

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

Joint Application of

**AIR CANADA  
THE AUSTRIAN GROUP  
BRITISH MIDLAND AIRWAYS LTD  
CONTINENTAL AIRLINES, INC.  
DETSCHER LUFTHANSA AG  
POLSKIE LINIE LOTNIECZE LOT S.A.  
SCANDANAVIAN AIRLINES SYSTEM  
SWISS INTERNATIONAL AIR LINES LTD.  
TAP AIR PORTUGAL  
UNITED AIR LINES, INC.**

to Amend Order 2007-2-16 under 49 U.S.C.  
§§ 41308 and 41309 so as to Approve and  
Confer Antitrust Immunity

Docket DOT-OST-2008-0234

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

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Dated: December 10, 2008

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

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The City of Houston and the Greater Houston Partnership (collectively, “Houston” or the “Houston Parties”) respectfully submit these comments in support of the application of Continental Airlines, Inc. (“Continental”) and the nine previously immunized members of the Star alliance to add Continental to their immunized grouping.<sup>1</sup> The Houston Parties enthusiastically welcome the application, the beneficiaries of which would include passengers traveling to and from Houston as well as the Houston community overall. Houston urges that the application be granted by the Department on an expeditious basis.

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<sup>1</sup> This submission is styled as “comments” pursuant to the Department’s Notice in this proceeding dated December 3, 2008.

**Comments of the City of Houston and  
the Greater Houston Partnership  
Page 2**

The Mayor of the City of Houston, Bill White, and the President and CEO of the Greater Houston Partnership, Jeff Moseley, previously have corresponded with the Department to express their support for the Continental-Star alliance application. As they both observed, Continental is not just Houston's hometown carrier, it also is a vital part of the Houston economy. The Houston Airport System contributes more than \$24 billion annually in economic benefits to the Houston economy, and Continental is an essential part of both the economy and the area's transportation network. The antitrust immunity sought in this proceeding would not only bring direct benefits to Houston passengers, it also would benefit the greater Houston area by helping to ensure that Continental remains a significant and effective competitor in the air transportation marketplace.

Although the immunity sought would enable Continental to coordinate with its partners in the Star alliance – including through an “Atlantic Plus” joint venture with Air Canada, Lufthansa and United and the coordination of frequent flyer, lounge, and other services with United – Continental will remain an independent carrier, continuing to bring substantial benefits to Houston and the travelling public by offering strong competition for other carriers and alliances. At the same time, a grant of immunity would improve the travel options available to the public by enabling Continental to

**Comments of the City of Houston and  
the Greater Houston Partnership  
Page 3**

closely tie its award-winning services to the Star alliance.<sup>2</sup> As a result, the application presents the Department with a win-win scenario that merits prompt approval.

Continental's contributions to Houston's air transportation network are long-standing and impressive, and are closely tied to the Houston area economy's significant, ongoing success. One particular example is the strong Latin American gateway that Continental has built at Houston over the last several decades, providing new options for passengers and highly effective competition with the gateways which historically dominated U.S.-Latin America markets. Today IAH ranks as the #1 U.S. airport for Mexico passengers, the #2 U.S. airport for Central America passengers, and the #4 U.S. airport for South America passengers. The Star alliance currently has only a limited presence in Latin America, with no local member carriers. The inclusion of Continental in the immunized grouping would enable Star to be a more effective competitor with the SkyTeam and oneworld alliances in that region by facilitating feed, including to/from transatlantic markets, and would directly benefit Houston by attracting more traffic to Continental's hub at George Bush Intercontinental Airport (IAH).

As the applicants have noted, the benefits of immunity would not be limited to improved connectivity but also would include the development of new services around the globe. In particular, immunity would increase the probability of the Star carriers and Continental launching additional or new flights, such as in the hub-to-hub Houston-

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<sup>2</sup> For example, in March 2008 Fortune Magazine ranked Continental as the World's Most Admired Airline – for the fifth consecutive year, and just last month Zagat's 2008 Airline Survey presented numerous accolades to Continental, including Best Value for the Money (International), Best Frequent Flier Program, Best Airline Website, and Best Large Domestic Airline for Premium Class.

