

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

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Application of )

TRANS WORLD AIR LINES, INC. )

under 49 U.S.C. 41718 for six (6) beyond-perimeter )  
Ronald Reagan Washington National Airport )  
exemption slots for nonstop service to Los Angeles )

Docket OST 00-7181-24

APPLICATION OF **TRANS** WORLD AIRLINES, INC.

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May 5, 2000

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**APPLICATION OF TRANS WORLD AIRLINES, INC.**

Pursuant to the newly enacted Wendell H. Ford Aviation Investment and Reform Act for the 21st Century ("Air 21") now codified at 49 USC 41718, Trans World Airlines, Inc. ("TWA") hereby submits its request for six (6) beyond-perimeter Ronald Reagan Washington National Airport ("Reagan National" or "DCA") exemption slots (arrivals and departures) so that it can operate three daily roundtrip nonstop services between Los Angeles International Airport ("LAX") and Reagan National, using 180 seat B757 aircraft. TWA's proposed service will bring a new competitor to the Washington-Los Angeles nonstop market and to five cities in California as well as to Kona, Hawaii, that will receive their first or competitive one-stop service to Reagan National.

TWA's application is that of a new competitor for the Los Angeles - Washington nonstop market. Like other smaller carriers, TWA's very survival hinges upon its ability to compete in markets that are now dominated by larger entrenched carriers, such as American, Delta, and United. Air 21 has offered the Department the opportunity, through a domestic route case, to insert new competition into markets beyond the perimeter. TWA's proposal meets a critical need for new competition in the Los Angeles - Washington nonstop market while meeting Air 21's mandate for substantial network benefits to communities who do not currently receive one-stop access to our nation's capital.

In support of its application, TWA states as follows:

**I. TWA PROPOSES THREE DAILY ROUNDTRIP NONSTOP FLIGHTS BETWEEN LOS ANGELES AND REAGAN NATIONAL**

TWA proposes to operate three daily nonstop roundtrip flights between Los Angeles and Reagan National utilizing Stage 3 B757, the largest aircraft authorized for operations into DCA. TWA has proposed an optimal three roundtrip schedule in order to offer the most effective competition in the Washington - Los Angeles nonstop market as a new entrant. TWA proposes to operate B757 aircraft configured with 22 first class seats and 158 coach seats.

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As set forth in illustrative Exhibit TWA-1, TWA proposes the following service pattern:

- Westbound: TWA will offer an early morning flight departing from DCA at 8:20 a.m., arriving at LAX at 10:35 a.m., a second flight in the late afternoon departing from DCA at 5:30 p.m., arriving at LAX at 7:45 p.m., and a third flight in the evening departing from DCA at 7:55 p.m., arriving at LAX at 10:10 p.m.
- Eastbound: TWA will offer three flights daily departing from Los Angeles -- one in the early morning departing LAX at 8:00 a.m., with an afternoon arrival at DCA at 4:00 p.m, a second flight in the late morning, departing LAX at 11:50 a.m. and arriving at DCA at 7:50 p.m., and a third flight in the evening departing LAX at 11:01 p.m. and arriving at DCA at 7:01 a.m.

TWA has spaced these flights throughout the day to provide convenient arrival and departure times for business and leisure passengers in both Washington and Los Angeles.

As set forth in illustrative Exhibit TWA-2, TWA will implement a beyond-LAX network designed to complement its DCA-LAX services using Saab 340 aircraft provided by a regional partner<sup>1</sup> connecting three times daily each of its LAX-DCA services (in both directions) with San Luis Obispo, Bakersfield, Monterey, Santa Barbara, and Palm Springs. TWA will also have additional services from these five Southern California cities to connect to its existing services between Los Angeles and JFK, St. Louis, Kona, and San Juan, for a total of five daily flights using Saab 340 aircraft. See Exhibit

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<sup>1</sup> As evidenced in Exhibit TWA-3, TWA has reached an agreement with its regional partner, Chautauqua Airlines, Inc., ("Chautauqua") to provide such regional services.

TWA-2. Hence, TWA views the opportunity offered by Reagan National • LAX nonstop service as a catalyst for developing an integrated network at LAX which supports transcontinental services to both DCA and JFK, as well as nonstop services to San Juan, Puerto Rico and Kona, Hawaii. In addition, this new regional network will connect with TWA's entire system through its St. Louis hub. See Exhibit TWA-4, Exhibit TWA-5, and Section IV, *infra*.

TWA understands that the Department will likely be faced with far more requests for slots than the twelve (12) beyond-perimeter exemption slots currently available under the Air 21 Act. Hence, TWA is prepared to accept a less optimal two roundtrip schedule,<sup>2</sup> to the extent that the Department, in its discretion, determines that an award to TWA of two roundtrip flights in the DCA-Los Angeles market is in the public interest. However, TWA urges the Department to give serious consideration to an award of three roundtrip flights to TWA.

Unlike some of TWA's competitors for beyond-perimeter slots, TWA does not enjoy the luxury of market dominance in either the Washington • Los Angeles market or in other Washington (including Dulles and BWI) to beyond-perimeter markets. Although TWA recognizes the limitations placed upon the Department as a result of the limited number of beyond-perimeter slots, nevertheless, TWA urges the Department to carefully weigh the market

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<sup>2</sup> If the Department chooses to only allocate two roundtrip frequencies to TWA, TWA would drop the third flight of the day, leaving in place the first two flights referenced above.

presence of each carrier applying for beyond-perimeter slots because any expansion by dominant carriers in the limited entry Washington, D.C. (including Dulles) market will have a disproportionate impact on reducing existing competition in the Washington to beyond-perimeter markets. On the other hand, any significant grant of authority to new competitors (such as TWA) in the Washington - Los Angeles nonstop market will exponentially increase competition in that market. Moreover, effective new competition in the DCA to beyond-perimeter destinations will substantially favorably impact competition in the overall Washington market.

II. TWA'S **DCA-LAX** NONSTOP SERVICE PROPOSAL MEETS THE STATUTORY CRITERIA FOR AN AWARD OF **BEYOND-PERIMETER** REAGAN NATIONAL EXEMPTION SLOTS

The Air 21 Act mandated that the Secretary grant twelve (12) beyond-perimeter DCA exemption slots, if the Secretary finds that the proposed service will:

- "(1) provide air transportation with domestic network benefits in areas beyond the perimeter described in that section;
- (2) increase competition by new entrant air carriers or in multiple markets;
- (3) not reduce travel options for communities served by small hub airports and medium hub airports within the perimeter described in section 49109; and
- (4) not result in meaningfully increased travel delays."

Pursuant to Section 41715, Air 21 also instructs that the Secretary should consider whether the proposals by carriers provide the maximum

benefit to the U.S. economy and give equal consideration to the consumer benefits associated with the award of such benefits. Specifically, the legislation instructs the Secretary to consider, among other determining factors, “whether the petitioning air carrier’s proposal provides the maximum benefit to the United States economy; including the number of jobs created by the air carrier, its suppliers and related activities. The Secretary should give equal consideration to the consumer benefits associated with the award of such exemptions.”

