

# Delta: Connecting Michigan to the World

April 22, 2015

By: Dana Debel, Director, Government Affairs



# DELTA HELPS MICHIGAN'S ECONOMY SOAR

When Delta does well, so do our customers, the communities we serve and our employees.

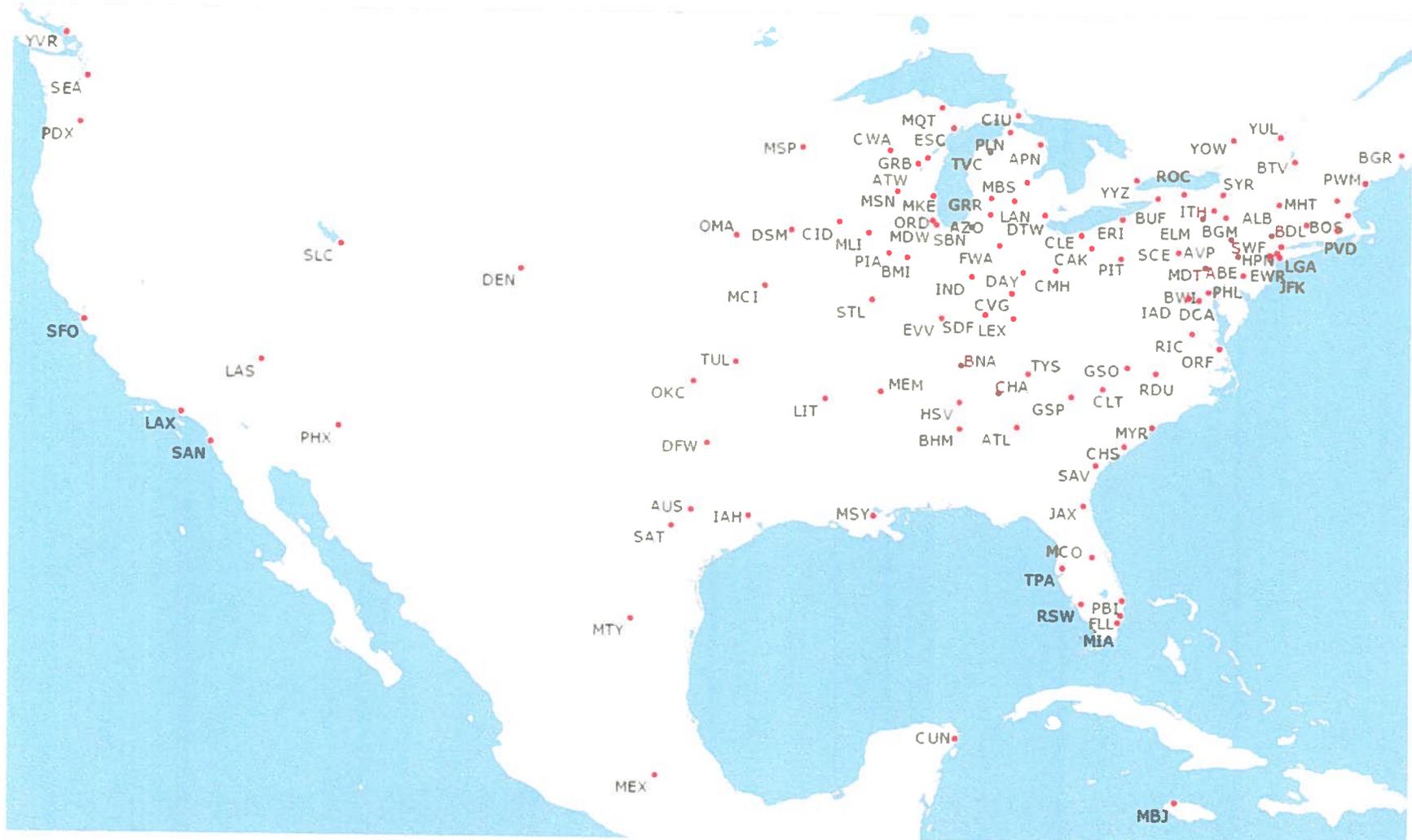
- Estimated economic impact of the commercial airline industry in Michigan is \$17.6 Billion or 2.7% of GDP
- Annual customer spend for DTW Delta customers alone is \$2.2 Billion annually both inside and outside the airport, not including airline ticket sales
- Delta activity at DTW generates over \$210 Million in annual tax revenue for the State of Michigan
- In 2014 Delta paid out \$1.1 Billion in profit sharing, over \$120 Million of it Michigan employees
- Slight growth in available seat miles out of DTW YoY, but total flights are decreasing as we retire older, less fuel efficient aircraft

