



U.S. Department of  
Transportation

General Counsel

400 Seventh St. S.W.  
Washington D.C. 20590

September 18, 1990

Ms. Carol C. Flowe  
General Counsel  
Pension Benefit Guarantee Corp.  
Suite 7200  
2020 K Street, N.W.  
Washington, D.C. 20006-1860

Dear Ms. Flowe:

We understand that the Pension Benefit Guarantee Corporation (PBGC) and Continental Airlines may reach an agreement which purports to grant to PBGC a security interest in the international route authority held by Continental. In this regard, as we had previously discussed, it is our position that such an agreement would not affect the Department's rights to deal with the international authority held by Continental or any U.S. air carrier. These rights include, but are not limited to, the following:

1. An air carrier cannot transfer any international route authority without DOT approval under section 401 (h) of the Federal Aviation Act of 1958, as amended (Act). Furthermore, such a transfer is subject to Presidential review under section 801 of the Act.
2. The Department retains the right under section 401 (g)(1) to alter, amend, or revoke an air carrier's authority in whole or in part if the public convenience and necessity so require.
3. The Department retains the right under section 401(g)(3) to revoke route authority if the carrier fails to serve the route.
4. The Department retains the right under section 401(d)(8) to suspend or revoke a certificate granting experimental route authority if the carrier is not performing as promised.

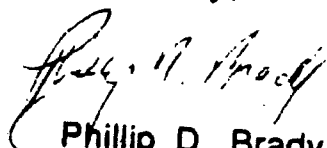
5. Any authority that is taken from Continental for any of these reasons can be awarded to another carrier without compensation to Continental.

6. The Department retains the right to make additional awards of authority in markets where Continental has authority. It is the policy of the Department under section 102 (10) to maximize the number of U.S. carriers that can serve in international markets and, consistent with our bilateral aviation agreements, we continually try to do this.

7. Much of the route authority held by Continental is time limited (most certificates have a duration of five years). The Department has no obligation to renew these certificates.

If we can be of any assistance in answering any questions you may have about international route authority, please call Mr. Donald Horn, our Assistant General Counsel for International Law, at 366-2972.

Sincerely,

  
Phillip D. Brady  
General Counsel