

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

NEW U.S.-ARGENTINA COMBINATION
SERVICE OPPORTUNITIES

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Docket OST-99-6210

COMMENTS OF
CONTINENTAL AIRLINES, INC.

Communications with respect to this document should be sent to:

Rebecca G. Cox
Vice President, Government Affairs
CONTINENTAL AIRLINES, INC.
1350 I Street, N.W.
Washington, DC 20005

R. Bruce Keiner, Jr.
CROWELL & MORING LLP
1001 Pennsylvania Avenue, N.W.
Washington, DC 20004-2595
(202) 624-2615

Hershel I. Kamen
Staff Vice President, International
& Regulatory Affairs
CONTINENTAL AIRLINES, INC.
P.O. Box 4607 – HQSGV
Houston, TX 77210-4607

Counsel for
Continental Airlines, Inc.

December 5, 2000

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Continental¹ congratulates the Department not only for concluding an agreement with Argentina which provides sufficient frequencies in 2001 for Continental's proposed Newark and Houston-Buenos Aires flights but also for immediately recognizing the importance of expediting a final decision in this proceeding. Continental agrees with Delta that the Department should make every effort to reach a final decision in this proceeding by December 31, 2000, so adequate preparations can be made for the institution of service in April 2001. Since Continental's comprehensive Argentina service pattern will add the first nonstop Argentina service at two airports which – unlike Atlanta and Los Angeles – have no nonstop or single-plane Argentina service today, bring the first Argentina service to

¹ Common names are used for airlines.

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hub networks in the northeastern and southwestern United States and provide effective nationwide competition for the incumbents, Continental, not Delta or United, should be selected for the 14 Argentina frequencies which become available in 2001.

Continental states as follows in support of its position:

1. Continental is fully prepared to institute daily, nonstop New York/Newark-Buenos Aires service April 1, 2001 with new B-767-200 ER aircraft being delivered to Continental in the first quarter of 2001. Continental has been waiting for at least seven years to add service at Buenos Aires, a critical South American point, and its time has come. Continental is also fully prepared to add daily, nonstop Houston-Buenos Aires B-767-200 ER service December 1, 2001, to complete Continental's ability to provide a truly nationwide network for Argentina service and nonstop Argentina service at its two primary international hubs.² Neither Delta nor United is prepared to make such a substantial commitment to Argentina in this case.

2. Despite New York/Newark's large local market and fast-growing role as a gateway for the northeast and midwest, New York/Newark has the fewest seats per passenger of any U.S.-Buenos Aires gateway, including the Atlanta gateway

² Continental believes it must institute service first at New York/Newark, with its large local market as well as connecting opportunities, to gain sufficient identity in Argentina to support its introduction of Houston service. For this reason, Continental seeks New York/Newark authority in April 2001 and Houston authority in December 2001.

(CO-R-1123). The New York/Newark-Buenos Aires traffic is over 10 times larger than the Atlanta-Buenos Aires traffic, and nearly 2.5 times larger than the Los Angeles-Buenos Aires traffic. (CO-525) New York/Newark handles far more cargo than Atlanta (CO-R-1129), and Continental's cargo carriage will be significant.

(CO-R-1162) Although JFK has nonstop Buenos Aires service, there is neither single-plane nor nonstop service available at Newark International Airport, the only hub in the New York/New Jersey/Connecticut metropolitan area. In contrast, Atlanta and Los Angeles both have nonstop Buenos Aires service.

3. The Atlanta-Buenos Aires nonstop seats already available – without Delta's service – exceed local demand by 60,772 seats annually.³ Even after application of a 10% growth rate and a stimulation factor of 175%, the Atlanta-Buenos Aires seats currently operated by LAPA would still exceed local demand by over 33,000 seats annually, and adding Delta to the route would increase the number of excess seats to over 256,000 annually. (FCO-R-1104) In fact, Atlanta's seat to passenger ratio is 186% of New York/Newark's seat to passenger ratio.

