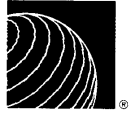

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Continental's unopposed proposal for a single New York/Newark-Rio de Janeiro frequency should be approved immediately. Continental's proposal for three Houston-São Paulo frequencies should also be approved over Delta's proposals to serve the much smaller Atlanta-Rio de Janeiro route or add U.S.-flag São Paulo service at New York (JFK) and over the proposals of long-time Brazil incumbents American and United, which already have ample Brazil access and frequencies.

Even Delta recognizes that Continental should be awarded the one Newark-Rio de Janeiro-Belo Horizonte frequency it seeks. (CO-R-1108) New York/Newark is growing faster than New York (JFK) as an international passenger gateway (CO-R-1114) and as a passenger gateway for South America (CO-R-1115). New York/Newark is growing as a gateway to Central America while New York (JFK) is declining. (CO-R-1117) New York/Newark is also growing faster than Atlanta as a passenger gateway to South America. (CO-R-1116)

Continental at New York/Newark serves more destinations with more daily departures than Delta serves at New York (JFK). (CO-R-1112 and 1126) Delta

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operates fewer international destinations at New York (JFK) than Continental operates at either New York/Newark (CO-R-1126) or Houston(CO-R-1127). Continental's New York/Newark hub is far larger than Delta's New York (JFK) operation. (CO-R-1121)

Houston, too, is growing faster than New York (JFK) as an international passenger gateway (CO-R-1118) and as a passenger gateway to South America (CO-R-1119). While New York (JFK) is declining as a passenger gateway for Central America, Houston is growing. (CO-R-1120) Continental's Houston hub is far larger than Delta's New York (JFK) operation. (CO-R-1122)

Although Delta claims to be the "strongest and most successful new entrant carrier to Brazil" (DL-T-1 at 1), Delta's new Atlanta-Latin America flights introduced since 1997 operate at load factors significantly below industry averages (CO-R-1155). In contrast, Continental's New York/Newark-Brazil flights operate very near the industry average of onboard passengers per departure. (CO-R-1152, 1153 and 1154)

Delta has failed to fly numerous South American, Central American and Mexico routes open to it (CO-R-1105 and 1106), and Delta has abandoned 45

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international routes since 1992 (CO-R-1150), including five limited-entry Asian routes (CO-R-1151). Delta's promise of sustained single-plane service to Montevideo is doubtful given Delta's abandonment of Cincinnati-Atlanta-São Paulo single-plane service in May 1998. (CO-R-1103)

Although Continental competes with American/Lan Chile and will soon offer online service between Houston and Santiago, Delta has not even entered the "open skies" Chile routes (CO-R-1125), preferring to seek authority to operate on safer routes in limited entry markets. Delta's application last week for Atlanta-Bogota authority is a prime example,¹ and nearly 60% of Delta's touted "Future Expansions" in Latin America are routes it could operate today but has chosen not to operate. (CO-R-1107)

Delta already serves Brazil from three U.S. gateways (CO-R-1129), and Delta forecasts more Atlanta-Rio de Janeiro demand that could be accommodated on existing service. (CO-R-1136). Delta aggressively stimulates many connect markets behind Atlanta which do not warrant market stimulation. (CO-R-1138)

¹ See Docket OST-00-7104

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Delta claims more Rio de Janeiro passengers via Atlanta than Continental forecasts for its less circuitous New York/Newark route. (CO-R-1140) Delta forecasts double-connect passengers on its Atlanta-Rio de Janeiro route, while Continental includes no double-connect passengers in its proposals. (CO-R-1142) Delta also forecasts substantial numbers of Rio de Janeiro passengers over Atlanta from Florida even though the service requires significant backhaul and Miami, with no backhaul, offers significant nonstop service for those passengers. (CO-R-1141) Correcting for inflated market shares and overly ambitious stimulation rates reduces Delta's Atlanta-Rio de Janeiro forecast by 8,744 passengers. (CO-R-1137)

Similarly, on its São Paulo proposal, Delta unreasonably stimulates New York by 15%, given the current level of existing service. (CO-R-1145) Correcting for inflated market shares and overly ambitious stimulation rates reduces Delta's New York (JFK)-São Paulo forecast by over 11%. (CO-R-1143) Additionally, Delta's forecasted transatlantic traffic for New York (JFK) requires an average of over 12 hours in connecting time. (CO-R-1125) Continental's New York/Newark-Rio de Janeiro-Belo Horizonte proposal offers online nonstop to nonstop service for five times as many points as Delta's New York (JFK) proposal. (CO-R-1130)

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United does not need additional U.S. Brazil access. (CO-R-1169 and 1170)

United and its STAR alliance partner, Varig, control 37% of all U.S.-Brazil frequencies (CO-R-1167), and United already serves the Los Angeles-São Paulo route (CO-R-1157). Continental's New York/Newark hub is larger than United's Los Angeles operation serving many more domestic and international destinations than United at Los Angeles. (CO-R-1161/1162/1163) Continental's Houston hub is far larger than United's Los Angeles operation (CO-R-1158), with Continental offering more domestic seats and serving more international and domestic destinations at Houston than United at Los Angeles. (CO-R-1159/1160/1164) Most of United's connecting domestic cities provide little São Paulo traffic. (CO-R-1166) Despite United's claims, the proposed additional Los Angeles-São Paulo service will provide minimal benefit to connecting western U.S. cities. (CO-R-1168) United artificially inflates its Los Angeles passenger forecast by applying the growth rate for total U.S.-São-Paulo traffic to Los Angeles-São Paulo, which has a lower growth rate. (CO-R-1176) United's projected stimulation of 33% for the local Los Angeles-São Paulo market is similarly unsupported by historical performance. (CO-R-1175) Likewise, United over stimulates the local San Francisco-São Paulo market. (CO-R-1174) With Continental's conservative reforecasting, United's projected load factor drops nearly seven points. (CO-R-1171)

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American also has ample Brazil access, since it controls 44% of the U.S.-flag Brazil frequencies. (CO-R-1187) Continental's New York/Newark hub is far larger than American's New York (JFK) operation, with more daily departures, more nonstop destinations, more domestic enplanements, many more international nonstop destinations, and more total seats than American at New York (JFK). (CO-R-1178/1185) Continental's Houston hub is also far larger than American's New York (JFK) operation, also offering more daily departures and seats, serving more international and nonstop destinations and, enplaning more domestic passengers than American at New York (JFK). (CO-R-1181/1186)

Finally, Continental forecasts more cargo from New York/Newark than the other carrier/applicants. (CO-R-1177)