wyoming	454
District of Columbia	607	Montana	799
New Jersey	7,748	Arizona	3,665
Pennsylvania	11,883	Utah	1,723
New York	17,991	Idaho	1,007
Massachusetts	6,016	California	29,786
Rhode Island	1,003	Nevada	1,202
Connecticut	3,287	Oregon	2,842
Vermont	563	Washington	4,867
New Hampshire	1,109		
Maine	1,228	TOTAL	69,334
Alabama	4,040		
Tennessee	4,877		
Kentucky	3,687		
West Virginia	1,793		
Mississippi	2,575		
Ohio	10,847		
Louisiana	4,222		
Arkansas	2,351		
Missouri	5,117		
Illinois	11,431		
Indiana	5,544		
Michigan	9,295		
Iowa	2,777		
Minnesota	4,376		
Wisconsin	4,892		
Oklahoma	3,146		
Kansas	2,478		
Nebraska	1,052		
South Dakota	348		
North Dakota	320		
TOTAL	177,773		

Note: Population expressed in thousands.

Source: Bureau of Census - 1990 Population Survey

The Detroit-China Gateway Is More Advantageous To Over 70% Of The U.S. Population

• Chinese Immigrants Living in the United States

Northwest via Detroit		United via San Francisco	
Florida	7,940	Texas	16,504
Georgia	3,229	Nebraska	225
South Carolina	843	South Dakota	71
North Carolina	2,557	North Dakota	63
Virginia	6,236	New Mexico	624
Maryland	9,206	Colorado	2,828
Delaware	755	Wyoming	242
District of Columbia	1,313	Montana	267
New Jersey	17,283	Arizona	3,384
Pennsylvania	8,954	Utah	1,667
New York	128,133	Idaho	652
Massachusetts	20,367	California	211,263
Rhode Island	1,502	Nevada	1,769
Connecticut	3,653	Oregon	4,783
Vermont	260	Washington	9,840
New Hampshire	600		
Maine	461	TOTAL	254,181
Alabama	1,130		
Tennessee	1,740		
Kentucky	1,210		
West Virginia	523		
Mississippi	741		
Ohio	6,290		
Louisiana	1,995		
Arkansas	409		
Missouri	2,430		
Illinois	17,254		
Indiana	2,460		
Michigan	6,035		
Iowa	1,344		
Minnesota	2,721		
Wisconsin	2,378		
Oklahoma	1,257		
Kansas	1,439		
Nebraska	449		
South Dakota	71		
North Dakota	63		
TOTAL	265,230		

**Federal Express Is Requesting 82% of the Limited
U.S.-China Frequencies Available -- A Disproportionate Amount
Relative To Current China And Other Market All-Cargo Requirements**

(In Rebuttal to the Application of Federal Express)

Gateway-to-Gateway Average Weekly Frequencies

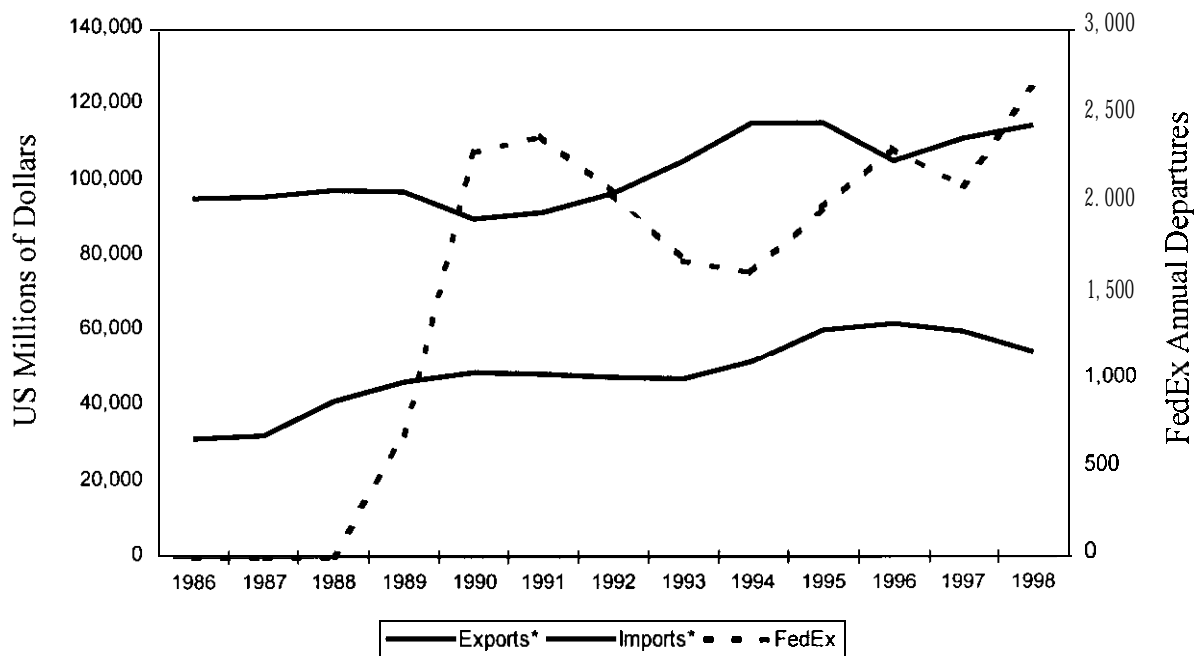
	Current U.S.-China	FX U.S.-China Proposal	Trans-Pacific	Trans.-Atlantic
U.S. All-Cargo Carriers	4	14	65	57
U.S. Combination Carriers	23	3	430	1,170
Totals	27	17	495	1,227
All-Cargo Share	14.8%	82.4%	13.1%	4.6%

Source: OAG Electronics Edition for year ended March 31, 1999

Contrary To The Federal Express Claim, There Is No Significant Statistical Correlation Of Express Market Operations On U.S. Import/Export Trade Value

(In Rebuttal to Exhibit FX-109)