As demonstrated herein, TWA’s proposed DCA-LAX nonstop service meets each of the above listed criteria.

- 1. TWA’s Proposed DCA-LAX Nonstop Service Will Produce Substantial Domestic Network Benefits in Areas Beyond the Perimeter.**
  - A. TWA Offers New Competition to the Washington, D.C. Market as well as Network Benefits Beyond the Perimeter.**

TWA’s service will provide substantial domestic network benefits beyond the 1,250-mile perimeter of DCA. TWA proposes services to the largest city in the United States that currently is without nonstop access to DCA. TWA’s service proposal will clearly benefit more local passengers than any other applicant’s given TWA’s proposed schedule (three flights daily), as well as the size of the local DCA-LAX market. As noted above, TWA will provide on-line connecting benefits to five cities in California by developing its beyond-LAX services through a regional partner. Hence, not only will

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many communities receive first or competitive one-stop access to DCA as detailed in Section I, but they will also receive it from an entirely new competitor in the Washington - Los Angeles nonstop market.

TWA's service proposal will offer a new network to Los Angeles with increased competition in multiple markets, as well as to smaller communities located beyond the perimeter including San Luis Obispo, Bakersfield, Monterey, Santa Barbara, and Palm Springs. In fact, TWA will offer convenient one-stop access to communities never before offered such access to Reagan National. Indeed, these five communities will have their first single connection online service to Reagan National and will account for a total of 71,390 O&D passengers to and from Washington (including DCA and IAD) based on the statistics available for the year ended September 30, 1999.<sup>3</sup> Hence, TWA's proposal will offer an entirely new service to the largest local market outside the perimeter, while at the same time creating a new network for travelers in the LAX catchment area.

The Washington - Los Angeles market is currently dominated by American and United. For the year ended December 31, 1999, United and American accounted for 41.6% of the total passenger enplanements at LAX, followed by Southwest with 13.4%.<sup>4</sup> For the year ended June 30, 1999, United and American carried 716,490 passengers in the Los Angeles-Washington market (DCA and IAD only) -- or an 82% **market share. Exhibit**

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<sup>3</sup> Source: DOT DB1A Data.

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TWA-6. Granting TWA's request for three roundtrip DCA exemption slots would enable substantial new competition in the Washington market that is now dominated by the duopolist presence of American and United.

TWA's proposal to institute the service requested herein is consistent with its decision to focus on the development of its presence in the Los Angeles market by expanding its existing presence in the transcontinental market. As its first step in this expansion, TWA plans to add frequencies to its service between Los Angeles and New York (JFK) effective July 8, 2000. See Exhibit TWA-IO. TWA proposes to mesh its existing Los Angeles services with its proposed DCA-LAX services and, through its regional partner, provide competitive one-stop service to DCA via Los Angeles to a number of other cities, including San Luis Obispo, Bakersfield, Monterey, Santa Barbara, and Palm Springs.

**B. Los Angeles Offers the Greatest Domestic Benefits Beyond the Perimeter.**

According to U.S. census data estimates as of July 1, 1998,<sup>5</sup> Los Angeles population literally dwarfs all other metropolitan areas that might

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<sup>4</sup> Aviation Daily, March 28, 2000, at 8, based on carrier T100 filings.

<sup>5</sup> Source: [www.census.gov](http://www.census.gov).

be reasonably considered for beyond-perimeter slots. Exhibit TWA-7. For example:

<u>Metropolitan Area</u>	<u>Population</u>
Los Angeles-Long Beach	9,329,989
Phoenix-Mesa	2,861,395
Denver	1,742,881
San Francisco	1,683,309
Salt Lake City-Ogden	1,267,745
Las Vegas	1,217,155

The Los Angeles-Washington (DCA, IAD) market, as measured by DOT table DB1A for the year ended September 30, 1999, is by far larger than any other potential beyond-perimeter market that could be considered for an award of DCA exemption slots:

<u>Market Pair</u>	<u>Annual Passengers</u>
LAX-WAS	842,570
SFO-WAS	601,300
DEN-WAS	527,500
SLC-WAS	192,360
PHX-WAS	170,310
LAS-WAS	139,099

Exhibit TWA-7. Therefore, if granted the requested beyond-perimeter slots, TWA will provide the largest local market between Reagan National and beyond-perimeter locations with substantial new services as well as on-line connecting markets that will receive first or competitive one-stop access to DCA. The sheer size of the market will justify the implementation of a significant network as well as support TWA's status as a new entrant.

Award of exemption slots to TWA will help redress the competitive imbalance

at Los Angeles International Airport between United and American, who currently have a strangle-hold on the Washington - Los Angeles market, and smaller carriers, such as TWA.

**2. TWA's Proposed DCA-LAX Nonstop Service Will Substantially Increase Competition by a New Entrant Carrier in Multiple Markets.**

TWA's proposed service will result in the emergence of an entirely new carrier in the Washington to Los Angeles nonstop market. The Los Angeles market is currently served by the two largest entrenched carriers, American and United, who provide substantial services from Washington, D.C. to LAX from Dulles. See Exhibit TWA-6.

TWA's service proposal offers the Department an opportunity to grant access to a completely new nonstop entrant in the Washington, D.C. to Los Angeles market. The Department may therefore achieve an invaluable result -- injecting a new competitor into the largest available beyond-perimeter market. The impact on enhanced competition in the market would be immense. Not only would business travelers have access to a substantial three times daily service to Los Angeles from the convenient downtown Reagan National Airport, but they would have that service on a competitive new entrant carrier -- TWA.

DCA- LAX nonstop service creates a catalyst for developing an integrated network at LAX. See Exhibit TWA-10. TWA will offer five roundtrip flights per day between LAX and San Luis Obispo, Bakersfield,

Monterey, Santa Barbara, and Palm Springs. Specifically, TWA will complement its DCA-LAX nonstop services through its regional partner using Saab 340 aircraft connecting three times daily between DCA and San Luis Obispo, Bakersfield, Monterey, Santa Barbara, and Palm Springs via LAX. TWA will also complement its transcontinental services to both DCA and JFK, as well as to San Juan and Kona, with an additional twice-daily service from these five Southern California cities to LAX. San Luis Obispo, Bakersfield, Monterey, Santa Barbara, and Palm Springs will also be connected to TWA's entire system through its St. Louis hub. See Exhibit TWA-2 and Section IV, *infra*.

The addition of a Los Angeles network by TWA will greatly strengthen its competitive position in the market given its long-standing transcontinental service to Los Angeles from New York, (JFK) as well as its service to LAX from San Juan and Kona. TWA's proposed services offer network benefits in that they will offer passengers in the Los Angeles market new competitive choices when flying to Washington. It will also offer passengers multiple choices when flying to New York, San Juan, and Kona from San Luis Obispo, Bakersfield, Monterey, Santa Barbara, and Palm Springs. TWA notes that the combination of its existing LAX services coupled with its DCA-LAX services provides substantial additional traffic to support its beyond LAX services.

