

**BEFORE THE  
U.S. DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

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**2017 U.S.-CUBA FREQUENCY  
ALLOCATION PROCEEDING**

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) **Docket DOT-OST-2016-0021**  
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**CONSOLIDATED REPLY OF SOUTHWEST AIRLINES CO.**

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September 26, 2017

## **TABLE OF CONTENTS**

- I. Southwest Offers Consumers By Far the Lowest Total Travel Cost From South Florida to Havana.
- II. American's Claim that MIA is the Only Viable Cuba Gateway for South Florida Is Directly Contradicted by Actual FLL-HAV Market Performance.
- III. American's Selective Performance Comparisons Are Incomplete and Highly Misleading.
- IV. The Most Recent Data Shows That Southwest Significantly Outperforms JetBlue and is More Deserving of a Daily FLL-HAV Frequency.
- V. Delta's MIA Service Provides Neither the Low Fares or Market Discipline that Southwest's Service Does.
- VI. Due to Houston's Inconvenient Geographic Location and Small Cuban-American Population, United's Proposal Does Not Merit Six Weekly Frequencies.

Exhibits

Appendix

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**CONSOLIDATED REPLY OF SOUTHWEST AIRLINES CO.**

Southwest Airlines<sup>1</sup> files this Consolidated Reply to address certain incorrect and misleading statements in the answers submitted by other carriers in this proceeding on September 22, 2017. As detailed below and in its previous pleadings, Southwest's proposal to provide an additional low-fare daily frequency in the FLL-HAV market will generate greater public benefits than any other proposal. Southwest's proposed service will offer consumers in South Florida, as well as across the United States, the lowest cost travel option to HAV as well as provide increased competitive discipline against the high-cost carriers operating at MIA. Moreover, by allocating an additional frequency to Southwest, the Department can restore some of the low-cost service lost at FLL due to Spirit's exit from the market and thereby re-balance the HAV frequency allocation between the two South Florida airports. None of the criticisms leveled by other applicants change this conclusion.

**I. Southwest Offers Consumers By Far the Lowest Total Travel Cost From South Florida to Havana.**

In its Application, Southwest provided the Department with a comparison of the lowest available fares on each carrier's website for three different booking windows

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<sup>1</sup> Common names of airlines are used herein.

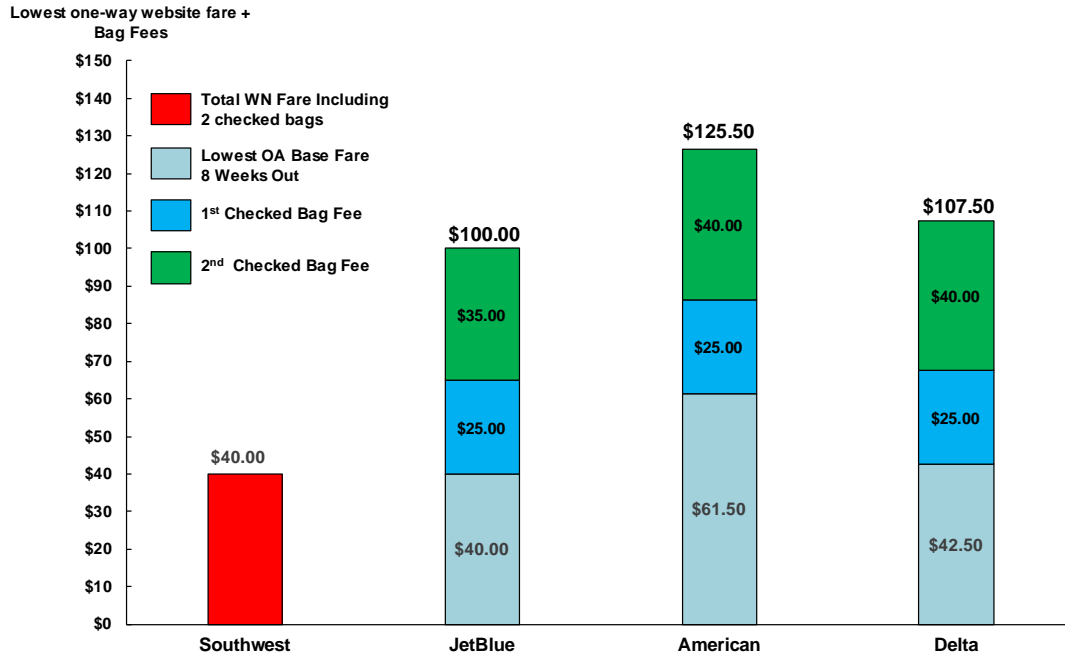
(eight weeks, two weeks, and one week before travel) plus the average fees paid by passengers on each carrier for checked baggage and reservation changes.<sup>2</sup> The total cost on Southwest to consumers was lower than every other carrier in every booking window, even though the ancillary fee data used in these comparisons significantly understates the total cost paid for travel to HAV on other carriers. This is because the DOT Form 41 ancillary fee data used in these comparisons reflects each carrier's *system-wide average* number of checked bags, which equates to far less than one checked bag per passenger. In contrast, the high percentage of Visiting Friends and Relatives (VFR) traffic in U.S. – Cuba market results in almost all passengers checking at least one bag and many, if not most, checking two.<sup>3</sup> In fact, Southwest's internal data shows that *the vast majority of HAV passengers check two bags when traveling from the U.S. to Cuba*. When the actual fees that each carrier charges for first and second checked bags is taken into consideration, it becomes clear that Southwest's has an overwhelming cost advantage vis-à-vis all other carriers providing service from South Florida to HAV.

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<sup>2</sup> Southwest Answer, p. 3 and Exhibit WN-102. Fares in those exhibits include average checked baggage and reservation change fees paid per passenger of \$.36 (WN), \$10.73 (B6), \$12.13 (AA) and \$15.23 (DL) as derived from DOT Form 41 data. As noted earlier in this proceeding, Southwest does not charge for the 1<sup>st</sup> or 2<sup>nd</sup> checked bag.

<sup>3</sup> See, e.g., JetBlue Answer, p. 4, n.6 ("Because Cuba is a baggage-heavy VFR market, JetBlue places "lids" on capacity so that its customers can bring extra luggage.")

**Southwest Offers Consumers the Lowest Total Travel Cost  
Between South Florida and HAV By a Wide Margin**



Ensuring that consumers have low travel costs in the developing HAV market over the long term is essential to the Department's principal objective in this proceeding of "maximizing public benefits." Southwest has demonstrated beyond doubt that it offers consumers by far the lowest total price for air travel in the South Florida – Havana market.

Other carriers treat this issue superficially or not at all, which is perhaps not surprising for carriers whose fares and fees are higher than Southwest's. For example, American attempts to distract from Southwest's cost advantage by criticizing Southwest's inclusion of baggage and cancellation fees in the fare comparisons, and by comparing base fares in the one booking window where American is matching

Southwest's low all-inclusive fares (two-weeks out).<sup>4</sup> The fact is that American's *lowest web base fare even excluding baggage and other fees was 54% higher* than Southwest's for the eight week window and 54% higher for the one week window.<sup>5</sup> And, while American brags that it is matching Southwest's low base fare in the two-weeks out booking window, that simply reflects the fare discipline provided by Southwest's competition from FLL, for American's HAV fares would surely be higher without it.<sup>6</sup>

Of course, to ignore the fees paid by passengers for checked baggage and reservations changes – as American would prefer – is to ignore the true costs of travel to consumers in the U.S. – HAV market. American even goes so far as to claim that “...American does not charge any baggage fees on flights *from Cuba to the United States*.”<sup>7</sup> While this statement is literally true, it is highly misleading, for American does charge bag fees in the other direction, *i.e., from the U.S. to Cuba*. American's baggage policy reveals that it charges *U.S. originating passengers* \$25 for their first checked bag and \$40 for their second checked bag (Exhibit WN-R-103). Given that the vast majority of South Florida-HAV passengers originate in the U.S.,<sup>8</sup> and these passengers should be the Department's primary focus in this proceeding, these charges add up to millions of dollars that American's MIA – HAV passengers pay for checked baggage (Exhibit WN-R-104). As shown in Exhibit WN-R-105 and below, consumers booking a ticket

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<sup>4</sup> American Answer, pp. 20-21.

<sup>5</sup> Southwest Application, p. 3 and Exhibit WN-102 and Exhibit WN-R-102.

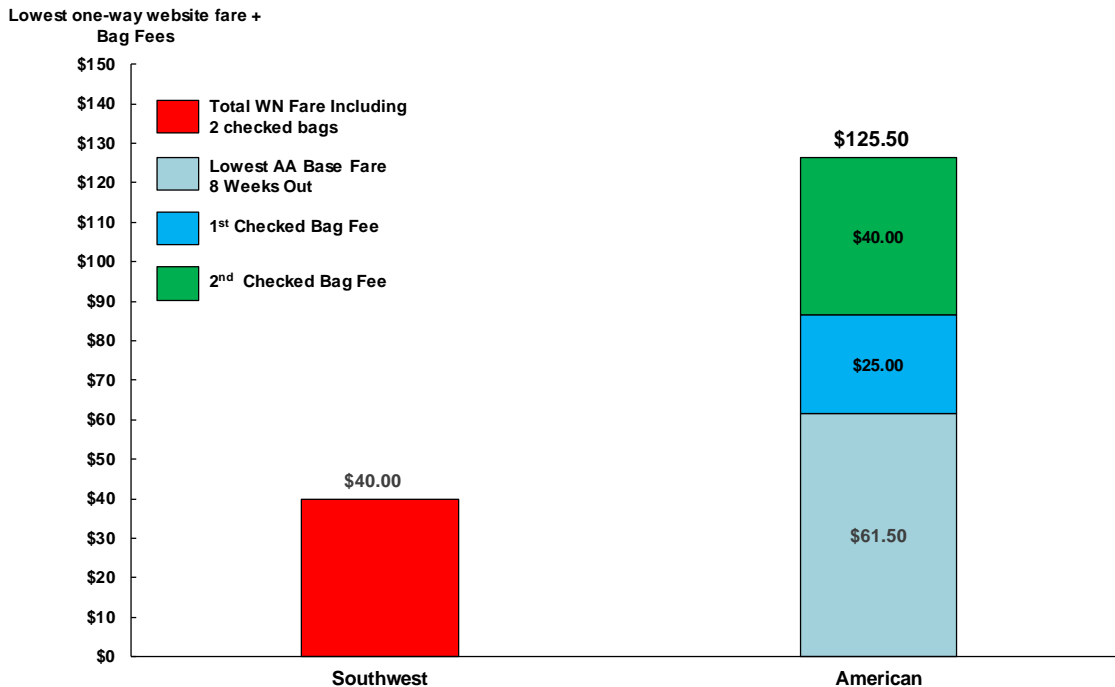
<sup>6</sup> See, e.g., Southwest Answer at Exhibit WN-A-403 showing how Southwest's competition drives down American's fares.

<sup>7</sup> American Answer, p. 20.

<sup>8</sup> Over 75%, of American's HAV passengers originate in the U.S. and over 79% of South Florida – HAV passengers originate in the U.S. Source: U.S. DOT, O&D Data via Diio.

eight weeks ahead of travel and checking one bag pay a total of 116% more on American than Southwest (due to *both* a higher base fare and checked bag fees) and a whopping 214% more if they check two bags.

**Total Travel Costs From South Florida to HAV  
Are Significantly Lower on Southwest Than American**



JetBlue also treats the fare differential only superficially, which is hardly a surprise given that JetBlue charges HAV passengers \$25 for a first checked bag, \$35 for a second checked bag and \$100 for a third checked bag.<sup>9</sup> As shown below and in Exhibit WN-R-106, the actual cost to consumers to fly FLL – HAV on JetBlue is 63% higher than Southwest if a customer checks one bag and 150% higher if they check two bags.

<sup>9</sup> See <https://www.jetblue.com/travel/baggage/>.

**Total Travel Costs From South Florida to HAV  
Are Significantly Lower on Southwest Than JetBlue**



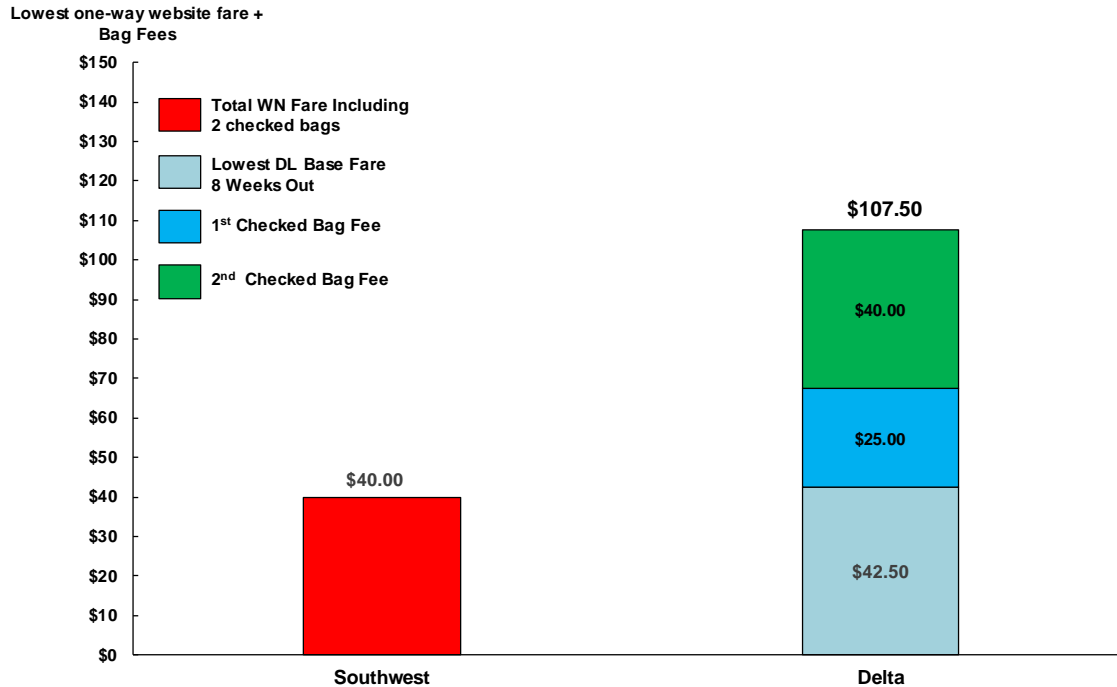
This significant cost difference for passengers may at least partially explain why Southwest's service at FLL has surpassed JetBlue's in both load factor and onboard passengers since May.<sup>10</sup>

Finally, Delta does not challenge the fact that Southwest offers South Florida – HAV passengers the lowest total cost for air travel. Similar to American and JetBlue, Delta also charges for first and second checked bags, making its total cost to a consumer checking two bags 169% more than Southwest's total price (Exhibit WN-R-107).

<sup>10</sup> See discussion in Section IV and Exhibits WN-R-401, R-402 and R-403.



### Total Travel Costs From South Florida to HAV Are Significantly Lower on Southwest Than Delta



When the total cost of air travel to HAV including the predictable ancillary fees charged by all applicants are compared on this apples-to-apples basis, Southwest's significant cost advantage in the South Florida – HAV market becomes obvious. For this reason alone it is clear that Southwest will "maximize public benefits" and have a sustained positive effect "on the overall competitive environment" and "market structure" for U.S. – Cuba air service.<sup>11</sup>

<sup>11</sup> DOT Instituting Order 2017-8-26, p. 5.

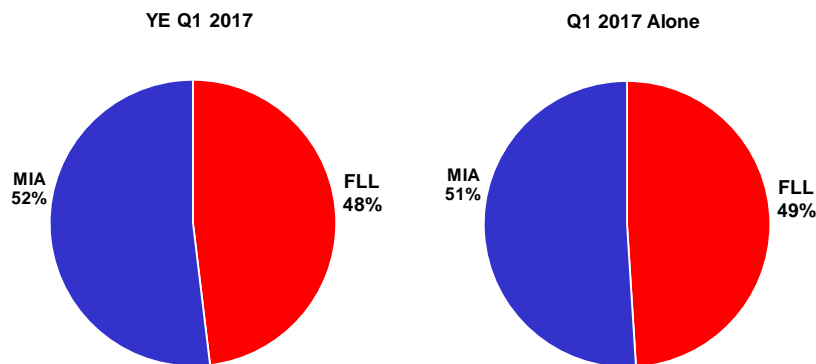
**II. American's Claim that MIA is the Only Viable Cuba Gateway for South Florida Is Directly Contradicted by Actual FLL-HAV Market Performance.**

American's Answer includes a plethora of exhibits purporting to show that MIA-HAV is performing better than FLL, that MIA is larger than FLL, and that American is out-performing all airlines in the South Florida-HAV market.<sup>12</sup> But, as described below, many of these exhibits are seriously misleading if not patently false and do not represent an accurate portrayal of the South Florida-HAV market.

As shown in Exhibit WN-R-201 and below, the U.S. South Florida-HAV market is nearly equally split between passengers beginning their trips in MIA versus originating in FLL. In fact, the split is 48% of passengers using FLL and 52% using MIA for year ending Q1 2017. The passenger split is even more balanced for the most recent quarter available (Q1 2017) with 49% of passengers using FLL and 51% using MIA.<sup>13</sup>

**Contrary to American's Claims, the Number of U.S. Passengers  
Originating From FLL and MIA to HAV Are Nearly Equal**

Distribution of FLL/MIA U.S. Originating O&D Passengers



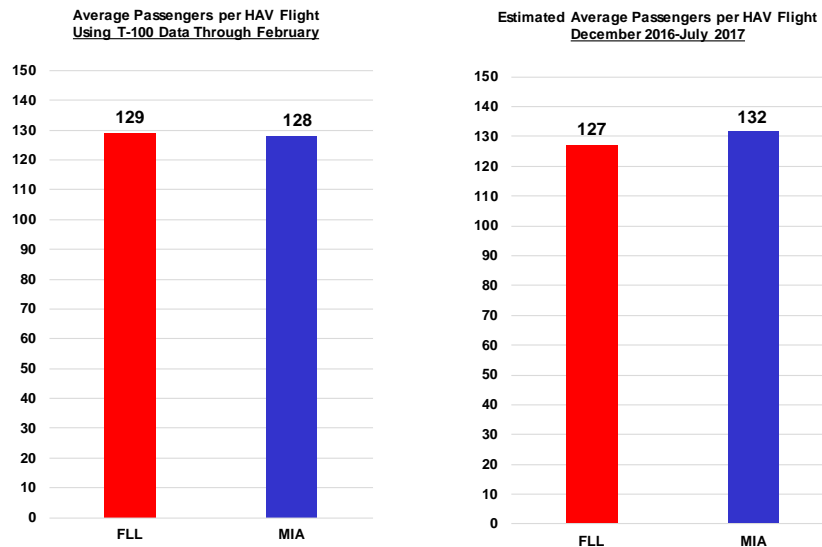
<sup>12</sup> See, e.g., Answer of American Airlines, Exhibits AA-R-102, AA-R-105, AA-R-106, AA-R-201, AA-R-202, AA-R-203, AA-R-204, AA-R-206 and AA-R-209.

<sup>13</sup> U.S. DOT, O&D Data via Diio as used by American and Delta in this proceeding.

This is clear evidence that there is no inherent preference among South Florida residents for MIA over FLL for travel to HAV. Given this, American's serial claims that MIA is a much larger gateway than FLL to HAV, chanted like a mantra, are simply false.<sup>14</sup>

Consistent with the nearly equal division of passengers between MIA and FLL, Exhibit WN-R-202 illustrates that whether measured by T-100 data through February 2017 or T-100 data combined with carriers' internal data provided in this proceeding through July 2017, the total passengers per flight is nearly equal for FLL and MIA. Specifically, T-100 data (December 2016 – February 2017) shows that FLL has an average of 129 passengers per flight compared to 128 for MIA. Internal carrier data provided by the applicants over a longer period (December 2016 – July 2017) indicates an average of 127 passengers per flight at FLL vs. 132 passengers per flight at MIA.

