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UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

IN RE: . Case No. 05-17923 (PCB)  
DELTA AIR LINES, INC., et al, . New York, New York  
Debtors. . Tuesday, December 6, 2005  
. . . . . 2:44 p.m.  
. . . . .

TRANSCRIPT OF HEARING  
BEFORE THE HONORABLE PRUDENCE C. BEATTY  
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES: (On the record)

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WITNESSES FOR THE  
DEBTOR:

GERALDINE CAROLAN  
By Mr. Gallagher

4

1 (Proceedings resume at 2:44 p.m.)

2 THE COURT: Good afternoon. You may be seated.

3 I'm assuming that we're still here because we don't  
4 have a resolution?

5 MR. GALLAGHER: That is correct, Your Honor.

6 THE COURT: Okay. Now whose turn is it next?

7 MR. GALLAGHER: Your Honor, at this point the debtor  
8 would call Ms. Geraldine Carolan to the witness stand.

9 THE COURT: Okay.

10 MR. GALLAGHER: If we may have the Court's indulgence  
11 for a moment of housekeeping, Your Honor. The good news is  
12 that we do not intend to deluge the Court with the thirty boxes  
13 of documents that have been shared between these parties. The  
14 bad news is that we do have a number of new exhibits --

15 THE COURT: Well, you know something? My doorman  
16 thinks it's really funny when you deliver three boxes of stuff.  
17 Oh, look what you've got to read tonight, he says to me.

18 MR. GALLAGHER: I hope -- I'm not sure if it would put  
19 you to sleep, Your Honor --

20 THE COURT: Well, I know that, but the thing is this,  
21 which if it's something I'm really going to have to read, I  
22 normally read papers at home. And I don't want to have to  
23 carry them home, so that's where we are.

24 I don't need to -- if you're not going to use papers,  
25 I don't need to see any papers that you've exchanged that

1 you're not going to put on the record.

2 MR. GALLAGHER: And that's what we've tried to do,  
3 Your Honor. We've tried hard to skinny them down, even thought  
4 it's still a substantial record, but I think I'm prepared to  
5 proceed.

6 THE COURT: Well, it's a substantial matter.

7 MR. GALLAGHER: We agree, Your Honor.

8 Your Honor, at this point we shift gears in the case  
9 from the subject of finances at the corporate level to the  
10 subject of the bargaining between the parties, the terms of the  
11 company's proposal, and the bargaining that's gone on, the  
12 costing of the company's proposal and related issues.

13 **GERALDINE P. CAROLAN, DEBTORS' WITNESS**

14 **DIRECT EXAMINATION**

15 **BY MR. GALLAGHER:**

16 Q Ms. Carolan has entered two declarations into evidence with  
17 a substantial number of exhibits attached to them, but let me  
18 start, Ms. Carolan, by asking you to state your full name for  
19 the record.

20 A Geraldine Patricia Carolan.

21 Q And you're employed at Delta Air Lines?

22 A I am.

23 Q And what is your position at Delta?

24 A Vice president of labor relations.

25 Q When were you first employed by Delta Air Lines?

1 MR. GALLAGHER: By the way, Your Honor, should we  
2 swear the witness?

3 THE COURT: That would be useful.

4 **GERALDINE P. CAROLAN, DEBTOR'S WITNESS, SWORN.**

5 MR. GALLAGHER: Thank you, Your Honor.

6 BY MR. GALLAGHER:

7 Q When were you first employed at Delta?

8 A In April of 1979.

9 Q And what position were you employed as?

10 A A reservation sales agent.

11 Q And how long -- what location?

12 A Washington, D.C.

13 Q And how long were you employed by Delta in that position?

14 A Approximately two and a half years.

15 Q And what did you do next?

16 A I resigned from Delta to go to law school.

17 Q And where did you go to law school?

18 THE COURT: Okay. Let me ask you a question. How  
19 many reservations an hour would you say you made?

20 THE WITNESS: Back in 1979?

21 THE COURT: Yeah.

22 THE WITNESS: Six to ten.

23 THE COURT: Would you say four was low? I mean, that  
24 four would probably be you weren't getting any more calls?

25 THE WITNESS: Or else that you were getting

1 complicated international calls.

2 THE COURT: Okay.

3 BY MR. GALLAGHER:

4 Q Where did you go to law school, Ms. Carolán?

5 A Seattle University.

6 THE COURT: I'm sorry. I didn't hear that.

7 THE WITNESS: Seattle University in Seattle,  
8 Washington.

9 THE COURT: Okay.

10 BY MR. GALLAGHER:

11 Q And when were you next employed by Delta?

12 A Shortly after I started law school I was rehired by Delta  
13 in Seattle, Washington and I worked on the ticket counter and  
14 on the ramp.

15 Q And what years was that service for Delta?

16 A Early '82 until the middle of '84, when I graduated from  
17 law school.

18 Q And you said you worked at the ticket counter and on the  
19 ramp?

20 A Yes.

21 Q What job title is that?

22 A When I worked at the ticket --

23 THE COURT: That's the one where it slopes.

24 MR. GALLAGHER: Right. Actually, I think that's the  
25 jetway, Your Honor.

1 THE COURT: Okay.

2 MR. GALLAGHER: The ramp is the concrete --

3 BY MR. GALLAGHER:

4 Q Am I right, Ms. Carolán, the ramp is the concrete apron  
5 outside which we hope doesn't slope?

6 A Exactly, and the ramp agents are the ones who load the bags  
7 and load the cargo onto the airplane and unload it. And when I  
8 worked at the ticket counter, I checked passengers in. I also  
9 worked for some time in air cargo in Seattle as well.

10 Q All right. And when did you graduate from law school?

11 A In May of '84.

12 Q And did you remain employed by Delta at that point?

13 A I left Delta in June of '84.

14 Q And where were you employed after that?

15 A I worked for Alaska Airlines in Seattle.

16 Q In what capacity?

17 A I started as an attorney and I worked for Alaska for  
18 approximately ten years and I left as director of labor  
19 relations.

20 Q And where did you go when you left Alaska Airlines after  
21 ten years?

22 A I came back to Delta and started in the law department as  
23 an attorney.

24 Q And so you rejoined Delta in what year?

25 A Nineteen -- January of 1994.

1 Q And when you came back to Delta as an attorney in the law  
2 department, what areas of responsibility did you have as an  
3 attorney for Delta?

4 A Labor law and a little bit of employment law.

5 Q All right. And did you have occasion to work --

6 THE COURT: Can you explain to me what the difference  
7 between labor law and employment law is?

8 THE WITNESS: In my mind, labor law is working with  
9 unions and collective bargaining and union campaigns.  
10 Employment law is working with Title 7 and other discrimination  
11 laws.

12 THE COURT: Okay.

13 THE WITNESS: Anti-discrimination laws.

14 BY MR. GALLAGHER:

15 Q And did you have occasion to work with Delta's labor  
16 relations department while you were in the law department?

17 A Yes, almost immediately when I rejoined Delta.

18 Q And when did you first -- did you at some point in time  
19 come to have a role in pilot labor relations?

20 A Yes. I was assigned, or "on loan" was the technical term  
21 we used at Delta, to labor relations starting in 1999 for  
22 several years.

23 Q All right. And while you were on loan to the labor  
24 relations department, did you have a role in the negotiations  
25 that led to the 2001 --

1 THE COURT: Can I ask you a question? On loan would  
2 mean that you had a right to go back to your former position?

3 THE WITNESS: That's correct. While I was on loan to  
4 labor relations in those two years, I was a member of the  
5 company's negotiating team for the 2000 collective bargaining  
6 agreement.

7 BY MR. GALLAGHER:

8 Q That was executed in the spring of 2001?

9 A Yes.

10 Q You said 2000 collective bargaining --

11 A I'm sorry. It became amendable in 2000.

12 Q And "amendable" is one of those words of jargon we use  
13 under the Railway Labor Act to mean when the expiration date of  
14 the old contract arrives and the parties begin before that to  
15 negotiate for amendments to create the next succeeding  
16 agreement?

17 A That's exactly right.

18 Q Now when did you --

19 THE COURT: Wait, wait, wait. Isn't the agreement  
20 amendable throughout the term of the agreement?

21 MR. GALLAGHER: Not technically, no, Your Honor, it's  
22 closed unless both parties agree to reopen it, until there's a  
23 certain --

24 THE COURT: Well, that's what I mean, that you could  
25 reopen it.

1 THE WITNESS: If both parties agreed.

2 MR. GALLAGHER: By consent, both parties could do  
3 that at any time.

4 THE COURT: Okay. And then how long is it amendable  
5 before the end of the term?

6 THE WITNESS: Depends on what you have negotiated. In  
7 our case, we have negotiated that -- I don't recall, it's  
8 either six or nine months before the amendable date, we start  
9 negotiating for the next collective bargaining agreement.

10 THE COURT: Okay.

11 THE WITNESS: But individual parties determine that.  
12 That is not a set period determined under the Railway Labor  
13 Act.

14 BY MR. GALLAGHER:

15 Q Did there come a time when you left the law department, Ms.  
16 Carolán?

17 A Yes. In 2001 I left the law department and became director  
18 of labor relations.

19 Q All right. And did you subsequently have a role in the  
20 negotiations that led to the 2004 agreement with ALPA?

21 A Yes, I did.

22 Q And what role did you play in those negotiations?

23 A I was one of the company's spokespersons for that  
24 negotiations.

25 Q All right. And who else was involved in those

1 negotiations?

2 A David Watson from crew resources, Charlie Tutt, who was --

3 THE COURT: I'm sorry, I didn't hear what you said.

4 What kind of resources?

5 THE WITNESS: David Watson who was Delta's first  
6 witness who explained about the scheduling.

7 THE COURT: I'm sorry. I just didn't hear the word.

8 MR. GALLAGHER: Crew.

9 THE WITNESS: Crew resources.

10 THE COURT: Okay.

11 A Charlie Tutt, who was the director of flight operations and  
12 a pilot; and Don Filer (phonetic), who works in labor  
13 relations; and Scott Kruse, who is an outside lawyer with the  
14 law firm Gibson, Dunn & Krutcher.