In addition to meeting the basic statutory requirements, the selection of TWA would introduce the best possible new entrant into the nonstop transcontinental market in Washington, D.C. TWA's strong brand-name recognition by consumers as well as its commitment to fully develop this potential market will provide consumers with a new vigorous competitor in that market. Indeed, TWA's brand name is widely recognized in the transcontinental market given that it has continuously served in the transcontinental market since 1929. Today, however, more service by the existing dominant carriers -- such as American, Delta, and United -- does nothing to enhance the consumer's choice of carriers, nor does it encourage real competition in the broader Washington market. Any expansion in this limited entry market by dominant carriers will have a disproportionately negative impact on existing competition in the Washington to beyond-perimeter markets. Congress has offered the Department a chance to substantially enhance competition in the Los Angeles - Washington market while at the same time ensuring the development of a network beyond the perimeter. Hence, any grant of authority to true new competitors, such as TWA, in the Washington to beyond-perimeter destinations will have a substantially greater impact in adding new entrant competition to the Washington market as a whole.

**3. TWA's Proposed DCA-LAX Nonstop Service Will Not Reduce Travel Options for Communities Served by Small Hub Airports and Medium Hub Airports within the Perimeter.**

TWA's proposal will not reduce travel options for other communities within the perimeter. TWA will not reduce existing DCA services to any airport within the perimeter as a result of the instant proposal. Indeed, by offering totally new competitive nonstop services between DCA and LAX as well as beyond-LAX services, TWA offers enhanced domestic network benefits for all passengers traveling throughout TWA's system. See Exhibit TWA-5.

**4. TWA's Proposed DCA-LAX Nonstop Service Will Not Result in Travel Delays for Travelers Either Inside or Outside the Perimeter.**

TWA's proposal will not result in increased travel delays. In fact, the proposal contemplated herein should substantially reduce travel time for thousands of LAX-DCA passengers by providing them with nonstop service. In addition, it should substantially reduce travel times for Southern California residents visiting our nation's capital. Access to Reagan National will save countless hours of travel time for travelers originating in Los Angeles as well as in the communities served as a part of TWA's network in California.

Granting three roundtrip flights spread over the course of the day to TWA at Reagan National will not result in significant congestion or delays at Reagan National or elsewhere. TWA's proposal fully complies with Section 41718 which specifically ensures that such congestion will not result by

limiting new operations to two additional operations in any one-hour period between 7:00 a.m. and 9:59 p.m. The General Accounting Office (“GAO”) has also found that a limited number of additional slots at DCA would not create significant delays. See GAO Report to the Secretary of Transportation on Reagan National Airport, Capacity to Handle Additional Flights and Impact on Other Area Airports, GAO/RFCED-9902445, September 1999, (stating that the infrastructure at DCA could accommodate up to 7 additional flights per hour without compromising safety or resulting in flight delays).

**III. NONTOP SERVICE FROM LOS ANGELES TO REAGAN NATIONAL WAS SPECIFICALLY CONTEMPLATED BY CONGRESS WITH THE PASSAGE OF AIR 21.**

As the AIR 21 legislation was under debate by Congress, Senator Feinstein and Senator Boxer of California asked Senator McCain, Chairman of the Committee on Commerce, Science, and Transportation, about the DCA beyond-perimeter slot provision (145 Congressional Record (daily ed.), S10946, September 25, 1998). Senator Boxer and Senator Feinstein received assurances that the drafter of the legislation, Senator McCain, had intended to allow carriers to compete for exemptions to Los Angeles.<sup>6</sup> TWA also notes

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<sup>6</sup> See Application of American Airlines at 9. Senator Feinstein asked:

“We have some questions as to who will be served if these exemptions are enacted by Congress. We would like to see the highest level of service provided to the most number of passengers. Do you believe that this perimeter rule exemption would prevent airlines from competing to provide the greatest amount of services to the most number of passengers?”

Senator McCain replied:

that the legislation specifically provides for substantial domestic network benefits and substantially increased competition in multiple markets, including, most significantly, the large Los Angeles-Washington market itself, and a number of other markets that will enjoy first or competitive onestop access via Los Angeles to DCA. No other potential applicant for beyond-perimeter DCA exemption slots would offer the same competitive presence in this already highly consolidated market.

IV. GRANT OF SIX BEYOND-PERIMETER SLOTS TO TWA IS IN THE PUBLIC INTEREST AS TWA'S SERVICE PROPOSAL MEETS TRADITIONAL CARRIER SELECTION CRITERIA PURSUANT TO SECTION 41715(c) OF AIR 21.

A grant of TWA's request for six beyond-perimeter slots at Reagan National Airport is in the public interest. As noted above, TWA's service proposal will develop new competition on the west coast by revitalizing TWA's transcontinental presence in the market. TWA will establish substantial network benefits by expanding on-line connections to

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"This provision included by the committee is intended to implement a process that will provide numerous domestic cities, including small and medium sized communities with improved service. However, the provision allows for competition for routes *to* larger communities.

Senator Boxer Asked:

"Specifically, would carriers be prevented from competing on routes from National Airport to Los Angeles . . .[?]"

Senator McCain Replied:

No. As long as carriers can demonstrate that their routes provide domestic network benefits . they may compete for these nonstop routes, including select routes to California airports."

communities beyond LAX who do not receive any single connection service to Washington, D.C. Selection of TWA is also supported by traditional Department carrier selection criteria. Because Air 21 directs the Secretary to give equal consideration to the consumer benefits associated with the award of such exemptions, the Secretary should use the standard carrier selection criteria in limited entry route markets<sup>7</sup> including:

- Market Structure -- where the Department evaluates which carrier will be most likely to enhance competition in the market either in the primary route or in the broader market by enhancing both intra-gateway and inter-gateway competition;
- Route Integration -- where the Department assesses each carrier's ability to flow traffic over the primary market as well as to points behind the gateway in question.
- Service Proposals -- where the Department might accord weight to fare and service proposals offered by the carriers; and
- Other criteria generally associated with the grant of route authority that would further the public interest.

Air 21 has, in essence, created the first domestic post-deregulation route case by allowing carriers to compete for specific routes. Although couched as a slot allocation proceeding it is, nevertheless, a route case. Slots at Reagan National that do not permit service beyond the perimeter are the same as slots that do. Indeed, beyond-perimeter slots are not "slots" in the traditional sense -- they are routes and should be treated accordingly.

