

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

Answer of)	
)	
DELTA AIR LINES, INC.)	
)	
for a frequency allocation)	Docket DOT-OST-2016-0021
)	
(U.S. - Cuba))	
)	

ANSWER OF DELTA AIR LINES, INC.

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I. Introduction

The Department will craft the future of air service between the United States and Cuba in this proceeding and has the opportunity to ensure meaningful access and competitive options for travelers throughout the nation. Public benefits would be maximized with robust intra-gateway and inter-gateway competition, where customers can choose which service and travel options are most valuable to them. Given these objectives, the Department would best provide competitive benefits for the traveling public by awarding Delta Air Lines (“Delta”) frequencies to inaugurate daily service from New York, Atlanta, Miami, and Orlando to Havana. Delta’s proposal would provide full U.S. geographic coverage (DL-A-0101) for travelers as well as competitive, direct access to Havana from top origin and destination markets, all while using only five daily frequencies (DL-A-0102) and allowing for other carrier proposals to be considered by the Department.

Delta could have asked the Department for an overly broad allocation of frequencies, but wanted to be both constructive and realistic in its approach to the new scheduled service Cuba market. By contrast, American Airlines (“American”), JetBlue Airways (“JetBlue”), and

Southwest Airlines (“Southwest”) each filed applications that, if granted in their entirety, would virtually eliminate competition in the U.S.-Havana market, the one oversubscribed Cuban destination in this proceeding. Delta is confident the Department will recognize the negative public interest implications of allowing a single carrier to hold an outsized share of the limited Havana frequencies. On the other hand, granting Delta the frequencies for which it has applied would leave room for other applications to be considered, allowing the Department to foster a competitive market structure that will produce maximum public benefits.

II. Executive Summary

The most important consideration in this case is for the Department to ensure a competitive distribution of U.S.-Havana frequencies. With 13 applicants proposing 52 daily Havana frequencies plus 12 additional “less than daily” services, the Department has a challenging case ahead of it with only 20 daily frequencies available for allocation. In weighing the various applications, DOT should consider several threshold issues in order to narrow down the pool of applications for final consideration.

First, the Department should prioritize those services that will be of the greatest benefit to the traveling public. Specifically, applications for daily, mainline, combination flights by experienced international scheduled service carriers should be favored as a matter of policy. These applications offer the most benefits to travelers and maximize the available travel options. Any application for less than daily service should be carefully scrutinized because passengers prefer travel options with flexibility for any day of the week—not just one selected by a carrier based on its own considerations. Further, these applications, if approved, would prevent those carriers who do wish to offer true daily service from doing so. Mainline flights should be preferred as they offer more seats to customers, and will best ensure vigorous carrier competition. Maximizing available seats in a constrained and oversubscribed airport such as

Havana's Jose Marti International Airport is essential to promoting maximum public benefits. Combination flights also offer advantages over all-cargo services because they provide uplift for passengers as well as cargo in aircraft bellies. Lastly, given the unique challenges the first scheduled flights to Cuba in decades will entail, the Department should favor applications of experienced scheduled service providers over those airlines that have only provided charter flights to the public. The history of small, limited scope carriers trying to maximize the public benefits of limited entry markets or slot constrained airports is poor and littered with failures like Vanguard, People Express, and Air Florida. Even if not awarded scheduled service frequencies, these carriers would all still be free to offer charter service without any frequency limitations.

After applying these filters to winnow the applications, the Department is still left to decide between the various applications of Alaska, American, Delta, Frontier, JetBlue, Southwest, Spirit, and United. These eight bids, representing more than 50 proposed services, provide more than enough options to allow the DOT to ensure a competitively balanced U.S.-Havana marketplace.

Among these applicants, Delta's proposals excel when analyzed on the basis of individual route dynamics. Only Delta would combine direct service from three of the top five U.S.-Cuban American population centers with the world's largest and most well connected hub — Atlanta — offering unparalleled direct and one-stop access to Havana for the whole of the U.S.. Delta also provides superior service based on a wide range of operating metrics. Delta consistently ranks in the top tier for both on-time arrival and completion factor. (DL-A-0202 and DL-A-0203) Delta also has a strong record in handling customers' bags and meeting customers' expectations for service. (DL-A-0201 and DL-A-0204)

The following section summarizes the public interest and competitive benefits that would result from Delta's New York, Atlanta, Miami, and Orlando proposals. Delta incorporates by reference all of its prior filed materials in this Docket.

New York (JFK)-Havana, Delta's first market priority, would connect New York City, including the second largest Cuban-American population, to Cuba's political, cultural, and economic capital. Despite its strong presence at JFK, Delta trails JetBlue and United in service from NYC to Latin America. (DL-A-0301) New York merits considerable access to Havana, and awarding Delta these frequencies would enhance overall competition to Latin America, rather than simply letting the largest two carriers grow even larger in the region. In addition, at JFK specifically, Delta offers 5 more year-round connections than JetBlue, allowing the benefits of one-stop Cuba access to accrue to many more communities. (DL-A-0302)

Atlanta-Havana, Delta's second market priority, would allow one-stop access to Cuba via the nation's largest and best connecting hub. Delta provides more seats, destinations, and flights at Atlanta than any other carrier, making it the superior connecting gateway for aggregating the various flows of Cuba travelers allowed under the current twelve categories of permitted traffic. Atlanta offers more connectivity to more unique points with a single flight than American's proposed 10 Miami-Havana flights. (DL-A-0307) Similarly, American's proposals for Charlotte, Dallas, Chicago-O'Hare, and Los Angeles service all fall short of Atlanta as a connecting gateway to Cuba. (DL-A-0305 through DL-A-0306)

Miami-Havana, Delta's third market priority, will be essential to ensuring network carrier competition to serve the largest population of Cuban Americans in the U.S. (DL-402) Travelers in South Florida deserve to have many carrier options and Delta is the only network carrier willing to compete with American at its hub in Miami. Delta offers the second most flights at MIA, providing travelers additional connecting options. (DL-A-0309) Intra-gateway competition at Miami will also be critical to reaching the full potential of the new aviation regime with Cuba

because, although in relative geographic proximity, Fort Lauderdale and Miami are not perfect substitutes for travel from MIA.

Orlando-Havana, Delta's fourth market priority, offers an ideal gateway for the substantial number of Cuban Americans living in Central Florida, the third largest regional population in the U.S. behind Miami and New York City. (DL-503) Delta and its partners are investing in Orlando as an international gateway, with service to 19 international destinations. (DL-A-0310). Delta's domestic network behind Orlando would also allow another connection point for travelers to 26 U.S. cities.

III. Rebuttal of Other Carrier Service Proposals

A. American Airlines

American's application, if granted in its entirety, would harm the traveling public. American would control over 60% of the flights to Cuba's capital and economic center, Havana. This result would be an unprecedented concentration of newly opened market frequencies in the hands of a single carrier. American's history of charter service to Cuba is admirable, but should not prevent other applicants from receiving frequencies to serve Havana. The Department should encourage qualified new entrants on these routes, rather than entrenching already dominant players.

American correctly notes that Miami (MIA) will be a major source of origin and destination traffic, due to the high concentration of Cuban Americans and other travelers. The cultural, economic, and familial ties between the Miami-Fort Lauderdale region and Cuba are undeniable. That is why Delta, and others, applied for 20 weekly frequencies at either MIA or Fort Lauderdale (FLL). These competitive applications demonstrate that the assertion, "only American's proposal ensures sufficient scheduled service between MIA and Cuba" (American Application, p 4), is completely without merit. Other carriers have applied for seven MIA-HAV

flights, and another 13 for FLL-HAV. The Department should ensure that demand for Miami and Fort Lauderdale traffic to Havana is met by spreading frequencies amongst the most deserving of these applicants, providing meaningful competition for the largest concentration of Cuban Americans, rather than enriching American's already dominant position in the U.S.-Cuba/Latin American market.

Contrary to American's claims that Miami could somehow end up *worse off* by receiving less than 10 daily scheduled AA frequencies, that fact is that if demand at Miami and Fort Lauderdale outstrips capacity, carriers have the option to add charter service (American Application, p 11) or assign larger aircraft to the market. In fact, the South Florida-Cuba market would be harmed if DOT concentrated all MIA frequencies with American thereby resulting in the loss of competition currently observed between charter operators in Miami-Cuba market. (DL-A-0403) And, as noted, American will undoubtedly use Miami charter flights to augment its allocation of frequencies if there is sufficient demand to do so.

Despite American's assertion to offer service that "best connects the U.S. with Cuba" (American Application, p13), it neglects to offer any proposal to directly serve the second largest population of Cuban Americans in the country, New York City. Rather than attempting to establish a Miami-Havana shuttle that is incongruous with its service levels to other Caribbean destinations (DL-A-0402), American might have considered providing links to other large economic centers with significant Cuban American populations. Similarly, American totally neglected the substantial population of Cuban Americans living in Central Florida; a stark contrast to Delta's proposed Orlando-Havana service.

The tortured logic by which American asks for non-Miami authority, but then in the next paragraphs downplays the need for these same connecting services (American Application, p 6) belies the weakness of Charlotte, Dallas/Fort Worth, Chicago, and Los Angeles versus other, superior connecting cities, namely Atlanta. Delta's proposed Atlanta-Havana service would

offer more connections than either Miami, Charlotte, or Dallas. (DL-A-0305 through DL-A-0307)

This means that Atlanta will offer one-stop access to a greater proportion of Cuban Americans, and offer more seats and flights than any of the connecting service proposed by American.

Granting Delta's application for five frequencies would allow for (1) meaningful network carrier competition at the most important U.S. city for Cuban travel, Miami; (2) a direct flight for the second largest population of Cuban Americans, in New York; (3) a connecting gateway in Atlanta with superior one-stop options for a huge part of the country; and (4) direct Havana service to the third largest regional population of Cuban Americans living near Orlando in Central Florida. Apart from the structural service advantages of its proposal, Delta also achieves better operational metrics, i.e. on time arrivals, cancellation rates, baggage handling, and customer complaints than American. (DL-A-0404 and DL-A-0405) And Delta's proposal would provide these advantages using less than half of the frequencies sought by American.

B. JetBlue Airways

Just as American submitted an outsized frequency request, so too did JetBlue, proposing to take 60% of the available Havana frequencies. This result would be an unprecedented concentration of newly opened market frequencies in the hands of one carrier, stifling inter-carrier and gateway competition, and undercutting the competitive potential of the new aviation regime with Cuba from the very start. A prior history of charter service to Cuba is admirable, but this factor cannot be manipulated to prevent other applicants from receiving frequencies to serve Havana.¹ JetBlue is already almost twice the size of Delta in the U.S.-

¹ JetBlue's history of Cuba charter service did not prevent it from making misstatements about the types of traffic that can lawfully be carried to Cuba. Specifically, JetBlue's claim to be "the airline of choice for New Yorkers, particularly those seeking *leisure vacations* in the Caribbean" (JetBlue Application, p 23; emphasis added) may be misplaced in the present proceeding. JetBlue also justifies its application for Orlando as being "the home of major *tourist* attractions, which are important sites for international visitors." (JetBlue Application, p 25; emphasis added) Although likely inadvertent references to prohibited types of U.S.-Cuba travel, these assertions raise the question as to whether JetBlue should be the carrier offering service to these destinations believing these traffic categories are available to them and will support their services.

Caribbean market, and granting it more Havana frequencies than Delta would exacerbate the imbalance. (DL-106 and DL-A-0501) Delta has demonstrated a willingness to compete with American and JetBlue's dominance in the region (JetBlue Application, p 7) and is one of the few airlines growing its seat share to the Caribbean.

JetBlue incorrectly asserts that network carriers will only apply for frequencies to serve their hubs, to the detriment of local origin and destination (O&D) passengers. (JetBlue Application, p 8) In fact, four of five of Delta's proposed frequencies would directly serve top five Cuban American markets. These O&D focused routes complement the superior connectivity attributes of Delta's Atlanta hub, which offers more connecting points for generally allowable travel and would serve a greater proportion of Cuban Americans with one flight than JetBlue's entire 12 frequency proposal. Atlanta is an excellent gateway for all 12 categories of permitted travel. The local Atlanta market is home to more than 20 universities, including world renowned Georgia Institute of Technology, Emory University, Morehouse College and Spelman College. Atlanta is the home of the Center for Disease Control and Prevention, the global news giant CNN, and is also the headquarters to numerous international non-profit organizations, such as the Task Force for Global Health, the American Cancer Society, CARE USA, MAP International, and the Carter Center. In addition to the local Atlanta market, Delta's Atlanta hub provides convenient one-stop connections to educational, religious, government, and fine arts centers across the United States.

Delta cannot fault JetBlue's conclusions that South Florida, New York, and Central Florida are likely to be the major centers of Cuba traffic in the near term, as the market will initially be driven by Cuban American travel preferences. These travelers will undoubtedly prefer the superior operational performance of Delta versus JetBlue. (DL-A-0502 and DL-A-0503) However, JetBlue's proposals to serve Tampa essentially duplicates its own proposed service at Orlando. The Cuban American population in the catchment areas, defined by a 90-

minute drive from Orlando and a 120-minute drive from Tampa, overlap almost completely.

(DL-A-0504) Boston is also a questionable gateway for Havana with relatively few Cuban Americans in the area and only 3 non-circuitous connection points to feed through-traffic. (DL-A-0505)

In a head-to-head competition for JFK-Havana frequencies, customers would likely prefer the superior facilities, service, and operational performance of Delta. (DL-206 and DL-207) Delta's proposal to serve Miami, which has historically seen more concentration by American and more charter demand than Fort Lauderdale, should also be granted before JetBlue's FLL-HAV offerings because Delta's proposal offers more in the way of intra-gateway competition. Atlanta offers something that no JetBlue proposal can: a true connecting-focused gateway providing nearly all of the U.S. convenient, one-stop service to Havana. Finally, rather than blanketing the region with redundant service, Delta's daily MCO-HAV proposal would efficiently use a single frequency to provide service to Central Florida.

C. Southwest Airlines

Southwest also submitted an application with the potential, if granted, to allow one carrier to dominate the U.S.-Havana marketplace, requesting 63 weekly frequencies. As described in the American and JetBlue rebuttals above, such concentration would stifle competition and prevent the traveling public from enjoying the full benefits of the agreement. Dedicating so many frequencies to one carrier just in South and Central Florida would make it impossible for any other carrier, let alone the industry, to offer competitive levels of service in the region and still have direct flights to other major Cuban American populations and gateways, such as New York and Atlanta.

Delta agrees with Southwest that initial applications should focus on Florida due to its high levels of demand, and that's precisely why Delta proposed to use three of its five frequencies to serve the state, but not to the detriment of all other communities in the United

States with the capacity to generate traffic. Southwest's application for 6 daily frequencies from Fort Lauderdale, in terms of frequency and capacity allocations, is inconsistent with its service to other Caribbean destinations from the same airport. Only San Juan, Puerto Rico receives more than one daily service to FLL on Southwest, and even then operates at most twice daily. (DL-A-0601) New York, home to the second largest population of Cuban Americans, deserves direct flight options after Miami. Delta's proposed Atlanta-Havana flight's connectivity to the rest of the U.S. is superior in terms of connecting opportunities than Southwest's entire 9 flight proposal. Delta is also the only option for true network carrier competition to American in Miami/Fort Lauderdale, and would offer superior performance to Southwest. (DL-A-0603) Finally, Delta's Orlando-Havana flight would more efficiently serve Central Florida by requiring only one frequency compared to Southwest's proposal of three. Regardless of how customers choose to fly, Delta offers its tickets through multiple distribution channels, whereas web customers can only purchase tickets on Southwest's own website. (DL-A-0602)

D. Frontier Airlines

Frontier's proposal for service to Havana asks for four daily frequencies to operate three daily Miami and one daily Denver flights. Frontier touts its service as being reliable (Frontier Application, p 2), despite its 2015 on-time record of a dismal 73%, next to last amongst all carriers, and its completion factor lagged Delta's by a substantial margin. (DL-A-0703) Frontier is also anything but a reliable partner to airports and the traveling public, having abandoned more than 35 different airports and ceasing service on over 100 routes in the past 4 years alone. (DL-A-0701) Its commitment to any new, speculative route is questionable, even those that Frontier does maintain. The three routes that Frontier offers up as examples to demonstrate how it stimulates demand and lowers prices are also examples of markets which it has entered then significantly retreated when it realized its strategy was not economically

sustainable. Frontier reduced capacity by 25% or more within two years of entering the Denver-Cincinnati, Denver-Memphis, and Chicago-Miami markets. (DL-A-0703)

Although Delta agrees that Miami is deserving of intra-gateway competition, three daily flights to Havana on Frontier would not only be its first international flights from Florida, it would grow Frontier's presence at MIA airport by a full 50%. The Department should be very skeptical about Frontier's proposal, especially considering its poor record of sustaining new, speculative service. Delta, in comparison, has a long, stable history of serving Miami and its proposal for MIA-HAV flights would offer the only competitive network carrier options for Miami/Fort Lauderdale. As for Frontier's Denver-Havana proposal, Atlanta is a superior gateway to Denver. Atlanta offers 123 interior connections versus 8 for Denver, 6 of which can also be served from Atlanta. (DL-A-0308) Both Delta's New York-Havana and Orlando-Havana proposals also offer more consumer benefits, as described above, than either route proposed by Frontier, and Delta's full proposal should be granted frequencies before Frontier's.

E. Spirit Airlines

Spirit proposed two daily flights to Havana from Fort Lauderdale and claims that its service for visiting relatives would "be by far the best and most economic service for such family travel." (Spirit Application, p 3) Yet, Cuba bound passengers, especially those visiting family and taking considerable checked luggage to the island, may find it hard to enjoy these claimed savings. Spirit's additional fees are notorious among the traveling public, with 45% of their revenue coming from sources other than the seat purchase, making Spirit's low fare reputation illusory. (DL-A-0801 and DL-A-0802) Spirit also ranks last in terms of on-time performance and completion factor, and ranks first in customer complaints. (DL-A-0803 and DL-A-0804)

Delta's proposal offers direct flights to South Florida, New York, and Central Florida, unparalleled service and connecting options in Atlanta, all with top-tier operational performance

and customer service. Spirit's request should only be funded after Delta's more efficient, comprehensive, and customer friendly proposal.

F. Alaska Airlines

Alaska frames its service as a competitive "antidote" in this proceeding, but its proposal offers little actual competition. (Alaska Application, p 7) Alaska service at Los Angeles, as a West Coast gateway for travelers to Cuba, offers only 4 connecting points versus 123 for Delta connecting Havana passengers over Atlanta. Of these connecting points, only 2 are unique to Alaska's proposal, whereas Delta offers 121 unique points over Atlanta. (DL-A-0902) Choosing to inaugurate Caribbean service from Los Angeles by servicing Cuba is a strange decision, as the only currently scheduled flight from Los Angeles to the Caribbean is American's Los Angeles-Montego Bay flight, which operates on a once weekly basis. (DL-A-0901)

New York's local demand for service to Cuba is greater than that of Los Angeles and offers many more connecting options on Delta compared to Alaska's proposal. Atlanta is a superior gateway for travelers to Havana, offering more than 60 times the connecting points to Alaska's proposals. Miami dwarfs Los Angeles in terms of market size, and offers far more connecting options on Delta than proposed by Alaska. Service via Orlando will serve as a gateway for Cuban Americans throughout Central Florida, and offers yet another superior connection point to interior U.S. points over Los Angeles. Alaska's proposal should be chosen only after Delta's full proposal to serve JFK-HAV, ATL-HAV, MIA-HAV, and MCO-HAV (all of which offer more service to a greater proportion of the expected demand than Los Angeles-Havana) is awarded because Delta's proposal would produce far more public benefits and service options than will Alaska.

