

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

<hr/>)	
Application of)	
)	
DELTA AIR LINES, INC.)	
)	
for exemptions from Subparts K and S of)	Docket OST-00-7118
14 C.F.R. Part 93 pursuant to 49 U.S.C. § 41718)	
(“beyond perimeter” slot exemptions))	
Washington, D.C. (DCA) - Salt Lake City, Utah)	
<hr/>)	

**APPLICATION OF DELTA AIR LINES, INC.
FOR EXEMPTIONS**

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., Suite 1200
Washington, D.C. 20005
(202) 216-0700

Robert E. Cohn
Sheryl R. Israel
SHAW PITTMAN
2300 N Street, N.W.
Washington, D.C. 20037
(202) 663-8060

Counsel for
DELTA AIR LINES, INC.

John Varley
Assistant General Counsel
DELTA AIR LINES, INC.
Law Department #986
1030 Delta Boulevard
Atlanta, Georgia 30320
(404) 715-2872

March 22, 2000

Table of Contents

	<u>Page</u>
I. Delta's Service Proposal	4
II. Delta's Proposed Salt Lake City-National Airport Service Fulfills All of the Statutory Criteria and Will Provide Important Service and Competitive Benefits to Communities Throughout the Western United States.....	5
A. Delta's Salt Lake City – National Airport Service Will Produce Substantial Domestic Network Benefits in Areas Beyond the Perimeter of National Airport	6
B. Delta's Salt Lake City-National Airport Service Will Increase Competition in Multiple Markets.....	11
C. Delta's Service Will Not Reduce Travel Options For Communities Served By Small Hub Airports And Medium Hub Airports Within The Perimeter of National Airport.....	13
D. Delta's Proposed Nonstop Service Between National and Salt Lake City Will Enhance Service Options And Reduce Travel Delays For Cities Located Outside The Perimeter, And "Not Result In Meaningfully Increased Travel Delays."	15
III. Grant of The Requested Slots To Delta Is In The Public Interest	18
IV. Conclusion.....	19

**BEFORE THE
DEPARTMENT OF TRANSPORTATION**

WASHINGTON, D.C.

March 22, 2000

Application of)	
)	
DELTA AIR LINES, INC.)	
)	
for exemptions from Subparts K and S of)	Docket OST-00-7118
14 C.F.R. Part 93 pursuant to 49 U.S.C. §41718)	
(“beyond perimeter” slot exemptions))	
Washington, D.C. (DCA) - Salt Lake City, Utah)	
)	

**APPLICATION OF DELTA AIR LINES, INC.
FOR EXEMPTIONS**

Delta Air Lines, Inc. (“Delta”) hereby applies for exemptions from 49 U.S.C. §§ 49104(a)(5), 49109, 49111(e) and 41714, and Subparts K and S of 14 C.F.R. Part 93 (the “High Density Rule”), to allow Delta to operate two daily nonstop roundtrip flights between Ronald Reagan Washington National Airport (“DCA” or “National”) and Salt Lake City, Utah (SLC) using four (4) of the twelve (12) slot exemptions for service beyond the DCA perimeter under the newly enacted Section § 41718 of the Transportation Code.

On March 15, 2000, Congress enacted the “Wendell H. Ford Aviation Investment and Reform Act for the 21st Century” (the “AIR 21 Act”). Section 231(e) of the AIR 21 Act creates a new § 41718 of the Transportation Code, which directs the Department to grant twelve slot exemptions “to air carriers to operate limited frequencies and aircraft on select routes between Ronald Reagan

Application of Delta Air Lines, Inc.

Page 2

Washington National Airport and domestic hub airports” located beyond the DCA perimeter (i.e., more than 1,250 statute miles from DCA). Delta’s application for four slot exemptions to operate two daily nonstop roundtrip flights between Salt Lake City and DCA is fully consistent with each of the exemption criterion set forth in § 41718.

