

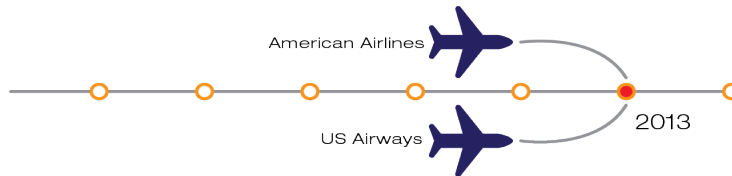
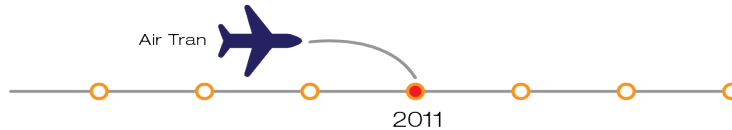
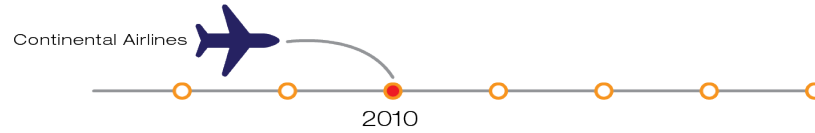


Mark Dunkerley

President and CEO

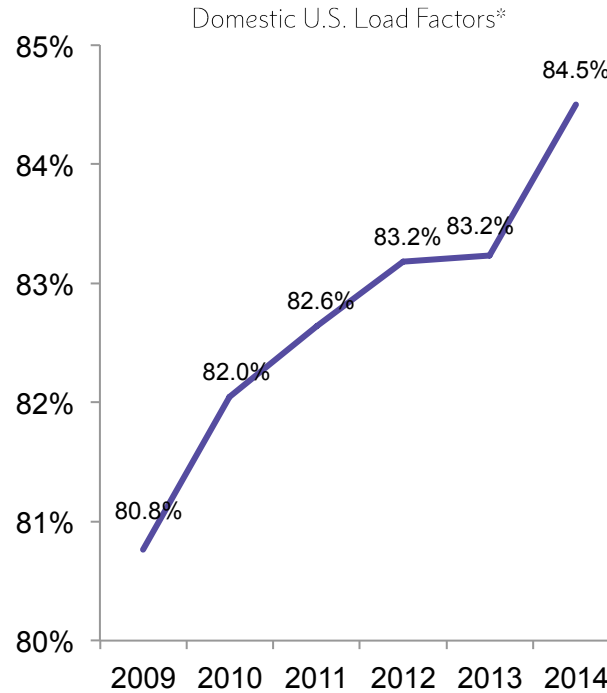
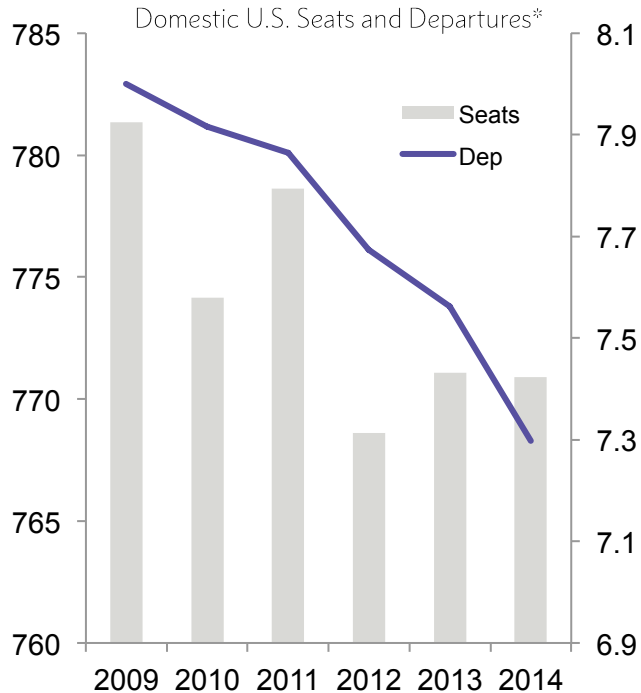


Previously we told you...



Previously we told you...

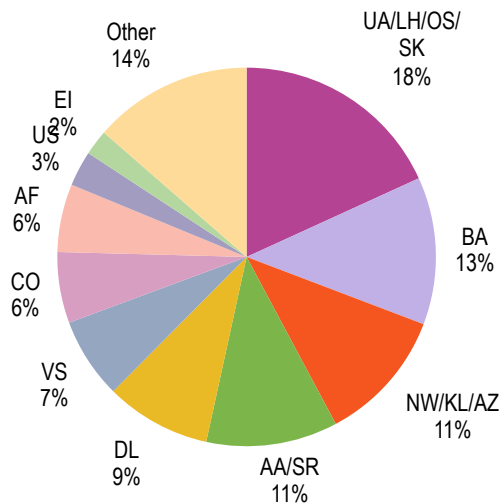
...how U.S. industry consolidation led to capacity reductions and high load factors



Previously we told you...