US Import/Export Trade With Japan



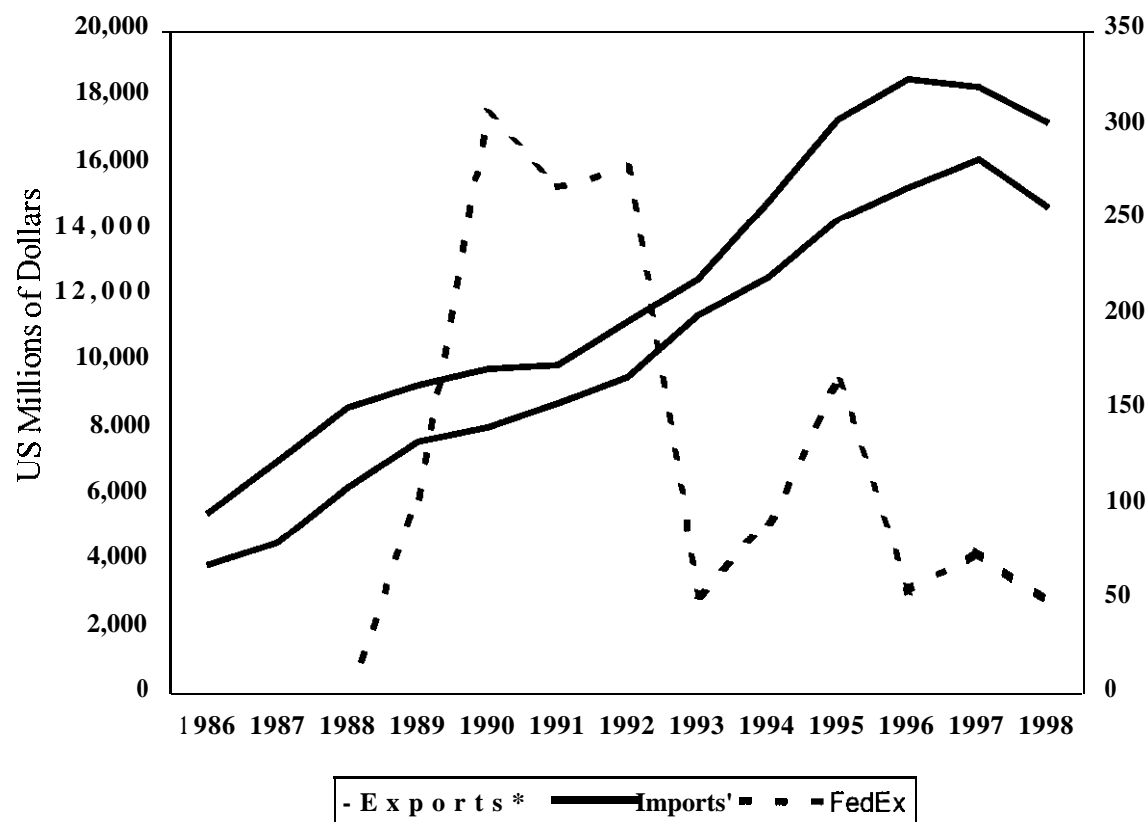
*Adjusted by Producer Price Index (base year 1990)

Year-Over-Year Change Correlation (R^2)
Exports $R^2 = 0.0045$ Imports $R^2 = 0.57$

Contrary To The Federal Express Claim, There Is No Significant Statistical Correlation Of Express Market Operations On U.S. Import/Export Trade Value

(In Rebuttal to Exhibit FX-109)

US Import/Export Trade
With Singapore



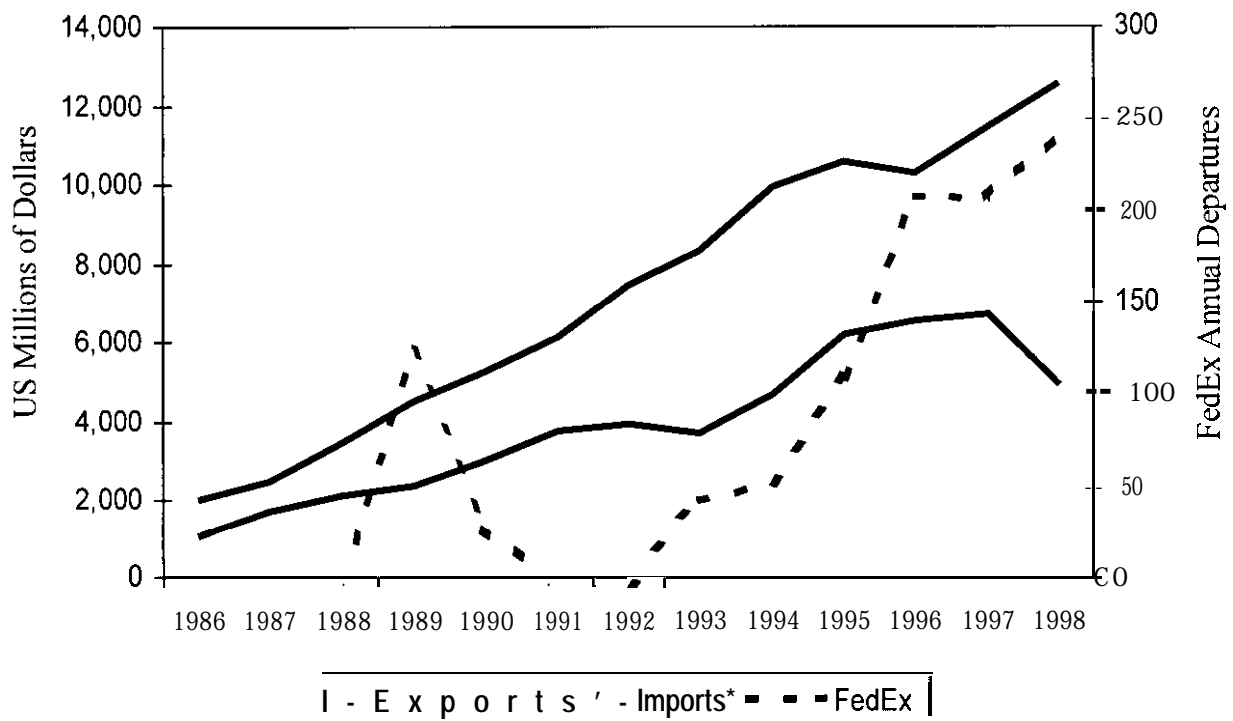
*Adjusted by Producer Price Index (base year 1990)

Year-Over-Year Change Correlation (R^2)
 Exports $R^2 = 0.0448$ Imports $R^2 = 0.0235$

Contrary To The Federal Express Claim, There Is No Significant Statistical Correlation Of Express Market Operations On U.S. Import/Export Trade Value

(In Rebuttal to Exhibit FX-109)