**Both Public and Internal Data Show that FLL and MIA  
Have Almost the Same Number of Passengers per Flight to HAV**



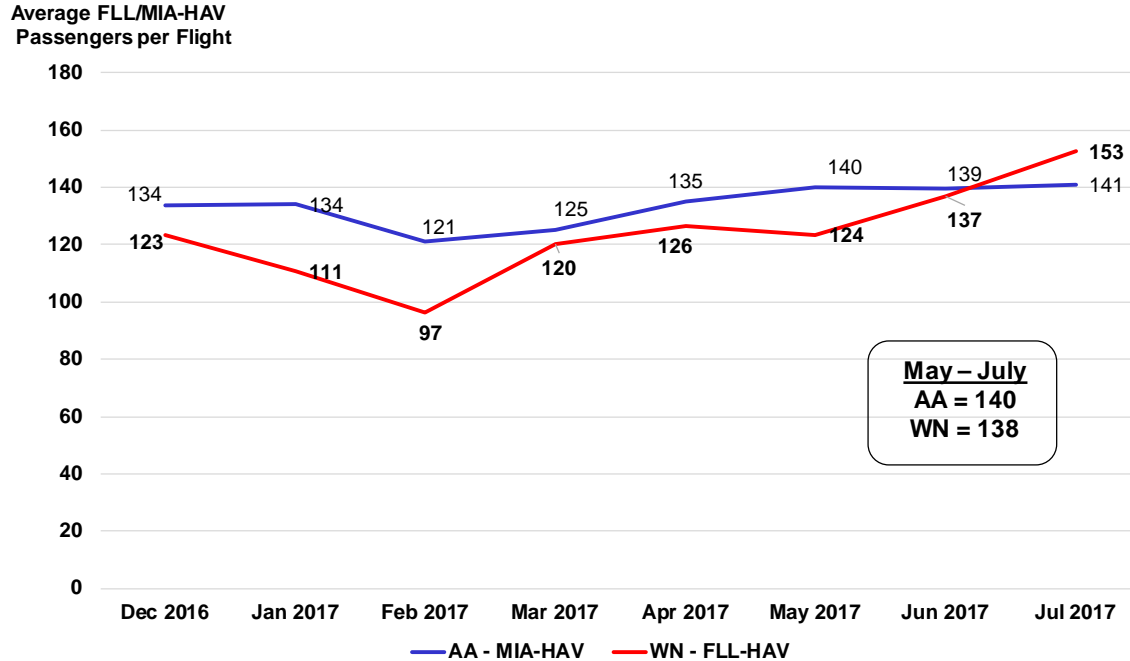
<sup>14</sup> See the attached Appendix to Southwest's Exhibits for a critique of misleading exhibits in American's Answer.

The success of Southwest's FLL-HAV service has demonstrated beyond doubt that FLL is a convenient, low-fare airport for Cuban Americans in South Florida. American's self-serving claim that MIA is the only viable gateway for service to Cuba is contrary to empirical evidence and has no merit.

**III. American's Selective Performance Comparisons Are Incomplete and Highly Misleading.**

American also attempts to show that its MIA-HAV service outperforms Southwest's FLL-HAV service. However, American's selective metrics are highly misleading, and the complete market data contradicts American's claims. For example, American repeatedly compares its load factors to those of other carriers in its analysis (e.g., AA Exhibit R-209). But, load factors are an inferior metric for measuring public benefits because they penalize carriers like Southwest that operate larger aircraft, and do not account for the public benefit of offering such aircraft. For example, in July 2017 American's load factor in MIA-HAV was 88% compared to 87% for Southwest in FLL-HAV (See Exhibits AA-R-601 and WN-R-203). However, American's exhibits failed to disclose that Southwest's aircraft had 15 more seats per flight (9% more capacity) during this time period (Exhibit WN-R-203). In fact, Southwest carried an average of 153 passengers per South Florida-HAV flight during July 2017 compared to 141 passengers per flight for American (Exhibit WN-R-203). Therefore, more passengers benefited from each Southwest HAV flight during this month than each American flight. In fact, the trend in passengers per flight shows that Southwest increased the number of passengers per flight every month from May to July 2017 and exceeded American's total (Exhibit WN-R-301).

**Southwest's FLL-HAV Passengers per Flight are Trending Upward  
And Exceeded American's MIA-HAV Passengers In July 2017**



American also “estimates” the traffic of the ULCC carriers in a series of misleading exhibits that purport to show that MIA-HAV is larger than FLL – HAV.<sup>15</sup> But, as shown in Exhibit WN-R-302, the FLL – HAV market has not failed, the ULCC model in the HAV market (from both MIA and FLL) has failed. Legacy carriers and low-cost carriers continue to operate all of their HAV frequencies awarded, whereas the ULCC carriers returned every one of their frequencies to the DOT (WN-R-302). It happens that Spirit was awarded two daily roundtrips from FLL and Frontier was awarded one daily roundtrip from MIA. The loss of these flights means that FLL will naturally have fewer flights and passengers (down two daily roundtrips) than MIA (down 1 daily roundtrip). Yet, American misleadingly includes estimates of these failed carriers in its

<sup>15</sup> See, e.g., American Answer, Exhibits AA-R-201 and AA-R-202.

charts comparing the sizes of MIA and FLL. However, as illustrated in Exhibit WN-R-303, MIA had 286 more flights to/from HAV than FLL during the period American uses in its analysis. Therefore, one would naturally expect total passenger levels to be higher at MIA if no adjustments are made to account for the flight imbalance between MIA and FLL. Consequently, American's analysis proves nothing about relative passenger preference between MIA and FLL.

Finally, American provides exhibits such as Exhibit AA-R-208 that show that it has the most passengers in the South Florida-HAV market. However, this statistic also has nothing to do with passenger preference because American was awarded twice the number of HAV frequencies as Southwest in 2016 (four daily flights for AA and two for WN) and would be expected to carry more passengers simply due to that fact (Exhibit WN-R-304). A much better indicator of passenger preference is *passengers per flight*, as discussed above, which shows that Southwest overtook American in July.

**IV. The Most Recent Data Shows That Southwest Significantly Outperforms JetBlue and is More Deserving of a Daily FLL-HAV Frequency.**

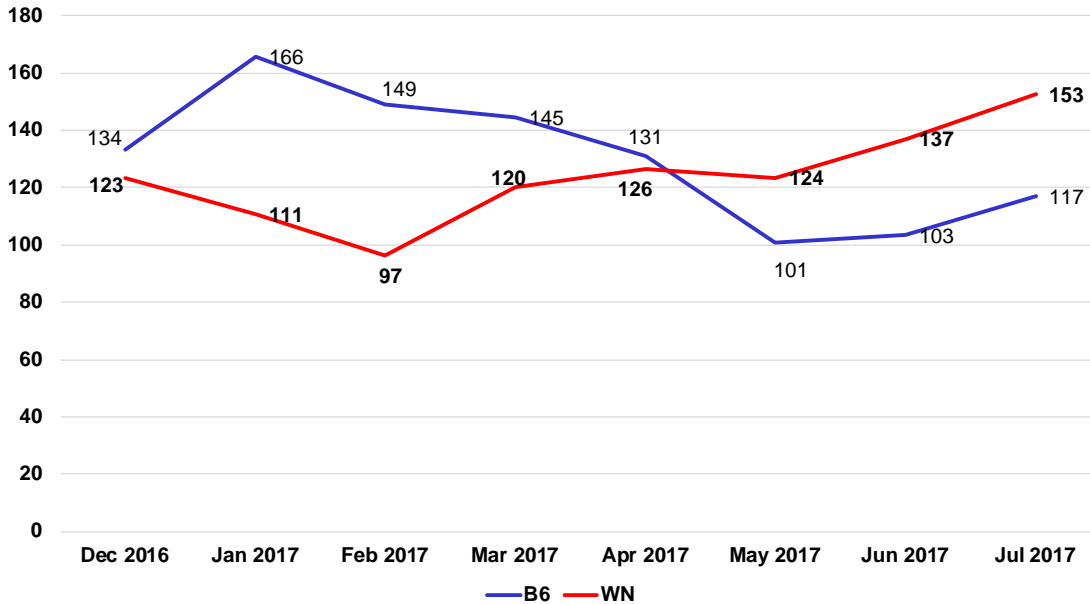
In its Answer, JetBlue's argues that it is the preferred FLL airline to HAV, citing T-100 statistics through February 2017.<sup>16</sup> This limited data set alone does suggest that JetBlue experienced a stronger start than Southwest in the FLL-HAV market. However, more recent data, which JetBlue ignores, makes clear that Southwest has outperformed JetBlue in FLL – HAV. As shown in Exhibit WN-R-401 and below, Southwest has carried more FLL-HAV passengers per flight than JetBlue *every month* after April 2017.

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<sup>16</sup> JetBlue Answer, pp. 16-17.

### **Southwest Now Carries More FLL-HAV Passengers Per Flight Than JetBlue**

Average FLL-HAV  
Passengers per Flight

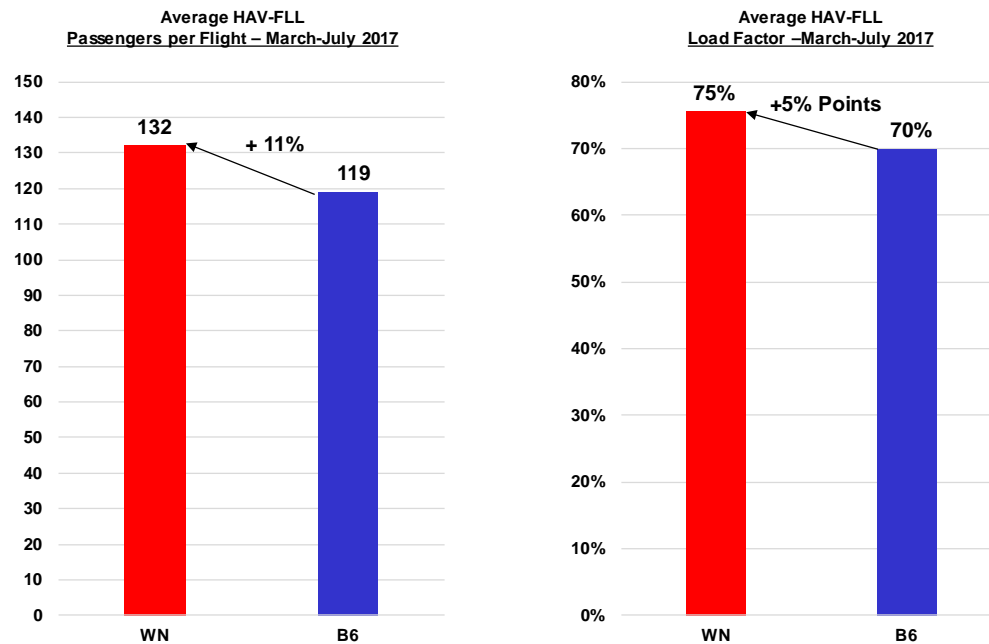


As JetBlue's traffic declined, it sharply down-gauged its aircraft from the 200 seat A-321 to a 150-seat A-320 in May 2017, while Southwest continued to operate 175-seat B737-800 aircraft (Exhibit WN-R-402). The fact that JetBlue downsized its aircraft far below its 2016 route case proposal is reason alone that it does not deserve an additional HAV frequency now. To maintain the integrity of its competitive route proceedings, the Department should not reward an applicant that has departed so significantly from the promises it made to secure an award in the first place.

Moreover, as shown above, Southwest's number of passengers per flight was increasing, and JetBlue's was declining, even before JetBlue's down-gauge. Ever since the JetBlue down-gauge, Southwest has carried more passengers per flight than JetBlue in FLL-HAV. In July 2017, Southwest carried 153 passengers per flight in FLL-

HAV compared to 117 for JetBlue. Also, looking at all months beyond the period used by JetBlue in its Answer (*i.e.*, from March 2017 forward), Southwest carried 11% more FLL-HAV passengers per flight (132 vs. 119). This performance resulted in a five-point higher load factor for Southwest, even though it operates significantly larger aircraft than JetBlue (Exhibit WN-R-403).

**Since March 2017 Southwest Has Carried More HAV-FLL  
Passengers per Flight with a Higher Load Factor than JetBlue**



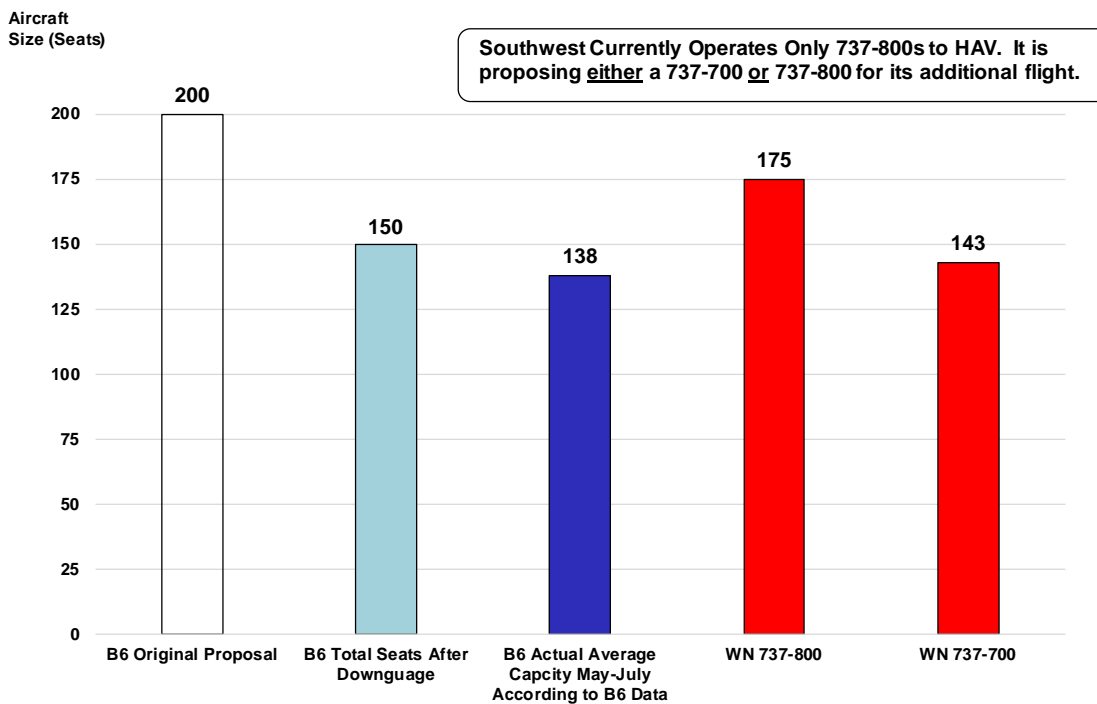
Therefore, despite JetBlue's claims, it is clear that the preferred low-cost carrier in the South Florida-HAV market is Southwest.

Finally, JetBlue claims in Exhibit B6-ANS-111 that "JetBlue has more seats/flight than Southwest." But that is simply false, as Southwest operates all its HAV flights with its 175-seat aircraft compared to the 150-seat A-320 operated by JetBlue. Moreover, JetBlue's Answer reveals that it routinely blocks a significant number of seats on the



A-320 aircraft due to “operational restrictions”<sup>17</sup> (see Exhibit B6-ANS-308), and as a result its *true available capacity from May – July 2017 was only 138 seats* (Exhibits WN-R-404 and 405). Southwest is proposing using either a B737-800 with 175 seats or a B737-700 with 143 seats for its additional flight. Both aircraft are larger than the actual available capacity of JetBlue’s A-320. (Exhibit WN-R-404).

**The Actual Capacity of JetBlue’s Aircraft is Only 138 Seats –  
Smaller than Both of Southwest’s Proposed Aircraft**



**V. Delta’s MIA Service Provides Neither the Low Fares or Market Discipline that Southwest’s Service Does.**

While Delta’s passengers per flight have been relatively flat in the MIA – HAV market, Southwest’s FLL – HAV passengers have been growing significantly as described above and as shown in Exhibit WN-R-501. In July 2017, Southwest carried

<sup>17</sup> See JetBlue Answer, p. 4, n.6 (“Because Cuba is a baggage-heavy VFR market, JetBlue places ‘lids’ on capacity so that its customers can bring extra baggage.”).

153 FLL – HAV passengers per flight compared to 136 MIA – HAV passengers for Delta (Exhibit WN-R-501). Including June and July 2017,<sup>18</sup> Southwest carried an average of 145 passengers per flight compared to 137 for Delta (Exhibit WN-R-501). As shown in these examples, there is no inherent passenger preference for MIA. The fact is that Southwest carried more passengers per flight than any other South Florida carrier in July 2017.

**VI. Due to Houston's Inconvenient Geographic Location and Small Cuban-American Population, United's Proposal Does Not Merit Six Weekly Frequencies.**

Throughout its filings in this case, United argues that the Western United States is underserved and a daily United Houston – HAV flight will solve this problem.<sup>19</sup> The fact is that the current Eastern U.S. gateways and especially South Florida provide convenient connections to passengers in the West as well as the East.<sup>20</sup> Moreover, as United itself concedes, its proposed IAH service will support only a small regional jet aircraft for an almost three-hour flight to HAV. There is simply no justification for awarding a scarce HAV frequency for such an inconvenient service in such a small market.

United has also exaggerated its connecting traffic, claiming that its proposed Houston service will provide roundtrip connections to 44 U.S. cities (Exhibit WN-R-601).<sup>21</sup> However, as shown in Exhibit WN-R-602, 19 of the 44 markets United includes have either over 5-hour connections at IAH or mileage circuitry over 35%. This leaves 25 convenient connecting points via IAH (Exhibit WN-R-602). Of these connecting

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<sup>18</sup> Note that Delta did not provide sufficient data to calculate April and May 2017.

<sup>19</sup> See, e.g., United Answer, pp. 2, 5, 9, 12.

<sup>20</sup> See Southwest Answer, pp. 18-19 and Exhibits WN-A-702 and A-703.

<sup>21</sup> United Answer, pp. 8-10.

points, 13 already have convenient service to HAV via other U.S. gateways (Exhibit WN-R-603). This leaves only 12 remaining unique roundtrip connections that would be offered by United's IAH service. These 12 points account for fewer than 14,000 Cuban-American residents (Exhibits WN-R-603 and 604). The Cuban-American population of South Florida is 1.13 million. This compares to only 43,913 Cuban Americans living in Houston plus the 12 unique points (Exhibit WN-R-604). United's proposed regional jet service for this market simply does not merit an award in this case.<sup>22</sup>

Finally, despite United's repeated assertions regarding the importance of inter-gateway competition,<sup>23</sup> the Department should resist requests to allocate the limited U.S. – Havana frequencies to gateways around the country for the sake of geographical diversity as if this were a normal limited-entry international route proceeding. Due to the extensive travel restrictions that severely limit U.S. travel to Cuba, awarding frequencies to U.S. cities with minimal Cuban-American populations will not “maximize public benefits” in this unique case, but will instead squander the valuable Havana frequencies in this historic proceeding.

### **CONCLUSION**

The record in this case shows conclusively that Southwest's proposed FLL – HAV service will maximize public benefits by offering the lowest cost travel option to HAV as well as increased competitive discipline on the high-fare carriers serving HAV from MIA. Southwest's service has been well received due to its consumer-friendly

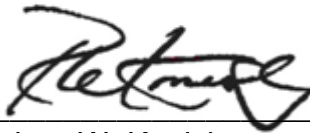
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<sup>22</sup> See Exhibit WN-R-605 comparing annual seats of Southwest aircraft to United's E-175.

<sup>23</sup> United Answer, pp. 5-8.

policies such as two free checked bags and no reservation change fees. An additional daily FLL-HAV flight will enable Southwest to expand these public benefits and will ensure a competitive U.S. – HAV marketplace for the long term. Southwest therefore urges the Department to grant the daily FLL-HAV frequency requested in its Application.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Kneisley", written over a horizontal line.