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<sup>7</sup> See e.g. 50 Fed Reg 38539 (September 23, 1985)

**1. TWA Service Proposal Offers the Greatest Enhancement to Competition in the Washington Market and Offers an Integrated Network that will Substantially Enhance Competition in the Washington Market.**

As described above in Section II, TWA presents a complete service proposal to the Department that enhances competition in the Washington, D.C. market more than any other possible service proposal. The value of new competition is clearly recognized by the statutes governing our current deregulated environment. 49 U.S.C., for example, places a premium on the need to avoid unreasonable industry concentration while also calling upon the Department to ensure the strengthening of competition among competing carriers operating in the United States to prevent unreasonable concentration.\* TWA has set forth above in Section II a strong justification for the selection of TWA as a new competitor in the market. The Department must, when allocating these beyond-perimeter slots, recognize that it is engaging in a traditional route case -- albeit a domestic one. Beyond-perimeter slot restrictions have nothing to do with the limitation of capacity at Reagan National. Rather, they are an economic limitation on how such slots might be used. Indeed, they are a remnant of past regulation of domestic routes by the Federal Government.

TWA believes that beyond-perimeter slot restrictions should, as Congress debated at length during the passage of Air 21, ultimately be removed. In light of the step taken in that direction by Congress in Air 21,

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TWA urges the Department to follow Congressional mandate offered by Section 41715 of Air 21 and to consider which of the proposals provides the maximum benefit to the U.S. economy as well as to “give equal consideration to the consumer benefits associated with the award of such exemptions.”

With this in mind, Congress has offered its view that among the competing decisional factors, the Secretary should accord equal consideration to market structure (i.e. new competition) and route integration (network benefits). TWA strongly believes that its service proposal meets these first two decisional criteria. TWA offers new entry into the DCA-LAX nonstop market while at the same time providing an integrated schedule that will offer substantial new network benefits. TWA strongly urges the Department to place significant weight on market structure as a decisional factor. TWA is offering a substantial service proposal in which it is proposing to integrate all of its existing Los Angeles services, including DCA-LAX, with regional partner connections,

The Department has established precedent that clearly supports the proposition that a premium is placed upon new competitive services where, as here, there is the introduction of completely new nonstop services and where existing services do not produce meaningful competition.<sup>9</sup> In this case, the lack of existing nonstop to DCA-LAX services and the need for

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<sup>8</sup> See 49 U.S.C. §§ 40101(a)(10); 40101(f).

<sup>9</sup> See Order 99-9-11 at 5; See also Order 98-4-22; Order 98-4-21; Order 97-10-17; 97-10-16.

meaningful competition in the Los Angeles to Washington nonstop market cry out for additional competition.

TWA should be that new competitor. If given the opportunity to provide such service, TWA will offer meaningful price competition to the dominant carriers currently providing service at Dulles. That price competition is required by the market not only to establish TWA's presence as a network service provider, but also as a way to counter the extensive competition that will continue between TWA and its duopolist competitors -- American and United.

**2. Grant of These Beyond-perimeter Slot Exemptions at DCA is Critical to the Revitalization of TWA and Its Transcontinental Service and Will Afford TWA an Opportunity to Compete and Strengthen Its Position in the Domestic Market.**

TWA can hardly understate the importance of this case to TWA and the opportunity to transform TWA's transcontinental services. In addition to the obvious consumer benefits that will flow from new entrant competition in the Washington-Los Angeles market, TWA urges the Department to carefully consider the economic impact of the award decision in this case on competition in the aviation industry as a whole.

That TWA has survived the tumult of seventy-five years in the aviation business is no small measure of its employees' determination to revitalize the Company. More than any other applicant for DCA beyond-perimeter slots, TWA has overcome great adversity to survive. Through its

drive to return from a time in the 1980's when TWA incurred significant debt as result of the leveraged acquisition of the company, to its weathering of the aviation industry crisis in the early 1990's, to its successes today in methodically revitalizing its fleet, providing a reliable on-time product to the market, and rewarding its employees for their many years of dedication, TWA has proven itself a fighter.

TWA has been strengthened through the commitment of its employee-owners and the support of its unions. TWA, in partnership with its employees, will continue to defy the hopes of its competitors that TWA will fail thus allowing its mega-carrier competitors to further dominate the market with higher prices and less competitive pressure. In this case, therefore, TWA has submitted a credible service proposal to the largest -- and potentially most profitable -- market from Washington to the western United States. TWA urges the Department to recognize its determination to provide the highest quality service in the Washington-Los Angeles nonstop market for many years to come. We also ask the Department to consider how critical access to that market is to TWA's efforts to ensure its long-term profitability.

**3. TWA Offers the Best Service Proposal by Virtue of Its Industry Leading Record for On-Time Performance.**

TWA's industry leading record in on-time performance ensures that it will provide a valuable benefit to the traveling public using Reagan National Airport. Exhibit TWA-9. DCA is without doubt the business traveler's choice for visiting our nation's capital. As such, TWA's commitment to on-

time performance makes it an ideal candidate to service beyond-perimeter slots. When business travelers need an assurance as to their arrival and departure times, the Department's selection of TWA to provide the requested service will ensure that those consumer benefits are achieved.

Moreover, TWA's standing for high-quality service is further buttressed by the J.D. Power and Associates awards for customer satisfaction in 1998 and 1999. Selection by J.D. Power and Associates of TWA for the awards in 1998 and 1999 indicates that TWA's commitment to customer satisfaction places it at the top of the industry in terms of the quality of the service that can be offered from Reagan National.

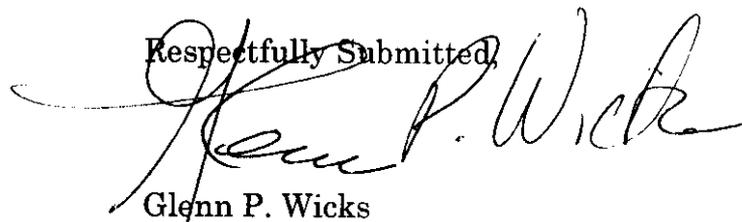
**4. TWA Has a Modern Fleet that Substantially Enhances Its Service to the Prime Users of DCA-LAX Service – The Business Traveler**

As evidenced in Exhibit TWA-8, TWA is aggressively rejuvenating its fleet. Indeed, recently TWA announced the retirement of its aging B727 fleet, which will be replaced with new Boeing 717 aircraft. In the DCA-LAX market, TWA plans to utilize its recently acquired B757 aircraft, all of which are under four years old. These aircraft will be configured with a total of 180 seats, divided between 22 first class seats and 158 coach seats. This seating configuration offers to maximize the benefits to business travelers in the Washington - Los Angeles market. Moreover, TWA's high-quality aircraft will enable TWA to effectively compete with nonstop services now offered between Washington and Los Angeles via Dulles.

\* \* \* \* \*

WHEREFORE, for the reasons set forth herein, TWA respectfully urges the Department to grant it three roundtrip flights (six beyond-perimeter DCA exemption slots) between Los Angeles and Reagan National. TWA's proposed service is well integrated into a broader service pattern ensuring network benefits. The requested service will provide Los Angeles with its first nonstop services to DCA, and will also provide cities in California and Hawaii with their first or competitive one-stop service to DCA. Los Angeles, for its part, merits such service because its population and traffic literally dwarfs all other U.S. cities without nonstop access to DCA both on the basis of population and on the basis of O&D traffic.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Glenn P. Wicks". The signature is written in a cursive style with a large initial "G".

