

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

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**U.S. – FRANCE FREQUENCY ALLOCATION  
PROCEEDING**

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) **Docket OST-2000-7628**  
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**ANSWER OF DELTA AIR LINES, INC.**

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**July 31, 2000**

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**ANSWER OF DELTA AIR LINES, INC.**

Delta Air Lines, Inc. (“Delta”) hereby submits this Answer to the competing applications of American Airlines, Inc. (“American”) and United Air Lines, Inc. (“United”). Delta’s application (1) to provide additional critically needed Paris capacity from at its major Atlanta hub, and (2) to provide a second daily flight at New York in replacement of Tower Air at JFK, where Delta is the only applicant operating a major domestic connecting complex -- would be the two best choices for 14 of the 15 available frequencies.

**I. THE DEPARTMENT SHOULD SEEK TO MAXIMIZE NEW U.S.-  
PARIS CAPACITY IN ORDER TO OBTAIN THE GREATEST  
PUBLIC AND CONSUMER BENEFITS.**

Delta’s proposal to introduce a second daily Atlanta flight with large-capacity B-777 aircraft would be the most effective use of the seven currently available opportunities. In limited-entry markets such as France, the Department and competing applicants alike have recognized the importance of increasing capacity in order to maximize the economic and other public benefits of an award. Delta’s Atlanta hub is without equal in terms of its ability to project new service and competitive benefits to virtually every region of the country, and adding

substantial new Paris capacity at Atlanta would produce the greatest public benefits of any proposal.

Although U.S.-Paris capacity today remains scarce, there are currently a wide variety of competitive U.S.-Paris services available from every region of the United States. Nine U.S. and foreign-flag carriers provide nonstop flights to Paris from 17 different gateways. DL-4.

Indeed, at the New York gateway in particular there are five carriers offering eleven daily Paris flights. In Chicago there are three carriers providing four Paris flights, and at San Francisco, immediately adjacent to San Jose, there are two carriers providing two daily flights.

Id.

In circumstances involving limited-entry markets where consumers already have a wide variety of geographically diverse competitive choices, as United has previously urged, “the effect of the carrier’s service proposal on capacity, rather than its effect on market structure, is the most important competitive element in this proceeding.” See, UA-RT-1 at 6, Docket OST-99-6284 (1999 U.S.-Brazil Combination Service Case).<sup>1</sup>

Delta’s Atlanta proposal will utilize the largest capacity aircraft. With 277 seats, Delta’s B-777 is far larger than the equipment any other carrier proposes. The B-767 aircraft proposed by American and United would seat just over 200 passengers. Thus, Delta at Atlanta

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<sup>1</sup> United’s observations, while true here, are not applicable in the Brazil Case where Delta, a viable competitor, is so severely handicapped in terms of its frequency holdings that it is unable to compete on par with its competitors. United outnumbers Delta by four to one in terms of Brazil frequencies. Here, Delta is not only proposing the largest aircraft, but also holds the fewest Paris frequencies of any applicant.

would offer 34 percent more seats than United at New York, and 36 percent more capacity than American at Chicago or San Jose. DL-3. This substantial capacity advantage is important to consumers attempting to secure seats on the limited number of Paris services that may be operated during the remaining term of the transitional period. The availability of over 200,000 additional annual U.S.-Paris seats at a major hub gateway such as Atlanta will offer the greatest competitive benefits to consumers in cities across the country.

**II. DELTA HAS THE FEWEST PARIS FREQUENCIES OF ANY APPLICANT.**

American and United are, respectively the first and second largest U.S. carrier operators to France. With only 21 Paris frequencies at its disposal, Delta ranks a distant third to the 49 Paris frequencies held by American and the 35 Paris frequencies held by United. DL-1. Put another way, American is authorized to operate nearly *two and a half times* the number of Paris frequencies as Delta, and United more than *one and a half times* the number of Paris flights as Delta. Id. Due to their substantial frequency advantages, American and United each operate nearly twice as many U.S.-Paris seats as Delta. DL-2.

