DELTA SUPPORTS PASSAGE OF SB 418, SB 425, SB 426, SB 612, SB 613, SB 614

- Delta supports these bills and asks for immediate passage

- The bills will accomplish all three goals that we think any package should include:
  - Address Michigan's non-compliance with Federal Law
  - Support Michigan's airport infrastructure and jobs and provide growing funding for infrastructure development
  - Make Michigan more competitive for air service at it's biggest hub, which supports service to the rest of the state

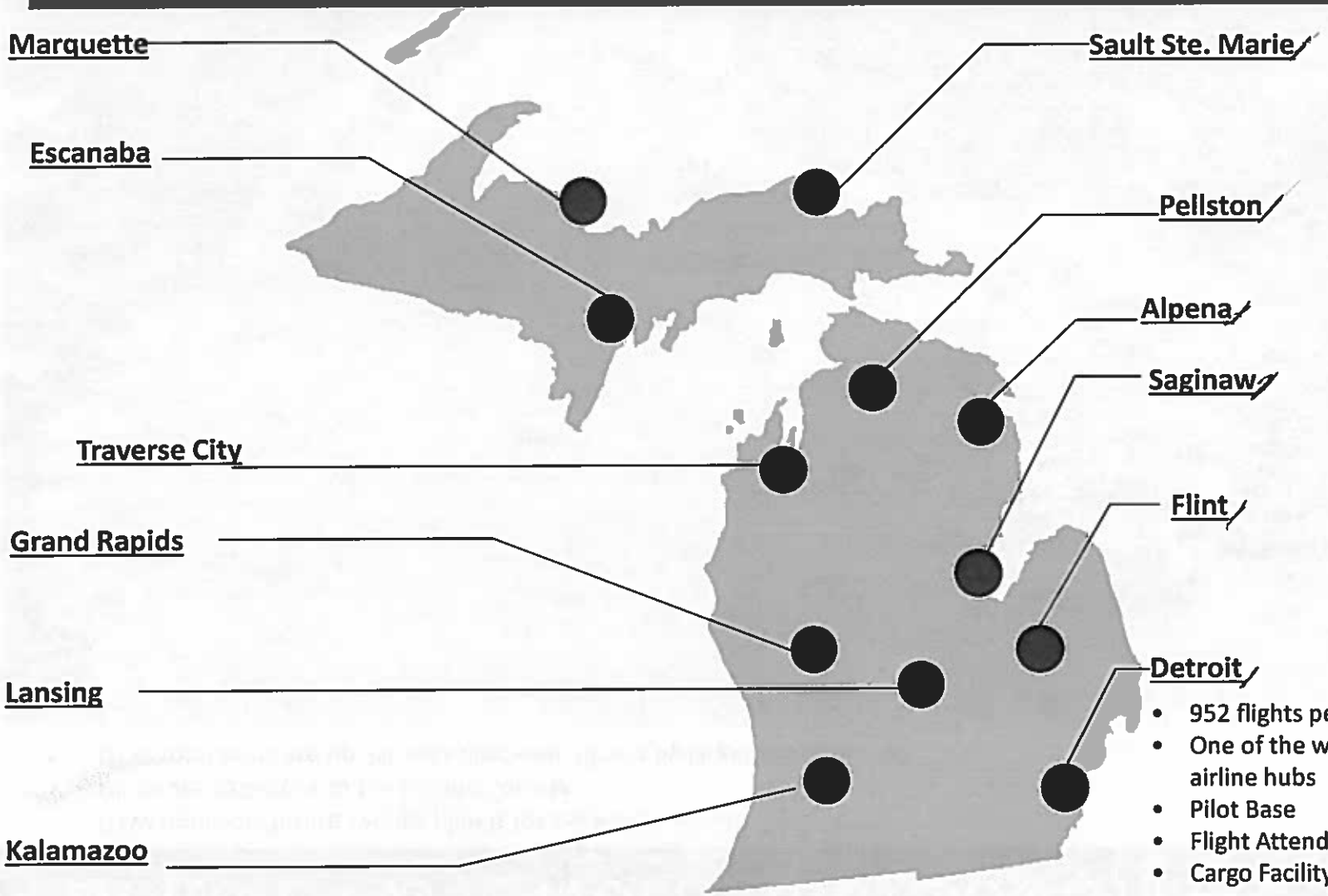
- Similar to the roads package that was passed just a few months ago this is a solution that:
  - Provides a long-term, stable and growing funding source for Michigan's airport system which does not exist today.
  - Makes Michigan more competitive for air service in the long run.
  - In the works for a long time
  - A middle ground between all users