Glenn P. Wicks  
Counsel for Trans World Airlines, Inc.

# **EXHIBIT TWA-1**

# TWA's Proposed Schedule

## Reagan National Airport - Los Angeles

Westbound (Read Down)

Eastbound (Read Up)

			Washington (Reagan)			
8:20am	5:30pm	7:55pm		4:00pm	7:50pm	7:01am
↓	↓	↓		↑	↑	↑
10:35am	7:45pm	10:10pm	Los Angeles	8:00am	11:50am	11:01pm

All flights operated with B757 aircraft with  
22 First Class and 158 Coach seats

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**EXHIBIT TWA-Z**

**Connections at Los Angeles  
With TWA's Reagan National Service  
And Existing TWA Seervice**

**Westbound**

<b>Dep</b>	<b>From</b>	<b>Arr LAX</b>	<b>Dep LAX</b>	<b>To</b>	<b>Arr</b>
8:40am	St. Louis	10:32am			
8:20am	Washington (DCA)	10:35am			
8:00am	New York (JFK)	10:40am			
			11:55am	Palm Springs	12:53pm
			11:55am	Monterey	1:16pm
			11:55am	San Luis Obispo	12:55pm
			11:55am	Bakersfield	12:50pm
			11:55am	Santa Barbara	12:40pm
11:50am	St. Louis	1:46pm			
			2:50pm	Santa Barbara	3:35pm
			2:50pm	Palm Springs	3:48pm
			2:50pm	San Luis Obispo	3:50pm
			3:00pm	Monterey	4:21pm
			3:25pm	Bakersfield	4:20pm
2:25pm	St. Louis	4:19pm			
			5:25pm	Monterey	6:54pm
			5:30pm	Kona	8:03pm
			6:00pm	San Luis Obispo	7:03pm
			6:20pm	Palm Springs	7:15pm
			6:25pm	Bakersfield	7:15pm
			6:40pm	Santa Barbara	7:25pm
5:15pm	St. Louis	7:12pm			
4:25pm	New York (JFK)	7:25pm			
5:30pm	Washington (DCA)	7:45pm			
			8:55pm	Palm Springs	09:50pm
			8:55pm	Monterey	10:24pm
			8:55pm	Santa Barbara	9:35pm
			8:55pm	Bakersfield	9:45pm
			8:55pm	San Luis Obispo	9:58pm

**Connections at Los Angeles  
With TWA's Reagan National Service  
And Existing TWA Seervice**

**Eastbound**

From	Dep	Arr LAX	Dep LAX	To	Arr
Kona	10:35pm	6:45am			
San Luis Obispo	5:50am	6:57am			
Santa Barbara	6:05am	6:57am			
Bekersfield	6:05am	6:58am			
Palm Springs	6:20am	7:00am			
Monterey	5:40am	7:00am			
			7:20a.m.	New York (JFK)	3:32pm
			7:50a.m.	St. Louis	1:24pm
			8:00am	Washington (DCA)	4:00pm
Santa Barbara	9:50am	10:40am			
Bakersfield	9:45am	10:40am			
San Luis Obispo	9:35am	10:40am			
Palm Springs	9:50am	10:40am			
Monterey	9:25am	10:45am			
			11:50am	Washington (DCA)	7:50pm
			11:50a.m.	St. Louis	5:25p.m.
			12:30pm	New York (JFK)	8:49p.m.
Bakersfield	7:45pm	8:35pm			
Santa Barbara	7:45pm	8:35pm			
San Luis Obispo	7:35pm	8:35pm			
Monterey	7:15pm	8:35pm			
Palm Springs	7:45pm	8:35pm			
			10:00pm	New York (JFK)	6:09am
			10:30pm	San Juan	8:31am
			11:01pm	Washington (DCA)	7:01am

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## **EXHIBIT TWA-3**

**Letter of Intent for**  
**Regional Partner Service at Los Angeles**

April 26, 2000

Mr. Jack Stelzer  
Sr. Vice President-Planning  
Trans World Airlines, Inc.  
One City Center  
St. Louis. MO 63101

Dear Mr. Stelzer,

This letter confirms the intent of the Chautauqua Airlines, Inc. and Trans World Airlines, Inc. (the "parties") to negotiate, in good faith, a definitive agreement for the provision of commuter air transportation service between Los Angeles, California (LAX) and those feeder airports listed in the attached Exhibit A, with such aircraft type, connect times, and frequencies as are also contained in said Exhibit.

Such definitive agreement shall incorporate such other terms and conditions as are customary for a transaction of this nature and extent, in respect of the air transportation services to be provided thereunder.

The parties' obligation to negotiate a definitive agreement is expressly conditioned on TWA receiving authorization from the DOT no later than July 6, 2000 which would permit TWA to provide nonstop air transportation on the Reagan National-Los Angeles route.

The obligation of the parties to conclude a definitive agreement shall be subject to fulfillment, among other things, of the following conditions: (a) financial, legal, operation, and technical review and other normal due diligence procedures concerning matters relating to the contemplated air services; and (b) approval of the definitive agreement and any related documentation by the Board of Directors of the parties, as necessary.

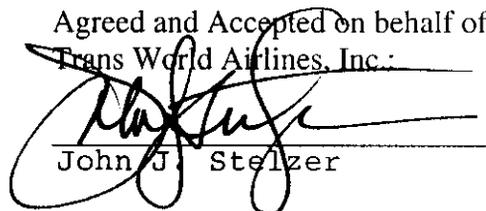
Please indicate your acceptance of the foregoing by signing the enclosed copy of this letter and returning it to my attention.

Sincerely,



Robert H. Cooper  
Vice President & CFO

Agreed and Accepted on behalf of:  
Trans World Airlines, Inc.:



John J. Stelzer

Its: Sr. Vice President - Planning

Exhibit A

Aircraft type:	Saab 340A
Minimum connect times:	40 minutes
Markets and frequencies:	San Luis Obispo (SBP) 5 daily RT
	Bakersfield (BFL) 5 daily RT
	Monterey (MRY) 5 daily RT
	Santa Barbara (SBA) 5 daily RT
	Palm Springs (PSP) 5 daily RT