Delta should receive first priority in its bid for Paris frequencies in order to begin to offset the substantial frequency advantages now enjoyed by United and American. Since the transitional agreement with France was signed, American has been allocated 14, and United 7 additional Paris frequencies. Delta has twice sought frequencies for a critically needed second daily Atlanta-Paris flight, but Delta has received no Paris frequencies in either of the two prior France frequency proceedings.

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It is no answer to say that because Delta has an alliance with Air France, Delta should be precluded from offering its own critically needed service at its primary Atlanta hub. While codeshare service is an important and beneficial way for carriers to expand online service options, it is not a substitute for a carrier's own direct service. Moreover, as observed by the Department in its International Policy Statement, one of the major benefits of codeshare relationships is that they:

“provide a cost-effective way for carriers to enter new markets, expand their systems and obtain additional flow traffic to support their other operations . . . By stimulating traffic, the increased competition and service options should expand the overall international market and increase over opportunities for the aviation industry. U.S. airlines should be major beneficiaries of this expansion and the concomitant increased service opportunities . . .” 60 Fed. Reg. 21841, 21842 (May 3, 1995)

Consistent with the principles expressed in the Department's Policy Statement, Delta should be permitted to enjoy the benefit of the new direct service opportunities that its growing alliance network with Air France has stimulated – and not, as Delta's competitors have urged in the past, punished for having entering into an alliance with a French carrier. In fact, the Department specifically rejected such arguments by American in the last France frequency allocation proceeding:

“we are not persuaded by American's structural arguments against an award to Delta. The crux of American's argument is that Delta should be excluded from awards in the transitional period because Delta has a codeshare arrangement with Air France that affords it additional access to the U.S.-France market. While we have certainly taken note of the Delta/Air France relationship, we do not regard it as controlling here.” Order 99-8-24 at 5.

American and United each operate substantially more Paris service than Delta, and the Department's decisions in the two prior France frequency proceedings to award transitional

Paris frequencies to American and United, but not to Delta, have given those carriers an even greater competitive advantage in expanding their U.S.-Paris services. It is now time for the Department to begin to level the playing field by awarding Delta its first Paris frequencies in three years under the new U.S.-France agreement.

**III. ONLY AN AWARD TO DELTA WILL ENHANCE GLOBAL ALLIANCE COMPETITION.**

Delta's budding SkyTeam Alliance with Air France is, in fact, a compelling reason supporting the grant of additional Paris frequencies to Delta. United is the lead member of the STAR alliance, with more allied carriers than any other. Likewise, American leads the large oneworld alliance, and American also has established codeshare alliances with Swissair and Sabena for local and connecting passengers at Zurich and Brussels. Thus, United and American have alliances with multiple European carriers, and both enjoy connecting service opportunities at several European gateway hubs.

While the SkyTeam alliance is destined to join the ranks as one of the world's premier airline alliances, it is today in its formative stages. The Department should foster and promote global alliance competition by awarding Delta the frequencies it needs to build and enhance competitive traffic flows over the SkyTeam alliance's single European hub at Paris's Charles de Gaulle Airport.

Because of the high demand for U.S.-Paris service, and the current limitations on U.S.-France frequencies, Delta is not able to operate sufficient capacity to accommodate all of the local and beyond-Paris connecting passengers that desire Delta service. By awarding Delta additional frequencies, not only will the Department benefit substantial numbers of U.S.-Paris

passengers, but it will significantly increase competition in thousands of connecting markets where SkyTeam competes with STAR and oneworld.

**IV. ATLANTA IS THE LARGEST HUB GATEWAY AT ISSUE IN THIS PROCEEDING.**

In limited-entry markets such as France, the Department has consistently found that the best way to enhance access is to authorize new service from major hub gateways. Delta will offer the most Paris capacity of any applicant from the largest U.S. airline hub.

