

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

1999 U.S-BRAZIL COMBINATION
SERVICE CASE

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Docket OST-99-6284

BRIEF OF
THE NEW JERSEY PARTIES

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INTRODUCTION

New Jersey and the key Newark/New York gateway must have continued daily nonstop Rio de Janeiro service, and the Department can guarantee that service is maintained by awarding Continental the single permanent Brazil frequency it needs to resume daily Newark/New York-Rio de Janeiro service on a year-round basis and extend daily service to Belo Horizonte. Selecting Continental's Newark/New York-Rio de Janeiro proposal will provide competitive service options for New York/New Jersey/Connecticut Tri-State travelers and shippers and ensure New Jersey's business community convenient access to its largest trading partner in South America.

New Jersey benefited from year-round, daily nonstop Continental service between Newark/New York and Rio de Janeiro for two years until Brazil's severe economic downturn forced Continental to use its seventh Newark-Rio de Janeiro frequency on a seasonal basis. The

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New Jersey Parties applaud Continental for its unwavering commitment to provide frequent nonstop Newark/New York-Rio de Janeiro service, strongly endorse Continental's application for permanent allocation of a single U.S.-Brazil frequency and eagerly await its innovative Newark/New York-Rio de Janeiro-Belo Horizonte service.

Since Continental is the only applicant requesting a single frequency, the Department can extend the substantial benefits of Continental's proposed daily nonstop Newark/New York-Rio de Janeiro service to the traveling and shipping public without affecting the applications of other applicants. Awarding Continental a single frequency will restore daily service between the huge Newark/New York gateway and Rio de Janeiro and will give Newark International Airport daily access to both of Brazil's major cities (Rio de Janeiro and São Paulo), thus strengthening Newark International Airport's position as a competitive international hub and benefiting thousands of travelers and shippers in the largest U.S. metropolitan area.

I. THE SIGNIFICANT TRADE RELATIONSHIP BETWEEN NEW JERSEY/NEW YORK AND BRAZIL DEMANDS DAILY NEWARK/NEW YORK-RIO DE JANEIRO SERVICE

Providing Continental a single Brazil frequency to resume daily Newark/New York-Rio de Janeiro service is important to New Jersey's economy because Brazil is far and away the State's largest export market in South America, with over \$573 million in exports in 1998 alone. (NJP-20) Between 1993 and 1998, New Jersey exports to Brazil increased by 159%. (NJP-19) Continental's daily Newark/New York-Rio de Janeiro service will allow New Jersey exporters to ship goods to both major cities in Brazil without delay or additional cost, enhancing their ability to compete effectively for Brazilian business with exporters from other regions of the country. Permanent year-round, daily nonstop service between Newark and Rio de Janeiro will provide

New Jersey business travelers an alternative to inconvenient connecting service through Miami and other hubs and the often difficult commute between New Jersey business centers and JFK.

As the Los Angeles parties point out, Brazil has identified ten states where it is focusing its exports. (LAX-204) Newark International Airport serves two of these states, New Jersey and New York. (LAX-204) In contrast, Los Angeles International Airport serves only one of these states and Atlanta Hartsfield serves none. Brazil's ambassador recognized that these States are important because they "play a key economic role both in their respective regions and nationally, they house important Brazilian expatriate communities, and have Brazil among their most important export markets, thus warranting special attention." (LAX-202) New Jersey and New York together also generate the largest value and weight of air trade with Brazil by far, significantly more than California (NJP-R-3), and the air trade of each state separately with Brazil is greater than the value of Georgia's relatively insignificant air trade with Brazil (NJP-R-3). Given the strong, mutually beneficial economic bond forged between New Jersey/New York and Brazil in recent years, it is imperative that the Department foster the trade relationship between New Jersey/New York and Brazil by maintaining daily nonstop Rio de Janeiro service at Continental's Newark hub.