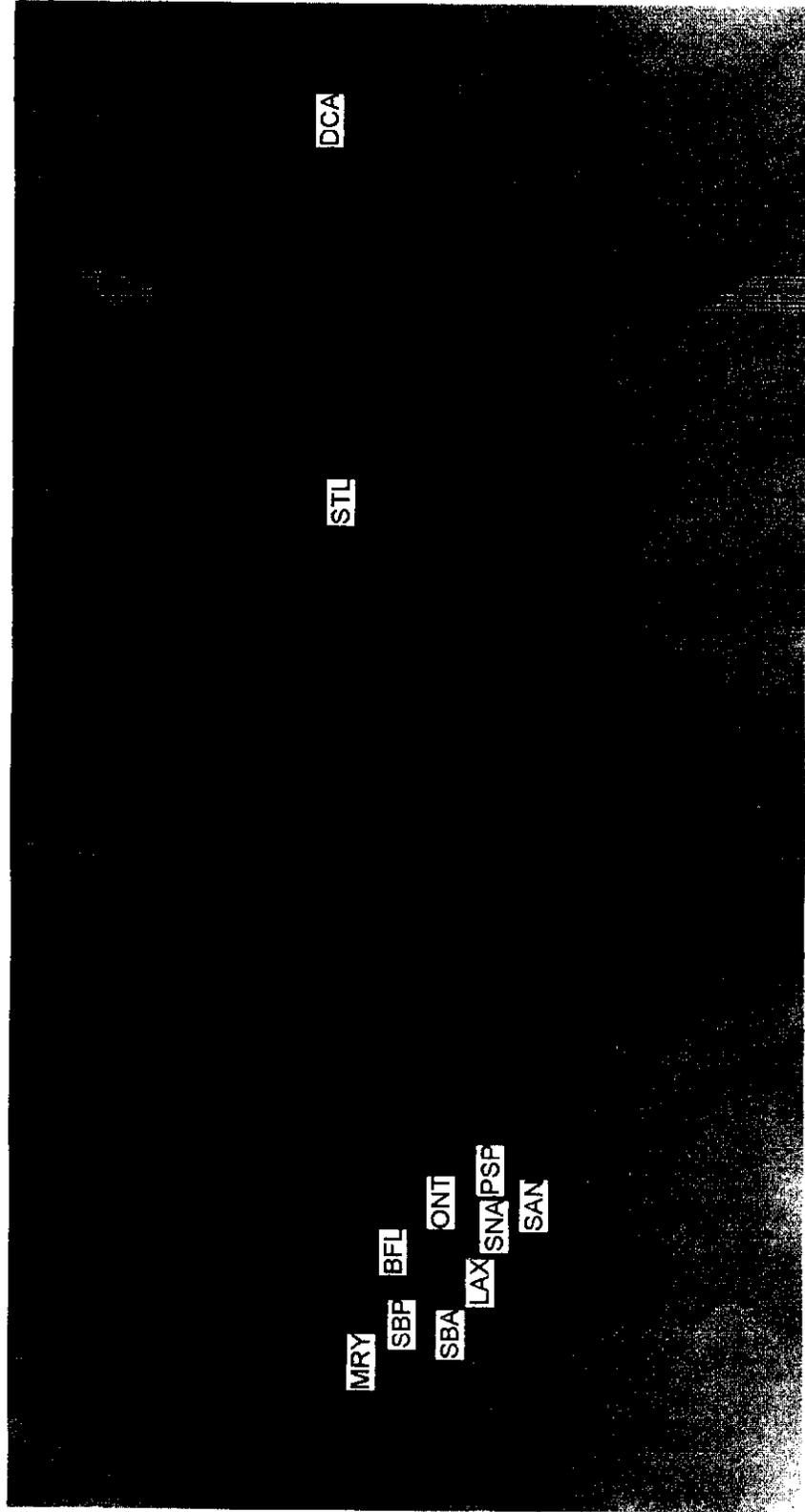
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## **EXHIBIT TWA-4**

Exhibit TWA-4

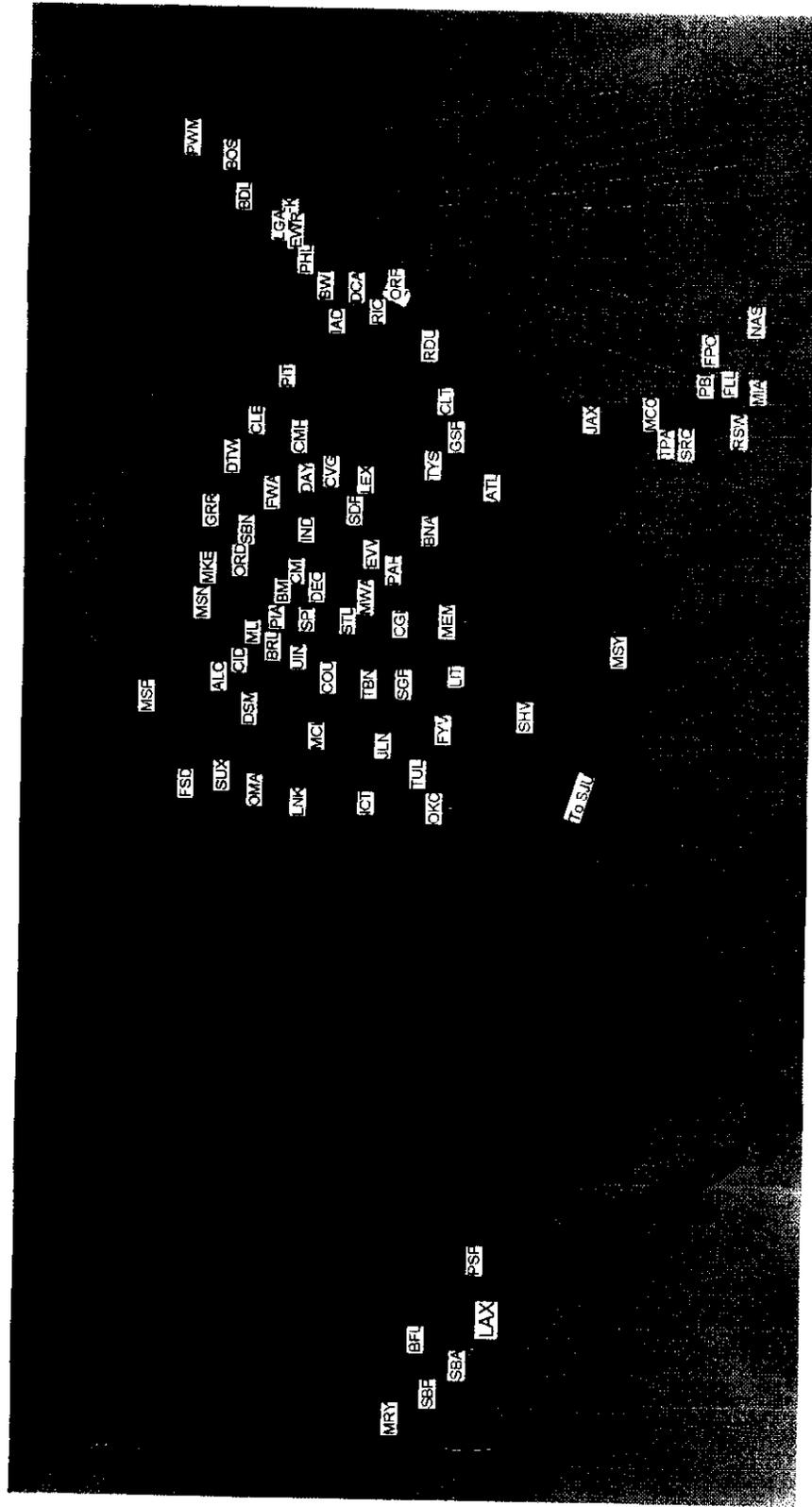
Reagan National - Los Angeles Nonstop Service Will Enable TWA to Provide Competitive Service Between Washington and Nine Southern California Cities



