

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

Application of

DELTA AIR LINES, INC.

in the matter of 2017 U.S.-Cuba Allocation Proceeding

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) **Docket DOT-OST-2016-0021**
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REPLY OF DELTA AIR LINES, INC.

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REPLY OF DELTA AIR LINES, INC.

I. Introduction

In the 2016 U.S.-Cuba Frequency Allocation Proceeding (the 2016 Proceeding), the Department addressed a variety of public interest priorities in its decision. In its allocation Order, the Department concluded that it could best maximize public benefits through two primary means: 1) addressing the service needs of Cuban-American population centers, and 2) creating a competitive market structure.¹

This policy framework has provided a robust foundation for the reintroduction of scheduled passenger air service to Cuba after a 50-year hiatus. The actual traffic and demand patterns over the last year, along with the abundant applications for additional frequencies, demonstrate the wisdom of the Department's framework. Delta is not aware of anything that would merit changing the overall architecture of the Department's approach in this new Proceeding. Granting the tailored request of Delta Air Lines (Delta) for one additional daily frequency between Miami (MIA) and Havana (HAV) would support both of these foundational policy objectives.

¹ "The Department tentatively found that it could best maximize public benefits by addressing the service needs of the substantial communities that are most likely to benefit -- primarily centers of Cuban-American population -- while, at the same time, creating a framework for a competitive market structure." Order 2016-8-38, issued August 31, 2016.

The majority of the Cuban-American community resides in South Florida. In order to fulfil its first goal of addressing the service needs of the Cuban-American population, the Department rightly awarded a significant chunk of the available frequencies to the South Florida region. All three of the daily frequencies surrendered by Frontier Airlines (Frontier) and Spirit Airlines (Spirit) directly served South Florida with flights from MIA and Fort Lauderdale (FLL), respectively. To maintain the Department's objective of making frequencies available to large Cuban-American population centers, the Department should substantially maintain the level of service to South Florida that it previously enjoyed.²

More specifically, within South Florida, the majority of the Cuban-American population resides in Miami-Dade County. DL-R-101. Indeed, as American noted in its Answer, half of the nation's Cuban-American population lives there,³ making MIA the preeminent gateway for travel to HAV.

Following Frontier's exit, only Delta and American currently serve MIA-HAV. American has four daily frequencies, and Delta has one. To achieve the Department's second core policy objective of creating a competitive market structure, the Department found that it could promote competition in the U.S.-Cuba market by diversifying the allocation among a variety of carriers and airports. Only Delta and American have sought to replace Frontier's MIA service in this Proceeding. American proposes an additional 10 weekly frequencies, while Delta proposes one daily frequency. Given the size of American's current offerings at MIA, Delta's proposal for

² Delta is not aware of the specific commercial or operational issues that led ULCC carriers Frontier and Spirit to abandon the routes, however, the traffic data and success of other flights to HAV from MIA and FLL suggest that it was not because of a lack of demand in the region. Perhaps the carriers were less experienced in providing international service or stymied by the distinct regulatory requirements of operating in Cuba. As discussed throughout the filings in this proceeding, Delta does not believe that the inability of Frontier and Spirit to operate the routes successfully should result in a change in the overall geographic allocation of the frequencies.

³ See, e.g., Answer of American Airlines at 4.

additional frequencies clearly would deliver greater consumer benefits by enhancing competition at this gateway. DL-R-103.

While the other applications would provide some incremental benefit to the traveling public, no other application would directly support the core elements of the Department's decisional criteria as substantially as Delta's proposal for additional service at MIA. An award of Delta's proposal for one additional daily, seven (7) days a week, frequency for MIA-HAV would maximize public benefits in this Proceeding, while still leaving room for the Department to award frequencies to some of the other applicants.

II. Delta's Responses to American, JetBlue, Southwest, United, and FedEx

A. Delta's Proposed Miami-Havana Service Provides Greater Competition and Consumer Benefits than American's Proposed Miami-Havana Service

Miami is the preeminent airport for Havana-bound traffic and should be the Department's top priority for allocating service in this Proceeding. American correctly and thoroughly identifies the importance of South Florida, and, within the region, passenger preference for MIA over FLL.⁴ However, Delta's proposal would introduce increased competition at MIA. By contrast, American's proposal would only serve to further increase the disparity in service levels, depriving consumers of meaningful choice. DL-R-103.

Although American did not receive the full amount of its audacious request for 10 daily MIA frequencies in the 2016 Proceeding, it was awarded more Havana frequencies than any other carrier, both nationally and in South Florida. American's four daily flights from MIA are twice the amount of the next closest carrier in the region (Southwest), and four times that of Delta. Nonetheless, American has applied for 10 additional weekly frequencies for MIA. American bases

⁴ Answer of American at 7-11

its proposal on the fact that “the data show that there is no demand for additional U.S.-Havana service at any gateway other than MIA.”⁵ At the same time, American asserts that Delta “does not actually need” the additional MIA frequencies for which it applied.⁶ The Department’s decisional standard should be what the traveling public needs, not what American thinks other carriers need. Delta respectfully submits that consumers would benefit much more from a *second* daily Delta flight at MIA than from a *fifth* daily American flight.⁷

Awarding Delta’s proposal for a second MIA-HAV flight will give it increased time channel coverage, allowing for morning and evening departures at MIA, something that only American offers today. Delta’s augmented service and improved time channel coverage will enhance competition in the local market and stimulate demand from travelers looking for competitive options at MIA. (DL-108 and DL-116). American likely understands this point but tries to obfuscate it. For instance, American attempts to distract the Department by making various disparaging assertions about Delta’s successful Cuba service. For the same reason, American apparently supports FedEx’s application to provide cargo service to Cuba in FedEx’s smallest plane.⁸ American’s opposition to Delta’s proposal and concomitant support for FedEx’s proposal – coupled with American’s many arguments about the need for additional frequencies at MIA – reveal American’s desire to exclude competition for passenger air service.

⁵ Answer of American at 27.

⁶ Answer of American at 3. This is a puzzling assertion, which American supports only with specious rhetoric about Delta’s operations from other gateways and lack of comparable connecting service. Delta addresses both of these points later in the Reply.

⁷ In addition, if American “needs” to add capacity, it could do so by upgauging any of its four daily flights.

⁸ Answer of American at 27.

American claims that Delta has mismanaged its HAV frequencies by serving Atlanta-Havana and New York (JFK)-Havana with aircraft different than Delta proposed in its initial application. These routes are not at issue in either Delta or American's application in this Proceeding. Central to this Proceeding, American's pleadings ignore the fact that Delta's MIA-HAV service has been exactly as promised, with 160 seats per day providing customers a competing travel option from MIA. DL-R-201. Miami local demand has warranted full delivery of this service throughout the year, and that is why Delta's application focuses on providing more capacity to this local market. More broadly, both the Department and American know that scheduled service to Havana was a new proposition for U.S. carriers last year. The Department noted in the 2016 Proceeding that "where the market has been totally devoid of scheduled service and where no historical scheduled traffic data exists, the appropriate course is for the Department to authorize a variety of services and let the traveling public and marketplace decide."⁹ When the initial application was made, Delta thought demand might sustain 757 service. But given that the inauguration of service fell in the midst of the autumn season, with a compact lead-time for selling, Delta adjusted capacity to meet the expected demand for that part of the season. Carriers generally adjust capacity to the Caribbean downward during hurricane season and the fall.¹⁰ DL-R-202. Over time, Delta has found non-MIA demand to be somewhat lower than originally anticipated and has chosen to fulfill its service proposals using slightly smaller gauge, while maintaining daily service for all periods in ATL, and for all periods with the exception of the fall season in JFK. DL-

⁹ Order 2016-8-38 at 10.

¹⁰ Carriers adjust to demand when making network and fleet decisions, and the Department generally recognizes that fact, especially in an unusual, new market like Cuba. If future demand supports it, there is nothing that precludes Delta from upgauging these services in the future.

R-203. This market experience explains why Delta is only seeking additional frequencies to serve MIA at this time; presumably the same is true for American.

It is also somewhat hypocritical that American attempts to discredit Delta's application on the basis of changed fleet types, given its own checkered history with proposed capacity in route cases. For example, last year American applied for the last daily U.S.-China frequency available to carriers to serve Los Angeles-Beijing (two full weeks *after* Delta made its application for the same frequencies to serve the same route), launching a route case. That application promised 289-seat 777 service that, after 11 months of delay following its award, will be inaugurated in November with a 226-seat 787-800. Based on forward looking OAG schedules, to echo American's allegations here, it looks like American will never fly "that aircraft on [that route]... for even a single day."¹¹ DL-R-204. Despite the righteous rhetoric in American's pleadings, its own actions suggest that it understands that airlines should have the flexibility to adjust capacity to match demand over time.

American further disparages Delta's proposal by claiming that Delta's limited connecting opportunities should preclude the Department awarding it an additional frequency. Given the concentration in demand in the region, Delta's application is focused on meeting the needs of local MIA-HAV passengers, who are no less deserving of service than flow passengers from other cities. Connecting passengers interested in taking Delta to Havana already may do so through Atlanta or New York (JFK).

Looking forward, Delta expects increased load factors on Miami-Havana due to stimulated demand if it is able to improve its time-channel coverage. DL-R-205. American already has much

¹¹ Answer of American at 24. In contrast to Cuba, the U.S.-China market has been established for decades. American presumably had many sources of data available to craft a more accurate proposal. For instance, American itself flew to Beijing from Chicago (ORD) and Dallas/Fort Worth (DFW).

stronger time channel coverage than Delta at MIA. DL-108. The Department can only increase competition in Miami with an award to Delta.

Delta's proposal to add new competition at the most important U.S. gateway for travelers to Cuba, generally, and Havana, specifically, is unique amongst the applications in this Proceeding. Delta currently has the fewest daily operations of any carrier operating South Florida. Delta has fully delivered the service it proposed for Miami-Havana and hopes to add even more service to meet demand in the local market. An incremental fifth flight for American would add limited connecting markets to its own network service to Havana, and even fewer that are not already connected by other carriers. American, by virtue of its own hub operation in MIA, could also easily increase its own capacity on MIA-HAV by upgauging, rather than taking another scarce Havana frequency. DL-R-206. Delta urges the Department to award its application for a second Miami-Havana frequency before considering American's application for a fifth.

B. Delta's Proposed Service Offers Greater Consumer Benefits through Increased Competition at MIA than JetBlue's Proposal

JetBlue and Delta agree (along with American, Southwest, and FedEx) that the Department should generally maintain the geographic distribution that it established in its allocations in the 2016 Proceeding by awarding additional service to South Florida. An award to either Delta or JetBlue would expand service options to the region. However, Delta's MIA service would offer far greater incremental benefits to travelers than JetBlue's service proposal. Although JetBlue has tried to diminish the importance of service and competition at MIA throughout this Proceeding,¹² traffic and passenger data demonstrate that Miami has been the preferred airport for HAV travelers

¹² Note JetBlue is able to reach the "HAV Passengers per Departure" statistics in the chart in its Answer only by excluding the service of Frontier and Spirit, which is somewhat disingenuous given that FLL had two cancellations to MIA's one. Even with the gerrymandered calculation, the difference displayed is *de minimis*, despite the manipulation of Y-axis scaling on the chart. Answer of JetBlue at 10.

from South Florida. DL-R-301. FLL also has a variety of existing service offerings, and should JetBlue wish to enhance its service offering from that airport, it could use the gauge it promised.

JetBlue's dramatic rhetoric mischaracterizes the competitive situation at MIA. American has a singular, preeminent position at the airport today, with four daily round-trip flights to Havana DL-R-302. As described in our Application, an additional daily frequency for Delta would provide expanded time of day coverage for Delta passengers, helping to make it a more substantial competitive alternative. For instance, Delta's proposal for an evening departure from MIA would provide competition to American's evening flight, which is currently the *only* evening flight in South Florida.

In an attempt to distract from the merits of Delta's application for an additional MIA frequency, JetBlue decries Delta's capacity adjustments at JFK. However, JetBlue has also decreased capacity from JFK (DL-A-101), reducing service from 200-seat Airbus A321s to 150-seat A320s on all three of its current U.S.-Havana routes.¹³ Furthermore, despite its decreased capacity, JetBlue's load factors are below average, and trail the load factors of its nonstop competitors on JFK-HAV and FLL-HAV services. As American noted in its Answer, these low load factors persist despite the fact that JetBlue's FLL-HAV services have fewer seats than any other service from South Florida to HAV.¹⁴

JetBlue's assertion of a "duopoly" market at MIA rings hollow.¹⁵ As both JetBlue and Southwest make clear in their filings, service from FLL provides a competitive alternative that constrains pricing on MIA-HAV. If MIA-HAV actually had "above-market" pricing, other

¹³ JetBlue is third U.S. airline to reduce capacity to Cuba, *USA Today*, Feb. 20, 2017.

