August 11, 2017

You may have recently received a document from Kevin Mitchell that purports to address "myths" about the $50 billion in illegal subsidies that the governments of Qatar and the UAE have provided to Qatar Airways, Emirates Airline and Etihad Airways. Kevin represents and is being paid handsomely by companies that benefit from the subsidies, so we were not surprised to see his latest broadside. However, because Kevin is intentionally misrepresenting the facts to you – our business partners – we thought it was important to reach out directly to set the record straight. For example:

- Mitchell attacks Delta for "falsely" claiming that Open Skies agreements "expressly prohibit government subsidies." He is parsing words. The Open Skies agreements with Qatar and the UAE require both countries to ensure that U.S. airlines have a "fair and equal opportunity" to compete in the international market. By granting their airlines $50 billion in subsidies that enable them to operate routes without regard to market demand or the need to make a profit, Qatar and the UAE are violating that obligation.

- Mitchell says it's a "myth" that the Gulf carriers are price dumping in the U.S. market to steal market share, but he provides no "facts" to the contrary. The reality is that the Gulf carriers have pushed massive amounts of overcapacity into the U.S. market at prices that are too low to allow economical services. As a result, U.S. airlines have been driven entirely out of the Middle East. This market-distorting behavior is only going to get worse as the Gulf carriers continue to add capacity in already saturated markets.

- Mitchell argues that we have refused to identify the provisions of the Open Skies agreements that Qatar and the UAE are violating. This is false. In our August 24, 2015 submission to the U.S. government, we stated explicitly that "Qatar and the UAE are breaching their obligation under Article 11 of the agreements to allow U.S. airlines a 'fair and equal opportunity' to compete." His assertions to the contrary suggest that he hasn't read our submissions – or that he's intentionally distorting the facts.

- Mitchell claims that we have "repeatedly called for a freeze on all UAE and Qatar Open Skies rights" that would "breach both agreements." Once again, this is false. In our August 24, 2015 submission, we asked the U.S. government to request Qatar and the UAE to voluntarily freeze services at current levels pending resolution of the subsidy concerns. A voluntary freeze – which would maintain the *status quo* of 35 daily Gulf carrier flights to the United States and zero U.S. carrier flights to Qatar and the UAE – would be fully in accord with both agreements.

- Mitchell blatantly mischaracterizes a quote from the President of Delta, claiming that when "asked if Delta was experiencing any loss of traffic or commercial harm due to Gulf carrier competition," he replied unequivocally 'we are not.'" Here is the actual quote: "As we've stated in the past, we are not and we have not been the largest player in the U.S. to India or the Indian subcontinent. But it is a significant long-term threat to us. It's as much a missed opportunity. We believe that under the right and fair circumstances that we should be able to fly nonstop from the U.S. into India." Once again, Mitchell's version bears no relation to the truth.

- Mitchell claims that if the U.S. government took action against Gulf subsidies, it would cause countries around the world to retaliate against the global networks of U.S. cargo carriers. That is nonsense. The impact of unfair Gulf carrier competition on the cargo sector is not our concern, and we would fully support excluding cargo from any talks that the United States conducts with Qatar and the UAE. And if the United States did act, it wouldn't be the first: France, Germany, the Netherlands, Canada and China are just a few examples of countries that impose limits on subsidized Gulf carrier services.

- Mitchell alleges that our effort to end Gulf subsidies is aimed at reducing competitive choices for consumers. Nothing could be further from the truth. When governments subsidize their airlines, it distorts markets and undermines the fair competition that Open Skies is meant to provide. That is why a principal goal of U.S. Open Skies policy is to "ensure that competition is fair and the playing field is level by eliminating marketplace distortions, such as government subsidies."[1] And to help ensure that goal, every Open Skies agreement includes a consultation provision that grants each Party the unilateral right to request consultations if it thinks the other Party is taking steps to undermine fair competition. This is exactly what we are seeking.

We could go on, but we think you get the point. Delta strongly supports the U.S. Government's open skies policy – it has allowed airlines like Delta to expand their networks and provided substantial benefits to customers. It has also helped Delta enter into joint ventures with partners all over the globe and allowed easier access to markets. Our customers have benefited from the increased connectivity, frequencies and seamless travel that the policy has helped create. Today our customers can go almost anywhere in the world they want to go.

But as with every other U.S. trade agreement, the benefits of Open Skies agreements depend on parties following the rules, and on a willingness to take action when they don't. Otherwise the policy itself is put in peril. Enforcement of open skies agreements is not a repudiation of open skies but in fact makes the entire open skies regime more robust.

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[1] USDOT, Statement of United States International Air Transportation Policy, 60 Fed. Reg. at 21844 (May 3, 1995).