



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

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Served: February 28, 2014

Applications of

HAWAIIAN AIRLINES, INC.

UNITED AIRLINES, INC.

in the matter of 2010 U.S.-Haneda Combination
Services Allocation Proceeding

Docket DOT-OST-2010-0018

ORDER TO SHOW CAUSE

SUMMARY

By this Order, we tentatively allocate one U.S.-Haneda slot pair to United Airlines, Inc. (United) for daily scheduled combination services between San Francisco, California, and Tokyo's Haneda Airport.

BACKGROUND

Under the Memorandum of Understanding between the United States and Japan, signed on October 25, 2010, four daily slot pairs are available to carriers from each country to provide scheduled combination services between the United States and Tokyo's Haneda Airport.¹ As a result of two prior proceedings, by Orders 2010-7-2 and 2013-2-4, we allocated the four slot pairs as follows: 1) one slot pair to Hawaiian Airlines, Inc. (Hawaiian) for Honolulu-Haneda service; 2) two slot pairs to Delta Air Lines, Inc. (Delta), one for Los Angeles-Haneda and one for Seattle-Haneda services; and 3) one slot pair to American Airlines, Inc. (American) for New York (JFK)-Haneda service.

On October 23, 2013, American advised the Department that it would discontinue its New York (JFK)-Haneda service on December 1, 2013, and that American was returning to the Department the slot pair allocated to it by Order 2010-7-2, effective December 2, 2013.

¹ The scheduled operations are subject to the following conditions: 1) U.S. operations at Haneda are permitted between 2200 and 0700 hours local time; 2) departures from Haneda to a point in the 48 contiguous U.S. states are not permitted prior to midnight; and 3) extra sections are not permitted.

United and Hawaiian each filed applications for the available slot pair. In light of the competing applications of Hawaiian and United, by Order 2013-11-9, issued November 14, 2013, the Department instituted this proceeding to allocate the one available slot pair. The Order set forth a procedural schedule and evidentiary requirements for the establishment of a record for the Department to make a decision in this case. Pursuant to the procedural schedule, applications and any supporting material were due November 26, 2013; answers were due December 9, 2013; and replies were due December 16, 2013.² A petition for reconsideration submitted by Delta was disposed of by Order 2014-1-3, issued January 7, 2014.

SUMMARY OF APPLICATIONS AND RESPONSIVE PLEADINGS

Hawaiian and United filed applications for the slot pair under consideration. Hawaiian proposes daily service from Kona beginning on or about April 1, 2014, using A-330 aircraft. United proposes daily service from San Francisco beginning within 180 days of the beginning of the 2014 IATA Summer season using B-777 aircraft, and later using B-787 aircraft as they are added to United's fleet. The applicant proposals are briefly summarized in the table below.

Applicant	Proposed Routing	Aircraft Type	Capacity
Hawaiian	Kona, Hawaii-Haneda	A330	294 Seats – 18 Business / 276 Economy
United	San Francisco, California-Haneda	B777/B787	B777: 268 Seats – 7 First / 40 Business / 221 Economy B787: 219 Seats – 36 Business / 183 Economy

Answers and replies were filed by Hawaiian and United, and Hawaiian also filed a surreply.³ Delta also filed an application/supplement to its petition for reconsideration, and an answer, both supporting the position Delta set forth in its petition for reconsideration.⁴ In addition, the United Master Executive Council of the Air Line Pilots Association and the San Francisco International Airport filed in support of United's proposal.

POSITION OF THE PARTIES

Hawaiian states that its Kona-Haneda proposal would maximize use of the scarce slot resource and would present a logical expansion of its services in the Pacific. Hawaiian states that Kona is a highly popular destination for Japanese passengers, that Kona is the second largest Origin and Destination (O&D) market between the United States and Tokyo without non-stop service, and that it is the only market in this proceeding without nonstop service to either Tokyo airport.⁵

² The dates listed reflect the amended procedural schedule, as set forth in our November 22, 2013 Notice in this Docket.

³ Hawaiian accompanied its pleading with a motion for leave to file an otherwise unauthorized document. We will grant the motion.

⁴ Regarding Delta's petition, *see* Order 2014-1-3.

⁵ Hawaiian Application, at 8; and Hawaiian Answer, at 24.