II. THE NEW JERSEY/NEW YORK/CONNECTICUT TRI-STATE AREA IS THE WEALTHIEST TRAVEL AND SHIPPING MARKET IN THE WORLD AND WILL EASILY SUPPORT CONTINENTAL'S DAILY NEWARK-RIO DE JANEIRO SERVICE

The New Jersey/New York/Connecticut Tri-State's position as the wealthiest travel and shipping market in the world and the area's status as the leading U.S. center for foreign banking

institutions and international finance transactions¹ ensure strong support for Continental's daily Newark/New York-Rio de Janeiro service from both leisure and business travelers.

The Newark/New York metropolitan area ranks first in total personal income among the nation's largest consolidated metropolitan areas, far outstripping personal income in the Atlanta/Athens area which ranks tenth (NJP-3), and has the second highest per capita personal income in the United States (NJP-10). The Newark metropolitan area's effective buying income is 251% greater than the U.S. metropolitan-area average (NJP-6), while its median household effective buying income is 27% greater than the U.S. average (NJP-7). Moreover, the Tri-State region served by Newark International Airport includes five of the top ten metropolitan markets with the highest median per-household effective market income (NJP-1) and six of the ten markets with highest per-capital personal income (NJP-2) in the United States. New Jersey is the most densely populated state, over one-third of the U.S. population lives within 250 miles of the region and over six million potential travelers live within 25 miles of Newark International Airport. (NJP T-1) With over 361,000 households in the Newark metropolitan area having effective buying incomes of over \$150,000 (NJP-8) and with Rio de Janeiro's status as a premier tourist destination, Continental's Newark International Airport-Rio de Janeiro service will receive strong support from leisure as well as business travelers.

The Georgia and Atlanta parties tout the growth in their local economy and population, but New Jersey's economy and population, which now surpass Georgia's, are also forecast to continue to grow (NJP-9), thereby stimulating even greater demand for international air services. Between 1998 and 2003, the effective buying income of New Jersey and retail sales in the State

¹ NJP T-1.

are forecast to increase by 14%, and New Jersey's population is forecast to increase by 3.3%.

(NJP-9) Unemployment in New Jersey has already decreased to 4.1% in December 1999, and the State's labor force increased by an impressive 54,000 workers. (NJP-12)

III. CONTINENTAL'S DAILY NEWARK/NEW YORK-RIO DE JANEIRO-BELO HORIZONTE SERVICE WILL PROVIDE SUBSTANTIAL PUBLIC AND COMPETITIVE BENEFITS

In addition to meeting the needs and advancing the trade agenda of the huge local Newark/New York-Rio de Janeiro market, Continental's daily Newark/New York-Rio de Janeiro-Belo Horizonte service will provide benefits for travelers and shippers using the Continental network served through Newark International Airport. At Newark International Airport, Continental will provide online nonstop connections for 60 points southbound and 74 points northbound. (CO-221) Passengers on Continental's Newark-Brazil flights will benefit from Newark International Airport's growing focus on international operations and will have access to 38 scheduled passenger airlines (NJP-25) serving over 132 international destinations nonstop (NJP-24).

In just five years, enplanements at Newark have risen by 26% (NJP-21), the number of international passengers has increased by 142% (NJP-22) and there has been an 82% increase in international destinations served via Newark International Airport over the past six years (NJP-23). Continental's own international service includes flights to 26 foreign destinations and service to four additional international cities under arrangements with its codeshare partners. (NJP T-1) Continental supports more nonstop international service and departures from Newark than American from JFK, Delta from JFK or Atlanta and United from Los Angeles. (CO-543 and 544). Daily Continental Newark/New York-Rio de Janeiro-Belo Horizonte service on a year-round, permanent basis will strengthen Newark International Airport as an international

gateway and permit Newark International Airport (and Continental) to compete with American's daily New York (JFK)-Rio de Janeiro nonstop, United's daily New York (JFK)-Rio de Janeiro one-stop flight and Varig's seasonal daily New York (JFK)-Rio de Janeiro service.