¹⁴ Answer of American at 15.

¹⁵ Answer of JetBlue at 23.

carriers would presumably be seeking to add service there. Similarly, JetBlue's tangential comparison between MIA-HAV and New York and Boston service does not provide a valid comparison for analysis. New York to Boston is a short-haul, domestic, land-locked route, which competes with Acela and automotive travel.

Finally, the Department has made clear that it seeks to have a diverse, competitive set of carriers serving Havana. JetBlue's paean to low-cost carriers, heated rhetoric, and immodest request for *all* of the available frequencies in this Proceeding notwithstanding, low-cost carriers actually have a mixed track record in service from MIA/FLL. DL-R-303 and DL-R-304. The Department should not limit the awards to LCCs but should instead ensure that a variety of carriers that have demonstrated success in serving international markets are represented in the new allocations. This approach is consistent with the Department's stated goal of identifying "which applicants will be most likely to offer and *maintain* the best service for the traveling and shipping public [emphasis added]." ¹⁶

Most importantly, there is plenty of existing LCC capacity at FLL. DL-R-305. JetBlue has actually downgauged its service at FLL, as noted above. If JetBlue wishes to add capacity at FLL, rather than hoard additional frequencies through this Proceeding, it could simply use the gauge it promised on its existing FLL operation. DL-R-307.

C. Delta's Proposal Offers More Consumer Benefits than Southwest at FLL

Additional frequencies for Southwest to operate FLL-HAV should not be awarded before Delta's MIA proposal, as Delta's new service would provide greater benefits to the traveling public than an additional flight at FLL. Traffic data demonstrates that passengers prefer MIA over FLL,

¹⁶ 2017 Instituting Order at 5.

and only Delta's proposal enhances competition at MIA. In response, Southwest advances two misleading critiques of Delta's application: Southwest makes a spurious argument about fares and incorrectly assumes that more one-stop connectivity to HAV is needed.

Southwest, like most other applicants, highlights the importance of South Florida in this Proceeding. Southwest argues that most, if not all, of the discontinued frequencies should be reallocated for new service in the region.¹⁷ However, Southwest is incorrect to suggest that FLL is a better gateway for the area's travelers seeking flights to Havana. As Delta and other applicants have shown, for almost half of the U.S. population of Cuban-Americans, MIA is the closest international gateway. MIA also offers far more convenient access to the commercial and cultural centers of Miami. As American points out in its Answer, even the Fort Lauderdale Airport Authority recognized that the capacity introduced at FLL exceeded the demand for Cuba travel.¹⁸ In addition, Southwest is only able to show relative parity on passengers per operation between FLL and MIA by excluding service by carriers that have cancelled their HAV flying, a questionable methodology when FLL saw two daily cancellations whereas MIA only saw one.¹⁹ The fact that the passengers per operation between the two gateways only reaches parity when FLL's four daily flights are compared to MIA's five further confirms that MIA would be a better recipient of additional frequencies. Southwest itself has plenty of excess capacity on its current

¹⁷ Answer of Southwest at 1-3.

¹⁸ Answer of American at 8 and 9.

¹⁹ Answer of Southwest at 5. Even using Southwest's methodology, the numbers at the two gateways are generally comparable.

flights. DL-R-401. Overall, the traveling public would be better served by additional Delta service at MIA.

Southwest also asserts that it is more deserving of another daily frequency because it purportedly offers customers lower fares. However, the methodology that Southwest used to reach this conclusion does not support the argument. Southwest used a one-day, time-specific pull to support its assertion. The data should not be taken as conclusive indicia of any broader conclusion. Other data samples show price parity between the two carriers. For example, Delta presents slide DL-R-403 showing that Southwest charges the same price for FLL-HAV that Delta charges for MIA-HAV, which customers prefer. But in addition to offering competitive economy fares for price-sensitive customers, Delta also offers comfort plus and first class service, in contrast to Southwest's one-size-fits-all approach. Carrier diversity ensures that passengers traveling from South Florida to HAV benefit from a variety of choices.

The second critique Southwest makes of Delta's proposal is that it would offer relatively few connecting options for passengers. This ignores the fact that Delta already offers more connections via ATL than any other gateway with service to Havana. It also ignores the fact that the vast majority of overall demand for Cuba travel is situated in South Florida, for which connecting options are not necessary. In fact, Southwest's request for another HAV-FLL frequency does not enable significant connectivity, adding only one incremental new market, PVD, to their round trip connections within 3 hours. This incremental connectivity is a tiny fraction of the 51 connections that Delta offers with a single ATL flight (DL-R-404).

Delta's application provides new competition and additional service at MIA, the most important U.S. airport for Cuban travelers. No other applicant, including Southwest, would provide these benefits. FLL lags MIA in demand, and even with one fewer daily flight, FLL has

considerable un-used capacity on its existing service. The Department should ignore Southwest's flawed analysis of one data point that shows it offers lower prices to travelers. Finally, connecting traffic is a red herring in this route case, as the most important criterion for the Department should be serving the local South Florida demand to Havana. Even if the Department considers connecting options, most points proposed by Southwest are already well-connected to gateways with service to Havana.

D. United's Proposed Service from Houston Captures Little Cuba Travel Demand, Potentially Taking Frequencies that Delta Would Better Use at MIA

United's application to expand service to Havana from Houston (IAH) would not maximize consumer benefits. Houston's Cuban-American population is far smaller than the population that resides in South Florida. DL-R-501. In addition, the connectivity that United proposes to add at IAH would serve only a tiny proportion of actual demand for Havana travel that does not already have connecting options through established gateways. United's top forecast flows beyond IAH already have good connectivity to HAV or, in the case of LAX, non-stop service on Alaska Airlines. Of the 44 markets United said it would connect over IAH, eleven have shorter elapsed times over ATL. In addition, 17 have no discernable Cuban-American population. (DL-R-502). Using IAH as a connection point would actually add travel time and circuitry to most passengers traveling to Havana.

United claims that because cancellations of Havana service have occurred in South Florida, other gateways should have priority. This assertion ignores the fact that the Havana-South Florida cancellations arose from speculative attempts by ultra-low-cost carriers with little experience serving complex international destinations like Cuba. It also ignores the benefits that Delta's new, competitive time-channel coverage for local MIA-HAV passengers would bring to the strongest

source of demand in the broader U.S.-Cuba market. Morning and evening schedule offerings at MIA are something that only American is currently able to offer. United touts the benefits of inter-gateway competition, but it should also recognize the importance of intra-gateway competition, particularly when that gateway serves the largest and most important pool of demand in the market, as MIA does here.

United asserts that Delta's proposal is "unimaginative" and characterizes its proposal as a request for a "second shot at daily service," falsely implying some failure or misstep in Delta's initial launch of MIA service.²⁰ Although Delta has distinguished itself through innovation in many contexts, in this case, there is merit in the tried and true. The intent of the initial allocation was to "let the traveling public and marketplace decide" the contours of the service. South Florida has proven to be the most important center of demand for travel to Havana, with the highest load factors of any departure region. United's "imaginative" proposal is more accurately described as "speculative" in this Proceeding. Moreover, United's characterization of Delta seeking a mulligan is unfounded. Delta's MIA service has been the most successful of its three flights. Delta is looking to add additional frequencies in the region, and at the gateway, with the highest proven demand for HAV service.

Although Delta did not object to United's co-application with Mesa for operational flexibility for the proposed IAH-HAV service, Delta notes that this proposal suggests that United may need to downgauge its capacity on the route over time. In comparison, Delta has proposed to add additional service on a route with strong results and proven demand.

United's proposal is not designed to maximize public benefits. Demand for expanded Houston service is uncertain, as evidenced by United's need to apply for operational flexibility to

²⁰ Answer of United at 18. United makes this same false characterization of Southwest's successful FLL service.

serve the market with regional aircraft operated by Mesa. More important, the connections that IAH offers are mostly duplicative to other gateways with existing Havana service. Given the importance of Miami-Cuba traffic, and the sub-optimal connectivity upon which United relies in pressing its case, the Department should favor intra-gateway competition over inter-gateway competition in this frequency allocation.

E. Delta's Proposed Service Provides Significantly Greater Consumer Benefits than FedEx's Proposed Service

FedEx proposes using a HAV frequency to provide five day a week cargo service on a Cessna. As Southwest noted, FedEx applied to operate the smallest aircraft in its fleet – the Cessna 208 with just 3,500 pounds of payload capacity. An award to FedEx in this Proceeding would be a poor use of a scarce frequency, given the many competing applications to provide combination passenger and cargo service of much greater magnitude.

It is widely acknowledged that serving the U.S.-Cuba market entails significant complexities. Delta observes that FedEx recently sought an additional extension of time to start operations of its awarded frequencies to operate cargo air services between MIA and Matanzas/Varadero (VRA) (less than a two-hour drive from Havana). In its Motion seeking a second extension, FedEx cited the “ongoing operational challenges and heightened regulatory uncertainty involved in this matter.”²¹ In contrast, Delta and other carriers have faced and overcome these obstacles through investments and determination over the last year.

²¹ Motion of Federal Express Corporation for Additional Extension of Start-up Date, Sept. 7, 2017, at 1.

As JetBlue noted in its Answer, FedEx's actions and proposal are "emblematic of its overall ambivalence towards the Cuba market."²² FedEx's failure to execute on its existing cargo award, combined with a proposal to operate the MIA-HAV route with a tiny plane, clearly indicate that the frequencies would be put to a better use through an award to another applicant.

III. Conclusion

In this Proceeding, the Department seeks to maximize public benefits by addressing the service needs of the Cuban-American population while also maintaining a competitive market structure for air service. Granting Delta's request for one additional daily frequency between MIA and HAV would support both of these policy objectives. The passenger and demand data reflect the importance of service to South Florida. Within South Florida, MIA is the preferred gateway. And between the only two bids to provide new service at MIA, Delta's proposal would unequivocally benefit consumers more than American's bid for a fifth daily frequency.

Respectfully submitted,

Alexander Krulic

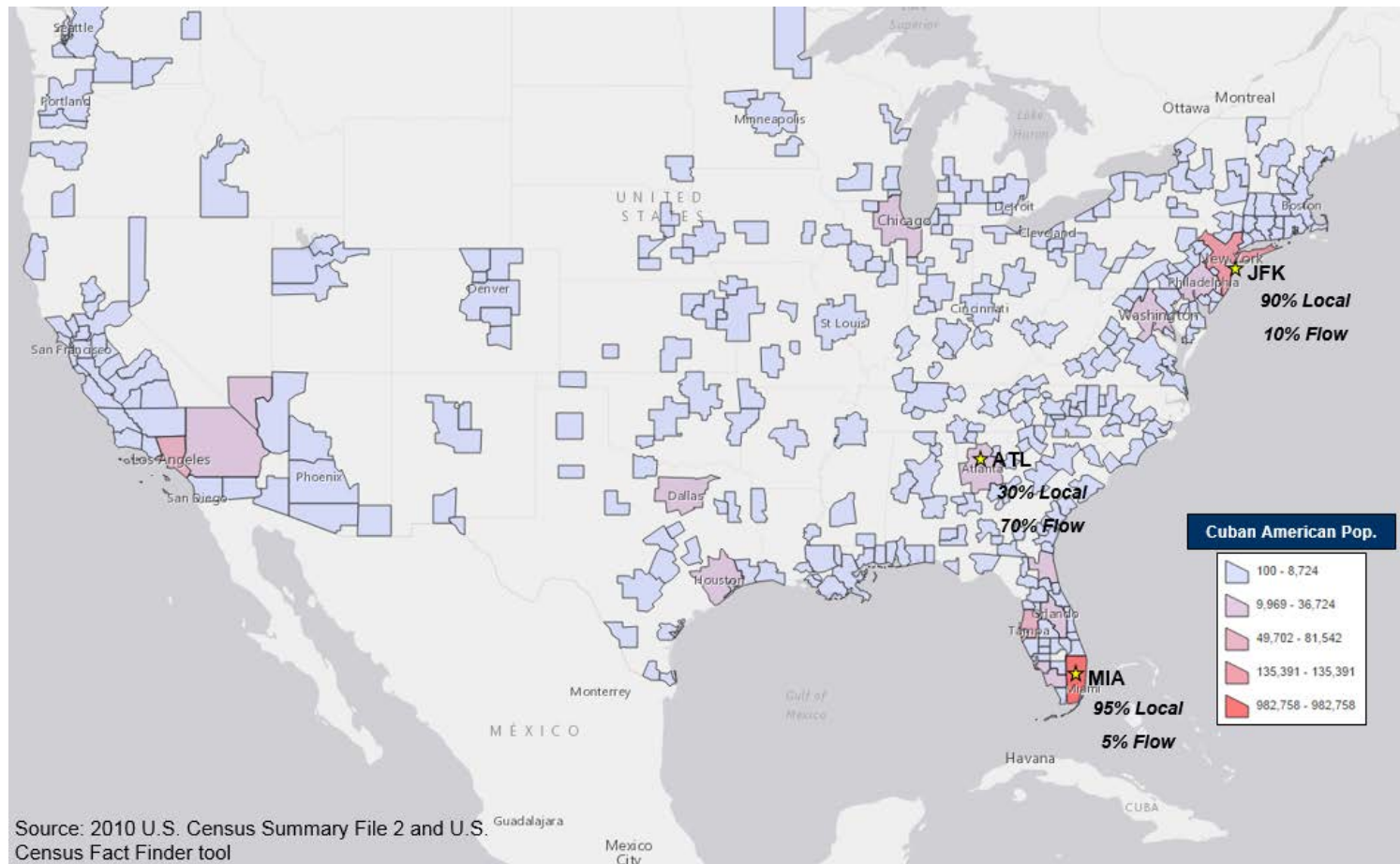
Alexander Krulic
Associate General Counsel
Regulatory & International Affairs

DELTA AIR LINES, INC.

