IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

IN RE: DELTA/AIRTRAN BAGGAGE FEE ANTITRUST LITIGATION	CIVIL ACTION FILE NUMBER 1:09-md-2089-TCB ALL CASES **FILED UNDER SEAL** Unsealed 11/10/2014

SUPPLEMENTAL BRIEF IN SUPPORT OF PLAINTIFFS' MOTION FOR CLASS CERTIFICATION

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Cases

Plaintiffs respectfully submit this Supplemental Brief to briefly address four issues pertaining to Plaintiffs' Motion for Class Certification (Dkt. #122): (1) new documents reflecting that – contrary to Defendants' arguments – first bag fees did not reduce base fares; (2) recent decisions confirming that class certification is appropriate where plausible common methods show that most class members were affected; (3) recent decisions rejecting the argument that alleged offsetting benefits preclude class certification; and (4) a recent decision confirming that – contrary to Delta's argument – the fact that certain class members may have been reimbursed for first bag fees does not prevent class certification.

1. Recently Produced Documents Further Demonstrate That First Bag Fees Did Not Reduce Base Fares

In opposing class certification, Defendants claim that Plaintiffs cannot prove impact on a class-wide basis because the collusive imposition of first bag fees purportedly caused a decrease in base fares, supposedly requiring individualized analysis to prove impact and damages. The evidence, however, shows that bag fees did not cause a reduction in base fares.[1]

[1] *See* Pls.' Reply Br. at 7-10 (summarizing evidence that first bag fees did not affect base fares); *see also id.* at 27 (discussing Defendants' admission that any reduction in base fares would be less than the amount of the first bag fee).

In a recently produced document, Delta admits that, when it implemented first bag fees, "[t]here were no corresponding pricing reductions in our fare structure directly initiated because of baggage fees." DLBF 182821, Ex. 1.

Similarly, in describing the results of a March 2009 study on the impact of first bag fees on consumer purchase decisions, AirTran Senior Vice President Kevin Healy stated that "the study validates the view that $15 is viewed as incremental." E-mail from K. Healy to R. Fornaro (Mar. 31, 2009), AirTran 1718223, Ex. 2. In another document, AirTran's Chief Accounting Officer described the first bag fee as "additional revenue." Memorandum from M. Osterberg to File (Jan. 15, 2009), AirTran 02402516, Ex. 3.[2]

Exhibit 5 is a document produced by Delta that analyzes fares for departures approximately one month after Defendants began charging the bag fee – between January 1 and January 11, 2009. DLBAG 18701-03, Ex. 5. This analysis demonstrates that, even with the introduction of its first bag fee, Delta's average 7 to 25-day advance-purchase fares *increased* in price compared to the previous year's fares. *Id.* at DLBAG 18703 (showing increased prices compared to the prior year).

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[2] *See also* AirTran Director of Reservations, F. Cannon Depo. Tr. 81:22-25 (March 22, 2012), Ex. 4 ("Q. Are you aware of any decision made at AirTran to lower base fares in conjunction with the imposition of a first bag fee? A. No . . . ."); *id.* 70:24-71:2 ("Q. After AirTran started charging a first bag fee, are you aware of any changes to customer booking behavior? A. No.").

Moreover, Exhibit 5 contradicts Defendants' theory that any subsequent decreases in airfares were caused by first bag fees. A key piece of Defendants' experts' theory is that bag fees would cause a decline in fares that would disproportionately affect leisure travelers, who check bags more frequently and book their flights further in advance.[3] But Delta's average ticket prices decreased only for 3, 5, or 6 day advance-purchase fares (*i.e.*, business travelers, the least price-sensitive group[4]), and these decreases were relatively small – 1%, 3%, and 7% compared to increases of 10% to 41% for 7 to 25 day advance-purchase fares.[5] Because the only price declines disproportionately affected business travelers, the price declines are inconsistent with the theory that price declines were caused by

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[3] *See* M. Schwartz Class Cert. Report ¶ 47 ("the base fare reduction should be larger . . . the greater is the proportion of passengers who check bags"), Ex. 48 to Pls.' Reply Br. (Dkt. #269); D. Lee Class Cert. Report ¶ 16 & n.16 (stating that any base fare reductions caused by first bag fees would be greater for leisure passengers, who "typically purchase airline tickets well in advance"), Ex. 4 to Delta's Class Cert. Opp'n Br. (Dkt. #221); LEK AirTran Customer Survey (Apr. 13, 2010), AirTran 1927393, Ex. 6 (reporting that leisure travelers weighed ancillary fees more heavily in their ticket purchase decisions than business travelers); G. Hauenstein Depo. Tr. 38:9-10 (May 10, 2012), Ex. 7 ("I think actually business customers . . . are much less sensitive to fees").

[4] These travelers are also the most likely to be exempt from first bag fees. *See* Delta Press Release (Nov. 5, 2008), DLBF 7006, Ex. 8 (stating that frequent flyers and passengers purchasing full fare coach or business class fares are exempt from first bag fees).

[5] Ex. 5. Similarly, AirTran's average fares for advance-purchase fares generally increased, DLBAG 18701.xls, Ex. 9, while AirTran fares for close-in purchases declined. *Id.*; *see also* E-mail from M. Klein to R. Fornaro (Feb. 10, 2009), AirTran 15390288, Ex. 10 ("Our close-in RASM looks pretty bad yr/yr (with sustained yields but bad volume)").

first bag fees rather than other variables,[6] such as the disproportionate decline in business travel caused by the recession.[7]

Thus, the newly produced evidence reaffirms that Delta and AirTran did not lower fares in response to implementing first bag fees. Accordingly, Defendants' argument that the first bag fee caused a decrease in base fares, even if such a decrease were legally relevant (which it is not) and even if such decrease could ever exceed the amount of the first bag fee itself (which it does not), is contradicted by the evidence.

2. Recent Cases Confirm That Class Certification Is Appropriate Where Plausible Common Methods Can Show That Most Class Members Were Affected

Consistent with the cases upon which Plaintiffs rely in their class certification briefs, recent decisions confirm that class certification is appropriate

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[6] This evidence is consistent with the results of Dr. Singer's analyses, that there is "no discernible relationship between [fares and the percentage of passengers checking a bag]." H. Singer Class Cert. Reply ¶ 66, Ex. 29 to Pls.' Reply Br. (Dkt. #269).

[7] D. Lee Depo. Tr. 171:25-172:3 (Dec, 15, 2010), Ex. 11 ("[T]he mix of travel in a . . . recession tends to . . . be more tilted away from . . . those higher fare [business] passengers."); E-mail from M. Klein to R. Fornaro (Feb. 10, 2009), AirTran 15390288, Ex. 10 ("Today's further job losses and the market getting hammered won't be good in the short-term for leisure demand, but I have to believe that our legacy competitors are getting absolutely slaughtered on business travel. Our close-in RASM looks pretty bad yr/yr (with sustained yields but bad volume)"); Delta Apr. 21, 2009 earnings call transcript, Ex. 12 at DLBAG-15173 ("[First quarter 2009] RASM . . . decreased . . . , as yields on close-in bookings did not pick up as we were expecting.").

here. *See In re Whirlpool Corp. Front-Loading Washer Prods. Liability Litig.*, 678 F.3d 409 (6th Cir. 2012); *Messner v. Northshore Univ. HealthSystem*, 669 F.3d 802 (7th Cir. 2012); *Behrend v. Comcast Corp.*, 655 F.3d 182 (3d Cir. 2011), *cert granted in part*, 80 U.S.L.W. 3707, 2012 WL 113090 (June 25, 2012);[8] *In re Titanium Dioxide Antitrust Litig.*, No. 1:10-cv-00318-RDB, 2012 WL 3711890 (D. Md. Aug. 28, 2012); *In re Blood Reagents Antitrust Litig.*, MDL No. 2081, __ F. Supp. 2d __, 2012 WL 3590269 (E.D. Pa. Aug. 22, 2012); *In re Rail Freight Fuel Surcharge Antitrust Litig.*, MDL No. 1869, __ F. Supp. 2d __, 2012 WL 2870207 (D.D.C. June 21, 2012).[9]

Notably, these recent decisions confirm that at the class certification stage, Plaintiffs are not required "'to prove the element of antitrust impact' . . . but only to 'demonstrate that the element of antitrust impact is *capable of proof at trial* through evidence that is common to the class.'" *Messner*, 669 F.3d at 818 (quoting *Behrend*, 655 F.3d at 197, in turn quoting with emphasis *In re Hydrogen Peroxide Antitrust Litig.*, 552 F.3d 305 (3d Cir. 2008) (cited in AirTran Class Cert. Opp'n at

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[8] The Supreme Court granted a petition for certiorari in *Behrend* limited to the question: "Whether a district court may certify a class action without resolving whether the plaintiff class has introduced admissible evidence, including expert testimony, to show that the case is susceptible to awarding damages on a class-wide basis." 2012 WL 113090, at *1.

[9] *Blood Reagents* and *Rail Freight* are discussed separately in section 3, below.

16, 33)).[10] Similarly, courts evaluate whether the plaintiffs have presented a model that is "capable of proving class-wide impact at trial," not whether the model is "perfect." *Titanium*, 2012 WL 3711890, at *17.

These cases reaffirm that on class certification, "the court should not turn the class certification proceedings into a dress rehearsal for the trial on the merits." *Messner*, 669 F.3d at 811. Instead, "courts need not address at the class certification stage any merits inquiry that is unnecessary to the Rule 23 determination and . . . any findings made for class certification purposes do not bind the fact-finder on the merits." *Whirlpool*, 678 F.3d at 417 (citing *Behrend*, 655 F.3d at 190). The merits inquiry is necessarily circumscribed because requiring Plaintiffs to demonstrate that their proposed proof is actually correct by a preponderance of the evidence on a motion for class certification may interfere with the Seventh Amendment right to a trial by jury. *Messner*, 669 F.3d at 823 ("Any consideration of the merits at the class certification stage also runs the risk of supplanting the jury as the finder of fact."). As a result, "'Rule 23(b)(3) does not . . . require individual class members to individually state a valid claim for relief' and the 'question is not what valid claims can plaintiffs assert; rather, it is

[10] "Plaintiffs bear the burden of showing that a proposed class satisfies the Rule 23 requirements [ ], but they need not make that showing to a degree of absolute certainty. It is sufficient if each disputed requirement has been proven by a preponderance of evidence." *Messner*, 669 F.3d at 811 (citation omitted).

simply whether common issues of fact or law predominate.'" *Whirlpool*, 678 F.3d at 421 (quoting *Sullivan v. DB Invs., Inc.*, 667 F.3d 273, 297, 305 (3d Cir. 2011) (*en banc*)).[11]

In addition, *Titanium* places disputes over the finer points of plaintiffs' experts' methodologies – such as Defendants' disputes regarding Dr. Singer's regression model – into their proper context as pure merits issues that have no bearing on the question of whether common issues predominate:

> Defendants' quibbles with Dr. Lamb's regression model largely center on the results of his analysis—in other words, Defendants argue that if Dr. Lamb included more data, or extended certain dates, his very own regression would show that prices of TiO2 did not increase during the time period. However, by "merely disputing the results of the plaintiffs' experts' analysis rather than the feasibility of using a single formula methodology," Defendants raise a "merits issue, not a class certification issue." *In re EPDM Antitrust Litig.*, 256 F.R.D. [82,] 96 [(D. Conn. 2009)].

Titanium, 2012 WL 3711890, at *17; *cf.* Delta Class Cert. Opp'n at 13-18 & AirTran Class Cert. Opp'n at 21-24 (discussing competing expert reports).

Furthermore, the *Messner* Court confirmed that plaintiffs need only show widespread, and not universal, harm to meet the Rule 23(b)(3) predominance

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[11] *Accord Messner*, 669 F.3d at 818. "[*Wal-Mart Stores, Inc. v.*] *Dukes*[, 131 S. Ct. 2541 (2011)] . . . mak[es] clear that the focus is on whether the defendant's conduct was common as to all of the class members, not on whether each plaintiff has a 'colorable' claim." *Sullivan*, 667 F.3d at 299.

requirement. *Messner*, 669 F.3d at 818 ("[Plaintiff's expert] claimed that he could use common evidence . . . to show that all *or most* of the [proposed class members] suffered some antitrust injury as a result of the merger. That was all that was necessary to show predominance for purposes of Rule 23(b)(3).") (citation omitted) (emphasis added). A proposed class can properly be certified even if it is ultimately shown that some or all class members suffered no harm,[12] though a class should not be certified if a "great number of members . . . for some reason *could not have been harmed*." *Id.* at 824 (emphasis added).[13]

[12] *Messner*, 669 F.3d at 824 ("[I]f a proposed class consists largely (or entirely, for that matter) of members who are ultimately shown to have suffered no harm, that may not mean that the class was improperly certified but only that the class failed to meet its burden of proof on the merits.").

[13] As an example of class members who could not have been harmed, the *Messner* court cited the situation of post-conduct prices being determined by contracts entered into prior to the alleged anti-competitive conduct. *Id.* Here, if a pre-existing contract prevented a consumer from paying a first bag fee, the consumer would not be a class member, as the class is defined to include only those who paid the first bag fee. In contrast to the *Messner* hypothetical, there is no credible argument that any large segment of class members here could not have been harmed. In fact, Defendants' experts admitted that the supposed base-fare reductions could not, even in theory, fully offset the first bag fees for any individual class member. *See* Pls.' Reply Br. at 27 (Dkt. # 269) (citing Defendants' expert materials and depositions).

Thus, these recent cases are consistent with the long-standing principal that, "in antitrust cases, 'Rule 23, when applied rigorously, will frequently lead to certification.'" *Messner*, 669 F.3d at 815 (citation omitted).[14]

In addition, these cases confirm that Plaintiffs have satisfied the class certification standard. First, the weight of the evidence demonstrates that, if a jury concludes that there was a conspiracy, all class members suffered harm. *See* Section 1, *supra*; Pls.' Reply Br. at 7-11 (Dkt. #269). Second, even assuming that Defendants' theory of base-fare offsets was legally valid and factually supported – which it is not – Plaintiffs' expert, Dr. Singer, has constructed a model capable of showing, at minimum, that "all or most" class members suffered harm (or could have suffered harm). Singer Merits Report ¶¶ 4, 77-91, 122, Ex. 45 to Pls.' Reply Br. (Dkt. #269); *Messner*, 669 F.3d at 818. And Defendants are unable to identify or provide evidence of a "great number" of proposed class members who "could not have been harmed." *Messner*, 669 F.3d at 824.

3. Alleged Base Fare Offsets, If Any, Would Not Preclude Class Certification.

Like Defendants here, the defendants in other recent cases argued that class certification should be denied because of alleged offsetting benefits. *Blood*

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[14] *See also In re Vitamin C Antitrust Litig.*, 279 F.R.D. 90, 109 (S.D.N.Y. 2012) ("[I]n a horizontal price-fixing conspiracy . . . . courts have frequently held that the predominance requirement is satisfied because the existence and effect of the conspiracy are the prime issues in the case and are common across the class.").

Reagents, 2012 WL 3590269, at *16-17; *Rail Freight*, 2012 WL 2870207, at *55-57; Delta Class Cert. Opp'n at 8-18; AirTran Class Cert. Opp'n at 26-30.