15 Q Was Mr. Kruse brought in specially as a special negotiator  
16 for Delta?

17 A He was.

18 Q All right. And that was after the last vice president for  
19 labor relations had departed?

20 A Yes.

21 THE COURT: Okay. But why do we have a pilot?

22 THE WITNESS: Well, we always have a pilot on the  
23 negotiating committee for the company, a management pilot,  
24 because it is very important to the company to always  
25 understand the impact of any of our proposals on the line

1 pilot. And none of the rest of us are pilots and we just want  
2 to make sure that we have that input, so we always have a  
3 pilot.

4 THE COURT: Okay. Can you explain to me what the  
5 difference between a management pilot is and a line pilot?

6 THE WITNESS: Sure. A line pilot is a pilot who has a  
7 schedule and flies what we call "the line," flies trips every  
8 single month. We also have several pilots who are management  
9 pilots and those are pilots who are usually selected for their  
10 leadership skills and they would be in charge of a base, so the  
11 pilots who are based in Atlanta have a chief pilot and an  
12 assistant chief pilot, somebody that they report to. And we  
13 also have some management pilots that work in flight operations  
14 that do different tasks, work with different governments, work  
15 on setting policies and procedures.

16 THE COURT: You would consider a management pilot one  
17 whose interests were aligned with the management side rather  
18 than the pilot side of a negotiation?

19 THE WITNESS: Well, frankly, Your Honor, I think that  
20 their interests are aligned with both groups and while they are  
21 management pilots, they still fly the line, generally at least  
22 one trip a month so they keep up their qualifications and they  
23 know what it's like to be a pilot.

24 THE COURT: And there's a little bit of question about  
25 when they are going to be eligible to take a trip.

1 THE WITNESS: They -- exactly. Exactly.

2 THE COURT: As I understand it, one of the differences  
3 has to do with the pilots seeking to have a shorter period of  
4 time --

5 THE WITNESS: Exactly.

6 THE COURT: -- in which the line pilot may pick up a  
7 trip.

8 THE WITNESS: Exactly. The management pilots want a  
9 little bit of advance notice so they can plan their office  
10 schedule before they pick up a trip.

11 THE COURT: Okay. But you're saying to me that the  
12 management pilots have to fly basically one trip a month to  
13 keep up their qualifications.

14 THE WITNESS: Exactly. And during the time that  
15 they're management pilots, they are still dues-paying members  
16 of the Air Line Pilots Association.

17 THE COURT: How much are the dues?

18 THE WITNESS: I believe they're about one percent of  
19 earnings, one and a half, two.

20 THE COURT: Okay. They're not \$50 or anything?

21 THE WITNESS: No, they are not.

22 THE COURT: Okay.

23 BY MR. GALLAGHER:

24 Q While management pilots are in management, Ms. Carolán, do  
25 they also retain a number on the pilot seniority list?

1 A Yes, they do.

2 Q So can they resign from management at any time and go back  
3 to being a line pilot?

4 A Yes, absolutely, and most management pilots do come into  
5 management for a number of years, then they go back and fly the  
6 line, and sometimes they come back into a different management  
7 position.

8 Q All right. While we're on the subject of management  
9 pilots, who is Gary Beck?

10 A Gary Beck is the vice president of flight operations and  
11 he's the vice president at Delta who is responsible for Delta's  
12 flight operations, for the safe conduct of all of our flights.

13 Q All right. Now we're using --

14 MR. GALLAGHER: I hope, Your Honor, that we don't use  
15 too much airline jargon without explaining it, but we're happy  
16 to stop and explain it each time.

17 THE COURT: Oh, I'm happy to ask you to stop and  
18 explain it.

19 BY MR. GALLAGHER:

20 Q Flight operations, Ms. Carolán, is airline jargon and I  
21 know what it means and you know what it means, but --

22 THE COURT: Flight operations I would think meant  
23 deciding which planes to use when because some of them were in  
24 the shop and deciding who was going to fly them, which is this  
25 block situation.

1 MR. GALLAGHER: That's pretty close to it, Your Honor,  
2 but it's more. It's also management of the pilots and any  
3 issues as to pilot qualifications, training, bidding, staffing,  
4 all of that type of thing, and safety and compliance with the  
5 extensive Federal Aviation Administration regulations of flight  
6 operations and pilot training.

7 THE COURT: Wait, wait, wait. What things are  
8 regulated about flight operations?

9 THE WITNESS: Almost everything.

10 THE COURT: No, but I mean, just give me a clue.

11 THE WITNESS: The number of hours that a pilot can  
12 fly.

13 THE COURT: I'm not talking about the pilots, but in  
14 flight operations.

15 THE WITNESS: What the airplane -- what items on the  
16 airplane are the minimum items that are required for a safe  
17 flight. There are some things on the airplane that even if  
18 they don't work, some minor things that if they don't work the  
19 airplane can still fly, but there are many regulations about  
20 which aircraft are -- which items are okay for the aircraft to  
21 be dispatched when those items are inoperative. That would be  
22 one example.

23 Another example is training of pilots, how often they  
24 have to be trained.

25 THE COURT: Okay. I'm trying to separate out what you

1 do with pilots from what regulations control things other than  
2 pilots and you're just saying to me that they're basically  
3 things that control safety issues with respect to a plane  
4 itself.

5 THE WITNESS: Yes. Mechanics are subject to federal  
6 regulation. Flight dispatchers, the ladies and gentlemen that  
7 dispatch the flight, are subject to federal regulation.

8 THE COURT: I don't understand who dispatchers are.

9 THE WITNESS: Dispatchers are the people who work in  
10 the operations control center and they are jointly --

11 THE COURT: Wait. We're not talking about those  
12 flight controllers that Reagan got rid of?

13 THE WITNESS: No. No. This is a different group.

14 MR. GALLAGHER: That's the air traffic controllers who  
15 were employed by the federal government. Those are different  
16 from dispatchers.

17 THE COURT: No, no. I'm just trying to make sure.

18 THE WITNESS: Yes. The flight dispatchers insure that  
19 the appropriate weight and balance is performed on the flight.  
20 They -- I believe they advise the pilot of the weather en route  
21 and every flight has to have an alternative airport if they  
22 cannot land at the airport they were intending to go to and  
23 they agree or work with the pilot on determining what is the  
24 appropriate alternate station, how much fuel --

25 THE COURT: Wait. I want to ask a question. Is that

1 before you leave or is that something that happens when you are  
2 in trouble?

3 THE WITNESS: Before you leave.

4 THE COURT: Okay.

5 BY MR. GALLAGHER:

6 Q The dispatchers also remain in communication with the  
7 flight while it's in progress, do they not?

8 A Yes, I believe so.

9 Q And if there is an en route incident or unexpected weather  
10 problem, the pilot communicates back with his own company  
11 dispatch?

12 A With the dispatch and I believe with also others in the  
13 operations control center.

14 THE COURT: Okay. But how does the flight dispatcher  
15 determine weight and balance?

16 THE WITNESS: I believe that there is a computer  
17 program that they input how many passengers are on the flight.

18 THE COURT: Oh, okay. So we just decide that they all  
19 have to move from the right to the left.

20 THE WITNESS: I'm led to believe it's a little bit  
21 more complicated than that, but I think that's the general  
22 idea.

23 THE COURT: Oh, it couldn't be more complicated than  
24 that because otherwise you'd have to go down and move the  
25 luggage.

1 BY MR. GALLAGHER:

2 Q But they do, from time to time, move the cargo to different  
3 places in order to achieve the proper weight and balance, don't  
4 they, Ms. Carolán?

5 A From my experience on the ramp I can tell you that, yes.

6 Q All right. So although it's now substantially automated,  
7 it is very important to maintain -- to know what the weight of  
8 the airplane is when it's taking off --

9 THE COURT: I understand it's important to know what  
10 the weight of the airplane is. I was really questioning how  
11 they judged whether it was properly balanced, whether it was  
12 sort of like, you know, you ran the plan over some kind of a  
13 weight machine, which I've never seen.

14 THE WITNESS: No. That's not the case. I think that  
15 they take the information from the pilot, who gets it from the  
16 people on the ground as to how much cargo there is and mail and  
17 baggage and where it is, in what compartments.

18 THE COURT: Okay. So we've got a flight dispatcher.

19 BY MR. GALLAGHER:

20 Q And the dispatchers are licensed by the FAA, are they not?

21 A Yes, they are.

22 Q And the mechanics are licensed by the FAA?

23 A Yes, I believe they are as well.

24 Q All right. And every airline has to have an FAA-approved  
25 operations manual that talks about how it's going to conduct

1 its flight operations, correct?

2 A Yes, we do.

3 Q And every airline has to have an FAA-approved pilot

4 training program --

5 A Yes.

6 Q -- on how it's going to train its pilots and an FAA-

7 approved maintenance program for how it's going to maintain its

8 airplanes, correct?

9 A Yes.

10 Q And then it must keep documentation of its compliance with

11 all of those regulations and programs, correct?

12 A Yes, and in some cases submit it to the FAA.

13 Q So is it fair to say that on the operating side of an

14 airline, the airline industry remains heavily regulated by the

15 FAA?

16 A Absolutely.

17 Q Okay. Now --

18 THE COURT: Okay. When you're talking about training

19 for pilots, do you take account of how much training they've

20 had before?

21 THE WITNESS: I believe that some of the programs

22 recently, in the last several years that we have been permitted

23 by the FAA to take some account as to the training that the

24 pilot has had, I believe --

25 THE COURT: I mean, because I'm assuming you're not

1 hiring too many pilots that never flew before?