²² Answer of JetBlue, at 25. JetBlue also provided a helpful visual aide to show that the Cessna 208 which FedEx proposes to use on the route is actually smaller than a delivery truck. *Id.* at 26.

Delta's Miami Service is Designed to Serve the #1 Market to Havana

- Miami accounts for over 50% of the Cuban-American population and is the largest source of OD demand for travel to Cuba
- Delta uses MIA-HAV to serve the local market, channeling flow traffic over ATL

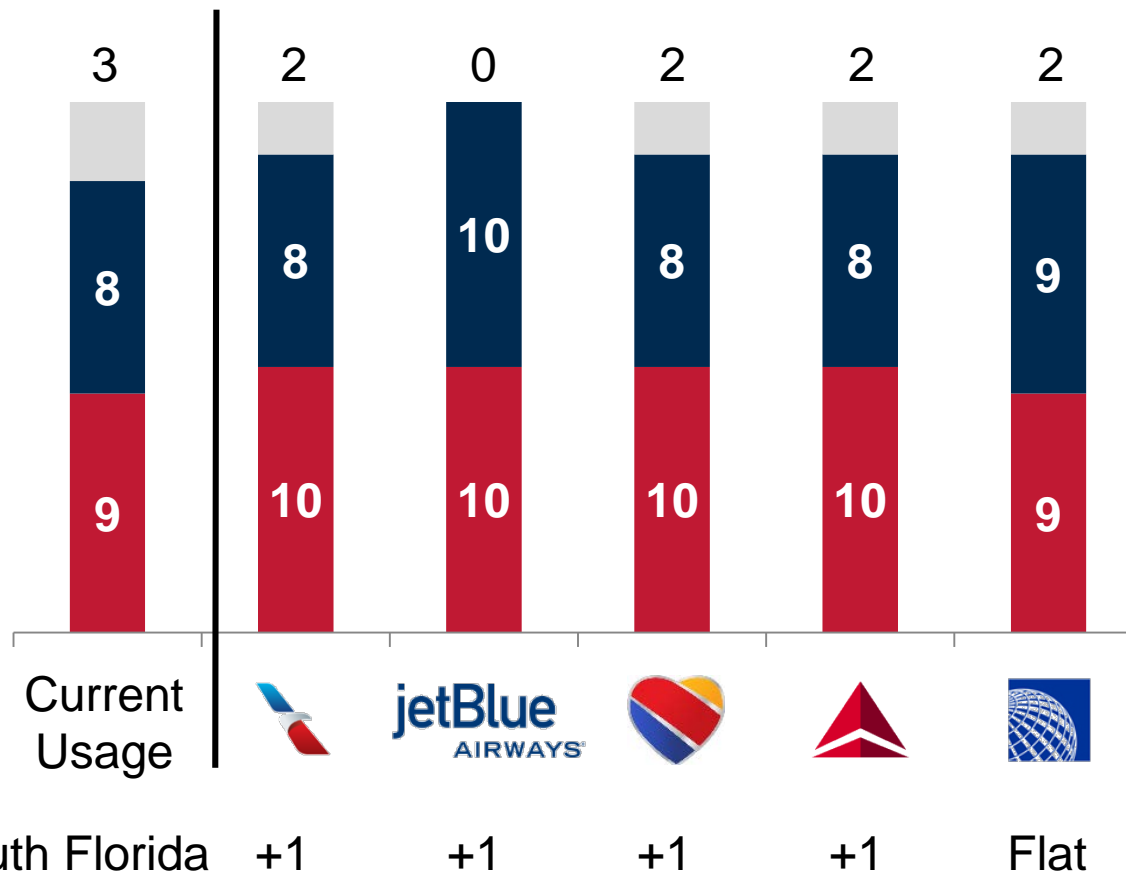


Other Carriers Do Not Dispute that MIA-HAV Service Will Provide Most Beneficial Use of Available Frequencies

- All proposals except UA include additional South Florida flying

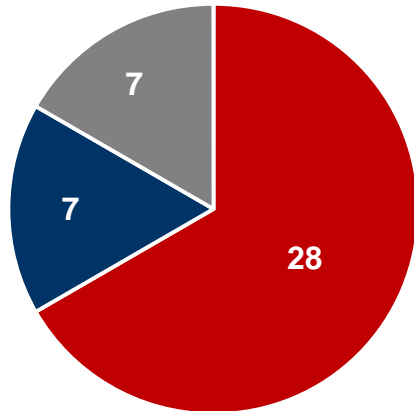
Proposed Daily Flights

■ South Florida ■ Rest of U.S. ■ Remainder



Delta's Proposed MIA-HAV Service Provides Greater Competition than American's MIA-HAV Proposal

2016 Weekly MIA Frequency Allocations

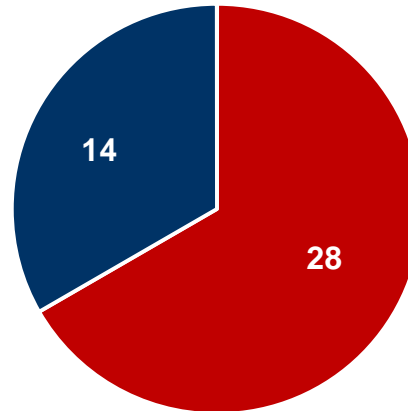


Carrier	% Allocation
AA	66%
DL	17%
F9	17%

} 34%

Proposed Weekly MIA Frequency Allocations

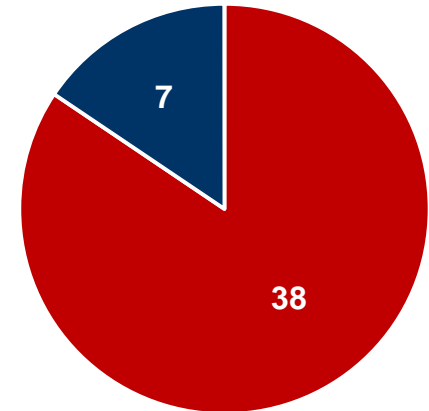
DL Proposal



Carrier	% Allocation
AA	66%
DL	34%

VS

AA Proposal



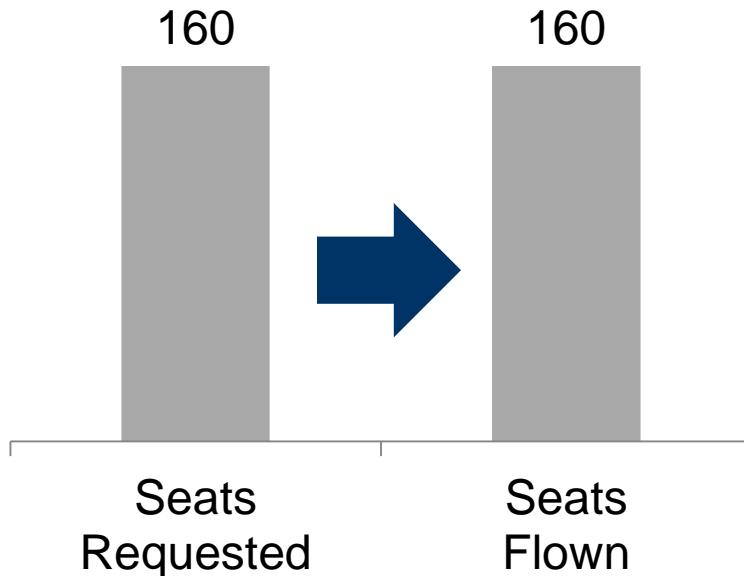
Carrier	% Allocation
AA	84%
DL	16%

■ AA ■ DL ■ F9

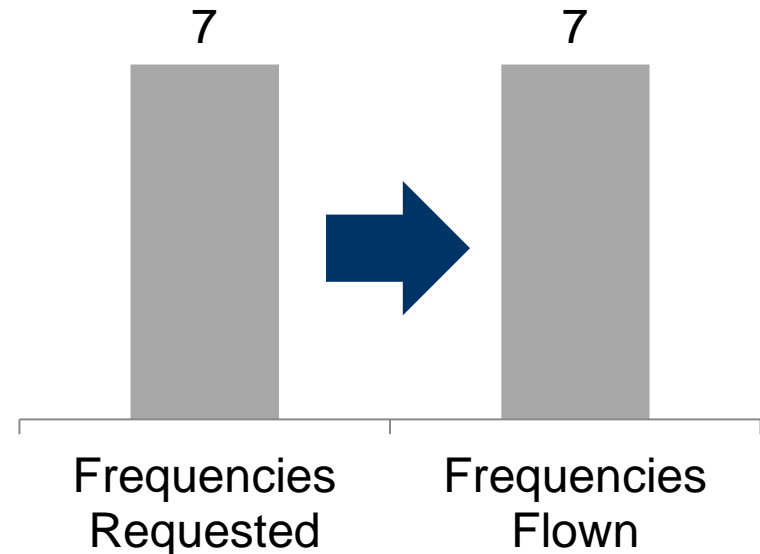
Delta is Delivering Exactly What It Promised in MIA-HAV

- Delta offers the same number of operations and seat capacity that it described in its original application

