

BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
WASHINGTON, D.C.

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NEW U.S.-ARGENTINA COMBINATION  
SERVICE OPPORTUNITIES

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Docket OST-99-6210

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BRIEF OF  
THE NEW JERSEY PARTIES

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**INTRODUCTION**

The Department will make the best use of the seven available Phase 1 U.S.-Argentina frequencies by opening a new nonstop Argentina gateway at the Newark/New York region's only hub gateway, Newark International Airport. Selecting Continental's Newark/New York proposal will provide substantial public benefits for the huge numbers of Argentina travellers and shippers in the second largest Buenos Aires market and introduce a new network competitor (Continental) into the still-restricted U.S.-Argentina market. Selection of Continental at Newark International Airport will also advance New Jersey's top trade initiatives and provide Argentina service at the only hub gateway at Newark/New York. Awarding Newark International Airport its first nonstop Argentina access will bring far more public benefits for consumers and competition than would selecting proposals to provide nonstop service at Atlanta or Los Angeles.

March 6, 2000

**I. CONTINENTAL'S NEWARK PROPOSAL MAXIMIZES BENEFITS TO PASSENGERS AND SHIPPERS**

Continental's Newark proposal deserves priority because it is the only Phase 1 proposal that has both a new U.S. gateway for Argentina and a new entrant on U.S.-Argentina routes. Although Newark International Airport is the fifth largest U.S. international gateway (NJP-R-5) and handles over 6.7 million annual international passengers (NJP-R-4), it lacks nonstop Argentina service. New Jersey is the nation's most densely populated state, and over six million people live within 25 miles of Newark International Airport. (NJP-T-1 at 6) This area is the largest local air travel market in the U.S. for both domestic and international travel, with more international nonstop service than either Atlanta or Los Angeles. (CO-530)

Although the Los Angeles Parties claim their gateway is a "a natural travel gateway to Latin America, including Argentina" (LAX-RT-1 at 2), the Newark/New York area generates more U.S.-Argentina traffic than any market except Miami (CO-525) and New York/Newark's local Buenos Aires market will surpass Miami's within five years if the current growth rates continue. (CO-R-1114) The Newark/New York-Buenos Aires market is over 10 times larger than the Atlanta-Buenos Aires market and almost 2.5 times larger than the Los Angeles-Buenos Aires market. (CO-526)

Despite the fact that Newark/New York is the second largest Buenos Aires Origin and Destination market, Newark International Airport currently has no nonstop Argentina service and its hub carrier, Continental, has no Argentina access at all. In contrast, Delta's Atlanta hub, with far fewer Buenos Aires passengers, already has nonstop service to Argentina (CO-537), and United, which wants additional Argentina access at Los Angeles, is already an entrenched incumbent with a 28.1% share of the total U.S.-Buenos Aires seats and access at three U.S. gateways, including its Chicago hub. (CO-540)

In addition to meeting the needs of the huge local Newark/New York-Argentina market, Continental's Newark proposal also adds a new network to the currently-restricted U.S.-Argentina market. At Newark International Airport, Continental will provide online nonstop to nonstop connections to 74 points southbound and 80 points northbound. (CO-221) Continental will be a new competitive network for the already-entrenched American and United networks. Although Delta would also be a new Argentina entrant, Delta would serve a very small Atlanta local market and provide new online connections benefiting relatively few travellers. (CO-R-1117-1118) Delta's own exhibits show that the southeast states account for only 3% of U.S.-Buenos Aires passengers, and Delta's "First One-Stop Online" and "First competitive" connections to Buenos Aires would provide service to only 5.2% of the U.S.-Buenos Aires traveling public. (CO-R-119)

When it instituted this proceeding, the Department said it would determine which applicants "will be most likely to offer and maintain the best service for the traveling and shipping public." (Order 97-11-27 at 4) Continental has already shown that it has the ability and the commitment to build and maintain a viable U.S.-Latin America network. Continental is today operating in open entry Central and South American markets which Delta has not entered (CO-542), and Continental's Newark/New York-Sao Paulo flights substantially outperform both Delta and the industry in onboard passengers per departure. Continental's Newark/New York proposal is the Phase 1 proposal that assures the most benefit to the traveling and shipping public.