In *Blood Reagents*, plaintiffs alleged price-fixing of traditional blood reagents. Defendants argued that class certification should be denied because the "'higher prices for traditional reagents led to lower prices or lower price increases for proprietary reagents and equipment.'" 2012 WL 3590269, at *16. The court rejected the offset argument as a matter of law, as Defendants "cite[d] no case in which a court required plaintiffs to account for potential decreases in the price of some products as the result of an alleged horizontal price-fixing conspiracy." *Id.* The court also rejected the offset argument as a factual matter, as "[i]t is far less plausible . . . that a price-fixing conspiracy would have offsetting benefits to consumers," and "[t]he argument that defendants were cheating on the cartel [by reducing prices on non-price-fixed products] is speculative, at best." *Id.*

In *Rail Freight*, plaintiffs alleged price-fixing of a fuel surcharge fee that customers had to pay in the same transaction in which they paid shipping fees. 2012 WL 2870207 at *4 (surcharge applied as percentage of base rate); *id.* at *49 (surcharge and base rates both subject of negotiations for shippers' contracts with railroads). Defendants argued that class members used the increase in the fuel surcharge to negotiate reductions in their base shipping rates, offsetting the surcharge for some class members. *Id.* at *55-57.

The *Rail Freight* Court rejected the defendants' offset argument for two reasons. First, the court explained that plaintiffs were only required to "show by a preponderance of the evidence that common proof can be used to [determine] whether payment of th[e] fuel surcharge caused class members to pay more for shipping than they otherwise would have paid." *Id.* at *42. Both plaintiffs' expert and defendants' expert performed regression analyses using defendants' transactional data, *i.e.*, "evidence common to the class." To defeat class certification, defendants should have been focused on disputing "'the use of the methodology itself, not the results of the methodology.'" *Id.* at *61 (quoting *In re EPDM*, 256 F.R.D. at 96).

Second, the court was persuaded that there was no systematic discounting of base rates to offset surcharges, where "the evidence in the record," including defendants' deposition testimony, did not support defendants' contention that the surcharges caused systematic base rate discounts. *Id.* at *56-57 (crediting plaintiffs' expert's finding that, although "a nominal amount of discounting occurred . . . there is no evidence of systematic discounting of base rates to offset" the surcharge).[15]

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[15] In reaching its decision, the court distinguished *Robinson v. Texas Auto Dealers Association*, a case cited by AirTran. AirTran Class Cert. Opp'n at 27-28 (citing *Robinson*, 387 F.3d 416 (5th Cir. 2004)). In *Robinson*, the plaintiffs improperly assumed, "'unaccompanied by any other evidence,'" that an improperly charged

For two reasons, the facts in *Rail Freight* are analogous to the facts at issue in this case. First, the parties' experts used class-wide data (including Defendants' transactional data) in analyzing whether any purported base fare reductions were caused by first bag fees and whether such reductions fully offset the fees. *See* Expert Report of D. Lee, Ph.D. ¶ 15, Ex. 4 to Delta Class Cert. Opp'n (Dkt. #221); Class Certification Report of E. Gaier, Ph.D. Appx. XI (describing data sources), Ex. 4 to AirTran Class Cert. Opp'n (Dkt. #222); Class Certification Reply Report of H. Singer at 77, Ex. 29 to Pls.' Reply Br. (Dkt. #269). Defendants do not dispute that a regression analysis using class-wide data is an appropriate methodology for determining whether there were base fare offsets, but instead dispute the results of the methodology. AirTran Class Cert. Opp'n at 30-32 & n.120; Delta Class Cert. Opp'n at 10-14. Such a merits challenge is not a proper basis for denying class certification. *Rail Freight*, 2012 WL 2870207 at *61.

Second, the evidence in the record, including Defendants' deposition testimony and contemporaneous business records, fails to support Defendants'

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tax represented an additional charge that increased the final purchase price for all class members, even though "'some purchasers certainly negotiate a price that excludes taxes, titles, and fees.'" *Rail Freight*, 2012 WL 2870207, at *56 (quoting Robinson, 387 F.3d at 423). The *Rail Freight* Court found *Robinson* inapplicable because the fuel surcharges – like the first bag fees here – "were uniform, were not subject to negotiation, and were not discounted except in the case of anomalies," and "were intended to raise overall prices." *Id.* at *61.

contention that bag fees caused declines in base fares. *See* Section 1, *supra*; Pls.' Class Cert. Reply at 7-10.

Moreover, this case presents an even simpler class certification issue than in *Rail Freight*. In *Rail Freight*, the alleged fixed fuel surcharge was a percentage of negotiated shipping fees and was paid in the same transaction that shipping fees were paid. Here, by contrast, consumers cannot negotiate the amount of the bag fee, and typically pay the first bag fee in a completely separate transaction from their purchase of a plane ticket – *i.e.*, the first bag fee is paid at the airport and a ticket is typically purchased in advance of the day of travel. As the court recognized in *Blood Reagents*, any purported offsets from such separate transactions are not relevant in a price-fixing case. 2012 WL 3590269, at *16.[16]

4. Reimbursement of Class Members Does Not Preclude Recovery or Certification

Delta has argued that reimbursement of some class members by their employers precludes those individuals from recovering and prevents class certification. Delta Class Cert. Opp'n at 21-25. But a recent decision found that direct purchasers can recover even if they were subsequently reimbursed by their employers, and reimbursement therefore does not prevent certification. *See In re*

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[16] *Accord* Pls.' Reply Br. at 19-24 (Dkt. #269). Offsets are not relevant as a matter of law in price-fixing cases even if, as in *Rail Freight*, the allegedly offsetting purchase were made in the same transaction. *See id.* But the Court need not reach address that issue here.

AT&T Mobility Wireless Data Servs. Sales Tax Litig., 789 F. Supp. 2d 935, 967 (N.D. Ill. 2011) (approving class-wide settlement and stating that "[i]f third-party employers subsequently reimbursed Class Members for the pertinent [over]charges, then the question whether such Class Members must in turn reimburse their employers is a separate matter involving a question of law and equity between the employer and employee."). The same result is even more appropriate here, in a direct purchaser antitrust case where the only question relevant to injury is whether the price the purchaser paid was artificially inflated, and downstream effects are irrelevant. *See* Pls.' Reply Br. at 17-21.[17]

Respectfully submitted this 31st day of August 2012.

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[17] Defendants fail to cite a single case in which a court has denied class certification because some class members were reimbursed for their overcharges. This is not surprising, as such a rule of law would bar class certification in virtually every consumer class action.

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CERTIFICATION UNDER L.R. 7.1D

Pursuant to Northern District of Georgia Local Rule 7.1D, the undersigned hereby certifies that the above and foregoing is a computer document prepared in times new roman (14 point) font in accordance with Local Rule 5.1B.

So certified, this 31st day of August, 2012.

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CERTIFICATE OF SERVICE

The undersigned counsel certifies that on this day the foregoing was served via electronic mail and will be electronically filed with the Clerk of Court using the CM/ECF system which will automatically send email notification to all counsel of record who have appeared in this matter.

So certified, this 31st day of August, 2012.

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Exhibit 1

Focus on the First Bag Fee Implementation

- **FARES:** Did you make a fare decrease simultaneously to the first bag fee implementation on domestic network to ease communication to customer?
    - There were no corresponding pricing reductions in our fare structure directly initiated because of baggage fees

- **OPERATIONS:** What were the key success factors? Did they have a specific training of ground staff? Did they see an increase in hand bags? Did they implement specific hand bag checks? How?
    - The only key success factor Delta was looking for was new revenue
    - There was no new ACS staffing place to handle the increased transactions. All the kiosks were prepped to handle new payments; more emphasis placed on automated technology. Majority of effort on communication to passengers (Kiosk/FTO signage), published communication on website, corp comm., etc.
    - Dramatic increase in hand bags (not explicitly measured) inferred from dramatic decrease in mix of pax checking any bags.

Time Period	No Bags		1 Bag		2 Bags	
	Mix	YoY Δ	Mix	YoY Δ	Mix	YoY Δ
April '08	50%	8.8	43%	4.7	6%	(13.5)
July '08	51%	12.0	43%	(11.6)	6%	(0.4)
Nov '08	56%	13.1	39%	(13.1)	5%	(0.0)
Total (Apr –Nov)	***53%***	***11.8***	***41%***	***(9.4)***	***6%***	***(2.4)***

    - No handbag checks in place; FAA limits left in place

- **COMMERCIAL:** Commercial impacts: how did they "accompany" this change towards customers? Did they see a change in customer behavior ("book away" or "avoidance rate", ie customers travelling with less checked bags? Which magnitude?) What kind of exemptions did you decide to implement (a free bag for Amex gold card owners...) ? Why ?
    - Delta communicated the changes via corp comm., delta.com,
    - The competitive impact to Delta was minimal – Delta was the last legacy carrier to initiate a first check bag fee. NW already had 1st bag fee policy in place.
    - From table above, the mix of passengers checking bags dropped by about (12) percentages points in the year following the initiation of the first bag fee.
    - Delta initiated immediately automatic waivers for First Class passengers and all Medallions (Million Milers, Silver – Diamond). Amex "First Bag Free" rolled out later in October 2010

Domestic Waiver's By Type	
Waiver Type	**Mix**
Front Cabin	11.6%
Medallion	19.9%
Amex	8.4%
Total	***39.8%***

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- **IMPACT:** Results increase
    - Delta domestic bag fee contributed ~ $750 M in2011; 2012 forecast $781 M

Exhibit 2

From: Robert Fornaro
Sent: Friday, April 03, 2009 9:46 AM
To: Kevin Healy
Subject: RE:

agree

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President & CEO
AirTran Airways
9955 AirTran Blvd.
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Tel: 407 318-5103;Fax 407 318-5900
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From: Kevin Healy
Sent: Tuesday, March 31, 2009 10:07 AM
To: Robert Fornaro
Subject: FW:

Bob – this is the analysis that Eric Ford and Tom Stalnaker did of the impact of first bag fees on consumer buying decision and potential share shift. In short, the study validates that $15 is viewed as incremental and doesn't impact purchase decisions. As such, we will continue the first bag fee as dropping it will not result in any marketplace advantage for AirTran.

From: Ford, Eric [mailto:Eric.Ford@oliverwyman.com]
Sent: Wednesday, March 25, 2009 10:59 AM
To: Kevin Healy
Cc: Stalnaker, Tom
Subject:

I hope all is well. Here is a market share analysis on the first bag fee. There are 2 attachments, the first attachment is a PowerPoint summary of the findings. The second attachment is a spreadsheet laying out all of the detail. In summary, controlling as best we can for capacity and fares, in head-to-head markets there was, on average, no discernable change in share-gap before and after the bag fee was put in place.

Tom and I would be happy to discuss with you (ideally next week if possible, as Tom is at the PHX Symposium and I am on my way to Florida literally in a few minutes).

Have a great week,
Eric (and Tom)

<<Bag Fee Analysis Presentation.ppt>> <<Work File.xls>>

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are prohibited from retaining, distributing, disclosing or using any information contained herein. Please inform us of the erroneous delivery by return e-mail.

Thank you for your cooperation.

Exhibit 3

To File
From Mark Osterberg
Date January 15, 2009
Subject Management's Assessment of AirTran as a Going Concern

DRAFT FOR DISCUSSION – PRELIMINARY AND SUBJECT TO CHANGE

Introduction

Financial statements prepared in accordance with US GAAP are based on the presumption that the reporting entity will be able to continue as a going concern. A going-concern is an entity which is expected "to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of business, restructuring of debt, externally forced revisions of its operations, or similar actions." When there are indicators that a company may not be able to meet its obligations in the normal course of business during the year following the most recent balance sheet date, both management and the outside auditor are required to assess whether there is substantial doubt that the company has ability to continue as a going concern. If there is substantial doubt about the company's ability to continue as a going concern, the financial statement footnotes must contain a discussion of the risks and implications of the substantial doubt about the company's inability to continue as a going concern.

The going concern guidance currently resides in the auditing literature - see Appendix A for excerpts from the guidance. This is a highly judgmental area – for example, there is not a definition in the literature of "substantial doubt". [1]

Due to following, Management has deemed it necessary to evaluate whether there is substantial doubt about AirTran's ability to continue as a going concern:

- AirTran incurred substantial operating and net losses in 2008
- Substantially all of AirTran's assets are pledged coupled with AirTran's low credit ratings and adverse market conditions may make it difficult for AirTran to raise additional cash thru debt financings in 2009.
- US macro economic conditions are unfavorable and may worsen in 2009
- Fuel prices may be volatile again in 2009

[1] The FASB has recently published an exposure draft of a new accounting standard to move the guidance to the accounting literature. The FASB exposure draft is very similar to the current auditing literature guidance.

- AirTran's agreements with its two largest credit card processors give each processor the right to increase cash holdbacks if AirTran's unrestricted cash falls below agreed-upon threshold levels

The balance of this memorandum contains Management's assessment of whether there is a substantial doubt about AirTran's ability to continue as a going concern.

2008 Operating Results and Actions Taken by AirTran

See Appendix B – 2008 P&L and Cash Flow Statements by Month.

After a successful 2007, during which AirTran earned net income of $33 million, we planned to grow 2008 capacity (as measured by available seat miles) between ten and twelve percent. Our original 2008 strategy was based on a strong U.S. economy and jet fuel prices consistent with 2007 levels. However, during 2008, the economic environment deteriorated, average jet fuel prices increased to record high levels, and the credit markets tightened. During 2008 we undertook a variety of actions to respond to the challenges of the high cost of jet fuel and the deteriorating U.S. economic environment, including: reducing capacity starting in September 2008; deferring new aircraft deliveries; selling aircraft; reducing other capital expenditures; implementing increases in certain fares and ancillary fees; entering into a variety of derivative financial arrangements to hedge the cost of fuel; and managing our costs and employment levels. We also completed capital market transactions aggregating $375 million, including: placing convertible debt and common equity securities; executing of a letter of credit facility to reduce (but not eliminate) our exposure to holdbacks of cash remittances by a credit card processor; and arranging a $90 million revolving line of credit.

Despite our efforts to increase unit revenues, control costs and reduce deployed capacity, after six consecutive years of profitability, we reported an operating loss of $72 million and a net loss of $274 million for 2008. Included in our results are gains on the sale of aircraft of $20 million, an impairment charge to write-off goodwill of $8.4 million and a non-operating loss on derivative financial instruments of $151 million. The 2008 loss is attributable to record high fuel prices during the first nine months of 2008. However, during the fourth quarter jet fuel prices decreased dramatically and unit revenues increased due to domestic capacity reductions by both AirTran and the U.S. airline industry. Consequently we reported operating income for the fourth quarter. The fourth quarter statement of operations also includes non-operating losses on derivative financial instruments which resulted in a pre-tax loss for the quarter.

The dramatic impact of fuel prices on AirTran's 2008 profitability can be measured as follows:

- Had 2008 fuel prices remained at the average 2007 level, AirTran's 2008 fuel expense would have been $376 million lower
- Had fuel prices for the first three quarters remained at the average 2007 level, AirTran's fuel expense for the first three quarters of 2008 would have been $389 million lower
- Q4 2008 fuel expense was reduced by $102 million because fuel prices for Q4 declined by 34 percent compared to the first three quarters ($2.32 per gallon for the fourth quarter compared to $3.53 for the first three quarters)
- The spiking of fuel prices was also the primary cause of the 2008 Q4 $148 million loss on fuel related financial instruments.

While the U.S. airline industry experienced profitability challenges in 2008, AirTran's challenge was magnified by industry leading capacity growth – see page 3 of the Credit Suisse presentation. In other words, AirTran's P&L was adversely impacted by losses associated with capacity growth in the first eight months of the year. For 2009, AirTran plans to shrink deployed capacity (as measured by ASM's).