Delta Daily MIA-HAV Seats



Delta Weekly MIA-HAV Flights

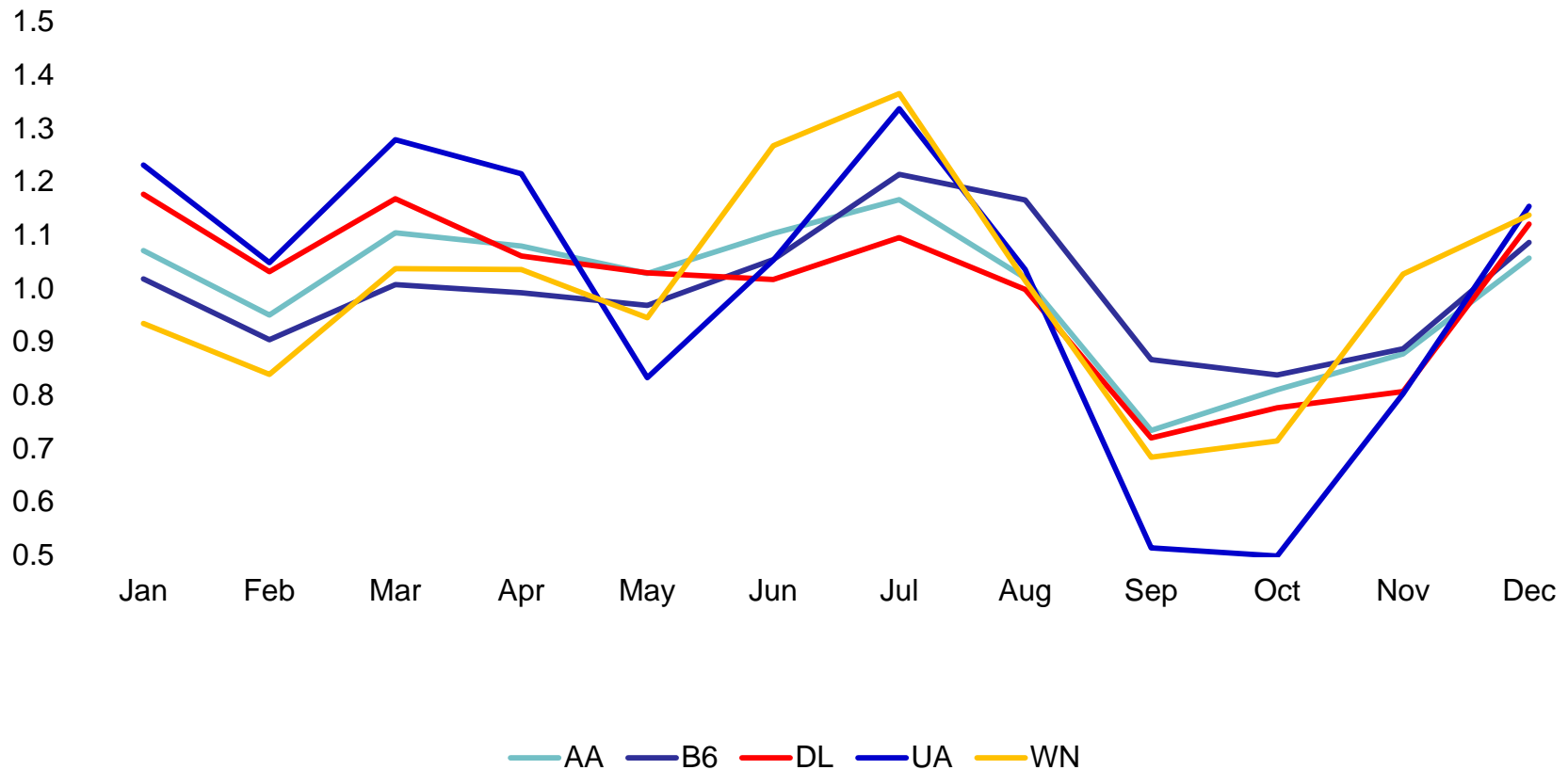


All US Carriers Adjust Caribbean Capacity During Hurricane Season

- US carriers reduce seats by (26%) in September, (23%) in October and (13%) in November versus the average month

Seat Capacity Index versus Average

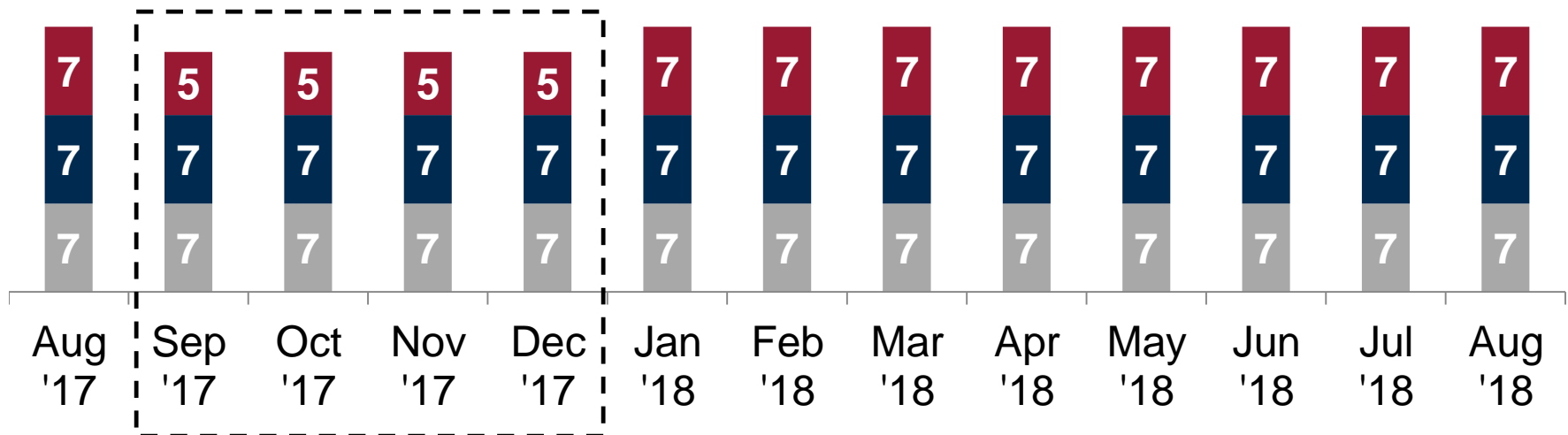
(Jan17-Dec17)



Delta Offers Daily Service from All Three HAV Gateways

- Delta operates daily service to HAV from ATL, JFK, and MIA with only minor adjustments during hurricane system
- JFK is only gateway with seasonal adjustments

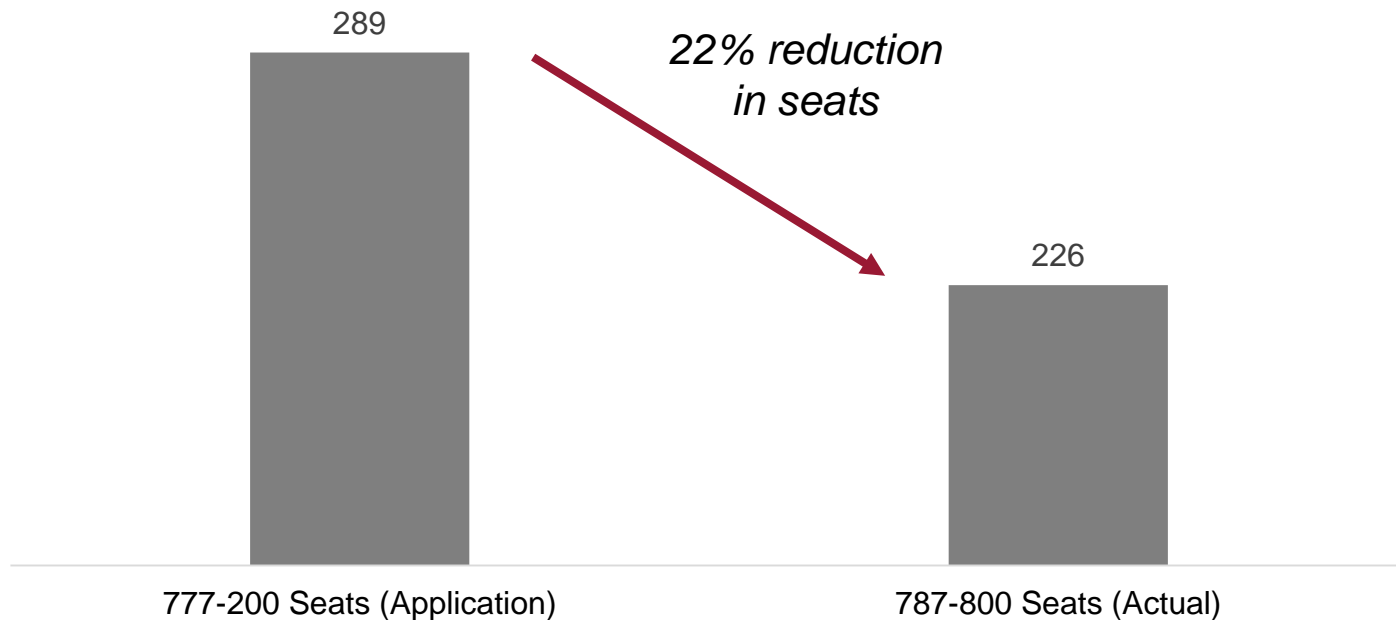
Weekly Frequencies



American Is Not Fulfilling LAX-PEX Service Promises

- After winning the highly competitive LAX-PEK route case, American is initiating service with the 787-800 instead of the promised 777-200
- This delayed launch resulted in a loss of over 74,000 seats, in addition to diminished capacity going forward

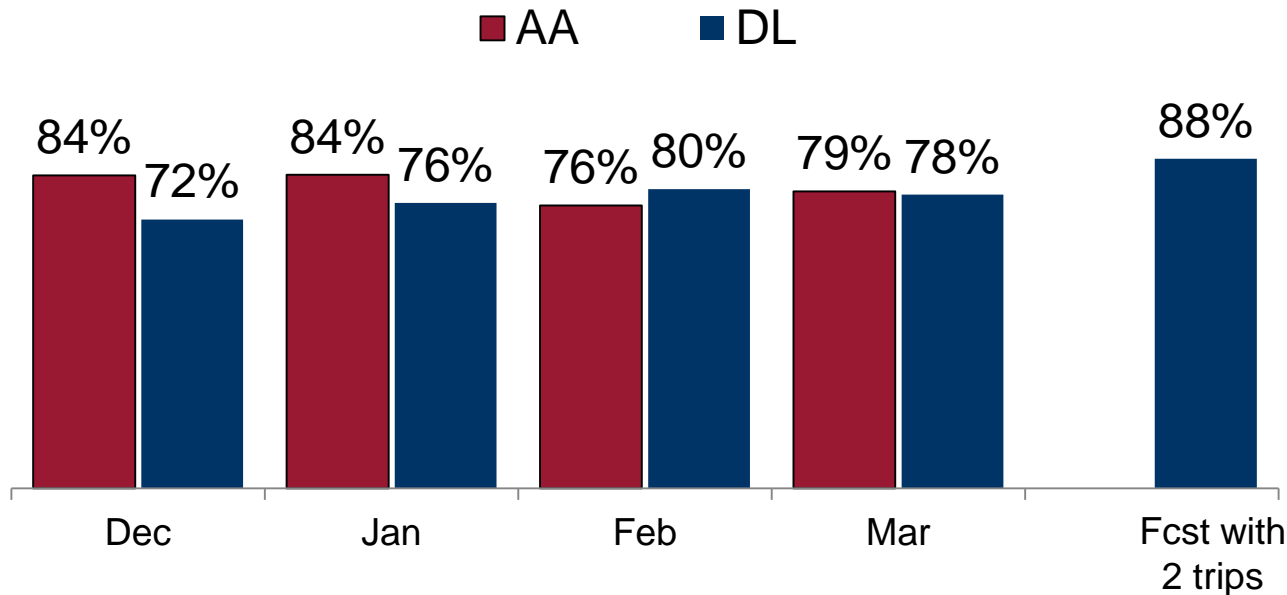
AA Seats per Operation on LAX-PEK



Enhanced Time Channel Coverage Would Improve Delta's Already Strong MIA-HAV Performance

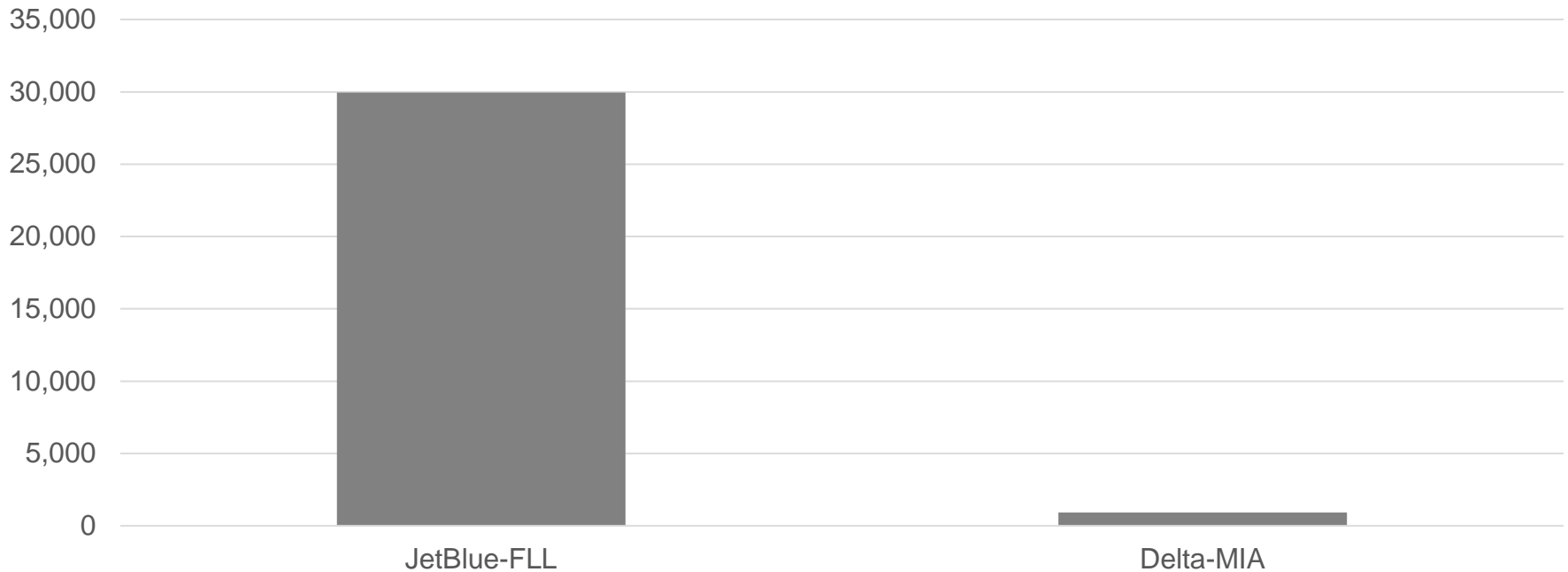
- The two most recent months of available industry data show Delta at parity with American load factor in MIA
- A second Delta MIA frequency will offer passengers an improved schedule and the option of a same-day trip, boosting load factors