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
- Over 1 Million Delta passengers connect from a MI regional airport through DTW annually
- Over large 120 Corporate Accounts and over 4700 small business accounts based in Michigan
- Slight growth in available seat miles out of DTW YoY, but total flights are decreasing as we retire older, less fuel efficient aircraft

Delta Is A Michigan-Wide Operation

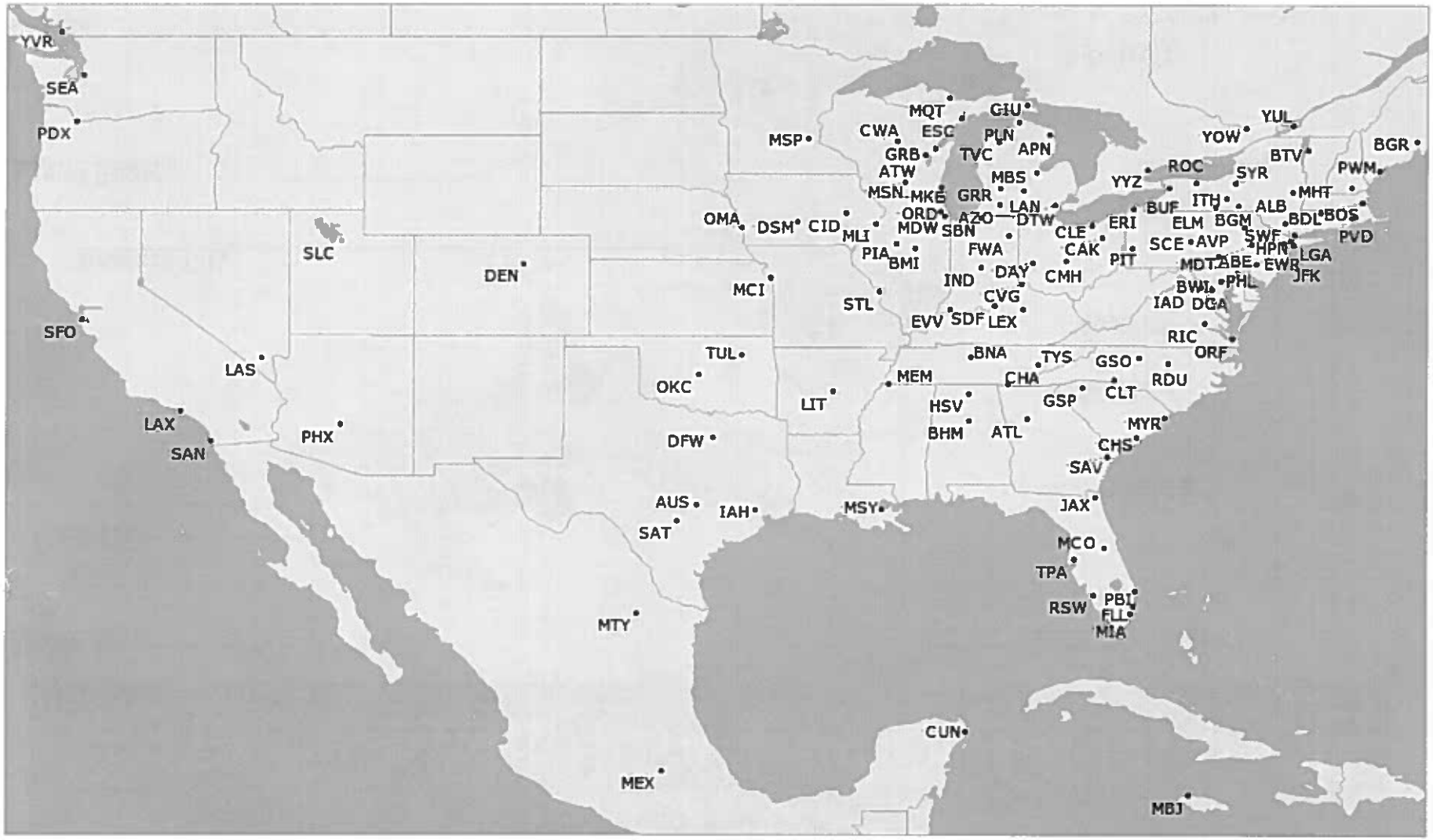


- 952 flights per day[1]
- One of the world's largest airline hubs
- Pilot Base
- Flight Attendant Base
- Cargo Facility
- Maintenance
- 7,500 employees