Robert W. Kneisley

September 26, 2017

## **CERTIFICATE OF SERVICE**

I hereby certify that on September 26, 2017, a copy of the foregoing was served via e-mail on the following persons:

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[bob.goldner@dot.gov](mailto:bob.goldner@dot.gov)  
[Jeffrey.gaynes@dot.gov](mailto:Jeffrey.gaynes@dot.gov)  
[Matt.zisman@dot.gov](mailto:Matt.zisman@dot.gov)  
[todd.homan@dot.gov](mailto:todd.homan@dot.gov)  
[peter.irvine@dot.gov](mailto:peter.irvine@dot.gov)

[albert.muldoon@dot.gov](mailto:albert.muldoon@dot.gov)  
[brownpa@state.gov](mailto:brownpa@state.gov)  
[Eugene.alford@trade.gov](mailto:Eugene.alford@trade.gov)  
[john.s.duncan@faa.gov](mailto:john.s.duncan@faa.gov)

[info@airlineinfo.com](mailto:info@airlineinfo.com)



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Amanda Hoff

**BEFORE  
THE U.S. DEPARTMENT OF TRANSPORTATION**

**2017 U.S. – Cuba Frequency Allocation Proceeding  
Docket DOT-OST-2016-0021**

**Exhibits Supporting the Reply of**

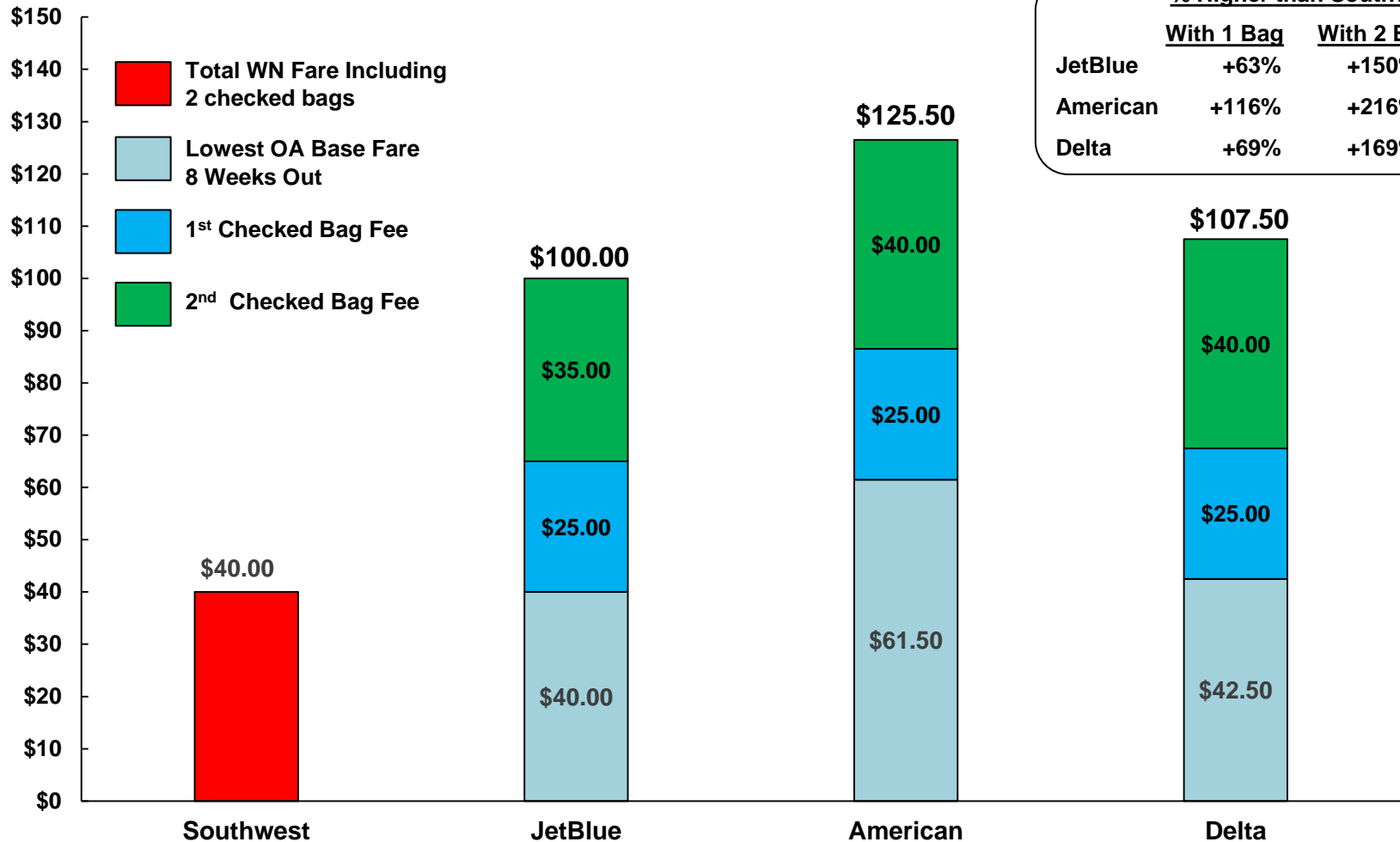


**I. Southwest Offers Consumers the Lowest Total Travel Cost  
Between South Florida and HAV By a Wide Margin.**



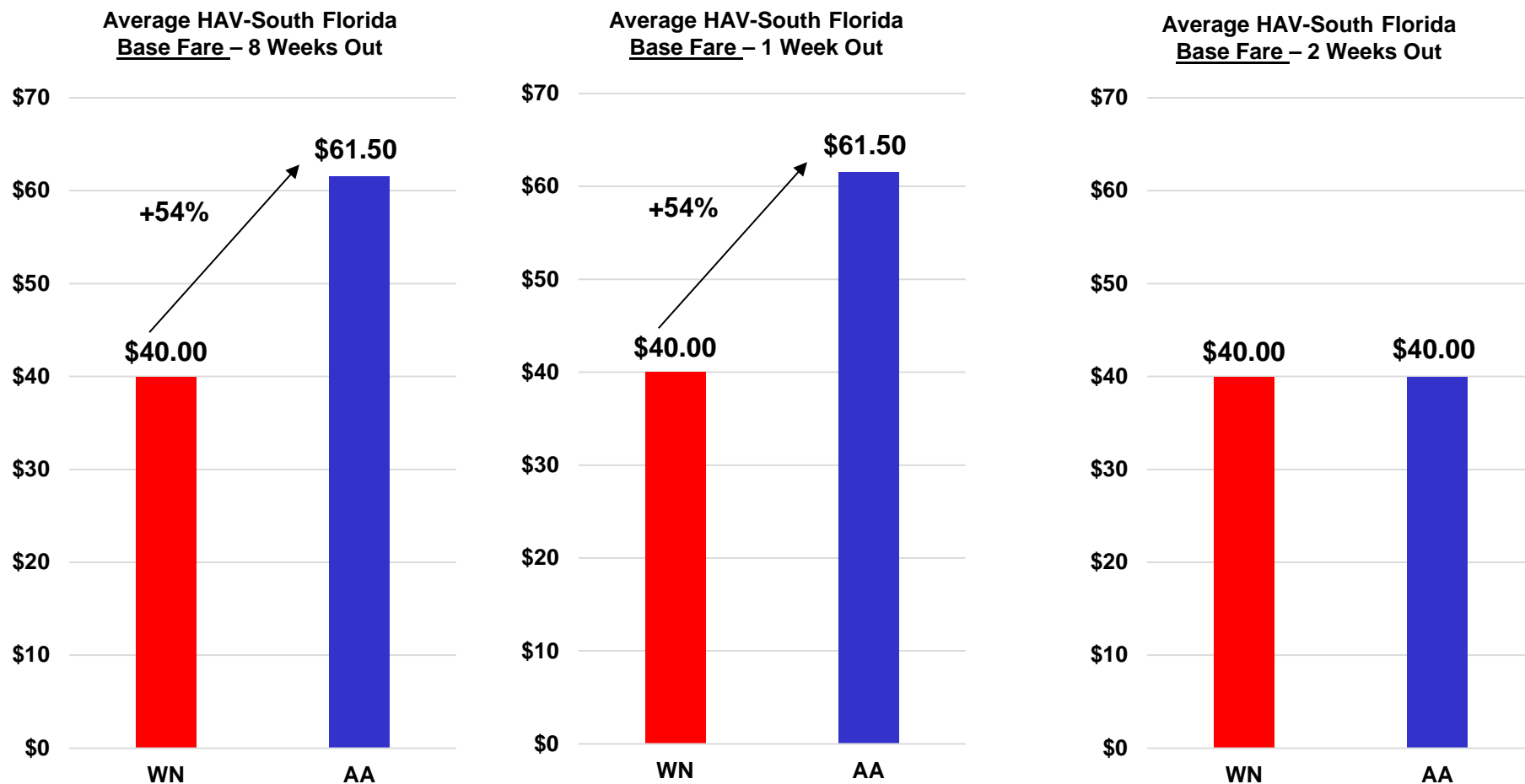
# Southwest Offers Consumers the Lowest Total Travel Cost Between South Florida and HAV By a Wide Margin

Lowest one-way website fare +  
Bag Fees



Source: Airline websites, pulled on 9/7/2017 at 1:00 PM. Fares shown are lowest fare available day of the pull. Travel dates used are 11/2 outbound from the U.S. and 11/9 return for 8 weeks out. One-way fares exclude taxes and are derived by dividing the round-trip fares by 2. Baggage fees come from the carrier websites.

## In Two of the Three Periods Tested for Fares, American's Base Fares are 54% Higher than Southwest's



**Note:** Base Fare does not include baggage/cancellation fees.

Source: Airline websites, pulled on 9/7/2017 at 1:00 PM. Fares shown are lowest fare available day of the pull. Travel dates used are 11/2 outbound from the U.S. and 11/9 return for 8 weeks out, 9/21 outbound and 9/28 return for 2 weeks out, and 9/14 outbound and 9/16 return for 1 week out. One-way fares exclude taxes and are derived by dividing the round-trip fares by 2. Base Fares above do not include average checked baggage and reservation change fees paid per passenger of \$.36 (WN), \$10.73 (B6), \$12.13 (AA) and \$15.23 (DL) as derived from DOT Form 41 data.

# American Charges Checked Baggage Fees for Passengers Originating in MIA For Travel to HAV

## From American's Website on Baggage Fees

### Cuba

For baggage fees, 'U.S.' refers to:

- Domestic U.S.
- U.S. Virgin Islands
- Puerto Rico
- Canada
- Mexico
- Caribbean

### One-way to Cuba

Trips originating in the U.S. to Cuba pay the standard \$25 1st bag fee

#### Round-trip to Cuba

Round-trips originating in the U.S. to Cuba get:

- 1st bag \$25 and second bag \$40
- 1st and 2nd bag free back to U.S.

### One-way from Cuba

Standard-sized 1st and 2nd bags are free when departing Cuba

### Round-trip from Cuba

Round-trips originating in Cuba to the U.S. get:

- 1st and 2nd bags free from Cuba
- 1st bag free and 2nd bag \$40 from U.S. back to Cuba

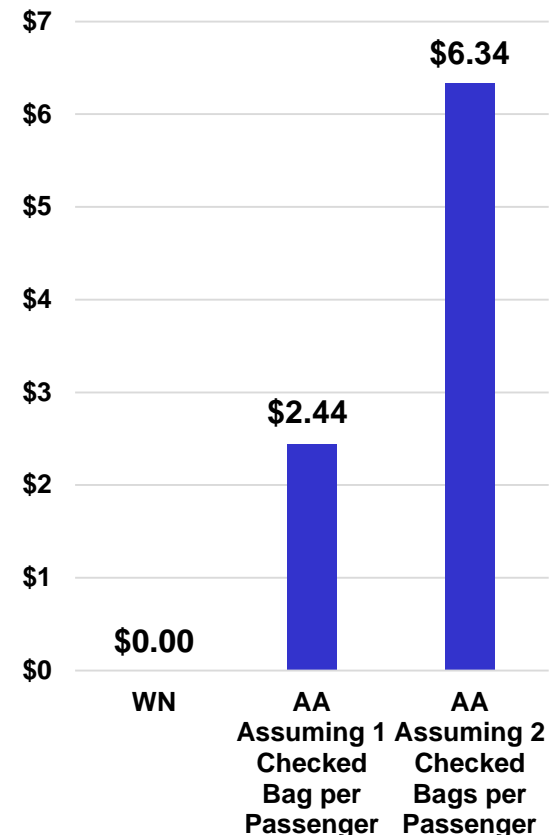
# In Just Eight Months of Data, American Collected Millions in Bag Fees From Travelers in the MIA - HAV Market

1 American MIA Onboard Passengers (December 2016-July 2017)	260,171
2 Estimated U.S. Originating Share on AA MIA	75%
3 Estimated AA MIA Originating Passengers	195,128
4 Outbound Originating MIA Passengers	97,564

5 1 <sup>st</sup> Checked Bag Fee	\$25
6 2 <sup>nd</sup> Checked Bag Fee	\$40

7 Total Bag Fee Revenue Assuming 1 Checked Bag	\$2,439,100
8 Total Bag Fee Revenue Assuming 2 Checked Bags	\$6,341,660

Total Baggage Fees Paid by Passengers (Millions)  
Assuming 1 and 2 Checked Bags



1/ From Exhibit AA-R-208.

2/ U.S. DOT O&D Survey, via Diio, Q1 2017.

3/ Line 1 x Line 2

4/ Line 3 / 2. Adjusted to account for outbound passengers that pay bag fees (note other passengers pay fees- Exhibit WN-R-103)

5/ From Exhibit WN-R-103

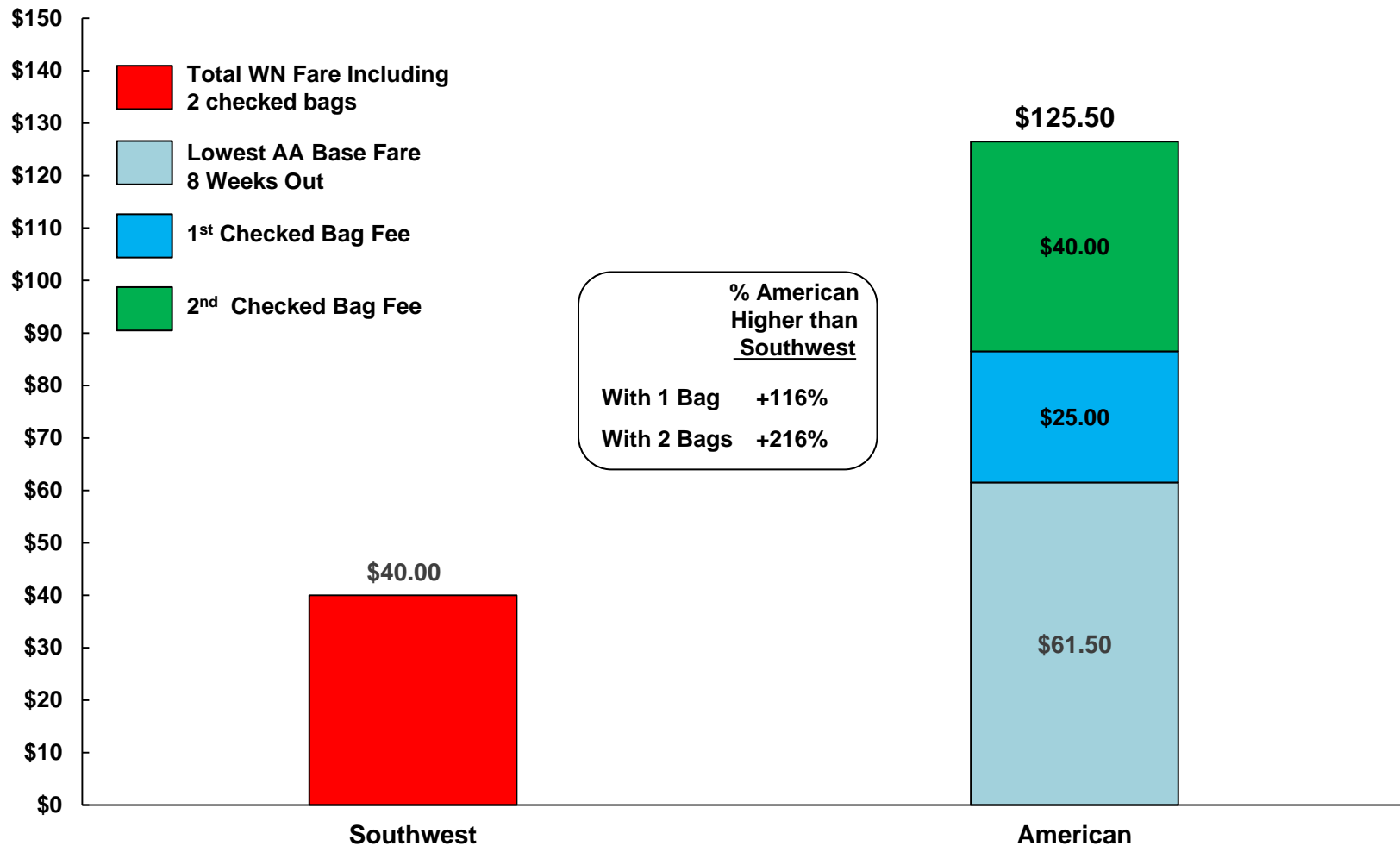
6/ From Exhibit WN-R-103

7/ Line 4 x Line 5

8/ Line 4 x Line 5 + Line 4 x Line 6.

# Total Travel Costs From South Florida to HAV Are Significantly Lower on Southwest Than American

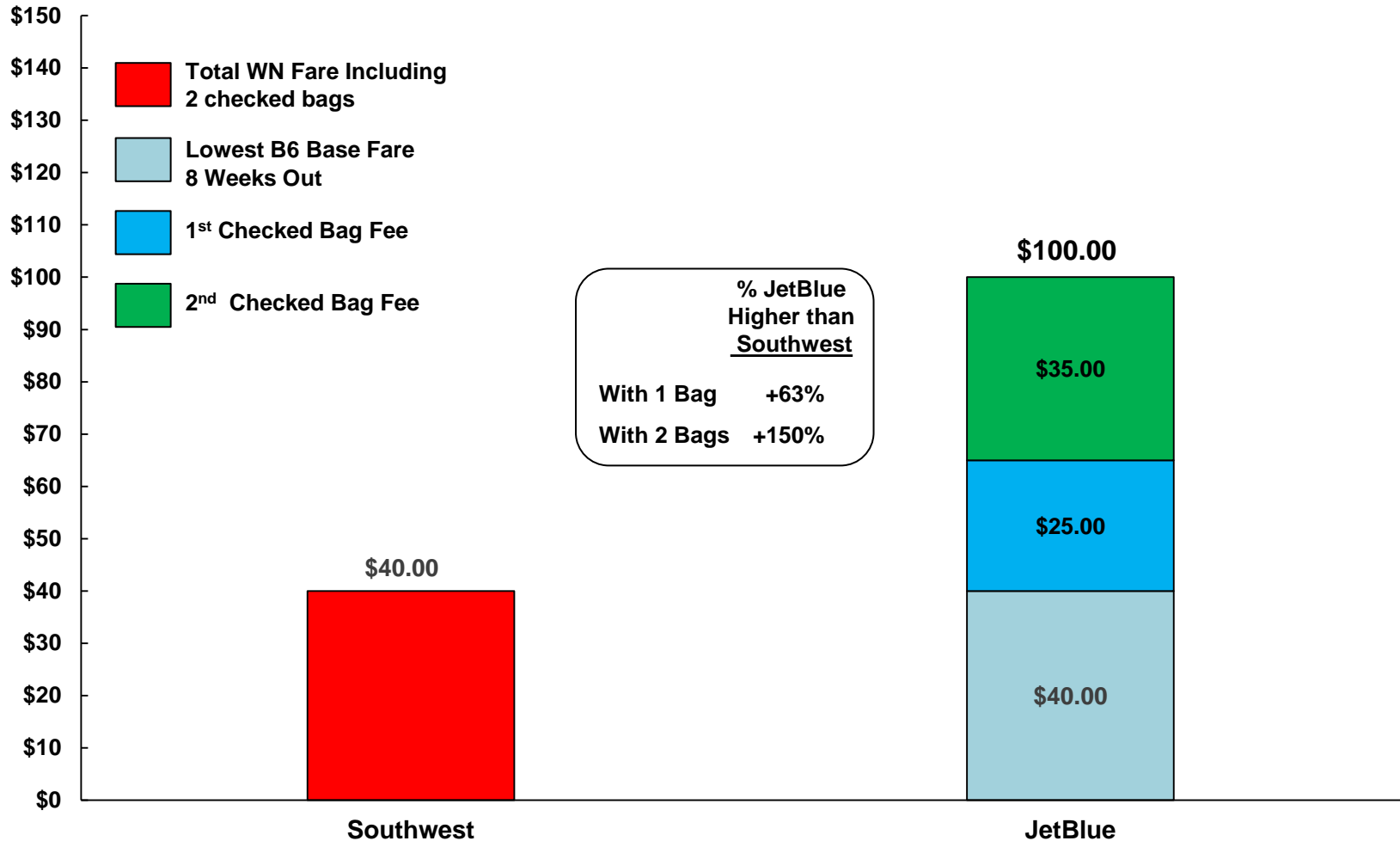
Lowest one-way website fare +  
Bag Fees



Source: Airline websites, pulled on 9/7/2017 at 1:00 PM. Fares shown are lowest fare available day of the pull. Travel dates used are 11/2 outbound from the U.S. and 11/9 return for 8 weeks out. One-way fares exclude taxes and are derived by dividing the round-trip fares by 2. Baggage fees come from the carrier websites.