2 THE WITNESS: You're absolutely right. There's  
3 certainly a minimum number of hours, but even if a pilot comes  
4 to Delta with, say, 10,000 hours of experience, Delta still  
5 puts the pilot through a Delta training program.

6 THE COURT: No, I understand that. I just wondered  
7 whether it might be not as many hours, depending on what their  
8 --

9 THE WITNESS: I believe that the initial training is  
10 the same for all pilots, but for example, if a pilot is a 737  
11 first officer and he's going to become a 737 captain, that  
12 would be a different training program than if someone on an-MD-  
13 88 was going to become a captain on a 737. We have a different  
14 training program that I don't know all that much about called  
15 "AQP."

16 THE COURT: No, no, no. Okay. I'm just trying to  
17 figure out whether your training is from the ground up or  
18 whether it's sort of from some medium start. It sounds like  
19 it's from some sort of medium start, not assuming that they  
20 don't know how to fly at all.

21 THE WITNESS: That's correct.

22 BY MR. GALLAGHER:

23 Q All right. We've used a lot of words and still in the  
24 airline jargon realm, Ms. Carolán. Flight operation is the  
25 department that's in charge of pilots, correct?

1 A Yes.

2 Q What department is your organization in?

3 A Labor relations is part of human resources.

4 Q What are the other significant management departments?

5 Where are all of the people of Delta employed, what  
6 departments?

7 A Airport customer service employs the vast number of people,  
8 the people that work at the ticket counters and on the ramp;  
9 reservation --

10 Q And "ramp" means the baggage handlers out in the weather?

11 A Yes. Yes. And reservations is the people who take the  
12 airline reservations; in-flight --

13 Q Are they generally off in a building, a call center  
14 somewhere?

15 A Yes, they are.

16 Q All right.

17 A In-flight service employs the flight attendants and is  
18 responsible for what catering we do on aircraft. Mechanics --

19 THE COURT: Wait, wait, wait, wait, wait. In-flight  
20 service, you mean --

21 THE WITNESS: In-flight services --

22 THE COURT: -- their responsibility is to see that the  
23 in-flight catering has arrived at the plane and is loaded on  
24 the plane and that they serve it?

25 THE WITNESS: Yes. In addition to that, they also

1 design the specifications for what is going to be provisioned  
2 on each and every Delta flight; the drinks, if it's an overseas  
3 flight there is food on those flights. They --

4 THE COURT: That's done an each-day basis?

5 THE WITNESS: No. I believe that they divide it into  
6 mileage so flights of this many miles will have this  
7 provisioning on board the aircraft.

8 THE COURT: No, but what I'm saying, I would have  
9 assumed that there was a chef and that the chef was in charge  
10 of that.

11 THE WITNESS: I don't believe that Delta --

12 THE COURT: That somebody said, okay, this is a peanut  
13 flight and a peanut flight meant that you got sodas and some  
14 kind of booze and peanuts.

15 BY MR. GALLAGHER:

16 Q That function is done in in-flight services, correct?

17 A It is. We did used to have a chef, but that was in the  
18 days when we had a little bit more money. We no longer have a  
19 chef.

20 Q And is the in-flight --

21 THE COURT: Do you have anybody that knows how to  
22 cook?

23 MR. GALLAGHER: No comment, Your Honor.

24 BY MR. GALLAGHER:

25 Q The in-flight services department is also where all the

1 flight attendants report, correct?

2 A Yes.

3 Q All right. And what is the department called where all the  
4 mechanics report? Technical operations?

5 A Technical operations or maintenance.

6 Q Now I want to go back before we leave and talk about the  
7 bargaining proposal to ask you a question about the management  
8 pilots. I asked you who Gary Beck was. Who is Joe Kolshak?

9 A Joel Kolshak is the chief of operations. He is one of the  
10 top seven people in the company. He is --

11 Q Is he executive vice president of Delta?

12 A He is an executive vice president and he is also a pilot.

13 Q And does he sit on the Delta executive committee?

14 A He does.

15 Q And do all Delta departments report to that executive  
16 committee?

17 A Yes, they do.

18 Q And does your department report to that executive  
19 committee?

20 A Yes. Beth Johnson is the senior vice president of human  
21 resources and she is on the executive committee or executive  
22 council.

23 Q And are your bargaining proposals and the status of  
24 negotiations discussed before that executive committee or  
25 council?

1 A Yes, they have been a frequent source of discussion.

2 Q Now during all of your years at Delta, Ms. Carolán, the  
3 Court made an observation or question the other day whether  
4 Delta had any desire to be rid of the pilots' union. In all of  
5 your years at Delta, have you ever heard any Delta executive  
6 suggest in any way that Delta would prefer to be rid of the  
7 pilots' union?

8 A No, I have not.

9 Q Is ALPA certified as the bargaining representative of the  
10 Delta pilots?

11 A No. Delta voluntarily acknowledged the Air Line Pilots  
12 Association as the bargaining representative of Delta many  
13 years ago.

14 Q And there's been a collective bargaining agreement in place  
15 for at least fifty years?

16 A I believe it's more than fifty years.

17 Q And do we expect there to be a collective bargaining in  
18 place for many years to come?

19 A I certainly do.

20 Q Now if you would, Ms. Carolán, turn to Exhibit 60.

21 THE COURT: Can I ask what sequence of numbers this  
22 comes from?

23 MR. GALLAGHER: Yes, Your Honor. There's a binder  
24 marked "Exhibits 52 to 84."

25 THE COURT: Well, I have Exhibits 98 through 124. Oh,

1 here it comes. Here it comes. Here it comes. It came.

2 BY MR. GALLAGHER:

3 Q Do you have Exhibit 60 in front of you, Ms. Carolán?

4 A I do. I do.

5 Q Ms. Carolán, can you tell the Court what this document is?

6 A Exhibit 60 is the agreement between Delta and a union  
7 called PAFCA. PAFCA is the union that represents the flight  
8 dispatchers that we spoke about just a few minutes ago.

9 Q And how many flight dispatchers are there?

10 A Right now there are approximately 175.

11 Q And I believe you said they all work in the operations  
12 control center in Atlanta?

13 A Yes, I believe they do.

14 Q And the operations control center, this is one more piece  
15 of jargon I want to make sure we clarify for the Court. Is  
16 that a twenty-four hour -- is that the world wide command  
17 center for Delta's flight operations?

18 A It is. It's seven days a week, twenty-four hours a day.

19 Q And they are in constant or regular communication with any  
20 Delta flight that's in the air, anywhere in the world?

21 A Yes.

22 Q And that's required by the FAA?

23 A I believe that it is.

24 Q All right. Now --

25 THE COURT: Okay. Can I ask a question?

1 THE WITNESS: Yes.

2 THE COURT: Is every person who works at -- that's a  
3 flight dispatcher, a member of the union?

4 THE WITNESS: I believe that they are, Your Honor.

5 THE COURT: Okay.

6 BY MR. GALLAGHER:

7 Q And would you tell us what is --

8 THE COURT: Because I don't really remember any more  
9 whether you must join a union if there's a union or whether you  
10 can decide to opt out. I think you can decide to opt out.

11 THE WITNESS: You can decide not to pay dues to the  
12 union and then you can pay a service charge, which is the same  
13 amount as if you paid dues, but you are not a member and cannot  
14 vote in elections.

15 THE COURT: Okay.

16 MR. GALLAGHER: The Railway Labor Act does allow --

17 THE COURT: No, that's fine. She just told me what I  
18 wanted to --

19 BY MR. GALLAGHER:

20 Q Would you explain what Exhibit 60 is, Ms. Carolán?

21 A Exhibit 60 is the agreement, a very recent agreement  
22 between Delta and PAFCA. At about the same time as we  
23 approached the Airline Pilots Association for further cost  
24 reductions, we also approached PAFCA and we were successful  
25 recently in coming to agreement on an amendment to their

1 collective bargaining agreement that provides for pay  
2 reductions very similar to the pay reductions for other ground  
3 employees and flight attendants and very similar to the --

4 THE COURT: Okay, but I don't have an Exhibit A that  
5 would tell me what they were.

6 THE WITNESS: Exhibit 60, that is entitled "Tentative  
7 Agreement," do you have that, Your Honor?

8 THE COURT: Yes, I do have that, but it says in  
9 Paragraph 2 that Attachment A is the compensation.

10 THE WITNESS: I'm sorry, Your Honor. That's my fault.  
11 I did not attach it. This would --

12 THE COURT: Okay.

13 THE WITNESS: This attachment would list the hourly  
14 rates for the dispatchers, the senior dispatchers at different  
15 levels of service with Delta. I can tell you that it is a ten  
16 percent reduction to all the dispatchers at the top of scale  
17 and a nine percent reduction --

18 THE COURT: Okay. And how --

19 THE WITNESS: -- for those ---

20 THE COURT: And what do the people at the top of scale  
21 get paid?

22 THE WITNESS: I don't have that in front of me.  
23 There's roughly --

24 THE COURT: Do you have a clue?

25 THE WITNESS: It's --

1 THE COURT: Do you have a clue?

2 THE WITNESS: Yes. It's roughly in the neighborhood  
3 of \$70,000 per year.

4 THE COURT: And how much do the people at the bottom  
5 of the scale get paid?

6 THE WITNESS: Maybe thirty-five to \$40,000 per year.

7 THE COURT: Okay.

8 BY MR. GALLAGHER:

9 Q And did I understand, Ms. Carolán, even though the label  
10 says "Tentative Agreement," that this has now been ratified and  
11 did, in fact, become effective on December 1st?

12 A Yes, it did.

13 Q And -- so this is the actual new agreement or the agreement  
14 that embodies the changes that became effective December 1st?

15 A Yes, it does.

16 Q And would you briefly -- you talked about the pay cut.  
17 Would you briefly describe for the Court, it's a short  
18 document, what the other changes were that PAFCA-represented  
19 dispatchers have now agreed to?