Monthly MIA-HAV LF by Carrier



American Operates More Flights, with Larger Gauge, at MIA than Delta

(Full Year 2017)









Dio Mi Schedules Pull total number of flights with greater gauge than current 737-800 American flights, full year 2017

Delta Has a Strong Presence in Miami

- Delta has grown MIA seat capacity by over 20% in the last five years and is now the second largest carrier at MIA

MIA Scheduled Commercial Service Full Year 2017

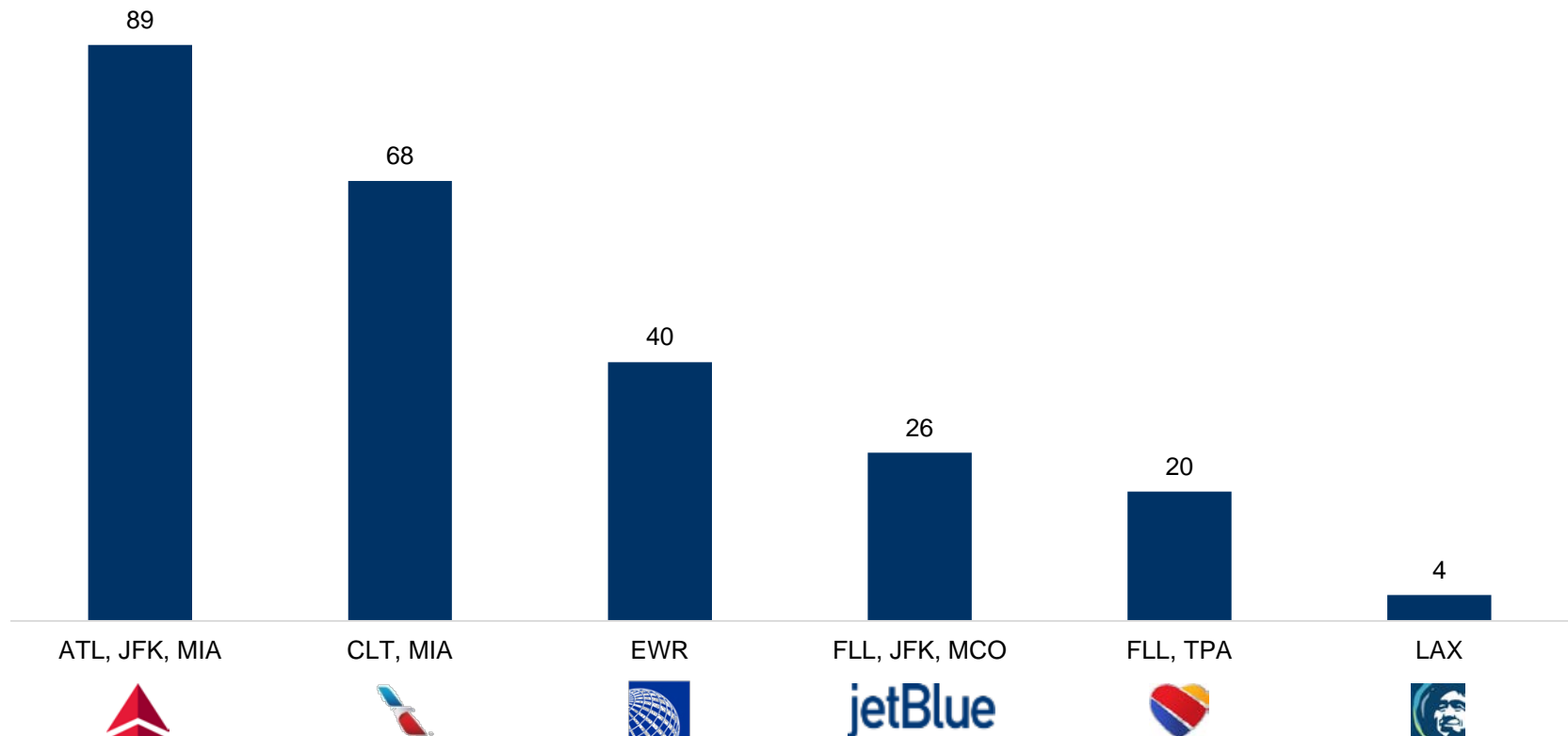
						
Daily Flights	660	57	20	27	22	12
Daily Seats (000)	96	9	5	4	3	2
Seat Share	67%	6%	4%	3%	2%	1%

Delta Offers More Connectivity To Havana Than Any Other Carrier

- Delta's three gateway services to HAV offer the most robust connectivity in the industry

Bi-Directional Connectivity

(16Mar2018)



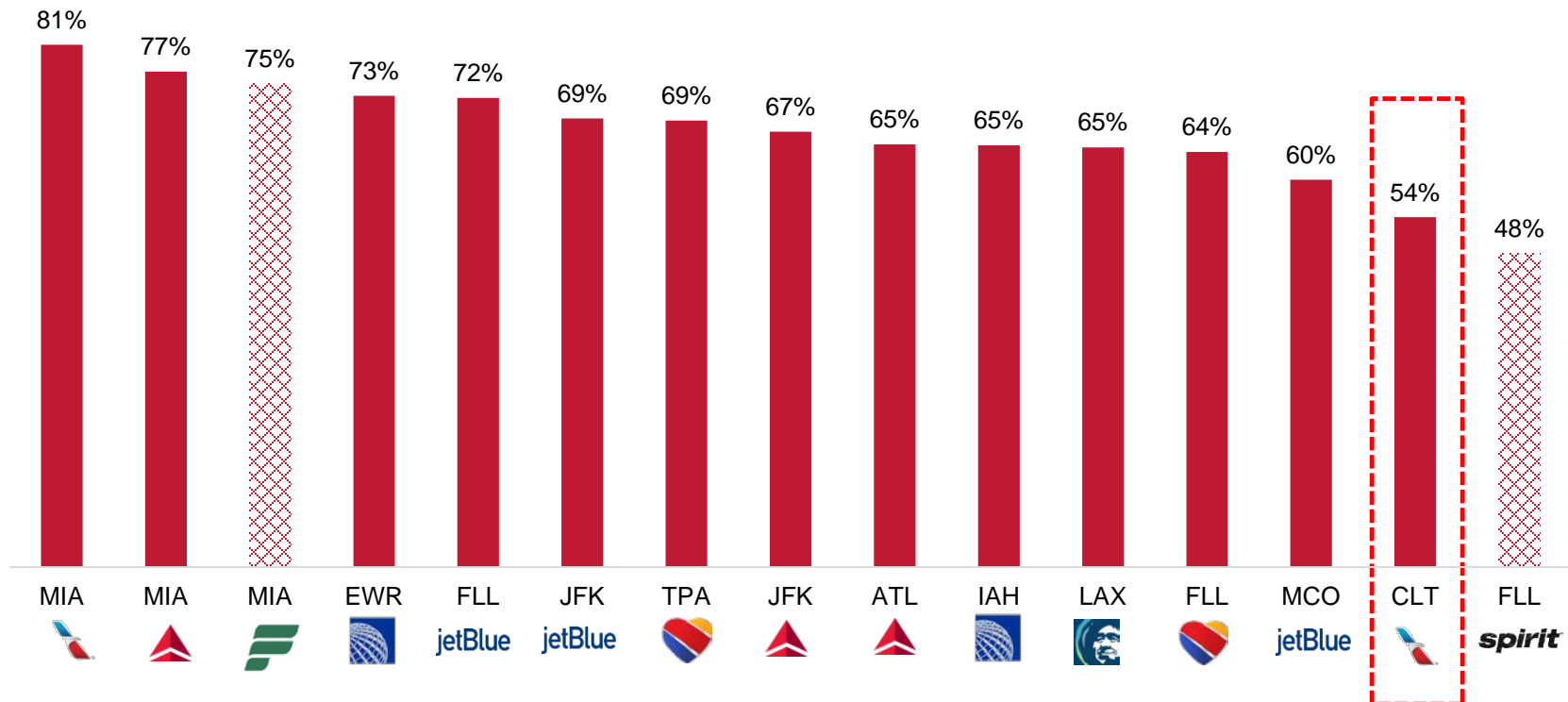
* US50-HAV; DI - 40min and ID - 90min; Diio high circuitry

American's Charlotte Service Most Under-Utilized Havana Frequency Remaining

- The now-cancelled Spirit FLL flight was only frequency with lower load factors than CLT

HAV Load Factor

(Dec16-Mar17, T100)



American Could Retime Existing Frequency to Improve Connectivity and Time Channel Coverage

- AA's existing MIA-HAV flights are close together, with two morning flights and two evening flights, with no midday options
- 1** Request for additional midday Sat/Sun flights fills in midday but only on weekends
- 2** Incremental Sat trip very close to current second flight
- 3** Daily overnight flight would compete with current overnight flight

Orig	Dep	Dest	Arr	Days
MIA	0700	HAV	0815	Daily
MIA	0930	HAV	1045	Daily
2 MIA	1045	HAV	1205	Sat
1 MIA	1220	HAV	1340	Sat/Sun
MIA	1620	HAV	1735	Daily
MIA	1945	HAV	2110	Daily
3 MIA	2139	HAV	2259	Daily

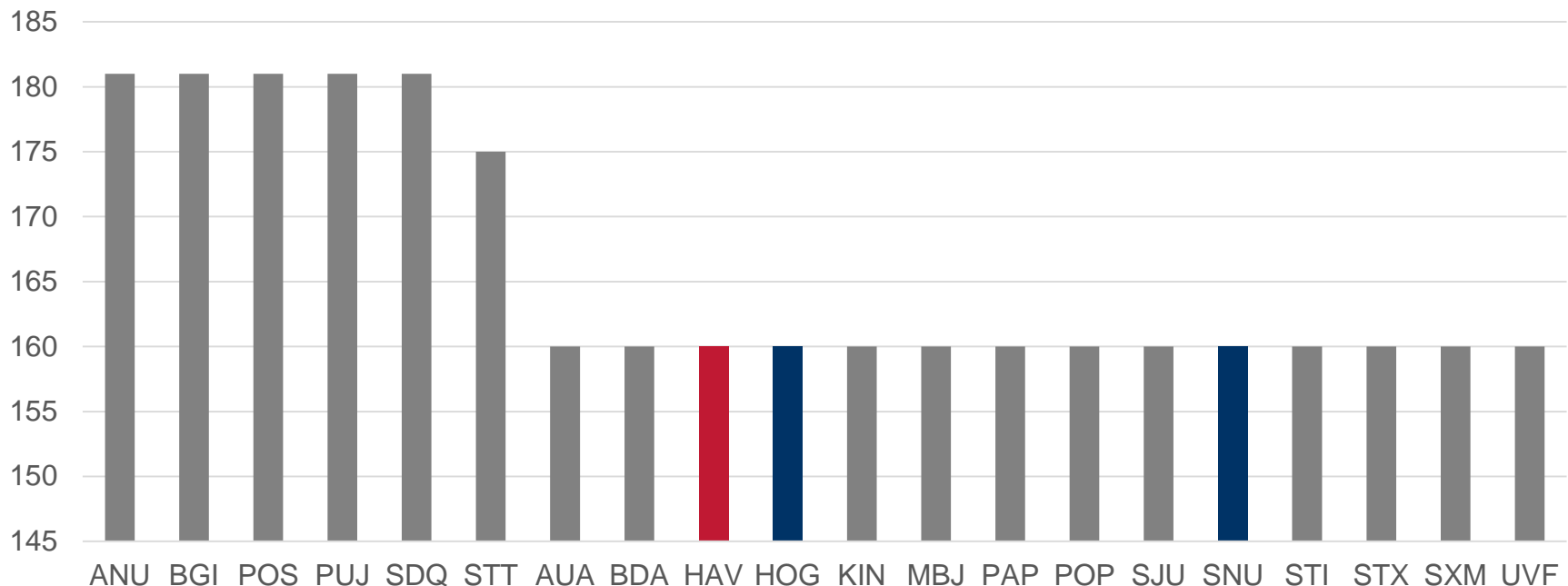
Orig	Dep	Dest	Arr	Days
3 HAV	0730	MIA	0850	Daily
HAV	0915	MIA	1035	Daily
HAV	1145	MIA	1305	Daily
2 HAV	1300	MIA	1420	Sat
1 HAV	1430	MIA	1550	Sat/Sun
HAV	1835	MIA	1955	Daily
HAV	2210	MIA	2330	Daily