To recap:

- After six consecutive years of profitability, AirTran did incur substantial losses in 2008.
- The losses were driven by a record spike in fuel prices during the first nine months and exacerbated by an aggressive growth plan.
- During the fourth quarter, unit revenues strengthened and ~~fuel~~ and fuel prices decreased. AirTran returned to profitability at the operating income level.
- Management took a variety of aggressive steps to reduce the losses, raise capital and reduce cash needs

2009 Expected Operating Results and Cash Flow

See Appendix C – 2008 Preliminary Budgeted P&L and Cash Flow Statements by Month

> It is important to note that the 2009 Budgeted Cash Flow assumes no borrowings under the Revolving Line of Credit Facility. Consequently, AirTran has the discretion to increase unrestricted cash levels (above those reflected in the cash flow projection) by $90 million at any point in time; however, if our unrestricted cash level exceeds $305 million, AirTran is required to repay the amount over $305 million within business days.

Given the decline in fuel prices coupled with our revenue outlook, we expect to be solidly profitable in 2009 – we expect to be profitable in each quarter. Our revenue and fuel budgets could both be characterized as conservative. Our non-fuel budgeted expenses are based on detailed department level expense submissions and analyses.

2009 Revenue Outlook

AirTran Management would characterize the 2009 revenue budget as "conservative to very conservative".

We are anticipating a 4% reduction in deployed capacity. Industry domestic capacity for 2009 is expected to decline by 6-9%. Normally a reduction in deployed capacity would drive a unit revenue increase. However, given the expected recessionary environment we are budgeting a 1.4% decrease in passenger RASM. While some observers are anticipating deeper domestic airline industry unit revenue deterioration, we believe that the US airline industry has already taken steps to mitigate the impact of the current recession. More specifically, in 2008 the domestic airline industry responded to the fuel price spike by reducing deployed capacity. For example, industry capacity was down by about 10% in the fourth quarter of 2008. Consequently, the industry may be better positioned "than usual" to cope with the adverse macroeconomic conditions in 2009.

Events at SoutwestSouthwest bode well for industry profitability. It is noteworthy that Southwest Airlines expects to shrink capacity in 2009. Additionally, due to the decline in fuel prices, Southwest has lost its "all in" unit cost advantage. The decline in fuel prices has also adversely impacted Southwest's balance sheet strength ast Southwest has had to return substantial margin deposits to counterparties and is now subject to margin calls.

Also, in assessing the reasonableness of the 2009 revenue forecast, it is important to note:

- During the first nine months of 2008, AirTran added substantial new service to both new and existing markets. In 2009, that service will now be more mature.
- The new markets being added in 2009 have a higher than usual probability of being successful. The Cancun market is being supported by charter track programs backed by two large tour operators. We will likely be the only carrier serving Branson in 2009.
- During December 2008, we implemented a $15 first checked bag fee. During the month of December this resulted in an incremental $4.3 million in other revenues. Our plan for 2009 assumes reduction in checked bags per customer due to the fee, but results in over $80 million in additional revenue.

Advance bookings through April continue to outpace the capacity reduction, which suggests an increase in passenger unit revenues. Despite these trends, we are assuming that passenger unit revenues will decline in each quarter of 2009. The only months with positive unit revenue are those that are impacted by a shift in travel holidays (Easter/April, Thanksgiving/November).

2009 Fuel Cost

The fuel prices used for the 2009 budget are based on the crude oil futures curve. Both the crude oil futures curve and crack spreads change daily. The budgeted 2009 average amounts are as follows:

- Crude - $62
- Crack spread - $21.49
- Combined crude and crack spread - $83.49

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As of January 13 – the prompt price for crude was $37.78 and the crack spread was $26.44 for a combined crude and crack spread of $64.22. The crude futures price for the balance of 2009s was $51.99.

Based on the current market, the 2009 budgeted fuel prices are reasonable to conservative.

Cash Flow Sensitivity Analysis

The two largest 2009 operating cash flow risks relate to our revenue performance and to fuel prices. In order to evaluate that cash flow impacts associated with those risks we developed proforma cash flows under alternative assumptions. See Appendix E for a summary of AirTran's profitability and unrestricted cash balances under alternative fuel and RASM assumptions. Even under the most adverse (and unlikely) assumptions), our unrestricted cash balance (including the $90 million available under the revolving line of credit), exceeds $300 million (at the applicable credit card processing agreement testing dates).

<u>Potential 2009 Financings</u>

While worldwide capital market conditions are adverse, there may be opportunities to obtain additional vendor financing and / or obtain additional equity capital. For example, we are having discussions with GE about a potential $10 to $20 million financing secured by aircraft parts. While debt markets opportunities may be limited, we believe (based on preliminary discussions with investment bankers) that the Company could access equity markets if additional capital was needed.

See attached Liquidity Report to Board of Directors for additional information about AirTran Management's Assessment of the Capital Markets.

<u>Credit Card Processing Arrangements and Risk of Additional Holdbacks</u>

See attached Liquidity Report to Board of Directors for a summary of the Status of our Credit Card Processing Agreements.

AirTran was in compliance with all of its credit card processing agreements as of December 31, 2009. Both of our two major processors were entitled to a 50% holdback. The American Express holdback requirement was satisfied with the holdback of cash remittances and the USBank holdback requirement was satisfied with a letter of credit issued in favor of USBank. The USBank holdback requirement increased to 60% on January 1, 2009.

Given the recent amendments to the two agreements, the next meaningful cash threshold test is March 31. If our unrestricted cash levels are less than $300 million, each of the processors may increase its holdback level. Our projected cash level as of March 31 is $270 million before any borrowings under the revolving line of credit. Including maximum borrowings under the revolving line of credit, our projected unrestricted cash level as of March 31 is $360 million.

The following could impact the March 31 projected balance:

- Fuel prices in excess of budgeted amounts - see Cash Sensitivities Discussion
- A revenue shortfall - see Cash Sensitivities Discussion
- Non-completion of budgeted aircraft sales. Budgeted aircraft sales add $19.7 million to cash balances in Q1. There is some uncertainty as to whether these sales will be consummated in Q1.
- Payables management activities. The 2009 cash forecast assumes no aggressive payables management in March. We estimate that we could increase cash balances by $20 million to $30 million by managing accounts payable at the end of the quarter.
- Aggressive action by Bank of America to force AirTran to remit additional margin deposits to Bank of America. See following discussion

Based on our 2009 budgeted cash flow, we expect cash balances to build after March as advanced ticket sales for the summer travel period increase.

We believe that we have good relationships with both American Express and US Bank. Each processor have orally stated that should our cash balances fall below the 50% holdback unrestricted cash threshold level ($300 million in unrestricted cash), the processor may not impose additional holdbacks. In other words, each processor has informed us that they would be willing to consider waiving the covenant if their credit risk people were comfortable that the risk of chargebacks was not excessive. In other words, in the unlikely event that we fall below the 50% holdback unrestricted cash threshold ($300 million) we would seek to have the covenants amended or waived.

Compliance with Leases, Loan and Derivative Agreements

During 2008 and as of December 31, 2008 AirTran was in compliance with all loan and lease agreements. We do not expect to be non-compliant with any loan or lease agreements in 2009.

Bank of America has requested that we provide additional collateral related to fuel and interest rate derivatives. We have declined to provide the collateral because we have advised Bank of America that we have a counterclaim due to actions taken by Bank of America in late 2007 related to the Columbia Fund. Bank of American is not currently actively seeking the additional margin call collateral. Based on values as of this date, should we be required to provide the additional collateral, the loss of cash would be about $18 million. This matter is currently under discussion with Bank of America.

Relations with key stakeholders suppliers (especially Boeing), lessors and labor (especially the pilots), etc.

We have good relations will all of our suppliers. Boeing has been especially helpful in providing credit support and backstop aircraft financing. Likewise, we have good relations with aircraft lessors.

Our relationship with Boeing is especially strong. Boeing assisted us in 2008 with significant credit support in the form of a $215 million letter of credit and revolving line of credit facility. Boeing is also assisting us with aircraft sales and has agreed to provide backstop aircraft financing. Boeing assisted us with financing in 2003. Our prior dealings with Boeing have been beneficial to both parties. Should we need it, we would likely seek additional support from Boeing in 2009.

We have generally good relations with labor - both unionized and non-unionized employees. The most problematic relationship is with the National Pilots Association. The pilots' contract became amendable in 2005. Without being specific, the NPA is seeking substantial pilot compensation increases. We are not presently in active negations and the bargaining process is still subject to mediation. While the NPA has engaged in the customary "saber rattling", including forming a strike committee, we do not expect a work stoppage in 2009.

Any other material risks and uncertainties that could significantly impact cash flow either favorably or unfavorably

See Liquidity Report to Board of Directors for a summary of AirTran's Potential Near Term Cash Needs.

As a result of the unwinding of 2009 uneconomical fuel hedges in the fourth quarter, the company's exposure to margin calls is greatly reduced. Currently the company has margin requirements of approximately $24MM based on oil at $38/bbl. Should oil drop to $25/bbl, our margin requirements are expected to increase to $38MM

Should oil rise to $50/bbl, our margin requirements are expected to decrease to $15 MM.

AirTran's Track Record of Responding to Adversity

Any projection of airline financial results is subject to uncertainties – both known and unknown uncertainties. No one predicted the combined unusual credit market conditions and fuel price spike of 2008. The year 2009 may bring unexpected events as well. However, AirTran's management has historically responded both aggressively and successfully to unexpected events. See the Credit Suisse presentation for AirTran's record of adapting to adversity. As in the past, we will aggressively respond to unexpected conditions.

Conclusion

AirTran's Management has concluded that there is not a substantial doubt about AirTran's ability to continue as a going concern. This conclusion is based largely on the following:

- Except for 2008, AirTran has a track record of profitability – AirTran operated profitably in each of the six years prior to 2008
- The 2008 losses were driven entirely by a spike in fuel. Fuel has now returned to more normal levels
- At the operating income level, we returned to profitability for the fourth quarter 2008
- As of 12/31/08 (and during 2008) we were in compliance with all agreements
- Given the substantial decline in fuel prices, we believe that AirTran will be profitable in 2009
- Our 2009 cash flows are projected to enable us to meet our obligations as they become due
- We have taken a variety of actions to reduce our cash flow needs in the future
- We have good relations with key stakeholders
- Consistent with AirTran's track record, we will be active proactive inly to dealing with any unexpected adverse conditions that may arise

While we have concluded that there is not a substantial doubt about AirTran's ability to continue as a going concern, AirTran may face liquidity challenges in 2009. Consequently, the footnotes to the 2008 financial statements will include a discussion similar to the following:

> Our 2009 cash flows will be impacted by a variety of factors including our operating results, scheduled debt maturities and capital expenditure requirements. In addition, we may need cash resources to fund increases in collateral required

by counterparties to our derivative financial instrument arrangements and our cash flows may be adversely impacted in the event that one or more credit card processors withholds amounts that would otherwise be remitted to us. We provide counterparties to our derivative financial instrument arrangements with collateral when the fair value of our obligation exceeds specified amounts. Our obligation to provide collateral pursuant to fuel related derivative financial instrument arrangements tends to be inversely related to fuel prices. Consequently, to the extent fuel prices decrease we will experience lower fuel expense and higher collateral requirements. Each of our agreements with our credit card processors allows, under specified conditions, the processor to retain cash related to future travel that such processor otherwise would remit to us. As of December 31, 2008, we were in compliance with our processing agreements and each of our two largest processors was entitled to withhold amounts that would otherwise be remitted to us, however, because a $125 million letter of credit had been issued for its benefit, our largest credit card processor was holding back no remittances from us. In the event that, among other things, our aggregate unrestricted cash and investments (as defined) falls below agreed upon levels, or a processor reasonably determines that there has been a material adverse occurrence or certain other events occur, each of our two largest processors would be entitled to withhold additional cash remittances from us.

Absent the occurrence of adverse events, we currently believe that our existing liquidity and projected 2009 cash flows will be sufficient to fund our operations and other financial obligations through December 2009. Although we believe our financial projections are reasonable, one or more events or conditions or a combination of one or more events or conditions, many of which are outside of our direct control, may cause our actual results, available liquidity and cash flows to be materially different from our projections. Such events or conditions include significant increases in fuel prices or fuel price volatility; recessionary macroeconomic conditions which negatively impact our revenues; increases in collateral required to be posted pursuant to derivative financial instrument agreements; or, the holdback of additional cash remittances under the terms of our agreements with organizations that process credit card transactions.

Appendix A – Excerpts from Going Concern Literature

Appendix B – 2008 P&L and Cash Flow Statements by Month

Appendix C – 2009 Preliminary Budgeted P&L and Cash Flow Statements by Month

Appendix D – Draft Liquidity Report to Board of Directors

Appendix E – RASM and Fuel Cost Cash Sensitivity Summary

Appendix F- AirTran presentation at the December 2008 Credit Suisse Conference

Exhibit 4

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

Civil Action File No. 1:09:MD-2089-TCB

ALL CASES

IN RE: DELTA/AIRTRAN BAGGAGE FEE

ANTITRUST LITIGATION

VIDEOTAPED DEPOSITION OF
FREDERICK ALLEN CANNON

Atlanta, Georgia
March 22, 2012

Reported by:
Sharon A. Gabrielli, RPR, CCR B-2002
Job No. 47532

March 22, 2012

10:06 a.m.

Videotaped Deposition of FREDERICK ALLEN CANNON, held at the offices of Smith, Gambrell & Russell, 1230 Peachtree Street North East, Atlanta, Georgia, pursuant to notice before Sharon A. Gabrielli, Certified Court Reporter of Atlanta, Georgia.

APPEARANCES:

ON BEHALF OF PLAINTIFFS:

DANIEL LOW, ESQUIRE
Kotchen & Low
2300 M Street NW
Washington, DC 20037

ON BEHALF OF DELTA and THE WITNESS:

RANDALL ALLEN, ESQUIRE
Alston & Bird
One Atlantic Center
1201 West Peachtree Street
Atlanta, Georgia 30309

ON BEHALF OF AIRTRAN:

ALDEN ATKINS, ESQUIRE
KATHRYN BRIDGET CODD, ESQ.
Vinson & Elkins
1455 Pennsylvania Avenue NW
Washington, DC 20004

ALSO PRESENT:

Rick Richey, Videographer

--oOo--

MR. ATKINS: Objection, form, foundation.

THE WITNESS: Apparently so. I don't recall this particular incident.

Q (BY MR. LOW) Were there any other occasions when someone suggested to you that passengers were irate about being charged a first bag fee?

A There were occasions when we took note that there were complaints about bag fees. Occasionally you get that.

Q Did you hear anything about complaints from customers related to first bag fees charged by other airlines?

A Um-hmm, frequently that would be included in the complaint to us.

THE COURT REPORTER: In the complaint?

THE WITNESS: To us.

MR. ATKINS: To us.

Q (BY MR. LOW) Did you see anything more generally in the newspapers or -- or magazines you read about customer's reactions to first bag fees?

A I don't recall anything, nothing that stands out.

Q After AirTran started charging a first bag fee, are you aware of any changes to customer booking

behavior?
A No.
Q Do you know whether the first bag fee affected demand for AirTran flights?
A I don't know that.
Q We talked a little bit before about fuel prices rising in 2008. Do you recall that?
A I remember they were starting to escalate, right.
Q What affect did fuel prices have on AirTran's profitability?
A It was a significant increase in cost. I don't remember the dollar figure in 2008, but fuel is one of the larger cost factors in an airline operation.
Q Do you recall that AirTran had a substantial loss in 2008?
MR. ATKINS: Objection, foundation.
THE WITNESS: I believe we did report a loss in 2008.
Q (BY MR. LOW) Do you recall any actions taken by AirTran to address rising fuel prices?
A We always address that through market selection and fares. I was not in revenue management, so I don't have firsthand knowledge of it.
Q How were fares affected?

specifically about fees causing a shift in demand. We simply talked about anticipated enplanements across the calendar year.