US Import/Export Trade
With Thailand



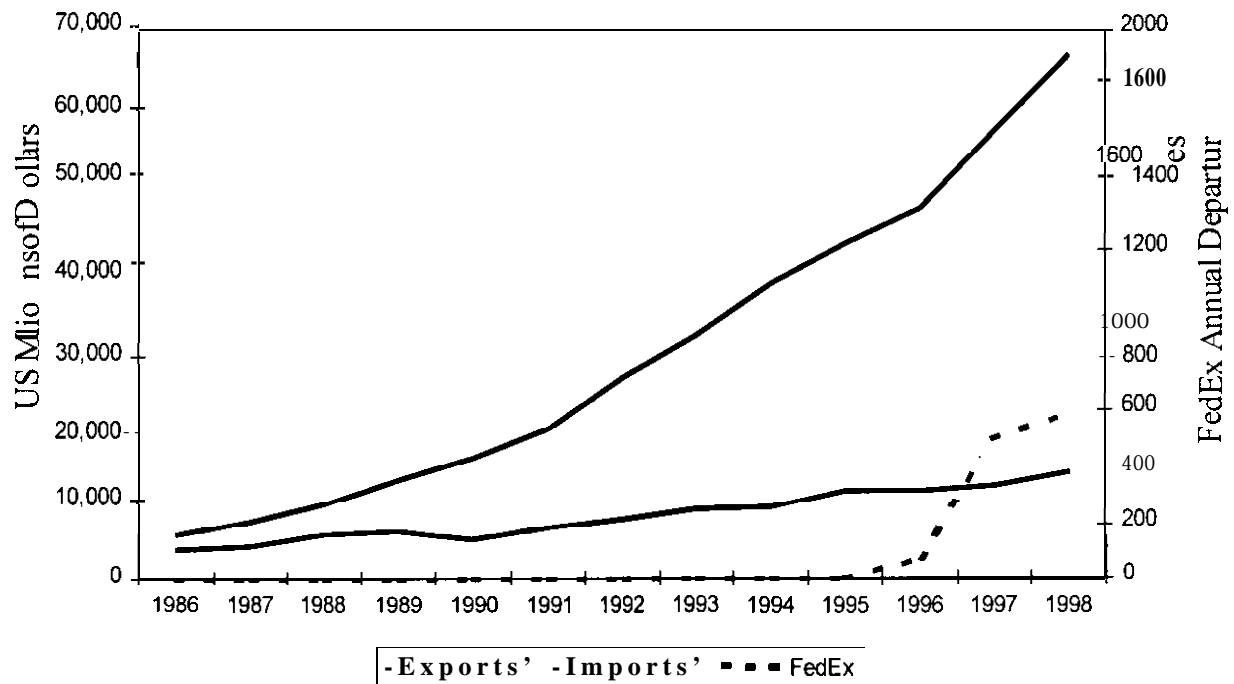
*Adjusted by Producer Price Index (base year 1990)

Year-Over-Year Change Correlation (R^2)	
$R^2 = 0.0776$	Imports $R^2 = 0.3972$

Contrary To The Federal Express Claim, There Is No Significant Statistical Correlation Of Express Market Operations On U.S. Import/Export Trade Value

(In Rebuttal to Exhibit FX-109)

US Import/Export Trade
With China



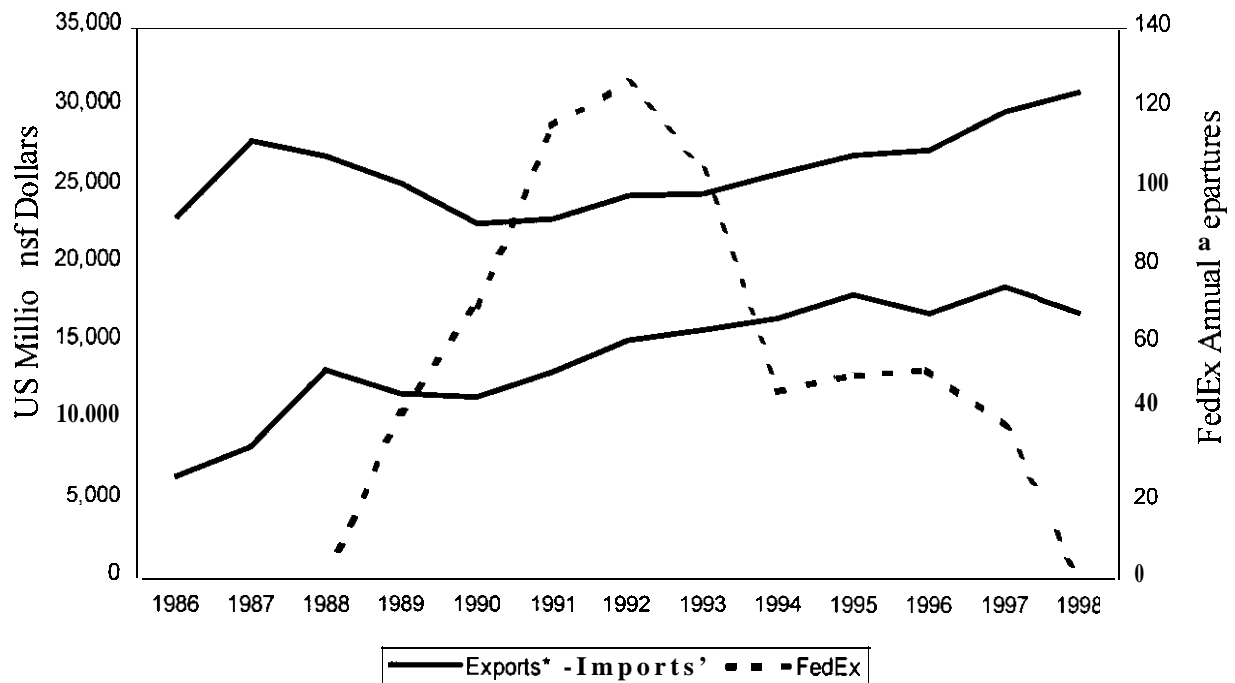
*Adjusted by Producer Price Index (base year 1990)

Year-Over-Year Change Correlation (R^2)
 Exports $R^2 = 0.0126$ Imports $R^2 = 0.0819$

Contrary To The Federal Express Claim, There Is No Significant Statistical Correlation Of Express Market Operations On U.S. Import/Export Trade Value

(In Rebuttal to Exhibit FX-I 09)