# **EXHIBIT TWA-5**

Exhibit TWA-5

TWA's New Regional Partner Service Will Connect Five California Communities  
With TWA's Entire System East of the Rockies

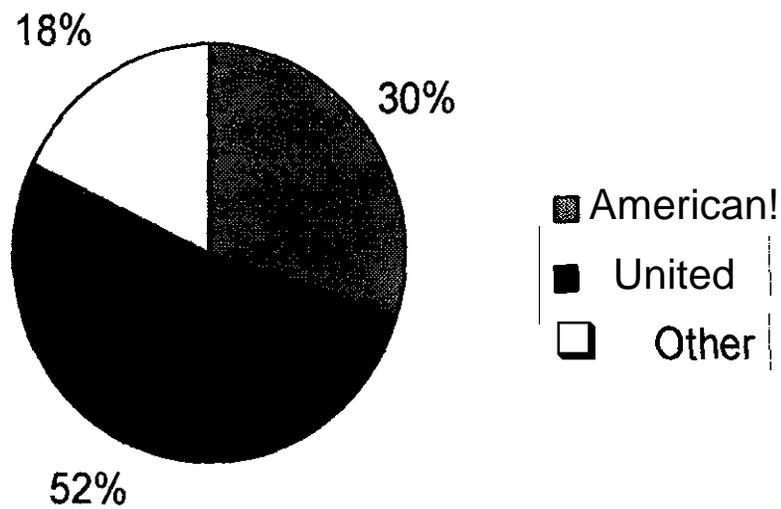


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## **EXHIBIT TWA-6**

TWA Will Inject New Competition  
Into the Washington - Los Angeles Market,  
Which is Now Dominated by American and United

Percent of Online O&D Passengers  
12 Months Ended September, 1999



-American/United Total = 82%

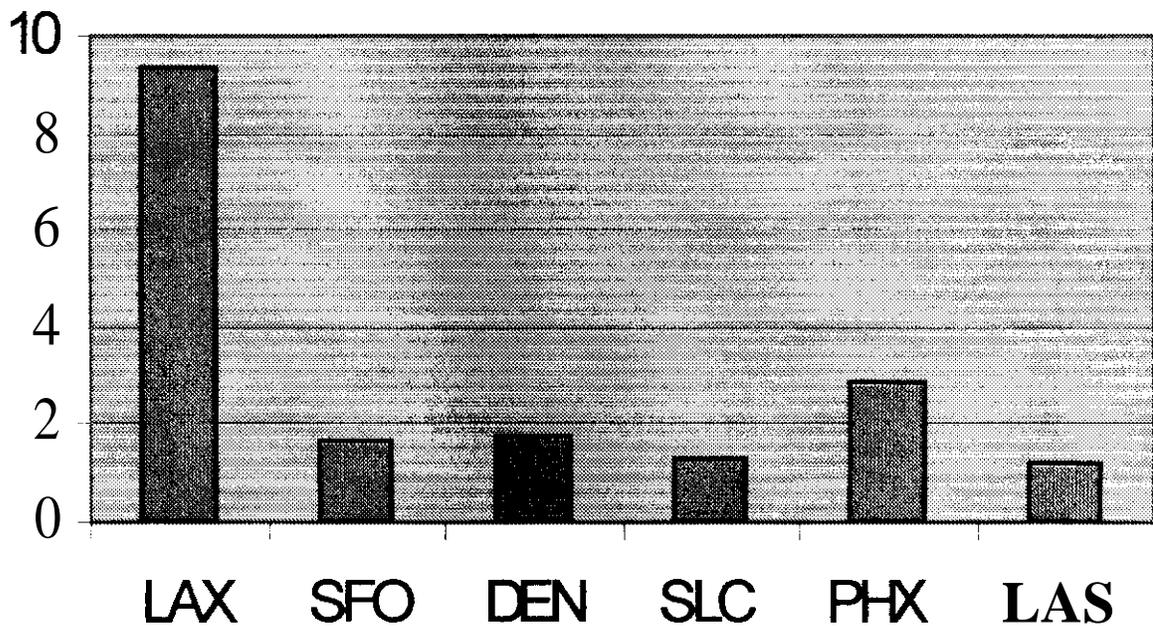
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## **EXHIBIT TWA-7**

## Los Angeles is a Far Larger Washington Market Than Any Other Hub in the West

-Metropolitan area population (PMSA - millions)

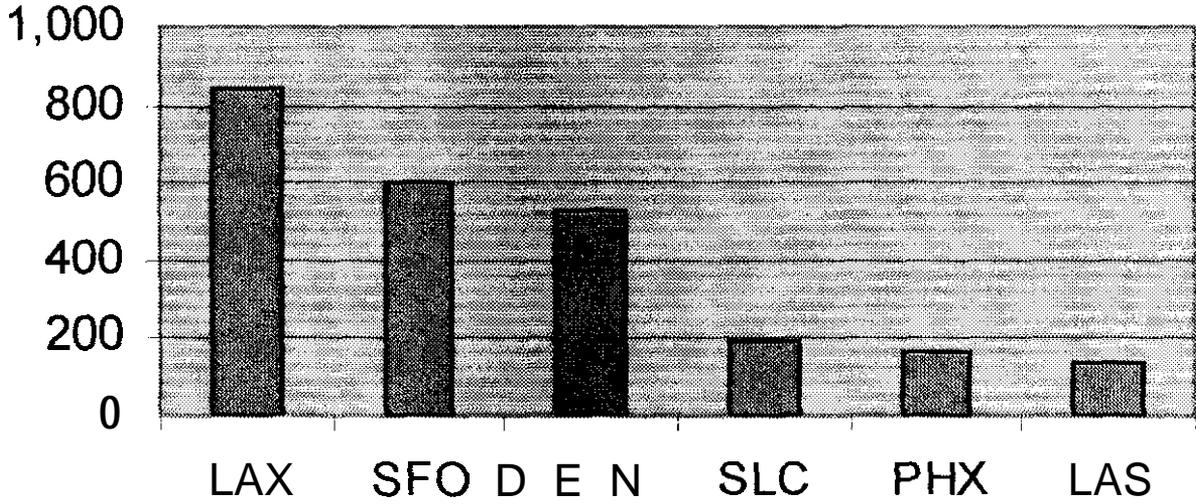


Source:

[www.census.gov](http://www.census.gov)

# Los Angeles is a Far Larger Washington Market Than Any Other Hub in the West

-Washington O&D passengers (thousands)



Source: DOT O&D Survey, DB1A; YE 3Q99

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## **EXHIBIT TWA-8**

**TWA Is Rejuvenating Its Fleet**

<b>Aircraft in Fleet</b>	
<b>As of December 31, 2000</b>	190
<b>Aircraft Delivered Since</b>	
<b>January 1, 1997</b>	
1997	27
1998	18
1999	39
2000	19
Total	103
% of Total	54%
<b>B-717s on Order for</b>	
<b>2001 – 2003 Delivery</b>	35