THE WITNESS: The young lady has a question.

THE COURT REPORTER: You're saying employments or enplanements?

MR. LOW: Enplanements.

THE WITNESS: Enplanements.

THE COURT REPORTER: Okay.

THE WITNESS: Enplanements. Sorry. E-N.

Q (BY MR. LOW) Did you have conversations with anyone else at AirTran about what affect these had on demand?

A I do not recall any.

Q Did you agree with Mr. Haak that fees did not have a big impact on demand?

A Yes.

Q What was the basis for your opinion?

A Just watching the activity in the industry.

Q Are you aware of any decision made at AirTran to lower base fares in conjunction with the imposition of a first bag fee?

A No, I was not in revenue management, so I

Exhibit 6

L.E.K.

AirTran

Review of Ancillary Revenues, Loyalty Program and Alliances

April 13, 2010

Auckland
Bangkok
Beijing
Boston
Chicago
London
Los Angeles
Melbourne
Milan
Mumbai
Munich
New Delhi
New York
Paris
San Francisco
Shanghai
Singapore
Sydney
Tokyo
Wroclaw

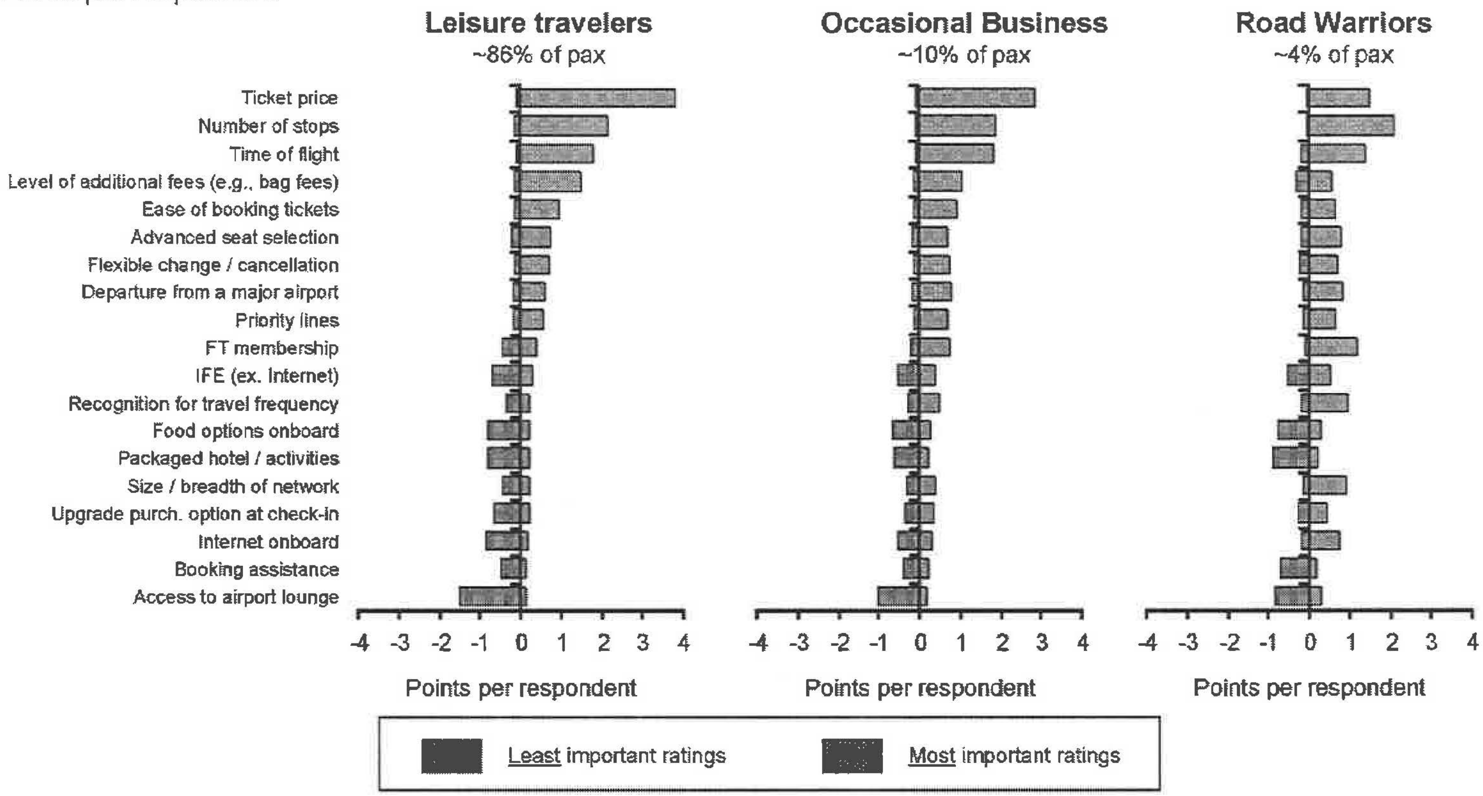
The materials contained in this document are intended to supplement a discussion between AirTran Airways and L.E.K. Consulting on April 13, 2010 These perspectives are confidential and will only be meaningful to those in attendance.

L.E.K. Consulting LLC, 28 State Street, 16th Floor, Boston, MA 02109, USA
T: 617.951.9500 F: 617.951.9392 www.lek.com

AirTran's passengers, including occasional business travelers, are highly price sensitive when choosing among carriers for a flight

Customer needs by segment – important features when traveling

Points per respondent*



Note: * Respondents asked to rank most important and east important factors. Mentions were weighted by ranking (e.g., 5 pts. for factor chosen as most important)
Source: L.E.K. survey and analysis

Exhibit 7

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

IN RE: DELTA/AIRTRAN BAGGAGE FEE ANTITRUST LITIGATION	) CIVIL ACTION FILE) NO.: 1:09-MD-2089-TCB) ALL CASES

VIDEOTAPED DEPOSITION OF GLEN W. HAUENSTEIN
ATLANTA, GEORGIA
THURSDAY, MAY 10, 2012

REPORTED BY: TANYA L. VERHOVEN-PAGE,
CCR-B-1790

FILE NO. 48772

May 10, 2012

1:14 p.m.

Videotaped deposition of GLEN W. HAUENSTEIN, held at the offices of Alston & Bird, LLP, Atlantic Center Plaza, 1180 West Peachtree Street, Atlanta, Georgia before Tanya L. Verhoven-Page, Certified Court Reporter and Notary Public of the State of Georgia.

APPEARANCES OF COUNSEL

On behalf of the Plaintiffs:

DANIEL LOW, ESQ.
Kotchen & Low
2300 M Street, N.W.
Washington, D.C. 20037

On behalf of Delta Air Lines, Inc.:
JAMES P. DENVIR, ESQ.
Boies Schiller & Flexner
5301 Wisconsin Avenue, N.W.
Washington, D.C. 20015

On behalf of AirTran Airways:
ROGER W. FONES, ESQ.
Morrison & Foerster
2000 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

THE VIDEOGRAPHER: Rick Richey

\- - -

buy higher fares. And so we really were investigating with the economy seeming to shift negatively, would the business customers who were contracted book away because we had fees.

Q What was your belief about whether business customers would book away because Delta had fees?

A I think actually business customers are much more -- are much less sensitive to fees, because they tend to have contracts with the companies. And I saw a lot of times the individual consumers don't know what the actual fee structures are with the companies, but know that they have to fly certain airlines because their company contracts with them. So probably less sensitive than purely leisure.

Q Would you agree that in some instances the fee is a tiebreaker?

A Well, I think that's what Bob was asking for her solicitation as is this significant or is this not, in that space.

Q Do you know what Mr. Cortelieu's position was on first bag fees?

A No.

Q If you look at the bottom part of the

Exhibit 8

CONTACT:
Delta Corporate Communications
404-7'5-2554

Delta Aligns Policies and Fees to Offer Consistency for Customers Traveling on Delta- and Northwest-Operated Flights

Fee structure reflects proven practices from both airlines that have been broadly accepted in marketplace

ATLANTA, Nov. 5, 2008 – Delta Air Lines (NYSE: DAL) today announced the alignment of policies and fees for customers traveling on Delta- and Northwest-operated flights as the airline works to ensure a seamless and consistent customer experience during the integration of the two carriers.

Some of the changes to align Delta and Northwest's policies and fees include:

- **Elimination of SkyMiles and WorldPerks award ticket surcharges** – Effective immediately, Delta will eliminate the $25-$100 fuel surcharges assessed for SkyMiles and WorldPerks award ticket travel originating from the U.S. and Canada. The surcharges were instituted earlier this year by both airlines in response to unprecedented fuel costs.

- **Reduction of Reservation Sales Direct Ticketing charges** – Delta, effective Nov. 6, will reduce the fee assessed for tickets purchased over the phone from a reservations sales representative from $25 to $20 consistent with Northwest's policy. Delta will also reduce the fee collected when customers redeem either SkyMiles or WorldPerks award travel over the phone with a reservations sales representative from $25 to $20. As always, there will continue to be no charge for customers who book tickets and redeem award travel online at either delta.com or nwa.com.

- **Elimination of curbside check-in administrative fees** – Delta, effective Dec. 5, will discontinue the $3 curbside check-in administration fee. With this change, customers no longer will incur an administrative fee for checking bags via skycaps for Delta- and Northwest-operated flights at airport locations worldwide, consistent with Northwest's policy.

- **Alignment of first and second checked bag fees** – Effective immediately, for travel on or after Dec. 5, customers flying within the United States will be charged $15 for the first checked bag and $25 for the second checked bag when traveling domestically, consistent with Northwest's existing policies. Customers who purchased Delta tickets on or before Nov. 5, 2008, and who are traveling on or after Dec. 5, 2008, will be charged $50 for a second bag, but will be permitted to check their first bag without charge pursuant to Delta's previous policy. All customers flying in First or Business Class, including SkyMiles Medallion members and WorldPerks Elite members, will receive up to three checked bags, up to 70 pounds each, for free. SkyMiles Medallion members and WorldPerks Elite members flying in Coach Class will receive up to two checked bags, up to 70 pounds each, for free. All customers traveling in full fare (Y) Coach Class, as well as customers traveling internationally will receive up to two checked bags, up to 50 pounds each, for free. U. S. Military personnel on active duty with travel orders will continue to be able to check up to 10 pieces of luggage on Delta- and Northwest-operated mainline flights or up to four pieces of luggage on Delta Connection flights, up to a maximum of 100 pounds each, free of charge.

- **Addition of "Coach Choice Seats" on Delta flights** – Last week, Delta began offering customers the opportunity to purchase "Coach Choice Seats" on select Delta and Delta Connection flights when they use self-service check-in within 24 hours of their scheduled departure time. A service currently offered at Northwest, the program offers "Coach Choice Seats" for $5-$25 based on distance traveled and seat location. Additionally, SkyMiles Medallion members, WorldPerks Elite members, SkyTeam Elite members and passengers confirmed in Y or B class may select a "Coach Choice" seat at no additional charge when checking in online or at a kiosk within 24 hours of departure. Coach Choice Seats represent less than 10 percent of all seat assignments available on Delta-operated flights. SkyMiles Medallion and WorldPerks Elite members will continue to enjoy access to preferred seating (i.e. select bulkhead, exit row and forward cabin-seating) without a charge at the time of booking.

Most other Northwest baggage policies and fees will be aligned to Delta's structure, effective Dec 5. Travel on Delta and Northwest tickets purchased prior to the announcement of these changes will continue to be governed by the prior Delta and Northwest policies. Additional details about Delta's newly aligned policies and fees can be found at delta.com.

"The increase in bags being carried on board Delta aircraft this year tells us that customers are not differentiating Delta as the only major airline not charging for a first checked bag," said Steve Gorman, Delta's executive vice president and chief operating officer. "As we align customer policies and fees to simplify the travel experience for our customers throughout the merger, Delta is adopting proven practices from both Delta and Northwest that have been broadly accepted in the marketplace."

Although Delta and Northwest policies and fees are being aligned over the next 30 days, customers are reminded to continue checking in for flights and doing business directly with the airline operating their flights just as they did before the merger. Delta will continue operation of the airlines' separate Web sites, www.delta.com and www.nwa.com, as well as the two airlines' reservations systems and loyalty programs. The companies will be integrated through a thoughtful process with customer benefits continuing to roll out over the next 12-24 months.

Delta Air Lines is the world's largest airline. From its hubs in Atlanta, Cincinnati, Detroit, Memphis, Minneapolis-St. Paul, New York-JFK, Salt Lake City and Tokyo-Narita, Delta and its Northwest subsidiary offer service to more than 375 destinations worldwide in 66 countries and serve more than 170 million passengers each year. Delta's marketing alliances allow customers to earn and redeem either SkyMiles or WorldPerks on more than 16,000 daily flights offered by SkyTeam and other partners. Delta and its 75,000 worldwide employees are reshaping the aviation industry as the only U.S. airline to offer a full global network. More information about the new Delta is available online at news.delta.com.

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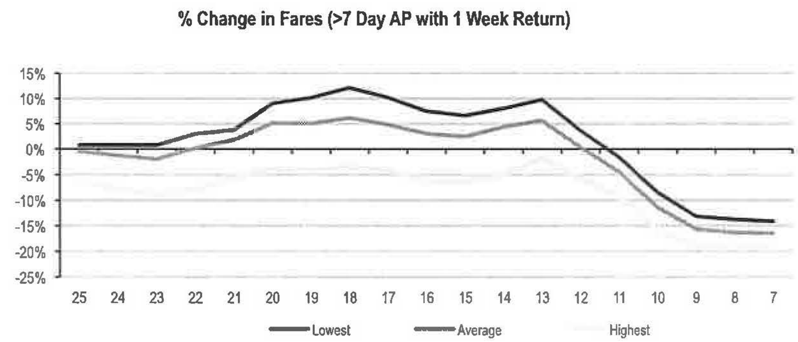
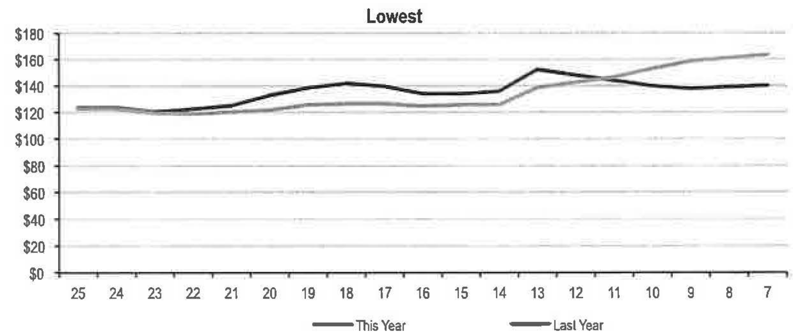
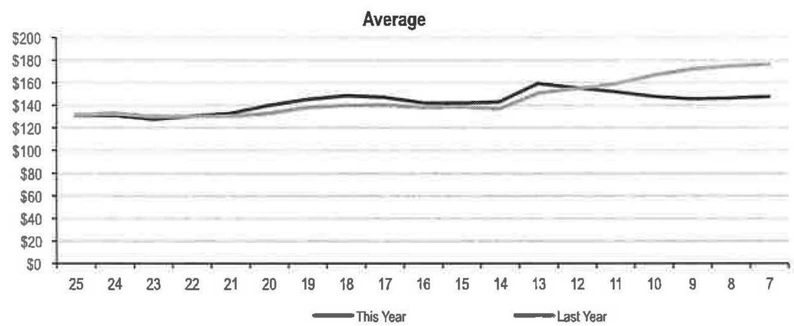
Exhibit 9

