

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

NEW U.S.-ARGENTINA COMBINATION
SERVICE OPPORTUNITIES

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Docket OST-99-6210

ANSWER OF
CONTINENTAL AIRLINES, INC.

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December 8, 2000

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Continental,¹ Delta and United are agreed that the Department should act promptly to award the 14 Argentina frequencies which have now become available for April and December 2001 service. In awarding the seven frequencies available April 1, 2001, the Department must choose between Continental's new-entrant service at a hub (Newark International Airport) which today receives no single-plane Argentina service at a gateway (New York/Newark) serving large volumes of U.S.-Argentina traffic, new-entrant service by Delta at a hub which already has nonstop Argentina service but very little U.S.-Argentina traffic, and service by United, an incumbent which already holds more frequencies than all the frequencies at issue in this proceeding, at a developing hub which now receives even

¹ Common names are used for airlines.

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more Argentina service than it received when the record in this case was first developed. Once the initial frequencies are allocated, the Department must choose between one of the remaining selections from April and Continental's proposal to institute daily, nonstop Houston-Buenos Aires service at a hub which today receives no single-plane Argentina service, provide enhanced Argentina access for passengers throughout the western United States and offer comprehensive, nationwide Argentina service through two hubs.²

Continental answers Delta and United and urges the Department to grant promptly Continental's request for seven Argentina frequencies effective April 1, 2001, for New York/Newark-Buenos Aires service and seven Argentina frequencies effective December 1, 2001, for Houston-Buenos Aires service.

1. Only by selecting Continental at Newark for the April 1, 2001, frequencies can the Department introduce the first U.S.-Buenos Aires service at a hub gateway, institute Argentina service at the only hub network in the northeast which can offer a comprehensive network to Argentina passengers and enhance service at the second largest U.S. gateway for Argentina travelers. Adding Delta or United service to the nonstop Argentina service already available at Atlanta or Los Angeles, respectively, would not provide anything like the benefits available from Continental's New York/Newark service.

² If Continental's New York/Newark proposal were not selected for April, then it should at the very least be selected for December.

2. Although Delta and United downplay the service already available at their gateways, the Department cannot ignore that service. The three weekly nonstop Atlanta-Buenos Aires flights are more than sufficient to handle Atlanta traffic. At Los Angeles, three weekly nonstop Buenos Aires flights are offered, along with 21 other weekly flights.³ In contrast, there are no through flights whatever offered between Newark International Airport and Buenos Aires, and the flights which operate at JFK are designed primarily for the carriage of local traffic since neither United nor American has a hub at JFK.⁴ Thus, Continental can offer effective competition for both local New York/Newark-Buenos Aires traffic and connecting traffic throughout Continental's network providing effective service in a local market far larger than Los Angeles or Atlanta as well as providing particularly-effective competition for the U.S. northeastern region, which has the largest concentration of U.S.-Argentina passengers after Florida.

³ A total of 24 weekly Los Angeles-Buenos Aires flights are offered as of December 14, 2000: three nonstop flights, seven single-plane flights and 14 change-of-aircraft flights with single flight numbers.

⁴ United argues that the New York/Newark gateway should receive no additional service because two U.S.-flag carriers operate there and no additional service is required, then says that if Continental is awarded frequencies for New York/Newark-Buenos Aires service, United could not move its seven frequencies from JFK to Los Angeles "without sacrificing valuable competition." (United Comments at 7, n. 9) Thus, United concedes that Continental will provide "valuable competition." If United truly believes that three U.S. carriers at New York/Newark are too many and that its Los Angeles service would achieve anything like the results United has forecast for it, United would clearly move its JFK frequencies to Los Angeles if it is not awarded additional frequencies in this proceeding. As a result, all the Los Angeles benefits cited by United can be achieved without awarding United any frequencies in this proceeding.

3. United complains that Continental has been too successful securing new South American routes and building a competing network, while Delta and United both fault Continental for service reductions comparable to their own. In South America, Delta waited over a year after the opening of U.S.-Chile routes before instituting its first U.S.-Chile service in November 2000, and Delta has yet to institute service at numerous Latin American points it “plans” to serve (DL-302, CO-R-1133). Overall, Delta has abandoned 45 international routes since 1992. (CO-R-1130) Similarly, United has dropped Miami-Lima, JFK-Caracas and Lima-Santiago service, abandoned Miami-Central America service and failed to institute the Miami-Sao Paulo-Santiago service it proposed in the 1997 U.S.-Chile Combination Service Proceeding⁵ since the U.S.-Chile skies opened over a year ago allowing such service to be instituted.

4. While Continental has been forced to make do with its current Brazil frequencies and move three weekly frequencies from the New York/Newark-Rio de Janeiro route to the Houston-Sao Paulo route so it can offer daily nonstop Houston-Sao Paulo service, Delta has been awarded three additional weekly Brazil frequencies for Atlanta-Rio de Janeiro service and seven weekly Atlanta-Bogota frequencies. (See Order 2000-12-2, Docket OST-99-6284 and Order 2000-9-21, Docket OST-2000-7655) Moreover, in the recent China case, United has been

⁵ See Order 97-11-27 at 3. United did not even object to the tentative decision in that proceeding, although it complains about the award now. See Order 98-1-22.

awarded, at least tentatively, two additional U.S.-China frequencies.⁶ Although both Delta and United have indicated they can institute Argentina services as early as April 1 using B-777 aircraft, in the China case Delta said it could not institute B-777 service immediately because “existing demands on Delta’s international fleet resources and constraints on delivery of new aircraft will require Delta to use alternative equipment during a brief six-month transitional phase.”⁷ Finally, both Delta and United have been forced to cancel numerous flight this year, even when aircraft have been available, and Delta has announced its intention to cancel 100 to 125 flights per day.⁸

5. United’s claim that it should receive frequencies because foreign airlines offer most of the Los Angeles-Buenos Aires service would elevate the importance of competing with foreign airlines over the public interest in expanding service options for consumers throughout the U.S. and expanding competition

⁶ The Department also has negotiated with China so Delta can operate its own U.S.-China flights in conjunction with China Southern, its Chinese codeshare partner. (See Order 2000-11-24, Docket OST-99-6323; DOT Press Release “U.S. Transportation Secretary Slater Calls for Liberalization of U.S.-China Aviation Rights, Announces Tentative Decision on New Services,” November 21, 2000)

⁷ See Testimony of Leo F. Mullin, President and Chief Executive Officer, Delta Air Lines, Inc., Exhibit DL-T-1, Docket OST-99-6323, February 29, 2000 at 5.

⁸ See Frank Swoboda, “Delta Says it Will Cancel Up to 5% of its Flights,” Washington Post, December 6, 2000, at A15.

between U.S. carriers for U.S.-Argentina traffic.⁹ Although United claims that Continental has made “the least ambitious proposal” in this proceeding, in fact Continental has made the best proposal. Only Continental has proposed service at two U.S. hubs offering comprehensive competition for the primary incumbents: United, American and Aerolineas Argentinas. Awarding Continental 14 frequencies for both New York/Newark and Houston-Buenos Aires service will optimize competition on U.S.-Argentina routes.

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 on April 1, 2001 and seven frequencies for Houston-Buenos Aires service to commence on December 1, 2001.

Respectfully submitted,

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⁹ United cites its late-filed third-revised forecast for load factors exceeding 90% between Los Angeles and Buenos Aires to claim that United’s service will still attain load factors in excess of 70% with three weekly nonstop flights by Aerolineas Argentinas. United’s original forecast was not credible (see Continental’s brief at 27-28), and its fourth-revised forecast is even less credible.

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.

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