US Import/Export Trade With Taiwan



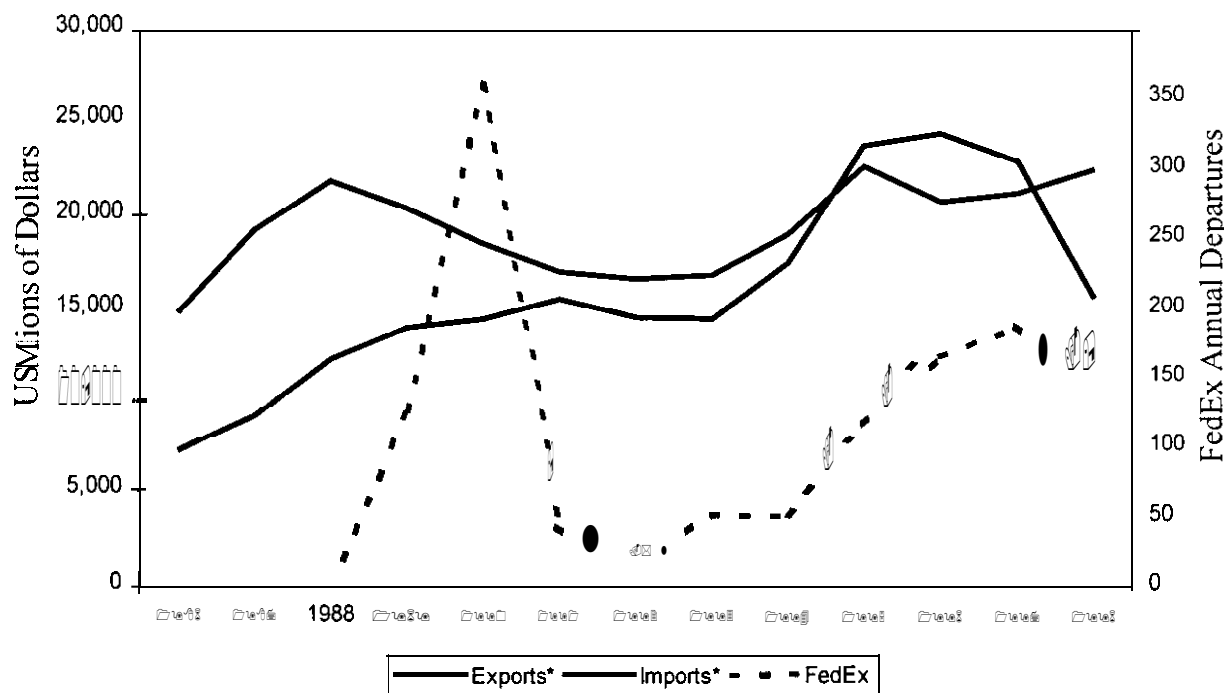
*Adjusted by Producer Price Index (base year 1990)

Year-Over-Year Change Correlation (R^2)
Exports $R^2 = 0.1310$ Imports $R^2 = 0.1646$

Contrary To The Federal Express Claim, There Is No Significant Statistical Correlation Of Express Market Operations On U.S. Import/Export Trade Value

(In Rebuttal to Exhibit FX-109)

US Import/Export Trade With Republic of Korea



*Adjusted by Producer Price Index (base year 1990)

Year-Over-Year Change Correlation (R^2)
 Exports $R^2 = 0.1051$ Imports $R^2 = 0.1932$

More Than 62% Of Federal Express' Forecast U.S.-China Service Revenue Will Be Derived From Non-U.S. Market Sources

(In Rebuttal to Exhibits FX-301/302/303)

<u>Market</u>	Fiscal Year 2001					
	Four Frequencies		Twelve Frequencies		Eighteen Frequencies	
	<u>FX Revenue</u>	<u>Distribution</u>	<u>FX Revenue</u>	<u>Distribution</u>	<u>FX Revenue</u>	<u>Distribution</u>
	(Exhibit FX-303)		(Exhibit FX-302)		(Exhibit FX-301)	
U.S.-China	\$91.1	37.6%	\$204.3	38.1%	\$235.2	37.6%
China - ROW (5 th Freedom)	30.0	12.4	66.9	12.5	80.2	12.8
China - ROW	<u>121.0</u>	<u>50.0</u>	<u>265.0</u>	<u>49.4</u>	<u>310.8</u>	<u>49.6</u>
Totals	\$242.1	100.0%	\$536.2	100.0%	\$626.2	100.0%
Non-US Totals	\$151.0	62.4%	\$331.9	61.9%	\$391.0	62.4%

Note: Amounts stated in millions.

Federal Express Is Forecasting Annual U.S.-China Express Traffic Growth At 90% Per Year Despite Declining Traffic in Its Pacific Operations

(In Rebuttal to Exhibit FX-301)

<u>Market</u>	<u>Express Products</u>		<u>Average Annual Growth</u>
	<u>FY 1999-Base Case</u> (Exhibit FX-303)	<u>FY 2000-18 Frequencies</u> (Exhibit FX-301)	
China-U.S.			
Weight (lbs.)	24.1	66.8	66.5%
U.S.-China			
Weight (lbs.)	4.1	34.5	90.0%
Total			
Weight (lbs.)	28.2	101.3	89.5%

Note: Amounts stated in millions. See also Exhibit 24.

In Contrast To Its U.S.-China Forecast, Federal Express Pacific Traffic Has Declined By 27% Since 1990

(In Rebuttal to Exhibit FX-301)

<u>Period</u>	<u>Enplaned Freight</u> ^{1/}	
	<u>Tons Enplaned</u>	<u>Annual Growth/(Reduction)</u>
1990	329	
1991	286	(13) %
1992	203	(29)
1993	188	(7)
1994	203	8
1995	211	4
1996	217	3
1997	239	10
1997/1991 Reduction		(27) %
1998 ^{2/}	238	-

Note: Freight tons stated in thousands.

^{1/} Includes Express

^{2/} Year ended September 30, 1998

Source: T-100 International Data

The Federal Express High Value Target Market Represents Only 4% Of The Total U.S.-China Air Cargo Market

(In Rebuttal to Exhibit FX-109)

Market Segmentation	CY 1998 - Traffic By Air		
	<u>U.S.-China</u> (Exhibit FX-2 11)	<u>China-U.S.</u> (Exhibit FX-214)	<u>Total</u>
“High Value” ^{1/}	21,537 lbs.	3,443 lbs.	24,980 lbs.
Total Air Market ^{2/}	80,184	506,228	586,412
High Value Share	26.9%	0.7%	4.3%

Note: Amounts stated in thousand

^{1/} Minimum \$75 per pound

^{2/} Except traffic/commodities valued at less than \$1 per pound

Shenzhen's Major Industries Are Not Among Those That Drive Express Traffic By High Value Standards

(In Rebuttal to Exhibit FX-109)

Shenzhen Top Ten Industries

(Exhibit FX- 106)

- Electronic and telecommunications equipment
- Precision instruments
- Meters and office supply machinery
- Electric equipment and machinery
- Metal products
- Medical and pharmaceutical products
- Food processing
- Garments and other fiber products
- Plastic products
- Transportation equipment