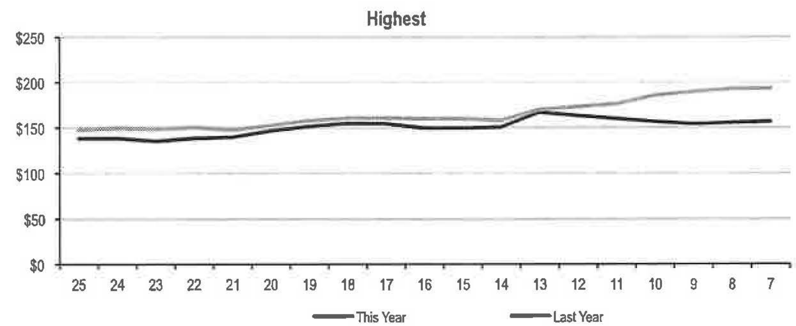
AirTran

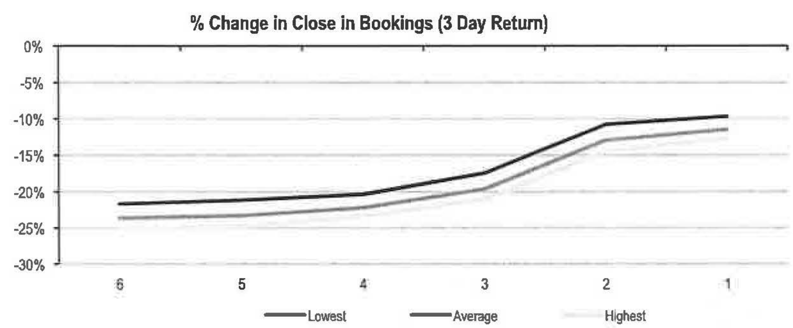
Departures from: 1/1/09 to 1/11/09











AirTran

Departures from: 1/1/09 to 1/11/09

Advance Purchase	Lowest This Year	Lowest Last Year	Lowest % Chg	Average This Year	Average Last Year	Average % Chg	Highest This Year	Highest Last Year	Highest % Chg	
25	$123	$123	1%	$131	$131	0%	$138	$148	-6%	3
24	$124	$123	1%	$131	$133	-1%	$139	$150	-8%	4
23	$120	$119	1%	$128	$130	-2%	$136	$149	-9%	5
22	$123	$119	3%	$131	$130	0%	$139	$151	-8%	6
21	$125	$120	4%	$133	$130	2%	$140	$148	-5%	7
20	$133	$122	9%	$140	$133	5%	$147	$153	-4%	8
19	$139	$126	10%	$145	$138	5%	$152	$158	-4%	9
18	$142	$127	12%	$149	$140	6%	$155	$160	-3%	10
17	$140	$127	10%	$147	$140	5%	$154	$161	-4%	11
16	$134	$125	8%	$142	$138	3%	$150	$160	-6%	12
15	$134	$126	7%	$142	$138	3%	$150	$160	-7%	13
14	$136	$126	8%	$143	$137	4%	$151	$158	-5%	14
13	$152	$139	10%	$160	$151	6%	$167	$170	-2%	15
12	$148	$143	4%	$155	$155	0%	$163	$173	-6%	16
11	$144	$147	-2%	$152	$159	-4%	$160	$176	-9%	17
10	$140	$153	-8%	$148	$167	-11%	$156	$186	-16%	18
9	$138	$159	-13%	$146	$172	-16%	$154	$190	-19%	19
8	$139	$161	-14%	$146	$175	-16%	$155	$193	-19%	20
7	$140	$163	-14%	$148	$177	-16%	$157	$194	-19%	21
6	$174	$222	-22%	$182	$238	-24%	$193	$257	-25%	22
5	$177	$224	-21%	$185	$241	-23%	$196	$260	-25%	23
4	$181	$228	-20%	$191	$245	-22%	$203	$265	-23%	24
3	$209	$253	-17%	$217	$270	-20%	$229	$290	-21%	25
2	$233	$262	-11%	$243	$280	-13%	$255	$298	-14%	26
1	$237	$262	-10%	$247	$279	-11%	$260	$298	-13%	27

Exhibit 10

From: Matthew Klein
Sent: Tuesday, February 10, 2009 11:50 PM
To: Arne Haak; Robert Fornaro; Steve Rossum; Kevin Healy
Cc: Jason Bewley; Roger Morenc; John P. Kirby
Subject: RE: Crissey: Investor Survey Results
Attachments: image001.gif

I know I'm going to sound like an economist here, but the further GM job cuts announced today could be starting the bottoming process. Oil has to move with demand (assuming no major disruption of supply or refining capabilities). Plus, I would think the job cut announcements continue into the July/August earnings calls (and I'm hoping stop before we hit 10% unemployment). The 50% of the country who fear losing their job is probably more powerful of a spending deterrent than the 3% of Americans who actually do lose their jobs. The job losses have to bottom out and then create easier yr/yr comps before RASM growth can meaningfully commence.

I will assume the chief pessimist role for a minute and suggest that I think the survey results may be accurate. The demand picture is so much worse today than it was 8 weeks and even 5 weeks ago.

Today's further job losses and the market getting hammered won't be good in the short-term for leisure demand, but I have to believe that our legacy competitors are getting absolutely slaughtered on business travel. Our close-in RASM looks pretty bad yr/yr (with sustained yields but bad volume) which means OA numbers must look worse than awful.

From: Arne Haak
Sent: Tuesday, February 10, 2009 6:00 PM
To: Robert Fornaro; Steve Rossum; Kevin Healy
Cc: Jason Bewley; Matthew Klein; Roger Morenc; John P. Kirby; Jamie Kogutek
Subject: FW: Crissey: Investor Survey Results

FYI - Revenue is in the spotlight. Investors are expecting a bigger than -4% decline in RASM this year and no recovery until 2010.

Arne

Arne G. Haak | AirTran Airways, Inc. | Senior Vice President & Chief Financial Officer
9955 AirTran Blvd | Orlando, FL 32827 | P: 407.318.5187 | M: 407.256.0796 |
Arne.Haak@airtran.com

From: Kevin.Crissey@ubs.com [mailto:Kevin.Crissey@ubs.com]
Sent: Tuesday, February 10, 2009 7:35 AM
To: undisclosed-recipients
Subject: Crissey: Investor Survey Results

The results from our quick survey conducted late last week are below with details in the attached note.
Please call us with any questions.
Best.
Kevin
US Airlines & OTAs
212-713-3562

Investor Survey Results Picture (Metafile)
* Snap Survey
Late last week we conducted a quick survey of buy-side airline investors to ascertain what they are collectively thinking. The questions were simple and the detailed results are presented starting on page 2.

* Results
Investors expect 2009 unit revenue (RASM) to be down more than the 4% to which Delta has guided but generally not to double digit declines. This is in line with our forecasts. A recovery in travel demand is not expected by most investors until the first half of 2010 or later. The area of most concern currently is the revenue outlook rather than liquidity. Not a single respondent views the fuel price as the biggest area of concern. What a difference a few months makes.

* Stock implications
Being bullish on the stocks we had hoped that buy-side RASM expectations were much weaker than our forecast. This is not the case. Buy-side expectations appear reasonable to us. However, we are still surprised that the stocks are trading at these low levels, often reserved for airlines with liquidity concerns.

Picture (Metafile)<<Crissey_Investor_Survey_Feb_2009.pdf>>

Exhibit 11

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION
Civil Action File No. 1:09:md-2089-TCB
ALL CASES

IN RE: DELTA/AIRTRAN BAGGAGE
FEE ANTITRUST LITIGATION

DEPOSITION OF DARIN N. LEE
Washington, D.C.
December 15, 2010

Reported by:
Mary Ann Payonk, RDR-CRR
Job No. 35356

December 15, 2010

9:07 a.m.

Deposition of DARIN N. LEE, held at the offices of Boies, Schiller & Flexner, 5301 Wisconsin Avenue, Northwest, Washington, D.C., pursuant to Notice before Mary Ann Payonk, Certified Realtime Reporter and Notary Public for the District of Columbia.

APPEARANCES:

ON BEHALF OF PLAINTIFFS:

DANIEL A. KOTCHEN, ESQUIRE
KOTCHEN & LOW
2300 M Street, N.W.
Washington, DC 20037

ON BEHALF OF DELTA and THE WITNESS:

JAMES DENVIR, ESQUIRE
BOIES SCHILLER & FLEXNER
5301 Wisconsin Avenue, N.W.
Washington, DC 20015

ON BEHALF OF AIRTRAN:

BERT W. REIN, ESQUIRE
WILEY REIN
1776 K Street, N.W.
Washington, D.C. 20006

ALSO PRESENT:

Rick Sanborn, Legal Video Specialist

D. Lee

those -- that randomness is captured through -- through these error terms.

Q. If you turn to page 21 of your report --

A. Okay.

Q. -- the final sentence at the end of page 21 -- at the end of page 21 onto page 22 reads: These models also demonstrate that, as logic dictates, the recession resulted in lower average based fares industry wide during the first quarter of 2009.

A. I see that.

Q. Why -- why would logic dictate that a recession resulted in lower average fares?

A. Why would logic dictate that fares are lower in a recession?

Q. Yes.

A. Well, so there could be a lot of reasons. In a recession, there tends to be far less business travel and so, you know, business travelers tend to be on average passengers that -- that purchase higher priced tickets that have fewer restrictions. Okay? And so the mix of travel in a -- in a recession tends

D. Lee

to -- tends to be more tilted away from -- from those higher fare passengers.

In a recession, generally people are much more -- become much more price conscious. Okay? So whereas, you know, if -- if you're -- you know, if -- if you have a -- a great year, you know, you're -- you're -- you're, you know, your -- your -- your -- your own personal earnings are -- are high and -- and -- and -- and the value of your -- your portfolio of investments is -- is rising and you -- you -- you're employed and you don't see any uncertainty with regards to your employment, you're -- you're less likely to be as price sensitive when purchasing an airline ticket as if you'd just lost your job and your 401K just took a 40 percent hit.

You know, so there's a bunch of reasons. I mean, I'm happy to -- to talk about this more but, I mean, those would be a couple of reasons just off the top.

Q. Is it fair to say that during a recession consumers are more price sensitive?

A. I think as a general matter that

Exhibit 12

FINAL TRANSCRIPT

Thomson StreetEvents℠

DAL - Q1 2009 Delta Air Lines, Inc Earnings Conference Call

Event Date/Time: Apr. 21. 2009 / 10:00AM ET

CORPORATE PARTICIPANTS

Jill Greer
Delta Air Lines - Director of IR

Richard Anderson
Delta Air Lines - CEO

Ed Bastian
Delta Air Lines - President

Hank Halter
Delta Air Lines - CFO

Glen Hauenstein
Delta Air Lines - EVP, Network and Revenue Management

Ned Walker
Delta Air Lines - SVP, Chief Communications Officer

CONFERENCE CALL PARTICIPANTS

Mike Linenberg
Banc of America - Analyst

Gary Chase
Barclays Capital - Analyst

Helane Becker
Jesup & Lamont - Analyst

Jamie Baker
JPMorgan - Analyst

Hunter Keay
Stifel Nicolaus - Analyst

Michael Derchin
FTN Equity Capital - Analyst

William Greene
Morgan Stanley - Analyst

Kevin Crissey
UBS - Analyst

Bob McAdoo
Avondale Partners - Analyst

Harry Weber
Associated Press - Media

James Pilcher
Cincinnati Inquirer - Media

Kelly Yamanouchi
Atlanta General Constitution - Media

Ted Reed
TheStreet.com - Media

John Crawley
Reuters - Media

Mike Esterl
The Wall Street Journal - Media

John Welbes
St. Paul Pioneer Press - Media

Mary Jane Credeur
Bloomberg News - Media

Aaron Karp
Air Transport World - Media

Andy Compart
Aviation Daily - Media

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Delta Air Lines April 2009 quarter financial results conference call. My name is Cynthia and I will be your coordinator. At this time, all participants are in listen-only mode until we conduct the question-and-answer session following the presentation. (Operator Instructions).

I would now like to introduce the call -- I would now like to turn the call over to Jill Greer, Director of Investor Relations for Delta Air Lines.

Jill Greer - *Delta Air Lines - Director of IR*

Thanks, Cindy, and good morning everyone. Thanks for joining us to discuss Delta's March quarter 2009 financial results. Joining us from Atlanta today are Richard Anderson, Chief Executive Officer, Ed Bastian, Delta's President and Hank Halter our Chief Financial Officer. Also joining us during the Q&A session are Steve Gorman, our Chief Operating Officer, Glenn Hauenstein, EVP of Network and Revenue Management, Mike Campbell, EVP of HR and Labor Relations, Ben Hirst, our General Counsel, Paul Jacobson, Senior Vice President and Treasurer, and Ned Walker, our Senior Vice President and Chief Communications Officer.

Richard will begin the call with a Delta and industry overview. Ed will then address our March 2009 quarter financial and revenue performance and give an update on merger integration. Hank will conclude with a review of Delta's cost performance and liquidity. We've allocated 25 minutes for executive comments. After their comments, we've allocated 25 minutes for questions from the analysts, and we will then conclude the call with a 10-minute Q&A with the media. When we get to the Q&A, I'd like to request that you limit yourself to two questions. That should allow us to get as many questions in as possible during today's call.

Today's discussion contains forward-looking statements that represent our beliefs or expectations about future events. All forward-looking statements involve risks and uncertainties that could cause the actual results to differ materially from the forward-looking statements. Some of the factors that may cause such differences are described in Delta's SEC filings. We'll also discuss certain non-GAAP financial measures and you can find the reconciliation of those non-GAAP measures on our Investor Relations website at delta.com.

With that I will turn the call over to Richard Anderson.

Richard Anderson - *Delta Air Lines - CEO*

Thanks, Jill. Good morning and thanks for joining us today. This has been a challenging quarter for the global economy and Delta was certainly not immune. However, it is clear that Delta's fundamental business strength is solid as we essentially broke even for the quarter excluding fuel hedges and special items. We achieved in this one of the worst economic recessions in our lifetime.

But before I get into the details I want to first thank the Delta team around the world for their hard work and dedication to running a great airline. While tough days still lie ahead I have no doubt the people of Delta will get through these challenges with professionalism, and unwavering committment to delivering a first-rate travel experience to our customers. We have recognized employees for their efforts with more than ten million in shared rewards so far in 2009 for meeting operational performance goals. And thanks to the team for some really great work.

For the quarter, Delta reported a net loss excluding special items of $693 million. These results were impacted by hedging decisions we made last year when crude was climbing to nearly $150 a barrel. What is critical to focus on is excluding special items and fuel hedge losses of $684 million, we had a break even quarter. We generated positive cash flow from operations of over $600 million during the quarter and our strong $5 billion liquidity balance was unchanged from the end of fourth quarter 2008. So we're in a sound position to deal with the current economic environment. We've got a strong financial foundation, a diverse global network, unmatched benefits from the merger, and the best employees in the industry.

In the midst of challenging times, it's even more important that we're running a solid operation. In February, Delta and Northwest posted top tier results in completion factor and on-time arrivals as reported by the Department of Transportation. In fact, Delta had its best February completion factor performance on record at 99.1%. Northwest kept its performance at the top of the industry during the quarter and Delta improved its baggage results more than 20% year on year in the March quarter. So the investments we've been making in technology and processes are paying off for our customers.