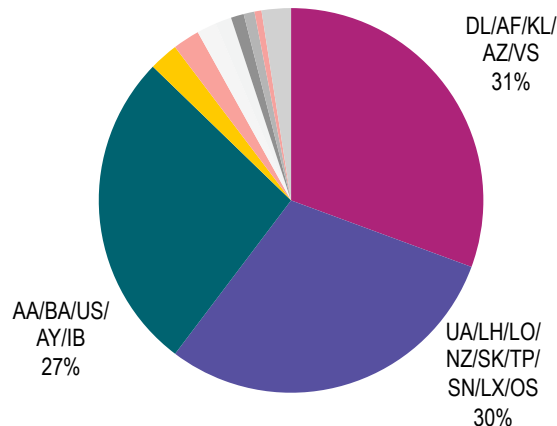
...how anti-trust immunity (ATI) and mergers significantly reduced competition between U.S. and Europe...

2000



50.2 Million Onboard Passengers
ATI Carriers = 41 %

2014

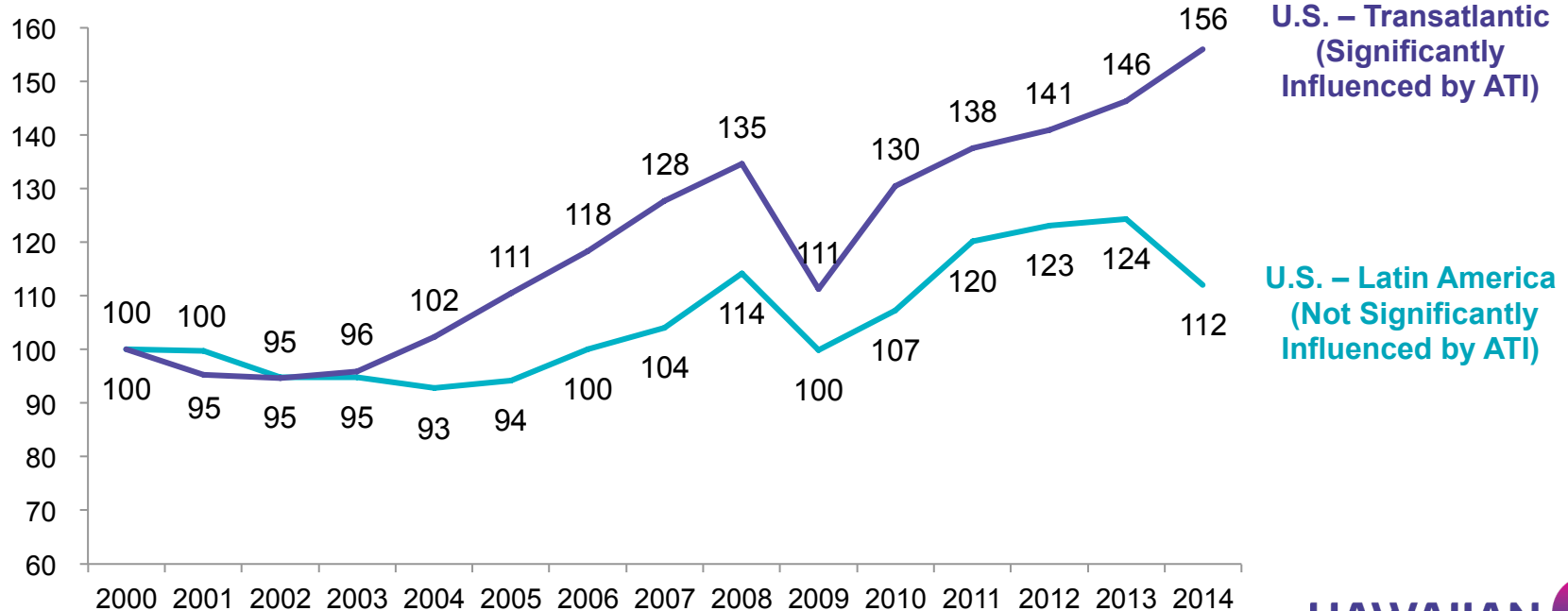


55.8 Million Onboard Passengers
ATI Carriers = 87 %

Previously we told you...