# Total Travel Costs From South Florida to HAV Are Significantly Lower on Southwest Than JetBlue

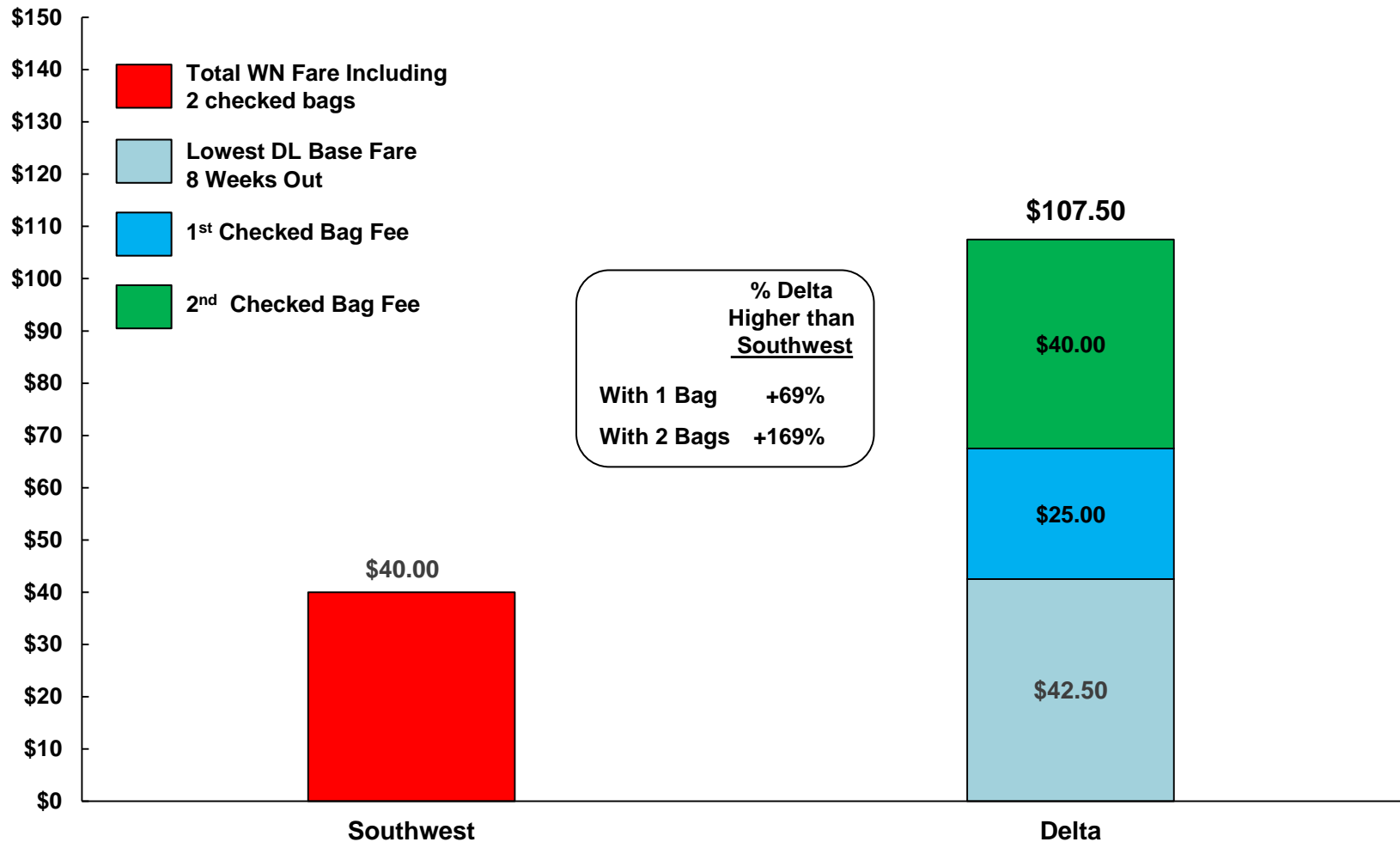
Lowest one-way website fare +  
Bag Fees



Source: Airline websites, pulled on 9/7/2017 at 1:00 PM. Fares shown are lowest fare available day of the pull. Travel dates used are 11/2 outbound from the U.S. and 11/9 return for 8 weeks out. One-way fares exclude taxes and are derived by dividing the round-trip fares by 2. Baggage fees come from the carrier websites.

# Total Travel Costs From South Florida to HAV Are Significantly Lower on Southwest Than Delta

Lowest one-way website fare +  
Bag Fees



Source: Airline websites, pulled on 9/7/2017 at 1:00 PM. Fares shown are lowest fare available day of the pull. Travel dates used are 11/2 outbound from the U.S. and 11/9 return for 8 weeks out. One-way fares exclude taxes and are derived by dividing the round-trip fares by 2. Baggage fees come from the carrier websites.

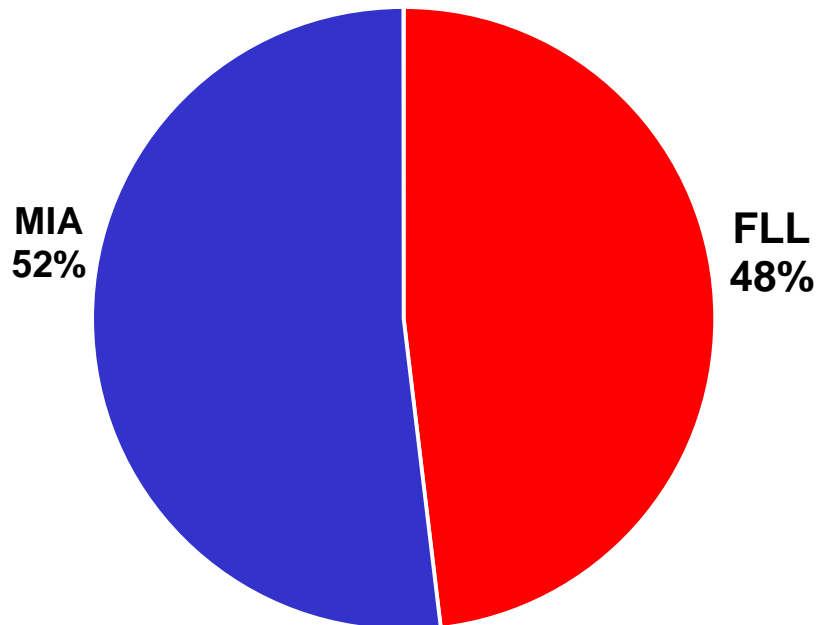
## **II. American's Claim that MIA is the Only Viable Cuba Gateway For South Florida Is Contradicted By Actual FLL – HAV Market Performance.**



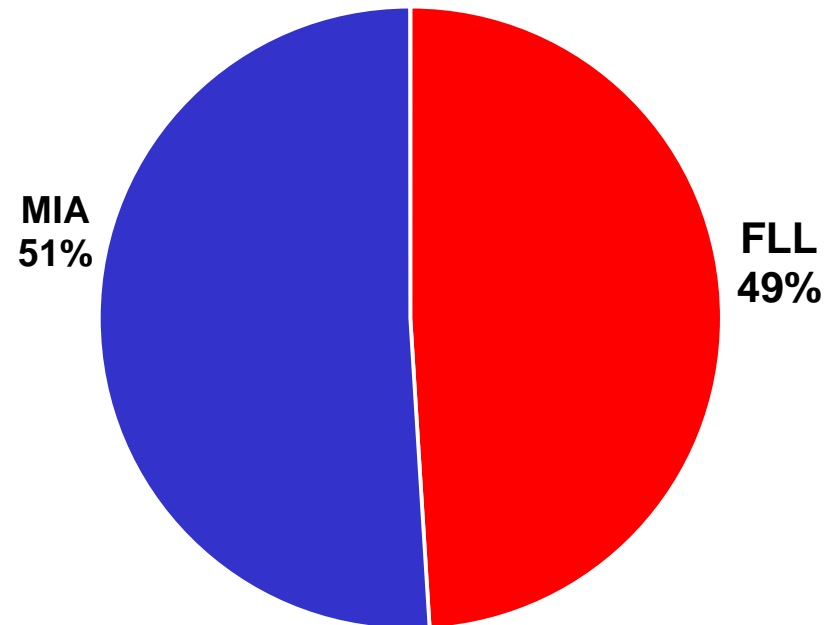
## Contrary to American's Claims, the Number of U.S. Passengers Originating From FLL and MIA to HAV Are Nearly Equal

### Distribution of FLL/MIA U.S. Originating O&D Passengers

YE Q1 2017

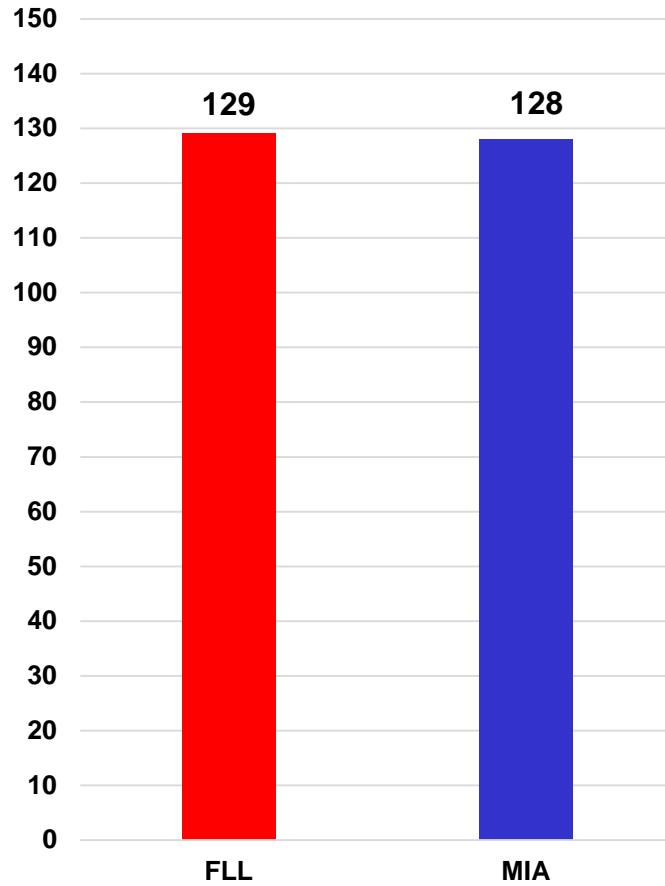


Q1 2017 Alone

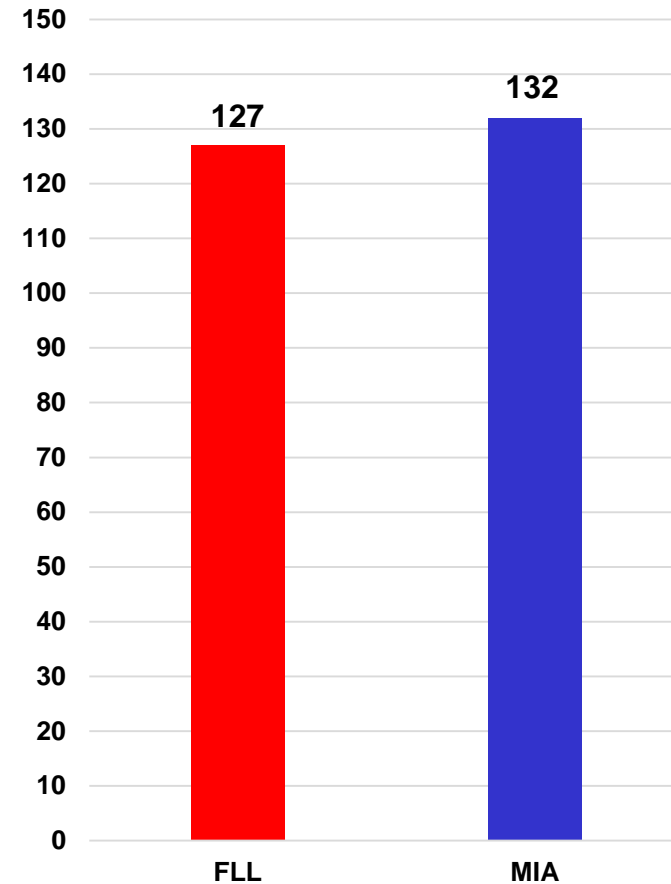


## Both Public and Internal Data Show that FLL and MIA Have Almost the Same Number of Passengers per Flight to HAV

Average Passengers per HAV Flight  
Using T-100 Data Through February

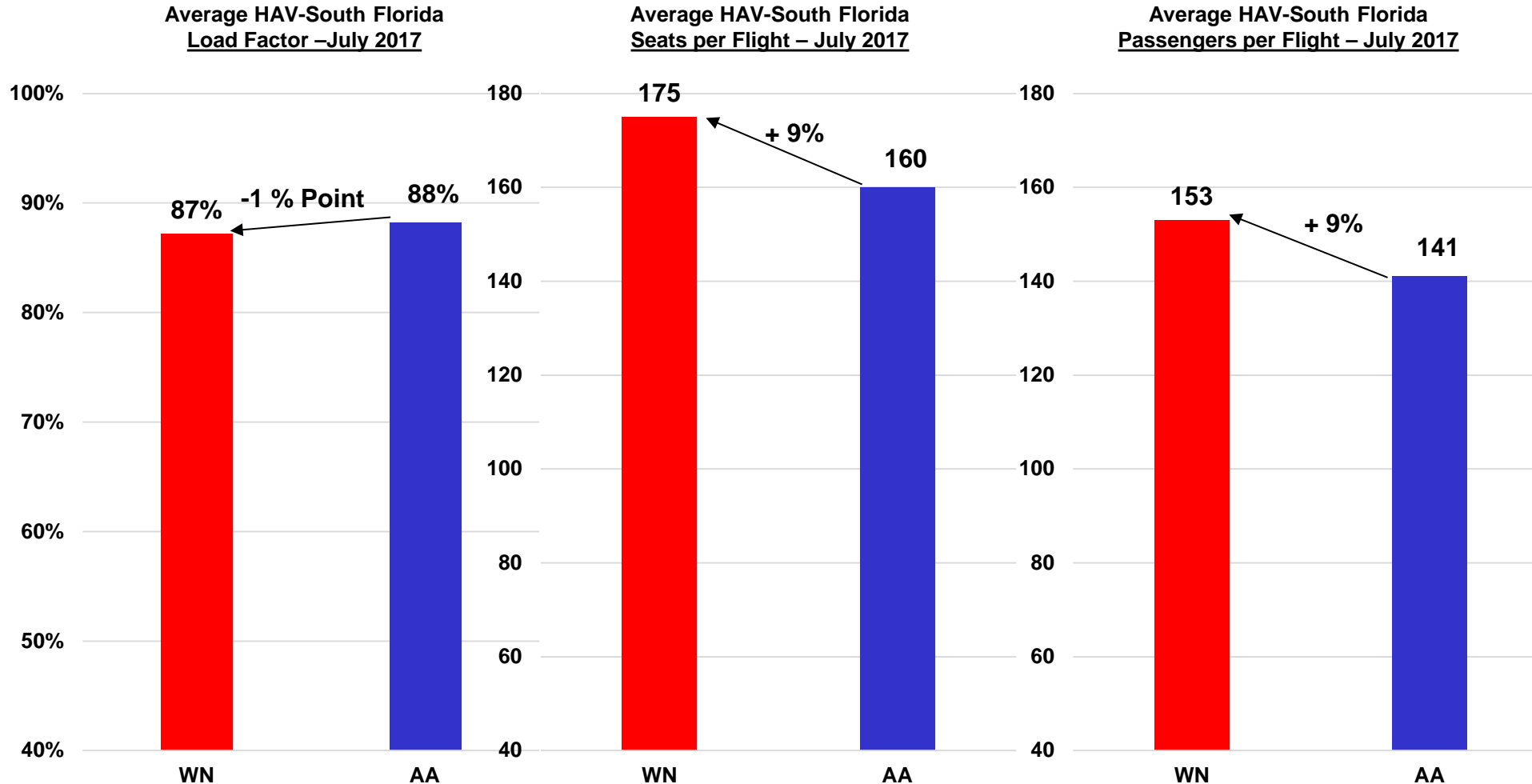


Estimated Average Passengers per HAV Flight  
December 2016-July 2017



Note: Excludes NK and F9 data. Estimates Delta departures using Innovata schedules.  
Source: Innovata Schedules, U.S. DOT T-100 data, and Internal data provided by applicants

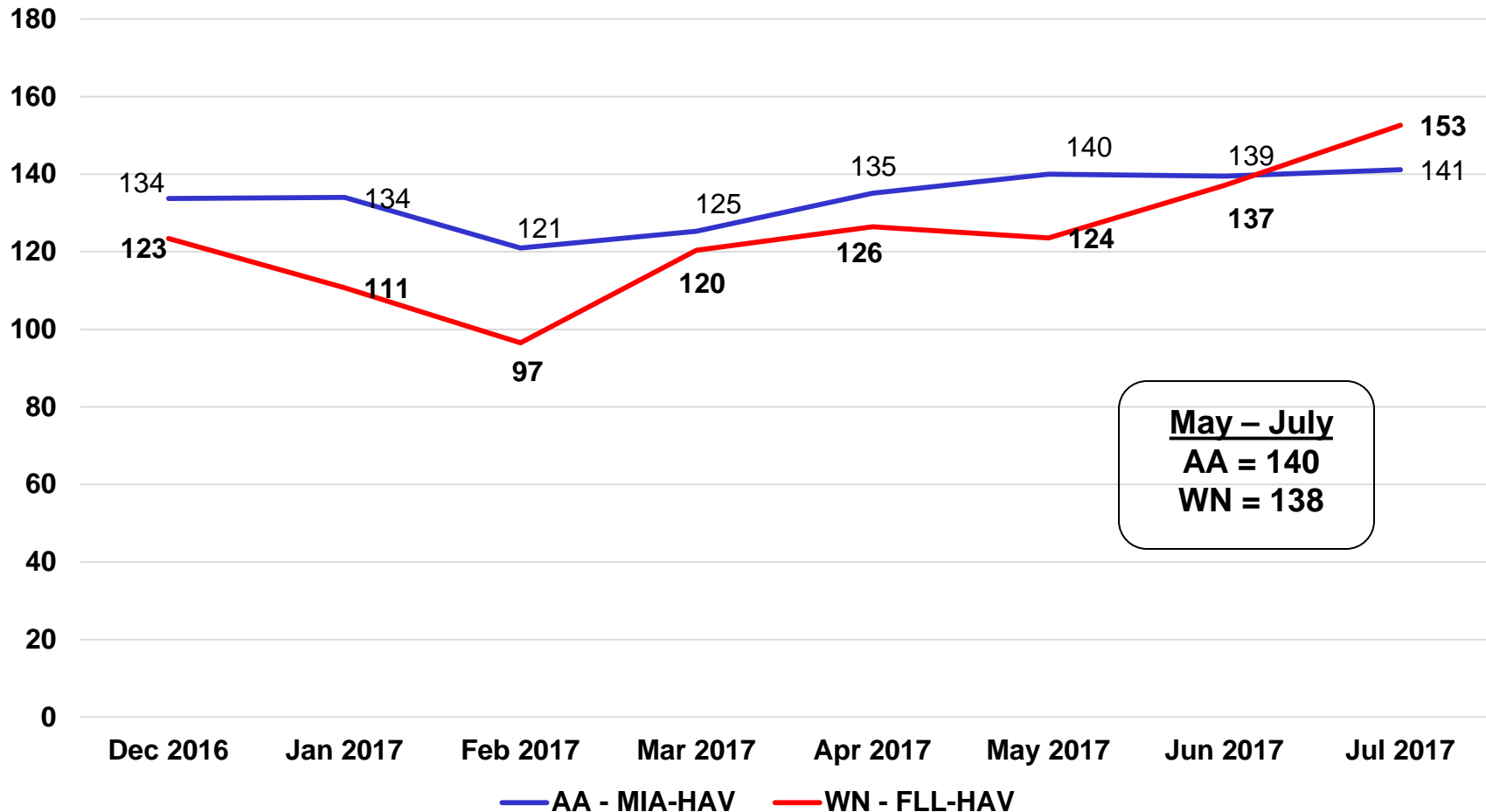
## American's Misleading Load Factor Comparisons Penalize Carriers like Southwest that Offer More Seats per Flight



### **III. American's Selective Performance Comparisons Are Incomplete and Highly Misleading.**

## Southwest's FLL-HAV Passengers per Flight are Trending Upward And Exceeded American's MIA-HAV Passengers In July 2017

Average FLL/MIA-HAV  
Passengers per Flight



## While the ULCC U.S. – HAV Business Model Failed, All Other HAV Service is Operating at 100%

Legacy Carriers  
(100% of HAV Flights  
Awarded Still Operated)



Low Cost Carriers  
(100% of HAV Flights  
Awarded Still Operated)



Ultra Low Cost Carriers  
(All HAV Flights Discontinued  
from Both MIA and FLL)



Awarded  
Weekly  
Flights:

10.14

6.86

3

Current  
Flights:

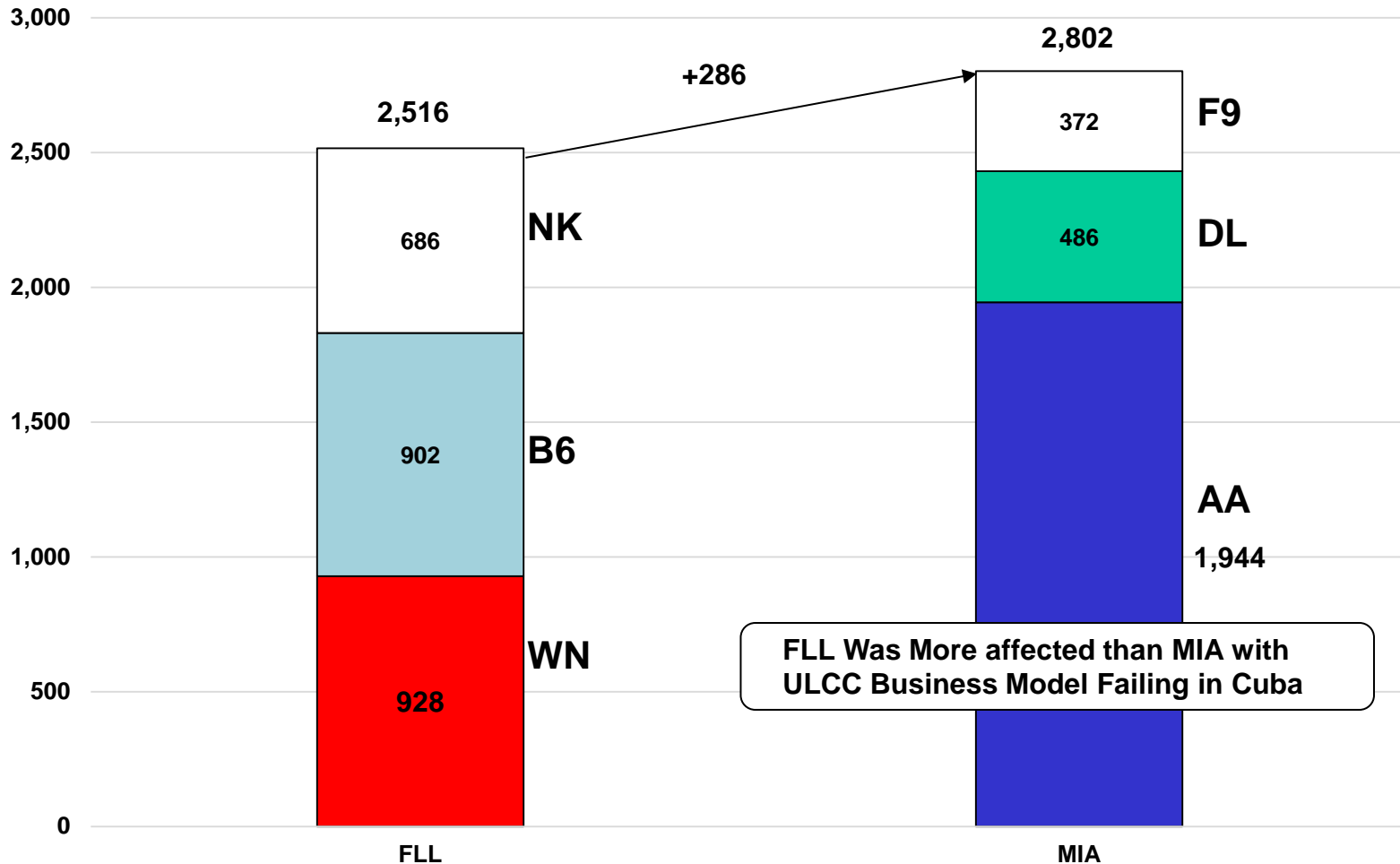
10.14

6.86

0

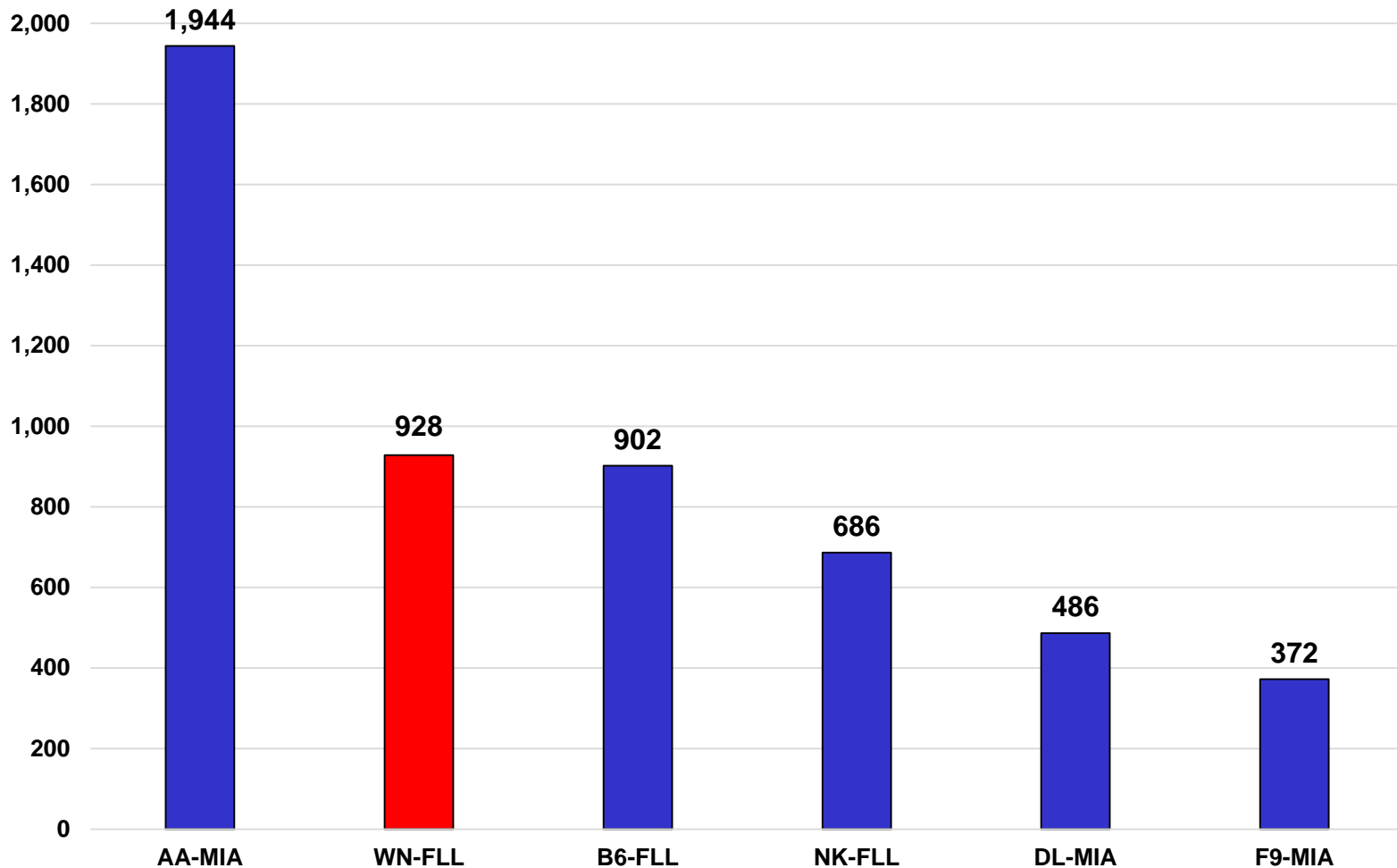
## American's Use of Passenger Comparisons Through July Are Misleading Since MIA Had 286 More Flights During the Period

Scheduled FLL/MIA-HAV Flights  
December 2016-July 2017



## American Was Awarded Twice as Many HAV Flights as the Next Largest Carrier, Which Naturally Results in More Passenger Traffic

Scheduled FLL/MIA-HAV Flights  
December 2016-July 2017

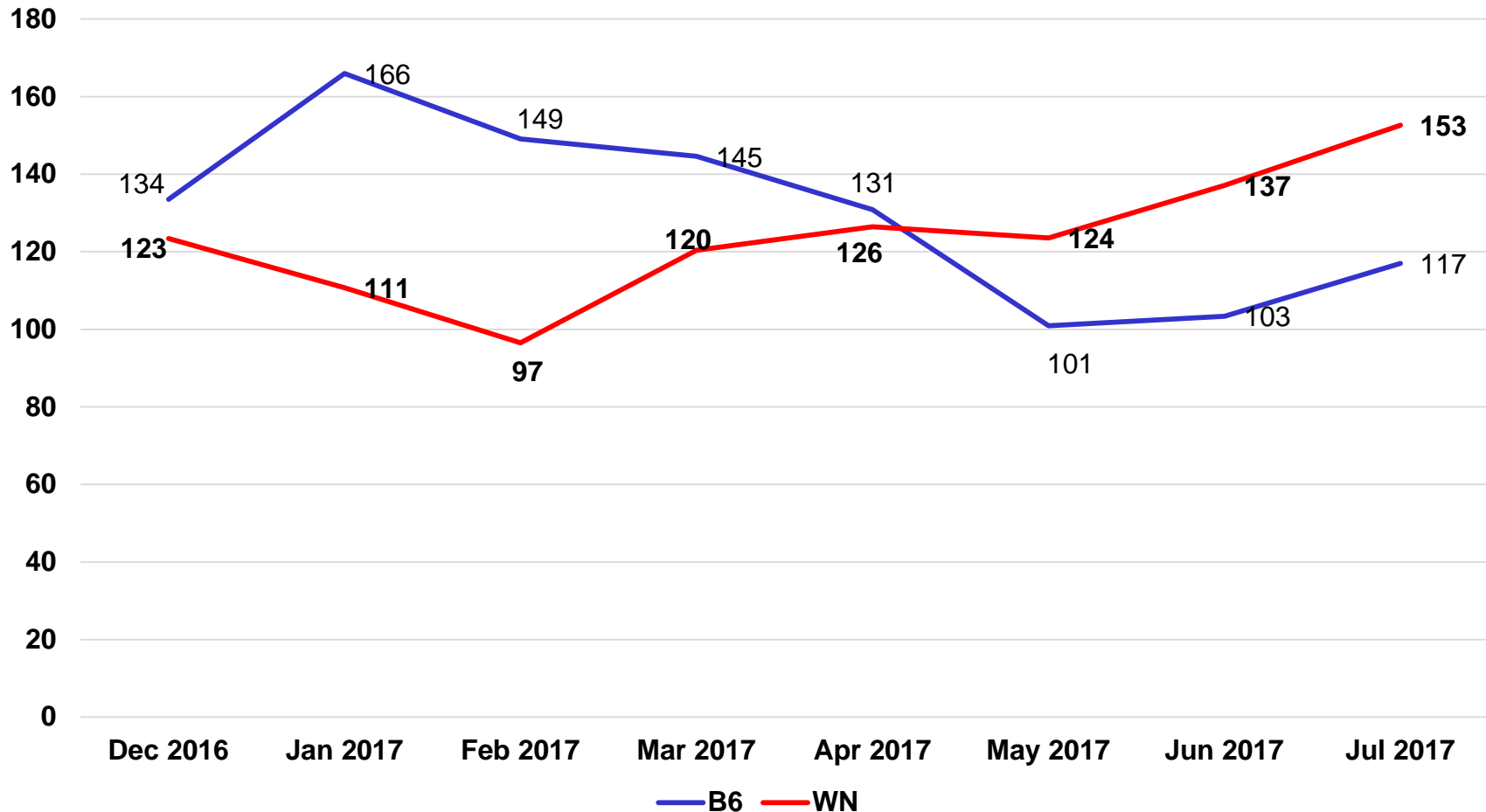




**IV. The Most Recent Data Shows That Southwest  
Significantly Outperforms JetBlue and is More  
Deserving of a Daily FLL-HAV Frequency.**

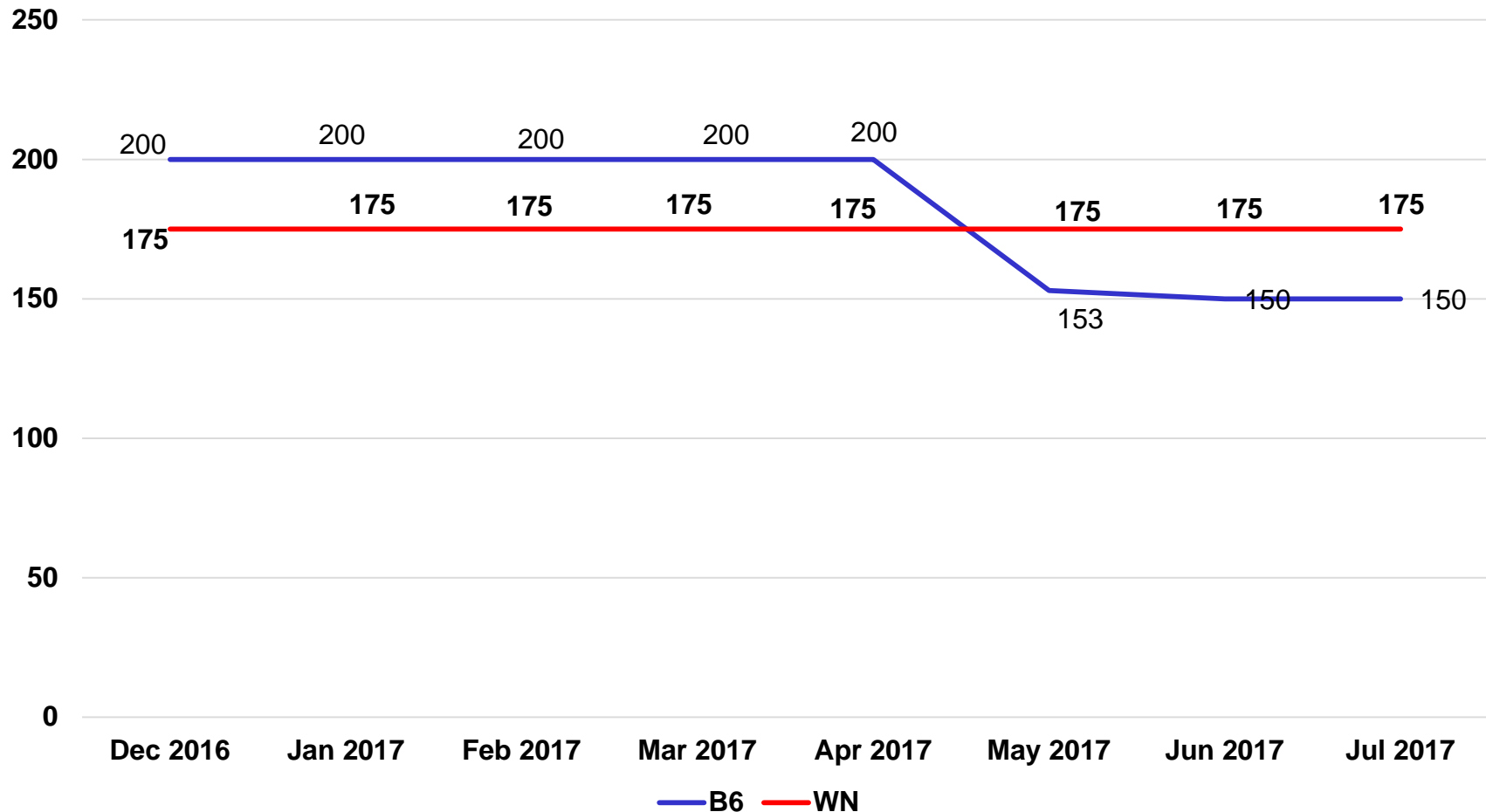
## Southwest Now Carries More FLL-HAV Passengers Per Flight Than JetBlue

Average FLL-HAV  
Passengers per Flight

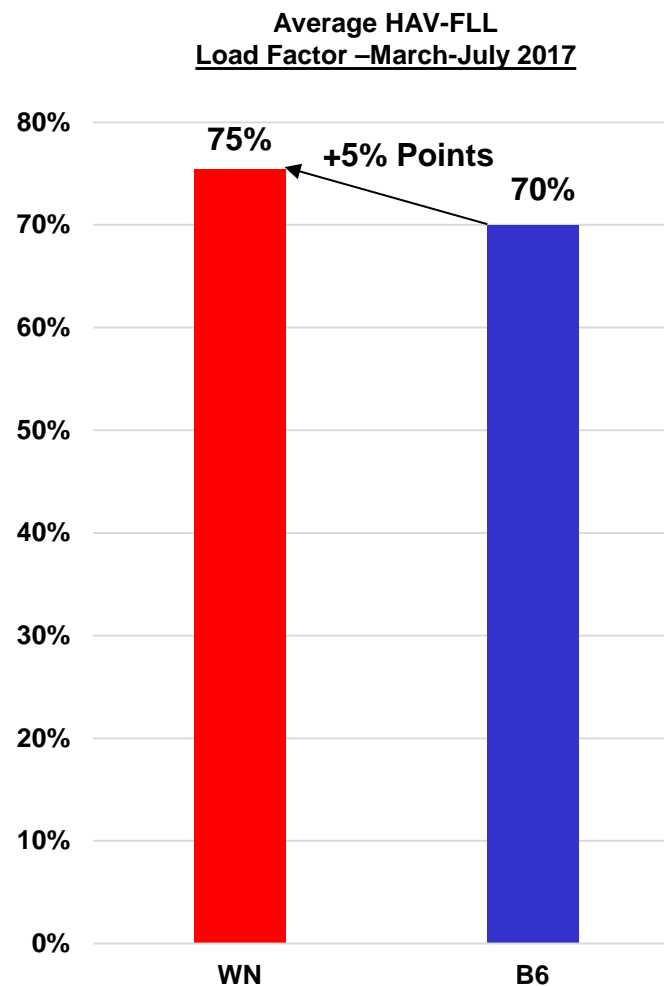
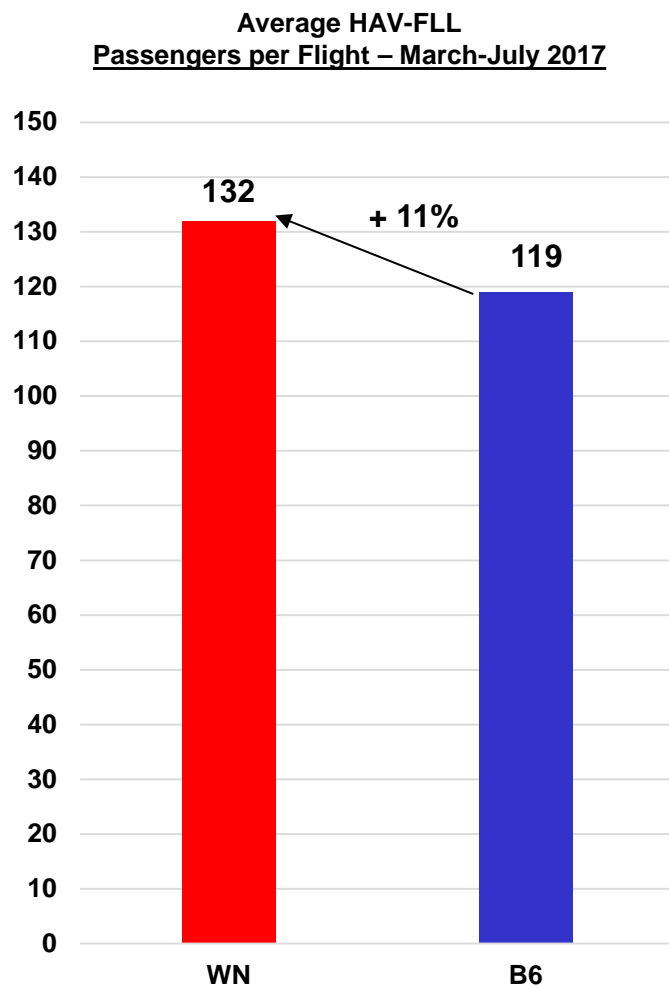


## Southwest Has Continued to Operate 175-Seat Aircraft in FLL-HAV While JetBlue Has Down-Gauged to 150-Seat Aircraft

Average Seats  
per Flight



## Since March 2017 Southwest Has Carried More HAV-FLL Passengers per Flight with a Higher Load Factor than JetBlue



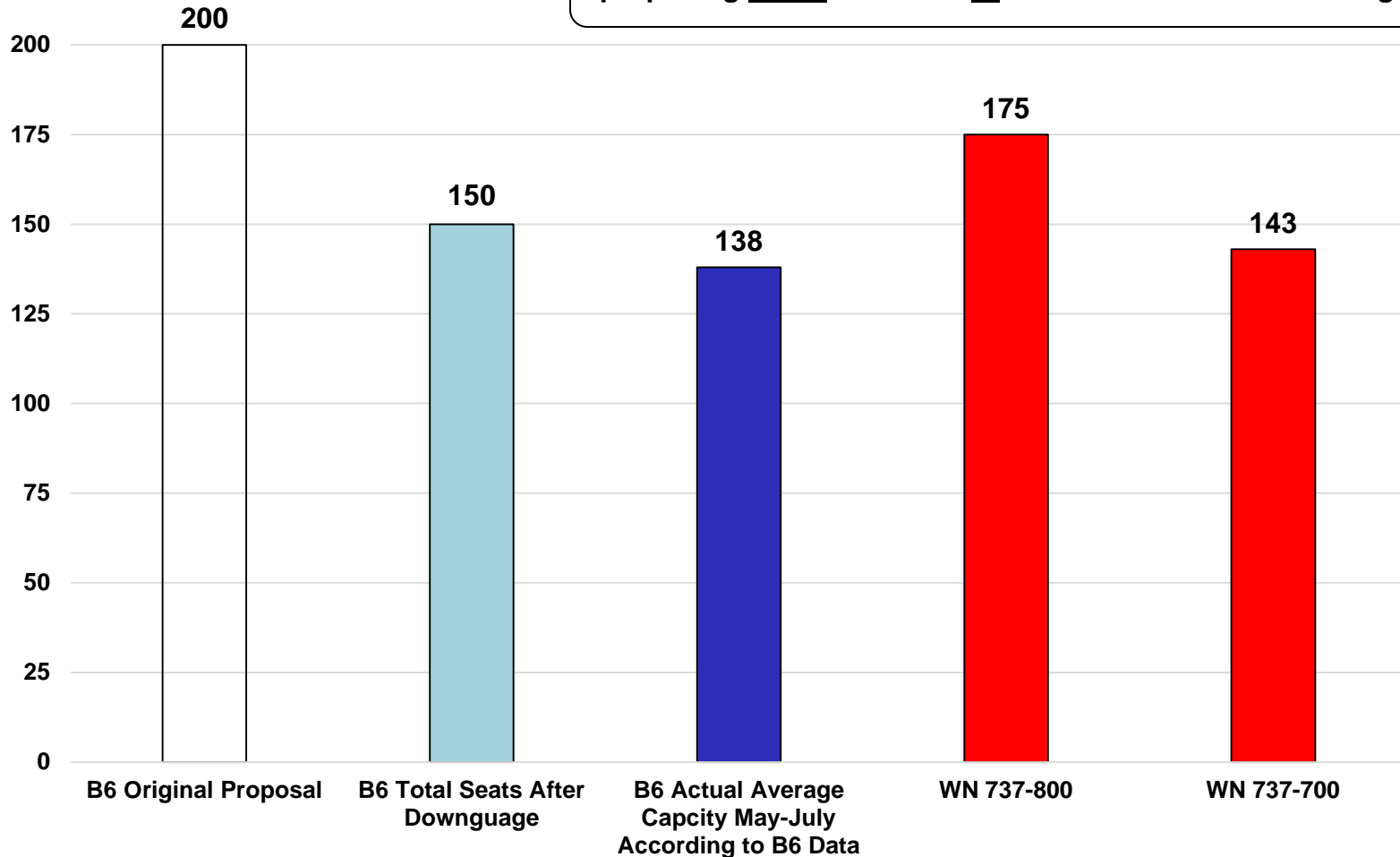
Note: Average Aircraft size of B6 = 170 and WN=175 during this period.