Atlanta is far and away the largest hub gateway at issue in this proceeding. Delta operates some 900 daily flights to over 160 nonstop destinations, giving Atlanta the undisputed title of “world’s largest airline hub.” The unparalleled size and scope of the Atlanta hub operation gives Delta the ability to benefit more online passengers than any other applicant.

DL-7, 8, 9, 10.

American’s Chicago hub – the only other proposed gateway that could legitimately be considered a “hub” – is considerably smaller than Atlanta. American’s Chicago hub offers only about half the number of flights to a third fewer cities than Atlanta. DL-7, 8. Furthermore, with respect to cities within an optimal 20 percent circuitry routing, Delta at Atlanta serves over 100 cities to American’s 71 at Chicago. DL-9. With four daily nonstop flights operated by three different carriers, plus competitive nonstop codeshare service from a fourth, Chicago already receives more than adequate levels of service, and the network benefits associated with authorizing a second Delta service at Atlanta are substantially greater than authorizing a second American service at Chicago.

Despite operating the B-777, the largest aircraft in its fleet, on the Atlanta-Paris route, Delta still faces a critical capacity shortfall at its primary hub. By contrast, with 49 Paris frequencies at its disposal, American already has ample system-wide capacity to accommodate all of its Paris passengers. This is evidenced by the fact that American does not operate large capacity aircraft on *any* of its *seven* authorized Paris routes. DL-5. American should not receive a second Chicago frequency (its *eighth* Paris flight) to operate system capacity it does not need, at the expense of the substantially greater capacity and network benefits of Delta's B-777 Atlanta proposal.

American's San Jose and United's New York proposals pale compared to the behind-gateway connecting benefits of Delta's Atlanta hub. American serves just 8 cities from San Jose, and United only 12 cities from JFK, within 20 percent circuitry of Paris, compared to 104 such cities served by Delta from Atlanta. DL-9.

**V. DELTA'S ATLANTA AND NEW YORK PROPOSALS ARE BOTH SUPERIOR TO AMERICAN'S SAN JOSE PROPOSAL.**

The Department should not use one of the rare transitional opportunities to entertain American's speculative San Jose-Paris proposal. San Jose generates dramatically less Paris traffic than any of the other proposed gateways. DL-13. Moreover, in addition to multiple one-stop connecting services, San Jose passengers have excellent Bay Area nonstop service options at San Francisco International Airport, just 30 miles away, where United and Air France both operate daily service with jumbo sized aircraft.



Because of San Jose's west coast location, it is not well situated to serve as a connecting hub for service to Paris. American serves just eight cities within 20 percent circuitry of San Jose, as compared to 104 such cities for Delta at Atlanta and 29 cities for Delta at New York. DL-9. Furthermore all of American's eight potential connecting cities already receive service via one or more of American's six other Paris gateways.

With almost no available connecting feed, American must rely on the small and unproven San Jose-Paris local market to sustain its proposed service. In the year ended June, 2000, only 4,100 passengers traveled between San Jose and Paris. DL-13. By contrast, Delta's proposed New York gateway generated over 900,000 Paris passengers (*220 times more passengers* than San Jose), and Delta's proposed Atlanta gateway generated 81,400 Paris passengers, (*20 times more passengers* than San Jose). Id.

Delta understands and appreciates San Jose's desire to secure nonstop service. However, given that all restrictions on Paris service will be lifted by 2003, American will have ample opportunity to introduce its proposed service in the foreseeable future. In the near term, the public interest requires that the Department put the scarce transitional opportunities to use at major gateways such as New York and Atlanta with the proven ability to benefit large numbers of local and connecting passengers.

**VI. DELTA IS THE BEST CHOICE FOR SERVICE AT NEW YORK.**

New York is an important gateway, and, second only to Delta's Atlanta proposal, should receive priority consideration for an award. The choice then becomes, as between Delta and United, which would be the better carrier to replace Tower Air at New York.