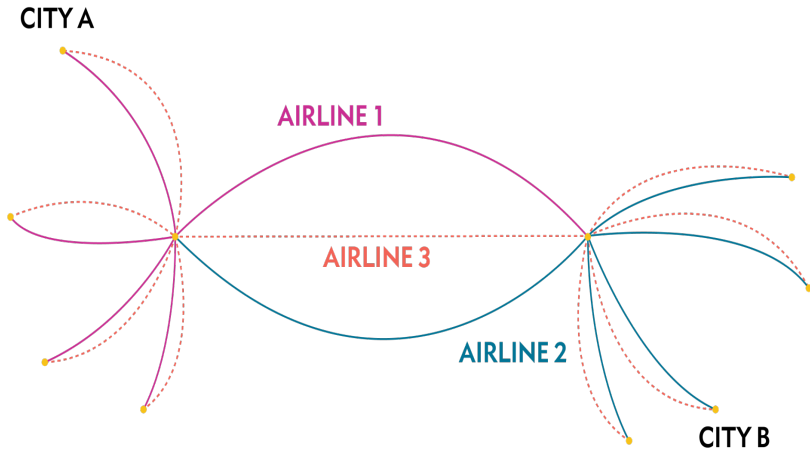
...how transatlantic fares rose much quicker than in regions not dominated by immunized JVs

Index 2000 Yield = 100

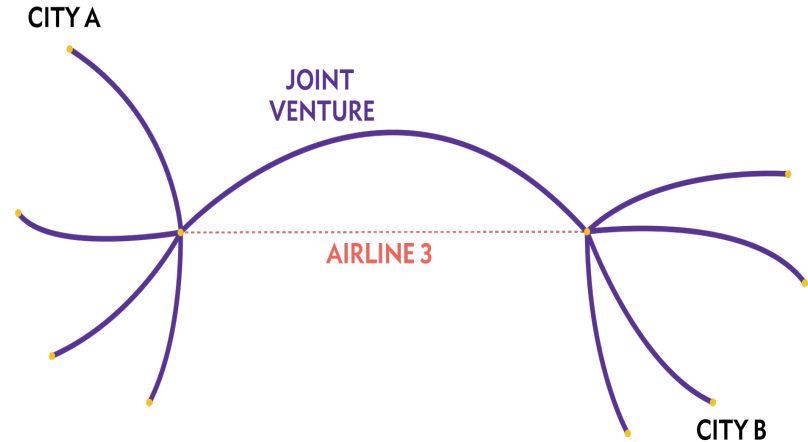


Previously we told you...

...how immunized JVs further stifle competition by cutting out smaller carriers from behind-gateway markets



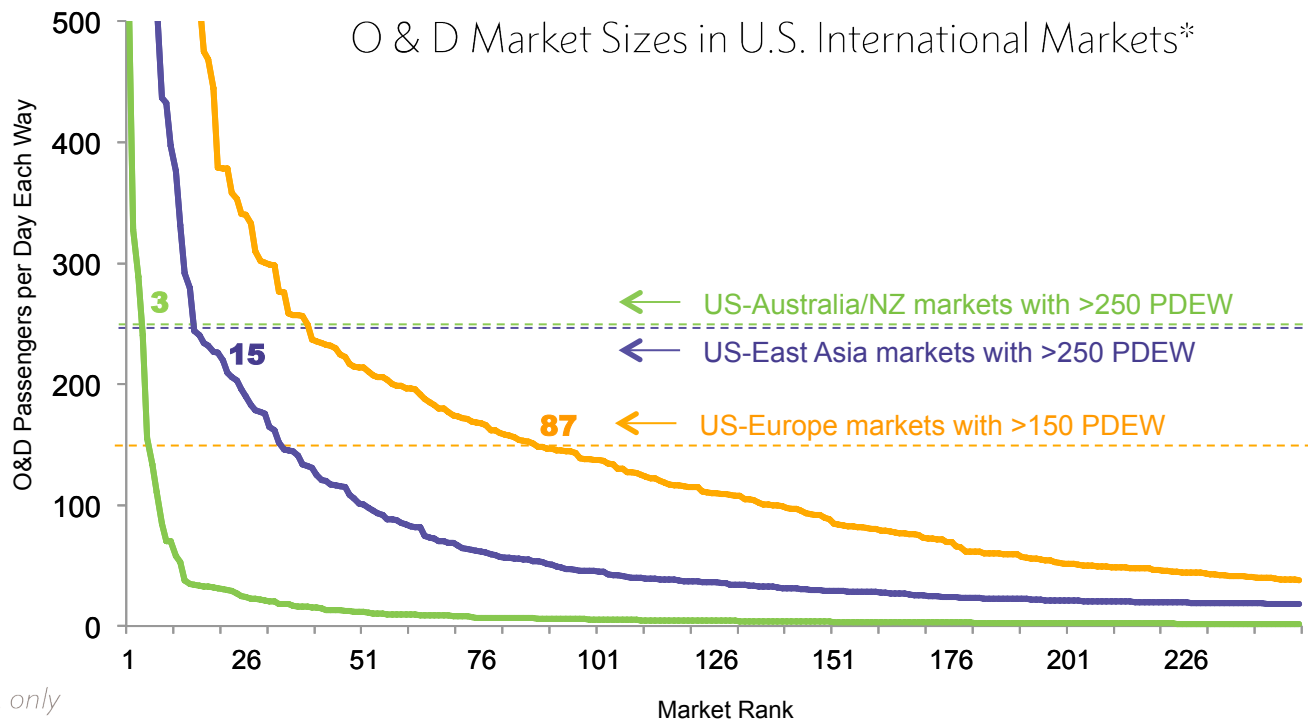
Options to get from City A to B: 12



Options to get from City A to B: 1

Previously we told you...