Source: Southwest Internal Data and B6-ANS-306-08. Innovata Schedule data was used for departures for B6 since they were not reported.

## The Actual Capacity of JetBlue's Aircraft Averages Only 138 Seats – Smaller than Both of Southwest's Proposed Aircraft

Aircraft  
Size (Seats)

Southwest Currently Operates Only 737-800s to HAV. It is proposing either a 737-700 or 737-800 for its additional flight.



See Exhibit WN-R-405 for seat calculation.

Source: JetBlue filings, Southwest filings and Innovata Schedule Data.

## JetBlue Restricts Its Capacity to an Average of 138 Seats To Accommodate High Levels of Checked Baggage

	<u>May-17</u>	<u>Jun-17</u>	<u>Jul-17</u>	
1 B6 FLL-HAV Load Factor Based on 150 Seats	65.8%	70.2%	78.0%	
2 B6 FLL-HAV <u>Actual</u> Load Factor Based on Available Seats	72.0%	77.0%	83.0%	
3 Load Factor Ratio (#1 divided by #2)	0.914	0.912	0.940	
4 Total Seats per Departure	150	150	150	
5 Actual Seats Available for Pax	137	137	141	<b>Average 138</b>

1/ From JetBlue Answer Exhibit B6-ANS-308.

2/ From JetBlue Answer Exhibit B6-ANS-308.

3/ Line 1 / Line 2

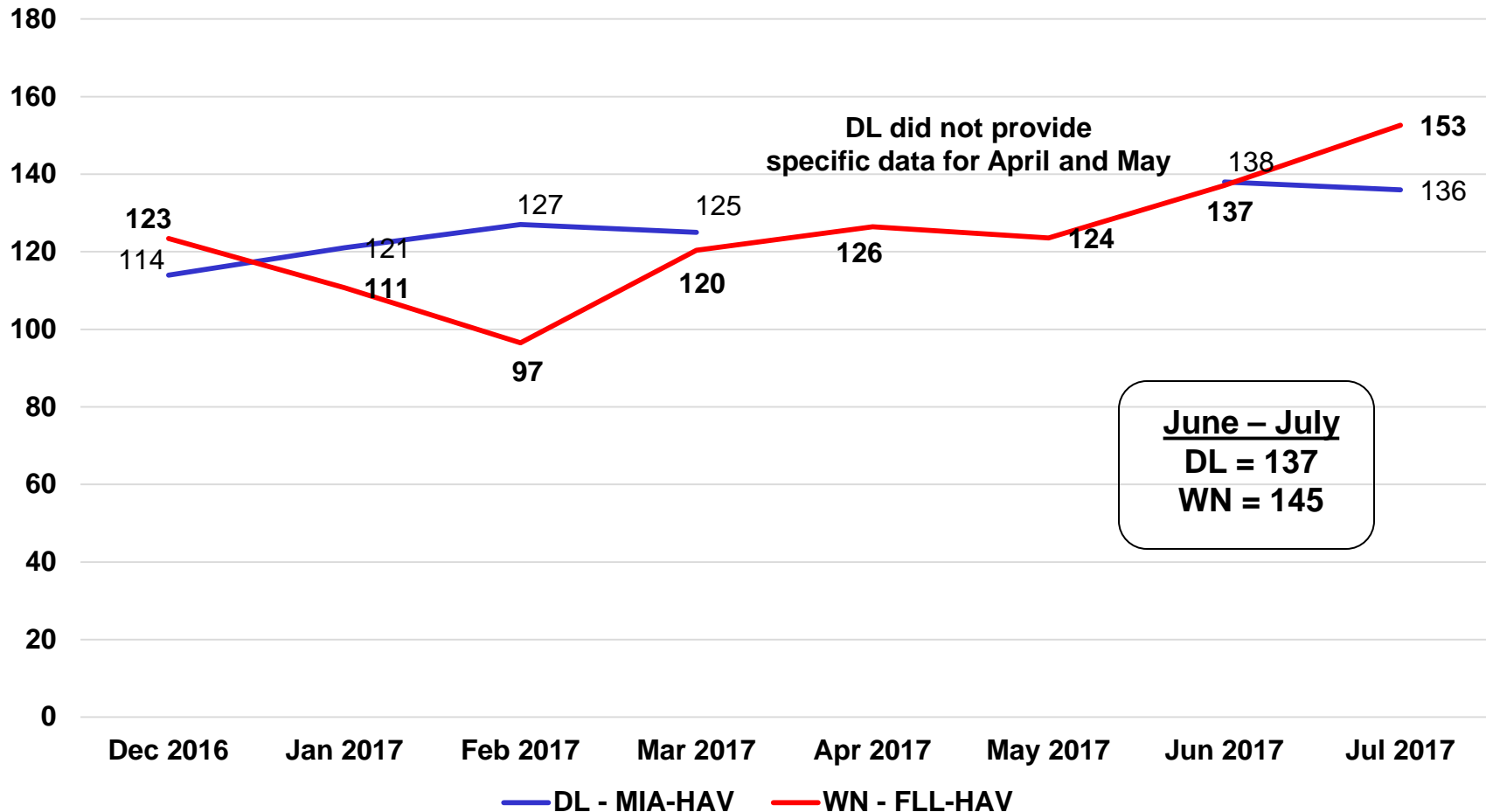
4/ Published A320 seats on B6 from Innovata Schedules.

5/ Line 3 x Line 4

**V. Delta's MIA Service Provides Neither the Low Fares Or  
Market Discipline that Southwest's FLL Service Does.**

## Southwest's FLL-HAV Passengers per Flight Are Trending Upward and Exceeded Delta's MIA-HAV Passengers in July 2017

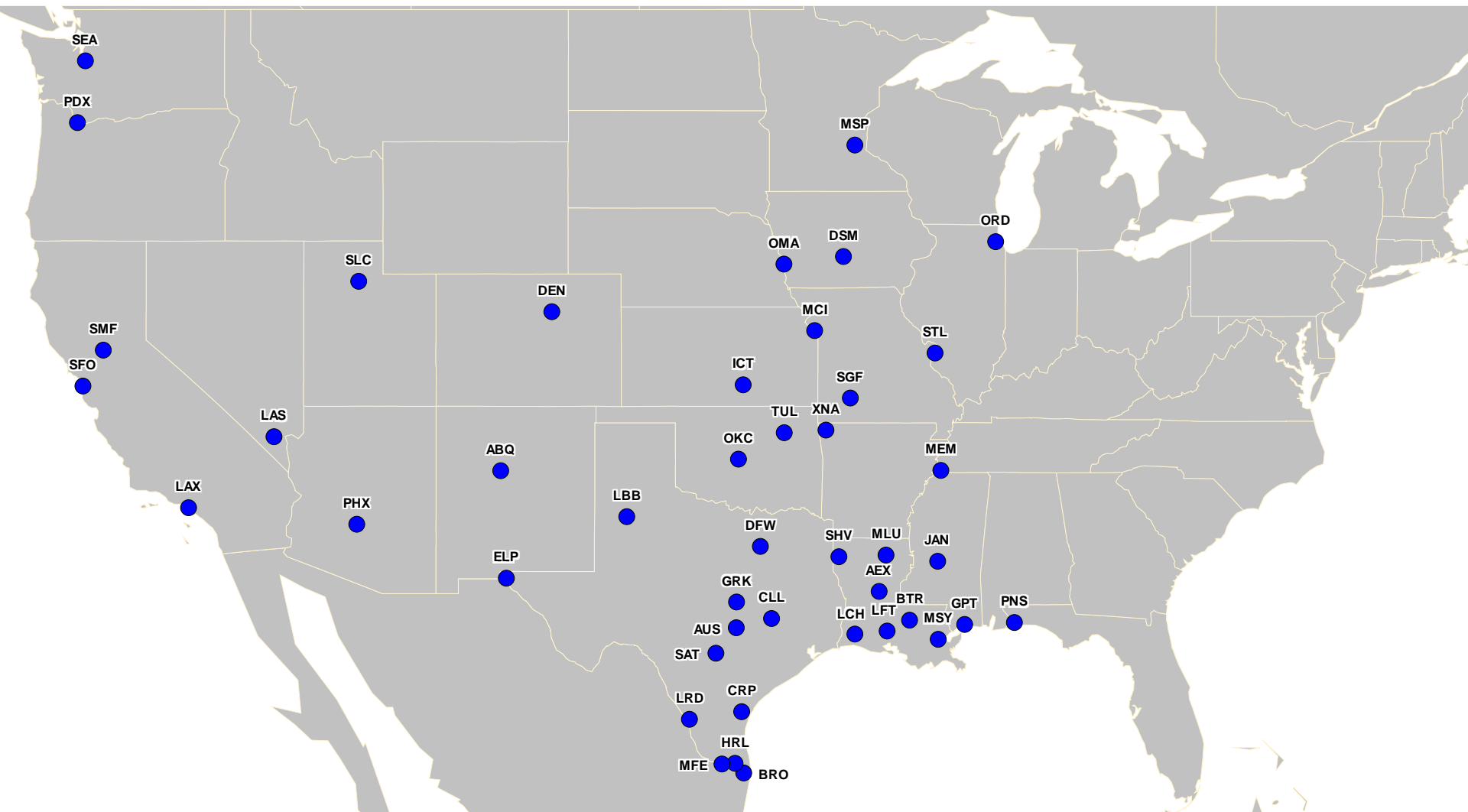
Average FLL/MIA-HAV  
Passengers per Flight





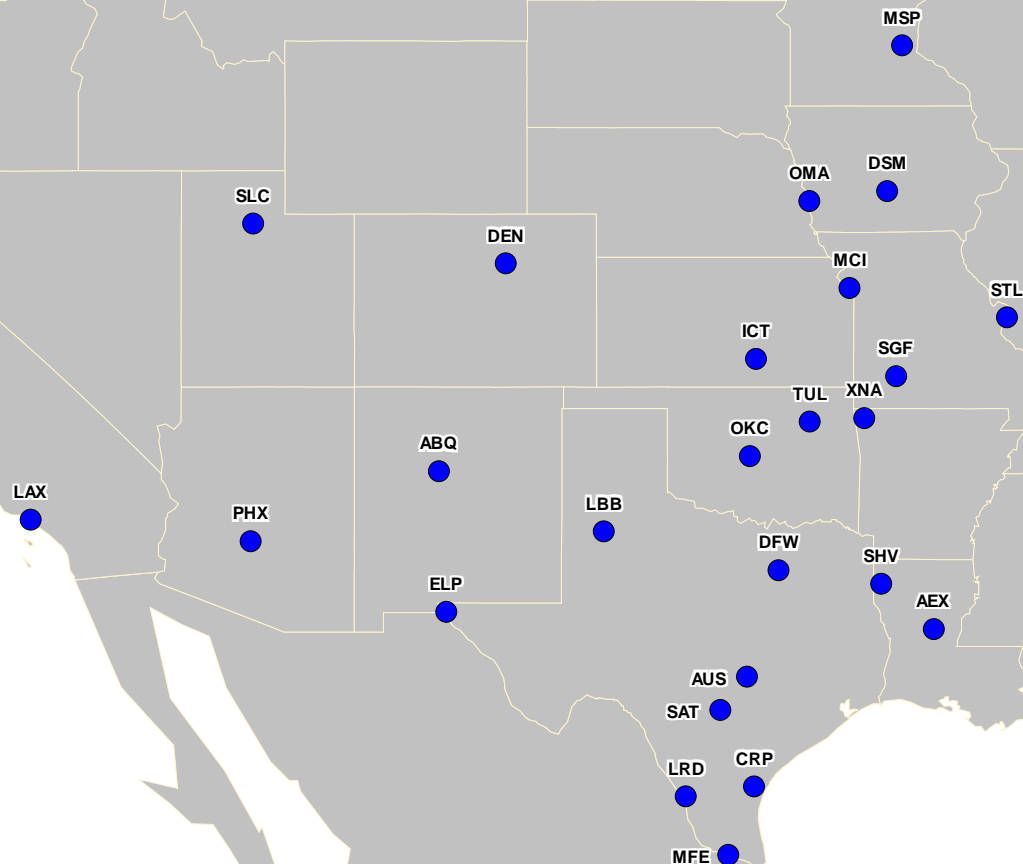
**VI. Due to Houston's Inconvenient Geographic Location and Small Cuban-American Population, United's Proposal Does Not Merit Six Weekly Frequencies.**

## United Claims that its Proposed IAH-HAV Service Will Serve 44 Roundtrip Connecting Markets



## But, After Eliminating Circuitous Routes and Markets with 5+ Hour Connections, United's Proposal Offers Only 25 Roundtrip Connections

Inconvenient Connections Eliminated = 19



Note: Excludes markets that have over 5 hour connections at IAH and have over 35% circuitry.

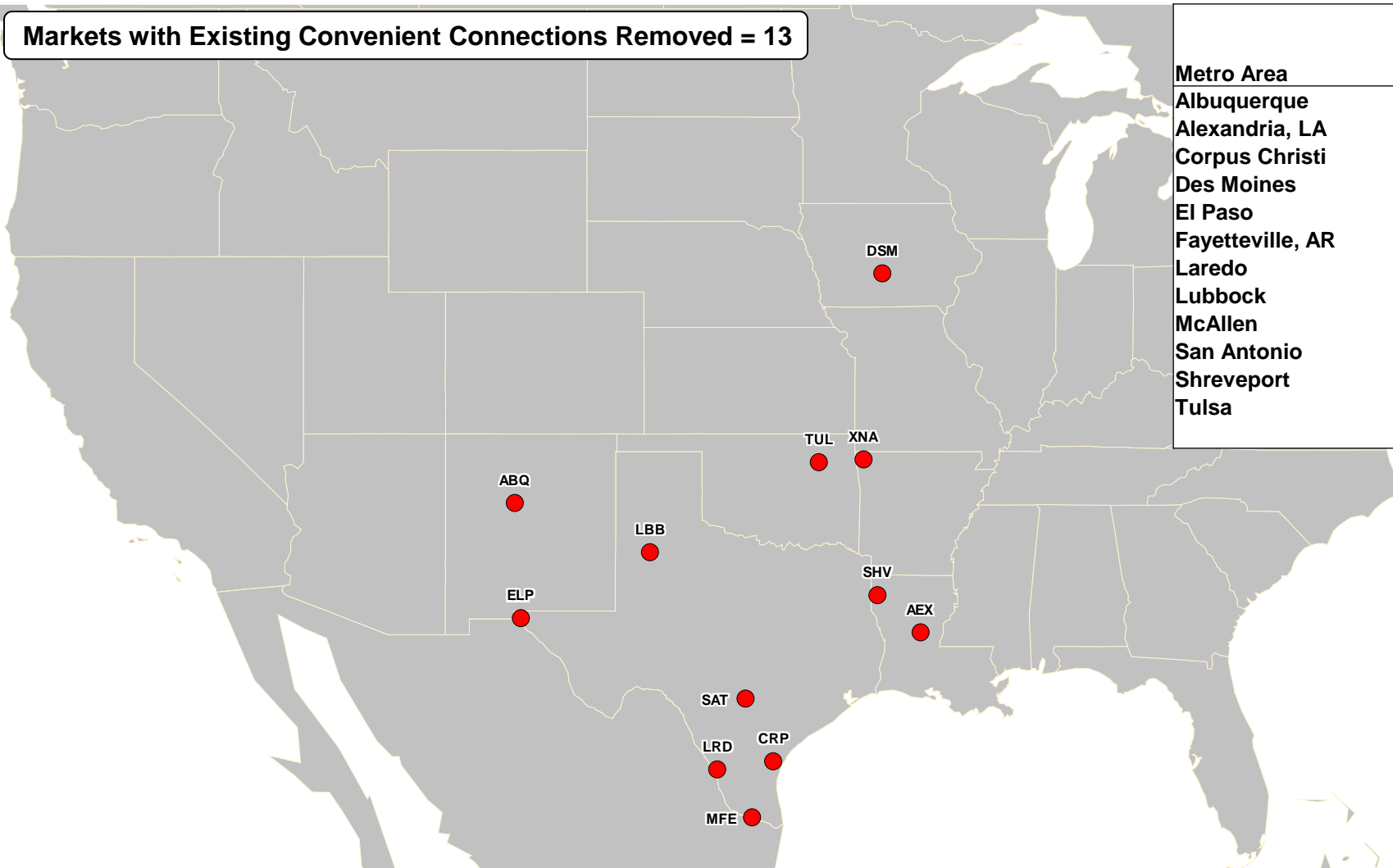
Eliminated: BTR, BRO, ORD, CLL, GPT, HRL, JAN, GRK, LFT, LCH, LAS, MEM, MLU, MSY, PNS, PDX, SMF, SFO, SEA from Exhibit WN-R-601.

Source: UA-A-103 and Innovata Schedules, July 2017.

# And, After Eliminating Connections Already Served by Other Carriers, United Offers Unique Connecting Options to Just 12 Cities that Account for Less than 14,000 Cuban-Americans

Markets with Existing Convenient Connections Removed = 13

Metro Area	Cuban-American Population
Albuquerque	3,116
Alexandria, LA	115
Corpus Christi	681
Des Moines	568
El Paso	1,365
Fayetteville, AR	323
Laredo	114
Lubbock	194
McAllen	613
San Antonio	5,051
Shreveport	727
Tulsa	920
	<b>13,787</b>

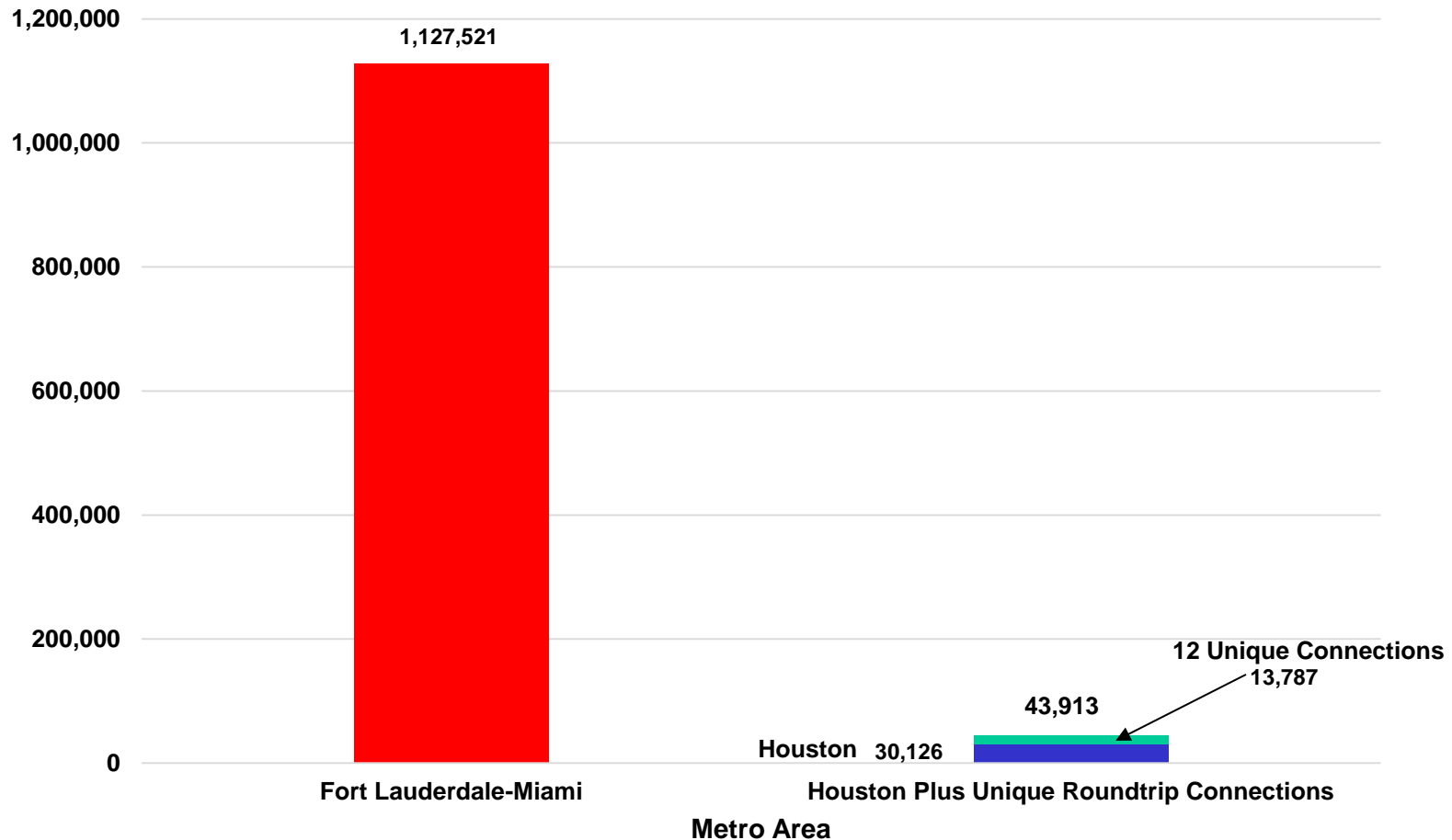


Note: Excludes markets that have over 5 hour connections at IAH, have over 35% circuitry, or already have a connecting option to HAV via existing gateways. Eliminated: AUS, DFW, DEN, MCI, LAX, MSP, OKC, OMA, PHX, SLC, SGF, STL, ICT from Exhibit WN-R-602.