20 A Okay. In Paragraph 1, we had proposed to PAFCA the same  
21 proposal that we made to ALPA, that we eliminate the provisions  
22 for change of control that allowed either PAFCA or ALPA to  
23 reopen the contract if there is a change of control and to --

24 THE COURT: Okay, but the one -- the way it's been  
25 redone for the flight -- the pilots is that it has said we've

1 had a change of control as a result of the Chapter 11, which  
2 will almost certainly be the case.

3 THE WITNESS: Yes. This was -- they went just a  
4 little bit further than that and our request to ALPA goes a  
5 little bit further than that. Our --

6 THE COURT: Well, I understand it, but I thought there  
7 had been actually -- maybe I'm wrong -- an agreement that that  
8 was a sufficient change, was to delete the plan as a source of  
9 change of control.

10 THE WITNESS: Yes. Since we began this hearing, Your  
11 Honor, the company and the Airline Pilots Association have  
12 exchanged a proposal on that issue and --

13 THE COURT: I don't know. Basically, reading the two  
14 proposals, I thought that was one where they had an agreement.  
15 We're doing something else. Let's just keep going.

16 THE WITNESS: Okay.

17 THE COURT: Okay. So the top people got ten percent,  
18 the bottom people got nine percent. The vacation --

19 THE WITNESS: The vacation --

20 THE COURT: I don't have a clue what this means.

21 THE WITNESS: Okay. The vacation -- employees at  
22 Delta accrue additional vacation time for years -- additional  
23 years of service and Delta announced --

24 THE COURT: Well, I mean, the kind of vacation time  
25 I'm familiar with is if you work a year, you get two weeks'

1 pay. If you a second year, you get two weeks' pay. Five  
2 years, you're entitled to three weeks' pay.

3 THE WITNESS: That's exactly the same as it is -- that  
4 it was at Delta until these changes were announced. Now it's  
5 the very same concept, but whereas previously, Delta employees  
6 were able to enjoy six weeks of vacation per year, now the  
7 maximum accrual going forward will be four weeks vacation a  
8 year, no matter how long you're with the company.

9 MR. GALLAGHER: So that --

10 THE WITNESS: And we have a made a proposal to the  
11 Airline Pilots Association, who currently have six weeks of  
12 vacation a year, to change that.

13 THE COURT: Okay. Then what does this exception mean?

14 THE WITNESS: There is an exception for ground  
15 employees and flight attendants and those Delta employees who  
16 already have five weeks of vacation a year, they will be  
17 grandfathered and they will be able to continue their five  
18 weeks of vacation a year. But if you're someone like me, who  
19 doesn't have five weeks yet, I will never get it.

20 THE COURT: Okay. I don't understand why these,  
21 because of the fact that you're lowering vacation, I don't  
22 understand why this provision doesn't provide that the party  
23 may take the additional week or two weeks, but not get paid for  
24 it.

25 THE WITNESS: There are provisions in every department

1 for doing so. It's generally called PTO, personal time off and  
2 an employee can request, of their supervision or management, to  
3 take time off without pay and it is frequently granted. For  
4 instance, in in-flight service, there are some times of the  
5 year when we need less flight attendants because we have less  
6 flights and it is a very usual occurrence to give a flight  
7 attendant a month or two months off as a personal leave.  
8 They're not paid for that time, but they are allowed the time  
9 off and it allows Delta to obviously pay less wages and gives  
10 the employee the time off that they desire.

11 THE COURT: Okay.

12 THE WITNESS: It's just not called vacation. It's  
13 called something else, but it's the exact, same thing.

14 THE COURT: No, okay. But you're saying to make that  
15 they could, in essence, get the same number of months, but --  
16 the same number of weeks, but they wouldn't get paid for it?

17 THE WITNESS: That's right.

18 THE COURT: Okay. And there are people, you know,  
19 after all, teachers work what, nine months of the year and they  
20 can choose to get their pay over the course of twelve months?

21 THE WITNESS: Yes, right.

22 THE COURT: It's that sort of a thing.

23 THE WITNESS: Yeah.

24 THE COURT: Now, is that change in vacation, Ms.

25 Carolán -- is the only change that the -- the change in the --

1 THE COURT: It's a week down on all of the -- it's a  
2 week down, beginning with the five years. I think probably two  
3 years -- two weeks for one year is probably what it was before,  
4 or was it three?

5 THE WITNESS: You're exactly right. It was two weeks  
6 for one through five years.

7 THE COURT: And then -- now, five years, it's three  
8 weeks where, I think, before it was four weeks, yes?

9 THE WITNESS: I'm sorry, Your Honor. I'm sorry. I'm  
10 just not as familiar with the -- the cutoffs for the ground  
11 employees.

12 THE COURT: Well, okay. But, I mean, at some point,  
13 there were people who were getting twenty-five days --

14 THE WITNESS: Yes.

15 THE COURT: -- which is five weeks because --

16 THE WITNESS: Yes. Senior employees were able to get  
17 five weeks.

18 THE COURT: Yeah.

19 BY MR. GALLAGHER:

20 Q And going forward, no one will again, in the future, will  
21 accrue five and six weeks unless they already had the five-week  
22 entitlement?

23 A No ground employee or flight attendant. Yes.

24 Q All right. And is this change that PAFCA agreed to for the  
25 --

1 THE COURT: Wait, wait, wait. But if I understand  
2 this, you're talking about paid vacation of twenty-five days?

3 THE WITNESS: I am.

4 THE COURT: And we've already agreed that there is the  
5 possibility of taking unpaid vacation that could bring you back  
6 up, right?

7 THE WITNESS: Yes. Yes, absolutely.

8 THE COURT: Okay. Explain to me -- is four the one  
9 where you go down from eleven holidays to ten?

10 THE WITNESS: Yes, it is.

11 THE COURT: Okay. So I understand that.

12 BY MR. GALLAGHER:

13 Q And on vacation and holidays, Ms. Carolán, are the changes  
14 that PAFCA has agreed to the same changes that Delta has  
15 unilaterally implemented for all of the other employees of  
16 Delta who are non-union?

17 A Yes, they are. Item 5 is furlough pay and we are reducing  
18 the amount of furlough pay or severance pay.

19 THE COURT: I don't understand what furlough means. I  
20 mean, I know what the word means generally, but I don't know  
21 what it means to you.

22 THE WITNESS: At Delta, someone is furloughed when we  
23 no longer need their services, so we put them on an inactive  
24 status. We pay them some severance pay or furlough pay and  
25 they are then called back to Delta in seniority order, as their

1 services are required.

2 THE COURT: Now -- okay. So if the employee had  
3 worked for one year, the total furlough amounts he would get  
4 would be a half a month?

5 THE WITNESS: Two weeks. Yes, Your Honor.

6 THE COURT: These aren't per year?

7 THE WITNESS: No. That's correct. The most that a  
8 flight dispatcher, and I believe other Delta ground employees  
9 and flight attendants, would receive is three months of  
10 furlough pay.

11 THE COURT: Okay.

12 THE WITNESS: Okay?

13 BY MR. GALLAGHER:

14 Q What's provided in Paragraph 6?

15 THE COURT: So if anybody else gets more, we get it,  
16 too.

17 THE WITNESS: Exactly. And such -- Paragraph 6 is  
18 what used to be sick leave, we're now calling --

19 THE COURT: Okay. Let me just read this. This one  
20 looks a little complicated.

21 (Court reviews exhibit.)

22 THE COURT: I don't understand this concept of the  
23 sick leave bank. Now, in the pilot -- in the case of the  
24 pilots, for some reason, they accrue sick leave, you know, by  
25 the hour. Well, I guess your -- these employees. So the

1 employees would have forty hours of paid personal time. Now,  
2 this would mean that that's one week?

3 THE WITNESS: Yes, exactly.

4 THE COURT: Okay. And let's say their two-year-old  
5 gets too sick to take to the nursery. Now, since it's for  
6 personal time, they could take a day of that personal time to  
7 stay home?

8 THE WITNESS: Yes. They could either choose to take a  
9 -- in the event that they themselves were not ill, they could  
10 take a day of vacation or they could take a day of personal  
11 time off or compensatory time. And in the future --

12 THE COURT: Because it says PPT must be scheduled and  
13 that's accepted cases of illness or emergency and it doesn't  
14 say whose illness it has to be.

15 THE WITNESS: There are other provisions that explain  
16 when it is appropriate to take sick time, but in the future, in  
17 the instance that you're talking of, when an employee's child  
18 becomes ill, they will be able to take one of their PPT days  
19 for their child's illness.

20 BY MR. GALLAGHER:

21 Q All right. And do the ground employees -- it says the  
22 forty hours will renew annually and not carry over, but then  
23 there's a later reference to --

24 THE COURT: Where does it say the forty hours?

25 MR. GALLAGHER: In the second -- third sentence, Your

1 Honor. This renews annually and does not carry over.

2 THE COURT: I'm sorry. I'm not where you are. Okay.

3 BY MR. GALLAGHER:

4 Q And -- but further down, it says, Ms. Carolán, it must be -  
5 - this forty hours must be exhausted before an employee can  
6 access the remaining time in his sick leave bank. What does  
7 that mean?

8 A Again, similar to pilots, once ground employees and flight  
9 attendants have extinguished or have used all of their fully-  
10 paid sick leave, they can then go to short-term disability if,  
11 in fact -- they can go to short-term disability if they are  
12 eligible under the terms of the plan and that would provide for  
13 sixty percent of their replacement in --

14 THE COURT: Okay. Except in this particular contract,  
15 short-term disability is being deleted. I mean, that's the way  
16 I would read the last sentence of this paragraph.

17 THE WITNESS: Yes. That's correct. What we are  
18 changing in 2006 is that for ground employees and flight  
19 attendants in the future, if they elect to have coverage,  
20 short-term disability coverage, they need to pay for it  
21 themselves. It will be an optional insurance coverage, offered  
22 through a group plan, but they will have to pay for it  
23 themselves. If they choose not to pay for it, then after their  
24 five days have run out, there will not be any longer any paid  
25 protection from the company, unless it is a very, very long

1 illness, in which case they could get long-term disability,  
2 which is paid for.