I think the biggest question out there now is the revenue environment. We've seen some signs of stabilization as the revenue environment appears to have bottomed out. But it's still a bit early to call and we expect to face significant head winds throughout 2009. In addition to our announcement last month to reduce international capacity 10%, starting in September we're taking further actions to increase revenue, reduce costs, and preserve liquidity. We continue to believe that unbundling our pricing is the right thing for our customers and our business. To that end, Delta announced this morning that we will charge a $50 fee for a second checked bag on international flights.

We're taking 40 to 50 aircraft out of the Delta fleet this year. This will include grounding all remaining B-747-200 freighter aircraft at the end of this year. We're also reducing over 30 regional jets this year. We're also focused on aligning our staffing levels with reduced capacity. Our staff at the end of the quarter was down 6% compared to last year. This will be even lower after the end of the summer travel season when most of of the 2,500 employees who participated in the voluntary programs will have left the Company. So we are staying ahead of the curve on capacity adding new sources of revenue and maintaining our best in class cost structure. The result is an industry leading liquidity balance that will help us weather this economic storm.

In the midst of challenging times our merger with Northwest is even more important. It differentiates Delta from the rest of the industry. We've got an unmatched annual $2 billion synergy opportunity by combining the two companies. It's been a year since we announced the merger. The deeper we get into putting the two airlines together the more we see the merger really is a game changer. We built a tremendous amount of momentum through the integration of the two airlines. We're on track to receive a single operating certificate from the Federal Aviation Administration by the end of the year and we worked out seniority integration and representation issues for many of our work groups.

More than half the airports have been rebranded and consolidated. We have employees in new uniforms and our domestic product is aligned. So really great progress. So while it is going to be a tough year no airline is better positioned than Delta. We're focused on the fundamentals, running a great airline, making prudent decisions about capacity, costs and capital, and accelerating our unmatched benefits from the merger so that we'll be ready to take advantage of the up side when the economy turns around.

With that I will turn the call over to Ed Bastian.

Ed Bastian - *Delta Air Lines - President*

Thanks, Richard. Good morning, everybody. I will join Richard in thanking my Delta colleagues. We're in some pretty challenging economic times, and on top of that we're busy merging two companies into the world's largest airline. The Delta people continue to step up to the challenge day after day. Thanks to all of you for your hard work and dedication.

Turning to our financial results for the March quarter excluding special items, Delta reported a net loss of $693 million or $0.84 per share on a base of 825 million fully diluted shares. This compares favorably to consensus estimates of a loss of $1.01. As Richard mentioned, despite one of the worst economic back drops on record we would have reported break-even results for the quarter if we had fuel at market prices. This point is particularly relevant because we will largely be out of our legacy hedge positions by June.

On a GAAP basis, we reported a net loss of $794 million in the March quarter which includes special items of approximately $100 million. These special items consisted of a $50 million charge for severance related to the voluntary workforce reduction programs offered in January and $49 million in merger-related expenses. We generated more than $600 million in operating cash flow and $100 million in positive free cash flow in the March quarter. Our operating cash flow allowed us to pay down over $500 million of debt in the quarter and make investments in the business while still retaining our unrestricted liquidity balance at a healthy $5 billion. Unless otherwise noted as GAAP, all financial results and guidance we give today, including any comparisons to the prior year periods, will be on a combined basis which includes the results for Delta and Northwest for all periods.

Turning to revenue, our total operating revenue was down 15% year-over-year in the March quarter, which reflects the weak economic backdrop we're in. Delta's consolidated passenger RASM decreased by 12% with the yield down 9% and load factor down three points. This was slightly worse than our guidance of unit revenue down 10% as yields on close-in bookings did not pick up as we were expecting. Domestic passenger RASM decreased 11%. Domestic load factor was down less than 1% due to our capacity reductions. However, yields were under significant pressure due to aggressive sale activity.

Unit revenue on the international side was down 13% year-over-year with the yields down 6%. Yields in the transatlantic were significantly impacted by foreign exchange and a weaker fare and cabin mix. Our pacific performance showed relative strength. Revenue from other sources which includes fees from unbundling our ticket pricing offset some of the weakness on ticket revenue. As a result, total unit revenue was down 9% as compared to 12% for passenger unit revenue. Based on the ATA data we recently received for the March quarter, we continue to produce a unit revenue premium to the industry.

Revenues in our cargo business were down $146 million or 44% on a year-over-year basis with about half that decline due to freighter capacity reductions. The remainder was due to weakness in cargo volumes and yields due to the recession. We announced this morning that we'll be discontinuing dedicated freighter flying and will ground our fleet of 14 747-200 aircraft by the end of this year. Last year freighter flying cost us and we lost about $150 million. So this is a positive decision for the long-term profitability of our cargo operation as we refocus our efforts on our belly business.

For the March quarter other net revenue was up 18% to approximately $900 million driven by ancillary revenues. Baggage fees implemented in 2008 generated more than $160 million of revenue for the quarter. As Richard noted, we also announced today a $50 fee for a second checked bag on international flights which we expect to generate over $100 million on a run rate basis starting July 1st. Our strategy of unbundling product and services from the base ticket price clearly provides a valuable source of revenue and gives customers the opportunity to pay for only those services that are important to them.

In terms of our revenue outlook, while we have seen signs of stabilization in revenue trends, at the same time we haven't seen any indications of improvement. Right now our May and June is shaping up to be similar to a combination of March and April. In short, things aren't good but they're also not getting worse. Domestically our booked load factors are down two to four points year-over-year for May and June but we do expect stronger close-in build. Advanced yields are lower, due to aggressive pricing and a weaker mix in booking and cabin mix.

Also our year-over-year comps will be more challenged as we head into the summer -- as measured against the summer of 2008 given that was the peak of fuel surcharges and fuel cost driven fare increases. Corporate travel trends continue to be soft, but the pace of decline in business yields and bookings has definitely slowed. Our international book load factor is down four to six points for May and June, but we are expecting demand to build closer as we approach the summer travel period.

We've been an industry leader in addressing the deteriorating demand environment. Last month we announced a 10% international capacity reduction starting in September. I think it's important to note that we have no limitations or restrictions on our needs should we need to further reduce capacity. While we haven't seen -- excuse me, while we've seen signs of stabilization I think I would echo the comments of our peers that we're not ready to call bottom yet. We're more confident in the stabilizing the trends on the domestic side. International year-over-year comps are tougher and we'll likely have a better indication as we head into the peak of the summer travel season. So we'll continue to monitor advanced revenue trends and be prepared to make further adjustments to capacity as warranted.

In terms of capacity guidance, we expect our system capacity to be down 5% to 7% year-over-year in the June quarter with consolidated domestic capacity down 6% to 8% and our consolidated international capacity down 5% to 7%. For the full year we expect system capacity to be down 6% to 8% with our consolidated domestic capacity down eight to ten points and our consolidated international capacity five to seven points down. In connection with our capacity reductions, we're planning to remove 40 to 50 mainline aircraft from the Delta fleet which includes the 747 freighter I mentioned earlier. On top of that we're also removing over 30 RJs.

As to the merger, we're pleased to say that the integration is moving faster than we had planned. During the March quarter we realized about $100 million in synergies and we're on track to generate at least $500 million in merger synergies this year. As Richard said, we've rebranded a large number of our stations including the top domestic Northwest hubs in Minneapolis, Detroit, and Memphis and we've painted 50 Northwest aircraft in the Delta livery. We've also launched important initial cross fleeting routes in key market such as Honolulu, London, Paris and Rome inter changing Delta and Northwest metal and those cross fleeting decisions are performing very very well. In fact the 747 we moved on to the Atlanta-Honolulu run had a 90% plus load factor its very first week.

We're on track to achieve a single operating certificate by the end of 2009. Speed is critical in the receipt of the SOC as it really starts to unlock the full value of the network and operational synergies. We're also bringing benefits quickly to our customers, while we make this a seamless transition. All Northwest flights are now available for sale on Delta.com and customers can seamlessly merge points from SkyMiles and WorldPerks accounts. We're also on schedule to integrate the frequent flyer programs completely by the fourth quarter of this year.

So you can see the integration is progressing very well. We're focused on accelerating integration activities where we can ramp-up. As we get our synergies in more quickly. That will certainly help us to offset some of the revenue weakness we're experiencing from the recession.

With that I will turn the call over to Hank Halter.

Hank Halter - *Delta Air Lines - CFO*

Thanks, Ed. Good morning, everyone. Reviewing Delta's cost performance for the March quarter total operating expenses excluding special items decreased $1.1 billion year-over-year with $874 million in lower fuel expense. For the March quarter main line CASM excluding fuel and special items was 7.76 cents an increase of 5% year-over-year. That 5% is better than our most recent guidance of up 8% due in part to lower revenue related expenses but also resulted from improving productivity across all of our divisions. Thanks to the entire Delta team for continuing to be vigilant about costs each and every day.

Excluding the impact of pension expenses, main line nonfuel CASM was up only 2% despite a 7% reduction in main line capacity. Non-operating expenses were $96 million higher in March quarter this year versus last year, largely as a result of noncash purchase accounting related to debt discount amortization. We'll continue to face some cost pressures in the June quarter from pension expense and from the timing of removing costs related to capacity reductions. As a result, we're expecting second quarter main line nonfuel unit costs to be up 3% to 5%, and that includes three points of pension impact. While we have some cost pressures from pensions and capacity reductions, the year-over-year GAAP in our main line nonfuel CASM will narrow throughout the year as we remove more capacity related cost. We have a solid track record of achieving our CASM targets and will maintain that strong cost discipline.

With regard to fuel and hedging, we hedged 77% of our first quarter fuel consumption, resulting in a consolidated all-in price of $2.26 per gallon. Included that in fuel price is $684 million or $0.71 per gallon of hedging losses on settled contracts. During the quarter, we continued to add to our hedge portfolio albeit at a slower pace. The steepness of the forward curve and the hefty prices on options significantly increased the cost of hedging. So we need to proceed cautiously in this environment.

In the June quarter we've hedged 75% of our anticipated consumption. Based on crude of $50, and a $10 refining cost spread, we expect our consolidated fuel cost per gallon to be $2.08 all in, and this includes a $0.45 per gallon impact from fuel hedge losses. We expect cash collateral requirements on hedges to decline to approximately $100 million beyond the June quarter. And based on the current forward curve our fuel hedging losses will be $0.18 per gallon in the third quarter and down to $0.03 per gallon in the fourth quarter.

In terms of earnings performance for the upcoming June quarter we're expecting a positive operating margin in the 4% to 6% range as lower fuel prices and one of our seasonally strong quarters offset the impact from the global recession, fuel hedge losses, and higher pension expense. For the full year we still expect to be profitable as merger synergies along with the benefits of lower fuel prices and capacity reductions offset the deterioration in revenue.

Our liquidity position remains strong during the March quarter. On March 31st, we had $5.0 billion in unrestricted liquidity which includes $4.5 billion in cash and $500 million undrawn line of credit. These figures do not include $400 million in net hedge margin posted with counter parties. The key point on liquidity is that our unrestricted balance was unchanged during a very difficult quarter where we continued to make debt pilots and investments in our business. We generated positive cash flow from operations of over $600 million in the March quarter. With that we were able to fund debt maturities, capital lease payments, and cash capex. In the quarter, we also took delivery of 11 aircraft and issued $500 million in aircraft debt. We sold 10 Boeing 757 aircraft and one DC-9 aircraft during our March quarter.

For the end of the June quarter we're targeting to grow our unrestricted liquidity balance to $5.6 billion. We have very manageable debt maturities and capital lease payments of approximately $400 million in the second quarter, and net capex of $650 million with about $550 million of that for aircraft parts and modifications. By the end of the June quarter we will have covered nearly two-thirds of our expected debt maturities and capex for the full year and grown our liquidity balance.

During the quarter we're taking delivery of three Boeing 777s and two CRJ 900s and have committed financing in place for those deliveries. And then beyond the June quarter we have only three aircraft deliveries remaining and already have financing commitments in place for those as well. So for 2009 we're targeting to grow our unrestrict liquidity and end the year with a balance between $6.0 billion and $6.5 billion.

So in closing, while there have been indications that demand trends may be stabilizing, we're still expecting the balance of 2009 to be difficult. We're in the worst global recession of this generation and the revenue environment remains weak and certain. Delta's industry leading cost structure, solid cash balance, and benefits from the merger, combined with the best employees in the industry, put us in a unique position to weather these tough economic times.

I want to sincerely thank the Delta team for all they do every day to make Delta the best airline to fly, the best place to work, and the best investment for our shareholders.

Jill Greer - *Delta Air Lines - Director of IR*

Thanks, Richard and Hank. We're now ready for questions from the analysts. Cindy, would you please review the process for asking a question. And again we ask everybody to limit themselves to two questions.

QUESTIONS AND ANSWERS

Operator

Thank you. Today's question-and-answer session will be conducted electronically. We will first take questions from the analysts and then from the media. We ask that anyone from the media please hold your questions until that time. (Operator Instructions) We will pause for a moment to give everyone an opportunity to signal. And we'll take our first question today from Mike Linenberg at Banc of America.

Mike Linenberg - *Banc of America - Analyst*

Hi, good morning, everyone. Two questions here. The $150 million that was -- well, the loss from the freighter operation last year is in the synergies for this year, the $500 million, or maybe it's the synergies for 2010, since's year end 2009 does, that include the benefits from shutting down the freighter operation or is that in addition to it?

Ed Bastian - *Delta Air Lines - President*

Mike, in the $2 billion total synergy bucket, we do have benefits from shutting the freighters down. I'm not sure the number is $150 million. That's a little high. We do have some benefits in the current year as well. But the large synergy benefits will kick in next year.

Mike Linenberg - *Banc of America - Analyst*

Okay. And then just the freighter operation, if you can just remind me, the freighter operation today, it is using combination -- the frequencies that they use in and out of Japan and I think in some of the other markets where there are restrictions in place, those can be used by your passenger airplanes, right?

Ed Bastian - *Delta Air Lines - President*

Correct.

Mike Linenberg - *Banc of America - Analyst*

Okay. Then my second question just has to do with RASM. Ed, as you indicated, for the March quarter, I believe you were originally forecasting 10%, and RASM came in, I think down 12. And it had to do with the lack of close-in bookings really materializing later in the quarter. I know you indicated when we look in the June quarter, that at this point you are anticipating, I think both domestic and international, you indicated that you thought that you would see a better performance in close-in bookings. What's behind that view? Is that more of a hunch, or are you actually starting to see maybe things firm up to give you some confidence to make that statement?

Ed Bastian - *Delta Air Lines - President*

No, we're -- the close-in bookings came in, Mike, in March it was the yields on the close-in bookings that didn't strengthen as we thought they might. The guidance we're projecting for May and June really is very comparable to the performance we've -- we saw in March and we're seeing in April. So, no, I'm not certain that we're saying it's going to improve as we look forward.

Mike Linenberg - *Banc of America - Analyst*

Okay, very good then. Thank you.

Operator

We'll take our next question from Gary Chase at Barclays Capital.

Gary Chase - *Barclays Capital - Analyst*

Good morning, everybody. Just a quick question on the -- just a quick cleanup question on that freighter issue. The $150 million was a loss generated. Can you just give a sense of what the revenue base from the dedicated as opposed to belly cargo business was?

Richard Anderson - *Delta Air Lines - CEO*

This is very general, but it's about $400 million to $500 million as I recall.

Ed Bastian - *Delta Air Lines - President*

Yes, I mean we obviously, we've been winding them down over the course of the last six to nine months, so Richard is right it is in that $400 million to $500 million annual range.

