

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

**2007/2008 U.S.-Colombia Combination
Frequency Allocation Proceeding**

Docket DOT-OST-2007-0006

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

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Dated: December 18, 2007

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The City of Houston and the Greater Houston Partnership (collectively, “the City,” “Houston,” or the “Houston Parties”) respectfully submit this reply in further support of the application of Continental Airlines (“Continental”) for the allocation of seven U.S.-Colombia combination frequencies, which would enable Continental to start a second daily flight between Houston and Bogota and bring significant benefits to the greater Houston area and the entire west and central regions of the U.S.

The filings of Continental and the Houston Parties firmly establish the necessity and importance of an award of U.S.-Colombia frequencies to Continental. Simply put, the Department’s first priority should be an award that would result in new flight options for consumers in an underserved region of the U.S. – i.e., the new services proposed by Continental. That conclusion is re-enforced by the availability of up to 28 frequencies in this proceeding, which permits the Department to address the broad competitive needs of the U.S.-Colombia market.

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In this reply, Houston will not repeat data and arguments already submitted. However, certain erroneous assertions made in answers filed by other parties require rebuttal.

American Airlines (“American”), the dominant incumbent in the U.S.-Colombia market, has endeavored to distract the Department by filing a strawman argument in opposition to Houston and Continental, namely that travelers are unlikely to utilize Continental’s proposed overnight flights to “make a day trip” to Colombia. See American Answer, at 5. But in reality, Continental’s Houston proposal does not rely on such a notion. A key pillar of Continental’s proposal is that it would enable business travelers to not lose a day to travel at one or both ends of a longer business trip. As a global international business center, Houston has many business travelers who need and want the added efficiency that Continental’s proposal would provide. Moreover, all travelers would benefit from having the flexibility for the first time to schedule their travel through Houston as either a nighttime or daytime flight. Unlike American, which chooses not to allocate any of its numerous U.S.-Colombia frequencies to overnight flights, Continental has taken the pulse of the market and proposes to offer its customers the additional convenience that they seek.

Certain carriers have baldly (and incorrectly) asserted that overnight flights have not been shown to be a benefit to the traveling public. See, e.g., Spirit Answer, at 3.¹

¹ Similarly, JetBlue suggests that Continental’s proposed “alternative departure and arrival times” would not benefit the traveling public, despite asserting that its own credentials include the operation of multiple daily flights in other U.S.-Latin America markets. See JetBlue Answer, at 7, 17. Likewise, Delta’s criticism of Continental’s proposal, see Delta Answer at 17-18, rings hollow given that Delta’s New York-Bogota proposal would enable Delta to offer alternative departure and arrival times, since it already code-shares on an Avianca flight in the market.

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Not only is this claim contrary to the Department's own precedents, see Houston Answer, at 10-11, but it also is contrary to actual passenger behavior. For example, Orbitz for Business recently recounted a 76% increase in red-eye business bookings between 2005 and 2006. See "Riding the red-eye," Denver Business Journal (April 23, 2007). Indeed, the carriers that advance this argument appear to be those that have the least experience in South America; many U.S.-flag and foreign-flag carriers operate such flights, including Continental's services to and/or from Houston and Caracas and Guayaquil (which are similar in stage-length to Bogota) as well as Buenos Aires, Lima, and Sao Paulo. Further, according to the December 2007 OAG, there are at least 7 routes from Miami to South America that are served overnight, as well as 5 such routes from New York/Newark and 3 such routes from Atlanta that are served overnight.²

Additionally, certain carriers have argued that the west and central regions of the U.S. – for which Houston is the only U.S.-flag gateway (and the only gateway with daily service) west of Atlanta, do not need additional service to Colombia. But even if taken at face value, the data cited by these carriers does not support this proposition. For example, US Airways asserts that only 18% of the traffic in the U.S.-Colombia market originates in a broadly defined "west" (which in fact excludes many states in Houston's catchment area). See US-R-109. But only 11% of the seats between the U.S. and

² Additionally, certain carriers allege that Continental's relationship with AeroRepublica is, alternatively, a disqualifying advantage (see JetBlue Answer, at 18), or of little value to travelers (see US Airways Answer, at 14). Obviously, it cannot be both (and JetBlue and US Airways both erroneously describe it as a code-sharing relationship, when in fact it is a non-code-sharing alliance). In fact, the Department has established that the availability of behind-foreign-gateway connections via a foreign partner carrier are a positive decisional factor. See Houston Answer, at 11.

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Colombia currently are operated from points west of Atlanta, see CO-116. Even if the measure is frequencies, an excessive 84% of all U.S. frequencies will be operated from the east (and primarily the southeast) if Houston and Continental do not receive an award in this proceeding. Moreover, the imbalance in U.S.-Colombia service is even more obvious when foreign-flag carriers are taken into account. The vast majority of foreign-flag flights today are operated to the east, apart from a less-than-daily service to Los Angeles (which in any case is a circuitous connecting point for much of the west and central U.S.). And of the 54 additional U.S.-Colombia frequencies that recently have been announced by foreign-flag carriers, only 2 (3.7% of the total) will be operated to U.S. points west of Atlanta. See Continental Answer, at 3. In this proceeding, only Continental's proposal would remedy this extreme inequity.

WHEREFORE, the Houston Parties urge the Department to grant Continental's application for seven U.S.-Colombia combination frequencies.

Respectfully submitted,



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Dated: December 18, 2007

CERTIFICATE OF SERVICE

I certify that on this 18th day of December 2007, a copy of the foregoing Reply of the City of Houston and the Greater Houston Partnership was served on the parties named below in accordance with the Department's Rules of Practice:



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