[1] Scheduled flights inbound and outbound on a peak day, October 2014

Delta DTW – North and South America

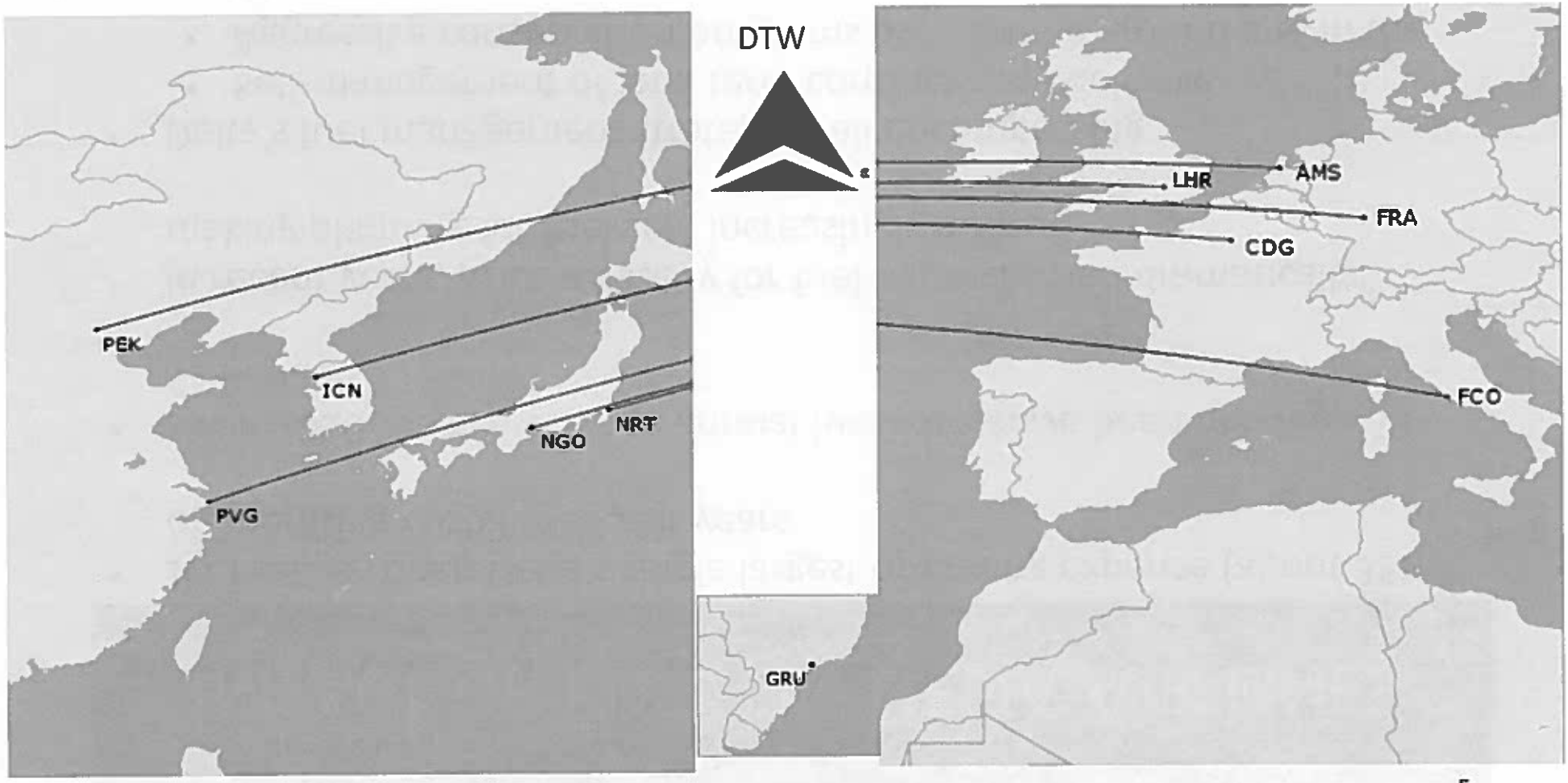
- DTW domestic future service plan is for 1-2% seat growth
- DL serves 110 cities to the US and Canada
- DTW total seats are up 2% year over year, driven by larger gauge aircraft



