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BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
WASHINGTON, D.C.

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1999 U.S.-ARGENTINA  
COMBINATION SERVICE CASE  
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) Docket OST-99-6210 - 333  
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ANSWER OF  
DELTA AIR LINES, INC.

DEPT. OF TRANSPORTATION  
Docket  
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December 29, 2000

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The Show Cause Order correctly identified several important selection factors making Delta's Atlanta-Buenos Aires proposal the Department's highest priority for new service to Argentina. The Department found that Delta would be a strong new entrant competitor to Argentina, that Delta would provide Atlanta with its first daily nonstop Argentina service, and that Delta's Atlanta hub would provide important new network benefits for the U.S.-Argentina marketplace.

Neither Continental nor United have presented objections that would materially challenge the Department's decision to award Delta the April 1, 2001 tranche of U.S.-Argentina frequencies. Indeed, United concedes that Delta's proposal would cure important service deficiencies at Atlanta, and that "because

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Delta at Atlanta was the Department's first choice, United is not formally objecting to that portion of the award . . ." United Objections at n.1.

Continental's Objections consist almost entirely of re-arguing the relative merits of adding an alternate airport in the New York/Newark metropolitan area (which already receives three daily nonstop Argentina flights), and to renewing Continental's unrealistic request for the entire allocation of Argentina frequencies, so that Continental could occupy *both* new entry opportunities by adding service at its second-choice Houston gateway. For the sound reasons explained in the Show Cause Order, the Department properly prioritized Delta's Atlanta-Buenos Aires service over both of Continental's proposals.

In these circumstances, the Department should immediately finalize its tentative award to Delta, so that Delta can proceed as quickly as possible with implementation plans for its April 1, 2001 service. The need for an expeditious final decision cannot be over-emphasized. Delta appreciates the Department's efforts in issuing a tentative decision only a month after the Government of Argentina agreed to authorize the new services. However, because Delta is the carrier that has tentatively been selected to start service on April 1 – just three months away – any delay in the issuance of a Final Order is likely to cause serious and disproportionate harm to Delta. Indeed, even if the Department

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were to issue a Final Order in the first week of January – an admittedly ambitious schedule – Delta would have *less than 90 days* to implement its services, as planned, on April 1, 2001.

Since United has determined not to object to Delta’s award, there is no need for Delta to respond further to United’s extended objections, other than to say the Department should deal with United’s concerns expeditiously, so as not to delay the issuance of a Final Order.

Delta responds more particularly to Continental as follows:

1. The Department correctly concluded that “new entry is the most effective means of improving service, price and competition . . . [and that] these considerations strongly support the selection of . . . *two new entrant applicants.*” *Id.* at 9 (emphasis added). Continental’s unrealistic request for both of the Argentina opportunities available in this case ignores the important and correct findings of the Show Cause Order in terms of maximizing new entry opportunities.

2. The Show Cause Order understandably found that under the circumstances of this case it was more important to provide Atlanta passengers with their first daily service opportunity than to provide New York/Newark

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passengers with their fourth nonstop service. Order 2000-12-13 at 11.

Furthermore, Atlanta passengers currently have no competitive U.S.-flag nonstop service, whereas New York/Newark receives nonstop service from both American and United. Thus, the Department correctly found that an award to Delta would better enhance competition with the thrice-weekly services of the Argentine carrier operating at Atlanta. *Id.*

3. Continental tries to make a virtue out of a vice in terms of the fact that Houston has “absolutely no Argentina service.” Continental at n.3. Atlanta has limited Argentina service today because foreign-flag carriers have recognized the important commercial opportunities of the Atlanta marketplace. The fact that foreign-flag carriers have spurned Houston is no reason to give an award to Continental, especially since, even in Continental’s estimation, Houston ranks only as its second-choice gateway. The Show Cause Order was entirely correct in determining that “the selection of Atlanta [over Houston] will provide greater public benefits taking into consideration all of the evidence of record and Continental’s position in this case.” *Id.* at 11.

4. The evidence of record overwhelming demonstrates that Delta’s Atlanta hub will provide strong, nationwide competition for service to Argentina. Nearly 75 percent of U.S.-Argentina traffic lies within 20 percent

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circuitry of Atlanta, compared to just 24 percent of U.S. traffic for Continental at Newark, and 36 for Continental at Houston. DL-R-145. Continental's objections that Delta's proposal represents "unrealistic reliance" on south Florida traffic are without merit. Delta forecasts relatively modest amounts of traffic from south Florida cities, and, in any event, Delta's expectations are well supported by its strong presence in Florida. The unqualified success of Delta's other U.S.-Latin America hub services from Atlanta strongly supports the Department's confidence in Delta's Atlanta-Buenos Aires proposal. Unfortunately, the same cannot be said of Continental's Newark and Houston-Latin America services, which have precipitated a string of service defaults and cancellations over the past several years.

5. Continental claims that it would produce the greatest benefits for "northeast" U.S.-Argentina passengers. But, the exhibits which Continental cites for this proposition (CO-R-1111 and CO-R-1112), show only that New York is a larger local market than Atlanta. In terms new behind-gateway benefits for passengers outside of the New York area, Continental's Newark proposal is seriously lacking. The Show Cause Order correctly identified the importance of improving service and competitive options for connecting passengers, "which constitute nearly half the U.S.-Argentina traffic." *Id.* at 9.

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Continental forecasts only about a third of its passengers from connecting cities behind Newark, and, in fact, service via Atlanta is less circuitous for over 90 percent of Continental's behind-Newark cities. DL-R-T, DL-R-108.

6. Finally, Delta is concerned that Continental's Objections appear to raise, for the first time, the possibility that Continental may not intend to operate all of its proposed Argentina services on a nonstop basis. Thus, Continental contends that the Show Cause Order would "deny Houston passengers and shippers the opportunity to enjoy nonstop *and single-plane* Buenos Aires service" (page 2), and that Continental needs frequencies to institute the only "nonstop *or single-plane flights* at Continental's hub at Newark" (paragraph 2). The Department should place Continental on notice in the Final Order that any award of U.S.-Argentina frequencies is for nonstop service, and that single-plane service (such as, for example, via one of Continental's struggling Brazil routes) would constitute a material default of its service proposal. Should Continental default on an award, Delta should have the opportunity to submit a proposal for those frequencies for the reasons explained in Delta's Comments on the Show Cause Order and consistent with the Department's precedents in the *Brazil* and *China* proceedings. See Orders 2000-12-2 and 2000-11-24.

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WHEREFORE, Delta urges the Department to immediately grant Delta a certificate and seven frequencies to commence Atlanta-Buenos Aires service effective April 1, 2001, and to take such other additional action as the public interest may require.

Respectfully submitted,



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