G. United Airlines

United proposed to offer Havana service from Newark, Houston, Chicago, and Washington, DC. However, United proposes to offer only Saturday flights on all these flights

except Newark. This would likely prevent other carriers that wish to offer daily service to Havana from doing so. Demand for Saturday service is particularly elevated in this route case, with it being the most requested day on which to operate less than daily flights. Customers value daily service due to the flexibility and travel options it creates. The Department would maximize public benefits in this proceeding by selecting daily services before any proposed less than daily flight proposals, especially considering that Saturday service is extensively over-subscribed.

United repeatedly discusses the connecting strength of its Saturday-only proposals, yet each of these options are inferior to Delta's proposed daily Atlanta-Havana flight. By cherry-picking certain connecting points and hubs in each circuitry comparison (United Application, pp 10-14), United massages the statistics to where its proposed hub is, perhaps unsurprisingly, ranked either first or second. Atlanta, which would only require one Saturday frequency (along with its other consumer-benefitting, daily operations) could connect more destinations to Havana than either Houston, Washington, or Chicago, or an additional Saturday Newark flight. Also, thanks to its favorable Southeastern location, Atlanta can connect these 123 different communities throughout the U.S. with minimal general circuitry.

For all these reasons, any of United's proposed Saturday-only services should only be granted after Delta's full offering is awarded. Daily Atlanta service offers more options to customers with the most comprehensive U.S. coverage of any airport proposed in this proceeding. Miami and Orlando also directly serve Cuban American population centers in South and Central Florida far larger than Houston, Washington, or Chicago.

H. Federal Express Corporation

FedEx's request for Monday through Friday is for all-cargo service, and therefore can generate only limited public benefits relative to combination services. Regardless of which airlines are selected by the Department there will be significant new cargo uplift available to

shippers between the U.S. and Cuba. Carriers like American, Delta, and Southwest all offer belly cargo services and have dedicated cargo departments with experience selling freight services independent of their passenger marketing efforts. Just six daily passenger service frequencies would offer as much cargo capacity as FedEx proposes, and 20 frequencies provide over three-times the FedEx proposed capacity. (DL-A-1001) The blind-sector routing proposed by FedEx would further marginalize any potential benefit to FedEx's proposal by only fractionally utilizing scarce Havana frequencies and carrying Mexico-bound cargo along with Cuba-bound freight.

I. Sun Country Airlines

Sun Country proposes to serve Havana from Fort Meyers and Minneapolis each with twice weekly service; Monday and Friday for Fort Meyers, and Saturday and Sunday for Minneapolis. (DL-A-1101) Although requesting relatively few frequencies, Sun Country's application does little to benefit the traveling public compared to Delta's proposal. Both Minneapolis and Fort Meyers are home to few Cuban Americans and have very limited connecting options on Sun Country. In fact, Atlanta offers a larger Cuban American demand base and less circuitous connecting options to every potential Sun Country destination beyond Minneapolis. Fort Meyers only offers Sun Country flights to Minneapolis, Cancun, and San Juan, PR. For these reasons and the numerous others described in prior sections regarding the benefits of Delta's offered Havana routes, Sun Country's proposal should only be granted frequencies after Delta's proposal is fully funded.

J. Silver Airways

Silver's proposal included service to Havana from various Florida cities adding up to five daily, year round flights using 34 seat Saab 340B turboprop aircraft. This proposal would require one-quarter of all Havana frequencies, but would provide less than one-fifth the number seats Delta is offering the Havana market. Any one of Delta's proposed Florida-Cuba flights

would offer nearly as many seats as all five of Silver's proposed flights. Even though some unique points would be served by Silver, it cannot be in the public's interest to allocate any scarce Havana frequencies to such a small-gauge operation.

K. Dynamic International Airways

Dynamic applied to serve Havana from New York (JFK), Chicago (ORD), and Los Angeles (LAX) with less than daily service. These flights would be Dynamic's first entry into scheduled commercial service and would require the Department to find Dynamic is capable of possessing scheduled service authority. Cuba will pose a regulatory and operational challenge for carriers and this is not the scenario for speculative new entrants to commence offering scheduled service for the first time. The specifics of Dynamic's proposal are also less than compelling. Although Dynamic offers the largest aircraft as far as seats available, the Department should note that Dynamic anticipates needing six months of booking to suitably fill their large aircraft. (Dynamic Application, p 4) Other carriers, including Delta, stand ready to start service as soon as 90 days after receiving final authority, meaning that scarce resources will be underutilized if awarded to Dynamic while other carriers will already be in the market, making Dynamic's marketing challenges that much greater. Further, as these Havana flights would be Dynamic's only scheduled flights, they would offer minimal connecting opportunities for the traveling public. As discussed above, less than daily service is suboptimal for travelers and the Department's long standing policy of maximizing service options in entry limited markets. Additionally, each of the Dynamic's proposed markets (JFK, ORD and LAX) are better served with experienced scheduled service operators proposing daily service. New York had several applications for direct service, including from Delta, JetBlue, and United. Los Angeles is represented by proposals from Alaska and American. Chicago will undoubtedly be well-served by frequent connections over any number of the proposed gateways.

L. Eastern Air Lines

Eastern proposed a daily flight from Miami to Havana. As with Dynamic, this Cuba flight would be Eastern's entry into scheduled commercial service and this is not the appropriate setting for new, speculative carriers.² There are numerous experienced scheduled airlines that applied for authority in the Miami/Fort Lauderdale-Havana market. Similar to Dynamic, this would be Eastern's only scheduled flight and there is no information on what, if any, connecting options would be available to consumers.

IV. Conclusion

Delta respectfully submits that the public interest would be best served by the grant of five daily frequencies for the New York, Atlanta, Miami, and Orlando - Havana services described above. However, if DOT makes carrier and city selection determinations that do not result in all of Delta's requests being granted, then Delta urges the Department to apply the market priority ranking Delta has specified in its application.

Respectfully submitted,



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DELTA AIR LINES, INC.

² As with the case of the Dynamic application, the DOT would first have to find Eastern possesses the qualifications necessary to be awarded scheduled service authority.

Exhibit Table of Contents

Series DL-A-0100: Delta's application provides the most comprehensive service to Havana

Series DL-A-0200: Department should consider operational performance and customer experience

Series DL-A-0300: Merits of Delta's proposals for service to JFK, ATL, MIA and MCO

Series DL-A-0400: Response to American Airlines

Series DL-A-0500: Response to JetBlue Airways

Series DL-A-0600: Response to Southwest Airlines

Series DL-A-0700: Response to Frontier Airlines

Series DL-A-0800: Response to Spirit Airlines

Series DL-A-0900: Response to Alaska Airlines

Series DL-A-1000: Response to FedEx

Series DL-A-1100: Response to Sun Country Airlines

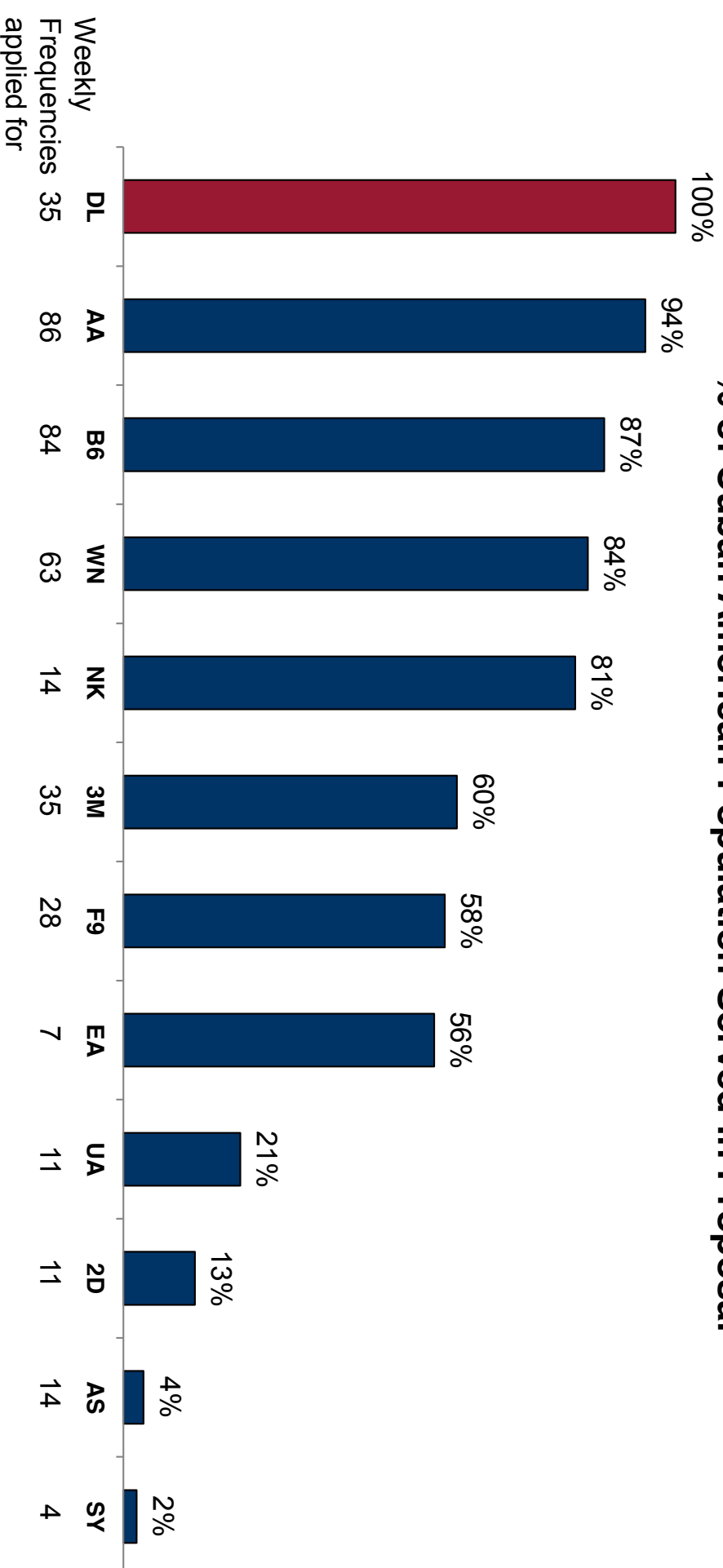
Series DL-A-1200: Response to Dynamic Airways

Delta's Application Provides the Most Comprehensive Service to Havana



- Delta proposal is the only package that would serve 100% of the Cuban American community with direct or one-stop service

% of Cuban American Population Served in Proposal



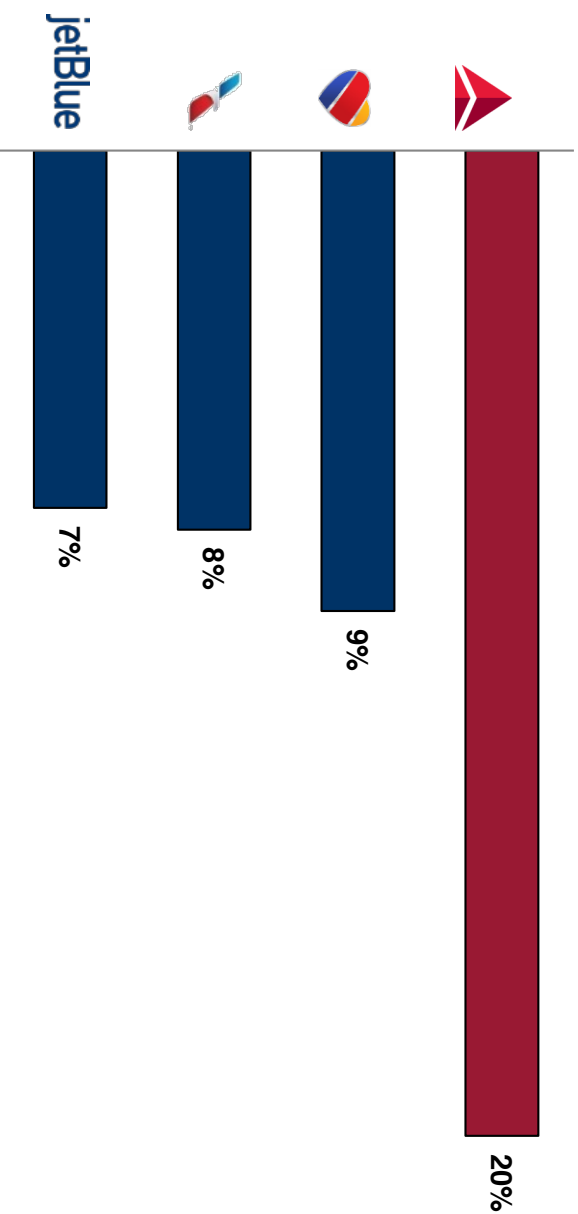
Methodology: Connectivity sourced from each airline's proposed connecting schedule to HAV. Assumes full grant of all proposed frequencies. 2010 Census population data matched to airports based on minimum total travel time and drive diversion.

Delta's Application Provides Cuban Americans Best "Bang for the Buck"



- High frequency awards to AA, B6 or WN would offer diminishing returns to Cuban Americans
- One Delta ATL flight offers more connectivity than AA's 10 MIA flights, providing access to HAV for Cubans living outside of South Florida

Average % of Cuban American Population Served per Daily Frequency



Methodology: Connectivity sourced from each airline's proposed connecting schedule to HAV. Assumes full grant of all proposed frequencies. 2010 Census population data matched to airports based on minimum total travel time and drive diversion.

Department Should Prioritize Scheduled Passenger Service to Havana



- Due to the limited number of frequencies to be awarded, priority should be given to carriers for scheduled passenger service that can accommodate cargo, rather than purely cargo service which excludes passengers

Carriers Applying for HAV Frequencies



Department Should Prioritize Carriers with Existing Scheduled Passenger Service



- Priority should be given to carriers with proven ability to serve markets with scheduled passenger service

Carriers Applying for HAV Frequencies



Department Should Prioritize Mainline Service to Havana



Docket DOT-OST-2016-0021
Exhibit DL-A-0103

- Priority should be given to carriers with mainline aircraft that can increase gauge to satisfy future demand
- Carriers that did not apply to operate mainline equipment for HAV frequencies should be ruled out

Carriers Applying for HAV Frequencies



Department Should Prioritize Daily Service to Havana



Docket DOT-OST-2016-0021
Exhibit DL-A-0103

- Two carriers did not apply for daily HAV frequencies and should be ruled out
- Allocating less than daily HAV frequencies inclusive of peak travel days to any carrier disadvantages the carrier awarded the remaining days of week

Carriers Applying for HAV Frequencies

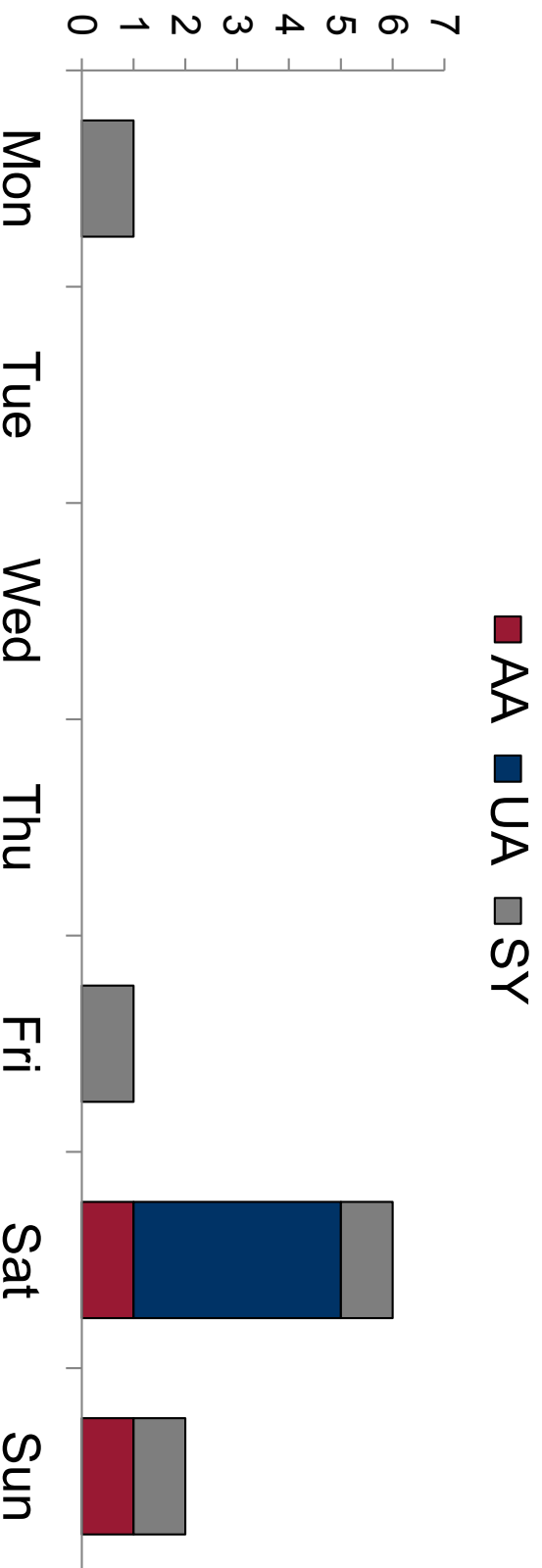


Daily Frequencies Should Not be Cherry-Picked Of Peak Travel Days



- UA and AA's requests for less than daily service are entirely concentrated on the highest peak days for travel, Saturday and Sunday
- UA requests Saturday only service for EWR, IAH, IAD and ORD
- AA requests Saturday only service for ORD and Sunday only service for LAX
- Half of Sun Country's request also on peak travel days (MSP)

Less than Daily Frequency Applications



American, JetBlue and Southwest Proposals Would Stifle Competition to Havana

- AA and B6 have applied for over 60% of the weekly frequencies available
- WN has applied for 45% of the weekly frequencies available
- DL is the only network carrier with a reasonable yet comprehensive proposal

Weekly Frequencies Applications

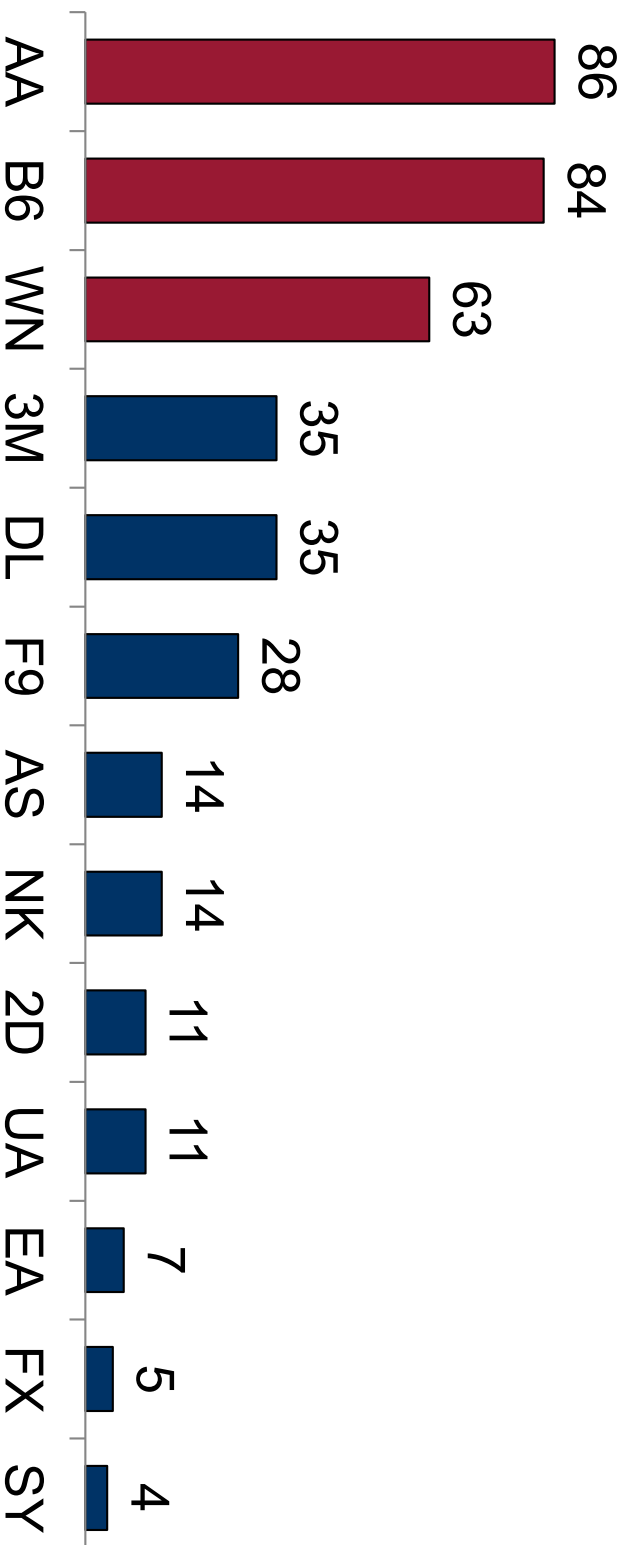


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Series DL-A-1000: Response to FedEx