3 THE COURT: Or if it's subject to workmen's comp?

4 THE WITNESS: Absolutely. The OJI, on-the-job injury  
5 laws would -- and workers' compensation would also provide  
6 compensation.

7 THE COURT: Now let me ask you another question. In  
8 the federal system, if you have someone who has an illness that  
9 exceeds their sick time, you can borrow time from somebody  
10 else, if they will give it to you. I mean, you can give people  
11 -- you can give that person time. Now, it's not -- it doesn't  
12 happen very often, but they do make nationwide requests for,  
13 you know, hours, if we could give them to you. Now, is this  
14 something that somebody who is always well could give their two  
15 weeks to somebody who was sick?

16 THE WITNESS: Unfortunately, Your Honor, we have  
17 explored similar programs and we have learned that there are  
18 tax implications to individual employees for doing that because  
19 if, say, I cannot work and David works for me, if there's a  
20 question of his being taxed.

21 THE COURT: But David isn't working for you. I mean,  
22 we're taking a sick leave day that I may never use because I  
23 might not be sick this year, and giving it -- donating it to  
24 somebody who needs it.

25 THE WITNESS: Yes. I have heard anecdotally that that

1 happened on a local level, as a corporate matter, because of  
2 the tax concerns.

3 THE COURT: You don't think -- okay.

4 THE WITNESS: I don't believe that it's supposed to  
5 happen.

6 BY MR. GALLAGHER:

7 Q Ms. Carolán, what is the subject matter of Section 7?

8 THE COURT: Okay. What -- what was the amount of sick  
9 leave that was provided before you changed it?

10 THE WITNESS: I have an exhibit that shows that. I  
11 don't know off the top of my head. Roughly, the maximum was,  
12 for a ground employee or flight attendant, would provide two to  
13 three months of full pay coverage. I don't know the exact  
14 amount.

15 THE COURT: Okay. So this is a very substantial  
16 reduction?

17 THE WITNESS: It certainly is.

18 THE COURT: Okay. Now, have you, in fact, undertaken  
19 to make arrangements with any third party for short-term  
20 disability?

21 THE WITNESS: Yes, Your Honor, we have. We have this  
22 short-term disability insurance that employees will be able to  
23 participate in, that starts in April of this year and one of  
24 the reasons that it was delayed was to make sure that we do  
25 have a competitive rate, so that our employees can purchase

1 this on an affordable basis.

2 THE COURT: Okay. This is not a self-insured policy?  
3 This is not like your health policy, where you have a third-  
4 party administer it, but you haven't paid them to pay their  
5 claims?

6 THE WITNESS: It will be insured, an insured product.

7 THE COURT: No, but I'm asking you a question. Is it  
8 going to be bought from a third party or are you, in essence,  
9 providing it yourself?

10 MR. GALLAGHER: My understanding, Your Honor --

11 THE WITNESS: Yeah.

12 MR. GALLAGHER: -- is that it's bought from a third-  
13 party insurer.

14 THE WITNESS: Yeah.

15 MR. GALLAGHER: An insurance company.

16 THE COURT: Okay.

17 BY MR. GALLAGHER:

18 Q What is the subject of Paragraph 7, Ms. Carolán? What did  
19 PAFCA agree to there?

20 A Okay. This is our freezing the retirement plan, Your  
21 Honor. PAFCA agreed to a hard freeze, which again means --

22 THE COURT: I still have the worst time trying to  
23 understand what a hard freeze is.

24 MR. GALLAGHER: I promise we'll come back to that,  
25 Your Honor.

1 THE COURT: I think it means you go to Alaska, but --

2 THE WITNESS: A hard freeze is when the employee does  
3 not accumulate additional credit under the retirement plan for  
4 additional years of service or for higher final average  
5 earnings. So whatever the employee has accrued as a retirement  
6 benefit on that date of the plan freeze, that amount does not  
7 rise. So, for instance, if an employee had an accrued benefit  
8 when they retired at age 62 of, say, \$20,000 a year, once that  
9 -- the plan is frozen, that \$20,000 will not grow because of  
10 either higher final average earnings or additional credited  
11 service. The 20,000 that they had accrued is frozen and that  
12 is what we --

13 THE COURT: Okay. Now, let me ask you a question  
14 because I haven't been able to find anybody who will give me  
15 this answer. Okay. What is it that you're, quote, "treating  
16 as the per-year payment that's required to provide the  
17 retirement?"

18 THE WITNESS: You mean how much money we have to pay  
19 in per year to provide this benefit?

20 THE COURT: Yeah.

21 THE WITNESS: Your Honor, I believe that the amount  
22 varies significantly from year to year.

23 THE COURT: Okay. But what you're saying to me is  
24 there's no way that you could tell me, well, basically, it's  
25 five dollars per \$10,000 per employee, which is the calculus?

1 THE WITNESS: That's correct. We have actuaries --  
2 BY MR. GALLAGHER:

3 Q Ms. -- let me clarify for the record, Ms. Carolán. When  
4 you say that's correct, you mean there's no way that you can  
5 tell?

6 A Exactly.

7 THE COURT: But see, I don't understand how you can  
8 not have any way of knowing how much you're putting aside in  
9 some way for --

10 THE WITNESS: Well, that's the whole problem with the  
11 defined benefit pension plan, because it is very difficult to  
12 predict how much you're going to have to put aside. It can be  
13 very little in one year and it can be a lot in a different year  
14 and that's why Delta and pretty much every other airline is  
15 going away from defined benefit --

16 (Off the record at 3:31 p.m. Session interrupted.)

17 (Proceedings resume after interruption at 3:32 p.m.)

18 A -- that it's eight and a half percent of pilot earnings is  
19 what we're going to have to put aside for the pilot. We put in  
20 an account for the pilot, and he or she decides how they're  
21 going to invest it, and they take the investment risk or gain.

22 THE COURT: Okay. Now let me -- when you say you "put  
23 it in an account" --

24 THE WITNESS: Yes.

25 THE COURT: -- do you mean it no longer is Delta's

1 money?

2 THE WITNESS: That's correct. It leaves Delta and  
3 goes into an account for the pilot --

4 THE COURT: Okay.

5 THE WITNESS: -- with a defined contribution pension  
6 plan, which is what we put in place for pilots last year, after  
7 we soft-froze the defined benefit pension plan. So the defined  
8 benefit money goes into a trust, this defined contribution --

9 THE COURT: Now -- okay. And you're saying to me that  
10 the defined contribution money is in a trust, but that the  
11 defined benefit money is not.

12 THE WITNESS: No, the defined benefit money is  
13 definitely in a trust.

14 THE COURT: No, no, no. I don't mean the big ball.  
15 That's the big ball

16 THE WITNESS: Well, it's a very -- it's --

17 THE COURT: That's the big ball. I mean the little  
18 ball that is, okay, we haven't put any money in for the last  
19 six months, you know, and you can't tell me how much it would  
20 be because you'd have to get the actuaries in; whereas, in your  
21 defined contribution plan, you could take the number of people  
22 and you could multiply it out yourself if you wanted to do it  
23 on your computer.

24 THE WITNESS: My understanding, Your Honor, is that  
25 the trust that holds the pilot defined benefit money is one

1 trust, and all the money is in that trust.

2 BY MR. GALLAGHER:

3 Q On the defined -- pilot defined benefit plan.

4 A On the pilot defined benefits.

5 THE COURT: I understand that. But then on the  
6 defined contribution --

7 THE WITNESS: Yes.

8 THE COURT: -- that money is in separate trust for  
9 each pilot.

10 THE WITNESS: I don't believe that each pilot has an  
11 individual account number; I believe that it is all held  
12 together, but it is apportioned down to the penny to each  
13 individual pilot.

14 THE COURT: Okay. But that money is definitely set  
15 up, so that it is not Delta's money.

16 THE WITNESS: It is absolutely not Delta's money,  
17 Delta can't get to that money, Delta can't touch that money.  
18 It has left Delta and gone to the pilot.

19 BY MR. GALLAGHER:

20 Q And that's managed by a third-party fiduciary, a fund  
21 manager?

22 THE COURT: Somebody manages it, and we don't need to  
23 worry about it right now because I'm really just trying to find  
24 out about this particular thing.

25 Now as I see it --

1 THE WITNESS: What we agreed with the dispatchers was  
2 to hard-freeze their defined benefit pension plan. And then we  
3 also agreed that, if and when the company institutes a defined  
4 contribution plan for ground employees and flight attendants,  
5 that the dispatchers will also get to participate in that  
6 defined contribution plan.

7 THE COURT: Thank you.

8 BY MR. GALLAGHER:

9 Q So the hard-freeze that PAFCA agreed to is the same hard-  
10 freeze that Delta has proposed to ALPA on the defined benefit  
11 program.

12 THE COURT: Well, okay. But let me ask you a  
13 question. Not all retirement plans provide for the company to  
14 make the contribution. Some of them provide for it to come out  
15 of --

16 THE WITNESS: Yes.

17 THE COURT: -- the employee's pay.

18 THE WITNESS: And we have one of those at Delta, as  
19 well, in addition to the defined benefit pension plan.

20 THE COURT: Okay. Now the ones you were talking about  
21 now are ones where the money would come out of Delta.

22 THE WITNESS: Every nickel of the defined benefit and  
23 the defined contribution plan comes from Delta.

24 THE COURT: Okay.

25 THE WITNESS: We also have, to supplement those plans,

1 for both pilots and non-pilots, we have a 401K plan, and the  
2 company --

3 THE COURT: No, okay. I don't want to get involved in  
4 that.

5 THE WITNESS: Okay.

6 THE COURT: I just wanted to know -- just wanted to  
7 get that far.

8 THE WITNESS: Okay.

9 THE COURT: Now we've gotten to this next one, which I  
10 don't understand at all --

11 THE WITNESS: Okay. Then --

12 THE COURT: -- which is your fifty-dollar-per-family  
13 usage fee. Now I don't understand why it isn't going to cost  
14 you more than \$50 to get this card in place, and I don't  
15 understand how much non-revenue travel people are allowed to  
16 take, and/or how much it costs the company for people to take  
17 non-revenue travel. And I'm not talking about pilots because  
18 pilots do take certain amounts of --

19 THE WITNESS: Jumpseat.

20 THE COURT: Yeah.

21 THE WITNESS: Yeah. Let me tell you what we have.

22 At Delta, we have a very generous pass-travel policy.  
23 All employees participate in the opportunity for pass travel.  
24 You simply go to the airport; if there are seats on the flight,  
25 enough for everybody that is standing by, waiting to see if

1 there are empty seats, you simply get on board the flight. If  
2 there are not enough seats for all the Delta employees,  
3 generally it goes in seniority order.