Hawaiian also asserts that it has provided the most successful Haneda service of any U.S. carrier with its continuously-operated Honolulu-Haneda flight carrying more passengers between the United States and Haneda than any other U.S. carrier.⁶

Hawaiian expects high demand from Japanese travelers for its proposed service, stating that more Japanese visit Hawaii than visit the rest of the United States combined.⁷ Hawaiian asserts that its Tokyo-Kona flight would bring in business and leisure spending to the State of Hawaii, and the United States as a whole, thereby stimulating economic growth and creating U.S. jobs.⁸ Hawaiian argues that an award for its Kona-Haneda proposal would reduce concentration of the U.S.-Tokyo market by the three global alliances, and would solely benefit a U.S.-flag carrier instead of benefiting the Japanese-flag alliance partner of United.⁹

In response, United argues that Hawaiian already has access to Haneda while United does not. United further argues that Hawaiian has yet to provide any service to Asia from its proposed Kona gateway, and that in seeking to justify its Kona-Haneda proposal, Hawaiian relies excessively on the attributes of the Hawaii-Tokyo market generally and Hawaiian's Honolulu-Haneda service in particular.¹⁰ United also points out that Hawaiian would offer no connecting service to the U.S. mainland.¹¹

United maintains that it is the only U.S. scheduled combination carrier serving Japan that has not been given the opportunity to operate at Haneda, and that an award in this proceeding would correct that competitive imbalance. United asserts that it would be a new entrant at Haneda, and that it would provide first ever U.S.-carrier operated Haneda service from San Francisco.¹² United further asserts that its proposal would provide, for the first time, competition among U.S. carriers in the West Coast-Haneda market. United also states that its proposal would provide service to a number of western small communities, competing with Delta's connecting service via Los Angeles and Seattle.¹³

United further contends that its San Francisco-Haneda proposal would best maximize public benefits by reaching more passengers than Hawaiian's Kona-Haneda proposal. United asserts that its proposal would provide service in one of the largest U.S.-Tokyo markets, a market four times larger than the Kona-Tokyo market,¹⁴ and that San Francisco is an international business center that accounts for 33% of all California-Tokyo traffic.¹⁵ United asserts that it will reach a far larger catchment area than Hawaiian, with United's comprehensive network of connections at the largest hub on the West Coast.¹⁶

⁶ Hawaiian Application, at 8.

⁷ Hawaiian Answer, at 13.

⁸ Hawaiian Answer, at 3.

⁹ Hawaiian Answer, at 33-36

¹⁰ For example, United points out that Hawaiian devotes approximately 90 pages to discussing the Hawaii-Tokyo market, Hawaiian's Honolulu-Haneda service, and the service records of other U.S. carriers' U.S.-Mainland-Haneda services. United Reply, at 7-8.

¹¹ United Answer, at 4.

¹² United Answer, at 1-3.

¹³ Supplement of United, at 4.

¹⁴ United Answer, at 4; and Exhibit, UA-A-100.

¹⁵ United Reply, at 7.

¹⁶ Supplement of United, at 3.

Hawaiian argues that carriers operating to Haneda from West Coast gateways are struggling with low load factors and that United's San Francisco-Haneda proposal would duplicate service already provided by Japan Airlines Co., Ltd. (JAL), while leaving Kona without any non-stop service to Haneda. Hawaiian argues that the San Francisco-Tokyo market is already over-served, noting that JAL has down-gauged the aircraft it uses for San Francisco-Haneda service and that Delta has announced plans to drop its San Francisco-Narita service. Hawaiian further asserts that United's choice to use 219-seat B-787 aircraft, and its decision to reduce its San Francisco-Narita service to once daily, are factors that demonstrate that the market is not strong enough to support United's proposed service.¹⁷

TENTATIVE DECISION

We have tentatively decided to allocate the one available slot pair to United for daily scheduled combination services between San Francisco and Tokyo's Haneda Airport.

United's proposal would introduce a new entrant at Haneda, a factor that the Department has historically given considerable weight in carrier selection proceedings, and we tentatively find that the opportunity to introduce a new entrant at Haneda would make the best use of the one available slot pair.

We tentatively find that selection of United's San Francisco proposal would enhance competition in the San Francisco-Haneda market. San Francisco-Haneda service is currently provided by JAL, with American holding out service on the JAL flights on a code-share basis. United's proposed service would provide intra-gateway competition, and introduce the first U.S. carrier-operated service in the San Francisco-Haneda market. We tentatively find that competition in the local San Francisco market would benefit from having a U.S.-flag carrier provide nonstop service to Haneda with its own aircraft.