Series DL-A-1100: Response to Sun Country Airlines

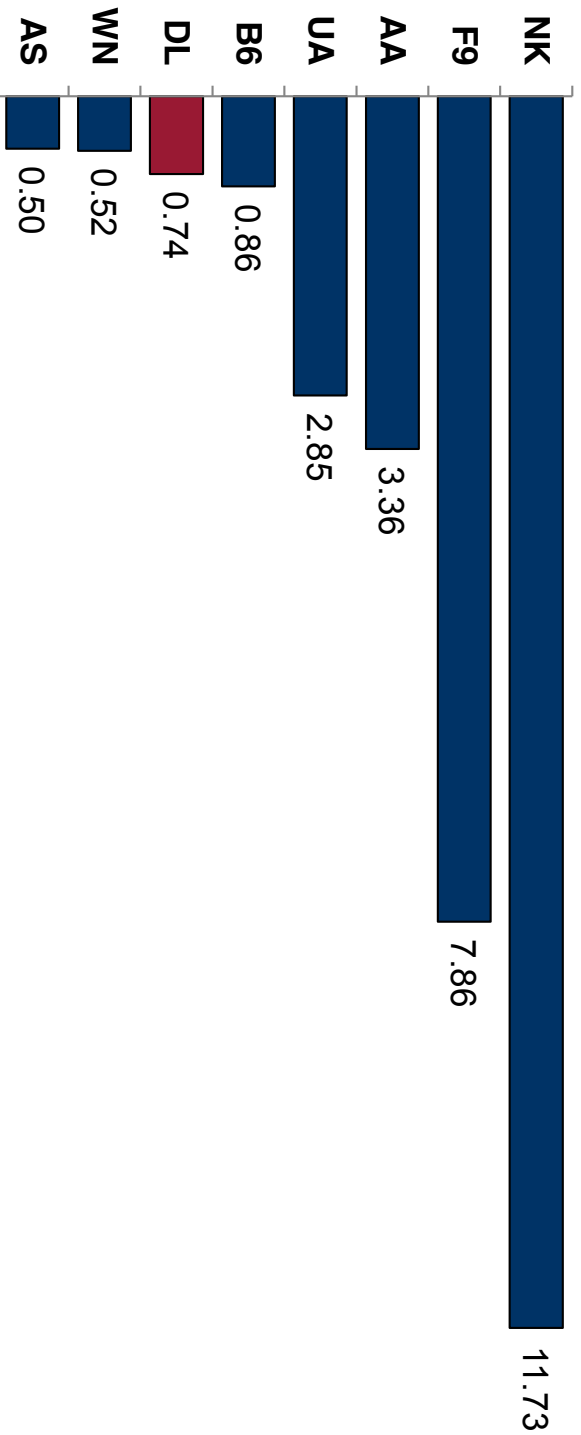
Series DL-A-1200: Response to Dynamic Airways

Department Should Consider Operational Performance and Customer Experience in Determining Frequency Awards



- Delta offers top tier customer service
- Spirit and Frontier have complaint rates that are over 10x as high as Delta
- Delta has $\frac{1}{4}$ the complaint rate of other network carriers (AA & UA)

DOT Customer Complaint Reports Per 100,000 Passengers

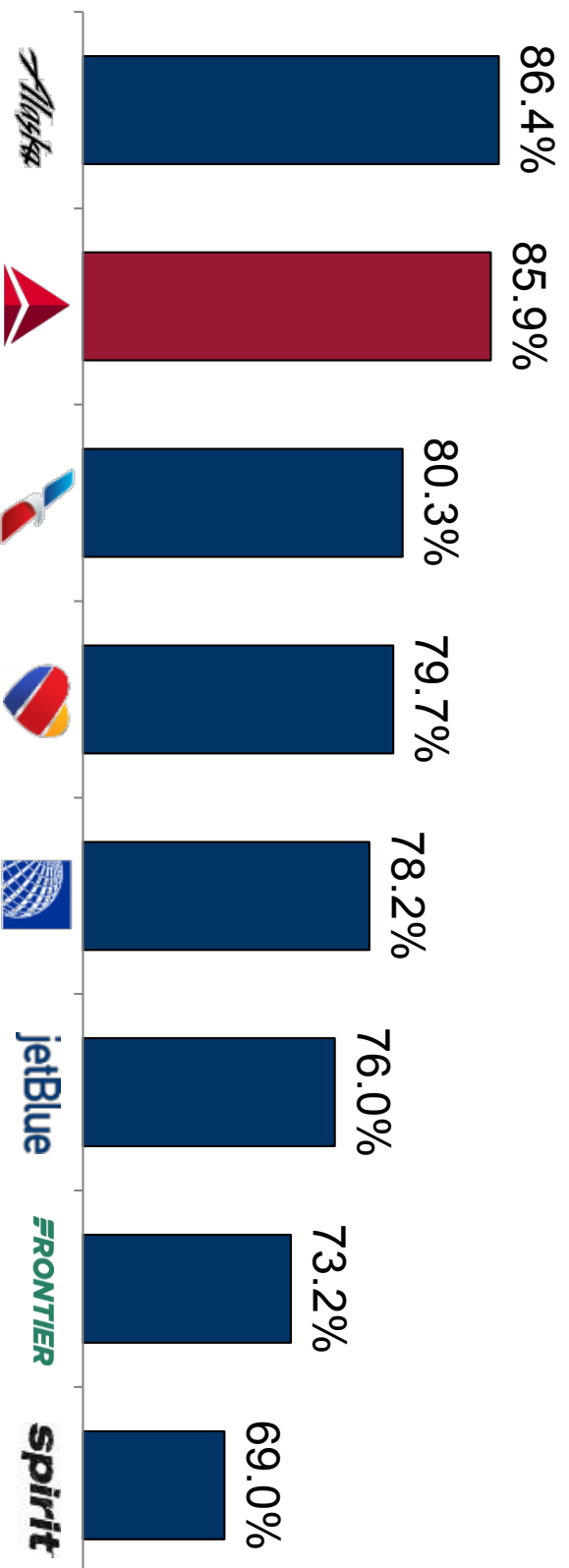


Delta is Top Carrier in Operational Reliability



- Delta is consistently ranked in the top tier for on time arrivals
- There is a significant drop off in on time arrival among all carriers after Delta

On Time Arrival Rate
FY 2015

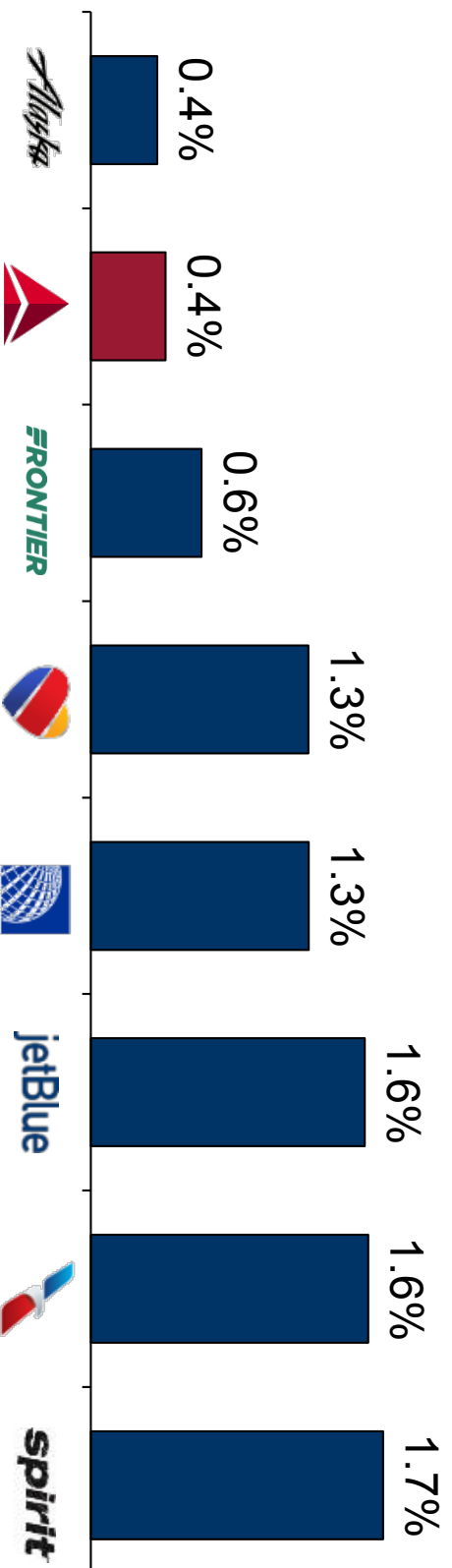


Delta is Top Carrier in Operational Reliability



- Delta's 2015 operational performance was far more reliable than competitors
- Southwest, United, JetBlue, American and Spirit all cancelled more than three times the percentage of their flights as Delta

Overall % of Flight Cancellations FY 2015



Delta is a Reliable Choice for U.S. Traveling Public



- AA has the highest mishandled baggage rate in the industry, and nearly double that of Delta
- Delta is in top tier for baggage performance in spite of the complexity of the network and high level of connecting traffic

DOT Mishandled Baggage Reports Per 1,000 Passengers

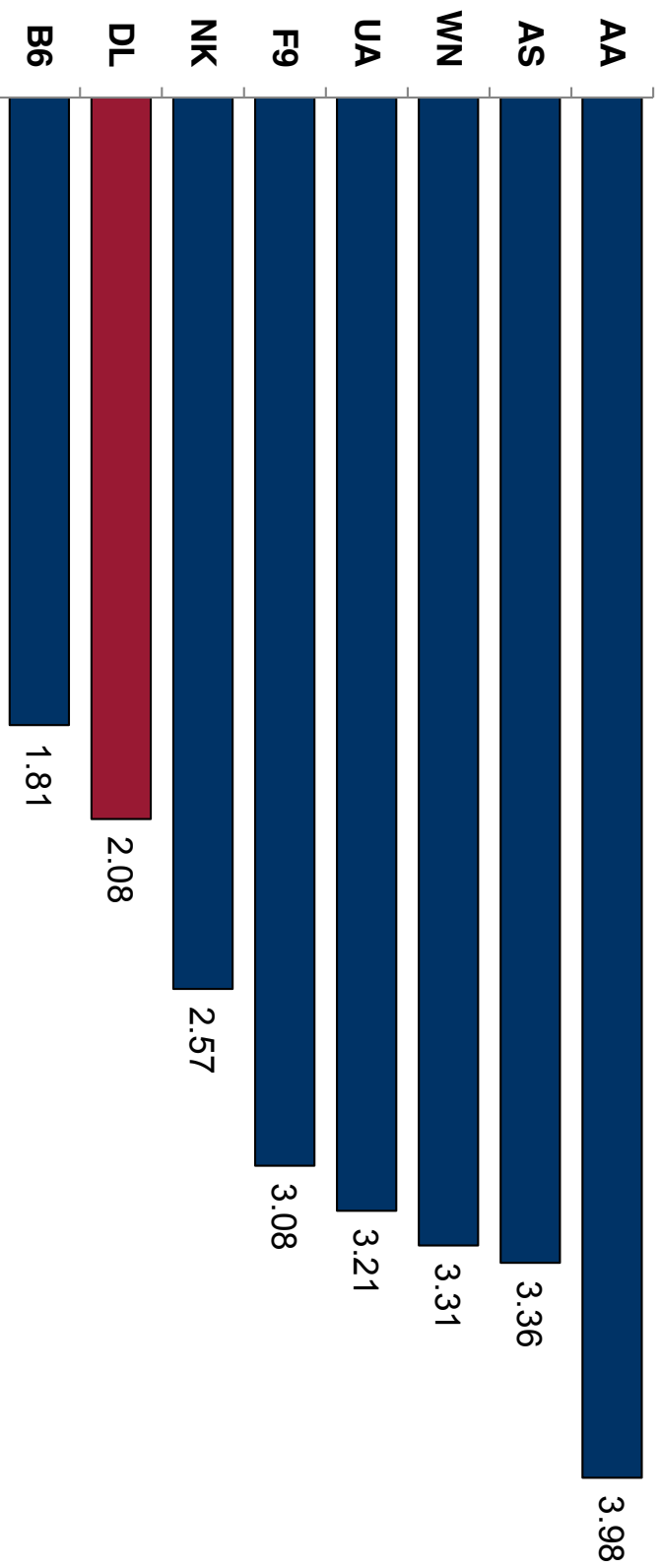


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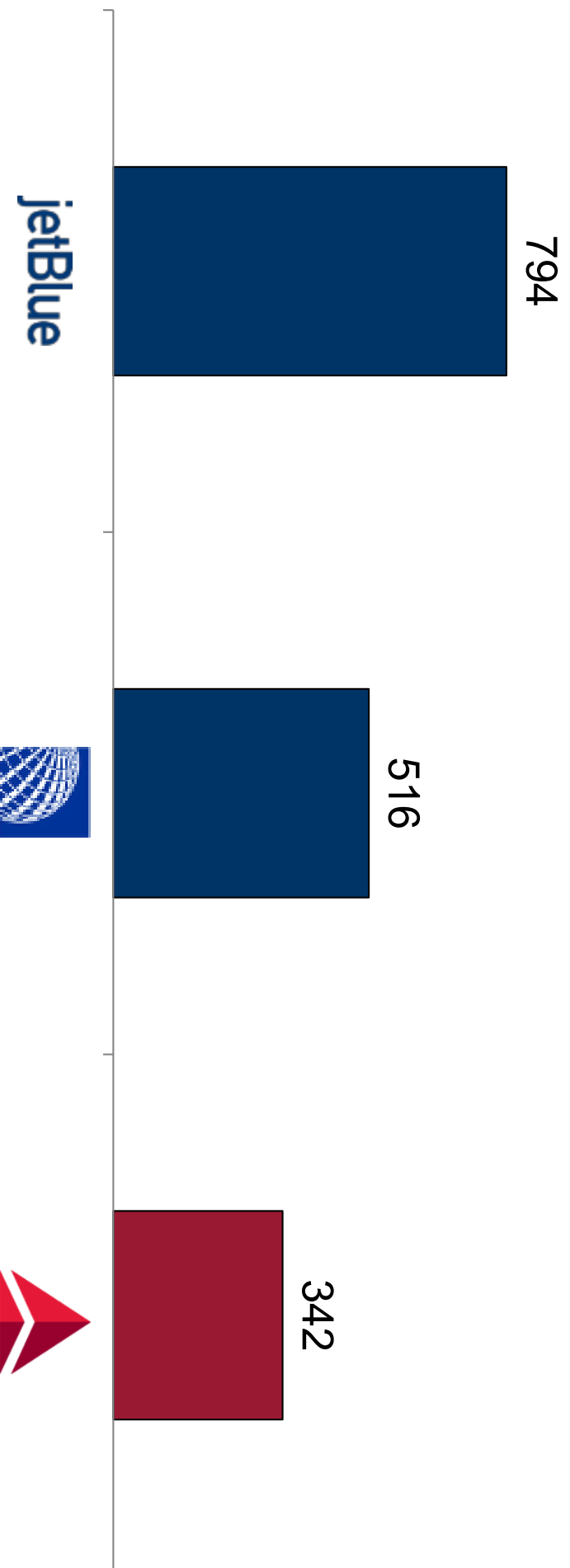
Series DL-A-1200: Response to Dynamic Airways

Delta's NYC (JFK) to Havana Service Proposal Would Enhance Competition at the Largest U.S. Metro Area and the 2nd Largest Cuban American Population Center



- JetBlue's proposed double daily service would limit competition and further escalate JetBlue's largest carrier status from NYC to Latin America
- Delta needs to be granted JFKHAV designation to close the competitive gap

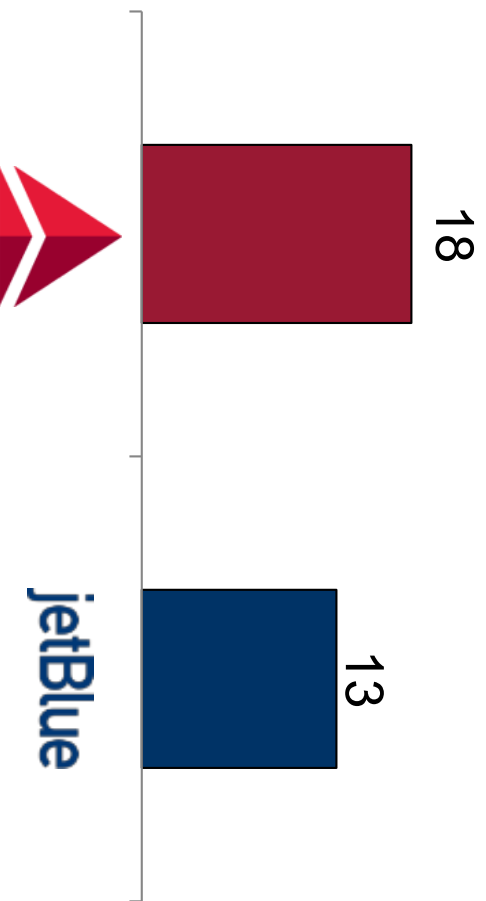
Flights between NYC (JFK/EWR) and Latin America Weekly flights



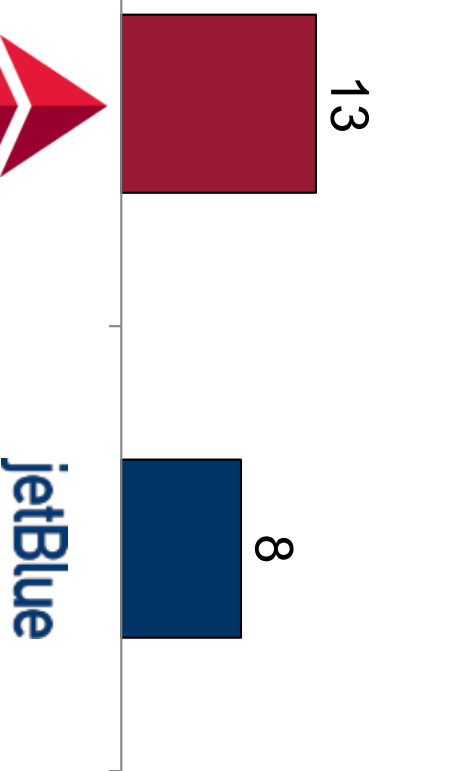
Delta's JFK Hub Offers Critical Connectivity to Havana Not Offered by JetBlue's JFK Network

- JetBlue's twice daily JFK frequencies connect to 13 points beyond New York, whereas travelers to Havana would have access to 18 points beyond Delta's proposed one daily JFK flight
- JetBlue offers 8 unique points beyond JFK, whereas Delta's JFK hub offers 13 unique points