Salt Lake City and the dozens of small and medium sized communities that enjoy nonstop service to Salt Lake City have long been deprived of convenient and competitive access to National Airport due to the artificial restriction imposed by the perimeter rule, which prohibits nonstop service between DCA and points located more than 1,250 miles from that airport. Delta’s application offers the Department the opportunity to immediately correct this service deficiency and to maximize the optimal use of the limited statutory exemptions, by allowing nonstop service to Delta’s Salt Lake City hub, one of the major network hubs located in the western United States, and thereby benefiting numerous small and mid-sized communities throughout the intermountain west.

Salt Lake City is a major hub and is ideally situated to serve as a gateway to DCA for many western U.S. communities. Salt Lake City is the only airline hub located in the intermountain west and is Delta's primary western hub. Delta's proposed two daily flights between DCA and SLC will enhance online travel options to and from DCA for dozens of small and medium sized communities throughout the western United States via Delta's conveniently located hub at Salt Lake City. Moreover, Delta's proposed service will increase competition in multiple markets located throughout the western United States, provide highly sought-after nonstop service for business and leisure passengers travelling between Salt Lake City, Delta's only western U.S. hub, and DCA, as well as provide convenient single connection online jet service to 65 cities located in the western United States. Delta's proposal will result in the optimal use of this valuable new opportunity, promote air transportation, and best serve the public interest.

In further support of its exemption request, Delta states the following:

I. Delta's Service Proposal.

Delta proposes to operate twice daily nonstop roundtrip service between Salt Lake City and National Airport with Boeing 757 Stage-3 aircraft equipped with 183 seats.¹ Exhibit DL-101. The B-757 is the largest capacity aircraft currently authorized for operations into National Airport and, accordingly, Delta's aircraft selection will help to ensure that maximum public benefits are achieved from the new opportunities.

Eastbound, Delta will offer two flights daily departing from Salt Lake City -- one in the morning at 10:15 a.m., with a late afternoon arrival at DCA at 4:18 p.m., and a second flight departing SLC at 2:20 p.m., arriving at DCA 8:20 p.m.

Westbound, Delta will offer an early morning departure from DCA at 7:35 a.m., arriving at SLC at 10:03 a.m., and a late afternoon departure from DCA at 6:15 p.m., arriving at SLC at 8:58 p.m. These flights are spaced throughout the day to provide the most convenient arrival and departure times both for business and leisure passengers, and importantly, to maximize connections at Salt Lake City to dozens of small and medium sized communities in the western United States.

¹ While Delta would prefer to operate more than two daily flights between SLC and DCA, with only 12 exemptions available under the AIR 21 Act, the Department should not allocate a disproportionate number of slots (i.e. more than four) to one airline. Delta has therefore presented a measured proposal that will provide a balanced service pattern of two daily roundtrip flights, enabling Delta to maximize service convenience both in the large local SLC-DCA city-pair, as well as to scores of communities connecting at Delta's extensive Salt Lake City hub.

II. Delta’s Proposed Salt Lake City-National Airport Service Fulfills All of the Statutory Criteria and Will Provide Important Service and Competitive Benefits to Communities Throughout the Western United States.

The AIR 21 Act expressly requires the Secretary of Transportation to grant twelve slot exemptions to allow air carriers to provide service beyond the perimeter established for National Airport, if the Secretary finds that the proposed service will:

- (1) provide air transportation with domestic network benefits in areas beyond the perimeter;
- (2) increase competition by new entrant air carriers or in multiple markets;
- (3) not reduce travel options for communities served by small hub airports and medium hub airports within the perimeter described in Section 49109; and
- (4) not result in meaningfully increased travel delays.

This new legislation is designed to provide a limited number of new travel opportunities to communities located “beyond the perimeter” of National that have previously been denied convenient and competitive access to DCA, while at the same time, ensuring that cities inside the perimeter are not adversely impacted by new service. As demonstrated below, Delta’s proposal to operate two roundtrip flights on a daily basis between Salt Lake City and National Airport complies with all of these criteria.

A. Delta’s Salt Lake City - National Airport Service Will Produce Substantial Domestic Network Benefits in Areas Beyond the Perimeter of National Airport.

Application of Delta Air Lines, Inc.