American Could Upgauge MIA-HAV With Existing Aircraft

- AA could increase weekend capacity in MIA-HAV by upgauging to the A321
- AA operates 181-seat A321 in ANU, BGI, POS, PUJ and SDQ
- Aircraft size of HAV is the same as smaller markets of HOG and SNU

American Seats Per Departure for Miami to Caribbean

(Jan18)

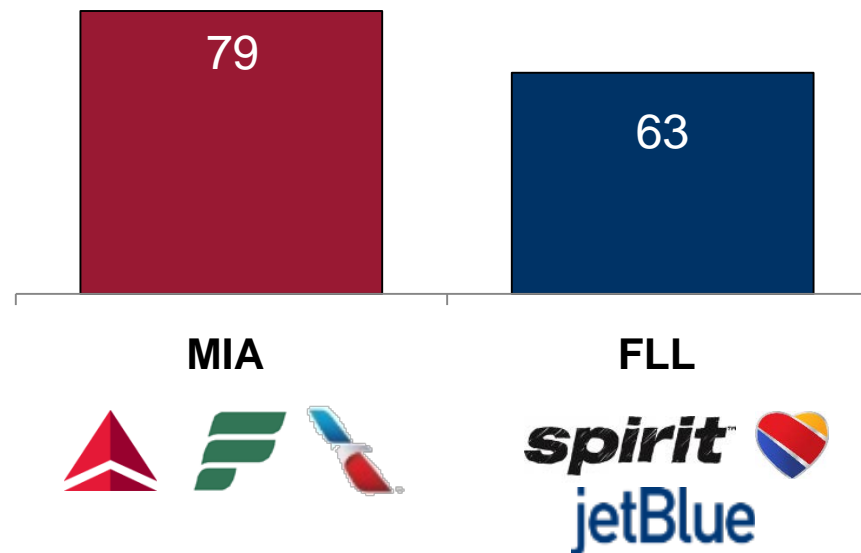


Miami is the Preferred Airport for Havana Travelers from South Florida

- MIA load factors continue to exceed FLL by 16 points, indicating strong passenger preference for MIA

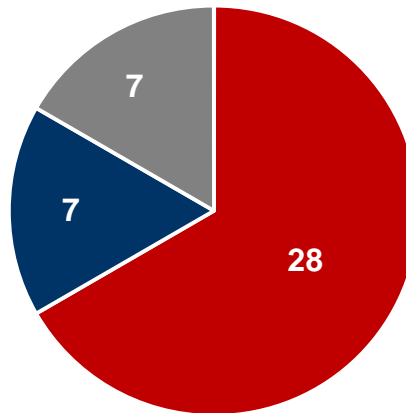
South Florida – Havana Load Factors

Dec16-Mar17 T100 Data



Today, Delta Has Only 25% of American's MIA-HAV Frequencies

2016 Weekly MIA Frequency Allocations



Carrier	% Allocation
AA	66%
DL	17%
F9	17%

} 34%








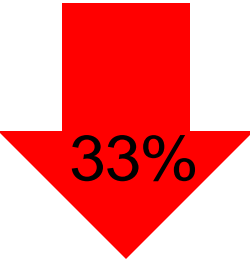
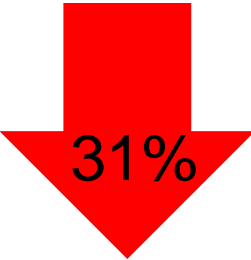

 AA  DL  F9

Only Low Cost Carriers Have Cancelled Havana Service

HAV Cancellations in 2017 to Date



Low Fare Carriers Have Poor Track Record in Cuba

					
Market	FLL – SNU FLL – VRA	MIA – HAV	FLL – CMW FLL – HOG FLL – SNU	FLL – HAV JFK – HAV MCO – HAV	FLL – HAV
T-100 LF ¹	27%	75%	55%	68%	48%
Capacity Actions ²					

¹T100 reflects service through March 2016

²Difference between current selling capacity and original total seats

JetBlue Flew Over 12,500 Empty Seats (56 per departure) Between FLL and HAV from Dec 2016 to Mar 2017

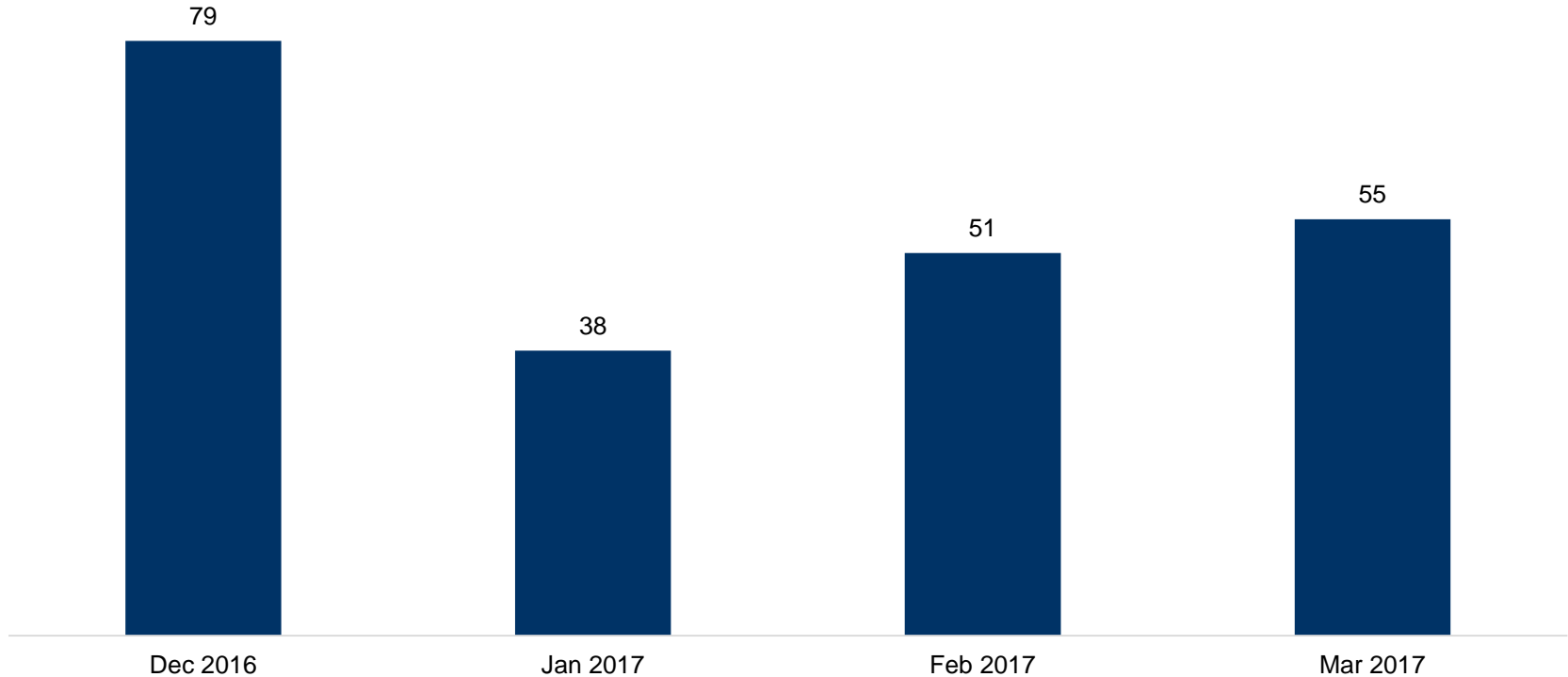


Docket DOT-OST-2016-0021

Exhibit DL-R-305

Page 1 of 1

JetBlue Average Empty Seats Per Departure

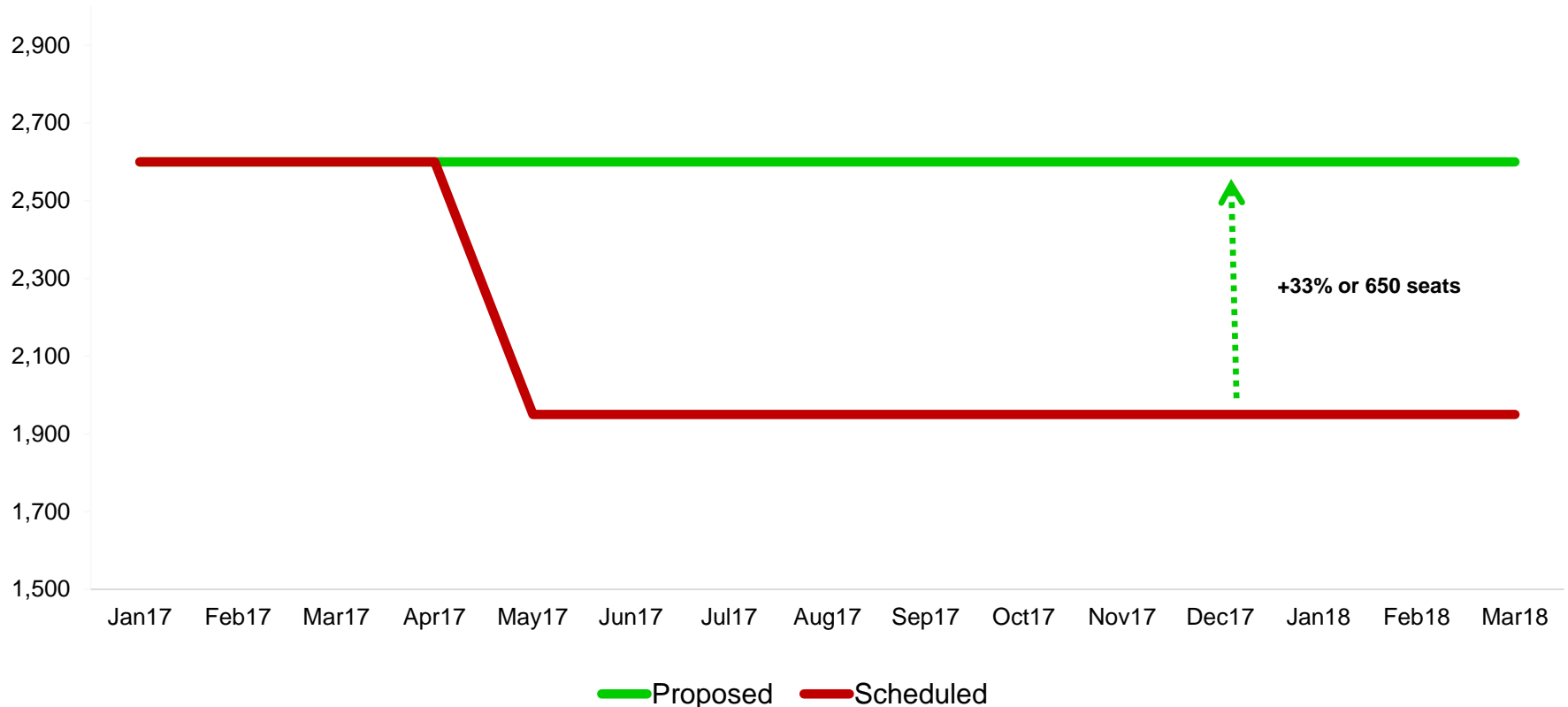


JetBlue Should Be Excluded From Additional Fort Lauderdale Frequencies

- JetBlue can add 650 one-way weekly seats or increase capacity 33% simply by fulfilling its original proposal

JetBlue One-Way Weekly Seats vs Original Proposal

(FLLHAV, Jan17-Mar18)