Interior Connections



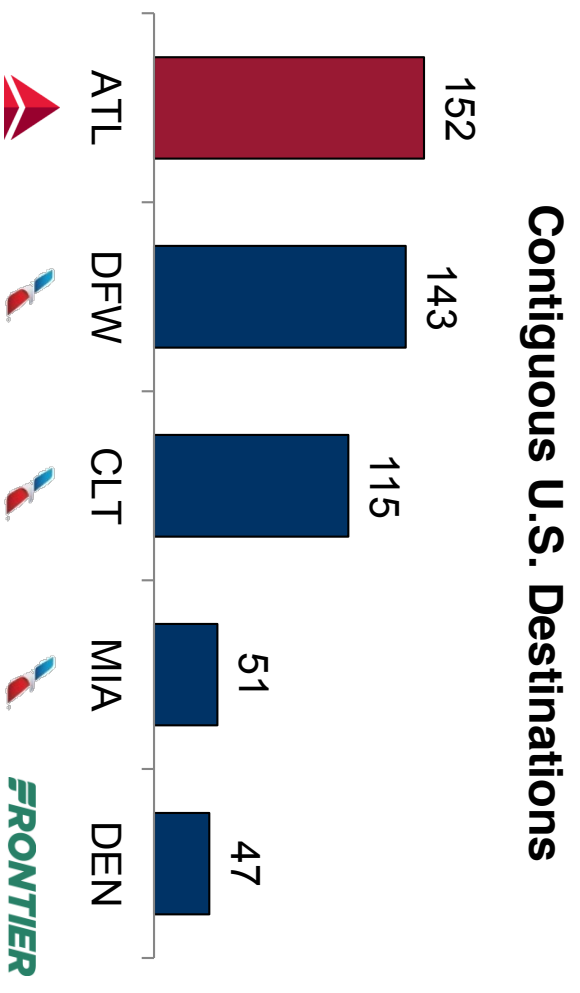
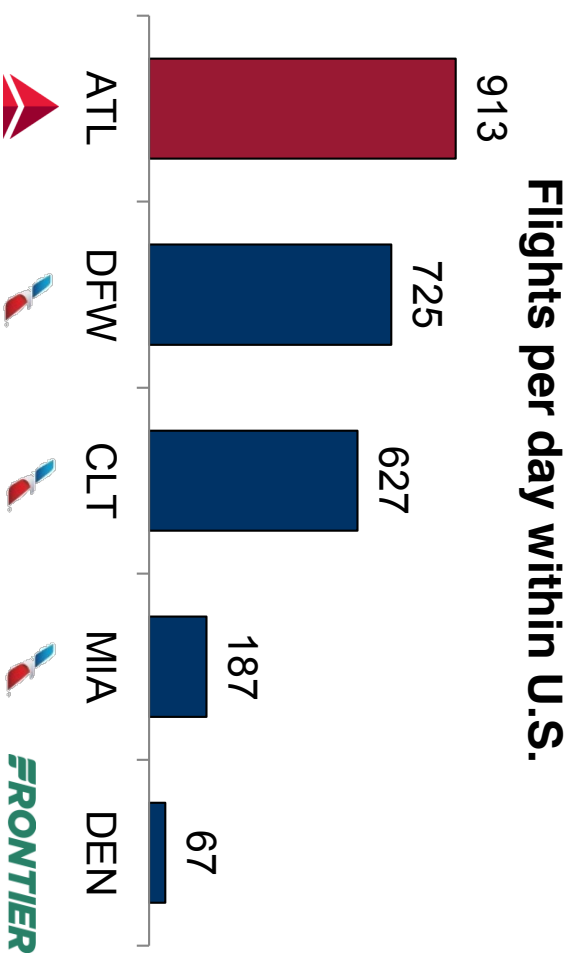
Unique Connections



Delta's Atlanta Hub is the Leading Interior Gateway to Havana



- Delta's Atlanta hub offers more flights per day to more U.S. destinations than any other airline hub



Atlanta is the Superior Interior Gateway to Cuba

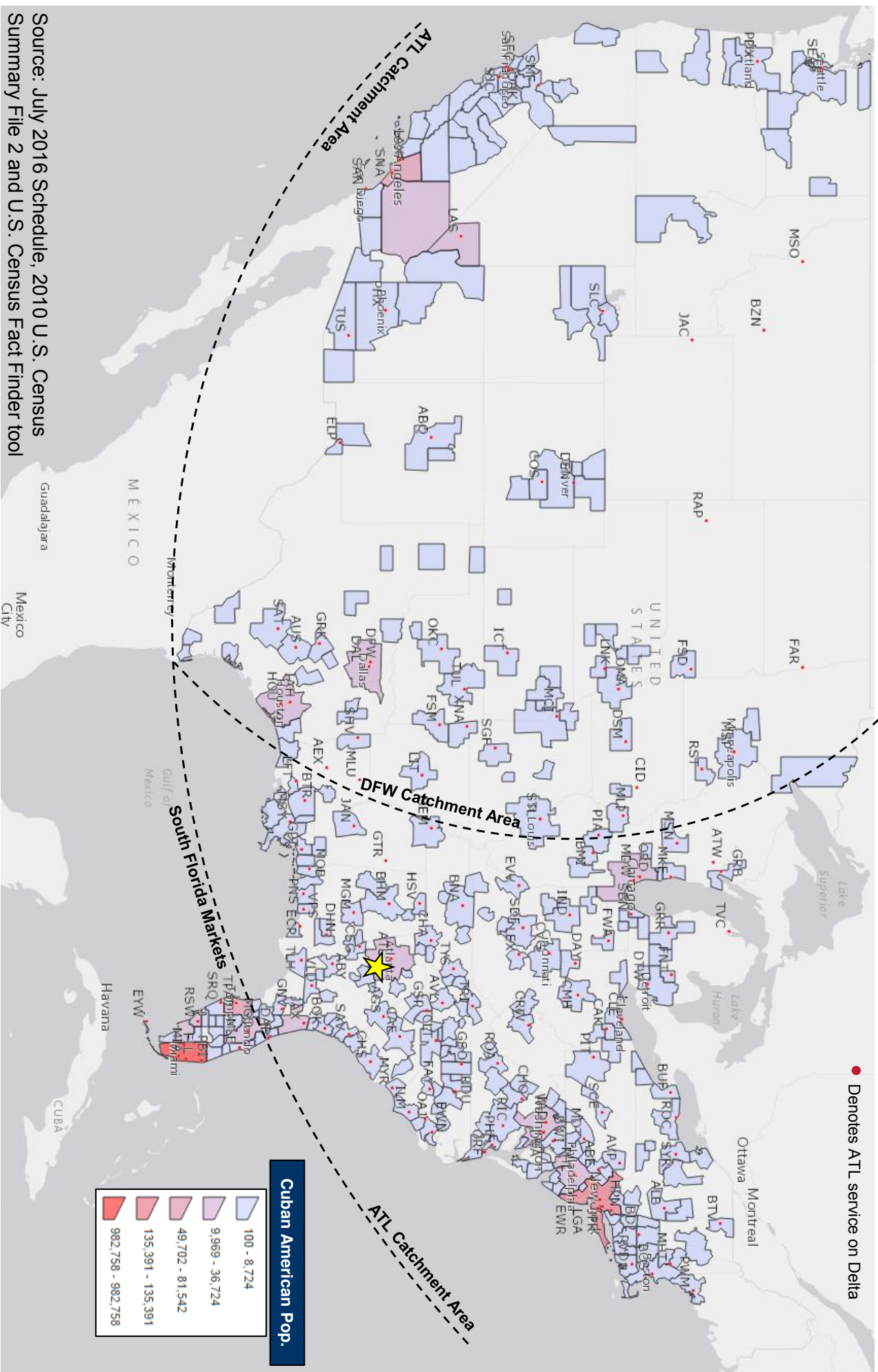
ATL Network Would Provide Non-Circuitous One-stop Access to Nearly Half of U.S. Cuban American Population, Far Greater than DFW Catchment



Docket DOT-OST-2016-0021

Exhibit DL-A-0304

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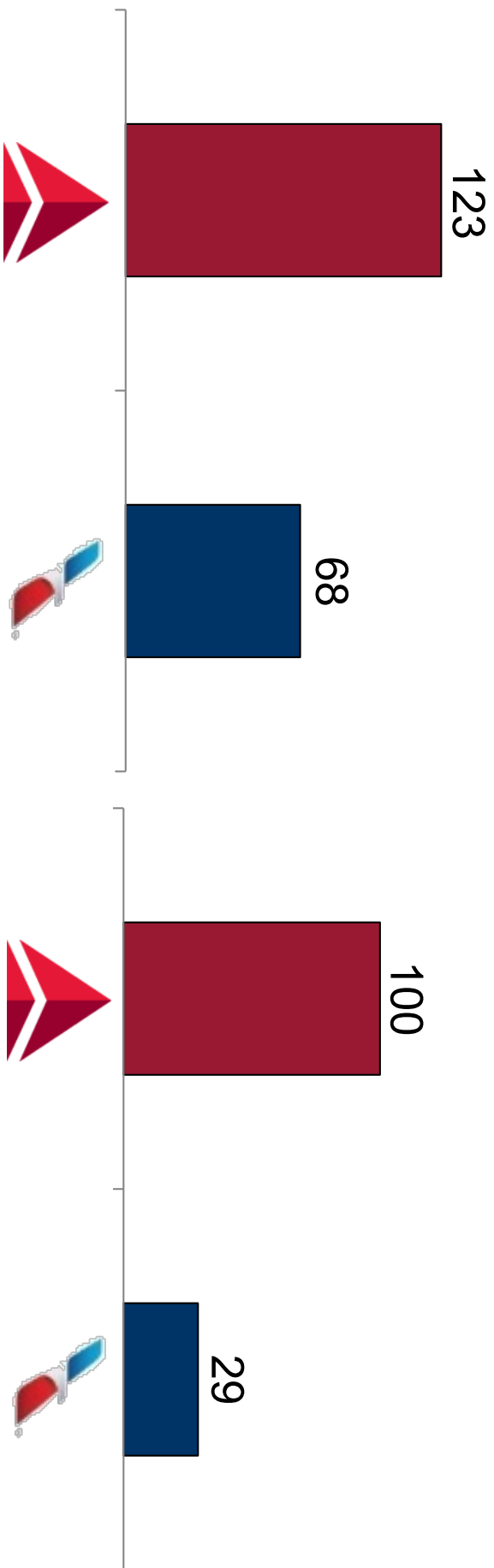
Source: July 2016 Schedule, 2010 U.S. Census Summary File 2 and U.S. Census Fact Finder tool

Delta's Atlanta Hub Offers Critical Connectivity to Havana Not Offered by American's Dallas Network

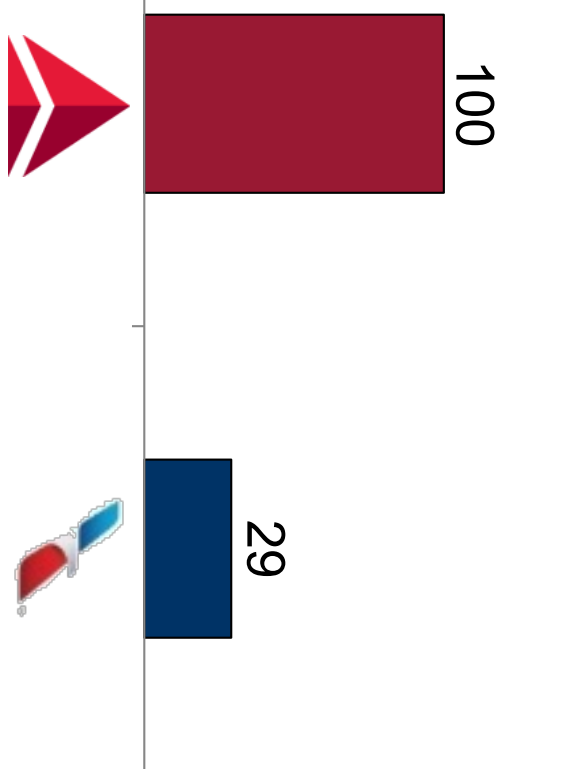


- American's one daily Dallas frequency connects to 68 points beyond Dallas, whereas travelers to Havana would have access to 123 points beyond Delta's proposed one daily Atlanta flight
- American offers 29 unique points beyond Dallas, whereas Delta's Atlanta hub offers 100 points, ensuring access for many small communities

Interior Connections



Unique Connections



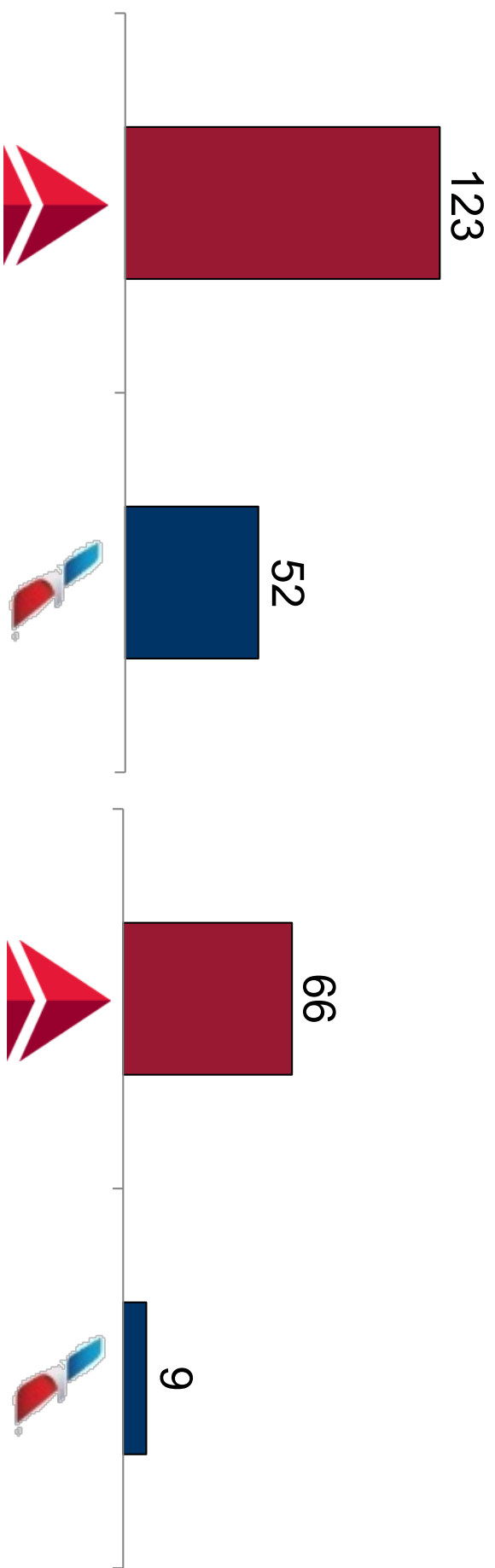
Note: Matched AA's methodology for calculating connections (roundtrip daily connectivity with maximum connect time of 4 hours, summer schedule)

Delta's Atlanta Hub Offers Critical Connectivity to Havana Not Offered by American's Charlotte Network



- American's one daily Charlotte frequency only connects to 52 points beyond Charlotte, whereas travelers to Havana would have access to 123 points beyond Delta's proposed one daily Atlanta flight
- American offers 9 unique points beyond Charlotte, whereas Delta's Atlanta hub offers 66 points ensuring access for many small communities

Interior Connections



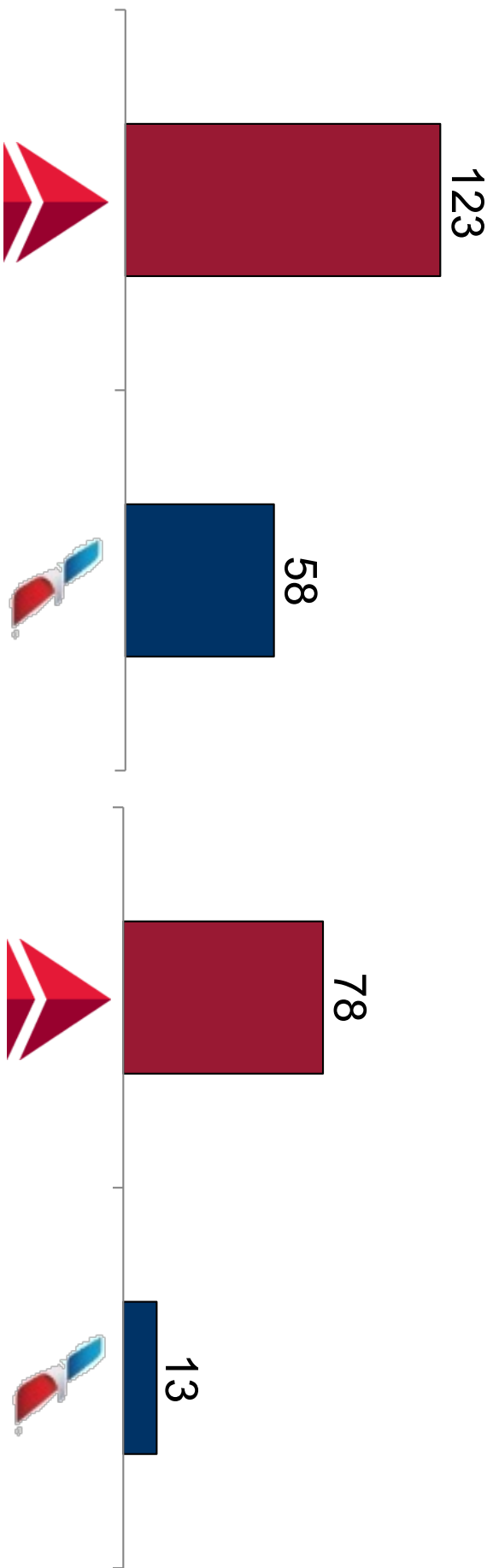
Note: Matched AA's methodology for calculating connections (roundtrip daily connectivity with maximum connect time of 4 hours, summer schedule)

Delta's Atlanta Hub Offers Critical Connectivity to Havana Not Offered by American's Miami Network

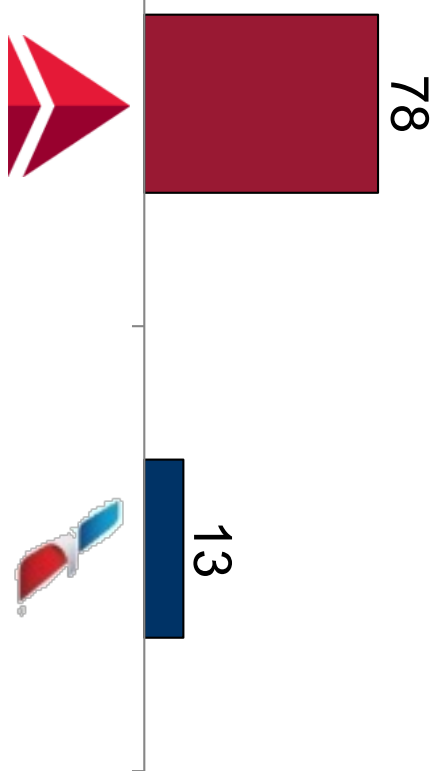


- American requests 10 daily frequencies to connect to 58 points beyond Miami, whereas travelers to Havana would have access to 123 points beyond Delta's proposed one daily Atlanta flight
- American offers 13 unique points beyond Miami, whereas Delta's Atlanta hub offers 78 points ensuring access for many small communities