4 There are some exceptions to that. There are kind of  
5 super-priority passes that each employee has that you can use  
6 once or twice a year --

7 THE COURT: Oh, and guess who might have them? Like  
8 maybe the CEO?

9 THE WITNESS: No. These are for all employees, for  
10 pilots, non-pilots --

11 THE COURT: I'm talking about the super-priority ones.

12 THE WITNESS: No, this is -- that's not what I'm  
13 talking about. I'm talking about the ones that the ramp  
14 employees have, the res. employees.

15 THE COURT: But then you said there were also some  
16 super-priority ones.

17 THE WITNESS: For everybody. Every ramp agent, every  
18 reservation agent, either one or two times a year, can use what  
19 they call a "vacation pass," and it carries a higher priority.  
20 So what Delta does, when the flight is ready to leave, say that  
21 there's five seats empty on the flight and there's ten  
22 employees wanting to travel. If some employees have -- elect  
23 to use their high-priority pass, their vacation pass, they  
24 would get on ahead. Say one employee decided to use their  
25 vacation pass, their high-priority pass. Even if they were

1 junior to all of the employees, they would go on first.

2 But the issue is everybody saves that pass because you  
3 only get to use it -- I think it's twice a year you get to use  
4 a vacation pass, so you save that; it's precious.

5 THE COURT: So you get to use it basically on two  
6 flights.

7 THE WITNESS: I believe that you use it twice a year,  
8 and it's good for a round trip.

9 THE COURT: Yeah.

10 BY MR. GALLAGHER:

11 Q So everybody has two trump cards.

12 A Yes, exactly.

13 Now the reason that we have instituted the fifty-dollar  
14 pass fee is -- there are several reasons for doing so:

15 Number one, every employee already has their pass card, so  
16 --

17 THE COURT: Yeah, I noticed that, I figured that out.

18 A -- because that's how we used to check in at a kiosk.

19 THE COURT: Absolutely.

20 A And we do that now, so that the people that check in will  
21 be checking in -- the people who work at the airport will be  
22 checking in paying passengers, not passengers who are not  
23 providing any revenue. So we got these cards a few years ago.

24 What we are asking, for the \$50 is not just for every Delta  
25 employee, it's also for every Delta retiree and all of our

1 regional carrier partners.

2 THE COURT: Okay. So you're saying to me that the  
3 \$50, you're going to send out a letter to the retirees and say,  
4 you want to fly --

5 THE WITNESS: Absolutely.

6 THE COURT: -- give me fifty bucks.

7 THE WITNESS: And all of our regional airline partners  
8 who participate in Delta's travel system, we'll also get fifty  
9 bucks from each of them. So this -- all of these \$50 will pay  
10 for technology that makes it easier for us to travel. We can  
11 check in at kiosks.

12 Your Honor, there's one other benefit that we --

13 THE COURT: Okay. Right now, you're saying to me that  
14 those -- the passes that you presently have would not allow you  
15 to check in to a kiosk.

16 THE WITNESS: We have had the convenience of checking  
17 in through a kiosk for maybe six months or a year. Before  
18 that, we did not have it.

19 Your Honor, also, two additional reasons:

20 When we are taking benefits from employees and taking  
21 pay from employees, we also did not want to take this benefit  
22 from employees because it is very, very important to many  
23 people.

24 THE COURT: I understand that, but I still don't  
25 understand why we need a new card.

1 THE WITNESS: We don't need a new card, Your Honor.  
2 We're using the same card that we have. Delta will not be  
3 paying any money.

4 THE COURT: You're just going to make them pay \$50 to  
5 have a -- to have the same old card, so that they can travel,  
6 and it's going to cost them \$50 more a year to travel.

7 THE WITNESS: Yes. Every employee has a computerized  
8 record, and, basically, it's going to cost us \$50 to turn it  
9 on, to activate it, and then they can travel all they want that  
10 year for \$50.

11 MR. GALLAGHER: Who currently --

12 THE COURT: Okay. So they could go to Moscow on the  
13 new cheap flights, yes?

14 THE WITNESS: They could go to Moscow for free four  
15 times a month.

16 THE COURT: Why?

17 THE WITNESS: They could go every weekend if they  
18 wanted to, for free.

19 BY MR. GALLAGHER:

20 Q The pass utilization is unlimited, as long as there's space  
21 available?

22 THE COURT: Okay. How many passenger utilizations by  
23 Delta employees are there per year?

24 THE WITNESS: I don't have that number, Your Honor.

25 Your Honor, can I also tell you one other thing before

1 I forget?

2 THE COURT: Yeah.

3 THE WITNESS: One of the other reasons that we are  
4 charging the \$50, rather than the ten dollars per one way or  
5 twenty or \$30, as you suggested --

6 THE COURT: Oh, that you -- I didn't know that you  
7 used to charge.

8 THE WITNESS: We used to charge, and the reason that  
9 we are not proposing to do that is not only because we don't  
10 want to put that burden on employees, but especially because  
11 the federal government then will get in on the act, and they  
12 will say, you now have to pay passenger facility charges and  
13 taxes, and that could end up being more than the twenty or \$30  
14 that we are charging the employees. So that was --

15 THE COURT: Okay. So basically the card is a way of  
16 making it easier for you to deal with identifying employees. I  
17 mean, when they get up to the desk or they go and put this  
18 thing into the kiosks, I take it that the computer can  
19 recognize that it's a Delta employee card.

20 THE WITNESS: Yes, and that's exactly what it's for.  
21 It's to make sure that the agents at the airport are not  
22 handling travelers who are not providing revenue to Delta; that  
23 they have more time to handle the revenue passengers. And for  
24 us, who are not providing a benefit to the company, we just  
25 slide our card in and check in ourselves.

1           THE COURT: Oh, I mean, you don't think it's a benefit  
2 for you to have gone to Moscow and be able to tell everybody  
3 else that it's too cold in the winter, and they shouldn't do  
4 it?

5           THE WITNESS: I think travel is one of our greatest  
6 benefits.

7           THE COURT: Okay. But you can't -- you don't have any  
8 idea of whether everybody travels once a year or --

9           THE WITNESS: I think that there are employees like me  
10 who travel all the time. My husband is a retired Delta  
11 employee, his parents -- he worked for Delta for twenty-seven  
12 years, and his parents could have gone free anywhere in the  
13 world, any time, and never traveled.

14          THE COURT: Well, I mean, you know, some people are  
15 just like that.

16          THE WITNESS: Yeah, yeah.

17          THE COURT: They're afraid. They -- I mean, I don't  
18 know whether you watch "The Amazing Race" or not, but on the  
19 one before this, they sent the people originally to South  
20 America, and I think it -- I don't know, I think it was Peru,  
21 and one of the guys said, I didn't know they didn't speak  
22 English down here.

23          (Laughter.)

24          THE COURT: I mean, seriously, and I thought to  
25 myself, whoo. That's bad.

1           But I think it's time for me to take a break and take  
2 a look at some more of the pages in this thing, and finish  
3 thinking about what I want to ask you about this.

4           Oh, I know. I want to ask you one thing. Oh, no. I  
5 wanted to ask you: Are you going to find an accident policy  
6 that would be similar to your short-term disability policy?  
7 Okay? You can think about that.

8           THE WITNESS: Thank you.

9           THE COURT: Because that's one of the things you have  
10 taken away.

11          (Recess taken at 3:44 p.m.)

12          (Proceedings resume at 4:28 p.m.)

13          THE COURT: You may be seated.

14           I see you have a former employee who doesn't like the  
15 fact you cut him off --

16          THE WITNESS: We do.

17          THE COURT: -- from free flights for life.

18          THE WITNESS: That's correct. Your Honor, can I  
19 correct one other thing?

20          THE COURT: Sure.

21          THE WITNESS: My co-employees told me on a break that  
22 I seriously underestimated the number of these priority passes  
23 we get per year. We actually get six per year, not the one or  
24 two that I told you.

25          THE COURT: Okay.

1 MR. GALLAGHER: All right.

2 BY MR. GALLAGHER:

3 Q Now, Ms. Carolan, while we're on passes, you talked about  
4 everybody getting those six priority passes and everybody  
5 getting space-available passes.

6 Do executives or senior management get other pass  
7 privileges?

8 A Yes. Officers and directors are also permitted positive  
9 space travel for themselves and for their family. And if you  
10 travel on positive space, the income -- the cost of the ticket  
11 is imputed to your income and you pay tax on it.