"High Value" China-U.S. Imports

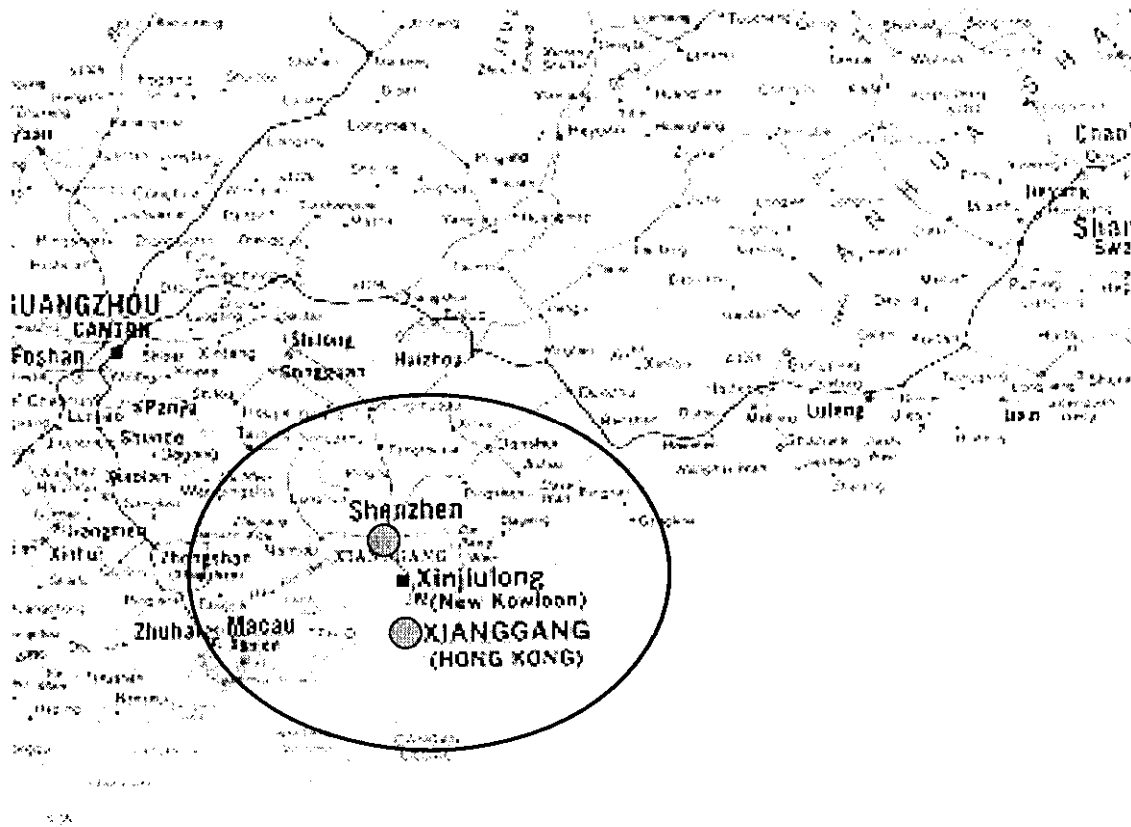
(Exhibit FX-2 14)

- Smelter and refined non-ferrous metals
- Jewelry, silverware and plated wire
- Drugs
- Fur wearing apparel and fur articles, NSPF ^{1/}
- Aircraft and parts, NSPF ^{1/}
- Abrasive asbestos and misc. non-metal mined products ^{1/}
- Engines and turbines and parts ^{1/}
- Surgical medical and dental instruments and supplies and parts, NSPF ^{1/}

^{1/} Value less than \$75 per pound

Hong Kong Is A Viable Gateway Through Which To Serve Shenzhen

(In Rebuttal to the Application of Federal Express)



Source: Today's World Atlas, 1997 Revised Edition

There Are Nine U.S. All-Cargo Airlines Certificated To Serve Hong Kong

(In Rebuttal to Exhibit FX-I 05)

	<u>CB</u>	<u>5Y</u>	<u>ER</u>	<u>EB</u>	<u>EZ</u>	<u>FX</u>	<u>GC</u>	<u>PO</u>	<u>5X</u>
U.S. Points	X		X	X	X	X		X	X
Anchorage		X						X	
Chicago		X					X		
Columbus							X		
Honolulu		X							
Los Angeles		X					X		
New York		X					X		
San Francisco							X		

CB = American Int'l Airways

5Y = Atlas Air

ER = DHL Airways

EB = Emery Worldwide

EZ = Evergreen Int'l

FX = Federal Express

GC = Gemini Air Cargo

PO = Polar Air

5x = UPS

Source: U.S. Air Carrier Route Authority, Office of International Aviation, DOT

Peak And Off-Peak Season U.S.-Hong Kong All-Cargo Schedules

(In Rebuttal to the Application of Federal Express)

