

BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
WASHINGTON, D.C.

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LOS ANGELES-PUERTO VALLARTA )  
COMBINATION SERVICE PROCEEDING ) Docket OST-2005-23497  
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LOS ANGELES-SAN JOSE DEL CABO )  
COMBINATION SERVICE PROCEEDING ) Docket OST-2005-23498  
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ANSWER OF  
DELTA AIR LINES, INC.

Communications with respect to this document should be addressed to:

Sametta C. Barnett  
Director - Government Affairs  
DELTA AIR LINES, INC.  
1275 K Street, N.W.  
Washington, D.C. 20005  
(202) 216-0700

Robert E. Cohn  
Alexander Van der Bellen  
HOGAN & HARTSON L.L.P.  
555 Thirteenth Street, N.W.  
Washington, D.C. 20004  
(202) 637-4999 *recohn@hhlaw.com*  
(202) 637-8382 *sascha.vanderbellen@hhlaw.com*

John Varley  
Vice President -  
Deputy General Counsel  
J. Scott McClain  
Assistant General Counsel  
DELTA AIR LINES, INC.  
Law Department #981  
1030 Delta Boulevard  
Atlanta, Georgia 30320  
(404) 773-6514

Counsel for  
DELTA AIR LINES, INC.

January 23, 2006

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ANSWER OF  
DELTA AIR LINES, INC.

Delta hereby answers in opposition to the applications of United, Frontier, and Express Jet in the above-captioned proceeding. All four carriers have sought authority between Los Angeles and San Jose del Cabo. In addition, Delta and United have sought authority for Los Angeles-Puerto Vallarta. Only Delta has proposed daily, year-round mainline service to both destinations, and would best satisfy the Department’s objective “to maximize public benefits.” Order 2004-12-18 at 4.

Delta responds as follows to the competing applicants’ proposals:

**A. United.**

United’s Los Angeles-Puerto Vallarta and Los Angeles-San Jose del Cabo proposals are characterized by inferior, less-than-daily service patterns during

the “off peak” season. (UA Supplement at 2.) By contrast, Delta believes there is sufficient demand between Los Angeles and both of these important Mexico destinations to support *daily year round service*. United would offer only *twice weekly* service in the off-peak months – five fewer flights per week than Delta.

In similar limited entry proceedings, the Department has consistently held that frequency and capacity are critical to maximizing the public benefits from an award. For example, in the *2004 U.S.-Mexico Combination Service Proceeding* the Department stated that:

While we note that both carriers propose to offer near-equal aircraft size on the Detroit-Cancun route (Spirit’s 150-seat MD-80 vs. USA 3000’s 168-seat A320 aircraft), Spirit would offer double the number of frequencies (Spirit will offer 303 flights vs. USA 3000’s 140 flights), in the first year of service. We tentatively believe that consistent frequency service is critical for a new entrant in this market to compete with an established incumbent.

Order 2004-12-8 at 7 (emphasis added).

The situation here is exactly analogous. Delta and United would operate similar sized aircraft, but only Delta would offer daily service. The Los Angeles-San Jose del Cabo and Los Angeles-Puerto Vallarta markets each have competitive service by established incumbents, and Delta’s daily service advantage will give it a substantial edge over United in competing for passengers. Accordingly, Delta will produce superior public interest benefits to United on both of the subject routes.

**B. Frontier.**

Delta and Frontier have both proposed daily year-round service between Los Angeles and San Jose del Cabo, and would thus operate the same number of flights. However, Delta's 150-seat Boeing 737-800 aircraft provide significantly more seats per operation than Frontier's A-319-111 aircraft that have "an average seat configuration of 132 seats." (Frontier Supplement at 1). Over the course of a year, this amounts to over 13,000 additional round-trip seats for Delta's proposal.

In another recent U.S.-Mexico case, the Department found that aircraft size and capacity offered was the critical decisional factor:

We have tentatively reached this decision based on Ryan's proposal to serve the Milwaukee-Cancun market using larger aircraft . . .

*Milwaukee-Cancun Proceeding*, Order 2005-3-25 at 4.

For the same reason, Delta's proposal to operate the Los Angeles-San Jose del Cabo route with larger aircraft should be selected over Frontier's proposal.

The designation of a third U.S. carrier on the Los Angeles-San Jose del Cabo route will promote additional price competition no matter which applicant is chosen. While Frontier claims that it will offer low fares, as between Delta and Frontier, Delta's larger aircraft will provide Delta with more inventory and stronger incentives to offer discounts. This larger capacity will necessarily

generate a greater benefit for the traveling public in this highly competitive and popular market.

**C. Express Jet**

Express Jet ranks last in any objective public benefits analysis. Express Jet proposes daily service between Los Angeles and San Jose del Cabo, but its 50 seat regional jets provide just one-third the capacity of Delta's 150 seat Boeing 737-800 mainline aircraft. On an annual basis, Delta will deliver 73,000 more annual round-trip seats to the Los Angeles-San Jose del Cabo market, dwarfing the benefits of Express Jet's proposal.

As detailed above, in evaluating U.S.-Mexico proposals, the Department has conclusively determined that maximizing capacity is vital to maximizing public interest benefits. Order 2005-3-25 at 4; Order 2004-12-8 at 7. Furthermore, both of the established U.S. flag incumbents, American and Alaska Airlines, operate mainline equipment on the route, placing Express Jet at a competitive disadvantage. While Express Jet operates only regional jets, Continental Airlines clearly made the decision that it was unwilling to devote the mainline equipment necessary to compete head-to-head with the established carriers on this route. Delta has made that commitment and is the clear first choice for Los Angeles-San Jose del Cabo authority.

**D. CONCLUSION**

Delta is the only carrier to have proposed daily mainline service on both the Los Angeles-San Jose del Cabo and Los Angeles-Puerto Vallarta routes. In each case, Delta's daily year-round schedules, combined with the most new capacity on the subject routes will achieve the Department's stated objective of maximizing public interest benefits.

Respectfully submitted,



Robert E. Cohn  
Alexander Van der Bellen  
HOGAN & HARTSON L.L.P.  
555 Thirteenth Street, N.W.  
Washington, D.C. 20004

Counsel for  
DELTA AIR LINES, INC.

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Answer of Delta Air Lines, Inc. has been served this 23rd day of January, 2006, upon the following addressees:

Msinick@ssd.com; agoerlich@ggh-airlaw.com; carl.nelson@aa.com;  
kirsteind@gtlaw.com; brian.hunt@iflyata.com; howard\_kass@usairways.com;  
ken.redetzke@championair.com; rbkeiner@crowell.com; hkamen@coair.com;  
Dan.Weiss@coair.com; efaberman@wrf.com; jhill@dlalaw.com;  
Brian.Gillman@mesa-air.com; megan.rosia@nwa.com;  
amosner@gcwconsulting.com; john.fredericksen@suncountry.com;  
Jeffrey.Manley@wilmerhale.com; pmurphy@lopmurphy.com;  
linda.lundell@dot.gov; brubinst@panynj.gov; wdecota@panynj.gov;  
fbavent@airlineinfo.com

  
Alexander Van der Bellen