12 Q And "positive space" means you can actually reserve a seat?

13 A Yes, as long as there's seats available, you can make a  
14 reservation.

15 Q Okay. When you -- are you eligible for positive space  
16 travel?

17 A I am.

18 Q And when you travel, do you always fly positive space?

19 A No, I don't. I travel non-revenue frequently because then  
20 you don't have the tax imputed.

21 Q And, by "non-revenue," you mean the space-available travel  
22 where you wait in line?

23 A Yes.

24 Q We were part-way through almost with the PAFCA agreement  
25 with Delta. And I believe we had gotten down to discussing

1 accident leave --

2 THE COURT: Okay. It appears that some people are  
3 eligible for first class flight privileges?

4 THE WITNESS: Yes, Your Honor.

5 THE COURT: Those would also be income and pre --

6 THE WITNESS: Yes. They impute the income and then  
7 you pay tax on the income that is imputed to you.

8 THE COURT: Okay. Now what happens with respect to  
9 retirees with respect to the situation?

10 THE WITNESS: Retirees are permitted also to travel on  
11 a non-revenue basis, but retirees are a lower priority than  
12 active employees because it is assumed that they have more time  
13 to travel and to wait for the next flight. So there's kind of  
14 a hierarchy and these -- the bonus -- the vacation passes go  
15 first, then the employee passes, and then the retiree passes is  
16 generally how it goes.

17 THE COURT: Okay.

18 BY MR. GALLAGHER:

19 Q Now, Ms. Carolán, one more on pass utilization. With the  
20 advent of computers, is there now a way that an employee who  
21 wants to use a pass can look into Delta's internal systems and  
22 check the loads that are pre-booked or reserved on each flight  
23 and make at least an educated guess, a better judgment than not  
24 knowing anything --

25 A Yes.

1 Q -- about whether the flight is likely to be -- have some  
2 seats open?

3 A Yes. We've had that ability for several years to look and  
4 you can look and see, in fact, even who is listed on the flight  
5 and what their seniority is and, in some cases, what priority  
6 that they're going to travel. So you can make an educated  
7 guesstimate as to whether or not that you will get on the  
8 flight.

9 Q All right. What's in Paragraph 10 of the PAFCA agreement?

10 A Could I answer Your Honor's question about accidental leave  
11 first?

12 Q Oh, yes, by all means.

13 A Your Honor, you asked about accident leave.

14

15 THE COURT: Right.

16 THE WITNESS: Accident leave is something that Delta  
17 historically paid over and above what is required by the  
18 workers' compensation statutes. In the past, if a Delta  
19 employee was injured at work, they could use accident leave for  
20 -- to pay protect their absence. They could get workers' comp  
21 which would usually be less, but they could get accident leave  
22 and it wouldn't decrement their sick leave.

23 What we are now proposing is to delete that accident  
24 leave. They still will be able to use their five days of sick  
25 leave and their short-term disability and long-term disability,

1 but there is not going to be a separate bank for accident  
2 leave. But they can coordinate state workers' compensation  
3 benefits with their sick leave and their short and long-term  
4 disability. So the employer is not going to be --

5 THE COURT: Okay. But we are going to have long-term  
6 disability also to be provided also by an outside provider?

7 THE WITNESS: Delta will provide it. I don't know,  
8 Your Honor, whether it -- that is something that we are going  
9 to send to a third party or whether we would provide that in-  
10 house. I just don't know.

11 THE COURT: Well, I mean, in some situations, if you  
12 were to offer it to the employees and pay five percent of it,  
13 the employees would still get a benefit that they could not get  
14 by trying to buy the insurance on their own.

15 THE WITNESS: Well, we're not asking the employees to  
16 buy it on their own. We will --

17 THE COURT: No. But what I'm saying is that there's a  
18 benefit to your employees in your providing them with the  
19 opportunity -- obviously, they would prefer to pay for it --  
20 you to pay for it.

21 THE WITNESS: Right.

22 THE COURT: But I'm saying even if they have to pay  
23 some portion of it because they can't get it because they're  
24 not a large group.

25 THE WITNESS: Exactly. We are going to negotiate to

1 give -- to get them a group rate and we also payroll deduct it.  
2 So it will be very easy for the employees to purchase it. They  
3 sign up for it one time a year when they sign up for their  
4 other benefits and then it's simply taken out of their  
5 paycheck.

6 BY MR. GALLAGHER:

7 Q Is that the short-term disability you're speaking of?

8 A I'm speaking of either short-term or long-term, which --

9 Q Is the long-term company-paid?

10 A That's changing between this year and next year. This year  
11 long-term is not company-paid and short-term is, and we're  
12 flipping that next year. Next year short-term will not be  
13 company-paid and long-term will.

14 Q All right.

15 A And this is for ground employees and flight attendants. It  
16 is fully --

17 THE COURT: Okay. And when would the long-term period  
18 begin?

19 THE WITNESS: After twenty-six weeks of short-term  
20 disability. And, Your Honor, the plans that I have been  
21 talking to -- talking about are for ground employees and flight  
22 attendants. For pilots, it is fully paid short-term and long-  
23 term disability. So what I've just been referring to is only  
24 for ground employees and flight attendants.

25 THE COURT: Okay. I understand that we're not really

1 talking about pilots, that we're just occasionally crossing  
2 over so that I can understand something that I also know is in  
3 the pilots' agreement.

4 THE WITNESS: Okay, great.

5 I'm sorry. You asked me about Paragraph 10?

6 BY MR. GALLAGHER:

7 Q Yes.

8 A Paragraph 10 is a reference to the profit-sharing plan that  
9 the company announced, and if there is to be an equity plan.  
10 And, basically, it says that the dispatchers will receive the  
11 benefit of those plans, and if there is differentiated  
12 percentages for different employee groups, that they will  
13 receive the highest percentage.

14 Q And Paragraph 11 seems to provide a payment for the fees  
15 and expenses incurred by PAFCA in connection with this  
16 agreement. Is that right?

17 A Yes. The company agreed to partially offset those fees to  
18 the maximum of \$30,000.

19 Q All right. Now I believe I asked you already if the  
20 vacation accrual and the holidays that PAFCA agreed to were  
21 parallel to what Delta has already implemented for the non-  
22 contract employees.

23 A Yes.

24 Q Now I want to ask you if all the rest of the provisions are  
25 either identical to or parallel to changes that Delta has

1 already implemented for all of the rest of the non-contract  
2 employees.

3 A They're changes that are already announced for all the non-  
4 contract employees and they will be implemented the first of  
5 the year.

6 Q Okay.

7 THE COURT: What response have you received from the  
8 employees to your announcement?

9 THE WITNESS: Obviously, Your Honor, employees were  
10 disappointed to hear about the pay cuts. There has been,  
11 especially in the management ranks, some higher rates of  
12 attrition. But, all-in-all, I think that we have done a pretty  
13 good job as a management team of advising the employees of why  
14 we're doing this and of our financial situation and also  
15 offering profit sharing so if we do turn the company around  
16 that they will be able to participate on the upside as well as  
17 on the downside.

18 We have very many employees, Your Honor, who have been  
19 with Delta for a very long period of time and are very loyal to  
20 the company.

21 THE COURT: Well, and I would have thought that when  
22 you stopped their pension, that that would have been something  
23 that they really cared about.

24 THE WITNESS: Employees are very, very interested and  
25 very, very concerned about their pension. And that's why the

1 company is fighting so hard to preserve the pension plans for  
2 both the pilots and the non-pilots. And there has been a huge  
3 effort underway for employees to contact their representatives  
4 to ensure that the people in Washington know how important the  
5 pension benefits are to all employees.

6 In addition, that's why we are proposing to freeze the  
7 benefits because if it's a frozen benefit and it doesn't grow,  
8 it will be more affordable to the company; and, therefore, it  
9 will be more likely that we will be able to save it. And that  
10 -- when I talk to groups of employees, that is the number one  
11 question from all employees is: Is the pension plan going to  
12 survive? And we are working very, very hard to save the  
13 pension plan.

14 THE COURT: Well, it seems to me that the other thing  
15 that would affect the pension plan cost is that you have a  
16 Social Security offset, I might say --

17 THE WITNESS: Yes.

18 THE COURT: -- that is, you only get a pension after  
19 you've taken your Social Security into account and the pension  
20 is basically the same amount as your social security.

21 THE WITNESS: Your Honor, I don't -- I'm not a pension  
22 expert, but I don't believe that that is exactly the way it  
23 works.

24 THE COURT: I don't think it's exactly correct. But,  
25 basically, the first dollars are your Social Security money.

1 THE WITNESS: No. There -- you have a definite  
2 defined benefit, and then half of the Social Security, the half  
3 that the company paid on your behalf, so half of your Social  
4 Security is --

5 THE COURT: You know something? I don't think that  
6 most companies think in terms of the company paid half of your  
7 Social Security, the company conformed with its obligations  
8 under the law --

9 THE WITNESS: Exactly.

10 THE COURT: -- to make a certain payment and they  
11 complied with their obligations under the law to take from you  
12 a certain amount of money. And it isn't really half-and-half.  
13 Actually, the employer share is more than half.

14 But I don't -- I think it's more like you had no  
15 choice but to pay this money.

16 THE WITNESS: You're absolutely right.

17 THE COURT: And, you know, it's certainly not an  
18 unreasonable thing to say to somebody, well, your pension --  
19 since Social Security provides a form of pension to you, our  
20 pension is -- takes that into account, which is what it does.

21 THE WITNESS: Yes.

22 MR. GALLAGHER: May I proceed, Your Honor?

23 THE COURT: You may.

24 BY MR. GALLAGHER:

25 Q Ms. Carolán, would you turn to Exhibit 115, please? This

1 is in a separate book which contains Exhibits 98 through 124.

2 MR. GALLAGHER: And, Your Honor, this is an exhibit  
3 the Court had expressed an interest in and one we plan to spend  
4 a lot of time discussing. Just for the Court's information,  
5 we're going to --

6 THE COURT: Well, let's just say that this is only  
7 part of what I wanted because it only contains Delta's  
8 proposal.

9 MR. GALLAGHER: We have --

10 THE COURT: And it fails to show me the parallel  
11 proposal that was made by the pilots which is what the original  
12 exhibit was.

13 MR. GALLAGHER: We will get to that, Your Honor. It  
14 looks like we won't get to it today. But we will get to it.

15 THE COURT: Well, it doesn't help me to try to get to  
16 what you want. I know what you want. It only helps me to  
17 understand what the differences are, okay?