Origin	Dest.	Route	Carrier	Equip	Flt No	Depart	Arrive	FULL ITINERARY	Days	Stops	Nov-98	Apr-99
HKG	ANC	ANC-HKG	1A	74F	19	845	300	MEL-SIN-HKG-KVG-ANC-LAX	1	1	5	0
HKG	ANC	ANC-HKG	1A	74F	19	845	400	MEL-SIN-HKG-KVG-ANC-LAX	1	1	0	4
HKG	JFK	HKG-JFK	1A	74F	28	735	2100	SEL-HKG-KHV-FAI-LCK-JFK	7	3	0	4
HKG	JFK	HKG-JFK	1A	74F	28	835	2100	SEL-HKG-KHV-FAI-LCK-JFK	7	3	5	0
HKG	LAX	HKG-LAX	1A	74F	19	845	1200	MEL-SIN-HKG-KVG-ANC-LAX	1	2	5	4
HKG	ANC	ANC-HKG	1E	74F	102	915	500	HKG-KHV-ANC-LCK-JFK	4 7	1	9	1
HKG	ANC	ANC-HKG	1E	74F	102	915	600	HKG-KHV-ANC-LCK-JFK	4 7	1	0	8
HKG	ANC	ANC-HKG	1E	74F	102	915	600	CGK-HKG-KHV-ANC-LCK-JFK	3	1	4	0
HKG	ANC	ANC-HKG	1E	74F	102	915	700	CGK-HKG-KHV-ANC-LCK-JFK	3	1	0	4
HKG	ANC	ANC-HKG	1E	74F	328	1030	615	HKG-KHV-ANC-JFK	7	1	5	0
HKG	ANC	ANC-HKG	1E	74F	328	1030	715	HKG-KHV-ANC-JFK	7	1	0	4
ANC	HKG	ANC-HKG	1E	74F	101	130	700	JFK-ANC-KHV-HKG	6	1	4	1
ANC	HKG	ANC-HKG	1E	74F	101	230	700	JFK-ANC-KHV-HKG	6	1	0	3
HKG	JFK	HKG-JFK	1E	74F	102	915	2015	HKG-KHV-ANC-LCK-JFK	4 7	3	9	1
HKG	JFK	HKG-JFK	1E	74F	102	915	2115	HKG-KHV-ANC-LCK-JFK	4 7	3	0	8
HKG	JFK	HKG-JFK	1E	74F	102	915	2115	CGK-HKG-KHV-ANC-LCK-JFK	3	3	4	0
HKG	JFK	HKG-JFK	1E	74F	102	915	2215	CGK-HKG-KHV-ANC-LCK-JFK	3	3	0	4
HKG	JFK	HKG-JFK	1E	74F	328	1030	1820	HKG-KHV-ANC-JFK	7	2	5	0
HKG	JFK	HKG-JFK	1E	74F	328	1030	1920	HKG-KHV-ANC-JFK	7	2	0	4
JFK	HKG	HKG-JFK	1E	74F	101	2030	700	JFK-ANC-KHV-HKG	5	2	4	1
JFK	HKG	HKG-JFK	1E	74F	101	2130	700	JFK-ANC-KHV-HKG	5	2	0	4
HKG	ANC	ANC-HKG	5X	74F	6993	1858	1310	HKG-KIX-ANC-SDF	12345	1	21	22
HKG	ANC	ANC-HKG	5X	74F	6993	1930	1342	HKG-KIX-ANC-SDF	6	1	4	4
HKG	ANC	ANC-HKG	FX	ABF	12	2000	1230	HKG-ANC-MEM	6	0	0	0
HKG	ANC	ANC-HKG	FX	M1F	10	1930	1315	HKG-ANC-MEM	1	0	0	4
HKG	ANC	ANC-HKG	FX	M1F	10	1955	1225	HKG-ANC-MEM	1	0	5	0
HKG	ANC	ANC-HKG	FX	M1F	10	1955	1230	HKG-ANC-MEM	1	0	0	0
HKG	ANC	ANC-HKG	FX	M1F	10	2000	1235	HKG-ANC-MEM	1	0	0	0
HKG	ANC	ANC-HKG	FX	M1F	12	1930	1315	SIN-SFS-HKG-ANC-MEM	234567	0	0	22
HKG	ANC	ANC-HKG	FX	M1F	12	2000	1230	SIN-SFS-HKG-ANC-MEM	2345 7	0	0	0
HKG	ANC	ANC-HKG	FX	M1F	12	2000	1230	SIN-SFS-HKG-ANC-MEM	234567	0	25	0
HKG	ANC	ANC-HKG	FX	M1F	12	2000	1235	HKG-ANC-EWR	7	0	0	1
HKG	ANC	ANC-HKG	FX	M1F	12	2000	1235	SIN-SFS-HKG-ANC-MEM	234567	0	0	3
ANC	HKG	ANC-HKG	FX	M1F	11	915	1750	EWR-ANC-SEL-TPE-HKG-SFS	1234 7	2	0	19
ANC	HKG	ANC-HKG	FX	M1F	11	915	1805	EWR-ANC-SEL-TPE-HKG-SFS	12345 7	2	26	0
ANC	HKG	ANC-HKG	FX	M1F	11	920	1810	EWR-ANC-SEL-TPE-HKG-SFS	7	2	0	1
ANC	HKG	ANC-HKG	FX	M1F	11	920	1810	EWR-ANC-SEL-TPE-HKG-SFS	12345 7	2	0	2
ANC	HKG	ANC-HKG	FX	M1F	11	935	1800	EWR-ANC-SEL-TPE-HKG	56	2	0	7
ANC	HKG	ANC-HKG	FX	M1F	11	935	1825	EWR-ANC-SEL-TPE-HKG	6	2	4	0
ANC	HKG	ANC-HKG	FX	M1F	11	940	1810	EWR-ANC-SEL-TPE-HKG	6	2	0	0
ANC	HKG	ANC-HKG	FX	M1F	11	940	1830	EWR-ANC-SEL-TPE-HKG	6	2	0	1
ANC	HKG	ANC-HKG	FX	M1F	87A	840	1540	ATL-ORD-ANC-NRT-HKG	7	1	0	3
ANC	HKG	ANC-HKG	FX	M1F	87A	900	1740	ANC-HKG	7	1	0	1
ANC	HKG	ANC-HKG	FX	M1F	87A	900	1740	ATL-ORD-ANC-NRT-HKG	7	1	0	0
HKG	EWR	EWR-HKG	FX	M1F	12	1930	140	HKG-ANC-EWR	7	1	0	3
HKG	EWR	EWR-HKG	FX	M1F	12	2000	140	HKG-ANC-EWR	7	1	5	1
EWR	HKG	EWR-HKG	FX	M1F	11	325	1750	EWR-ANC-SEL-TPE-HKG-SFS	1234 7	3	0	19
EWR	HKG	EWR-HKG	FX	M1F	11	325	1800	EWR-ANC-SEL-TPE-HKG	5	3	0	4
EWR	HKG	EWR-HKG	FX	M1F	11	325	1805	EWR-ANC-SEL-TPE-HKG-SFS	12345 7	3	26	0
EWR	HKG	EWR-HKG	FX	M1F	11	325	1810	EWR-ANC-SEL-TPE-HKG-SFS	7	3	0	1
EWR	HKG	EWR-HKG	FX	M1F	11	325	1810	EWR-ANC-SEL-TPE-HKG-SFS	12345 7	3	0	2
EWR	HKG	EWR-HKG	FX	M1F	11	345	1800	EWR-ANC-SEL-TPE-HKG	6	3	0	3
EWR	HKG	EWR-HKG	FX	M1F	11	345	1810	EWR-ANC-SEL-TPE-HKG	6	3	0	0
EWR	HKG	EWR-HKG	FX	M1F	11	345	1825	EWR-ANC-SEL-TPE-HKG	6	3	4	0
EWR	HKG	EWR-HKG	FX	M1F	11	345	1830	EWR-ANC-SEL-TPE-HKG	6	3	0	1
ORD	HKG	HKG-ORD	FX	M1F	87A	300	1540	ATL-ORD-ANC-NRT-HKG	7	2	0	3
ORD	HKG	HKG-ORD	FX	M1F	87A	300	1740	ORD-HKG	7	2	0	1
ORD	HKG	HKG-ORD	FX	M1F	87A	300	1740	ATL-ORD-ANC-NRT-HKG	7	2	0	0
HKG	SFO	HKG-SFO	FX	M1F	12	2000	2050	SIN-SFS-HKG-ANC-SFO	6	1	4	0
HKG	SFO	HKG-SFO	FX	M1F	20	2230	205	HKG-TPE-KIX-OAK-SFO	12345	3	0	20
HKG	SFO	HKG-SFO	FX	M1F	20	2230	210	HKG-TPE-KIX-OAK-SFO	12345	3	21	2