# DELTA IN MICHIGAN

- Delta employs over 7,500 employees in Michigan and over 10,000 when you include DL connection carriers
- DTW has over 465 peak day departures
  - Total destinations served: 125
  - International Destinations Served: 23
- Second largest hub in the Delta structure

# Delta DTW – North and South America

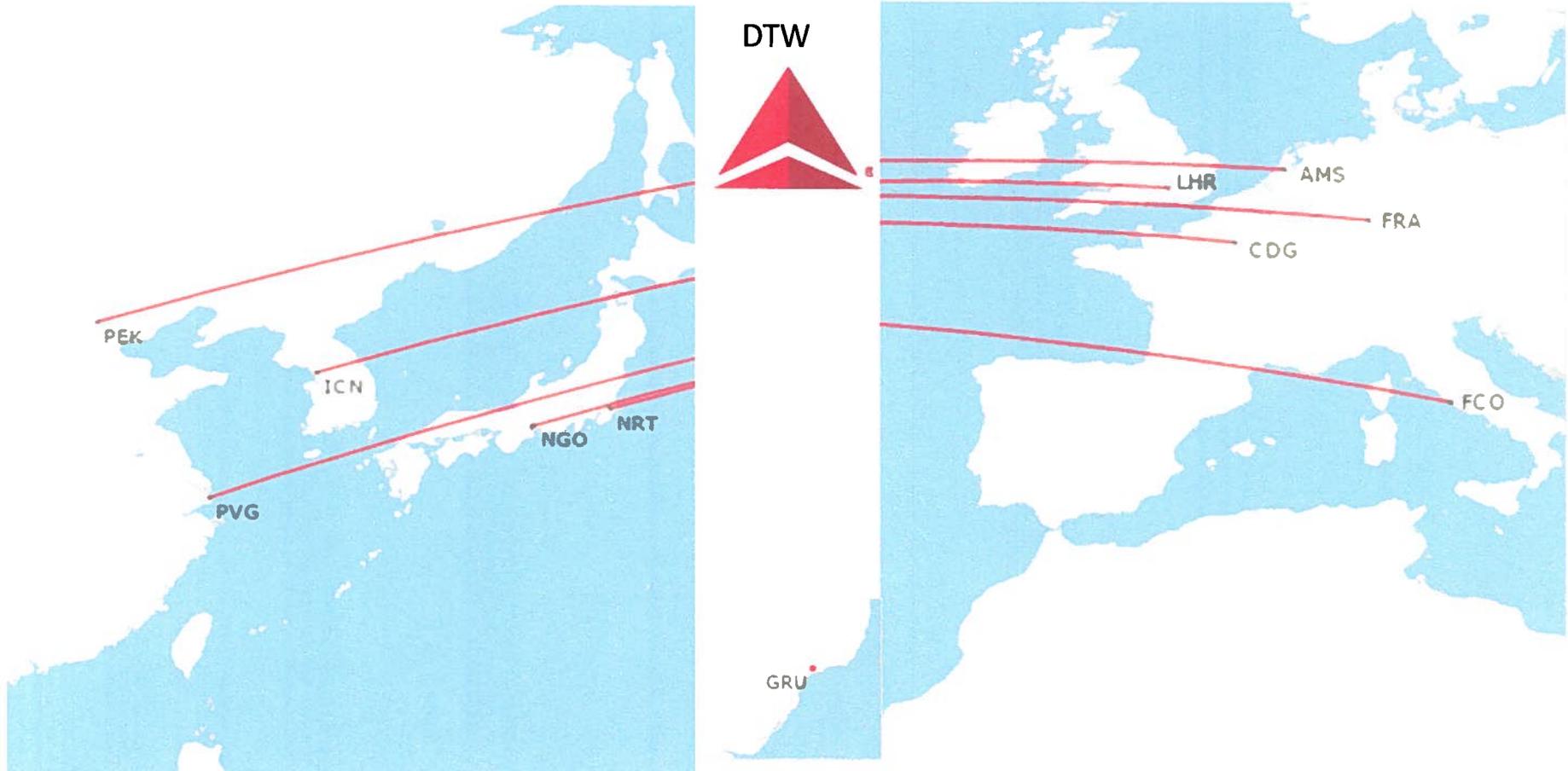
- DTW domestic future service plan is for 1-2% seat growth
- DL serves 110 cities to the US and Canada
- DTW total seats are up 2% year over year, driven by larger gauge aircraft