Source: UA-A-103, U.S. Census, 2015 5-year estimates and Innovata Schedules, July 2017.

## The South Florida Cuban-American Population Dwarfs That of Houston and United's 12 Unique Connecting Markets

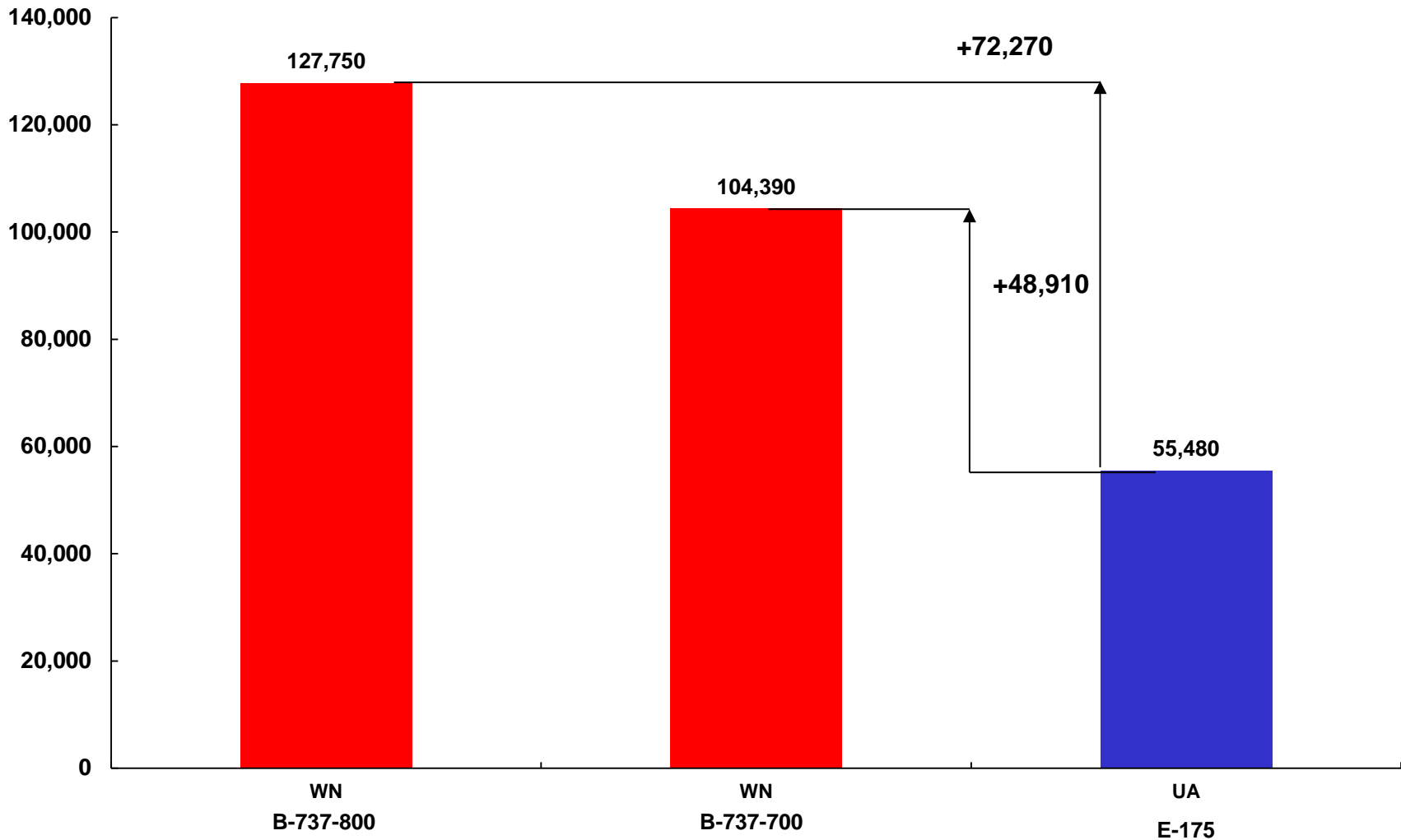
Residents of Cuban-American Origin



Note: Includes gateways with proposed year-round daily or more large aircraft service. See Exhibit WN-R-603 for a list of the 12 unique connecting markets.  
Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2015

## Southwest Would Make Much Better Use of an Additional Daily Roundtrip than United – Offering Over 45,000 More Annual Seats

Annual Seats



Note: Multiplies aircraft size by 365 days by 2 directions.

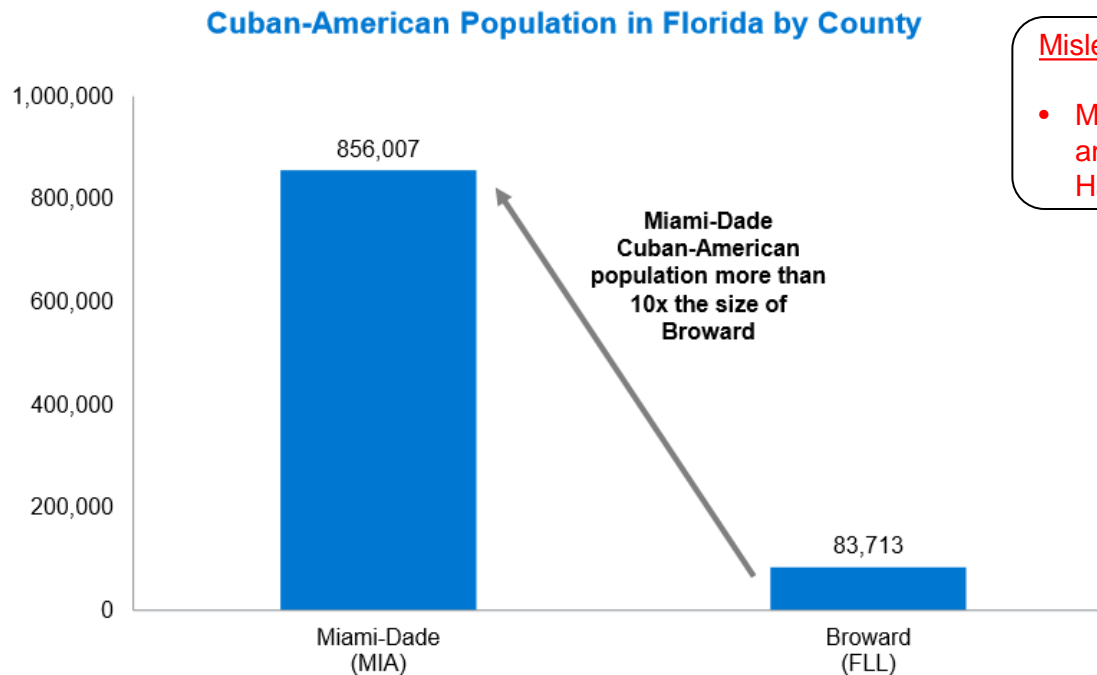
Source: Applications.

## **Appendix – Additional Examples of Misleading Exhibits from American**

## Appendix - Examples of Misleading Exhibits from American

### Miami-Dade County Is Home to the Largest Cuban-American Population in Florida – Ten Times Larger Than the Next Largest County

DOT Docket OST-2016-0021  
Exhibit AA-R-102  
Page 1 of 1



#### Misleading

- Miami- Dade is Not an Island. MIA and FLL Are Only 30 Miles Apart and Have Significant Competitive Overlap.

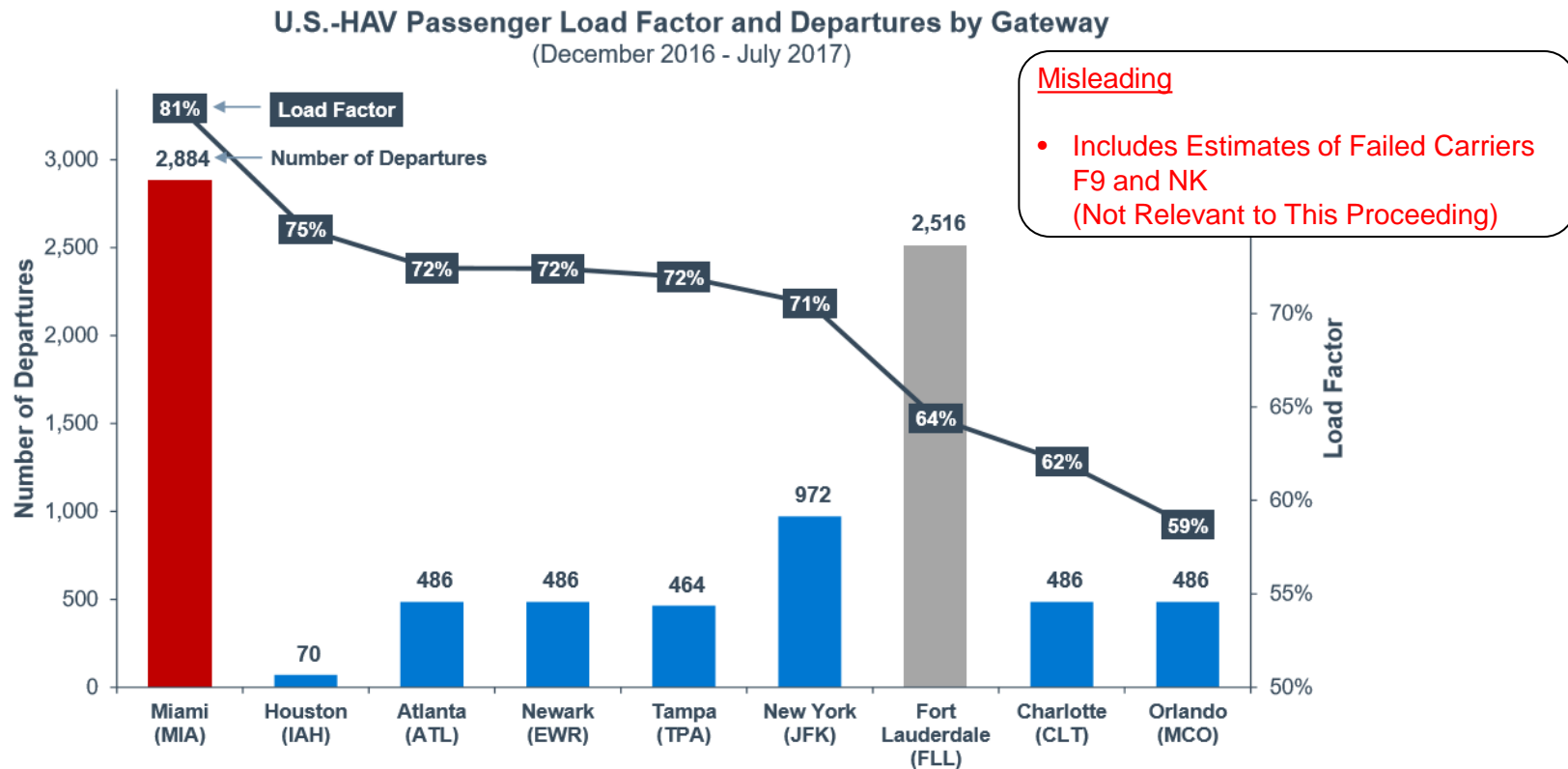
Source: 2010 U.S. Census  
Note: International airport located in county in parentheses.



## Appendix - Examples of Misleading Exhibits from American

DOT Docket OST-2016-0021  
Exhibit AA-R-105  
Page 1 of 1

### MIA-HAV Load Factor Has Been the Highest, Despite Having the Most Flights of All U.S. Gateways to HAV



Source: US DOT T-100 Data via Diio Mi; 2017 U.S.-HAV Filings

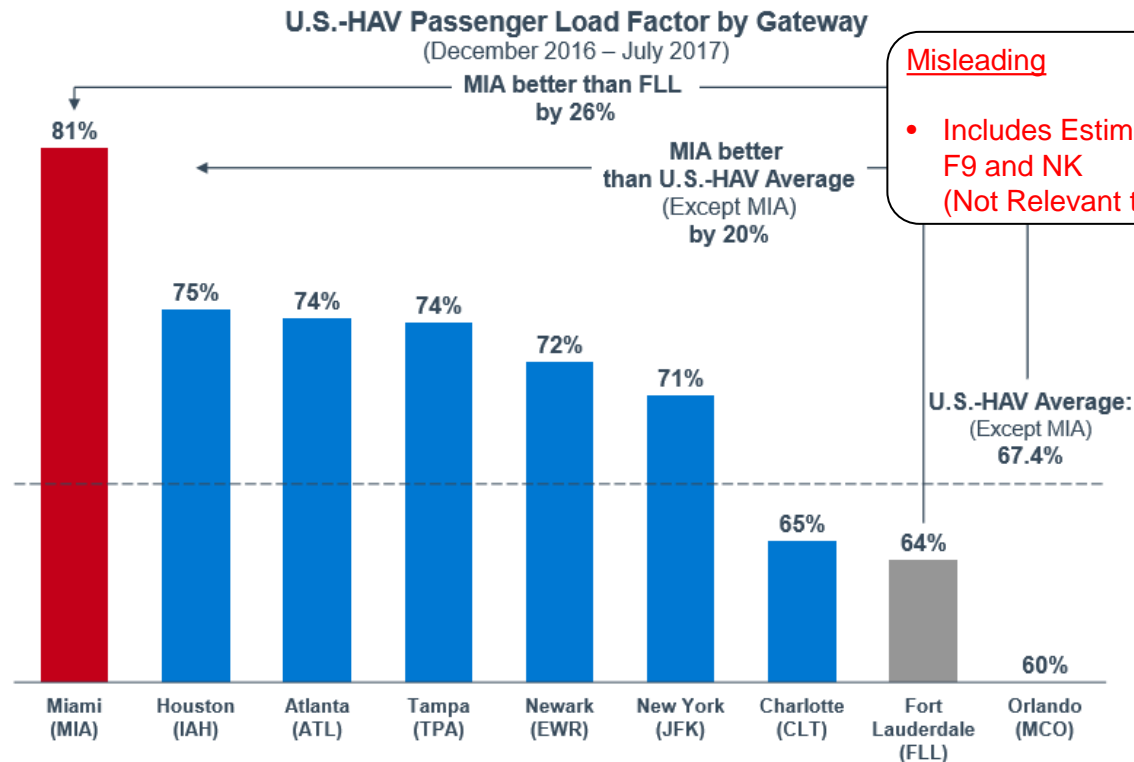
Notes: 1/ UA's EWR/IAH-HAV LF through June 2017; 2/ Onboard passengers of NK/F9 for March-July 2017 were calculated with the estimated LF for Mar-Jul 2017 based on the average LF of Dec16-Feb17 period; 3/ DL passenger traffic calculation is based on the best possible estimation of its LF (DL EX-110);

4/ Excludes LAX-HAV.

## Appendix - Examples of Misleading Exhibits from American

MIA's Load Factor to HAV Was 26% Greater Than FLL's  
and 20% Greater Than the U.S.-HAV (except MIA)  
Average Load Factor

DOT Docket OST-2016-0021  
Exhibit AA-R-106  
Page 1 of 1



Source: US DOT T-100 Data via Diio Mi; 2017 U.S.-HAV Filings

Notes: 1/ UA's EWR/IAH-HAV LF through June 2017; 2/ Onboard passengers of NK/F9 for March-July 2017 were calculated with the estimated LF for Mar-Jul 2017 based on the average LF of Dec16-Feb17 period; 3/ DL passenger traffic calculation is based on the best possible estimation of its LF (DL EX-110);

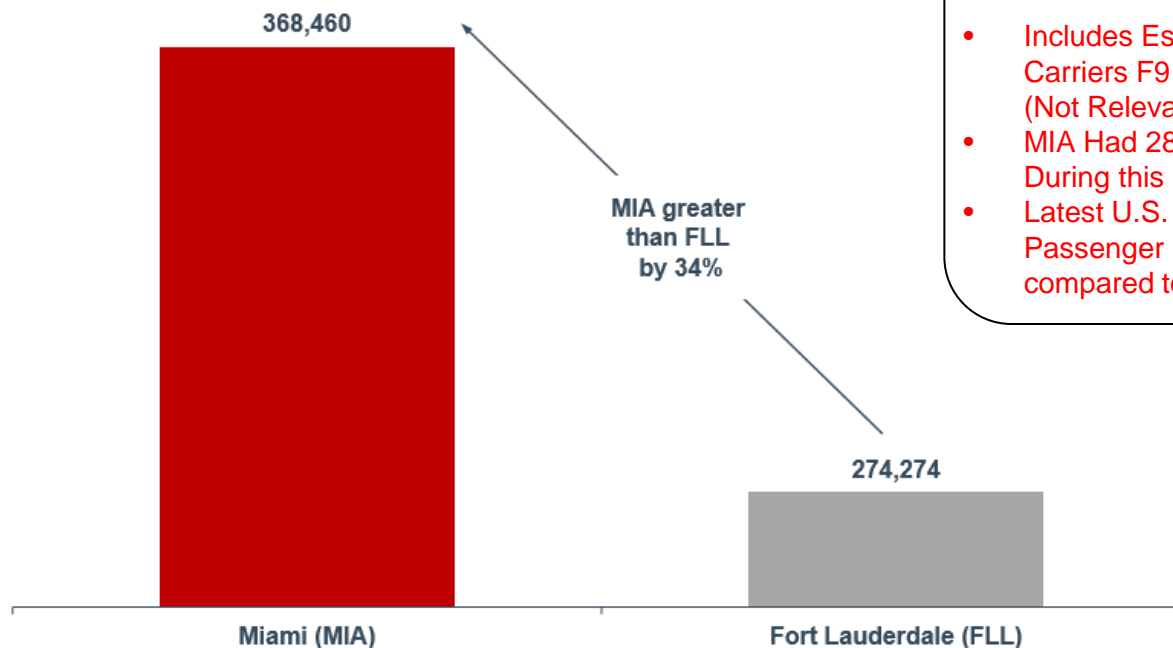
4/ Excludes LAX-HAV

## Appendix - Examples of Misleading Exhibits from American

MIA Carried 34% More HAV Passengers Than FLL,  
Despite Both Airports Having a Similar Number of  
Frequencies to HAV

DOT Docket OST-2016-0021  
Exhibit AA-R-201  
Page 1 of 1

**Miami (MIA) vs. Fort Lauderdale (FLL)  
Onboard Passengers**  
(December 2016 – July 2017)



Misleading

- Includes Estimates of Failed Carriers F9 and NK (Not Relevant to This Proceeding)
- MIA Had 286 More Flights than FLL During this Period
- Latest U.S. originating O&D Passenger Numbers show 49% FLL compared to 51% MIA

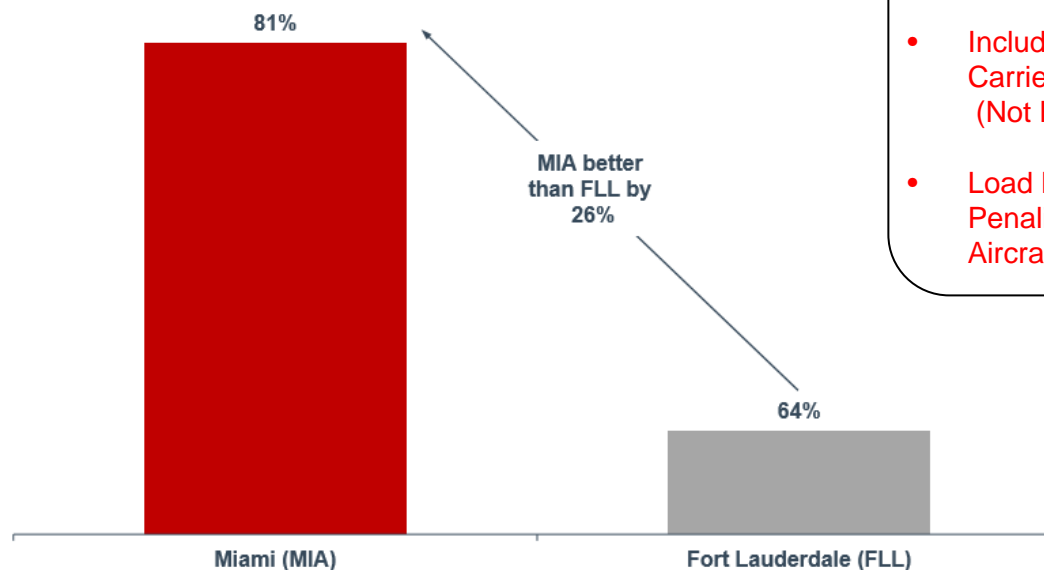
Sources: US DOT T-100 Data via Diio Mi; 2017 U.S.-HAV Filings  
Notes: 1/ LF for NK/F9 from Mar17 to termination is assumed at the average of Dec16-Feb17;  
2/ DL passenger traffic calculation is based on the best possible estimation of its LF (DL EX-110).