Page 6

Delta's proposed service to operate two daily nonstop roundtrip flights between National Airport and Salt Lake City will create new and improved domestic network benefits in underserved areas and to small and mid-sized communities located beyond the 1,250 statute mile perimeter of National Airport. In fact, this service will create domestic network benefits for dozens of small and medium sized communities in the intermountain west region of the United States -- an area of the country that has never before had convenient online access to National Airport. Delta and the Delta Connection provide nonstop service to 65 cities from Salt Lake City, with 255 daily departures. Exhibit DL-102. Delta (and the Delta Connection) carried almost 15 million annual passengers to and from Salt Lake City. Delta's Connection partner, Skywest, serves over 40 cities in 12 western states and Canada, operating a modern and efficient fleet of Canadair Regional Jets and Embraer Brasilias.

Delta's new DCA service will provide 40 U.S. cities with new one-stop online service to National. DL-201. Ten small communities in the northern tier region will receive their first single connection online service to DCA, including four communities in Idaho (Idaho Falls, Pocatello, Sun Valley, and Twin Falls), as well as Elko, Nevada; St. George and Vernal, Utah; Casper and Lovell/Powell, Wyoming; and Butte, Montana. Exhibit DL-202.

These are exactly the types of new connecting opportunities that Congress envisioned would result from permitting nonstop service beyond the perimeter of National Airport. As the Chairman of the Transportation and Infrastructure Committee, Congressman Bud Shuster (R-Pennsylvania) recognized, this legislation allows “western hubs, like Salt Lake City, to obtain nonstop service there.” 146 Cong. Rec. H1010, March 15, 2000. Congressman Mike Simpson (R-Idaho), who supported the extension of the perimeter rule noted that it was “critical to Idaho” and hoped “that some of those slots that will be made available will be made available to the inter-mountain region’s most important airport in Salt Lake City” which would allow for better service to communities in Idaho. 146 Cong. Rec. H1020. See also, Exhibit DL-103, which contains excerpts of Statements by Senators and Members of Congress supporting Salt Lake City - National Airport service.

Salt Lake City is not only home to Delta's primary western hub, but is one of the major economic centers of the western United States, and should have nonstop access to the nation’s capital's close-in airport. The local O&D for Salt Lake City-Washington, D.C. is substantial, totaling almost 200,000 annual passengers, despite the fact that there is no nonstop service to DCA.² A city-pair with a local O&D traffic base of this magnitude certainly needs and can easily support two daily nonstop flights, especially given the fact that the introduction of double-daily

nonstop service would have a significant stimulative impact. Delta expects to benefit over 170,000 annual passengers on its two daily nonstop flights between SLC and DCA.

Salt Lake City International Airport has experienced substantial growth over the past decade, almost doubling the number of enplaned passengers during this time period, growing from over 5.3 million enplaned passengers in 1988, to over 10 million in 1998. All told, Salt Lake City serves over 20 million annual passengers, making it one of the major hubs in the western region. In addition, as noted above, Salt Lake City serves as a vital network link for scores of small and medium sized communities throughout the western United States.

Salt Lake City International Airport's extraordinary growth is in part attributed to the booming economy in that region. The Salt Lake City Chamber of Commerce reports that:³

- the Salt Lake City/Ogden area has been ranked in *Places Rated Almanac* (sixth edition) as the best place to live in North America
- *Entrepreneur magazine* named the Salt Lake/Ogden area as the second best large city in which to locate a business;
- Salt Lake City was name one of the top 25 "Wired Cities" in America by *Yahoo! Magazine*;
- *Fortune magazine* listed Salt Lake third in its rankings of best cities in America for business;

² 194,000 O&D passengers for the year ended September 1999.

³ See, e.g., Salt Lake City Chamber of Commerce website, www.slachamber.com.

- *Financial World* rated Utah as the best fiscally-managed state in the nation;
- *Western Blue Chip Economic Forecast* and *American Demographics magazine* refer to Utah as "one of the top three economies in the nation";
- *Newswatch* has cited Salt Lake City as the number one city with the best environment for business;
- *Adweek magazine* identified the city as "poised to become a city of the future"; and
- *Morgan Quinto Press* named Utah as the fourth most livable state.