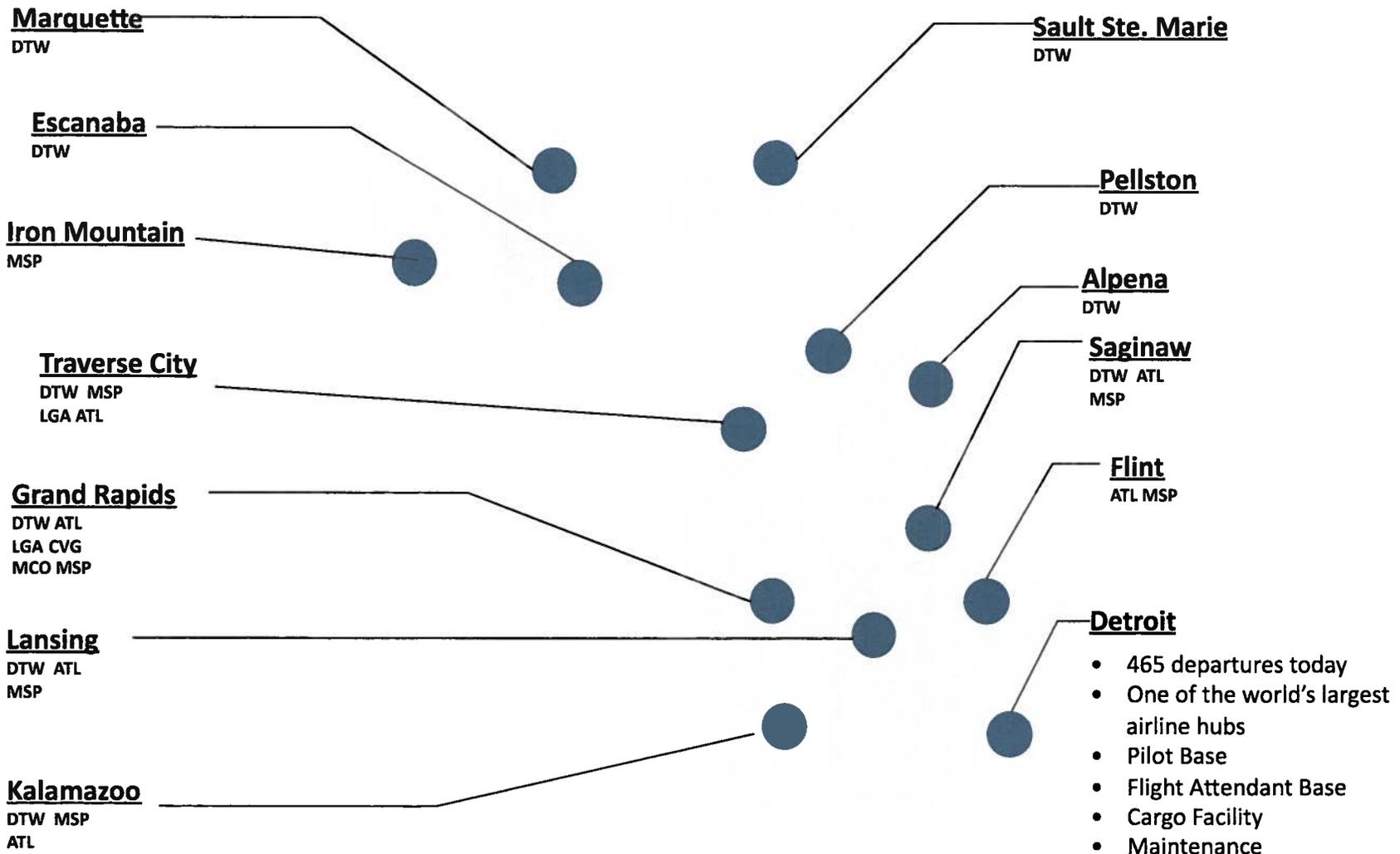
Source: OAG July 2015 peak day schedule

# Delta DTW – Europe & Asia

- VS operated DTW-LHR daily flight begins in June, 2015 doubling our frequency to LHR to 2x/day reinforcing JV synergy
- DL has service to 15 international destinations (5 TATL, 5 TPAC, 5 Latin/Caribbean)
- Although seats are up on gauge to CDG (+28%), MEX (+46%), NRT (+29%), and PVG (+29%), no new international destinations are on the docket