Source: OAG July 2015 peak day schedule

Delta DTW – Europe & Asia

- VS operated DTW-LHR daily flight began 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)
- Seats are up on gauge to CDG (+28%), MEX (+46%), NRT (+29%), and PVG (+29%)

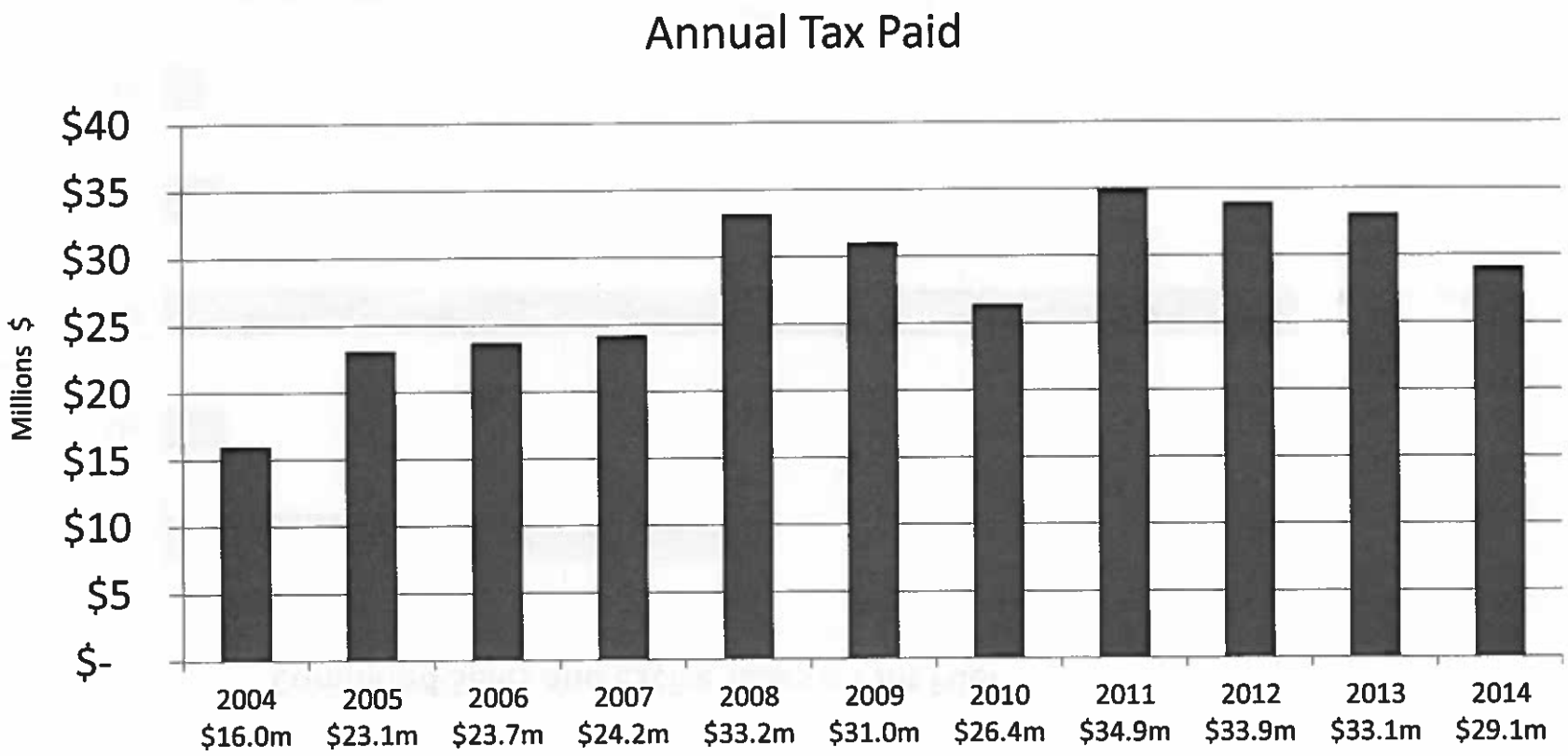


Source: OAG July 2015 peak day schedule

Impact of Fuel on Delta Air Lines

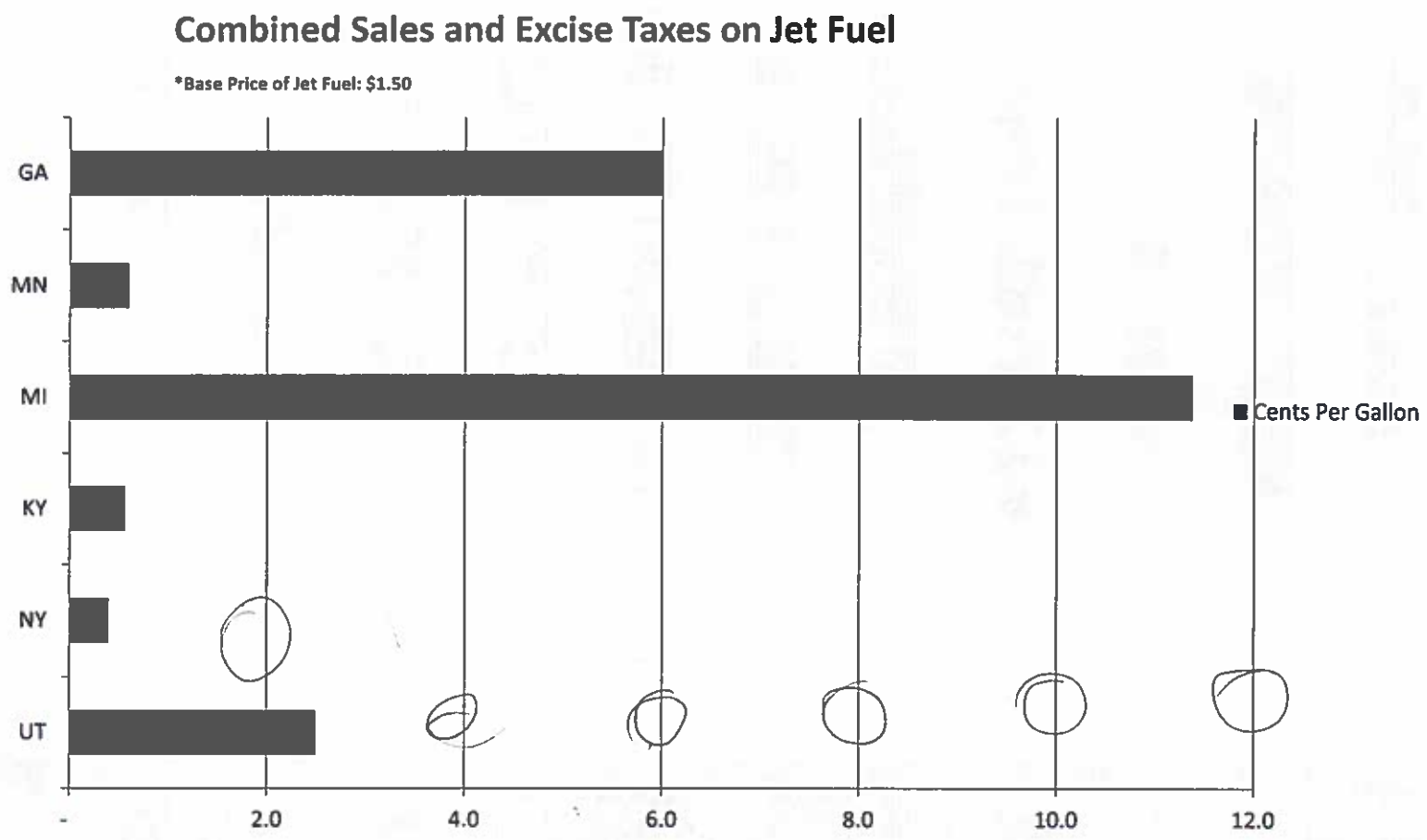
- Jet fuel has been Delta's single largest operating expense (about 35% of operating costs) in recent years
- Since 2010, Delta's average annual fuel costs have been between $9 - $11 Billion
- In recent years, price volatility for fuel has increased dramatically, making planning for fuel cost increasingly difficult
- Delta's fuel management strategy is all encompassing
  - Self-management of long term contracts and delivery
  - Aggressive conservation programs both on the ground and in the air
  - Airspace redesign initiatives in partnership with FAA
  - Purchase of oil refinery in Trainer, PA
  - Shedding smaller, less fuel-efficient aircraft from our fleet and replacing with larger, more fuel-efficient ones