Gary Chase - *Barclays Capital - Analyst*

Okay. And then the change in cost guidance, how much of that is your forecast for revenue related costs coming down and how much of that should we think is more sustainable as we move into what hopefully will be a better revenue environment?

Hank Halter - *Delta Air Lines - CFO*

Yes, no that cost improvement that we had in the quarter relative to our guidance was -- say about a third of it was due to the revenue related expenses. A third was productivity across the divisions. And I think another third is just acceleration of synergy opportunities. We're taking this opportunity in the Company as the recession is here to look at every opportunity to accelerate, and that's one thing we were able to do during the quarter. And we'll continue to do going forward.

Gary Chase - *Barclays Capital - Analyst*

Okay, and Hank is that a reasonable way to think about the forward looking change in guidance too for the full year?

Hank Halter - *Delta Air Lines - CFO*

Yes, as you look forward, as we've talked about, we still have that pension pressure and that is about three points each quarter. But you will see the CASM performance improve each quarter, so quarter-over-quarter. And the acceleration will certainly benefit that. You will see our full year CASM guidance as improved slightly from the prior guidance we gave. And that synergy acceleration and productivity across the Company is certainly helping us achieve that goal.

Gary Chase - *Barclays Capital - Analyst*

Okay and just one last quick one, could you parse out how within the transatlantic business, how the revenue performance was in what I would call "core Europe" versus some of the other flying that you are doing, say Johannesburg and things like that?

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

Hi, Gary, it's Glen. We have kind of a -- I'm going to spin it a little bit differently. We have the coastal hubs which are Atlanta and JFK which seem to be outperforming the interior hubs into Europe. So really it's a point of sale US issue coming out of the mid states that's really impacting us. That's the more discernible of the two.

Gary Chase - *Barclays Capital - Analyst*

So it's not really within the Atlantic business on the other side, it's just on the US side is where it is differentiated?

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

The differentiators are more based on the interior US points underperforming the coastal gate ways.

Gary Chase - *Barclays Capital - Analyst*

Okay, thanks, guys.

Operator

And we'll take our next question from Helane Becker at Jesup & Lamont.

Helane Becker - *Jesup & Lamont - Analyst*

Thank you very much operator. Hi, guys. I wanted to talk to you about some of the routes that are unique to Delta and their performance. For example, your Africa operations. Can you just sort of address how they're shaping up relative to your expectations? And relative to what you are doing in terms of when you are talking about capacity that's coming out can you be a little more specific about where those routes are?

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

Certainly I can tell that you Africa has been an impressive result so far year to date. We have a lot of new cities coming in Africa. We're optimistic about the bookings. They look relatively solid. And then -- what was your other question? I'm sorry.

Helane Becker - *Jesup & Lamont - Analyst*

You had talked about international capacity coming down in the second half of the year, more than you were already talking about, when you spoke to us the last time. So can you just say where the differences are coming from?

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

We will make an announcement here in the next month or so, a public announcement about where those capacity reductions will be hitting. We have publicly said by the fourth quarter we will be down 10% internationally versus previous guidance. So the details of that will be forth coming over the next six to eight weeks here.

Helane Becker - *Jesup & Lamont - Analyst*

Okay. Well, that's it then thank you for your help.

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

You are welcome.

Operator

And we'll take our next question from Jamie Baker at JPMorgan.

Jamie Baker - *JPMorgan - Analyst*

Hi, good morning everybody.

Ed Bastian - *Delta Air Lines - President*

Good morning, Jamie.

Jamie Baker - *JPMorgan - Analyst*

I don't want to beat the dead horse on the revenue language, but Ed when you talk about stabilization, it isn't clear if you are talking about year on year revenue declines or year on year RASM declines. And obviously the reason it makes a difference is that if it's only revenue that's stabilizing, then RASM probably gets a little worse from here. I'm just not sure if this is what you are necessarily hoping to convey.

Ed Bastian - *Delta Air Lines - President*

We're largely talking about RASM, Jamie.

Jamie Baker - *JPMorgan - Analyst*

Okay. That's helpful. And as a follow-up, the liquidity guidance was diminished a bit. I realize it's not an enormous amount. Anything behind the math there other than what's being captured by the diminished margin guidance?

Ed Bastian - *Delta Air Lines - President*

You're talking about the end of the year liquidity?

Jamie Baker - *JPMorgan - Analyst*

Yes, the $6 billion plus which I believe was revised down from kind of $7 billion roundish number.

Ed Bastian - *Delta Air Lines - President*

We're estimating somewhere between $0.5 billion to $1 billion to be the revenue hit from where we thought it would be start of the year. So that's accounting for the net liquidity reduction.

Jamie Baker - *JPMorgan - Analyst*

Okay, perfect, thank you very much.

Ed Bastian - *Delta Air Lines - President*

You are welcome.

Operator

And we'll take our next question from Hunter Keay at Stifel Nicolaus.

Hunter Keay - *Stifel Nicolaus - Analyst*

Thanks, guys. Good morning.

Ed Bastian - *Delta Air Lines - President*

Good morning.

Hunter Keay - *Stifel Nicolaus - Analyst*

Quickly on the capacity, to follow up on the previous question, I know more details are forthcoming but the incremental capacity that you are taking out internationally, I mean it's also noted that your full-year mainline capacity is within still in the same range. So we should assume this is going to be aircraft that might be deployed to domestic routes or is this kind of a utilization thing? I mean, what are some of the moving parts behind that number?

Ed Bastian - *Delta Air Lines - President*

I will start, Glen can had a color. Hunter, we're not providing a lot of detail because we're not announcing where the capacity is coming out. You should not assume you are going to be seeing aircraft come back into the domestic system, though.

Hunter Keay - *Stifel Nicolaus - Analyst*

Okay, fair enough. And quickly, would you care to maybe -- I think we can probably imply, based on some of the other numbers you've already discussed, but maybe update the PRASM guidance that you guys provided in January of down 4%?

Ed Bastian - *Delta Air Lines - President*

No, I'm not sure we're in a position to update that now.

Hunter Keay - *Stifel Nicolaus - Analyst*

Okay, that's it, thank you.

Operator

And we'll take our next question from Michael Derchin at FTN Equity Capital.

Michael Derchin - *FTN Equity Capital - Analyst*

Good afternoon. Your pacific RASM was very impressive, down only 2.8%. I wonder if you could elaborate on that very good performance, and whether you think that's sustainable for the balance of the year?

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

Well, I think that we're favorably impacted by foreign exchange to the tune of about four to six points. In addition to that we had very strong performance on the Japanese beach marks. And we had taken a lot of capacity actions in the off season in the transpacific as well as the inter ports. So I think a combination of all those actions resulted in some fairly good relative pacific performance.

Richard Anderson - *Delta Air Lines - CEO*

I would add one other point, which is one of the first things we did after the merger was really spend a lot of time on the strategy for the pacific. And taking the Delta strength, the strength of the Delta network and hooking to the that pacific network. And so you are beginning to see a lot of that sort of pay off of hooking that Delta network into the Northwest network, number one.

Number two, the hub in Narita becomes very valuable, because overflies, particularly from Asian carriers, have significantly diminished. And so when you look at the utility that our network provides and the strength of combining the Delta network with the Northwest network, you see a dramatic improvement. And it's some of the improvement that you will see over time that will continue as a result of the integration of the two airlines.

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

And I couldn't agree more. I just -- to adjust expectations moving forward we do have a lot of incremental capacity in the transatlantic hooking up those networks this summer. So that would probably in the short run, have a little more downward pressure than we have had in the first quarter.

Michael Derchin - *FTN Equity Capital - Analyst*

Thanks, guys.

Richard Anderson - *Delta Air Lines - CEO*

Thank you.

Operator

And we'll take our next question from William Greene at Morgan Stanley.

William Greene - *Morgan Stanley - Analyst*

Hi, Glen, just one quick follow-up there. You mentioned FX effects of four to six points. You meant negative on the currency on the international side?

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

This is for yen-based.

William Greene - *Morgan Stanley - Analyst*

Okay, what was the total international impact from currency changes?

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

In the transatlantic, it was minus six to eight year-over-year. And in the pacific it was plus four because most of our transpacific is yen based.

William Greene - *Morgan Stanley - Analyst*

Okay. And then Glen do you have a sense for how much the revenue is affected by the loss of fuel surcharges on the international side?

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

To date, actually surprisingly the impact has not yet been realized in the transatlantic because the tickets for the first quarter, which were probably mostly ticketed before the rundown in fuel, and certainly before the rundown in the surcharges, hadn't impacted it yet. So when we look to the second quarter we have a couple of real hurdles to pass because certainly in the transatlantic we will start to see the reduction in the fuel surcharges on a year-over-year basis as we get into the second and third quarters. And that to me is going to be the big negative we have to overcome for comps.

William Greene - *Morgan Stanley - Analyst*

Is it just a transatlantic impact or is it all international has the fuel surcharge?

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

It is all international but primarily Japan and the transatlantic are the two big drivers there.

William Greene - *Morgan Stanley - Analyst*

Okay. One quick question on liquidity. Do you guys have any you know unencumbered assets left and how much cash are you to receive from Am Ex this year?

Ed Bastian - *Delta Air Lines - President*

Bill, we don't have any material unencumbered assets at this point. We received the full $1 billion from Amex in December And the run rate benefits of the new contract are $500 million a year. We received that as spending occurs over the course of the year.

William Greene - *Morgan Stanley - Analyst*

Okay. That's great, thanks.

Operator

And we'll move to our next question which comes from Kevin Crissey at UBS.

Kevin Crissey - *UBS - Analyst*

Good morning. Wanted to ask about any potential changes you might make in your distribution strategy, whether it be on-line or off-line, maybe some opportunities to save some commissions and foreign points of sale? If could you talk about your distribution strategy.

Richard Anderson - *Delta Air Lines - CEO*

This is Richard. We have moved domestically share to Delta.com, and we're probably will get up to 37 to 38% of tickets issued on Delta.com. So we continue to push our direct to consumer channels. And, in fact, it actually made sense for us to reduce our reservation fee given the yields that we have from telephone sales. So that's the first piece of the equation.

The second piece of the equation, across the transatlantic, is the joint venture with Air France and KLM. And moving more away from general sales agents to the joint venture relationship with our partners in the transpacific. Third, I just think over time the industry has to evolve more to the mold of other industries where people pay us for our content rather than us paying them to take our content. Because our content is very rich. And I think it's going to continue to evolve as distribution costs decline. And when you look at the value that we provide when we service a reservation versus on-line travel agencies and others, it's really significant. So continued focus we have a number of synergies that will also come from combining the GDS and OTA agreements between Northwest and Delta.

Kevin Crissey - *UBS - Analyst*

How far away might we be from that world where you get paid for content, and when you speak of that are you referring to GDSs and OTAs as well? American, Gerard mentioned that as well.

Richard Anderson - *Delta Air Lines - CEO*

I think OTAs for sure. The travel management firms, the large management firms provide a pretty valuable service to our corporate customers. And while I think over time the GDS model will also change and the cost per booking will continue to decline, because all the contracts that carriers are under right now were negotiated a few years back, and we won't be up for renewal for a few years. But I think the travel management firms have an important long-term role to play for large corporations in terms of managing their total travel and keeping up with the -- with their employees around the world. But the GDS costs will continue to decline, and ultimately the on-line travel agencies should pay for the content the way they do for hotels.

Kevin Crissey - *UBS - Analyst*

Terrific. Last follow-up. If you did 38 to 37% of your tickets on Delta.com how much would have gone through an OTA?

Richard Anderson - *Delta Air Lines - CEO*

I didn't understand the question.

Kevin Crissey - *UBS - Analyst*

I think you mentioned 37 to 38% of your ticket are purchased through Delta.com. How many would have come from Expedia, Priceline, or other OTAs?

Richard Anderson - *Delta Air Lines - CEO*

Comparable to less than that. Probably in about the 30% range, I think.

Ed Bastian - *Delta Air Lines - President*

Yes, it is a little bit less than that. We can have Jill get back to you on the exact number.

Kevin Crissey - *UBS - Analyst*

Okay. Thank you very much.

Richard Anderson - *Delta Air Lines - CEO*

Yes.

Operator

And we'll take our next question from Bob McAdoo with Avondale Partners.

Bob McAdoo - *Avondale Partners - Analyst*

Could you just kind of educate us on the difference in the structure of your pacific network versus United's? Because you obviously have had some pretty good results where United is saying today that they cut 16% of their capacity out of the pacific and still had PRASM down 16%.. What structurally is different between your kind of a network versus theirs? What works versus -- for you versus not for them?

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

Bob, it's Glen. How are you doing today?.

Bob McAdoo - *Avondale Partners - Analyst*

Fine.

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

Good. There are a couple of main issues. One is that United has done a lot of overfly, so they're flying from the US, beyond their historical presence in Narita. They have really decrease their reliance on Narita over the years, where the historical Northwest operator has continued to rely heavily on Japan point of sale and the Narita hub. That includes the beach markets, so the resort destinations in Micronesia, where Northwest is a very very large player and Hawaii. Those sectors had performed relatively well. United is not a big player, if they play at all, in many of those markets. So I think they didn't have anything offsetting. And I don't know what their -- I wouldn't want to comment on their currency is because I am not that familiar with it. But we are heavily yen based and the first quarter was a good exchange for yen as well.

Richard Anderson - *Delta Air Lines - CEO*

Bob this is Richard. We operate a classic hub in Tokyo. And all points in the US connect to all of the major cities in Asia with the minimum connect time of probably an hour and a half. And so when you look at the options in an environment where a lot of people have pulled out point to point capacity over the transpac. And remember point to point capacity over the transpac is very expensive. Because unlike Europe it takes two airplanes.

You can't do over and back in a 24-hour period. So when you fly San Francisco to Singapore nonstop, or San Francisco Hong Kong nonstop, it takes two 777s. Where as we operate a classic hub, so we get the indivisibilities of operating of hub and the ability to very efficiently take traffic and passengers from all over the US, bring them to Tokyo and then redistribute them on the network south and west of Tokyo.

Bob McAdoo - *Avondale Partners - Analyst*

Do you still have narrow bodies operating on the other side of Tokyo?

Richard Anderson - *Delta Air Lines - CEO*

Yes.

Bob McAdoo - *Avondale Partners - Analyst*

Okay. Got it. One last thing relative to the pacific. Do you serve Australia now? Did you not announce that you are going to go nonstop US Australia soon and what does that look like in terms of this economic environment as a thing to start? Because I mean when you hear what Qantas and people are stumbling around with in terms of their kind of numbers, is that still something that sounds attractive in today's environment?

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

Well, Bob, I think if we were sitting back hear and knew what the global environment was going to be last October or what it is going to be next October, we would have a crystal ball. I think strategically, we are the only alliance partner, so Star has access to Australia, One World has access to Australia, and SkyTeam was the only one without access to Australia. And we historically had backed over 200 passengers a day on Delta and Northwest interlining to Qantas. So the demand is there, and I think it's the same as Heathrow. If you are the incumbent carrier this is a disaster. If you are the nonincumbent this is an opportunity.

The question is long run as being the world's largest carrier and having the extensive rout network that we have do we want to have outlet to Australia? The answer is clearly yes. Did we pick the best global economic time to start? The answer is clearly no. So there's good news/bad in there, and I think we're comfortable with the decision, but we'll be looking at the demand. The demand for July, which is the first month we operate is relatively strong. We're booked already well over 30% of capacity, so I think we'll run relatively full. And the question is the offering in the off-season before we get back into the winter peak, which is the US point of sale origin peak.