Interior Connections



Unique Connections

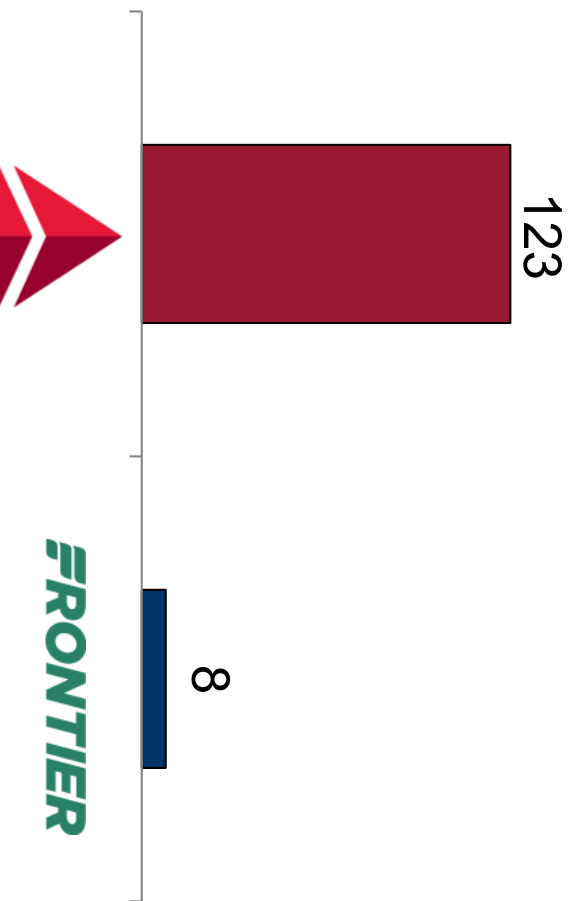


Note: Matched AA's methodology for calculating connections (roundtrip daily connectivity with maximum connect time of 4 hours, summer schedule)

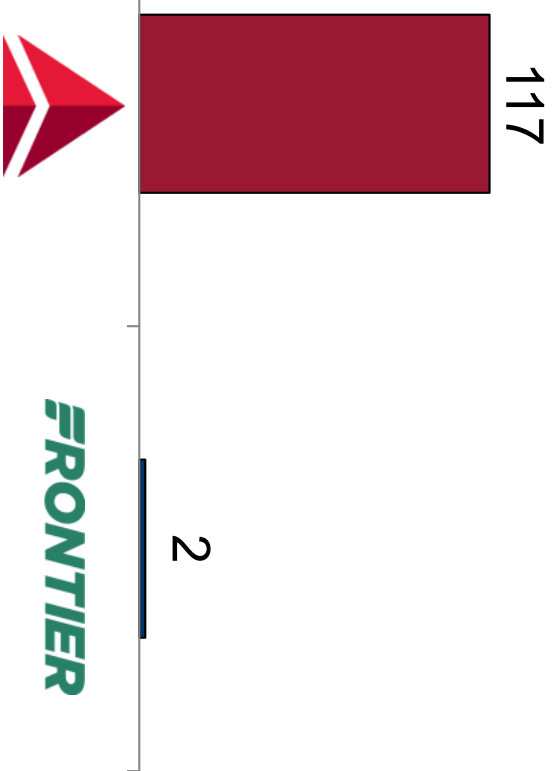
Delta's Atlanta Hub Offers Critical Connectivity to Havana Not Offered by Frontier's Denver Network

- Frontier's daily Denver frequency connects to 8 points beyond Denver, whereas travelers to Havana would have access to 123 points beyond Delta's proposed one daily Atlanta flight
- Frontier offers 2 unique points beyond Denver, whereas Delta's Atlanta hub offers 117 points ensuring access for many small communities

Interior Connections







Unique Connections



Delta is in the Best Position to Offer Competitive Presence in Key Miami to Havana Market

MIA Scheduled Commercial Service LTM Jun-16

			 FRONTIER	 EASTERN
Daily Flights	636	54	12	--
Daily Seats (000)	96	8	2	--
Destinations	130	10	7	--

Delta and Its Partners are Investing in Orlando

- Delta boasts a robust network of domestic connections to Orlando and launched new service to Sao Paulo in December 2015
- Delta partners WestJet, Aeromexico, and Virgin Atlantic also serve MCO, providing additional connectivity

MCO Scheduled Commercial Service

LTM Jun-16

		  	DL+ Partners
Daily Flights	104	19	123
Daily Seats (000)	18,178	4,673	22,851
Destinations	26	19	45

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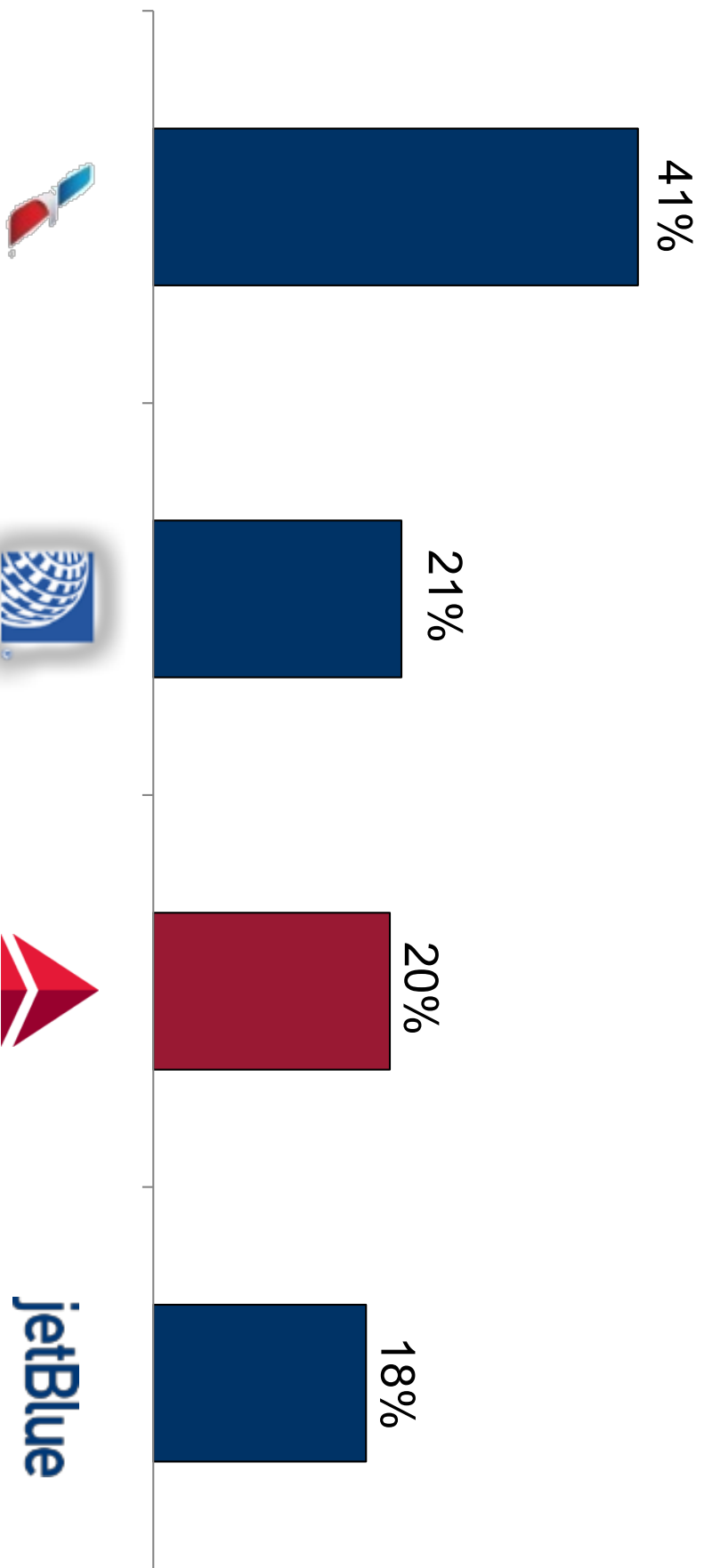
Series DL-A-1200: Response to Dynamic Airways

American's Application Would Further Solidify Its Dominant Position in Latin America



Docket DOT-OST-2016-0021
Exhibit DL-A-0401

U.S. - Latin America Seat Share, Top 4 Carriers YTD Oct-16



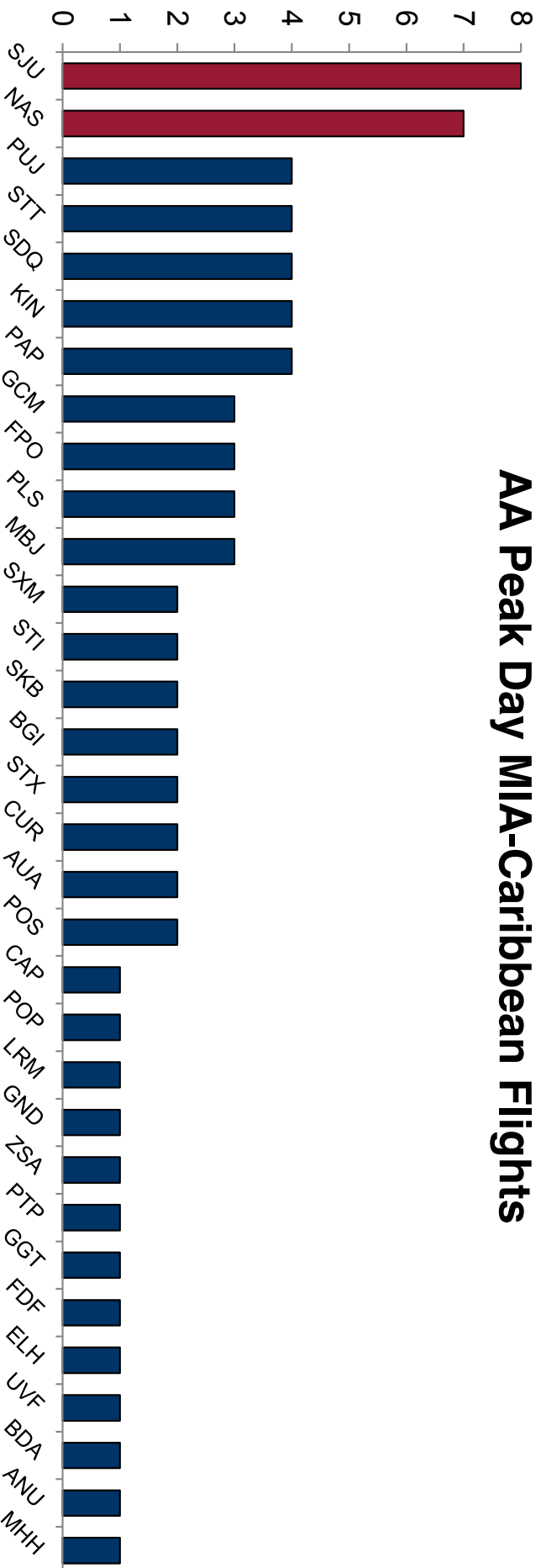
Source: Dilo Mi; B6 2016 schedule only available through October 29th, 2016

American's Request for 10 Miami to Havana Frequencies Out of Sync with Its Current Offerings



- AA does not currently serve any Caribbean market with 10 daily frequencies
- Their largest offerings, SJU and NAS, are mature markets that benefit from extensive industry competition
 - AA accounts for *less than 20%* of industry capacity between the U.S. and these two markets, whereas their request for Miami alone is for *50%* of U.S.-HAV

AA Peak Day MIA-Caribbean Flights



American's Statement that It Should Receive a Minimum of 10 Miami to Havana Frequencies Based on a False Premise

- AA has stated they should be awarded the same frequencies, if not more, than they currently operate as charter service for MIA to HAV:

–“Should the Department fail to do so, the Miami community could emerge from this proceeding worse off than it currently is with only charter service available. Many charter service providers will be displaced by scheduled service, and charter flights to Cuba will be far less frequent..... The Department must guard against this adverse result by ensuring that at least 10 of the daily scheduled frequencies to HAV are awarded to American at MIA, which will encompass current traffic on the (underreported) 7.3 average daily charter flights and the anticipated growth in demand from the availability of scheduled service....” Page 11 of 21, Application of American Airlines, Inc., Docket DOT-OST-2016-0021

- While AA has been a leading operator for U.S.-Cuba charter flights, those flights are *sold and marketed* through third-party providers:

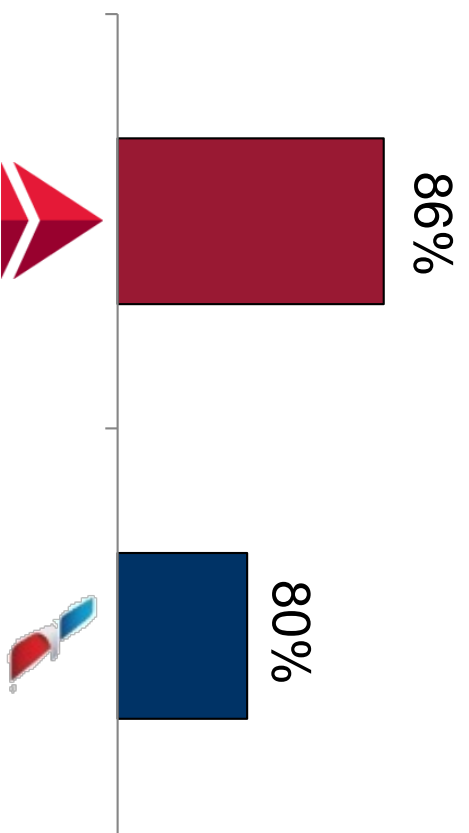


- Consolidating frequencies under American, with full control of distribution, would significantly *decrease* competition for the key Miami to Havana market

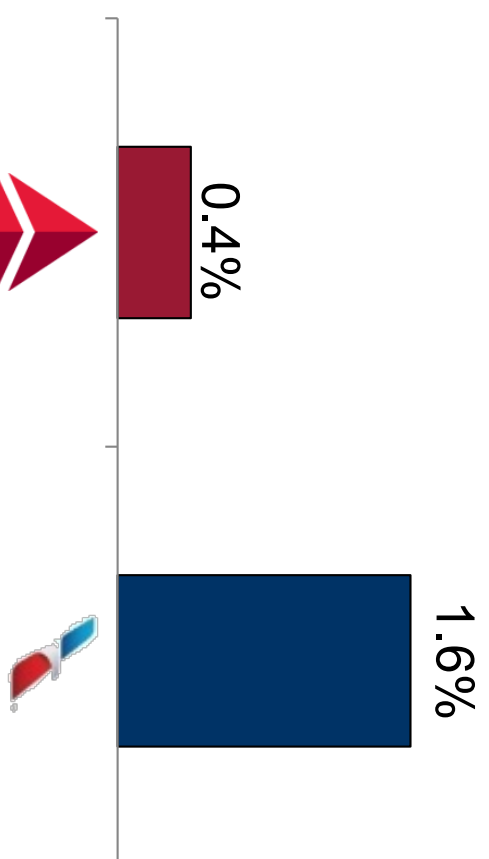
Delta Vastly Outperforms American in Operational Performance

- American's on time arrival performance trailed Delta by 6 percentage points in 2015
- American cancelled four times the percentage of flights than Delta

Overall % of On Time Arrival FY 2015



Overall % of Flight Cancellations FY 2015



American Mishandles Nearly Twice as Many Bags as Delta



Docket DOT-OST-2016-0021
Exhibit DL-A-0405

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- American had the worst mishandled bag performance in the industry in 2015
 - Delta’s mishandled bag rate was nearly half of American’s

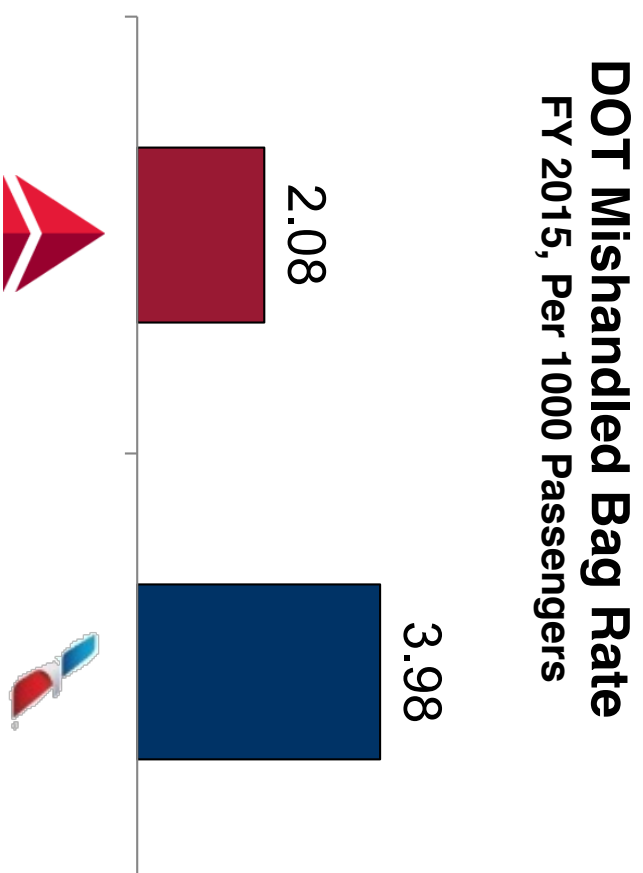


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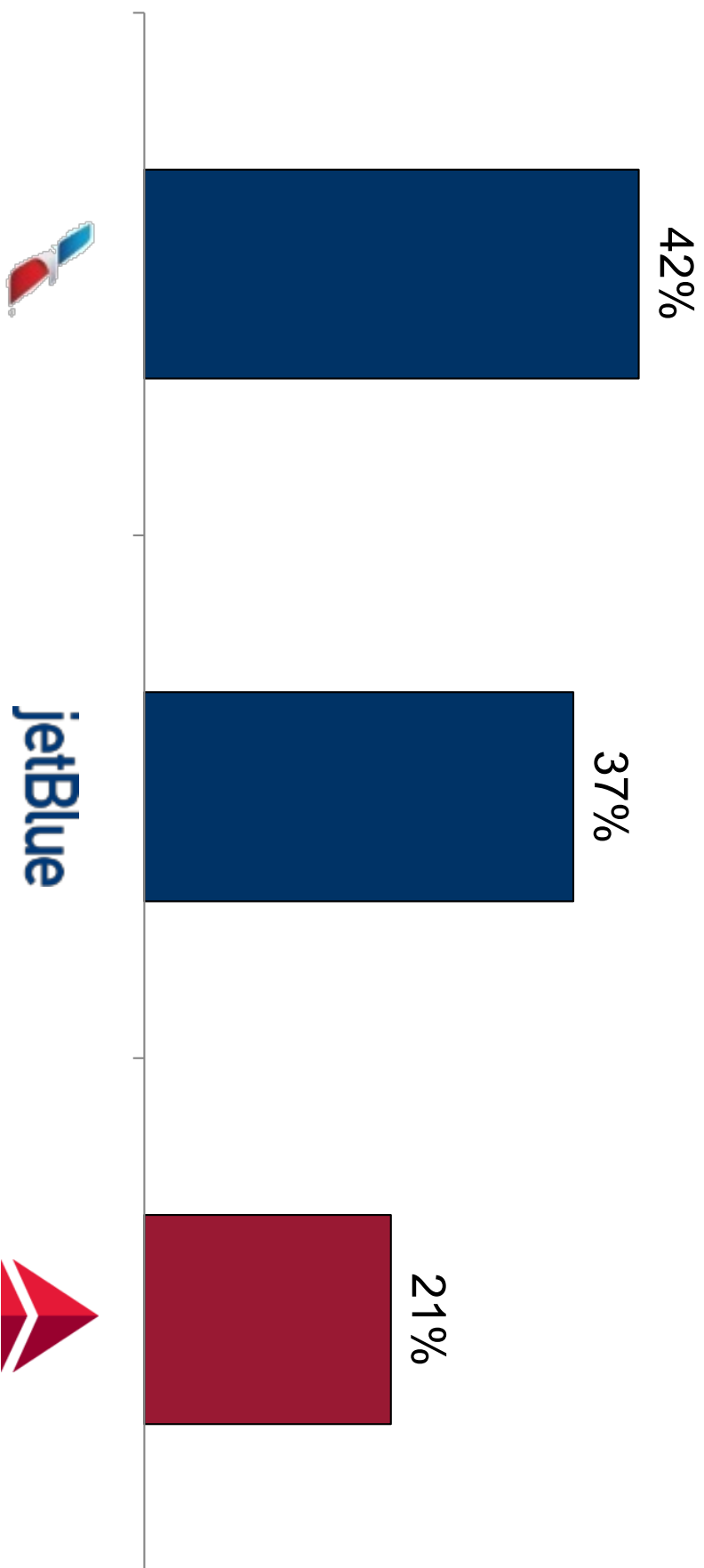
Series DL-A-1100: Response to Sun Country Airlines