**Comments of the City of Houston and  
the Greater Houston Partnership  
Page 4**

Munich market, and will provide support for Continental's newly-announced Houston-Frankfurt service (due to commence in November 2009), as well as other routes between Houston and Europe. Europe – which is home to seven of the Star applicants – is a vital region for trade for Houston's businesses. For example, in 2007, Houston and Europe exchanged more than 78 million kilograms of air cargo, with a value of more than \$7 billion; exports accounted for more than 48% of the trade by weight.<sup>3</sup>

The Houston Parties are fully prepared to support the new opportunities that the immunity requested by Continental and its partners would make possible. Houston is the premier international city of the southwest. It is: the #1 statistical area in the U.S. for job growth;<sup>4</sup> the #1 place to live work and play;<sup>5</sup> the #1 U.S. city for manufacturing jobs;<sup>6</sup> the #1 U.S. city for fast growing companies; and the #1 easiest city within which to work.<sup>7</sup> Houston is the fourth most populous city in the U.S., and the greater Houston area is home to 26 Fortune 500 companies. Its gross area product in 2007 amounted to

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<sup>3</sup> Canada, home to another Star Alliance member, is also an important trading partner for Houston firms. In 2007, Houston and Canada exchanged more than 645,000 kilograms of air cargo, with a value of more than \$60 million; exports accounted for more than 70% of the trade by value.

<sup>4</sup> Between April 2007 and April 2008, the Houston-Sugar Land-Baytown MSA added jobs at a rate of 2.8% – a faster rate of growth than for any other major metropolitan area, according to the U.S. Bureau of Labor Statistics.

<sup>5</sup> The 10-county Houston region ranks as the number one place to live, work, and play in the country according to Kiplinger Personal Finance, July 2008.

<sup>6</sup> The 2007 Texas Manufacturers Register found that Houston has more manufacturing jobs than any other U.S. city – 225,732 jobs at 4,162 manufacturers.

<sup>7</sup> Nineteen of the 2007 Fortune “100 Fastest Growing Companies” are headquartered in the Houston metropolitan area, surpassing all other metropolitan areas.

**Comments of the City of Houston and  
the Greater Houston Partnership  
Page 5**

\$416.6 billion – larger than the gross national product of all but 28 foreign nations.<sup>8</sup>

Accordingly, the greater Houston area generates strong demand for air transportation – and its flagship airport at IAH is already one of the top U.S. gateways for international travel and commerce. Overall, IAH is ranked #8 among U.S. airports for international passengers and #11 for international air cargo.

Houston's expanding air transportation network has played a critical role in the City's impressive growth and overall success, and its close partnership with Continental has been an essential element in making Houston the vibrant and forward-looking community that it is today. In 1988, IAH offered service to 64 U.S. and 20 international destinations; by 1999, those numbers had climbed to 95 and 45 respectively. Today, Continental alone offers nonstop service from Houston to 105 U.S. and 58 international destinations, while IAH as a whole offers nonstop service to 107 U.S. and 61 international destinations. In FY2008, IAH handled nearly 8 million international passengers, an increase of over 5.6% from FY2007, as well as 35.2 million domestic passengers. The average annual rate of growth at IAH for domestic passengers has been 4.8% over the past five fiscal years, while the average rate of growth for international passengers has been an impressive 7.7%.

The Houston airports have in turn expanded and improved their facilities in partnership with, and in order to support the growth of, Continental and other airlines. In the last several years IAH has inaugurated a new state-of-the-art international arrivals terminal, a new \$125 million air cargo complex, new parking facilities, and multiple other

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<sup>8</sup> The Perryman Group also forecasts that greater Houston's gross area product, net of  
(continued...)

**Comments of the City of Houston and  
the Greater Houston Partnership  
Page 6**

capital improvements. Earlier this year, Houston announced plans to renovate and quintuple the size of IAH's Terminal B, as well as make other improvements such as the expansion of the airport rail system.

With IAH's success so closely linked with that of Continental, it is vitally important to the Houston Parties that Continental obtain the authority it requires in order to prosper in the long term, especially given the challenges that airlines and the economy as a whole now face; these extraordinary challenges warrant immediate action by the Department. As the Department observed in a prior alliance antitrust immunity case, "[t]he proposed alliance is likely to result in the introduction of new capacity and greater availability of discount fares across the entire joint network ... Antitrust immunity is well suited to enable carriers to achieve merger-like efficiencies and deliver benefits that would not otherwise be possible." Order 2008-4-17, at 15. The same reasoning is equally applicable in this proceeding.

WHEREFORE, the Houston Parties urge the Department to expeditiously grant the pending application to add Continental to the grouping of Star alliance carriers which previously has been granted antitrust immunity by the Department.

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inflation, will grow at an average rate of 3.8% through 2030.

Respectfully submitted,



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Dated: December 10, 2008

## CERTIFICATE OF SERVICE

I certify that on this 10th day of December 2008, a copy of the foregoing Comments 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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