

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

.....
Joint Application of
 AEROFLOT RUSSIAN INTERNATIONAL Docket OST-97-3092
 AIRLINES
.....
for an exemption from 49 U.S.C. § 41301
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Application of
 CONTINENTAL AIRLINES, INC. Docket OST-97-3092
.....
for an exemption pursuant to § 40109 (Miami-Moscow)
.....
.....
Joint Application of
 AEROFLOT RUSSIAN INTERNATIONAL
 AIRLINES, CONTINENTAL AIRLINES, INC.
 AND CONTINENTAL EXPRESS, INC. Undocketed
.....
for statements of authorization under Parts 207 and
Part 212 of the Department's Regulations to engage
in code-sharing
.....

Dated: December 3, 1997

**REPLY OF THE CITY OF HOUSTON
AND THE GREATER HOUSTON PARTNERSHIP**

United and Delta have answered in opposition to the code-share application of Continental and Aeroflot. Delta asks that action be deferred until a new bilateral air transport agreement with Russia is negotiated. United asks that action be deferred or that the

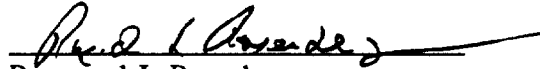
application be dismissed. The City of Houston and the Greater Houston Partnership ("Houston Parties") urge, instead, that the application be granted, with deferral a second-best option.

1. In the opinion of the Houston Parties, the substantial public benefits which will be generated by the proposed code-share substantially outweigh any perceived bilateral difficulties (and it is our understanding that third country code-shares are not totally prohibited by the Russians). As the center of the international oil and gas industry, Houston has significant ties to Russia and the other CIS nations. These ties have blossomed as the new nations -- currently served by Aeroflot -- have opened their markets to the West. The proposed code-share will make these markets more accessible to Houston. The code-share arrangement also will promote competition with alternate transportation options to Moscow. This will enhance Continental's existing international network and allow Houston to better compete with other international gateways.

2. Approval of the code-share application will permit those benefits to be realized without compromising the bilateral negotiating position of the U.S. If the Department believes otherwise, the Houston Parties recommend that action on the code-share application be deferred pending a bilateral resolution. In no event should the application be dismissed, as United has suggested.

For the foregoing reasons, the Houston parties urge the Department to grant Continental's application or, in the alternative, to defer action on that application.

Respectfully submitted,



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December 3, 1997