JetBlue Could Upgauge FLL-HAV With Existing Aircraft



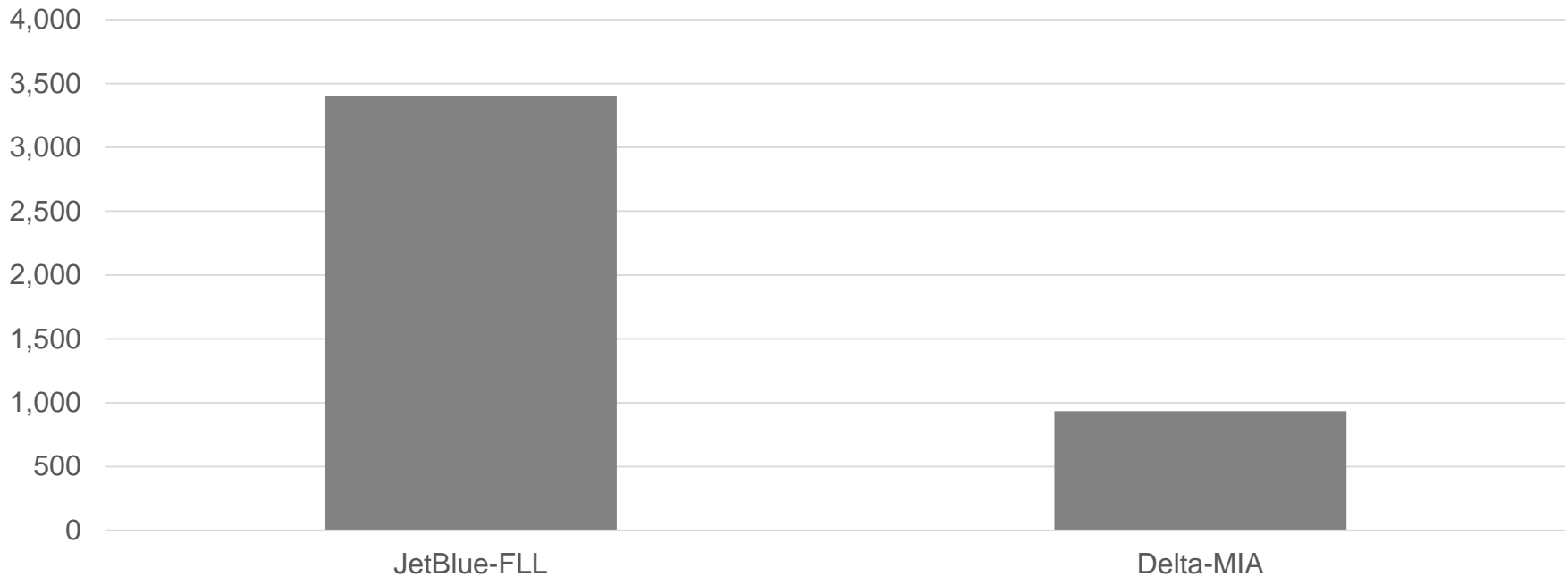
Docket DOT-OST-2016-0021

Exhibit DL-R-307

Page 1 of 1

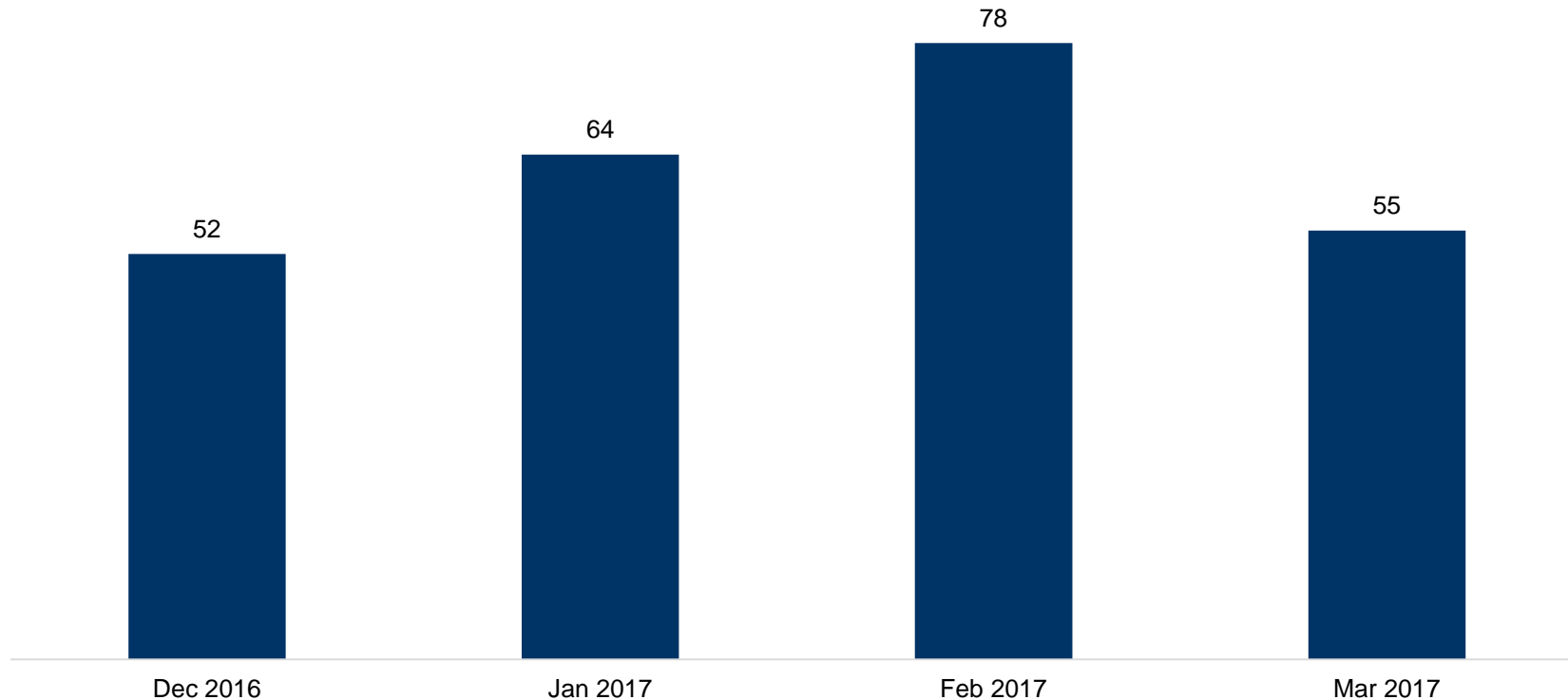
JetBlue Operates More Flights, with Larger Gauge, at FLL than Delta Does at MIA

(Full Year 2017)















Southwest Flew Over 13,500 Empty Seats (63 per departure) Between FLL and HAV from Dec 2016 to Mar 2017

Southwest Average Empty Seats Per Departure



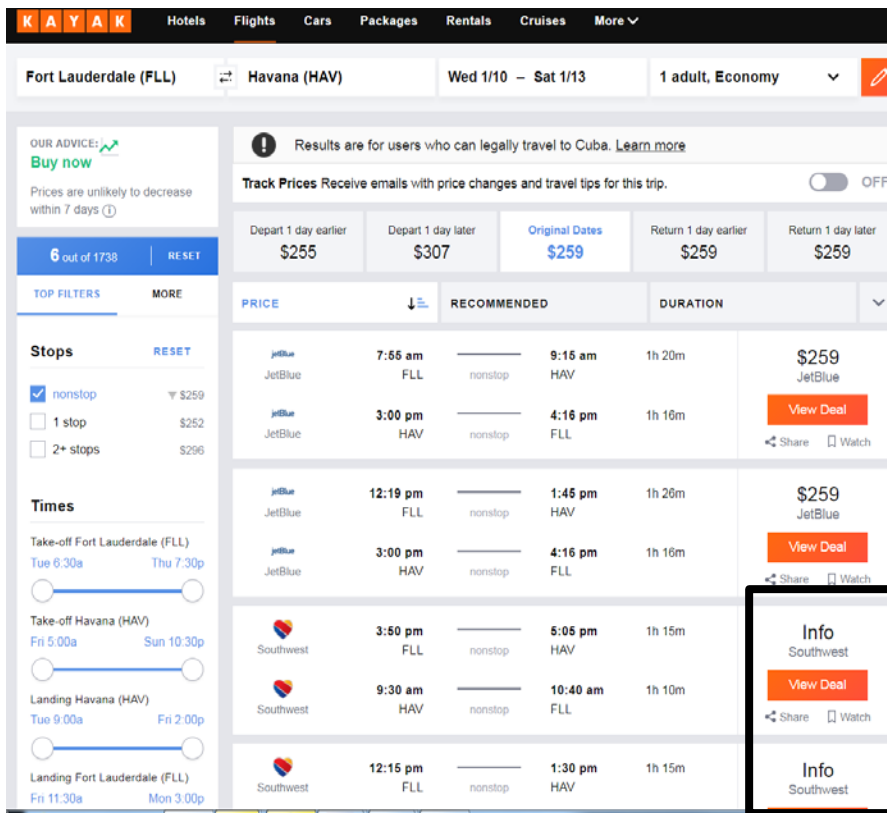
Delta Offers Customers a Competitive Market Offering

- Delta offers customers a good value with their ticket

	Confirmed Seat	1 st Class Upgrade Option	Premium Economy	Wifi	Ability to Use Frequent Flier Miles Globally	City Ticket Office in HAV
						
				Not guaranteed	Limited to Mexico, Central America and Caribbean	

Southwest Is Not a Low Fare Leader

- Lowest fare on Southwest's website was \$203, identical to Delta and American's published MIA fares at the preferred South Florida airport



OUR ADVICE: [Buy now](#)
Prices are unlikely to decrease within 7 days ⓘ

6 out of 1738 | [RESET](#)

TOP FILTERS | MORE

Stops [RESET](#)

☒ nonstop ▼ \$259
☐ 1 stop \$252
☐ 2+ stops \$296

Times

Take-off Fort Lauderdale (FLL)
Tue 6:30a Thu 7:30p

Take-off Havana (HAV)
Fri 5:00a Sun 10:30p

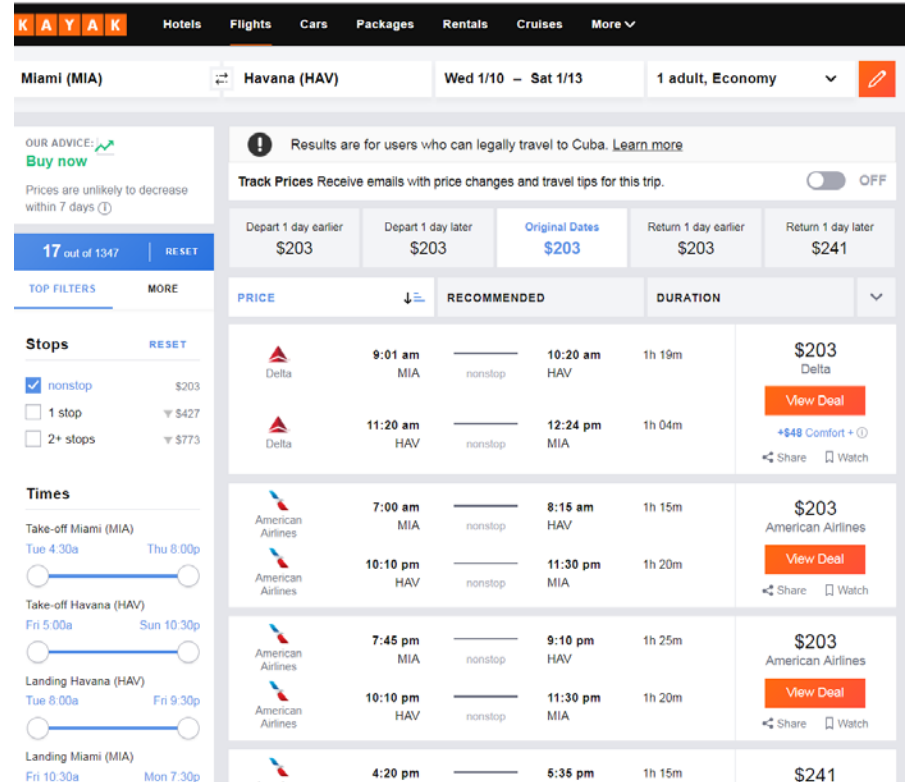
Landing Havana (HAV)
Tue 9:00a Fri 2:00p

Landing Fort Lauderdale (FLL)
Fri 11:30a Mon 3:00p

Results are for users who can legally travel to Cuba. [Learn more](#)

Track Prices Receive emails with price changes and travel tips for this trip. ☐ OFF