**EXHIBIT TWA-9**

## TWA Leads the Industry in On-Time Performance

### DOT Air Travel Consumer Report

	<b>3d Q 1999</b>	<b>4th Q 1999</b>	<b>Jan 2000</b>	<b>Feb 2000</b>	<b>Year Ended Feb, 2000</b>
<b>#1</b>	<b>TWA</b>	<b>TWA</b>	<b>TWA</b>	<b>TWA</b>	<b>TWA</b>
#2	Southwest	Northwest	Southwest	Delta	Northwest
#3	Northwest	American	Northwest	Northwest	Southwest
#4	Delta	Delta	Continental	Continental	Delta
#5	American	Continental	American	US Airways	Continental
#6	Continental	Southwest	Delta	American	American
#7	United	United	United	Southwest	United
#8	Alaska	US Airways	Alaska	United	US Airways
#9	US Airways	Alaska	America West	America West	Alaska
#10	America West	America West	US Airways	Alaska	America West

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**EXHIBIT TWA-10**

FOR IMMEDIATE RELEASE  
May 4, 2000

MEDIA CONTACT:  
Julia Bishop-Cross  
(314) 589-3214  
[TWAMedia@twa.com](mailto:TWAMedia@twa.com)

## TWA EXPANDS SERVICE AT LOS ANGELES INTERNATIONAL AIRPORT

*✈️ Airline offers more flights to St. Louis, New York (JFK), and Hawaii;  
proposes new service to Washington, D.C. ✈️*

Los Angeles (May 4, 2000) - **Trans** World Airlines, Inc., is expanding service to and from Los Angeles International Airport. The buildup includes an additional non-stop flight between LA and New York City (**JFK**), three proposed non-stop flights per day between LA and Ronald Reagan Washington National **Airport** in Washington, DC, and proposed regional airline flights connecting LA and five surrounding **communities**. **These** new flights complement **recently** added non-stop **service** between Los Angeles and **Kona**, Hawaii, and between Los Angeles and San Juan, Puerto Rico, and an expanded Los Angeles to St. Louis schedule.

### TWA ADDS LA - **JFK** DAILY **ROUNDTRIP** FLIGHT

The next **step** in TWA's Los Angeles buildup plan is to expand its non-stop transcontinental schedule between Los Angeles International Airport and John F. Kennedy International Airport in New York City. A new flight will begin service on July 8<sup>th</sup>, bringing the total number of TWA LA - **JFK** flights to four **roundtrip** flights per day. TWA will operate this service with Boeing **757** aircraft.

(more)

➤ **Los Angeles Expansion of Service, page 2 3**

"The new eastbound service - **which** departs LA at **3:40** p.m. - fills a time channel that is very important to our business travelers and greatly increases the overall utility of TWA's tram-continental schedule," said Jack **Stelzer**, TWA's senior vice president of planning. "TWA was the first airline to offer **trans-continental** service in the Los Angeles -New York market. In **1929**, TWA **launched** tram-continental air/rail service on a route designed by Charles A. Lindbergh. A **little** over a year later TWA began transcontinental air service linking **Los** Angeles and New York. TWA launched non-stop **transcontinental** service in **1953**."

**TWA FILES FOR LA - WASHINGTON FLIGHTS**

TWA will tomorrow request that the U.S. Department of Transportation grant TWA six beyond-perimeter Ronald Reagan Washington National Airport @CA) exemption slots, for three daily round-trip non-stop flights between **DCA** and **Los** Angeles. TWA plans to use **180** seat Boeing **757** aircraft, configured with **22 first** class seats. TWA plans to space the **flights** throughout **the** day to provide convenient **arrival** and departure times to both leisure and business travelers in both Washington and Los Angeles.

"**This is** a great chance for the Department of **Transportation** to ensure greater competition in the Washington - **Los Angeles** market," said Norma **Kaehler**, TWA's vice president - government affairs. "Right now only two airlines control that market. Granting TWA these slots will give LA and **Washington** passengers new choices, access to TWA's proven quality service, **and** all of the economic **benefits** of vigorous airline competition."

"TWA **has** much to offer the business and leisure **travelers** in this market," **Kaehler** said. "TWA is the on-time airline - holding the number one position in on-time performance for **ten** out the past thirteen months according to **statistics** reported to the DOT. "

(more)

➔ **Los Angeles Expansion of Service, page 3** ➔

**NEW FLIGHTS COMPLEMENT RECENTLY ADDED SERVICE**

TWA has also recently enhanced service to and **from** Los Angeles. On May 1<sup>st</sup>, TWA inaugurated non-stop service between Los Angeles and **Kona**, Hawaii, and last November 1<sup>st</sup> TWA inaugurated the only non-stop in the market between Los Angeles and San Juan, Puerto Rico. TWA will also add a daily roundtrip flight between Los Angeles and its **St. Louis** hub, bringing the total number of **roundtrips** on weekdays in that market to **eight** per day, and giving Los Angeles passengers one-stop access to dozens of cities beyond the hub.

**TWA PLANS REGIONAL FEED SYSTEM IN CALIFORNIA**

To support expanded **transcontinental** and **Hawaii** flying, TWA also plans to build a regional feed system in California, thus providing new network benefits to the market. TWA intends to partner with a regional carrier to bring convenient one-stop **service** to Washington, New York, St. Louis, **Kona**, and San Juan to **five** California cities: San Luis **Obispo**, Bakersfield, Monterey, Santa Barbara, and Palm Springs.

*(more)*

✈**Los Angeles Expansion of Service, page 4**✈

**LOS ANGELES -NEW YORK CITY SCHEDULE**

***Effective July 8<sup>th</sup>, 2000***

Flight Number	Departs LAX	Arrives JFK	Aircraft Type
840	7:20 am	3:32 pm	757
884	12:20 pm	8:39 pm	767
750	3:40 pm	11:54 pm	757
702	10:00 pm	6:09 am	767

Flight Number	Departs JFK	Arrives LAX	Aircraft Type
749	11:30 am	2:14 pm	757
841	4:25 pm	7:25 pm	767
849	8:25 pm	11:27 pm	757
885	8:00 am	10:45 am	767

**PROPOSED TWA LOS ANGELES - WASHINGTON, D.C. SCHEDULE**

Departs LAX	Arrives DCA	Aircraft Type
8:00 am	4:00 pm	757
11:50 am	7:50 pm	757
11:01 pm	7:01 am	757

Departs DCA	Arrives LAX	Aircraft Type
8:20 am	10:35 am	757
5:30 pm	7:45 pm	757
7:55 pm	10:10 pm	757

###

## CERTIFICATE OF SERVICE

I hereby certify that I have on this day served a copy of the foregoing document upon all persons named on the attached service list by causing a copy thereof, postage prepaid, to be mailed to each of them.



Glenn P. Wicks

Dated: May 5, 2000

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---

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