# DELTA IS A MICHIGAN-WIDE OPERATION

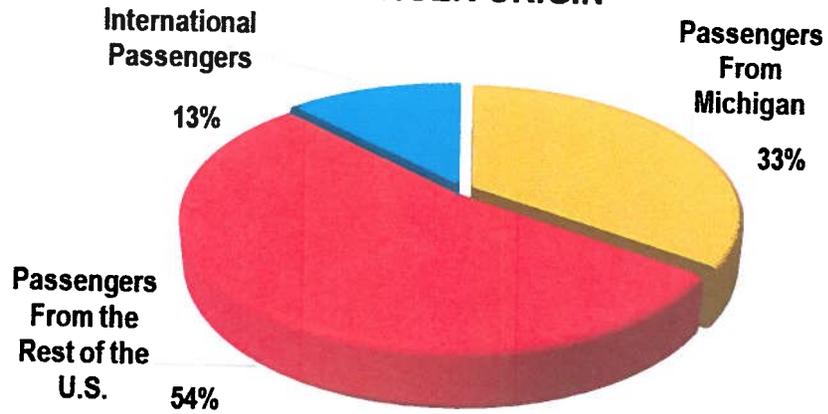


<sup>1</sup> Scheduled flights outbound on a peak day, June 2015

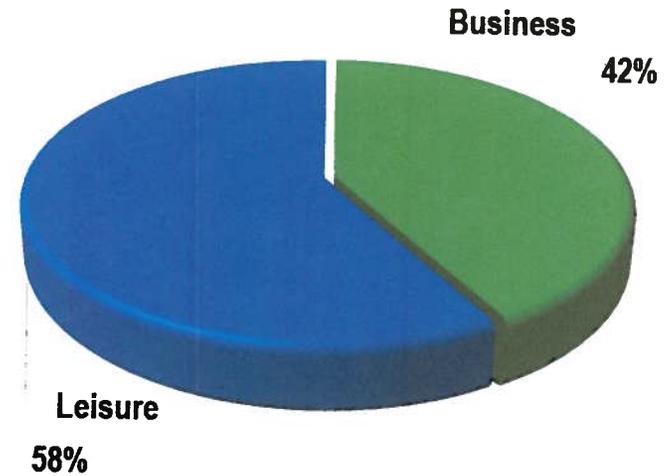
# 32.4 Million Passengers



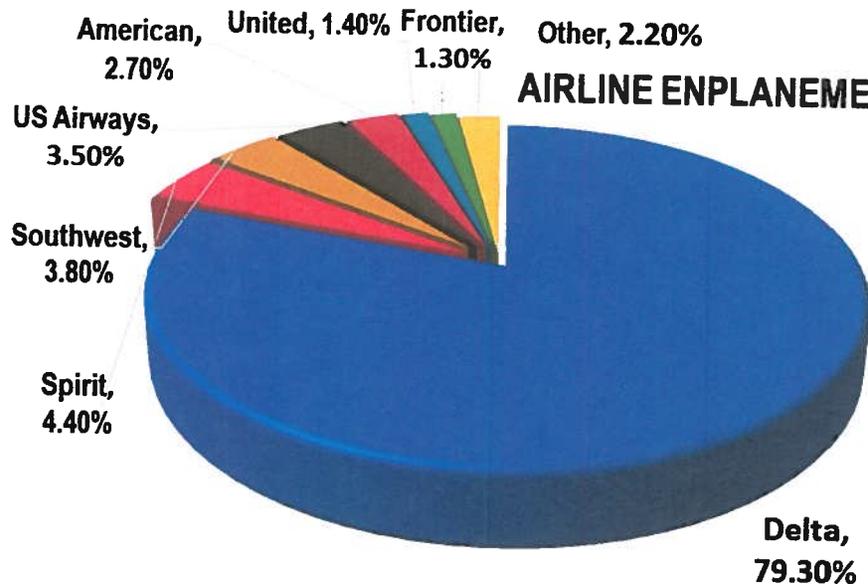
**PASSENGER ORIGIN**



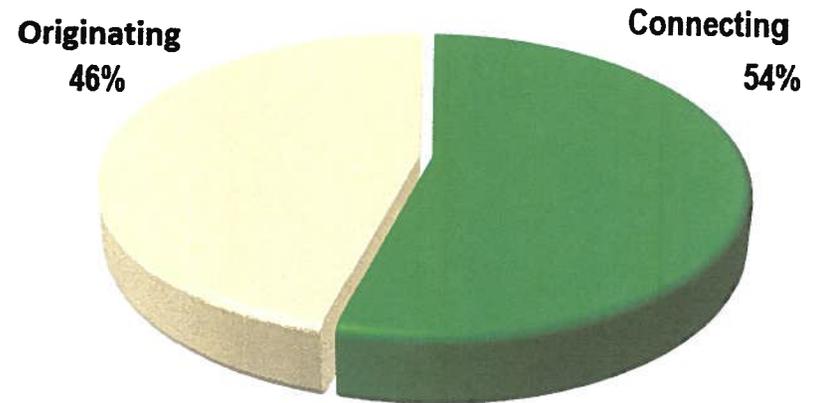
**PURPOSE OF TRAVEL**



**AIRLINE ENPLANEMENTS**



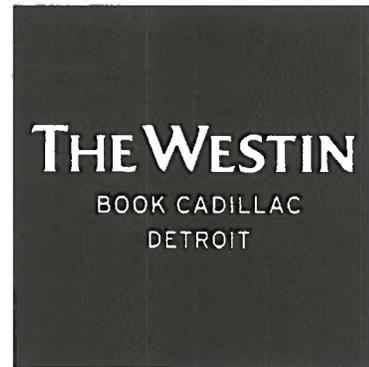
**DOMESTIC ENPLANEMENT BREAKDOWN**



Source: DTW Airport Revenue Bonds Official Statement Series 2014B-C August 7, 2014

# Promoting Travel to Michigan

- Delta Vacations has promotional partnerships 36 Michigan hotels
- Can be booked as packages, or as an option after someone books a flight
- Provide links to car rental, ground transportation during booking and check-in process
- Best contact to explore more opportunities is via Tyler Oberdeck at MLT Vacations (Delta Vacations). Email is: [toberdeck@mltvacations.com](mailto:toberdeck@mltvacations.com)



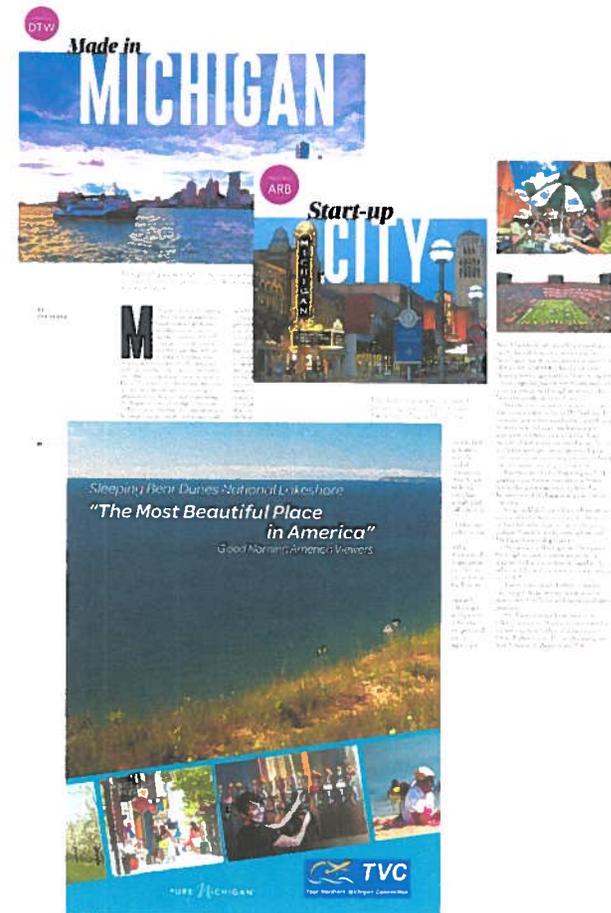
# Promoting Michigan Through Sky Magazine

- August 2014
  - “Game On, Detroit”
  - Overall Sky Magazine focus on the Comeback of Detroit
  - Miguel Cabrera Cover
  - Detroit 5 Ways
  - Featured key players in the Detroit resurgence, Governor, Mayor, Dan Gilbert, Mary Barra
  - Featured article by Stephen Henderson “Motor City Revival”



# Promoting Michigan Through Sky Magazine

- January 2015