PRICE	RECOMMENDED	DURATION
JetBlue 7:55 am FLL nonstop 9:16 am HAV 1h 20m \$259 JetBlue View Deal		
JetBlue 3:00 pm HAV nonstop 4:16 pm FLL 1h 16m \$259 JetBlue View Deal		
JetBlue 12:19 pm FLL nonstop 1:45 pm HAV 1h 26m \$259 JetBlue View Deal		
Southwest 3:50 pm FLL nonstop 5:05 pm HAV 1h 15m \$203 Southwest View Deal		
Southwest 9:30 am HAV nonstop 10:40 am FLL 1h 10m \$203 Southwest View Deal		
Southwest 12:15 pm FLL nonstop 1:30 pm HAV 1h 15m \$203 Southwest View Deal		



OUR ADVICE: [Buy now](#)
Prices are unlikely to decrease within 7 days ⓘ

17 out of 1347 | [RESET](#)

TOP FILTERS | MORE

Stops [RESET](#)

☒ nonstop \$203
☐ 1 stop ▼ \$427
☐ 2+ stops ▼ \$773

Times

Take-off Miami (MIA)
Tue 4:30a Thu 8:00p

Take-off Havana (HAV)
Fri 5:00a Sun 10:30p

Landing Havana (HAV)
Tue 8:00a Fri 9:30p

Landing Miami (MIA)
Fri 10:30a Mon 7:30p

Results are for users who can legally travel to Cuba. [Learn more](#)

Track Prices Receive emails with price changes and travel tips for this trip. ☐ OFF

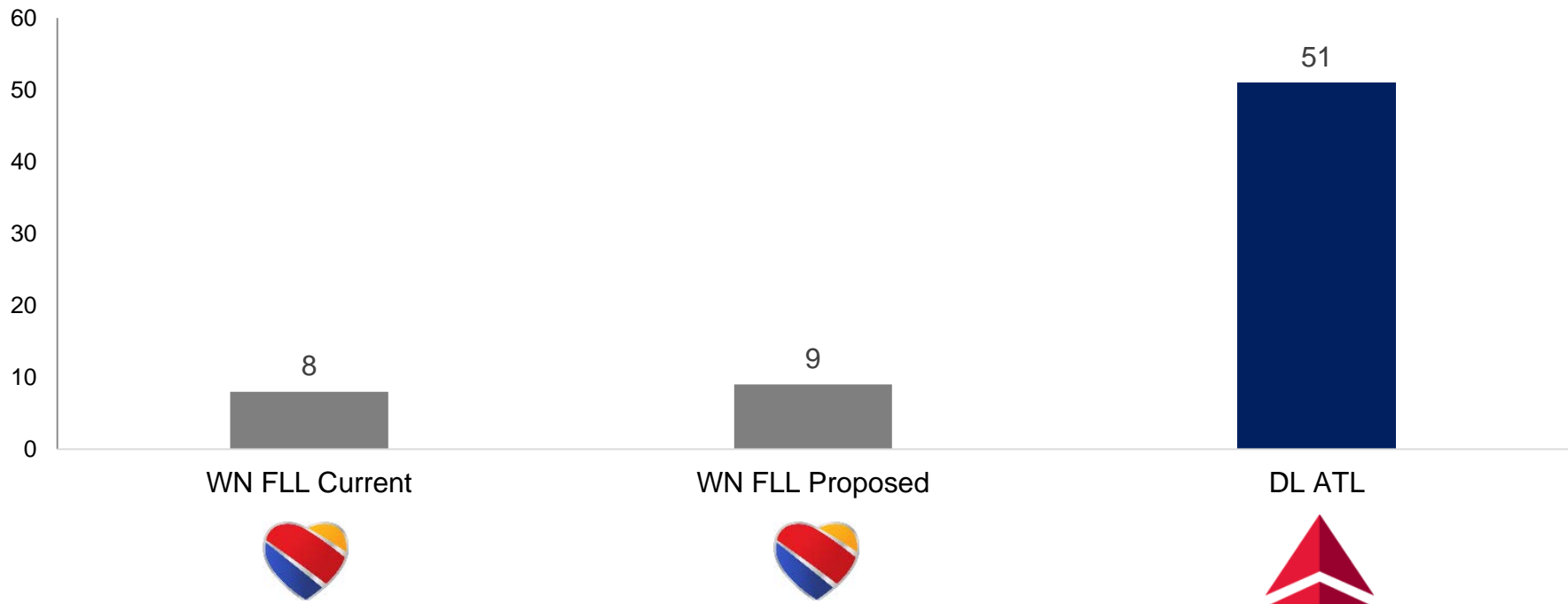
PRICE	RECOMMENDED	DURATION
Delta 9:01 am MIA nonstop 10:20 am HAV 1h 19m \$203 Delta View Deal		
Delta 11:20 am HAV nonstop 12:24 pm MIA 1h 04m \$241 Delta View Deal		
American Airlines 7:00 am MIA nonstop 8:15 am HAV 1h 15m \$203 American Airlines View Deal		
American Airlines 10:10 pm HAV nonstop 11:30 pm MIA 1h 20m \$203 American Airlines View Deal		
American Airlines 7:45 pm MIA nonstop 9:10 pm HAV 1h 25m \$203 American Airlines View Deal		
American Airlines 10:10 pm HAV nonstop 11:30 pm MIA 1h 20m \$203 American Airlines View Deal		
American Airlines 4:20 pm nonstop 5:35 pm 1h 15m \$241 American Airlines View Deal		

Lowest fare on Southwest's website was \$203

Southwest's Request for Increased HAV to FLL Does Not Enable Significant Connectivity

- Southwest's schedule proposal connects to just one new market (PVD), while DL already offers 5x more connectivity from a single ATL flight

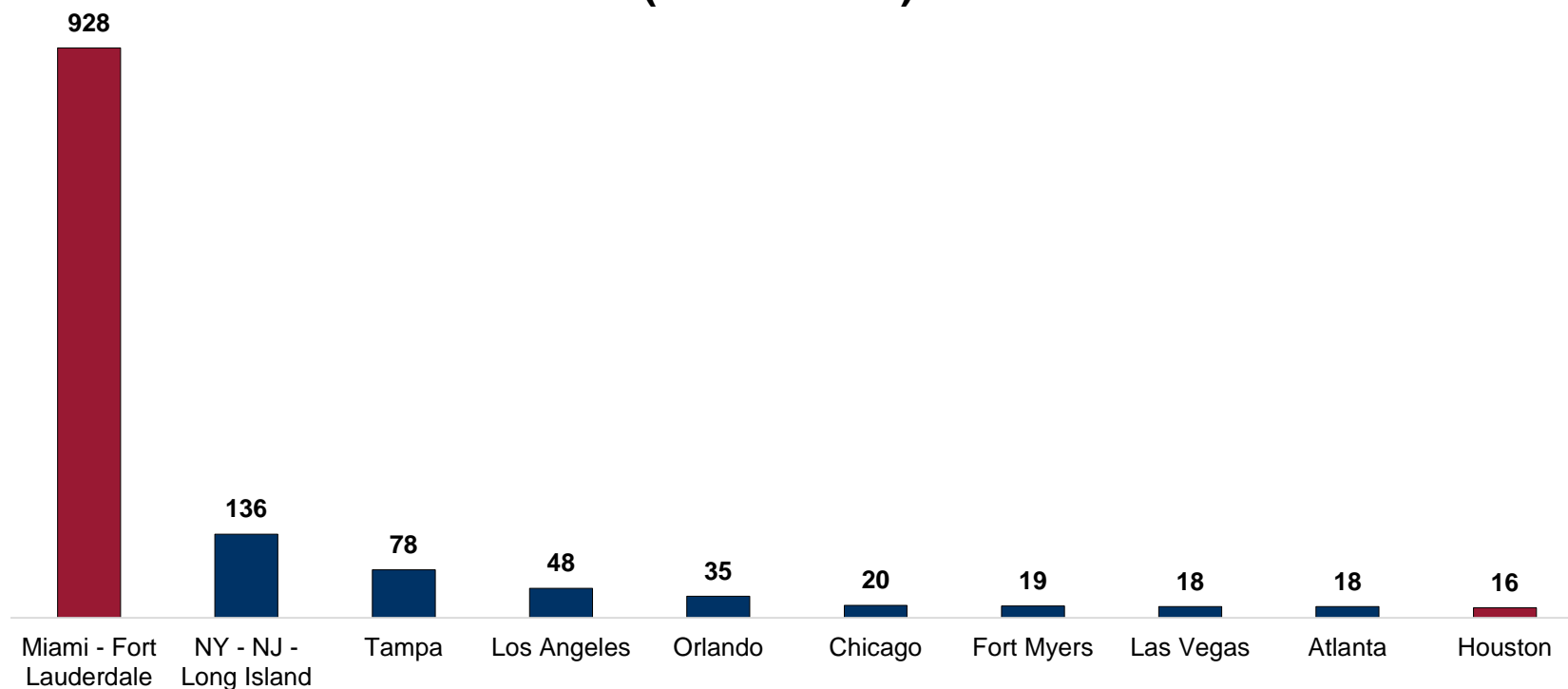
HAV Roundtrip Connections < 3 Hours



Cuban-American Population in Miami vs Houston






- Cuban-American population in MIA metro area is ~58 times larger than Houston metro area







Cuban-American Populations by Metro Area (Thousands)



United's Top Forecast Connecting Markets Beyond Houston (IAH) Already Have Good Connectivity to HAV

- 17 of the 44 markets cited by UA to benefit from daily IAH service have no discernible Cuban-American population
- The largest Cuban-American market cited by UA to benefit from IAH service is LAX, which already has direct service from HAV
- On a roundtrip basis, IAH daily service only provides four new one-stop roundtrip connections, reaching a total Cuban-American population of ~6,000

City	Cuban-American Population*	United Total Trip Time	Delta Total Trip Time	
Los Angeles*	48,243	15:32	16:51	
Chicago	23,056	13:15	12:22	
Las Vegas	22,583	20:39	19:45	
Dallas/Ft. Worth	13,573	10:45	12:12	
Phoenix	9,424	16:14	17:45	
San Francisco	8,574	19:59	19:09	
Austin	8,156	9:59	11:45	
New Orleans	7,282	11:03	10:24	
San Antonio**	5,051	11:52	N/A	
Denver	4,348	14:25	15:27	
Seattle	4,238	20:11	20:51	
Portland	3,745	22:14	20:26	
Kansas City	3,723	15:39	12:13	
Albuquerque	3,116	15:12	N/A	

City	Cuban-American Population	United Total Trip Time	Delta Total Trip Time	
Minneapolis	3,014	14:40	12:46	
Sacramento	2,880	22:09	19:36	
St. Louis	2,697	13:02	11:24	
Memphis	2,224	13:11	9:48	
El Paso	1,365	15:05	N/A	
Pensacola	1,328	15:04	9:51	
Salt Lake City	1,208	17:23	17:44	
Baton Rouge	1,194	10:11	11:01	
Oklahoma City	1,061	10:49	11:32	
Fayetteville	1,031	13:28	13:03	
Tulsa**	920	14:46	N/A	
Omaha	909	16:59	N/A	
Corpus Christi	681	12:27	N/A	

*Direct service currently exists **One-stop service currently exists via MIA

CERTIFICATE OF SERVICE

A copy of the foregoing letter has been served this 26th day of September, 2017, upon the following persons via email:

Air Carrier	Name	Email Address
Alaska/Virgin Am.	David Heffernan	dheffernan@cozen.com
Alaska/Virgin Am.	Jeremy Ross	jeremy.ross@alaskaair.com
American	Howard Kass	howard.kass@aa.com
American	Robert Wirick	robert.wirick@aa.com
American	John Williams	john.b.williams@aa.com
American	William Sohn	william.sohn@dechert.com
American	Paul Denis	paul.denis@dechert.com
Dynamic	Jason Maddux	jmaddux@ggh-airlaw.com
Eastern	John Mietus	john@mietuslaw.com
FedEx	Nancy Sparks	nssparks@fedex.com
FedEx	Courtney Felts	cefelts@fedex.com
Frontier	Howard Diamond	Howard.Diamond@flyfrontier.com
Hawaiian	Parker Erkmann	perkmann@cooley.com
JetBlue	Robert Land	robert.land@jetblue.com
JetBlue	Evelyn Sahr	esahr@eckertseamans.com
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Spirit Airlines	David Kirstein	dkirstein@yklaw.com
Spirit Airlines	Joanne Young	jyoung@yklaw.com
Sun Country	Mathew Friebe	mathew.friebe@suncountry.com
Sun Country	Larry Chestler	larry.chestler@suncountry.com
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	Brett Kruger	brett.kruger@dot.gov