We also tentatively find that selection of United's San Francisco proposal would enhance inter-gateway competition in the West Coast-Tokyo market by giving consumers an additional choice for connecting service to Haneda over United's well-established San Francisco hub. Delta currently provides Haneda service from its Los Angeles and Seattle gateways, with connections to a variety of western communities, and United's proposal will provide an additional travel option for Haneda service at a number of those western cities that are currently served by Delta. Furthermore, United's proposal would expand access to Haneda by providing connecting service to several other smaller western cities that do not currently enjoy one-stop Haneda service.¹⁸

We have fully considered the relative merits of Hawaiian's competing proposal to introduce Kona-Haneda service; however, we tentatively find that the benefits to the traveling public of United's proposal outweigh the potential benefits associated with Hawaiian's proposal.

We find that our tentative selection would best benefit the U.S. traveling public, including both business and leisure travelers, a factor that we believe deserves considerable merit. Hawaiian

¹⁷ Hawaiian Answer, at 40-44.

¹⁸ United Exhibit, UA-A-104.

itself acknowledges that its proposal would attract primarily Japan-originating travelers.¹⁹ While Kona-Haneda service might benefit the local and State economies, San Francisco would attract a more diverse mix of business and leisure traffic originating in both the United States and Japan, precisely the type of traffic that would benefit most from access to Tokyo's downtown Haneda airport.

We have taken note of Hawaiian's arguments that the San Francisco-Tokyo market is saturated with excess capacity. When we take into account the large local traffic base at San Francisco, combined with United's proven ability to attract U.S.-Asia connecting traffic over its strong hub, along with the specific attributes represented by Haneda, however, we tentatively do not find a reason to question United's ability to sustain its proposed Haneda service.

We also tentatively find that the potential benefits of new competition in the San Francisco-Haneda market, and the broader West Coast-Haneda market, outweigh the potential benefits that might be achieved by introducing new service to the substantially smaller Kona-Haneda market. United's proposal will widen Haneda access to a sizeable competitive catchment area, while new service at Kona, with only inter-Hawaiian-island connections, would have much less competitive impact. We tentatively find that the public interest would be better served by enhancing competition and broadening Haneda access.

Against this background, we tentatively conclude that selecting United's San Francisco-Haneda service proposal would provide the best use of the one available slot pair.

TERMS, CONDITIONS, AND LIMITATIONS

We have tentatively decided to impose a startup condition for this award. If our tentative decision is made final, we will require United to institute its proposed services within 180 days of March 30, 2014, the date on which the IATA 2014 summer traffic season begins, consistent with United's proposed start-up date. In addition, we propose that the slot pair allocated in this proceeding be subject to a 90-day dormancy condition, wherein any slot pair not utilized for a period of 90 days (once inaugurated) would be deemed dormant and revert to the Department.

ACCORDINGLY,

1. We tentatively allocate United Airlines, Inc. one slot pair for its proposed San Francisco-Haneda service;
2. We grant the motion of Hawaiian Airlines, Inc., for leave to file an otherwise unauthorized document;
3. We tentatively deny the remaining applications in this proceeding;
4. We direct any interested parties having objections to our tentative findings and conclusions set forth in this order and in ordering paragraphs 1 and 3 above, to file their objections, in the

¹⁹ Hawaiian Application, at 3-4.

above-captioned docket, with the Department's Docket Section, U.S. Department of Transportation, Docket Operations, M-30, West Building Ground Floor, Room W12-140, 1200 New Jersey Avenue, S.E., Washington, D.C., 20590, no later than ten (10) calendar days from the date of service of this order; answers thereto shall be filed no later than seven (7) calendar days thereafter;²⁰

5. If timely and properly supported objections are filed, we will afford full consideration to the matters or issues raised by the objections before we take further action;²¹ if no objections are filed, we will deem all further procedural steps to be waived and will proceed to enter a final order awarding the authority proposed in this order; and

6. We will serve this order on the parties to the captioned docket of the order, the Japanese Ambassador to the United States in Washington, DC, the Federal Aviation Administration, and the U.S. Department of State (Office of Aviation Negotiations).

By:

Susan L. Kurland
Assistant Secretary for Aviation
and International Affairs

(SEAL)

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²⁰ The original filing should be on 8½" x 11" white paper using dark ink and be unbound without tabs, which will expedite use of our docket imaging system. In the alternative, filers are encouraged to use the electronic filing submission capability available through the Dockets/FDMS Internet site (<http://www.regulations.gov>) by following the instructions at the web site.

²¹ As we are providing for the filing of objections to this tentative decision, we will not entertain petitions for reconsideration of this order.