  - 32 Page Michigan Profile
  - Timed to run with worldwide audience of the Detroit Auto Show
  - Remains available on website for linkage for partners; can also order pull out sections
  - Featured Detroit, Grand Rapids, Ann Arbor and Traverse City regions
  - Featured auto, bio tech, tourism, start ups among other sectors
  - Feature article by Michael Patrick Shiels





# CHALLENGES TO GROWTH

- US Open Skies Agreements with UAE and Qatar are not being followed
- Michigan's tax environment is non-competitive for aviation, and the passage of the ballot proposal on May 5, 2015 will make it less competitive

# U.S. OPEN SKIES POLICY IS PREDICATED ON A LEVEL PLAYING FIELD

- Since 1992, the United States has successfully removed limitations on flights between the United States and over 100 foreign countries, leaving the market free to determine destinations, frequencies, routes and prices. This “Open Skies” policy has generally provided great benefits to U.S. consumers, airlines and the economy.
- U.S. Open Skies policy is premised on the belief that Open Skies agreements enable U.S. airlines to compete in a marketplace free of government distortion, including subsidies.
- U.S. carriers have proven that they can successfully compete against any carrier in the world when the playing field is level.
- But in the case of the Gulf nations of Qatar and the United Arab Emirates (UAE), the playing field is not level.