**II. CONTINENTAL'S NEWARK/NEW YORK-ARGENTINA SERVICE WILL ENHANCE COMPETITION MORE THAN ANY OTHER APPLICANT'S PROPOSAL**

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A second selection factor set forth by the Department in its Instituting Order is the effect of the applicants' service proposals on "the overall market structure and the level of competition in the U.S.-Argentina market." (Order 99-11-14 at 4) Using this criterion, too, Continental's Phase 1 proposal is the clear winner. Newark International Airport is the only proposed gateway airport for Phase 1 without existing Argentina service that also offers new network competition. United controls 50% of the allocated U.S. flag Argentina frequencies and has ample Buenos Aires access at three gateways (CO-R-1151), and Atlanta already has nonstop Buenos Aires service (by LAPA). Only by selecting Continental, a new network competitor, at Newark International Airport, a new Argentina gateway, will the Department significantly enhance market structure and competition.

Argentina service by Continental at Newark International Airport will bring the first-ever hub connections to the Newark/New York region, position Newark International Airport and the surrounding region to compete with Miami as a major U.S. hub for Argentina traffic and provide travelers and shippers in the Newark/New York region with a close-in alternative to John F. Kennedy International Airport. Continental's Newark/New York hub supports more international nonstop service and more international flights than the other applicant carrier/city combinations. (CO-530 and 531) Continental at Newark/New York serves more transatlantic destinations nonstop, operates more weekly transatlantic departures and offers more transatlantic seats than Delta provides at Atlanta. (CO-527-527) Continental's Newark/New York hub is larger than United's Los Angeles operation, and Continental operates to more international destinations than United operates at Los Angeles and serves more domestic destinations than

United serves at Los Angeles. (CO-R-1157-59) Continental with seven frequencies at Newark/New York will challenge the positions of United, American and Aerolineas Argentinas for New York City traffic and provide effective competition for American and United at other gateways.

From a competition standpoint, adding a fourth gateway at Los Angeles for United before awarding Continental frequencies to use at one gateway makes no sense. Similarly, using the valuable Phase 1 frequencies at Atlanta, with its small local Argentina market and existing nonstop service, would provide little in the way of new competition. Only an award to Continental at Newark/New York will maximize competition in the U.S.-Argentina market.

### **III. CONTINENTAL'S NEW ARGENTINA SERVICE IS KEY TO NEW JERSEY'S INTERNATIONAL TRADE AGENDA**

Continental's expansion of its Newark/New York hub network to include nonstop Argentina service will enhance Continental's successful development of Newark International Airport as an international hub, providing an alternative to both the traditional JFK international gateway and the historic Miami gateway for South America.

Newark International Airport access to Argentina is especially important to the future international trade efforts of New Jersey and its business community because Argentina is already New Jersey's second-largest export market in South America (NJP-20), and a nonstop air transportation link is crucial to the future growth of New Jersey's trade partnership with Argentina. In 1998, New Jersey exports to Argentina totaled over \$187 million, an increase of over 36% over the previous past five years (NJP-19 and 20), while Georgia exports to Argentina were dropping each year. (NJP-R-1) New Jersey's exports to Argentina have jumped 95.5% in the past five years. (U.S. Census Bureau, Office of Trade and Economic Analysis, U.S. Department of Commerce) Nonstop Newark service will allow New Jersey exporters to ship

goods much more quickly and economically to Argentina and compete more effectively with other U.S. exporters for Argentina business. New Jersey importers from Argentina will be able to obtain needed goods more quickly and economically to use in local manufacturing, sales and other commercial activities. Moreover, nonstop Buenos Aires service at Newark International Airport will allow New Jersey and Argentina business travelers working to enhance trade and commerce to avoid the delay and inconvenience of connecting at Miami or other congested hubs en route or make the arduous journey between JFK and New Jersey.

New Jersey also has a corporate base that can support Newark-Buenos Aires service. The State is headquarters to four times as many Hispanic-owned firms and almost five times as many Central/South American-owned firms as is Georgia. (NJP-R-13; NJP-R-14)) More foreign companies have headquarters in the New Jersey/New York region than in any other metropolitan area in the nation. New Jersey and New York are both among the top five states for Hispanic firms, ranking fifth and fourth respectively. (NJP-T-1 at 3)

Notwithstanding Atlanta's claims of airport size and expected area growth, Atlanta today is a small local Argentina O&D market and its exports to Argentina have been declining. It is, therefore, difficult to understand how Atlanta could support daily nonstop Buenos Aires service. In contrast, Newark/New York has the passengers and cargo to fill Continental's Buenos Aires flights now.