...how few Transpacific markets are large enough to be viable for independent carriers lacking access to behind-gateway connecting flows



*Mainland U.S. only

Source: Estimates based on adjusted MIDT

No Room at the Inn

Airport Access and the Public Interest

Traffic growth is filling up the world's busiest airports



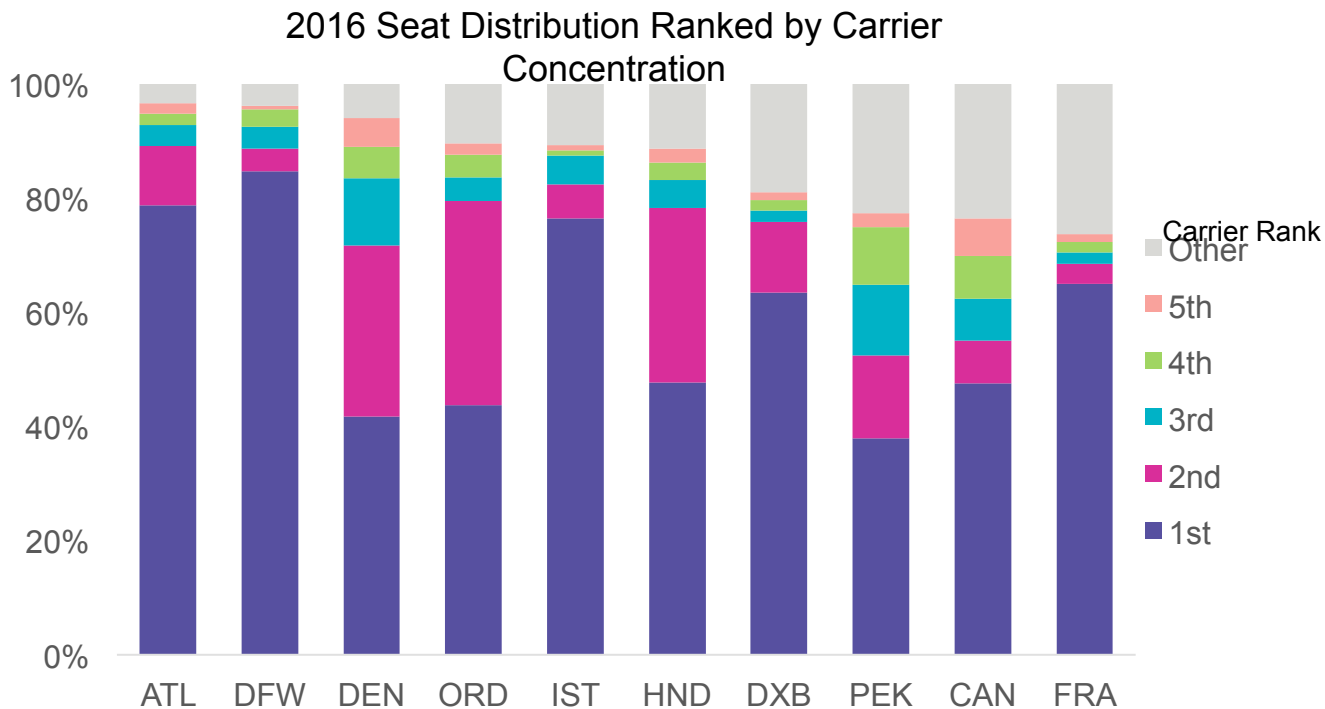
Source: Airports Council International, IATA

IATA slot allocation guidelines

Primary criteria for initial slot allocation:

- The first priority of slot allocation is historic slots.
- Changes to a historic slot have priority over new requests for the same slot.
- 50% of the remaining slots allocated to new entrants.