## Statement of United States International Air Transportation Policy<sup>1</sup>

### Our Goal

*Safe, Affordable, Convenient and Efficient Air Service for Consumers*

As established in our last aviation policy statement in 1978, our overall goal continues to be to foster safe, affordable, convenient and efficient air service for consumers. We continue to believe that the best way to achieve this goal is to rely on the marketplace and unrestricted, fair competition to determine the variety, quality, and price of air service. We believe that this

### U.S. Objectives

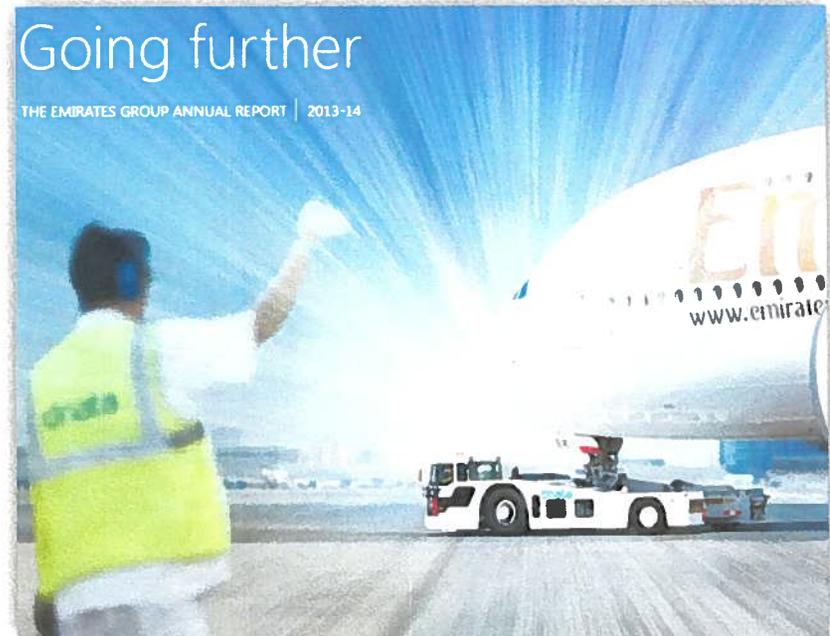
- Ensure that competition is fair and the playing field is level by eliminating marketplace distortions, such as government subsidies, restrictions on

### Plan of Action

If aviation partners fail to observe existing U.S. bilateral rights, or discriminate against U.S. airlines, we will act vigorously through all appropriate means, to defend our rights and protect our airlines.

THE GOVERNMENTS OF QATAR AND THE UAE ARE PURSUING AVIATION INDUSTRIAL POLICIES THAT ARE FUNDAMENTALLY INCOMPATIBLE WITH OPEN SKIES

- Over the past decade, the governments of Qatar, Abu Dhabi and Dubai have granted over \$40 billion in subsidies and other unfair benefits to their state-owned carriers in order to stimulate their economies by promoting the flow of international passenger traffic through their Gulf hubs.
- State-owned Qatar Airways, Etihad Airways and Emirates Airline are now using this huge, artificial cost advantage to exploit the open access they have to the U.S. market.
- The routes that these subsidized airlines operate to the United States have not meaningfully increased passenger traffic; they merely serve to displace the market share of U.S. airlines and to shift good U.S. aviation jobs overseas.
- The status quo runs absolutely counter to fundamental Open Skies policy and cannot be justified or maintained. The agreements with Qatar and the UAE should be reopened and modified to address the flow of subsidized capacity to the United States.