The Los Angeles Parties, which waited until the rebuttal phase to submit exhibits, contend that California is bigger, wealthier and has a larger Argentina population than New Jersey. In doing so, they ignore the fact that New Jersey has the second highest (after Connecticut) per capita personal income in the United States while California ranks only 12<sup>th</sup> in terms of per capita personal income. (NJP-10) The Los Angeles Parties also conveniently

overlook the facts that the Newark/New York Buenos Aires market is nearly 2.5 times larger than the Los Angeles-Buenos Aires market and Newark International Airport serves New York City and Connecticut as well as New Jersey. The New Jersey/New York/Connecticut Tri-State Area served by Newark International Airport is the richest travel and shipping market in the world. The New York/Northern New Jersey/Long Island communities served by Newark International Airport rank first in total personal income among the nation's largest consolidated metropolitan areas with total personal income that is nearly double the total personal income of the Los Angeles/Riverside/Orange Country Consolidated Metropolitan Area. (NJP-3)

Given the significance of New Jersey's trade with Argentina and the wealth of the Newark/New York gateway area, it is imperative to New Jersey's trade development that Continental, the carrier with the largest presence at Newark International Airport and the only carrier with a Newark/New York hub, be granted nonstop access to Argentina's largest city. New Jersey's strong business and commercial ties with Argentina can support the daily nonstop Newark-Buenos Aires service proposed by Continental, and New Jersey's trade community must have nonstop Newark-Buenos Aires access if that community is to reach its full potential.

#### **IV. NEW JERSEY HAS STRONG ETHNIC TIES TO ARGENTINA**

New Jersey is not only a large market for Argentina business travelers, but Newark is also a strong gateway for travelers visiting friends and relatives in Argentina. New Jersey alone is home to more than 16 times more Argentines than live in Georgia, (NJP-17), and the City of Newark's Hispanic population is almost twice as large as the Hispanic population of Atlanta. (NJP-18) Despite the Los Angeles Parties attempt to minimize the size of New Jersey's Argentina and Hispanic populations, the Middle Atlantic Region, including the Newark/New York region, has the second largest Argentine population in the United States, and its 1990

Argentine population (27,486) is virtually the same as the Pacific Region (with an Argentine population of 27,977). (NJP-16)

**V. CONTINENTAL'S NEWARK PROPOSAL ENJOYS STRONG CIVIC AND CONGRESSIONAL SUPPORT**

The broad civic support for Continental's Newark-Buenos Aires proposal is evident from the record. The New Jersey Parties submitted direct and rebuttal exhibits, including testimony or letters from the Governor of New Jersey, the Mayor of Newark, the New Jersey Department of Commerce & Economic Development, and the Regional Business Partnership (Newark), showing how important nonstop Argentina access is to the area served by Newark International Airport. The New Jersey Congressional delegation has also filed a letter urging the Department to select Continental's Newark/New York-Buenos Aires proposal. Other civic and corporate support are included in Continental's direct exhibits. In the words of Newark's Mayor, "Continued development of Newark International Airport as a major international hub with service to Argentina is critical to the economic development of this region." (Letter to DOT Secretary Rodney E. Slater from Newark Mayor Sharpe James, dated December 8, 1999)

**VI. CONCLUSION**

The Department will increase competition in the U.S.-Argentina market, open a new hub gateway for Argentina and maximize public benefits for travelers and shippers in the second largest U.S.-Buenos Aires market by awarding Continental the Phase 1 frequencies it seeks to institute much-needed Argentina nonstop service at Newark International Airport. That result

will serve the public interest much more than would adding either nonstop service at the small Atlanta gateway or another United gateway for Argentina.

Respectfully submitted,

/s/ Chip Hallock

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Chip Hallock

CERTIFICATE OF SERVICE

I certify that the foregoing Brief has been served on all parties in accordance with Order 99-11-14.

/s/ Chip Hallock

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Chip Hallock

March 6, 2000