

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

DEPT. OF TRANSPORTATION
WASHINGTON, D.C.

JUN 10 1999

In the Matter of

EXPANDED AIR SERVICE AT
HAWAII INTERNATIONAL AIRPORTS

Docket OST-99-5723

ANSWER OF DELTA AIR LINES

Communications with respect to this document should be addressed to:

D. Scott Yohe
Senior Vice President -
Government Affairs
DELTA AIR LINES, INC.
1275 K Street, N.W.
Washington, D.C. 20006
(202) 216-0700

John J. Varley
Assistant General Counsel
Alexander Van der Bellen
Attorney
DELTA AIR LINES, INC.
Law Department #986
1030 Delta Boulevard
Atlanta, Georgia 30320
(404) 715-5408

June 8, 1999

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

In the Matter of

**EXPANDED AIR SERVICE AT
HAWAII INTERNATIONAL AIRPORTS**

Docket OST-99-5723

ANSWER OF DELTA AIR LINES

On May 24, 1999, the State of Hawaii (the "State") petitioned the Department to grant liberal extrabilateral exemption privileges for foreign air carriers to serve Hawaii, with the objective of promoting increased foreign air service at Hawaii's international airports. Delta hereby submits this answer to the State's Petition.

Delta recognizes and appreciates Hawaii's desire to encourage additional foreign air service, which Delta understands is extremely important to the State's economy. However, Delta is concerned that certain actions proposed by the State would lessen U.S. negotiating leverage to achieve liberal aviation agreements in the Pacific, and that the resulting situation would have the unintended consequence of reducing Asia - Hawaii opportunities for U.S. carriers — ultimately producing fewer air service benefits for the State.

Delta believes that the State's current air service difficulties are primarily a result of the economic downturn affecting the Asia-Pacific region, rather than the lack of available operating authority for foreign air carriers to serve Hawaii. For example, with respect to Hawaii's most important tourism market, Japan, there is currently substantial unexercised authority available to both U.S. and Japanese

carriers. Hawaii's second largest Asia market, Korea, has seen a significant reduction in service, notwithstanding the fact that Korean carriers enjoy unlimited operating rights to the United States.

Delta strongly supports the Department's initiative – which as already borne success in several Asian countries – of expanding open skies throughout Pacific Rim. Delta has historically been excluded from serving many of the most important destinations in the Pacific due to restrictive bilateral agreements. The Department should not take action, based on current economic circumstances, that will adversely the United States' long-term bargaining position and ability to achieve liberalization in Asia.

Unlike Alaska, which has historically served as a technical stop for aircraft traversing polar routes, Hawaii is a valuable traffic point in its own right. When economic prosperity returns to the region, Hawaii will undoubtedly experience a resurgence of air service and tourism revenue from Asian countries. Conversely, giving away valuable operating rights when there is no consumer demand will not cause air carriers to provide service.

If the Department were to grant unlimited Hawaii access to carriers from restrictive countries, there would be no incentive for those countries to bargain with the United States for rights to serve Hawaii once regional economic conditions improve. Ironically, this imbalanced bilateral situation could deprive Hawaii of important competitive air service from U.S. carriers.

Although last year's agreement with Japan produced limited opportunities for "nonincumbent" carriers such as Delta, Japan remains tightly frequency controlled, except for Japan's two largest flag carriers – ANA and JAL – and two

U.S. carriers, United and Northwest. The impetus for any additional liberalization with Japan will need to come from Japan's smaller carriers, because ANA and JAL already have unlimited operating authority. Hawaii is Japan's leading traffic destination in the United States, and will be an attractive leisure service market for Japan's smaller carriers. The Department should not give up Hawaii access -- an important motivation for future negotiations with Japan -- particularly when such action is unlikely to result in any immediate service benefit to the State.

The situation in China is even worse. China is tightly frequency and designation controlled, and Delta's first opportunity to serve China will not come until 2001. Chinese carriers should not be invited to freely serve Hawaii, seek extrabilateral service points on the U.S. mainland, or be relieved of bilateral frequency limitations by virtue of the fact that such services may be operated via Hawaii.

Delta urges the Department to weigh carefully the advisability of granting, without consideration, substantial extrabilateral authority to countries that practice restrictive aviation policies. Rather than the blanket approach urged by Hawaii, the Department should consider on a country-by-country basis, if the aviation relationship justifies the type of relief proposed by Hawaii.

Respectfully submitted,



Alexander Van der Bellen
Delta Air Lines, Inc.