Moreover, during the 1990's Salt Lake City's population grew over twice as fast as the U.S. national average. At the same time, Salt Lake City's median income has shown significant growth, increasing at an annual rate of 4.7%, outpacing the national average growth of 3.7%.

There are significant communities of interest between the Salt Lake City region and Washington, D.C. Both the Salt Lake City and Washington regions have become significant technology centers. In Utah, there are now more than 2,000 IT enterprises generating over \$7 billion in revenues. In November 1998, *Newsweek* magazine included Utah among the top ten IT centers in the world.

Additionally, the metropolitan Washington, D.C. area is the home to one of the world's largest Mormon Temples, with over 300,000 members in the region, which establishes a natural community of interest with Salt Lake City. And, Salt Lake City is one of the country's major winter resort destinations, offering world-

renowned skiing within convenient drive times from SLC. For example, Park City, Alta and Snowbird are less than an hour's drive from SLC.

Salt Lake City has been selected to host the 2002 Winter Olympic and Paralympic Games. As an official sponsor to the Games, Delta is already discerning a growing demand for convenient and competitive air service to Salt Lake City, as over 4,500 athletes and officials prepare for the Games, along with hundreds of individuals from businesses and news organizations requiring frequent visits to Salt Lake City to make arrangements for these events. Ticket sales alone are expected to reach 1.6 million for the Olympics, and 325,000 for the Paralympics, which will translate into a tremendous demand for convenient travel options to Salt Lake City.

To summarize, Delta's proposed service will provide a large local O&D market and an expanding hub network at Salt Lake City with nonstop service to National Airport -- a service that has been precluded for decades by the restrictive and anti-competitive perimeter rule. In addition, Delta's extensive online connections at its large Salt Lake City hub will enable Delta to provide improved Washington, D.C. service options and maximize the domestic network benefits for dozens of underserved communities.

B. Delta's Salt Lake City-National Airport Service Will Increase Competition in Multiple Markets.

Delta's proposed twice daily roundtrip service between National and Salt Lake City will increase competition in multiple markets by providing dozens of communities in the western region of the United States with new competitive travel opportunities to National Airport from Delta's western hub at Salt Lake City. As noted, Delta serves 65 cities from Salt Lake City. Forty U.S. communities located in the western United States will receive one-stop online service to National via Delta's Salt Lake City hub. Exhibit DL-201. Ten of these communities in the northern tier of the western United States will enjoy their first one-stop online service to the nation's capital. Exhibit DL-202. Nine other small communities will receive their first competitive one-stop online service to National. Exhibit DL-203.

These new service and competition opportunities from Salt Lake City are exactly the type of benefits that Congress intended to create in enacting the AIR 21 Act. A number of Senators from western states submitted a joint letter into the record commending the Senate's efforts to improve access to the western United States from National Airport, stating that:

“The most important aspect of your proposal is that the Department of Transportation must award these limited opportunities to western hubs which connect the largest number of cities to the national transportation network. In our view, this standard is the cornerstone of our mutual goal to give the largest number of western cities improved access to the Nation's capital.

“In a perfect world, we would not have to make these types of choices. These decisions would be better left to the marketplace. However, Congress has limited the ability of the marketplace to make these

determinations. Therefore, we must have a process which ensures that we spread improved access to Reagan National throughout the West.” Letter signed by Senators Orrin Hatch, Robert Bennett, Larry Craig, Conrad Burns, Craig Thomas, Mike Crapo, and Max Baucus; 146 Cong. Rec. S1263, March 8, 2000.

In addition, Senator Robert Bennett spoke on the Senate floor in support of the AIR

21 Act, noting that:

“I want to reiterate that these limited exemptions must benefit citizens throughout the West. Having said that, this same limited number of exemptions must not be awarded solely or disproportionately to one carrier or one airport. I expect that the DOT will ensure that the maximum number of cities benefit from these 12 slots. **I am particularly concerned that small and mid-size communities in the West, especially in the northern tier have improved access through hubs like Salt Lake City.**” Statement by Senator Robert F. Bennett (R-Utah), 146 Cong. Rec. S 1255, S1262, March 8, 2000, 106th Congress, 2nd Session (emphasis added).