## Appendix - Examples of Misleading Exhibits from American

MIA's Load Factor Was 26% Higher Than FLL's,  
Despite Both Airports Having a Similar Number of  
Frequencies to HAV

DOT Docket OST-2016-0021  
Exhibit AA-R-202  
Page 1 of 1

**Miami (MIA) vs. Fort Lauderdale (FLL)  
Passenger Load Factor**  
(December 2016 – July 2017)



### Misleading

- Includes Estimates of Failed Carriers F9 and NK (Not Relevant to This Proceeding)
- Load Factor is misleading since it Penalizes Airlines with Larger Aircraft like Southwest

Sources: US DOT T-100 Data via Diio Mi; 2017 U.S.-HAV Filings  
Notes: 1/ LF for NK/F9 from Mar17 to termination is assumed at the average of Dec16-Feb17;  
2/ DL passenger traffic calculation is based on the best possible estimation of its LF (DL EX-110).

## Appendix - Examples of Misleading Exhibits from American

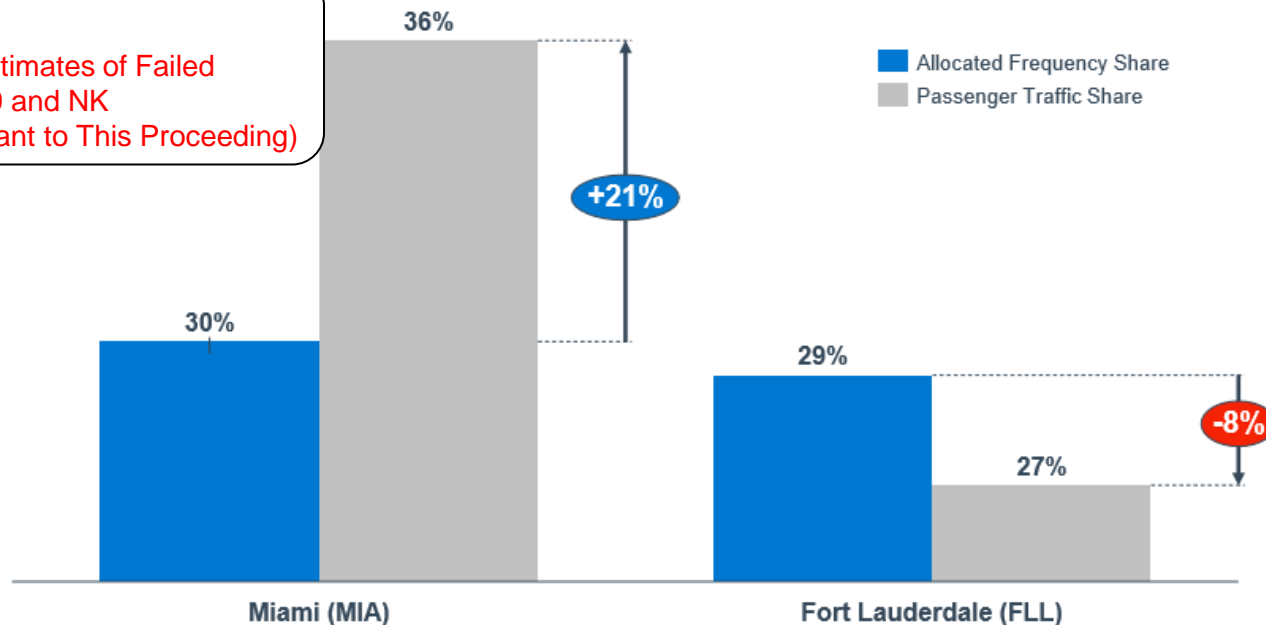
MIA's Passenger Share Exceeded Its Frequency Share by 21%,  
While FLL's Passenger Share Fell Short of Its Frequency Share  
by 8%

DOT Docket OST-2016-0021  
Exhibit AA-R-203  
Page 1 of 1

**Miami (MIA) vs. Fort Lauderdale (FLL)**  
**Allocated Frequency Share vs. Passenger Traffic Share**  
(December 2016 – July 2017)

Misleading

- Includes Estimates of Failed Carriers F9 and NK (Not Relevant to This Proceeding)



Sources: US DOT T-100 Data via Diio Mi; 2017 U.S.-HAV Filings  
Notes: 1/ LF for NK/F9 from Mar17 to termination is assumed at the average of Dec16-Feb17;  
2/ DL passenger traffic calculation is based on the best possible estimation of its LF (DL EX-110).

## Appendix - Examples of Misleading Exhibits from American

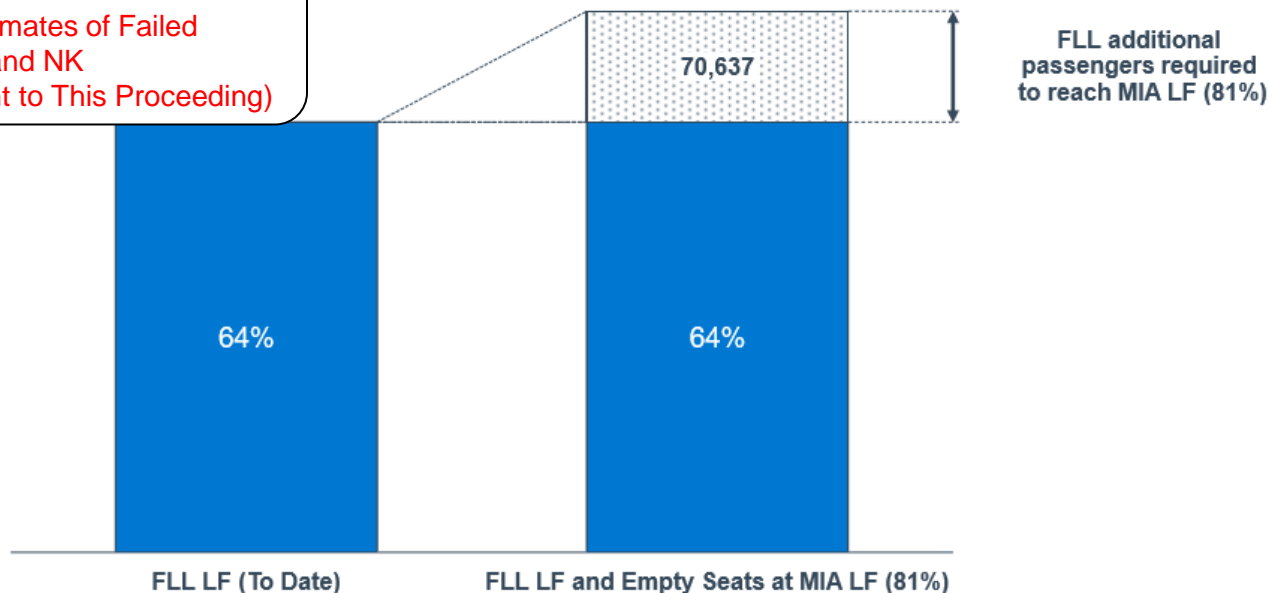
DOT Docket OST-2016-0021  
Exhibit AA-R-204  
Page 1 of 1

### FLL Has a Long Way to Go to Fill Its Current Abundance of Empty Seats Before It Needs Even More Capacity to HAV

**Fort Lauderdale (FLL) Load Factor and Seat Capacity**  
(December 2016 – July 2017)

**Misleading**

- Includes Estimates of Failed Carriers F9 and NK (Not Relevant to This Proceeding)



Sources: DOT Order 2016-8-38; US DOT T-100 Data via Diio Mi; 2017 U.S.-HAV Filings

Notes: 1/ Calculated from the estimated total FLL passengers to HAV based on the carrier filings of traffic results to the latest months;

2/ Average of WN (175 seats) and B6 (138 seats of A320 due to "operational restrictions").

\* LF for NK/F9 from Mar17 to termination is assumed at the average of Dec16-Feb17.

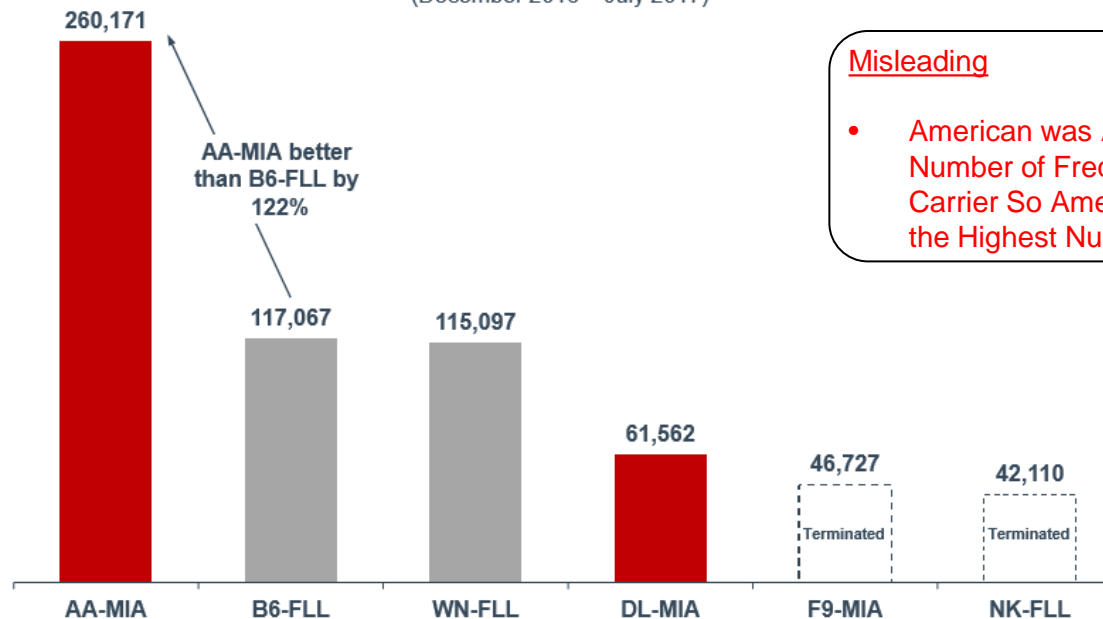
\*\* DL passenger traffic calculation is based on the best possible estimation of its LF (DL EX-110).

## Appendix - Examples of Misleading Exhibits from American

### AA's MIA-HAV Passenger Traffic Has Been the Highest of Any Carrier at MIA or FLL – 122% Higher Than the Second Highest Carrier's Service – JetBlue's FLL-HAV Service

DOT Docket OST-2016-0021  
Exhibit AA-R-208  
Page 1 of 1

Miami (MIA) vs. Fort Lauderdale (FLL)  
Passenger Traffic by Carrier/Route  
(December 2016 – July 2017)



#### Misleading

- American was Awarded Twice the Number of Frequencies as any other Carrier So American should have the Highest Number of Passengers.

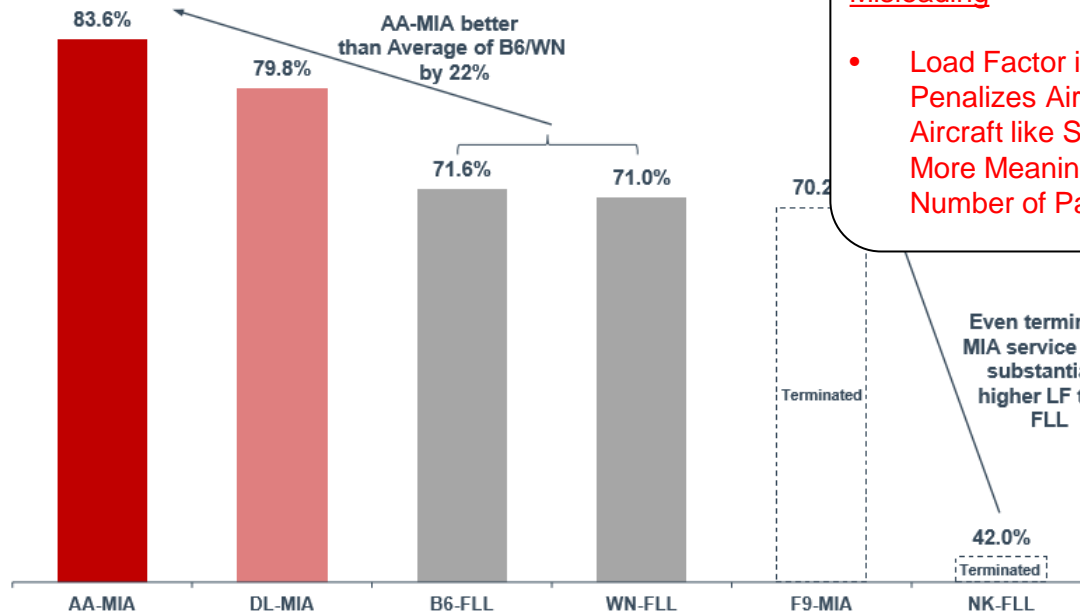
Sources: DOT Order 2016-8-38; US DOT T-100 Data via Diio Mi; 2017 U.S.-HAV Filings

## Appendix - Examples of Misleading Exhibits from American

**AA's MIA-HAV Load Factor Has Been the Highest of All Other Carriers at MIA and FLL – 22% Higher Than the Average Load Factor of JetBlue and Southwest's FLL-HAV Services**

DOT Docket OST-2016-0021  
Exhibit AA-R-209  
Page 1 of 1

**Miami (MIA) vs. Fort Lauderdale (FLL)  
Load Factor by Carrier/Route**  
(December 2016 – February 2017)



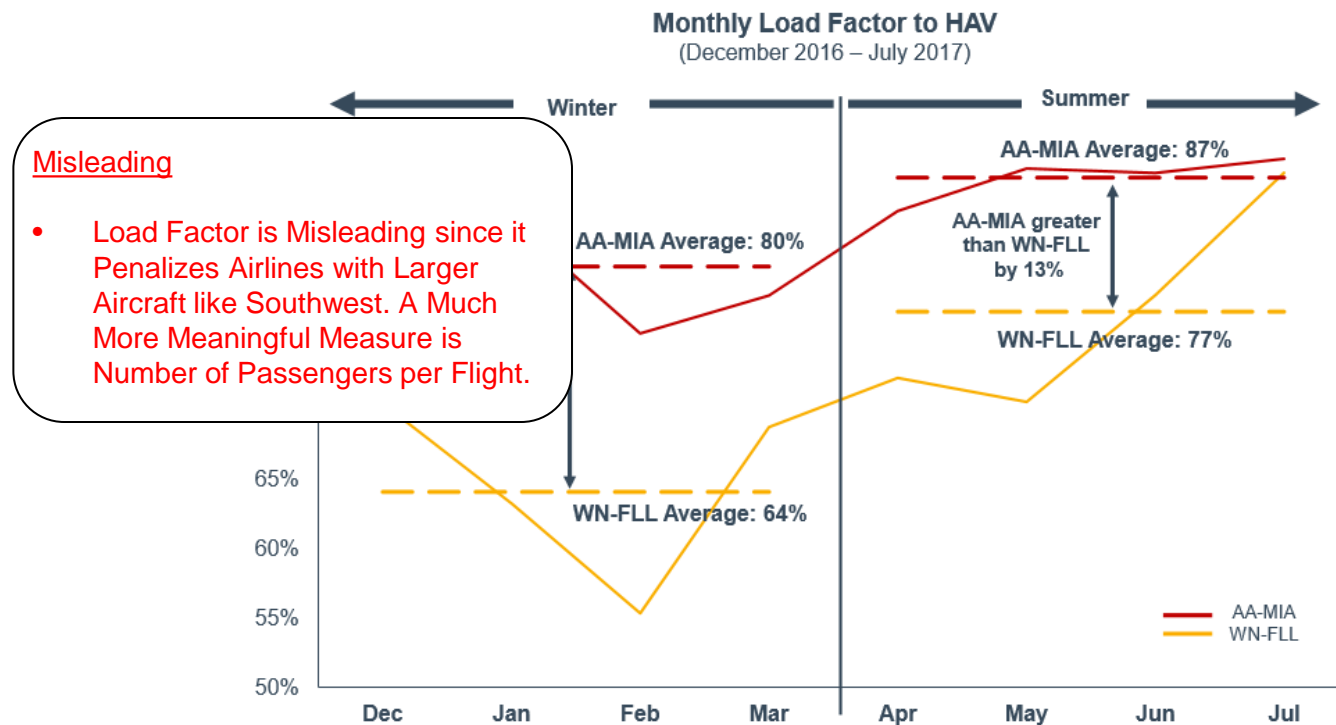
Sources: DOT Order 2016-8-38; US DOT T-100 Data via Diio Mi; 2017 U.S.-HAV Filings



## Appendix - Examples of Misleading Exhibits from American

While Southwest Improved Its FLL-HAV Performance in the Last Few Months, It Cannot Maintain a Commercially Viable Load Factor During Non-Peak Months

DOT Docket OST-2016-0021  
Exhibit AA-R-601  
Page 1 of 1



Sources: US DOT O&D Data (1Q17) and Segment O&D Data (1Q17) via Diio; 2017 U.S.-HAV Filings

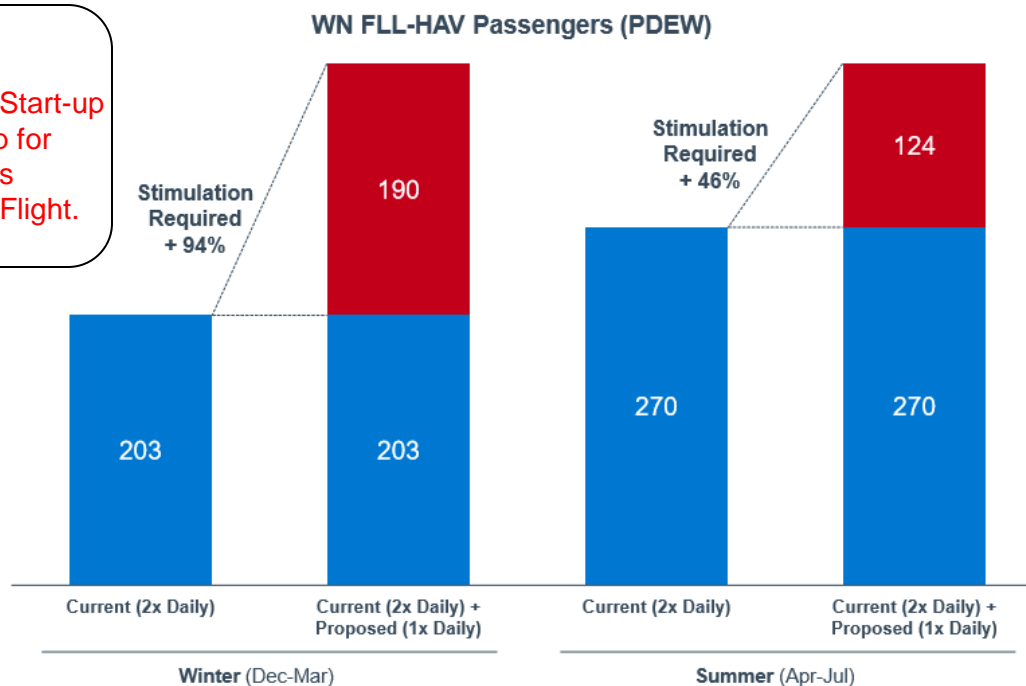
## Appendix - Examples of Misleading Exhibits from American

Adding Another Daily Frequency to FLL-HAV Requires an Unachievable 94% Stimulation Rate During Winter Months and Even a 46% Stimulation Rate During Summer Months to Maintain a Year-Round 75% Load Factor

DOT Docket OST-2016-0021  
Exhibit AA-R-602  
Page 1 of 1

### Misleading

- The Winter Included a Slow Start-up Period. Traffic is Trending up for Southwest and Now Exceeds American's Passengers per Flight.



Sources: Answer In Opposition to Motion of American to Disqualify JetBlue and Southwest (Sept. 14, 2017), at Exhibit WN-107; American Airlines analysis  
Note: Assumed LF of 75% and 738 aircraft (175 seats) for all three daily frequencies.