Peak And Off-Peak Season U.S.-Hong Kong All-Cargo Schedules

(In Rebuttal to the Application of Federal Express)

Origin	Dest.	Route	Carrier	Equip	Flt No	Depart	Arrive	FULL ITINERARY	Days	Stops	Nov-98	Apr-99
ANC	HKG	ANC-HKG	NW	74F	901	730	1440	ORD-ANC-NRT-HKG	6	1	4	0
ANC	HKG	ANC-HKG	NW	74F	901	730	1505	JFK-ORD-ANC-NRT-HKG	7	1	0	0
ANC	HKG	ANC-HKG	NW	74F	901	730	1505	JFK-ORD-ANC-NRT-HKG	1	1	5	0
ANC	HKG	ANC-HKG	NW	74F	901	730	1740	JFK-ORD-ANC-NRT-HKG	5	1	0	0
ANC	HKG	ANC-HKG	NW	74F	901	730	1915	JFK-ORD-ANC-NRT-GUM-HKG	5	2	0	1
ANC	HKG	ANC-HKG	NW	74F	901	830	2020	JFK-ORD-ANC-NRT-GUM-HKG	5	2	4	0
ANC	HKG	ANC-HKG	NW	74F	905	730	1440	SFO-ANC-NRT-HKG	6	1	0	0
ANC	HKG	ANC-HKG	NW	74F	905	730	1550	LAX-SFO-ANC-NRT-HKG	6	1	0	1
ANC	HKG	ANC-HKG	NW	74F	907	730	1445	JFK-ANC-NRT-HKG	4	1	4	0
ANC	HKG	ANC-HKG	NW	74F	907	730	1505	JFK-ANC-NRT-HKG	6	1	4	1
ANC	HKG	ANC-HKG	NW	74F	909	730	1505	ORD-JFK-ANC-NRT-HKG	7	1	5	0
ANC	HKG	ANC-HKG	NW	74F	915	715	2115	LAX-ANC-NRT-GUM-HKG	2	2	4	0
HKG	JFK	HKG-JFK	NW	74F	902	1150	2150	HKG-NRT-ANC-JFK	4	2	0	0
HKG	JFK	HKG-JFK	NW	74F	902	1150	2205	HKG-NRT-ANC-JFK	4	2	0	1
HKG	JFK	HKG-JFK	NW	74F	904	1140	2255	HKG-KIX-ANC-JFK	3	2	4	0
HKG	JFK	HKG-JFK	NW	74F	904	1150	2150	HKG-NRT-ANC-JFK	2	2	0	0
HKG	JFK	HKG-JFK	NW	74F	904	1215	2255	HKG-NRT-KIX-ANC-JFK	2	3	4	0
HKG	JFK	HKG-JFK	NW	74F	904	1520	2150	HKG-NRT-ANC-JFK	7	2	0	0
HKG	JFK	HKG-JFK	NW	74F	904	1550	2220	HKG-KIX-ANC-JFK	7	2	5	0
HKG	JFK	HKG-JFK	NW	74F	904	1635	2255	HKG-KIX-ANC-JFK	45	2	8	0
HKG	JFK	HKG-JFK	NW	74F	908	1040	2130	HKG-NRT-ANC-JFK	1	2	5	0
HKG	JFK	HKG-JFK	NW	74F	908	1500	2115	HKG-NRT-ANC-JFK	1	2	0	0
HKG	JFK	HKG-JFK	NW	74F	916	1130	2150	HKG-NRT-ANC-JFK	5	2	0	1
JFK	HKG	HKG-JFK	NW	74F	901	15	1505	JFK-ORD-ANC-NRT-HKG	7	3	0	0
JFK	HKG	HKG-JFK	NW	74F	901	15	1505	JFK-ORD-ANC-NRT-HKG	1	3	5	0
JFK	HKG	HKG-JFK	NW	74F	901	15	1740	JFK-ORD-ANC-NRT-HKG	5	3	0	0
JFK	HKG	HKG-JFK	NW	74F	901	15	1915	JFK-ORD-ANC-NRT-GUM-HKG	5	4	0	1
JFK	HKG	HKG-JFK	NW	74F	901	115	2020	JFK-ORD-ANC-NRT-GUM-HKG	5	4	4	0
JFK	HKG	HKG-JFK	NW	74F	907	130	1445	JFK-SEA-NRT-HKG	3	2	4	0
JFK	HKG	HKG-JFK	NW	74F	907	135	1445	JFK-SEA-NRT-HKG	3	2	0	0
JFK	HKG	HKG-JFK	NW	74F	907	135	1505	JFK-SEA-NRT-HKG	2	2	0	0
JFK	HKG	HKG-JFK	NW	74F	907	135	1915	JFK-SEA-NRT-GUM-HKG	3	3	0	0
JFK	HKG	HKG-JFK	NW	74F	907	300	1445	JFK-ANC-NRT-HKG	4	2	4	0
JFK	HKG	HKG-JFK	NW	74F	907	300	1505	JFK-ANC-NRT-HKG	6	2	4	1
JFK	HKG	HKG-JFK	NW	74F	909	300	1505	ORD-JFK-ANC-NRT-HKG	7	2	5	0
HKG	LAX	HKG-LAX	NW	74F	906	1130	1400	HKG-MNL-NRT-LAX	3	2	0	0
HKG	LAX	HKG-LAX	NW	74F	906	1130	1400	HKG-MNL-NRT-LAX-SFO	3	2	0	0
HKG	LAX	HKG-LAX	NW	74F	906	1630	2035	HKG-TPE-KIX-ANC-LAX	7	3	5	0
HKG	LAX	HKG-LAX	NW	74F	906	1630	2035	HKG-TPE-KIX-ANC-LAX-SFO	7	3	0	0
HKG	LAX	HKG-LAX	NW	74F	916	1500	1730	HKG-NRT-ANC-LAX	5	2	4	0
HKG	LAX	HKG-LAX	NW	74F	916	1645	1840	HKG-KIX-ANC-LAX	7	2	5	0
LAX	HKG	HKG-LAX	NW	74F	905	5	1550	LAX-SFO-ANC-NRT-HKG	6	3	0	1
LAX	HKG	HKG-LAX	NW	74F	905	200	1505	LAX-SFO-NRT-HKG	1	7	2	0
LAX	HKG	HKG-LAX	NW	74F	905	200	1505	LAX-SEA-NRT-HKG	1	2	0	0
LAX	HKG	HKG-LAX	NW	74F	915	130	1445	LAX-SEA-NRT-HKG	6	2	4	0
LAX	HKG	HKG-LAX	NW	74F	915	200	2115	LAX-ANC-NRT-GUM-HKG	2	3	4	0
HKG	ORD	HKG-ORD	NW	74F	906	2330	615	HKG-TPE-NRT-ANC-ORD	7	3	0	0
ORD	HKG	HKG-ORD	NW	74F	901	305	1440	ORD-ANC-NRT-HKG	6	2	4	0
ORD	HKG	HKG-ORD	NW	74F	901	305	1505	JFK-ORD-ANC-NRT-HKG	7	2	0	0
ORD	HKG	HKG-ORD	NW	74F	901	305	1505	JFK-ORD-ANC-NRT-HKG	1	2	5	0
ORD	HKG	HKG-ORD	NW	74F	901	305	1740	JFK-ORD-ANC-NRT-HKG	5	2	0	0
ORD	HKG	HKG-ORD	NW	74F	901	305	1915	JFK-ORD-ANC-NRT-GUM-HKG	5	3	0	1
ORD	HKG	HKG-ORD	NW	74F	901	410	2020	JFK-ORD-ANC-NRT-GUM-HKG	5	3	4	0
ORD	HKG	HKG-ORD	NW	74F	909	2215	1505	ORD-JFK-ANC-NRT-HKG	6	3	4	0
HKG	SFO	HKG-SFO	NW	74F	906	1130	315	HKG-MNL-NRT-LAX-SFO	3	3	0	0
HKG	SFO	HKG-SFO	NW	74F	906	1630	315	HKG-TPE-KIX-ANC-LAX-SFO	7	4	0	0
SFO	HKG	HKG-SFO	NW	74F	905	245	1440	SFO-ANC-NRT-HKG	6	2	0	0
SFO	HKG	HKG-SFO	NW	74F	905	250	1550	LAX-SFO-ANC-NRT-HKG	6	2	0	1
SFO	HKG	HKG-SFO	NW	74F	905	445	1505	LAX-SFO-NRT-HKG	7	1	0	0