An award of four slots for Delta’s Salt Lake City-DCA service would ensure that the maximum number of cities, particularly those in the northern tier of the West, benefit from the limited number of new exemption opportunities that are available under the new legislation.

C. Delta’s Service Will Not Reduce Travel Options For Communities Served By Small Hub Airports And Medium Hub Airports Within The Perimeter Of National Airport.

Communities located in the western United States with existing service to National through small hub or medium hub airports located within the 1,250 statute mile perimeter of National would benefit from new, competitive travel options available by transiting through Delta’s convenient Salt Lake City hub to National

Airport. Delta's proposed service will not reduce travel options for communities served by small hub or medium hub airports that are located within the perimeter of National Airport.

As Senator Bennett noted during the Senate floor debate:

“These limited exemptions to the perimeter rule from hubs like Salt Lake City will improve service to the Nation’s capital for dozens of western cities beyond the perimeter -- while ensuring that cities inside the perimeter are not adversely impacted by new service. This is a fair balance which is consistent with the overall intent of the bill to improve air service to small and medium-sized cities.” Id. See also, Statement by Congressman Hansen (R-Utah), H1025 and Exhibit DL-103.

Delta has no plans to reduce its existing DCA services to any airport within the perimeter as a result of its proposed National-Salt Lake City service. Instead, by offering this new competitive nonstop service between National and Salt Lake City, the level of domestic network benefits and competitive service will be enhanced for passengers traveling throughout Delta’s extensive system. Delta also does not anticipate that its proposed service would result in other carriers reducing service to cities within the DCA perimeter.

Finally, Delta notes that there is a large demand for service between National Airport and Salt Lake City, with significant numbers of Washington-Salt Lake City passengers choosing to travel to National Airport via connections, despite the availability of nonstop service at Dulles. Consequently, Delta expects that its proposed National Airport service will be complementary to, not in lieu of, Delta’s service at Dulles.

D. Delta's Proposed Nonstop Service Between National And Salt Lake City Will Enhance Service Options And Reduce Travel Delays For Cities Located Outside The Perimeter, And "Not Result In Meaningfully Increased Travel Delays."

Delta's new nonstop service between National and Salt Lake City will not increase travel delays. To the contrary, Delta's service will reduce delays and increase convenience for western communities, particularly to many small and medium sized communities in the intermountain west region.

Salt Lake City is among the least congested western U.S. hub airports, with only 1.9 delays per 1,000 operations, as compared to other western hub airports such as Phoenix, Seattle, and Las Vegas, which have delay rates that are, respectively, eleven, nine, and four times higher than SLC. Consequently, additional service at Salt Lake City will have a less significant impact on congestion, and not result in "meaningfully increased travel delays," as compared with other western hub airports.

Grant of four slots to Delta, spread throughout the day, will have a negligible impact on congestion or delays at National or elsewhere in the system. In enacting the AIR 21 Act, Congress specifically required that there be no more than 2 additional slots allocated in any one hour period. (49 U.S.C. § 41718(c)(2)).

Both Congress and the General Accounting Office ("GAO") determined that a limited number of additional slots at DCA would not create any significant aircraft delays. In September 1999, the GAO issued a study confirming that National Airport

is fully capable of handling more flights without resulting in any significant delays. See, *GAO Report to the Secretary of Transportation on Reagan National Airport, Capacity to Handle Additional Flights and Impact on Other Area Airports*, GAO/RCED-99-234, September 1999. Specifically, based on an analysis by the DOT, GAO noted that the infrastructure at National Airport could accommodate up to seven additional flights per hour (126 flights each day) without compromising safety or increasing flight delays. GAO Report, pages 2 and 9, citing to *U.S. DOT Report to Congress: A Study of the High Density Rule*, May 1995. Based on these reports, it is clear that Delta's proposal to operate a total of four slots, spread throughout the day, will not cause any measurable travel delays.

Moreover, Delta's service will increase convenience of travel for passengers from small and medium sized cities travelling on Delta's new online services to DCA via the Salt Lake City hub. As noted above, ten small and medium sized communities will receive first single-connection access to DCA on Delta's proposed service.