Bob McAdoo - *Avondale Partners - Analyst*

And what kind of an airplane is this?

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

777.

Bob McAdoo - *Avondale Partners - Analyst*

Okay. All right, thanks.

Richard Anderson - *Delta Air Lines - CEO*

Thanks, Bob.

Jill Greer - *Delta Air Lines - Director of IR*

Cindy, that's going to wrap up the analyst portion of our call and I would like to now turn the call over Ned Walker.

Ned Walker - *Delta Air Lines - SVP, Chief Communications Officer*

Thanks very much, Jill. Good morning, everyone. Cindy, we are ready to begin the Q-and-A session with the media at this point. Once again, if you could please review the process for queuing in to ask a question. And what I'd like to ask with the media, is if you could ask one question with a quick follow-up we should be able to address everybody's question during this process. With that, I'll turn it back to you, Cindy.

Operator

Thank you. We will now be taking questions from the media. (Operator Instructions) We will pause for a moment to give everyone an opportunity to signal. And we'll take our first question from Harry Weber at Associated Press.

Harry Weber - *Associated Press - Media*

Hello, how are you?

Richard Anderson - *Delta Air Lines - CEO*

Hi, Harry.

Harry Weber - *Associated Press - Media*

Two very quick questions. One on staffing. Do you anticipate any more job cuts in light of the international capacity cuts? And fees for travelers. You are imposing a new fee for second checked bag on international flights. Are there any other types of fees that you all are considering?

Richard Anderson - *Delta Air Lines - CEO*

Harry this is Richard. On the first point, with respect to staffing, we have worked really hard to avoid any involuntary furloughs of any of our frontline employees. And that's our goal. And as we said in the script, we have 2,500 people who are taking voluntary reductions. And we have a whole host of other programs, Company convenience leaves, special slip leaves, and insourcing of work. So our goal is to -- because we think the way for us to contribute to the economy and getting Americans back flying again is to preserve as many jobs as we can. That's the first point.

On the second point, I think Ben Hirst, our General Counsel, would prefer that I not talk about any future ideas about where fees would go in the industry. We're very careful about being certain we comply with Department of Justice and Department of Transportation rules on those sorts of matters.

Harry Weber - *Associated Press - Media*

Thank you.

Richard Anderson - *Delta Air Lines - CEO*

You are welcome.

Operator

And we'll take our next question from [James Pilcher], Cincinnati Inquirer.

James Pilcher - *Cincinnati Inquirer - Media*

Good morning, gentleman. Can you give me any specifics on how the new fare system is operating here? And as a follow-up, can you also talk about how the process is going with the new regional handling subsidiary between -- I know it's Comair and Mesaba, and how that whole transition is going with the announcement today that you are going to cut 30 RJs, how does that impact the local CVG hub?

Richard Anderson - *Delta Air Lines - CEO*

I can address the issue on the ground handling subsidiary. The purpose behind pulling our ground handling subsidiary was to continue to maintain separate operations at each carrier, but to have consistency in our customer experience across all of the Delta connection carriers. And that work is well underway and is going well. As we look out at the regional carrier reductions, those reductions given the size of the fleet, will probably have minimal impact on staffing across the airports in the regional carrier network, because we operate a fairly large fleet. It will have a minimal impact in terms of staffing. And the extent to which it does have any impact we will once again work to mitigate that, as best we can with our regional carrier partners. And Glen can address the Cincinnati --

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Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

Yes. We have been very pleased with the response from the people in Cincinnati and northern Kentucky to the lower fare structures that we put in place there a little over a month ago now. And so we are continuing to hope that people continue to use that service, and we're able to keep those similar structures in place, of course. Fares change, so they will migrate up and down, depending on the demand in the market. But in general we're very, very happy with the response that we've gotten to the lower fare structures in Cincinnati.

James Pilcher - *Cincinnati Inquirer - Media*

Do you have any specificity around that in terms of traffic increased percentages or anything like that? As a follow-up on the RHS situation, any light into the Mesa lawsuit and where that might stand at this point? Because that has implications here in Cincinnati.

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

Well I can't talk to the second point, but I will say that we've seen that the local Cincinnati enplanement base subpoena double digits now versus where we were pre restructuring.

James Pilcher - *Cincinnati Inquirer - Media*

And that's a percentage, double digits?

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

Yes.

Richard Anderson - *Delta Air Lines - CEO*

So we appreciate the support of our good customer base in Cincinnati.

Ed Bastian - *Delta Air Lines - President*

And we will not be commenting on pending litigation with Mesa.

James Pilcher - *Cincinnati Inquirer - Media*

Thank you.

Operator

We'll take our next question from Kelly Yamanouchi at Atlanta Journal Constitution.

Kelly Yamanouchi - *Atlanta General Constitution - Media*

Hi there. I was just wondering, first question, what other aircraft will you be removing from the fleet to get to that total here?

Richard Anderson - *Delta Air Lines - CEO*

Well, we've got a combination of aircraft that we are looking at. There's some 757s, MD-88s that we're look at, obviously the regional jets we've already talked about and the dedicated freighters.

Kelly Yamanouchi - *Atlanta General Constitution - Media*

On the 757's and the MD-88's is that a part of those fleets or are there any aircraft type as a whole that you are looking to pull out?

Ed Bastian - *Delta Air Lines - President*

No, we are not exiting any whole categories of aircraft types.

Kelly Yamanouchi - *Atlanta General Constitution - Media*

Okay, great. And then my other question is, with pull-out of the freighter operations from the available slots in Asia, will you be adding passenger flights to Asia or shifting things? And will you be shifting any international routes to Atlanta or JFK because of the underperformance of the interior cities or will you just be discontinuing or pulling down capacity from some of those interior cities?

Ed Bastian - *Delta Air Lines - President*

No, we're going to continue to retain the slots that we have in Narita. They're valuable slots in valuable positions. And we will be reallocating that capacity.

Kelly Yamanouchi - *Atlanta General Constitution - Media*

Okay, into Europe, any shift from the interior cities?

Ed Bastian - *Delta Air Lines - President*

No significant shift, no. We announced we're going to be reducing some international capacity in the fourth quarter.

Kelly Yamanouchi - *Atlanta General Constitution - Media*

Okay. Great. Thanks.

Operator

We'll take our next question from [Ted Reid] at TheStreet.com.

Ted Reed - *TheStreet.com - Media*

Thank you. Kelly basically asked my question, but when you take the freighters out at Narita, do you have to operate to preserve the route authority?

Richard Anderson - *Delta Air Lines - CEO*

Yes, this is Richard. You do have, I believe it's an 80% requirement. But given the opportunities that we have in the combination passenger/cargo business, we'll have a good ability to utilize those slots. Already we've added Salt Lake City to Tokyo, we've added four additional flights from Atlanta to Tokyo and we've added JFK to Tokyo. And we've added an additional spoke from Tokyo to Ho Chi Minh City. So there are plenty of opportunities. The freighters have been gradually pulled down and we've been reallocating those slots to much better opportunities in terms of revenues and profits.

Ted Reed - *TheStreet.com - Media*

These are just slots at Narita then, you can use them either for US routes or to routes elsewhere in Asia?

Richard Anderson - *Delta Air Lines - CEO*

Right, the slots are -- don't have any particular destination tied to them. You can use the slots for passenger or freighter or for operations within Asia or outside of Asia.

Ted Reed - *TheStreet.com - Media*

Last thing are there any specific questions regarding the route authorities? Do you have -- do you have route authorities that you have to use for any specific destination?

Richard Anderson - *Delta Air Lines - CEO*

I don't understand. You mean in the pacific?

Ted Reed - *TheStreet.com - Media*

Yes, in some of these markets you have to have authorities to fly into these countries. So it's not just the slots it's also the --

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Richard Anderson - *Delta Air Lines - CEO*

Right, but we have the authorities. We by and large have the authority.

Ted Reed - *TheStreet.com - Media*

Okay, thank you.

Operator

And we'll take our next question from John Crawley and Reuters.

John Crawley - *Reuters - Media*

Hi, guys. Back to the 757's and 88's does, that bring up to that 50 count, or would those bring you above 50?

Ed Bastian - *Delta Air Lines - President*

They're part of the 50, John.

John Crawley - *Reuters - Media*

Okay. And when you talk about a year-end profit, are we talking about a profit in the fourth quarter, or are you talking about a profit for the full year?

Ed Bastian - *Delta Air Lines - President*

Full year.

John Crawley - *Reuters - Media*

Okay, thank you.

Operator

And we'll take our next question from Mike Esterl with Wall Street Journal.

Mike Esterl - *The Wall Street Journal - Media*

Yes, good morning. I wanted to ask about the European Commission coming out a few days ago, looking into SkyTeam cooperation. Are you expecting Delta to to have make any concession to Brussels given those probes that are continuing?

Richard Anderson - *Delta Air Lines - CEO*

Actually, I think the announcement that came out was pertaining to the other two alliances. But it is fairly routine for the European Commission to look at these sorts of arrangements that are negotiated under the bilateral agreements among the US and the European Union countries.

Mike Esterl - *The Wall Street Journal - Media*

And does that mean -- are you expecting any -- I think you're a little further along I guess in the process. Are you expecting to have to make any concessions? It seems like Brussels is rather than going away is ratcheting up its scrutiny.

Richard Anderson - *Delta Air Lines - CEO*

Well I mean I think the best way to answer the question is, we've been through pretty rigorous review in the EU of first getting approval for our transatlantic joint venture last summer. So it was about a year ago or about ten months ago. And then second, the Northwest/Delta merger included analysis by the European Union, including our alliance relationships with Air France/KLM. So we've been through a lot of scrutiny on both sides of the ocean with respect to the competitive aspects of our merger and our joint venture.

Mike Esterl - *The Wall Street Journal - Media*

Thank you.

Operator

And we'll take our next question from John Welbes with St. Paul Pioneer Press.

John Welbes - *St. Paul Pioneer Press - Media*

Good morning. With the 747s you are parking on the freighters, does that mean the freighter operations, the hangars at MSP and Anchorage is that shutting down, or --

Richard Anderson - *Delta Air Lines - CEO*

Well, the hangars in Minneapolis/St. Paul are used for maintenance of the whole fleet, so there won't be any real material change there. And the facility in Anchorage we will eliminate. We no longer will have a need for a hangar in Anchorage. So we'll be working through as we shut down the facility rationalize -- as we shut down that operation, which lost a lot of money before the merger, we will look at rationalizing those facilities across the network where we have freighter-specific facilities.

John Welbes - *St. Paul Pioneer Press - Media*

Okay. And at the headquarters in Eagan, Northwest, have all the people been notified what's happening with their jobs? Whether their positions are being eliminated or they're moving to Atlanta? Is all that in the works now?

Ed Bastian - *Delta Air Lines - President*

We are largely complete, yes.

John Welbes - *St. Paul Pioneer Press - Media*

Okay. Thanks.

Operator

And we'll take our next question from Mary Jane Credeur at Bloomberg News.

Mary Jane Credeur - *Bloomberg News - Media*

Hi, gentlemen. It appears that the airlines just completed their first domestic fare increase in what, nine, ten months or, so since summer of last year. And should we be reading into that, that it's an indication that bookings domestically might be looking a little bit better?

Glen Hauenstein - *Delta Air Lines - EVP, Network and Revenue Management*

Well, we are moving into peak season here. And the advanced bookings, we have been running relatively full airplanes even through the shoulder season, so we're hopeful that those trends continue. And what has been historically missing here have been the business travelers, and we're hoping that they come back soon, and that the economy starts to recover. And we should be well positioned as that occurs, because the planes are already relatively full.

Mary Jane Credeur - *Bloomberg News - Media*

And speaking of business travel, can you tell us a little bit more about what we should see sequentially on yields going into Q2, especially on the international premium side? Can you give us any more granularity on that?

Ed Bastian - *Delta Air Lines - President*

No, Mary Jane, we didn't give specific revenue guidance, and I don't think it would be wise to start at this point.

Mary Jane Credeur - *Bloomberg News - Media*

Can you say anything about sequentially though? Will it be much worse, better, about same?

Ed Bastian - *Delta Air Lines - President*

Well what we said on the call is that the comps are going to be more challenging, particularly on the transatlantic, the international side, than they were on first quarter, because of considerable amount of fuel driven surcharges went into effect in the spring and summer of last year as fuel was reaching record levels. So the comps will be more difficult to manage. Obviously as we get into stronger travel periods, we would expect yields to improve accordingly, but with respect to any individual guidance, I would be shying away from saying that.

Mary Jane Credeur - *Bloomberg News - Media*

Okay. Thank you very much.

Operator

And we'll take our next question from [Aaron Carp] with Air Transport World.

Aaron Karp - *Air Transport World - Media*

Hello. Do you have any idea what you are going to do with the freighters? Are you planning to sell them? And what sort of value do you think they will have?

Ed Bastian - *Delta Air Lines - President*

We will be looking to market them. I don't know there's a tremendous amount of value in those aircraft.

Aaron Karp - *Air Transport World - Media*

And how many slots in Narita were you using for the freighter services?

Ed Bastian - *Delta Air Lines - President*

We've been drawing down the freighters over the last 12 months, so while there are 14 dedicated freighters in the fleet, at the present time we're only operating seven of them. So it's a minimal number.

Aaron Karp - *Air Transport World - Media*

And is this sort of a conclusion reached that it's just untenable to operate all cargo flights?

Ed Bastian - *Delta Air Lines - President*

It was that conclusion on a small amount of capacity in a difficult economic time, yes.

Aaron Karp - *Air Transport World - Media*

Thank you.

Ned Walker - *Delta Air Lines - SVP, Chief Communications Officer*

Cindy, we have time for one more call, or one more question on the call.

Operator

Thank you. Our last question today will come from Andy Compart with Aviation Daily.

Andy Compart - *Aviation Daily - Media*

Thank you. Thanks, guys. Just wanted to clarify something you talked about ultimately you think on-line travel agencies should pay for their content. Can you give some sort of time line as to how soon you expect or want that to happen, and how would that come about?

Richard Anderson - *Delta Air Lines - CEO*

No, we don't have any specific time line. When asking about the earlier question was really about how we would see it structured as we move forward sort of long term, and we don't have any time line or any specific plans. But ultimately, we would like to see our distribution model be more like a completely unregulated distribution model that's used in other consumer businesses.

Andy Compart - *Aviation Daily - Media*

And could you also just give some more maybe explanation of your decision making behind the international bag fee? Because obviously there was a reason airlines decided they didn't want to do that at first as to apply it domestically. What was your thought process for adding to the international flights?

Ed Bastian - *Delta Air Lines - President*

I think there's a degree of consistency between our domestic product and our international product. Frankly we have a -- there's obviously a fairly considerable amount of costs we incur as we transit. But I think the larger opportunity here is the unbundling of the ticket pricing that we have been working as an industry through over the course of the last year and a half.

Andy Compart - *Aviation Daily - Media*

Do you expect to apply more of those fees to international flights that perhaps have not been applied to them in the past or will more of this unbundling show up?

Ed Bastian - *Delta Air Lines - President*

We can't comment on forward pricing decisions.

Ned Walker - *Delta Air Lines - SVP, Chief Communications Officer*

Okay. Andy, thanks very much. Appreciate your time today as well. And Richard, Ed, Hank, Glen and Jill, thank you very much, as well as everyone here on the telephone lines. That will conclude the first quarter earnings call for 2009. We'll go ahead and see you guys in about three months. Thanks so much, appreciate it, everyone.

Operator

Thank you, that does conclude today's conference. Again we do want to thank you for your participation today. And you are free to disconnect at this time.