Michigan Sales/Use Tax Paid on Fuel

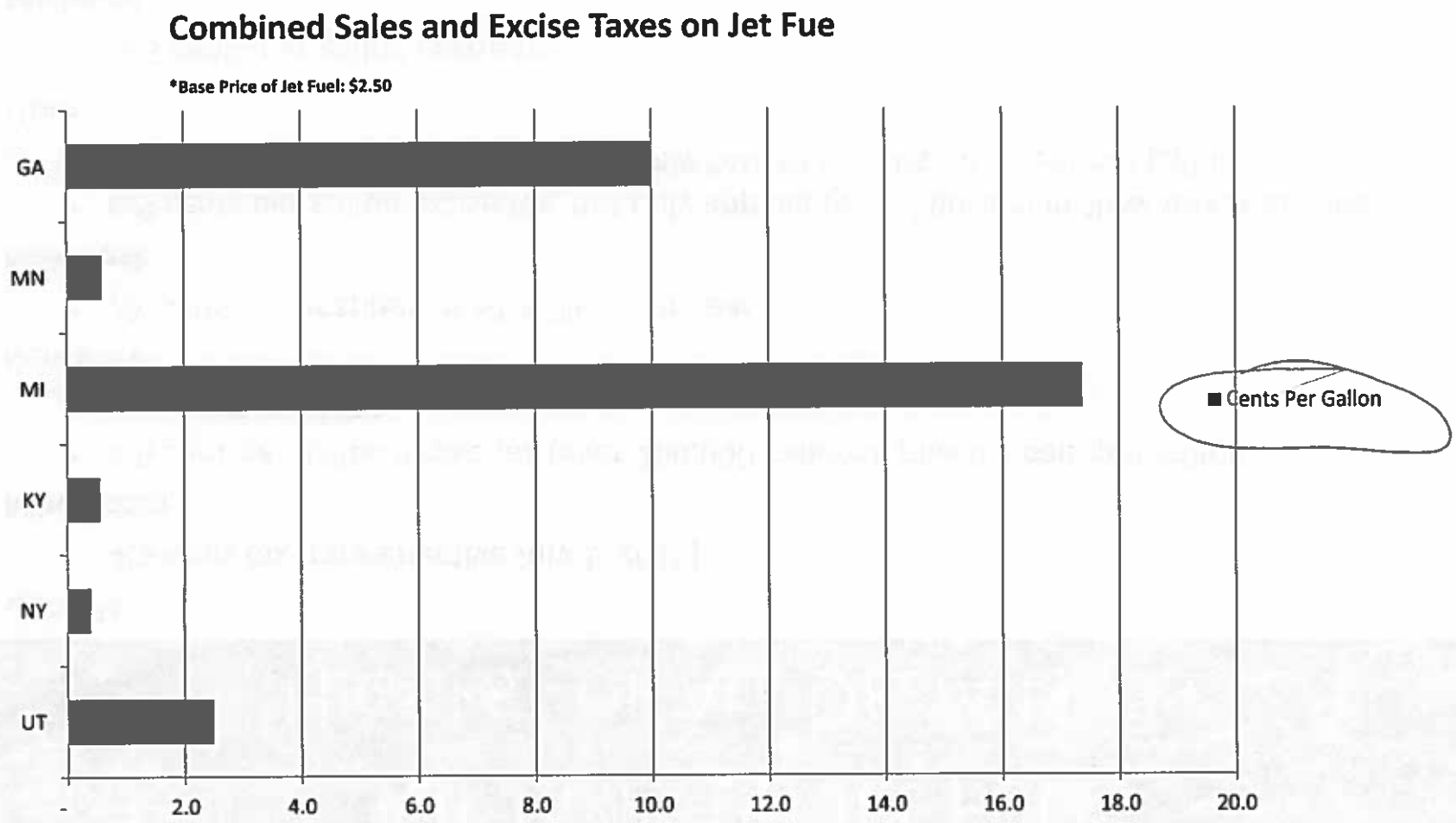


Total = $308.6 Million; $81.3 Million in illegal collections

MI TAXES ON JET FUEL
HIGHEST OF ALL DELTA HUBS (@$1.50/GALLON)



MI TAXES ON JET FUEL
HIGHEST OF ALL DELTA HUBS (@ $2.50/GALLON)



MI Taxes on Jet Fuel Highest of all Delta Hubs

Georgia

- 4% sales tax (rate effective July 1, 2015)

Minnesota

- 0.5 cent per gallon excise tax (over 200,000 gallons), plus 0.1 cent per gallon environmental fee