Series DL-A-1200: Response to Dynamic Airways

Awarding JetBlue 12 Daily Frequencies Would Hurt Competition in the Caribbean

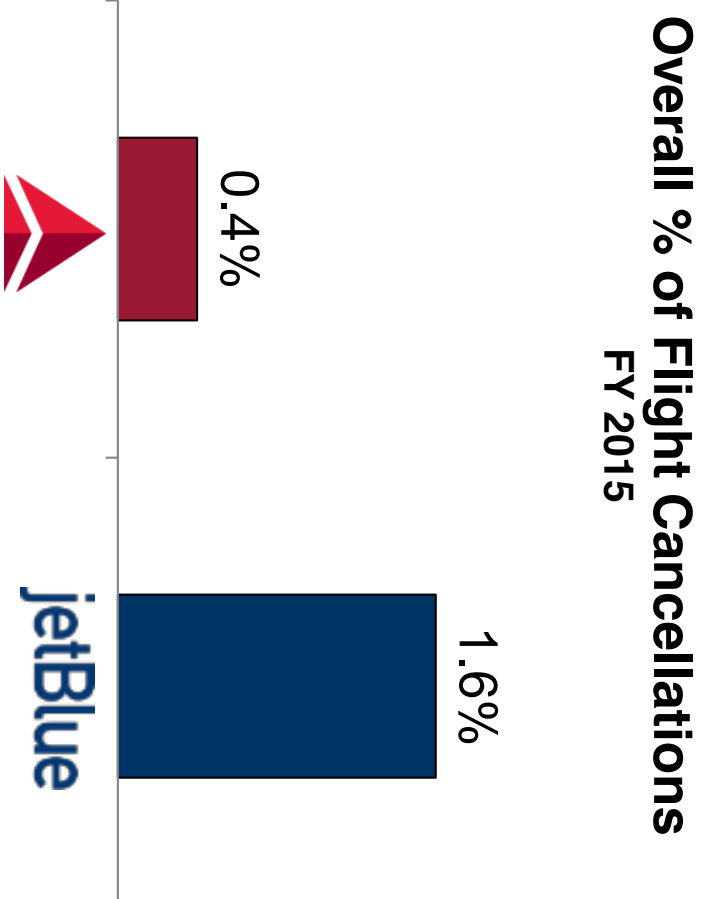
- JetBlue is 76% larger than Delta in the U.S.-Caribbean market

U.S. – Caribbean Seat Share, Top 3 Carriers YTD Oct-16



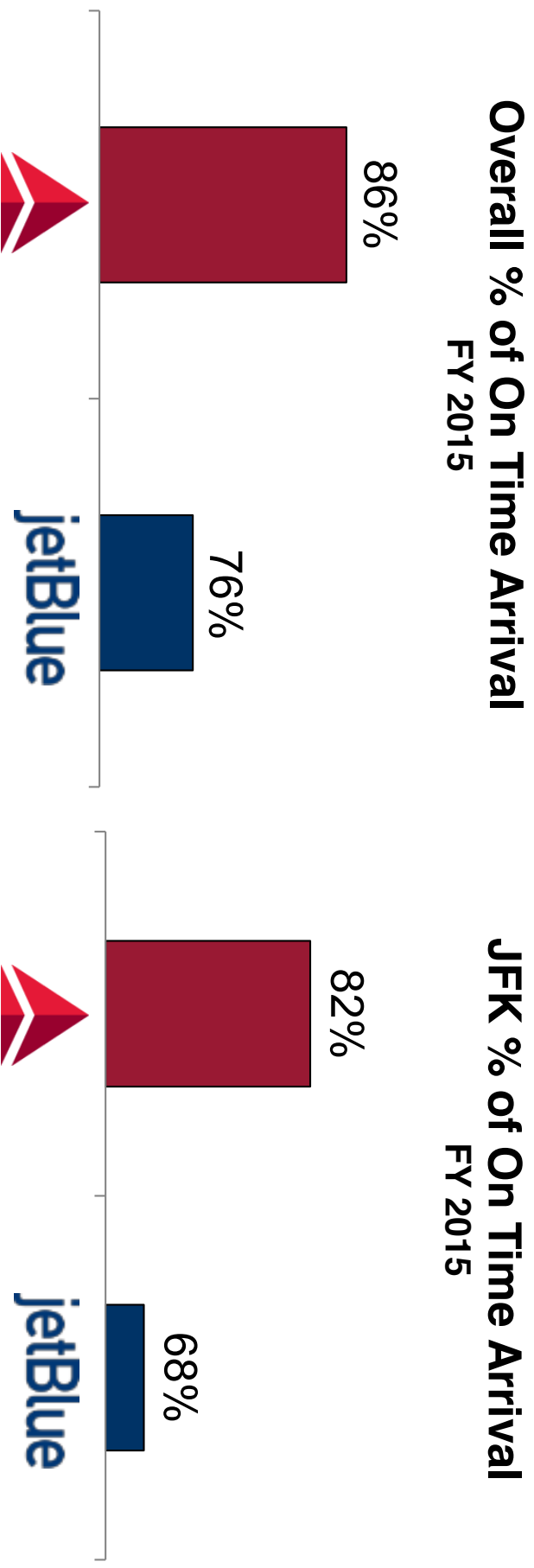
Delta Outperforms JetBlue in Operational Performance

- JetBlue ranks in the bottom tier for completion factor, with only American and Spirit cancelling more of their operation



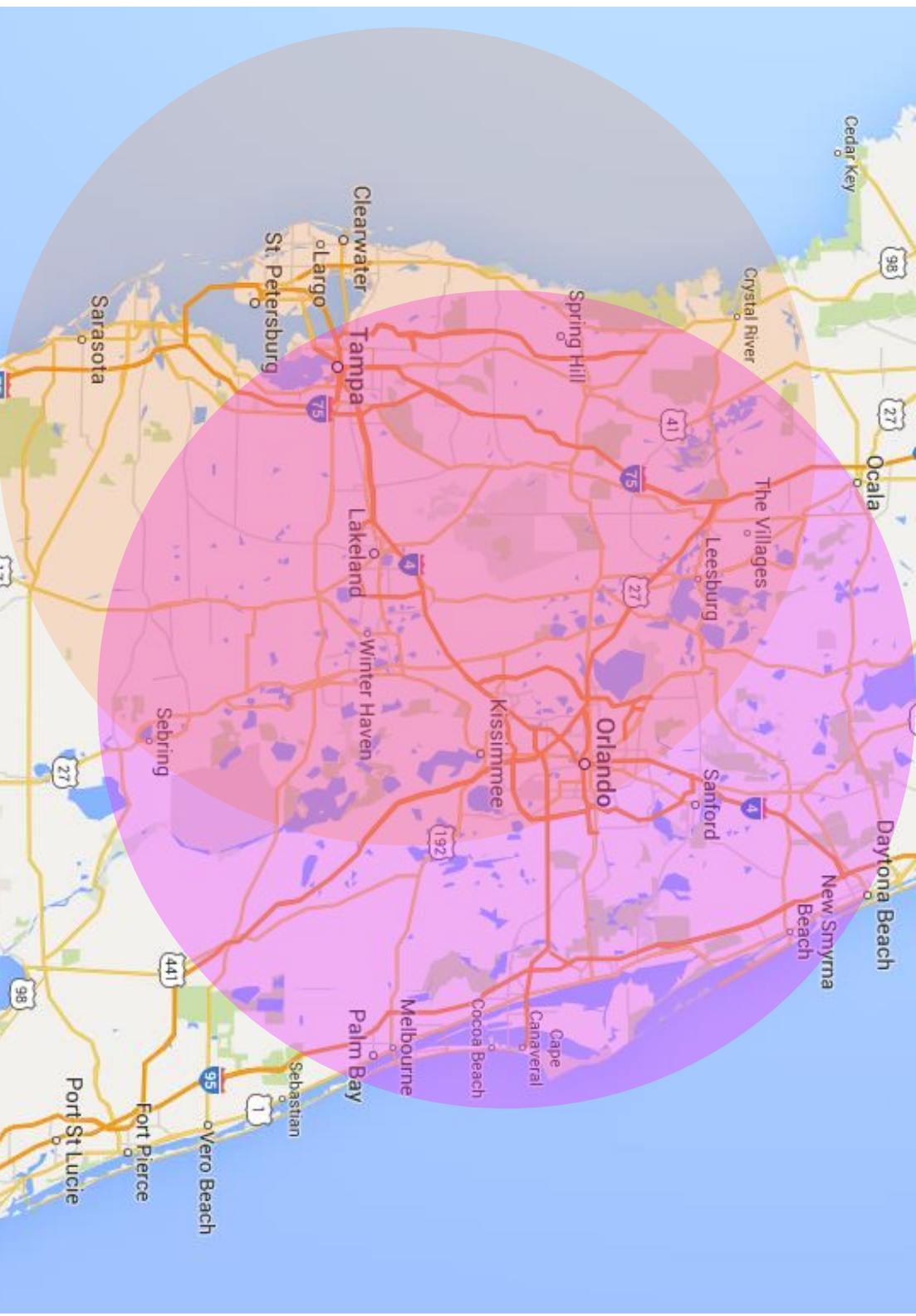
JetBlue Operational Performance Lags Industry

- JetBlue's ranking of #10 was near the bottom in on time arrival for 2015
- JetBlue's JFK performance lagged Delta by 14 points, with only 68% of flights arriving on time
- JetBlue's JFK on time arrival performance trended downwards from an on time arrival of 77% for FY 2014



JetBlue's Request for Both Tampa and Orlando to Havana is Duplicative

- The drive time between Tampa and Orlando is 1 hour and 20 minutes, assuming an average speed of 65 miles per hour



JetBlue's Application for Boston Would Rely Almost Entirely on the Local Market



Docket DOT-OST-2016-0021
Exhibit DL-A-0505

Page 1 of 1

- JetBlue's listed non-circuitous beyond Boston connections (with Cape Air) rely on small markets with minimal potential traffic feed to HAV
- However, only 3 of 7 markets listed connect within 4 hours

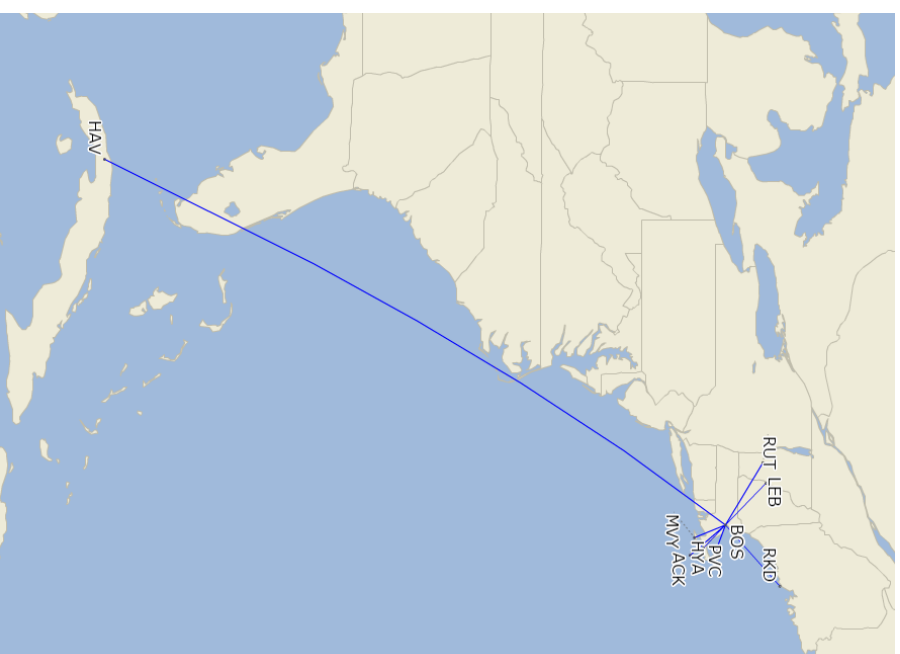


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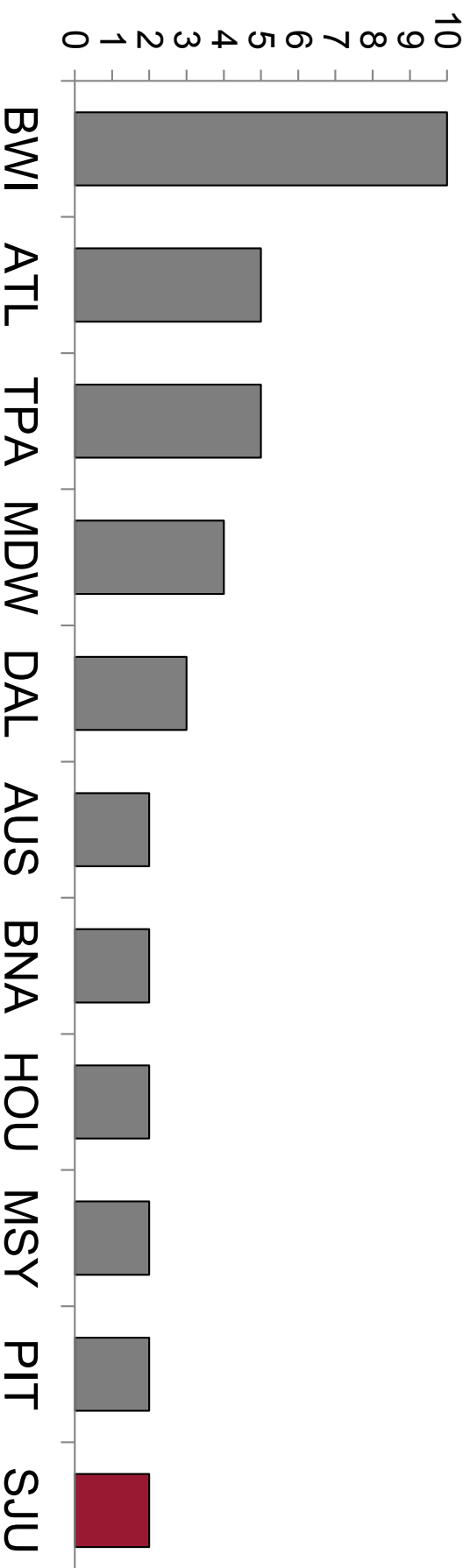
Series DL-A-1200: Response to Dynamic Airways

Southwest Request for Six Daily FLL-HAV Frequencies is Misaligned with Its FLL Network



- Southwest currently operates only 11 markets with more than once daily service to FLL
- Southwest's top five frequency markets from FLL are to its focus cities
- Southwest only offers two daily flights to the large and established FLL-SJU market

Southwest Peak Day Flights from FLL



Southwest's Distribution System Limits Customer Base and Prevents Easy Price Comparisons for Consumers



Distribution Channel



Online Direct

Yes

Yes

Call in Reservations

Yes

Yes

Travel Agencies

Yes

Yes



No

Yes



No

Yes



No

Yes



No

Yes

Delta Outperforms Southwest in Operational Performance



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Exhibit DL-A-0603

Page 1 of 1

- Southwest's on time arrival ranking was in the middle of the pack versus Delta's top tier performance
- Southwest cancelled over 16,000 flights in 2015

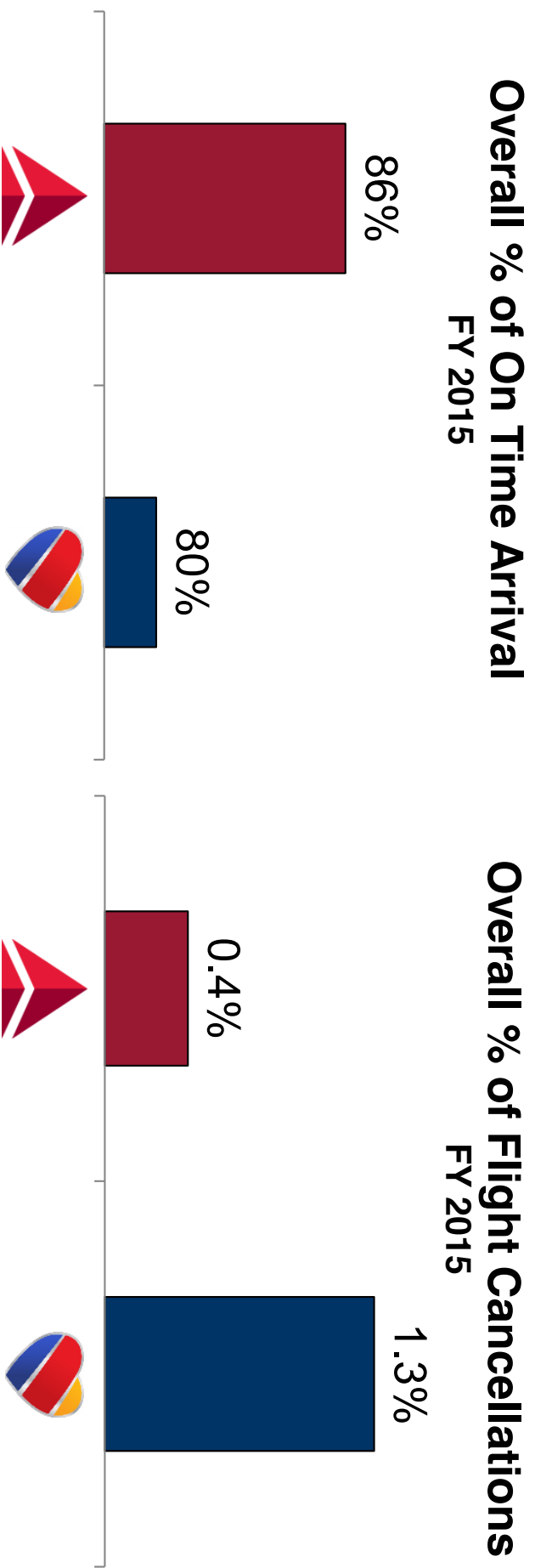


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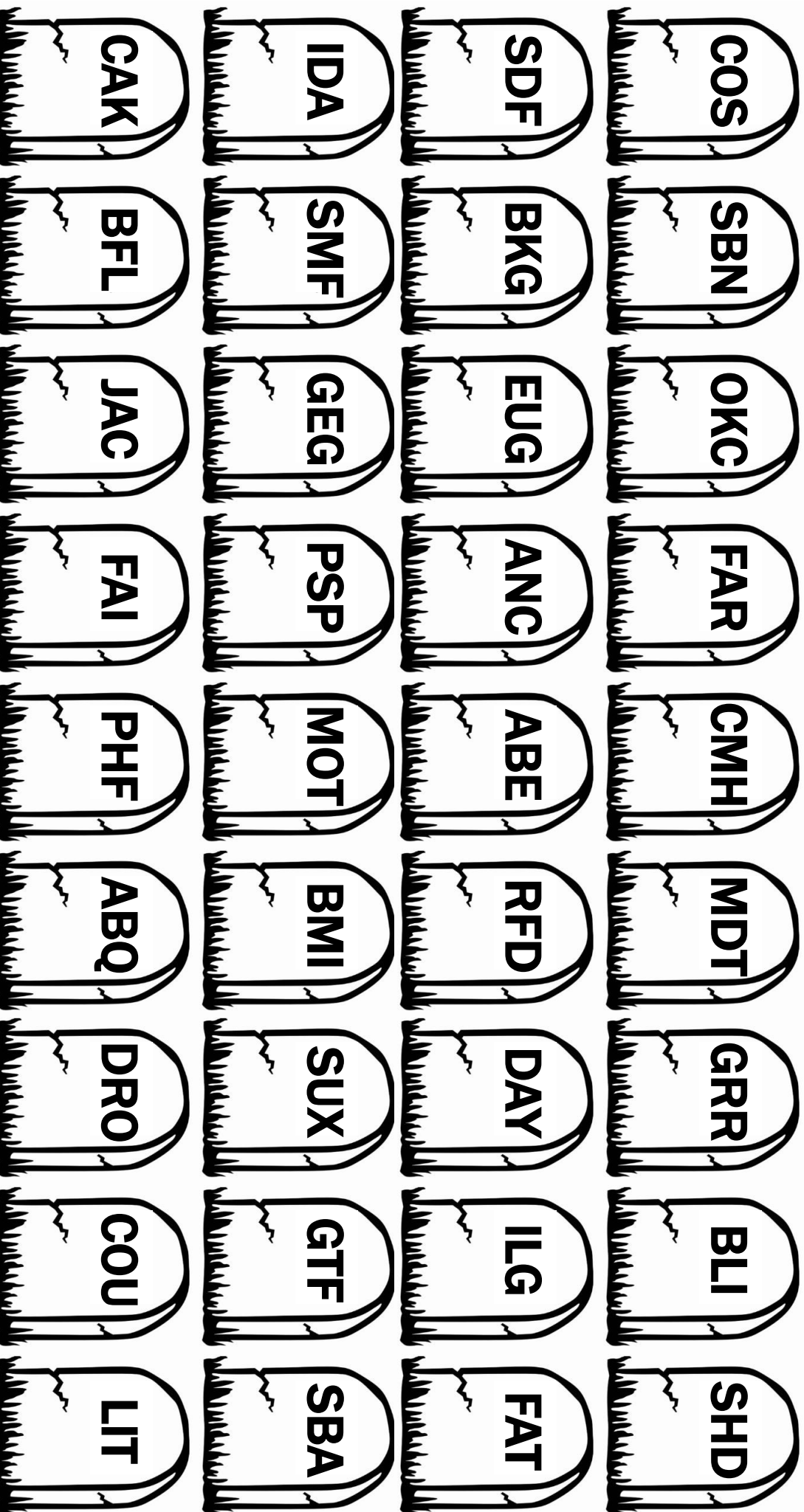
Series DL-A-1000: Response to FedEx