Peak And Off-Peak Season U.S.-Hong Kong All-Cargo Schedules

(In Rebuttal to the Application of Federal Express)

Origin	Dest.	Route	Carrier	Equip	Flt No	Depart	Arrive	FULL ITINERARY	Days	Stops	Nov-98	Apr-99
HKG	ANC	ANC-HKG	PO	74F	148	840	400	HKG-KHV-ANC-ORD-JFK	7	1	5	0
HKG	ANC	ANC-HKG	PO	74F	148	915	430	HKG-CTS-ANC-ORD-JFK	5	1	4	0
HKG	ANC	ANC-HKG	PO	74F	148	925	445	HKG-CTS-ANC-ORD-JFK	7	1	0	0
HKG	ANC	ANC-HKG	PO	74F	148	925	545	HKG-CTS-ANC-ORD-JFK	7	1	0	4
HKG	ANC	ANC-HKG	PO	74F	188	915	430	HKG-KHV-ANC-LCK-JFK	4 7	1	9	0
HKG	ANC	ANC-HKG	PO	74F	188	915	430	HKG-CTS-ANC-LCK-JFK	4 7	1	0	0
HKG	ANC	ANC-HKG	PO	74F	508	700	215	HKG-CTS-ANC-ORD-JFK	3	1	0	0
HKG	ANC	ANC-HKG	PO	74F	508	700	315	HKG-CTS-ANC-ORD-JFK	3	1	0	4
HKG	ANC	ANC-HKG	PO	74F	508	840	400	HKG-CTS-ANC-JFK	3	1	4	0
ANC	HKG	ANC-HKG	PO	74F	87	1900	640	JFK-ATL-ANC-KHV-TPE-HKG	3	2	4	0
HKG	JFK	HKG-JFK	PO	74F	148	840	115	HKG-KHV-ANC-ORD-JFK	7	3	5	0
HKG	JFK	HKG-JFK	PO	74F	148	915	115	HKG-CTS-ANC-ORD-JFK	5	3	4	0
HKG	JFK	HKG-JFK	PO	74F	148	925	515	HKG-CTS-ANC-ORD-JFK	7	3	0	0
HKG	JFK	HKG-JFK	PO	74F	148	925	615	HKG-CTS-ANC-ORD-JFK	7	3	0	4
HKG	JFK	HKG-JFK	PO	74F	188	915	2100	HKG-KHV-ANC-LCK-JFK	7	3	5	0
HKG	JFK	HKG-JFK	PO	74F	188	915	2115	HKG-CTS-ANC-LCK-JFK	4	3	4	0
HKG	JFK	HKG-JFK	PO	74F	508	700	215	HKG-CTS-ANC-ORD-JFK	3	3	0	0
HKG	JFK	HKG-JFK	PO	74F	508	700	315	HKG-CTS-ANC-ORD-JFK	3	3	0	4
HKG	JFK	HKG-JFK	PO	74F	508	840	430	HKG-CTS-ANC-JFK	3	2	4	0
JFK	HKG	HKG-JFK	PO	74F	87	1000	640	JFK-ATL-ANC-KHV-TPE-HKG	3	4	4	0
HKG	ORD	HKG-ORD	PO	74F	148	840	2015	HKG-KHV-ANC-ORD-JFK	7	2	5	0
HKG	ORD	HKG-ORD	PO	74F	148	915	2015	HKG-CTS-ANC-ORD-JFK	5	2	4	0
HKG	ORD	HKG-ORD	PO	74F	148	925	15	HKG-CTS-ANC-ORD-JFK	7	2	0	0
HKG	ORD	HKG-ORD	PO	74F	148	925	115	HKG-CTS-ANC-ORD-JFK	7	2	0	4
HKG	ORD	HKG-ORD	PO	74F	508	700	2115	HKG-CTS-ANC-ORD-JFK	3	2	0	0
HKG	ORD	HKG-ORD	PO	74F	508	700	2215	HKG-CTS-ANC-ORD-JFK	3	2	0	4

NOTES:

Carrier Codes

CX CATHAY PACIFIC AIRWAYS
 FX FEDERAL EXPRESS
 NW NORTHWEST AIRLINES
 PO POLAR AIR CARGO
 1A AMERICAN INT'L AIRWAYS
 1E EVERGREEN INT'L AIRLINES
 5X UNITED PARCEL SERVICE

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CERTIFICATE OF SERVICE

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