Kentucky

- 7% sales tax (capped at $1 million per year)

New York

- 6.8 cents per gallon excise tax, but only applied to fuel burned in New York, reducing the effective rate on fuel purchased in New York to less than 0.5 cent per gallon

Utah

- 2.5 cents per gallon excise tax

Michigan

- Sales tax: 6% (proposed increase to 7% in 2015 if ballot measure passes)
- Excise tax: 3.0 cents per gallon (cpg), less 1.5 cpg credit for fuel purchased for interstate flights
- Underground Storage Tank Fee: 0.875 cpg

Hub States For Other Carriers are Much More Competitive

- **Colorado (Hub for United and Southwest)**
  - Sales tax: 2.9%
  - Excise tax: 4 cpg (City of Denver)
- **New Jersey (Hub for United)**
  - No sales tax on jet fuel
  - Excise tax: 4 cpg, but applied only to fuel burned in New Jersey (effective tax rate on fuel purchased in NJ is less than 0.5 cpg)
- **Texas (Hubs for American, United and Southwest)**
  - No sales tax
  - No excise tax
- **North Carolina (Hub for American)**
  - No sales tax on jet fuel beginning January 1, 2016

Federal Compliance

- Federal law prohibits the expenditure of state and local taxes on aviation fuel (except taxes in effect on December 30, 1987) for non-airport or non-aviation purposes
- Proposal A increased the then existing 4% sales tax in Michigan by an additional rate of 2% beginning in 1994, and the proceeds are dedicated to state school aid pursuant to the Michigan Constitution
- The statute implementing Proposal A did not exempt aviation fuel, and the 2% tax is inconsistent with federal law
- Delta is requesting passage of the legislation before this committee which will bring us into compliance with federal law and address the competitiveness issue.

Delta has been and continues to invest in Michigan; DTW receives NO state funds Currently

- Since 2009, Delta has approved over $824 million in new capital projects at DTW to run though 2019
- These projects are bond-funded (GARBS) off of airline landing fees. Delta pays roughly 80% of the debt service of these projects, which is approximately $97 Million annually
- The bulk of these projects are rehabbing and improving the airfield (runways and taxiways)
- Federal grants are expected to pay for less than 20% of project costs, and NO state money has been or is anticipated for these projects
- 2015 Cost Per Enplanement (CPE) at DTW is $10.42
- $1 change in CPE = $17 Million

Sample of Delta approved Capital Projects at DTW in last few years

2014 Weighted Majority (Total $139.5 M):

- Taxiway W Reconstruction ($37.1 M)
- Taxiway U Extension ($6.3 M)
- Runway 4L/22R & Assoc. TW Rehab. Planning and Design ($6.0 M)
- Runway 3L/21R Rehab. Planning and Design ($6.1 M)
- Airfield (General) Pavement Rehab./Reconstruction ($5.0 M)
- East Service Dr. Utility upgrade and Expansion ($7.3 M)
- High Voltage Transmission Lines for Primary Service ($5.5 M)
- Bridge and Road Rehab. ($5.0 M)

2013 Weighted Majority (Total $93 M):

- Displace 4R Runway Threshold ($13.5 M
- Runway 3L/21R and Assoc. TW Reconstruction Planning and Design ($8.0 M)
- Eastern (S, PP, F) Taxiways Reconstruction – primarily east of Runway 3R/21L ($28.4 M)
- South Employee Parking Lot Rehab. ($9.3 M)
- McNamara Parking Deck Rehab. ($7.8 M)
- LED Lighting Installation in Parking Decks ($5.6 M)
- Remote Metering and Powerhouse Control Room Upgrades ($6.0 M)

2012 Weighted Majority (Total $181.9 M)

- RW 4R/22L Reconstruction ($137.0 M)
- Ground Run-up Enclosure ($11.1 M)
- Replace and Consolidate Control, Dispatch and Emergency Centers ($8.4M)
- Replace Police Operations Facility ($7.8 M)
- Fleet & Heavy Equipment ($10.7 M)2012 Weighted Majority (Deicing Fluid Force Main) Request related to amending language related to federal funding requirement for $10.0 M Force Main project approved in 2005.

2009 Weighted Majority (Total $93.5 M):

- RW 9L/27R Reconstruction ($34.6)
- Rehab. Southern Portion of RW 3L/21R ($21.4 M)
- Reconstruction of TW W ($25.3 M)
- TW Z (Phase 1) Reconstruction ($6.9 M)