United would be a new competitor on the route, whereas Delta would add to its existing services. At first glance, the superficial choice might be to select a new competitor. However, upon closer examination, it becomes evident that Delta would be the best choice for service at New York, because United would benefit only New York local passengers, while Delta would benefit travelers not only in New York but in the numerous additional U.S. cities Delta serves behind its JFK gateway.

The New York-Paris route is already highly competitive. Today, there are four carriers operating 56 weekly flights from JFK, plus two carriers operating 21 flights at Newark. DL-4, 12. Authorizing additional Delta service at New York will ensure not only an extra measure of competition at New York, but also an intensification of network competition in cities across the United States to Paris and points beyond. By contrast, the addition of a single daily flight by United is unlikely to have any substantial impact on the highly competitive structure of the New York-Paris route.

United already enjoys a large Paris capacity advantage over Delta. United operates 9,730 weekly Paris seats, compared to only 5,243 for Delta. DL-2. With 35 weekly Paris frequencies at its disposal, United has the luxury of double-daily flights at its Washington hub, in addition to daily service from each of its Chicago, Los Angeles and San Francisco hubs. DL-4.

With only 21 weekly frequencies, Delta can only operate three Paris services, and does not have the ability to operate double-daily service from any hub without sacrificing an existing gateway. Id.

Delta would not object to United moving, for example, one of its two Washington Dulles-Paris services to JFK, if United was truly interested in providing service at New York and using the available designation opportunity. However, it would be unfair to authorize another United service at the expense of an award to Delta. Were United to receive an award, and Delta none, United would then enjoy a 100% Paris frequency advantage – 42 to 21. DL-1.

A New York award to Delta will promote and enhance alliance competition in thousands of connecting markets world-wide. Delta serves 29 cities behind JFK compared to just 12 for United. DL-11. On the other side of the Atlantic, Paris is the one and only European connecting hub for the SkyTeam alliance, but Paris is not a connecting hub for STAR. With multiple European carrier alliances, United's STAR alliance has the unrestricted ability to flow traffic over a number of European hubs. Consequently, the only effect on alliance competition an award to United would have is to frustrate and block the development of the nascent SkyTeam alliance.

**VII. AMERICAN SHOULD BE REQUIRED TO RANK ITS PROPOSALS.**

With 49 weekly Paris frequencies, far more than any other carrier, both of American's proposals should be afforded significantly lower priority than either of Delta's or United's

proposals. Nonetheless, if American is to be considered at all, the Department should require American to rank its two proposals by order of preference, and any award should be based and conditioned upon the specific merits of the individual proposal.

The current distribution of frequencies is so lopsided in favor of American that an award of further frequencies could only be justified by an extraordinary showing that a particular route urgently required service (a burden which neither of American's proposals have met).

With 49 existing unrestricted Paris frequencies, American already has tremendous flexibility to tailor its services to the needs of the marketplace.<sup>2</sup> In similar circumstances, where American enjoyed a tremendous advantage over other carriers in terms of its Brazil frequencies, the Department found it appropriate to condition American's award to the particular market served. See Order 96-3-47. American should not receive an award here, but if the Department is to legitimately consider American's proposals, they should be required to be ranked in order of precedence and any award should be strictly conditioned to the proposed route.

WHEREFORE, Delta urges the Department to grant Delta 14 weekly U.S.-France combination service frequencies for its proposed Atlanta-Paris and New York-Paris services.

Respectfully submitted,

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<sup>2</sup> American has previously advised Delta that it would oppose a similar request by Delta for flexibility with regard to Delta's existing France frequency allocation. In these circumstances, the flexibility conditions American has proposed for itself here are particularly hypocritical.

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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Consolidated Answer of Delta Air Lines, Inc., has been served this 31st day of July, 2000, upon each of the following persons, by facsimile.

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