Series DL-A-1100: Response to Sun Country Airlines

Series DL-A-1200: Response to Dynamic Airways

Frontier has Left a Graveyard of Abandoned Markets

- Frontier has a track record of pulling out of cities, closing over **35** stations (one-third of their total portfolio) and over **100** markets in the last four years

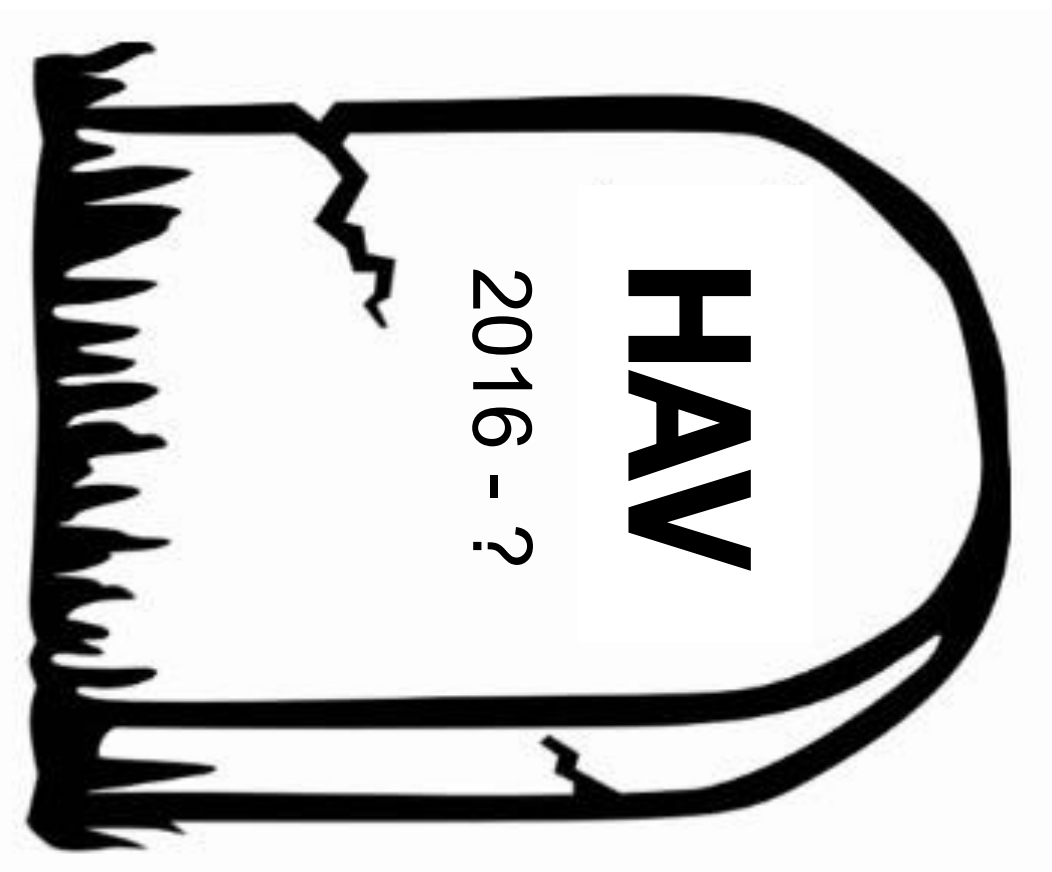


“Those that fail to learn from history are doomed to repeat it”
-Winston Churchill



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Exhibit DL-A-0701

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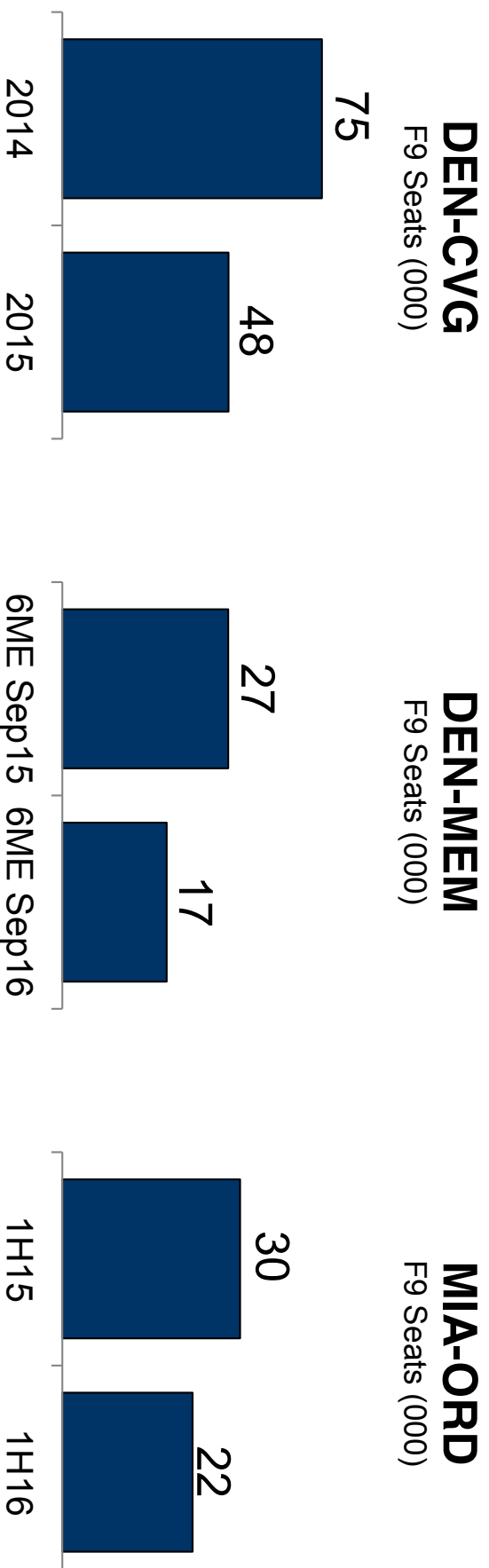


Frontier Touts “Success” in Fare Reductions in New Markets But Subsequent Capacity Reductions Tell a Different Story



- Frontier devoted pages 4 and 5 of their application to DENCVG, DENMEM and MIAORD but failed to mention it **significantly reduced capacity in all three markets within two years of launching service**

- DEN-CVG: Launched May-13, then reduced capacity **36%** YoY for 2015
- DEN-MEM: Launched Feb-14, then reduced capacity **37%** YoY for 6ME Sep16
- MIA-ORD: Launched Dec-14, then reduced capacity **28%** YoY for 1H16

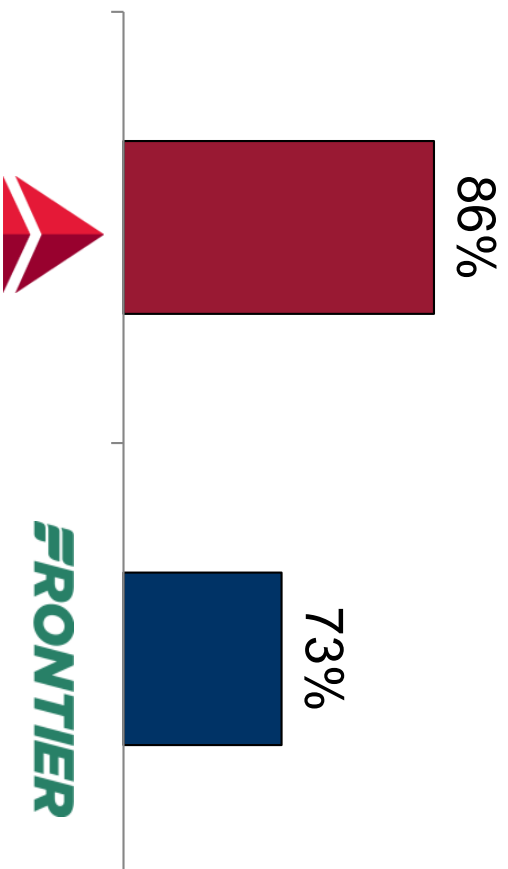


Delta Outperforms Frontier in All Operational Measures Despite Ten Times the Number of Flights

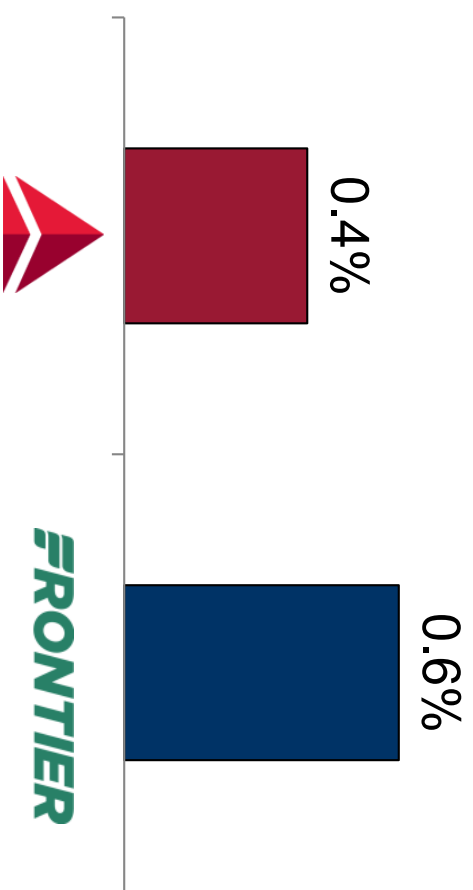


- Frontier's on time arrival rate was abysmal, next to last in 2015

Overall % of On Time Arrival FY 2015



Overall % of Flight Cancellations FY 2015



Frontier's Transition Towards an Ultra-Low Cost Carrier Model Has Not Gone Smoothly

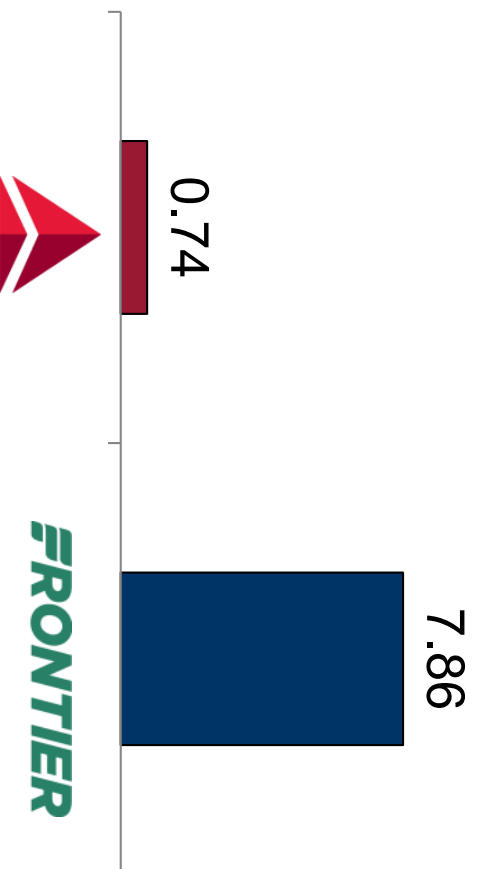


Docket DOT-OST-2016-0021
Exhibit DL-A-0704

- Frontier has 2nd highest rate of complaints in the industry (behind Spirit) at 7.86 per 100,000
- Frontier's customer complaint rate **doubled** from 2014 to 2015 as they shifted business models (FY 2014: 3.92)

DOT Customer Complaints

FY 2015, Per 100K passengers



DOT Mishandled Bag Rate

FY 2015, Per 1000 passengers

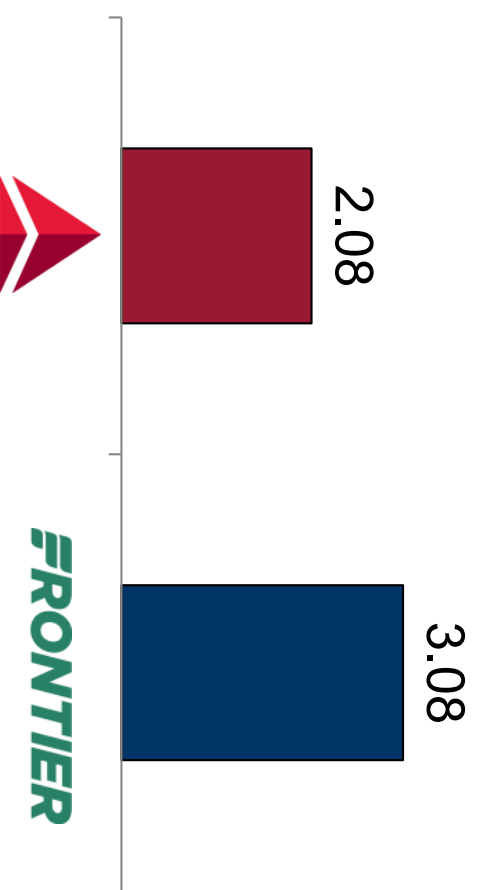


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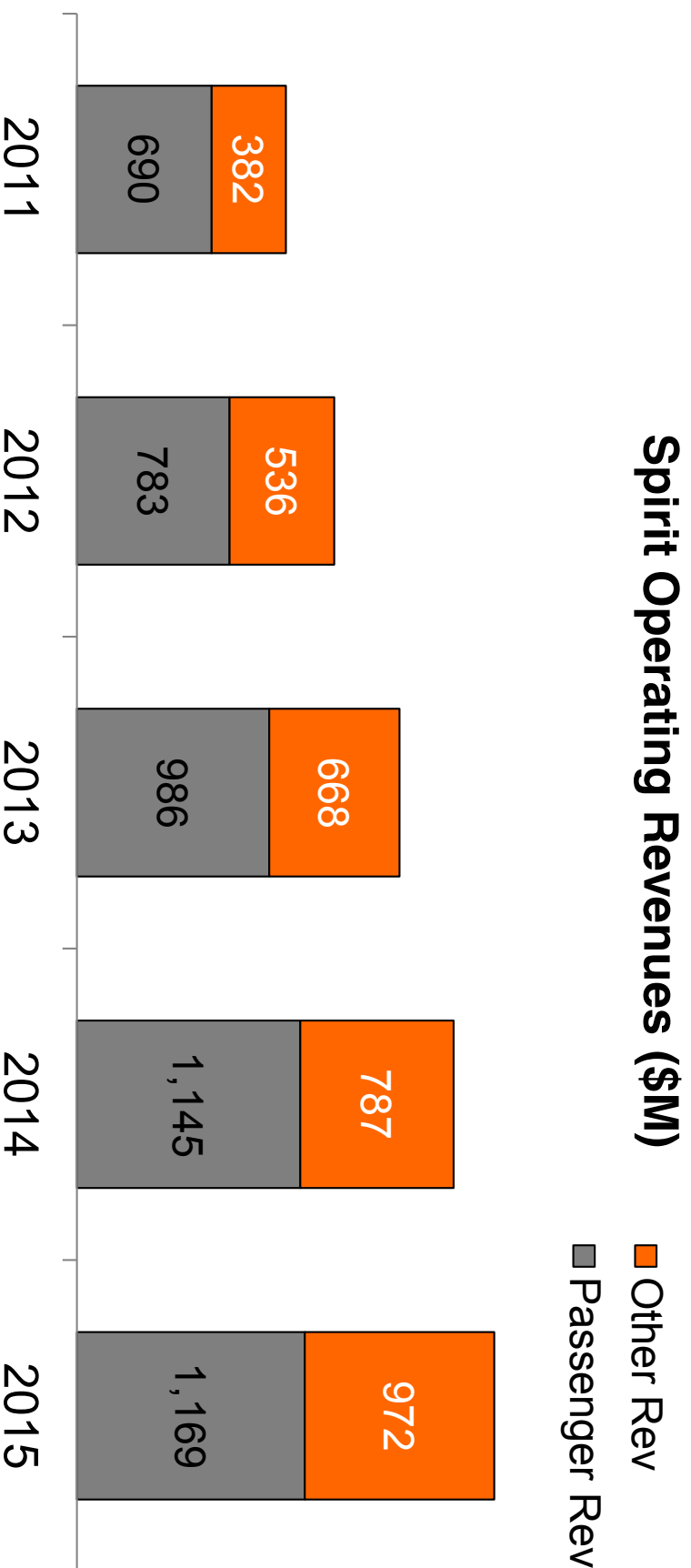
Series DL-A-1000: Response to FedEx

Series DL-A-1100: Response to Sun Country Airlines

Series DL-A-1200: Response to Dynamic Airways

Spirit Claims to be an Ultra Low Fare Carrier, but Fares Don't Reflect Total Price of Travel

- In 2015, Spirit generated 45% of its operating revenue in fees and other non-ticket sales, up from 36% in 2011
- By comparison, 85% of Delta's total 2015 operating revenue came from passenger revenue