IV. NEW JERSEY HAS STRONG COMMERCIAL AND ETHNIC TIES TO BRAZIL

New Jersey is a large market for Brazil business travelers and has a strong Latin American commercial base. New Jersey is home to more than 7,600 Central/South American-owned firms, almost five times as many as Georgia. (NJP-13) The state is also home to over 22,000 Hispanic-owned firms, more than four times as many as Georgia. (NJP-14) As the New Jersey Parties recently noted in the New U.S.-Argentina Combination Service Opportunities Case, more foreign companies have headquarters in the New Jersey/New York region than in any other metropolitan area in the country, and New Jersey and New York are among the top five states for Hispanic, ranking fifth and fourth respectively.²

Brazil is not just a business market for New Jersey, it is also an immense visiting friends and family market. The Hispanic population of the city of Newark alone is almost twice as large as the Hispanic population of Atlanta (NJP-18), and New Jersey's Brazilian population is more than nine times larger than the Brazilian population of Georgia (NJP-17). Moreover, the Mid-Atlantic region of the United States has the largest Brazilian population in the entire U.S. (NJP-16)

² See Direct Exhibits of the New Jersey Parties, January 10, 2000, Docket OST-99-6210, NJP-T-1 at 3)

V. CONTINENTAL'S REQUEST FOR A PERMANENT SEVENTH NEWARK/NEW YORK-RIO DE JANEIRO FREQUENCY ENJOYS STRONG CONGRESSIONAL AND CIVIC SUPPORT

New Jersey's Senate delegation, and local government leaders of New Jersey businesses have unequivocally supported Continental's proposal for daily nonstop Newark/New York-Rio de Janeiro-Belo Horizonte service. Senators Robert G. Torricelli and Frank R. Lautenberg have written Secretary Slater to urge the Department to "ensure that [Continental's] Newark-Rio de Janeiro service becomes a daily operation" and note that "Continental contributes \$3.98 billion in gross regional product to the New Jersey metropolitan area." (Letter of Senators Robert G. Torricelli and Frank R. Lautenberg to DOT Secretary Rodney E. Slater, April 6, 2000)

Newark's Mayor, Sharpe James, says "Continental's proposed expanded service would boost tourism and benefit more than 23,000 Brazilians who reside in New Jersey and New York." (Letter to DOT Secretary Rodney E. Slater, from Newark Mayor Sharpe James, March 16, 2000) Other local government leaders supporting Continental's proposed daily Rio de Janeiro service from Newark International Airport include the Speaker of the New Jersey Assembly, Jack Collins, and the New Jersey Senate Majority Leader, John O. Bennett.

Leaders of the New Jersey business community also have noted the positive impact Continental's proposed service would have on trade between New Jersey and its largest South American trading partner, Brazil. To quote the Chief Executive Officer of the New Jersey Commerce and Economic Growth Commission, "[I]t is critical for the region's business development and trade growth that Continental be permitted to add this frequency to expand service between Newark and Rio de Janeiro." (Letter to DOT Secretary Rodney E. Slater, from Gualberto Medino, March 22, 2000, see also, Letter to DOT Secretary Rodney E. Slater, from Joan Verplanck, President, New Jersey Chamber of Commerce, April 4, 2000)

CONCLUSION

By granting Continental a single uncontested U.S.-Brazil frequency for its proposed year-round, daily nonstop Newark/New York-Rio de Janeiro service and Belo Horizonte extension, the Department will provide the largest regional Brazilian population in the United States access to its homeland and the leading shipping and travelling market in the United States continued access to its largest South American trading partner. The New Jersey Parties urge the Department to foster the competitive growth of Newark International Airport and reward Continental's continued commitment to Newark/New York-Brazil service by awarding Continental the one frequency it needs to operate daily Newark/New York-Rio de Janeiro-Belo Horizonte service.

Respectfully submitted,

Chip Hallock

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.

Chip Hallock

April 13, 2000

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