A few large carriers dominate key major airports



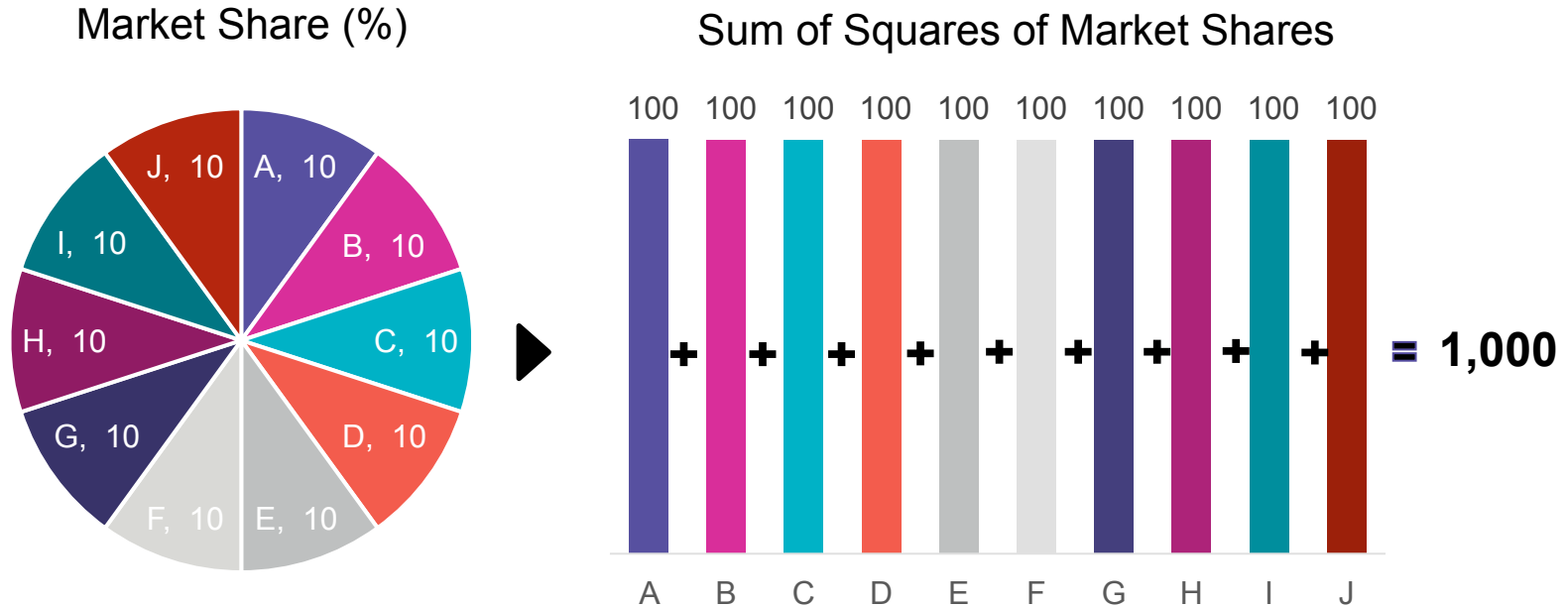
Regulators are just waking up to the problem

U.S. DOT order on Delta-Aeromexico Joint Venture

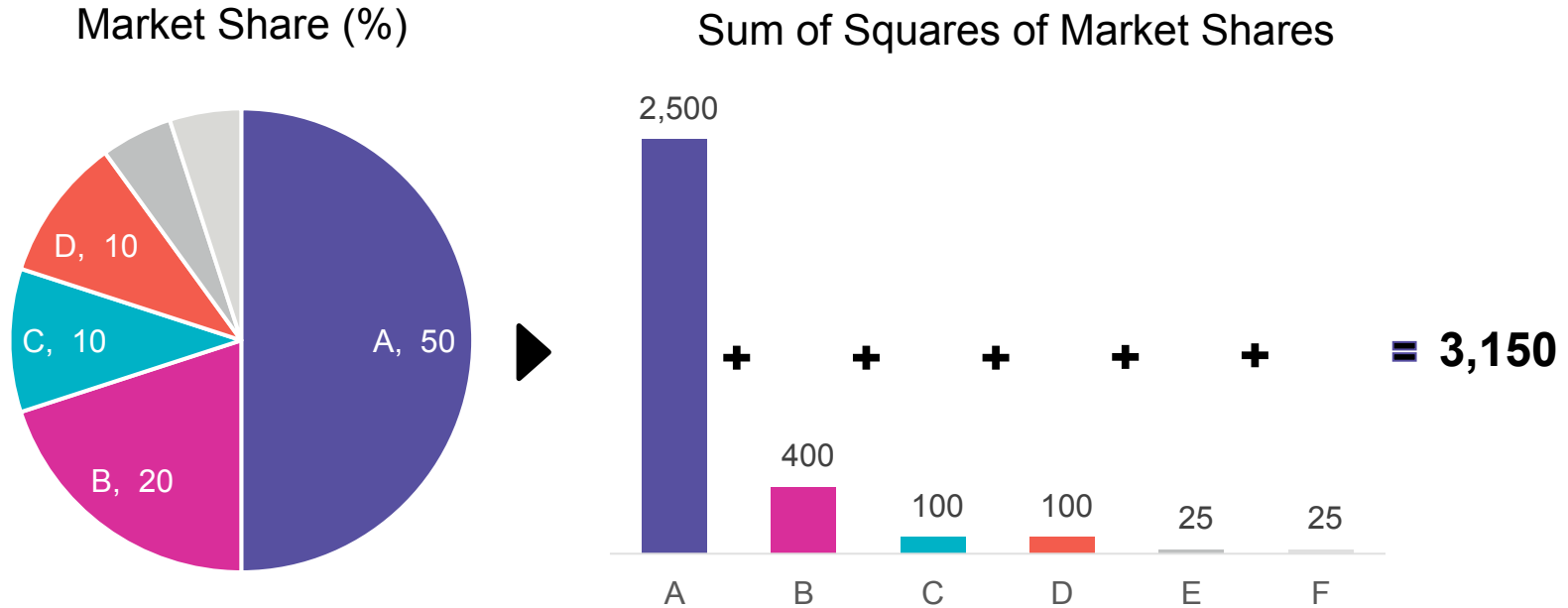
As condition of recent JV, Delta-Aeromexico must:

- Divest 24 Mexico City slot pairs to support new daily transborder services from Mexico City.
- Identify and transfer slots that meet times requested by carriers awarded remedy slots.
- Ensure carriers granted remedy slots have access to facilities and services suited for commercially viable air service.
- Re-apply to continue JV beyond its 5-year term.

How the Herfindahl-Hirschman index (HHI) is calculated

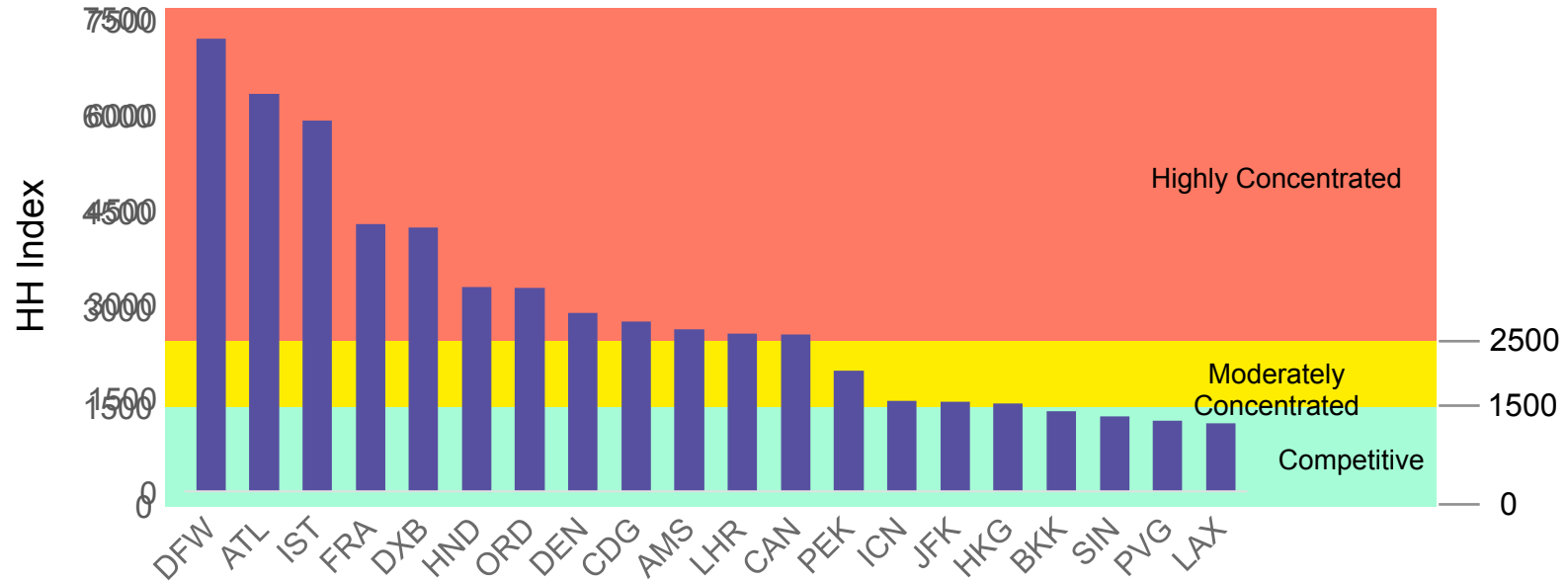


How the HHI is calculated



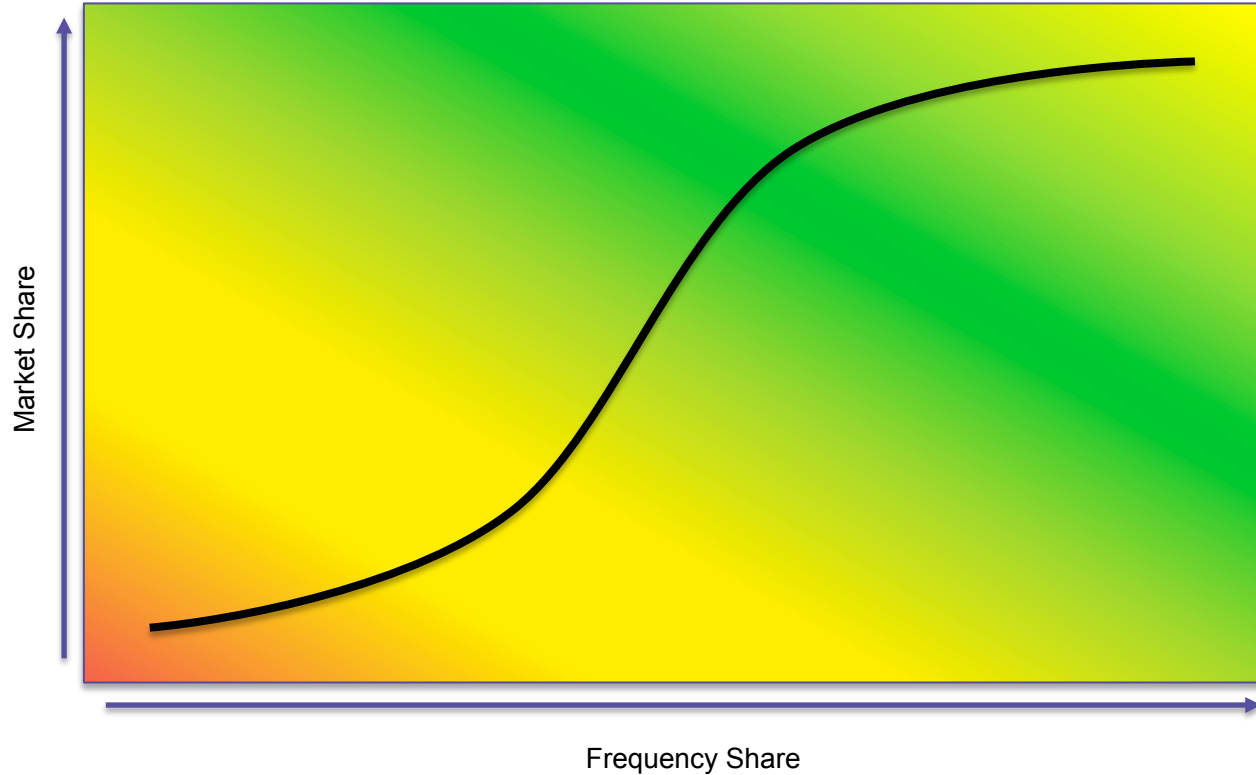
In terms of market concentration, most of the world's busiest airports are no longer competitive markets

2016 Carrier Capacity Concentration
(HH Index)



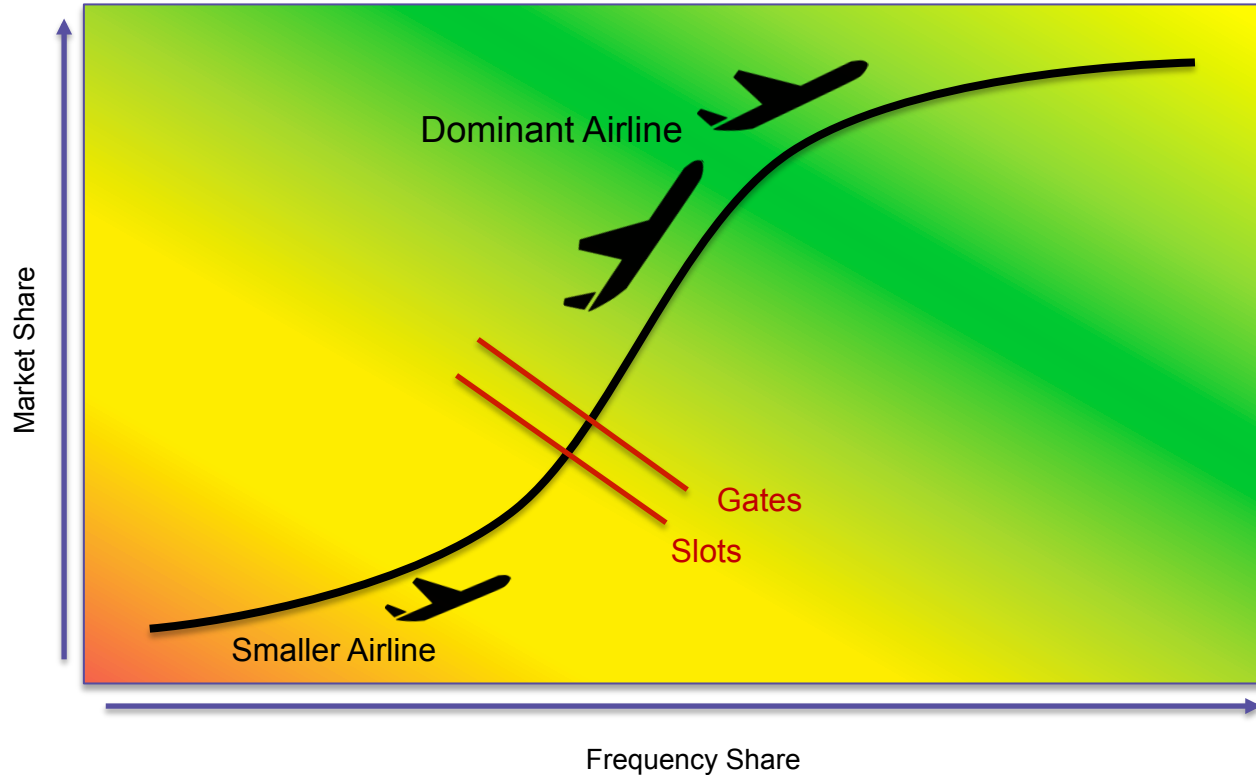
The 'S' curve:

Frequency-share advantage leads to disproportionately high market share



The 'S' curve:

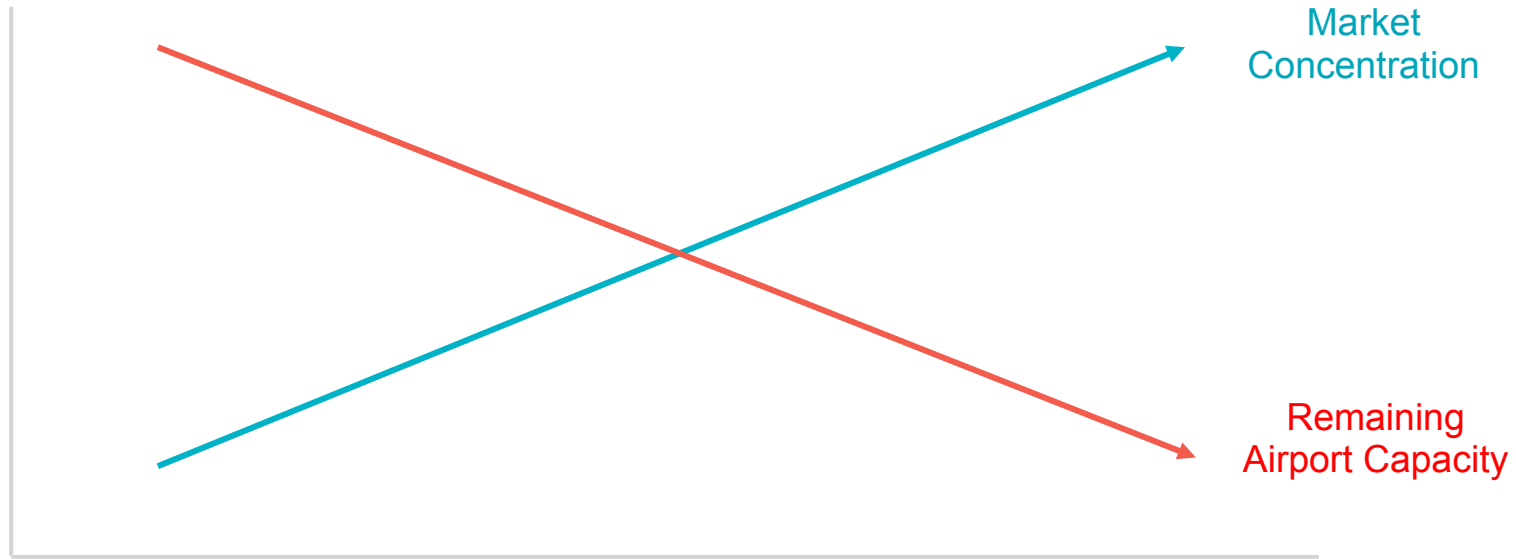
Frequency-share advantage leads to disproportionately high market share







Capacity constraints are locking in this concentration



What is to be done?

Making room at the Inn:

A program for fostering competition, customer choice and lower fares

Slots

- At highly concentrated airports (where the HHI Index $> 2,500$), for each hour of the day, 3% of slots must be available for distribution.
 - Where insufficient slots are freely available, allocated slots shall be returned to the pool by lottery to ensure the 3% threshold is met.
- New entrants given preference for redistributed slots.

Terminal Facilities

- Enact regulations guaranteeing competitors equivalent airport facilities on identical economic terms on a route by route basis.



Mahalo