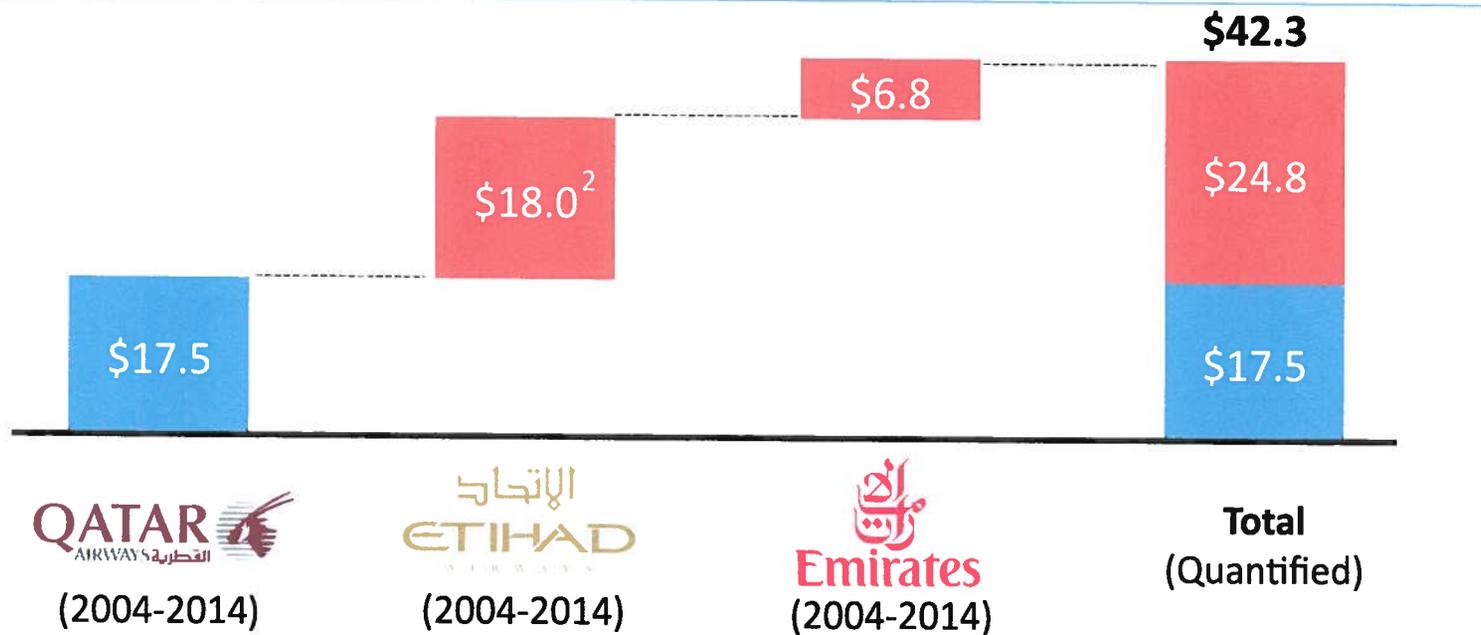
The aviation sector is a strategic pillar for the UAE economy without which tourism and trade cannot flourish, and the Emirates Group plays a vital role in this eco system. <sup>1</sup>

His Highness Sheikh Mohammed bin  
Rashid Al Maktoum  
Vice President and Prime Minister of the UAE  
and Ruler of Dubai

SINCE 2004, THE GOVERNMENTS OF QATAR AND THE UAE HAVE GRANTED OVER \$40 BILLION IN SUBSIDIES AND OTHER UNFAIR BENEFITS TO THEIR STATE-OWNED CARRIERS