Spirit Charges Extra for Every Facet of the Travel Experience



Reservations

No toll free number to call plus **\$25** per booking through call center



Boarding Pass

\$10 to print boarding pass by agent, \$2 at kiosk



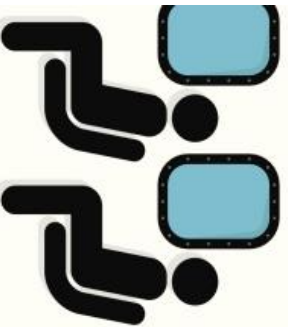
Passenger Usage Fee

\$8.99-\$17.99 each way for online or reservation center bookings



Seat Assignment

\$1-50 for regular seats



Carry On Bags

\$35-100 for any bags larger than what will fit under the seat



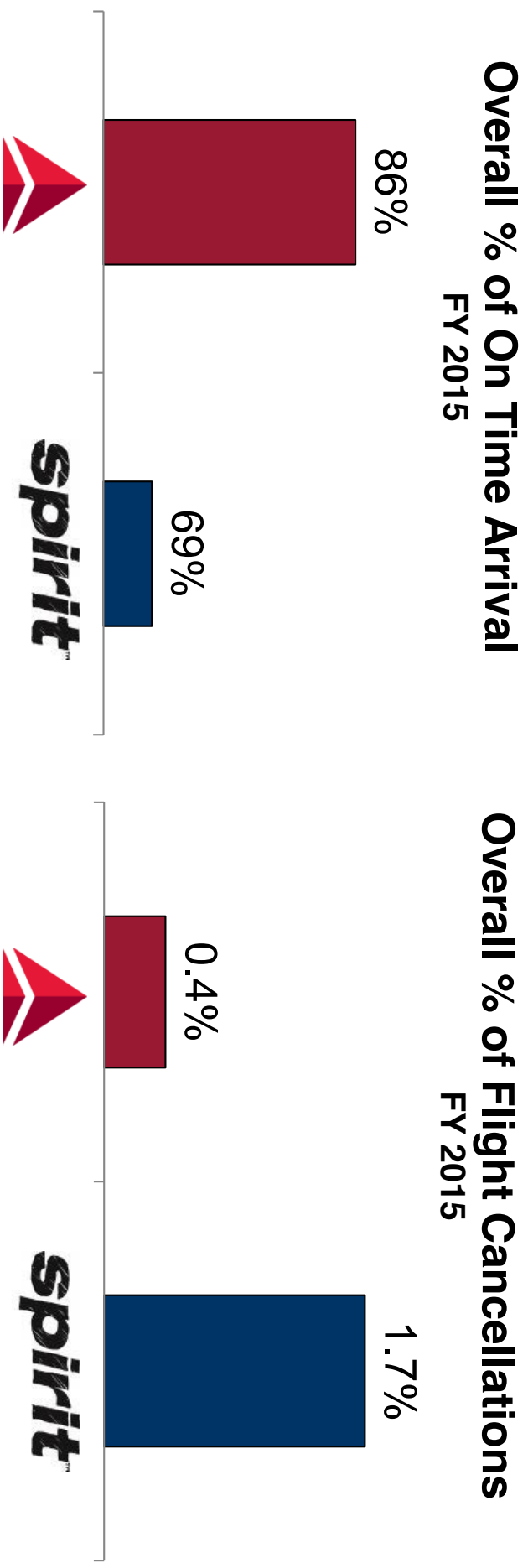
Onboard Drinks

\$1-15, no complimentary food or beverages, including water (\$3)



Spirit Ranks Last Among All Carriers in On Time Arrival Performance and Flight Cancellations

- Spirit had the highest percentage of cancellations among U.S. mainline carriers



Spirit is Notorious for Poor Customer Service

- Spirit has the worst customer complaint rate in the industry (15 times that of Delta)

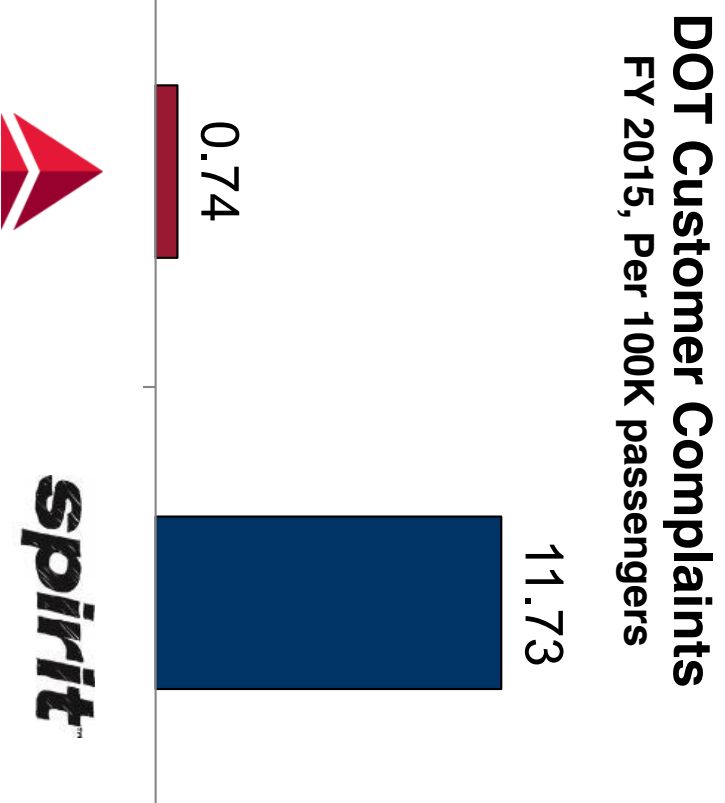


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Series DL-A-0700: Response to Frontier Airlines

Series DL-A-0800: Response to Spirit Airlines

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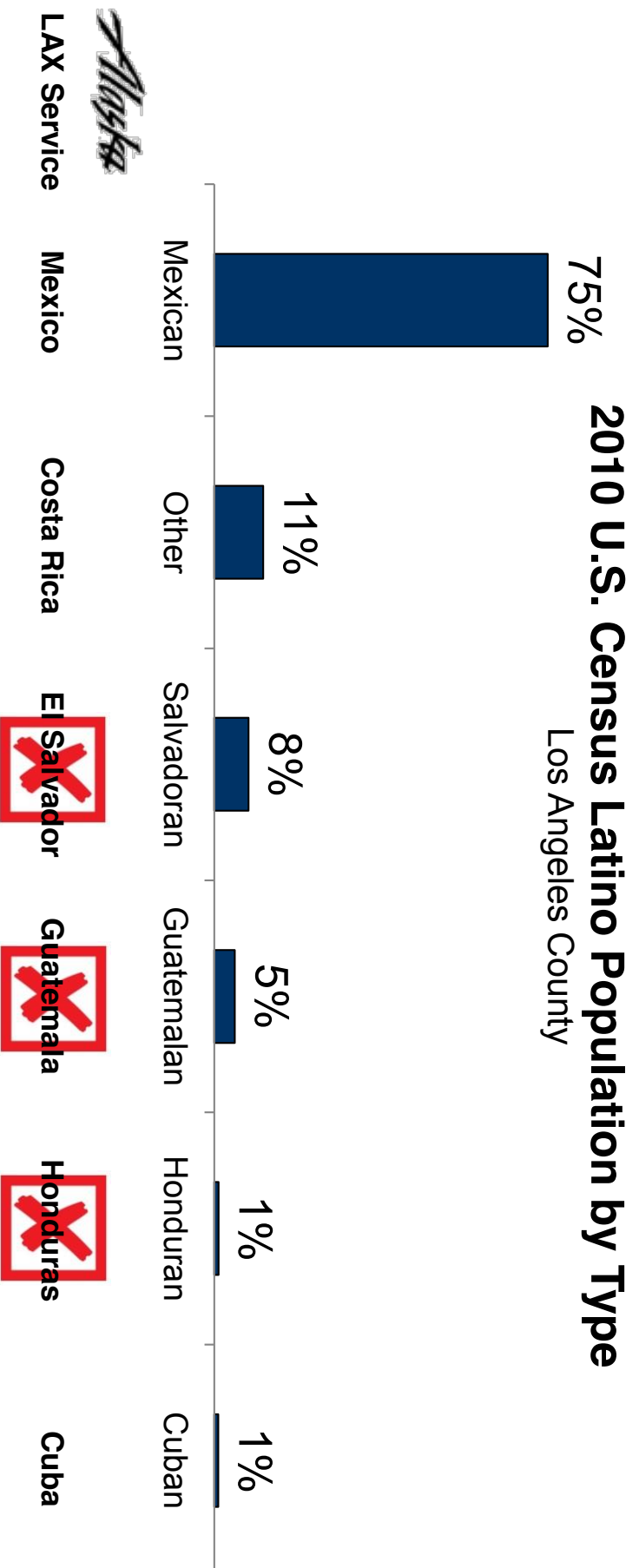
Series DL-A-1000: Response to FedEx

Series DL-A-1100: Response to Sun Country Airlines

Series DL-A-1200: Response to Dynamic Airways

Alaska Airlines LAX – Latin America Offerings Show That Nonstop Cuba Service Would Likely Not be Feasible

- Alaska’s only Latin America destinations from LAX are Mexico and Costa Rica
- Proposed LAX-HAV service is not congruent with existing service offerings and relative population and market sizes
- LAX-HAV service would only offer small elapsed time advantage vs. connecting

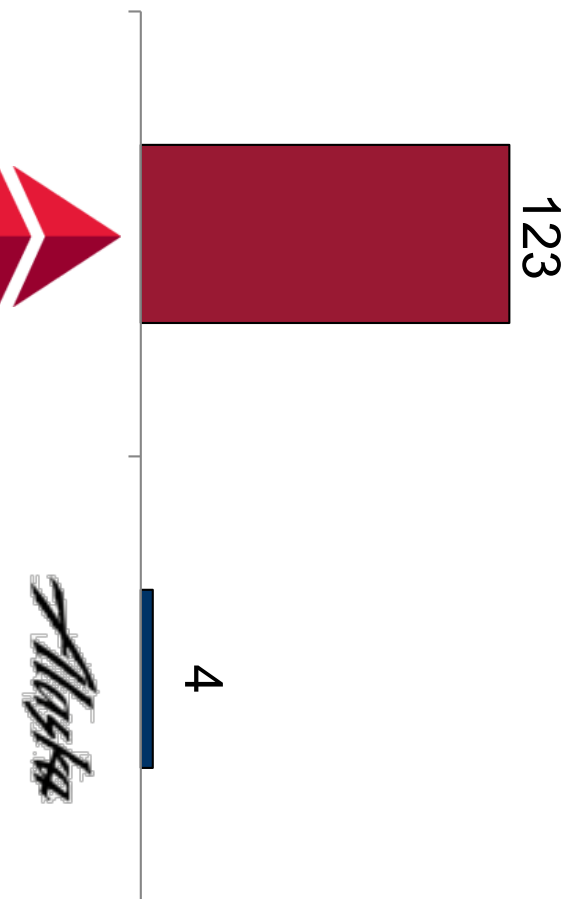


Source: 2010 U.S. Census and Dilo Mi, “Other” includes all Latino and Hispanic ethnicities listed on the Census

Delta's Atlanta Hub Offers Critical Connectivity to Havana Not Offered by Alaska's LAX Network

- Alaska's proposed two daily LAX frequencies connect only 4 of their 20 points beyond Los Angeles, whereas travelers to Havana would have access to 123 points beyond Delta's proposed one daily Atlanta flight
- Alaska offers 2 unique points beyond Los Angeles, whereas Delta's Atlanta hub offers 120 points

Interior Connections



Unique Connections

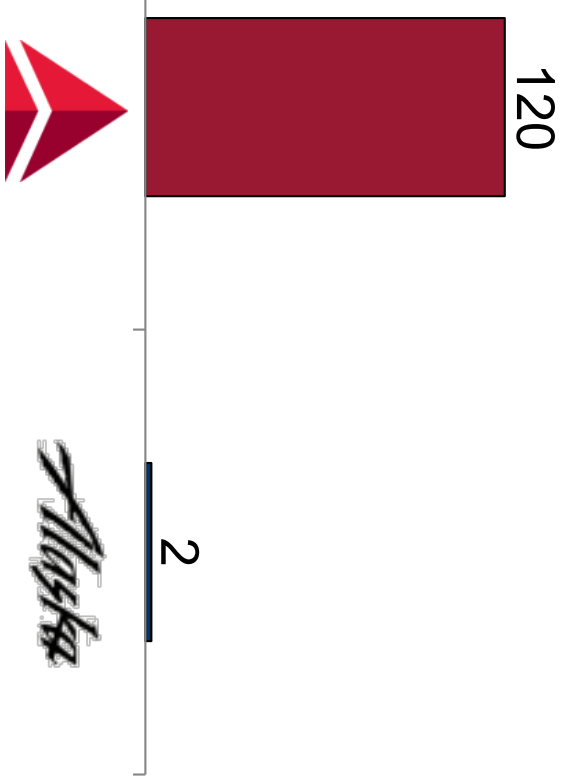


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- Proposed passenger services offer plentiful belly cargo capacity
 - 6 daily passenger service frequencies would offer as much cargo capacity as FedEx proposes (see Methodology)
 - 20 daily passenger services would offer over 3 times the cargo capacity of FedEx
 - The Department should consider allocating frequencies to carriers who could provide cargo service in order to maximize benefit to the travelling and shipping public
- Given uncertain and unpredictable U.S. to Cuba air cargo market, FedEx service is unnecessary
 - “Southbound flows of air cargo from the U.S. to Cuba will consist of the variety of goods permitted by the CACR, and will **initially be dominated by small packages**.” (FedEx exhibit FX-T-1 Page 4 of 16)
- FedEx’s less-than-daily blind-sector routing is inefficient, offers minimal benefit to U.S. public and is not economically viable given alternatives
 - FedEx’s proposal would join a slew of options for cargo transport from South Florida (AA, DL and WN all could offer cargo services) and negate the benefits of more flexible passenger service and belly cargo capacity
 - Blind-sector routing would fractionally utilize a HAV frequency in order to carry Mexico-bound cargo
- FedEx would still have option of chartered cargo service and should not displace passenger frequencies

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Sun Country Requests Inferior Given Robust Demand For Daily Frequencies



- Request for twice weekly RSW (M/F) is dwarfed by demand from other carriers committed to serve South Florida with daily frequencies
- Demand for twice weekly MSP (Sa/Su) unlikely to be sustainable as Sun Country has no precedent for operating year round Caribbean service from Minneapolis (consistently cancels June – October season)

Less than Daily Frequency Applications

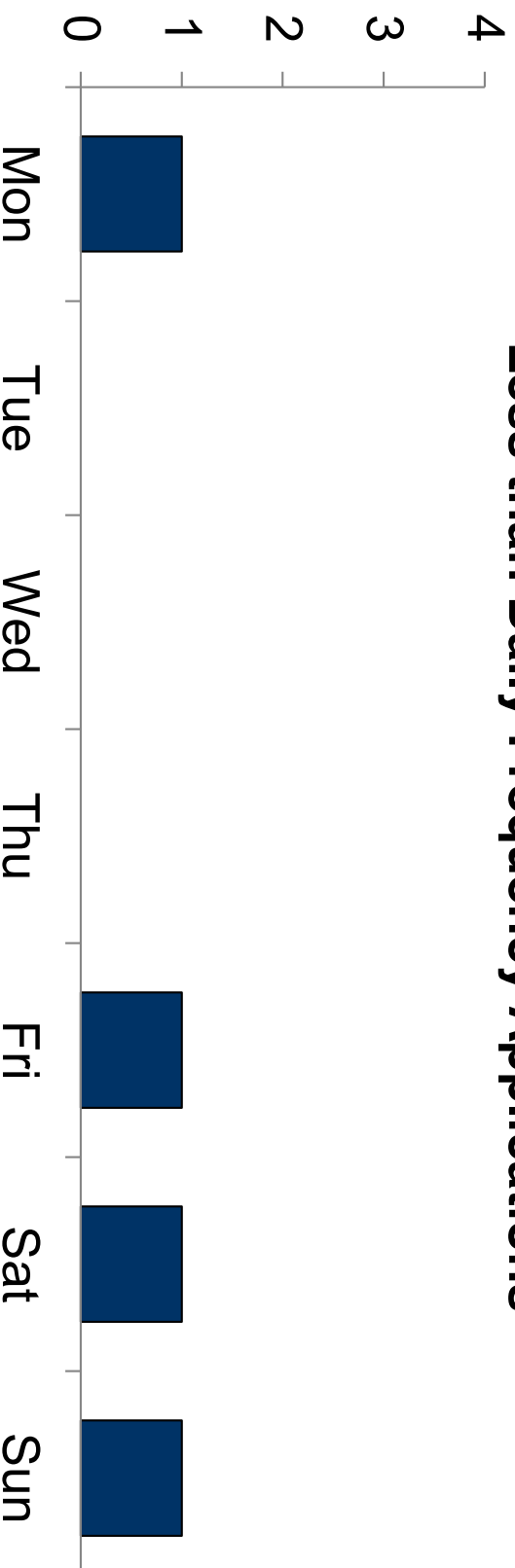


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Dynamic Requests are Duplicative of Routes with Daily Offers And Provide Minimal Public Benefit

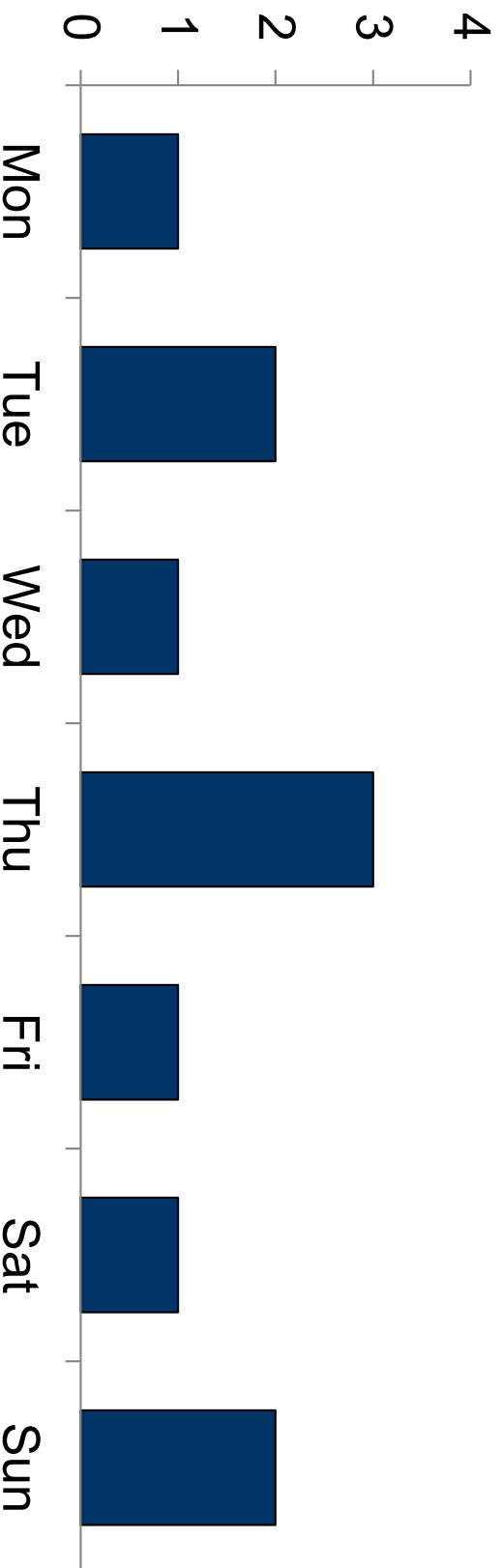


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- JFK: 1st priority of 3x weekly would not benefit consumers as much as proposed daily service requested by multiple carriers with robust connectivity
- ORD: 2nd priority of 4x weekly appears excessive, given that the two network carriers with Chicago hubs only requested once weekly service
- LAX: 3rd priority of 4x weekly is an inferior service offering to either of Alaska's daily LAX requests

Less than Daily Frequency Applications



CERTIFICATE OF SERVICE

A copy of the foregoing Application has been served this 14th day of March, 2016, upon the following persons via email:

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