(CO-532) Continental's proposed New York/Newark-Buenos Aires service will benefit two and a half times the number of nonstop passengers Delta would serve at Atlanta. (CO-R-1112) Despite the availability of nonstop Buenos Aires service at JFK, nearly 16,000 New York passengers used connecting service at Miami

³ CO-R-1103. Indeed, this low demand may explain why LAPA temporarily reduced its three weekly nonstop Atlanta-Buenos Aires B-767 flights to three weekly one-stop B-757 flights for two weeks in November.

(CO-R-1113), presumably because suitable nonstop service was not available, either because flights were full or service at Newark International Airport or LaGuardia was preferred. At current growth rates, the New York/Newark-Buenos Aires traffic will surpass Miami's traffic five years after Continental's service begins, while Atlanta's traffic – even after five year's growth – will be only 11% of the New York/Newark traffic. (CO-R-1114) Thus, New York/Newark clearly requires new entry before Atlanta does.

4. Continental's New York/Newark service in April will introduce nonstop service at its hub for the second-largest U.S.-Argentina route and for passengers throughout its hub's service area, giving Continental the Buenos Aires access which is critical to its South America network. Adding Continental's Houston service in December will enable Continental to compete nationwide with American for traffic which can move through its Miami and New York gateways, with United for traffic which can move through its Miami, New York and Chicago gateways and with Aerolineas Argentinas for traffic which can move through its Los Angeles, New York and Miami gateways. Although both Continental and United have applied for authority to institute daily Buenos Aires service in the western United States, Continental's hub location at Houston allows it to provide far more convenient connections for points throughout the western United States than United's Los Angeles gateway, which is highly circuitous for most western cities. (CO-R-1140) Continental's entry at New York/Newark will provide the initial Argentina access critical to its South American route network and offer excellent service to the 34.2%

of the Argentina traffic which is in the northeast.⁴ Thus, immediate institution of New York/Newark service by Continental will provide far more significant public benefits than other proposals would provide. To optimize U.S.-Argentina competition, Continental should be awarded 14 frequencies so it can provide effective two-hub Argentina competition with American and United since both of those airlines offer Argentina service at multiple gateways.

For the foregoing reasons, Continental urges the Department to act promptly, relying on the record developed thus far in this proceeding, to grant Continental seven frequencies for New York/Newark-Buenos Aires service to commence in April 2001 and seven frequencies for Houston-Buenos Aires service to commence in December 2001.

Respectfully submitted,

CROWELL & MORING LLP

/s/ R. Bruce Keiner, Jr.

R. Bruce Keiner, Jr.
rbkeiner@cromor.com

Counsel for
Continental Airlines, Inc.

December 5, 2000

⁴ Florida accounts for 41.7% of the traffic, multiple nonstop flights are available at Miami, and no applicant is proposing Florida service. Thus, competition generated by awards in this proceeding will be primarily for the 58.3% of the total U.S.-Argentina traffic originating or terminating in points outside Florida. The largest single block of such traffic is in the northeast (32.4%), best served by Continental at New York/Newark, and the second largest block is in the southwest (14.9%), best served by Continental at Houston.

CERTIFICATE OF SERVICE

I certify that I have this date served a copy of the foregoing document on all parties to this proceeding in accordance with the Department's Rules of Practice.

/s/ R. Bruce Keiner, Jr.

R. Bruce Keiner, Jr.

December 5, 2000

1767292

SERVICE LIST

HollyBeth Anderson
Metro Atlanta Chamber
of Commerce
handerson@macoc.com

Rachel B. Trinder
Zuckert, Scoutt & Rasenberger, L.L.P.
rbtrinder@zsrlaw.com
(for Houston)

Barney Parrella
PA Consulting Group
Barney.Parrella@paconsulting.com
(for Los Angeles)

Chip Hallock
Regional Business Partnership
Challock@rbp.org

Robert E. Cohn
Shaw Pittman
robert_cohn@shawpittman.com
(for Delta)

Jeffrey A. Manley
Wilmer, Cutler & Pickering
jmanley@wilmer.com
(for United)