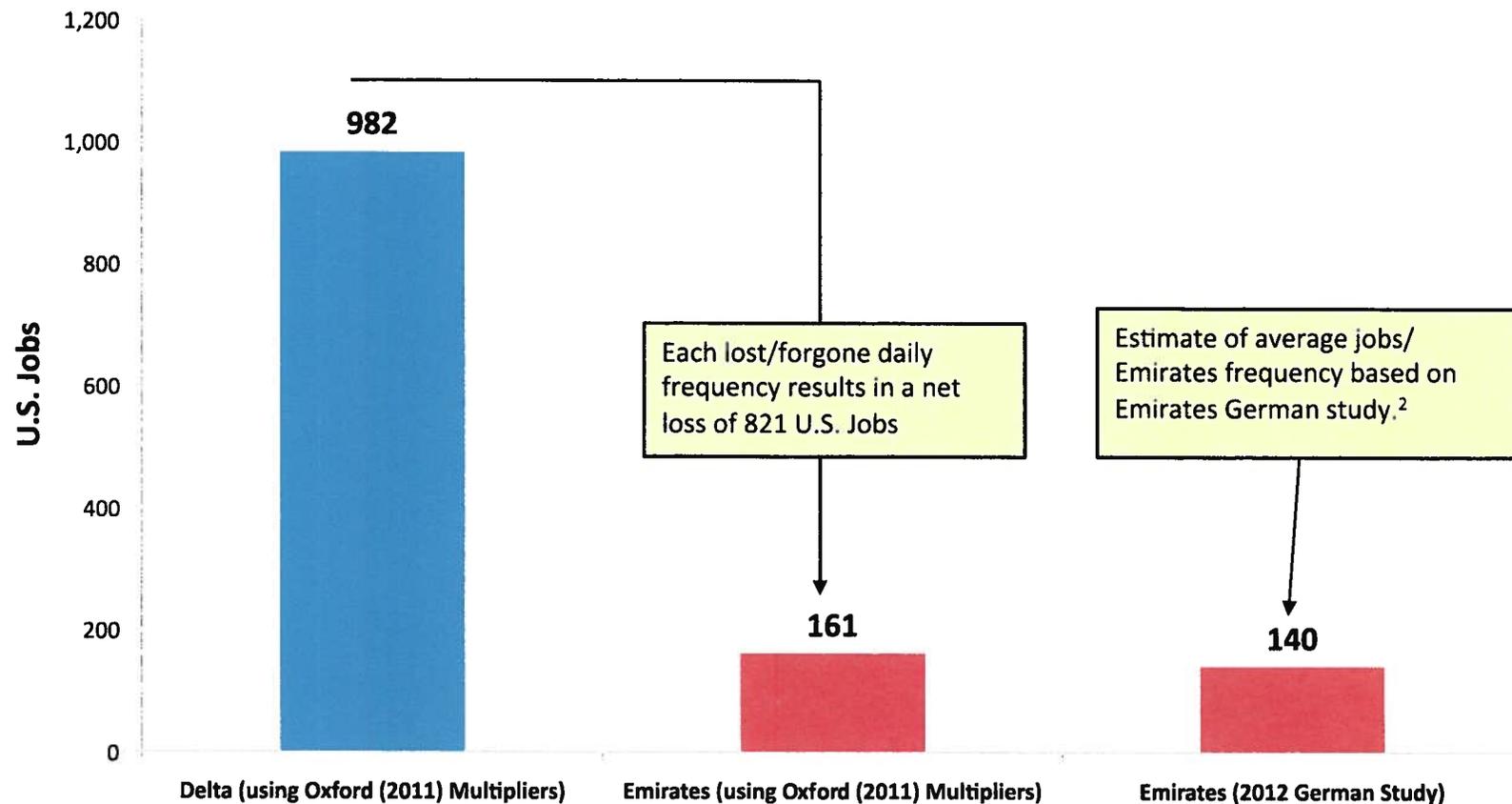
**Total quantified subsidies (\$39.2) and other unfair benefits (\$3.1)<sup>1</sup>**  
 USD billions, by airline by date range

■ UAE Subsidies  
■ Qatar Subsidies



EACH DAILY WIDEBODY ROUNDTRIP FREQUENCY LOST/FORGONE BECAUSE OF SUBSIDIZED GULF CARRIER COMPETITION RESULTS IN A NET LOSS OF OVER 800 U.S. JOBS

Comparison of U.S. jobs (airline direct, indirect and induced) per widebody Daily Roundtrip Frequency to/from the United States<sup>1</sup>



# Impact for Small Communities

- Since 2011 traffic between MI and the Middle East, South Asia, Africa and South East Asia is down 10% on US carriers which is roughly equivalent to the most significant growth timeline in ME3
- Since 2011 passenger traffic from small communities on gulf carriers increased by 89%, while traffic on US carriers decreased by 2% for Middle East destinations
- Between 2010 and 2014, passenger traffic between smaller US airports and the Middle East, Indian sub-continent, Africa and South East Asia. Gulf carrier traffic has grown 154%, US carriers increased 6% between 2010-2014

# Action request on Open Skies

- Asking US Government to open consultations with UAE and Qatar
- DOT, State and Commerce have opened comment periods on this issue, which they will begin to review and close sometime toward the end of May

# MI Sales Tax on Jet Fuel

- Michigan has the highest tax on jet fuel in the entire Delta hub structure, and the third highest rate in the country behind only California and Illinois
- 2% of the 6% sales tax, currently being collected is in violation of Federal law, this will be 3% of 7% if the ballot proposal passes on May 5, 2015
- Federal law requires that all taxes post 1987 taxed on aviation fuel be used on-airport, FAA has basically opined as much at this point
- Need Michigan legislature and Governor's office to correct this, and reduce the tax burden to help keep DTW viable in the Delta hub structure