

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

1999 U.S.-BRAZIL COMBINATION
SERVICE CASE

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Docket OST-99-6284

ANSWER OF
CONTINENTAL AIRLINES, INC.

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October 23, 2000

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Continental¹ agrees with Delta that recent Brazil entrants with fewer frequencies than American and United should have at least the same flexibility to move Brazil frequencies from one route to another that American and United have.

Continental states as follows in support of its position:

1. Although Delta says it welcomes the award of three frequencies for Atlanta-Rio de Janeiro service, Delta argues that its three frequencies should not be restricted to that route because American and United are free to move many of their frequencies from one route to another. Given the fact that American and United both hold more frequencies than either Continental or Delta, it is indeed ironic that the large incumbents are able to move their frequencies to meet demand while

¹ Common names are used for airlines.

Continental and Delta cannot do so without explicit permission from the Department.

2. Without securing any approval from the Department, American has already moved frequencies between Miami and Orlando and between Miami and Dallas/Fort Worth, and United has moved frequencies from Miami to Chicago. Indeed, United's objection to the show-cause order in this proceeding claims there is excess capacity between New York and Brazil while Los Angeles is desperate for additional service. If so, United is free to move frequencies from New York to Los Angeles, a point United has conceded.² Similarly, American is free to move frequencies to its Dallas/Fort Worth hub, while Continental has had to seek the Department's permission to move frequencies to its Houston hub to compete with American. (See Continental's application in Docket OST-00-8081)

3. To permit Continental to compete effectively between the U.S. and Brazil to meet demand, the Department should permit Continental to move its Brazil frequencies without the Department's prior approval. Such permission will go only part way toward reducing the imbalance between the Brazil authority held by American and United and the Brazil authority held by Continental.

² Although United's brief in this case argued that it could not institute daily São Paulo flights at its Los Angeles hub without abandoning the daily São Paulo flights it operates at New York, where it has no hub, United has not denied that it is free to move seven frequencies from New York to Los Angeles. (See United's brief at 32-34)

4. If the Department is unwilling to give Continental blanket authority to move its Brazil frequencies, the Department should, at the very least, grant Continental's pending request to move three frequencies from the New York/Newark-Rio de Janeiro route to the Houston-São Paulo route. If the Department grants Continental's request to move three frequencies, Continental will withdraw its contingent objection to the award of three frequencies to Delta or another carrier in this proceeding.

For the foregoing reasons, Continental urges the Department to give Continental the flexibility to move its Brazil frequencies so it can compete more effectively with American and United, the larger incumbents serving U.S.-Brazil routes. Unless Continental's specific request to move three frequencies from the New York/Newark-Rio de Janeiro route to the Houston-São Paulo route is granted, Continental continues to object to the award of three frequencies to Delta for

Atlanta-Rio de Janeiro service rather than to Continental for Houston-São Paulo service.

Respectfully submitted,

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October 23, 2000

CERTIFICATE OF SERVICE

I certify that I have this date served the foregoing document on all parties served with the Department's Order 2000-10-6 in accordance with the Department's Rules of Practice.

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October 23, 2000
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