In fact, Delta submits that its new service to National will result in reduced travel delays for thousands of passengers who will have shorter elapsed travel times between Salt Lake City and downtown Washington, D.C. At least seventeen western cities will have shorter elapsed travel times to National Airport as a result of Delta's proposed service. Exhibit DL-204. Travel between Salt Lake City and National will

be reduced by 91 minutes. Travel between Grand Junction, Colorado and National Airport will be reduced by 380 minutes, while travel times for passengers between Pasco, Washington and National Airport will be reduced by 190 minutes.

In addition, there will be substantial improvements in the elapsed travel times for the ten communities that will receive their first online service, ranging from a 30 minute improvement for Lovell/Powell, Wyoming, to a 139 minute improvement for Sun Valley, Idaho, to a 198 minute improvement over the current service options to DCA for Vernal, Utah. DL-204.

As Senator Bennett observed:

“Throughout this bill, the goal has been to improve air service for communities which have not experienced the benefits of deregulation to the extent of larger markets. . . Today, passengers from many communities in the West are forced to double or even triple connect to fly to Reagan National. My goal is to ensure that not just large city point-to-point service will benefit, but that passengers from all points west of the perimeter will have better options to reach Washington, D.C. via Ronald Reagan Washington National Airport.” Statement by Senator Robert Bennett, *Id.*; See also, Statements by Senator Hatch (R-Utah), S1504 and Congressman Hastings (R-Washington), H1022, and Exhibit DL-103.

Delta’s service will accomplish these goals by providing new opportunities for passengers to have more convenient and shorter elapsed travel times to National Airport, and further, by reducing the need for many communities to “double or triple” connect in order to reach National Airport.

III. Grant Of The Requested Slots To Delta Is In The Public Interest.

Delta's service will offer significant improvements over the existing travel options between many cities in the western region of the United States and National Airport. It is important for the Department to allocate the limited number of available slots in such a way as to ensure that the most communities throughout the west benefit from new, competitive, and convenient service options to National Airport, particularly communities located in the intermountain region, which generally have fewer alternative service options and those that exist require travelers from such cities to, as Senator Bennett observed, "double or even triple connect to Reagan National."

The perimeter rule is one of the few pre-deregulation remnants. It is an artificial constraint on the competitive marketplace that serves no useful purpose. Delta shares the position espoused throughout the debate on this bill by numerous Senators and Members of Congress that the best course would be to eliminate the rule in its entirety. However, Congress has chosen a different approach: one that will provide a relatively small modicum of relief for communities in the western United States. The Department should ensure optimal use of these valuable exemption opportunities by awarding exemptions to carriers proposing to service major network hubs, like Salt Lake City, that will bring enhanced online service benefits to communities that lack convenient access to DCA.

IV. Conclusion.

Congress has provided the Department with the means (and the mandate) to improve access to Ronald Reagan Washington National Airport, one of the nation's most important airports, from points throughout the western United States. In particular, by requiring that 12 slots be awarded for service from "beyond the perimeter" to National, Congress sought to ensure that large western hubs, like Salt Lake City, as well as small and medium-sized communities served through that hub, have improved access to National. Delta's proposal service, to operate two roundtrip flights daily between Salt Lake City and National will meet the pent up public demand for improved services. Moreover, Delta's proposed Salt Lake City-DCA service is fully consistent with the public interest, the letter and the intent of the new law establishing special rules for DCA slots, and the Department's mandate to promote domestic air transportation. Accordingly, Delta's exemption application should be granted promptly.

WHEREFORE, for all of the foregoing reasons, Delta Air Lines, Inc. respectfully requests that the Department grant it four (4) DCA slot exemptions, to allow Delta to operate two daily nonstop roundtrip flights between Ronald Reagan Washington National Airport and Salt Lake City, Utah, as more fully described above, and grant such other, further and additional relief as the public interest may require.

Respectfully submitted,

Robert E. Cohn
Sheryl R. Israel
SHAW PITTMAN
2300 N Street, N.W.
Washington, D.C. 20037
(202) 663-8060

Counsel for
DELTA AIR LINES, INC.