18 The difference in hourly rate is that the union wants  
19 is either nine percent or nine and a half percent cut.

20 THE WITNESS: Nine percent.

21 THE COURT: Okay.

22 THE WITNESS: It starts out as a nine percent cut and  
23 then it becomes a five percent cut after a few months.

24 THE COURT: They want -- I think -- I mean, without  
25 looking at their proposal, this is really pointless.

1 THE WITNESS: Could I try and --

2 THE COURT: I don't have any idea what allowing  
3 management to fly open times -- I mean, I don't really -- I  
4 know it's what you would like me to believe, but --

5 THE WITNESS: Could I try and walk --

6 THE COURT: -- how can you persuade me that this one  
7 is better when I'm not looking at the other one?

8 THE WITNESS: We could prepare such an exhibit, Your  
9 Honor, or I could walk you through it and tell you the  
10 differences in the company's versus the union's proposal.

11 THE COURT: No, no. I would like to see them  
12 together.

13 MR. GALLAGHER: Your Honor, if you would turn to  
14 Exhibit 123?

15 THE COURT: Yeah. Yeah. But it's not set up the same  
16 way. This is only the ALPA proposal. And it's not set up the  
17 way the original exhibit was set up --

18 MR. GALLAGHER: All right.

19 THE COURT: -- whereby you put them side-by-side and I  
20 was able to say, okay, this is that number, this is that  
21 number, I mean, you know -- I mean, I really --

22 MR. GALLAGHER: We'd be happy to do overnight, Your  
23 Honor, to do --

24 THE COURT: That would be very nice.

25 MR. GALLAGHER: We would do that side-by-side --

1 THE COURT: Okay. Are we having this witness  
2 tomorrow, too?

3 MR. GALLAGHER: It certainly seems that way, Your  
4 Honor.

5 THE COURT: Well, then, you can send to me a copy of  
6 both books of her exhibits at home so I don't have to carry  
7 them up and back.

8 MR. GALLAGHER: We will be happy to do so, Your Honor.

9 THE COURT: Oh, thank you.

10 MR. GALLAGHER: And, if I may, Your Honor, I would  
11 like to go back and talk to the witness about the company's  
12 proposal and describe it to Your Honor, with the understanding  
13 that we will come --

14 THE COURT: Yeah. But this is -- that's this 115  
15 exhibit. I can't -- there is no point in my going through  
16 yours, then going through theirs, and having no comparison. I  
17 mean, I need to look at it and say, okay, they -- you want  
18 nineteen percent, that's one eight two forty. The -- what they  
19 want is this and this. It's not going to help me.

20 The only thing you could tell me is what the  
21 difference between a survivorship plan and \$500,000 of life  
22 insurance is. I mean, I don't know because I don't know what a  
23 survivorship plan is and I do know what \$500,000 of life  
24 insurance is. But I don't know where you are planning to get  
25 it.

1 THE WITNESS: I'd be happy to provide that  
2 information.

3 THE COURT: Why don't you tell me?

4 THE WITNESS: Currently, our survivorship benefit for  
5 pilots provides differing percentages of the pilots' final  
6 average income. And it depends -- the percentage depends on  
7 whether the pilot dies while he is an active pilot and when  
8 he's a retired pilot, and whether he dies if he's active before  
9 age fifty.

10 The percentages range from twenty-five --

11 THE COURT: Who is the survivor? This is what I don't  
12 understand. It's a survivorship plan. Who is it directed to  
13 pay to?

14 THE WITNESS: Whoever the pilot directs. Generally,  
15 it is the pilot's spouse and their children.

16 THE COURT: What about grandma?

17 THE WITNESS: I don't think that grandma in this case  
18 would be considered a survivor. With the --

19 THE COURT: Well, maybe she lived longer.

20 THE WITNESS: With the company proposal of replacing  
21 this --

22 THE COURT: No, no. Okay. But what you're saying to  
23 me is, now, this would be calculated on age and it applies to  
24 retired and unretired pilots?

25 THE WITNESS: Yes. The percentage -- it applies to

1 all pilots whether retired or not. The percentage depends on  
2 when you die and what age you are when you die.

3 THE COURT: Okay. What happens when you die at the  
4 age of ninety?

5 THE WITNESS: I believe that you still --

6 THE COURT: There's still a little bit left?

7 THE WITNESS: I believe that there is still a benefit  
8 offered, but frankly, I'm -- I don't know of a pilot who has --

9 THE COURT: You're not there yet. You're not there  
10 yet. You don't know.

11 Okay. Now the \$500,000. How was \$500,000 picked?

12 THE WITNESS: Well, we tried to provide a sizeable  
13 enough benefit that the pilots' survivors would be protected in  
14 the event of the death of the pilot, but still choose an amount  
15 that would provide the company with a significant cost savings.

16 THE COURT: Okay. Can you -- do you have any idea  
17 what the survivorship benefit for pilots costs or has cost  
18 Delta per year or per two years, per five years?

19 THE WITNESS: I don't have that with me. I'll get  
20 that for you this evening.

21 THE COURT: Well, because if it's not saving any money  
22 -- I mean, unless I know that it's saving money, it's not  
23 saving any money.

24 THE WITNESS: No. Our proposal saves 20 million --  
25 approximately \$20 million.

1 THE COURT: Well, okay. I'd like to see how that  
2 works.

3 Now, where are you going to get the life insurance  
4 from?

5 THE WITNESS: Well, that is something that we would  
6 like to negotiate with the Airline Pilots Association. There  
7 is two choices, basically. We can either get a commercial  
8 product or we can self-insure it.

9 THE COURT: Why in the world would anybody want to  
10 have \$500,000 of life insurance from you self-insured? I mean,  
11 I just don't think that that's what they would call a sure bet.

12 THE WITNESS: Well, Your Honor, it would be paid out  
13 of the disability and survivorship trust which, at this point,  
14 has assets well over a billion dollars.

15 THE COURT: Well, I mean, only if you -- I mean,  
16 that's what I'm saying. I mean, this is the sort of thing  
17 where, you know, if you're going to take \$500,000 in life  
18 insurance, you want to be real sure you're going to get it.

19 THE WITNESS: Yes. Yes. I agree. And that's why  
20 we're anxious to talk to the association about this proposal  
21 and come up with a plan that is mutually satisfactory.

22 THE COURT: Well, don't you think that before you talk  
23 to them, you need to have some idea of what the survivorship  
24 plan cost for the pilots and how much different pilots were  
25 getting? I mean, you know, it's hard to know -- I mean, maybe,

1 you know, one pilot died at the age of sixty and his widow is  
2 100 years old.

3 I mean, it's hard to know whether -- in many respects,  
4 the \$500,000 is a more even -- an evenly-based offer --

5 THE WITNESS: I understand --

6 THE COURT: -- since there is no question but that  
7 every one of the pilots is going to die.

8 THE WITNESS: Yes. Your Honor, we have provided that  
9 information to the association. I just don't have that number  
10 memorized off the top of my head.

11 THE COURT: Okay.

12 THE WITNESS: But we have provided the information on  
13 how much we pay out to survivors today, the yearly cost to the  
14 company. We have provided all that information.

15 THE COURT: Well, okay. But that -- with respect to  
16 pilots, right?

17 THE WITNESS: Yes.

18 THE COURT: Okay.

19 THE WITNESS: And, Your Honor, with the 500,000, we  
20 have been very up front with the pilots. There will be some  
21 pilots who win under this proposal and some pilots who loose.  
22 Actually, we argue that they all loose because they're all  
23 dead, all these people we're talking about.

24 THE COURT: Well, I mean, the question is when does a  
25 -- when does the life insurance start and when does it stop.

1 THE WITNESS: Well, the life insurance would be paid  
2 as a lump sum when the pilot dies.

3 THE COURT: No. I mean, when would your right to the  
4 life insurance begin?

5 THE WITNESS: As soon as the pilot becomes deceased.  
6 As soon as the active pilot becomes deceased.

7 THE COURT: No, you're missing my point.

8 THE WITNESS: I am.

9 MR. GALLAGHER: When would the company adopt the life  
10 insurance plan?

11 THE COURT: I mean, when would you be deemed to have  
12 bought the life insurance policy?

13 THE WITNESS: I don't know that detail, Your Honor. I  
14 don't -- because we have not concluded because the association  
15 generally wants a lot of input into those decisions, whether  
16 it's self-insured, whether it comes out of the trust, whether  
17 we go to a provider.

18 THE COURT: I can assure you without having been party  
19 to any of the negotiations that self-insure is not -- is not  
20 acceptable.

21 BY MR. GALLAGHER:

22 Q Ms. Carolán, maybe I can try. Was it -- is the company's  
23 contemplation that the life insurance -- the availability of  
24 life insurance will commence the same date that the  
25 availability of the survivorship plan ends?

1 A Absolutely.

2 Q In other words, there won't be any gap of coverage?

3 A That's correct.

4 Q Okay.

5 A And this is a plan that we are phasing in. It is not  
6 effective I believe until January 2008 to give pilots lots of  
7 opportunity to plan their --

8 THE COURT: Okay. But they wouldn't have the  
9 survivorship plan? They don't have a survivorship plan until  
10 2008?

11 THE WITNESS: That's correct. And this would give  
12 them time to plan their affairs and change wills and things  
13 like that that they would need to do.

14 We also offered a phase-in, a very similar phase-in to  
15 ground employees and flight attendants when we made the same  
16 change to their plans. We gave them a few years' notice that  
17 we would be changing it from a continuing annuity to a one-term  
18 -- one-time term life insurance plan.

19 THE COURT: Well, except that, you see, it's not a  
20 one-time life insurance plan. Most life insurance plans, if  
21 you buy them for yourself, you have to pay a premium every  
22 year. The premium gets higher as you get older.

23 THE WITNESS: But the company --

24 THE COURT: I mean, you know, I have federal life  
25 insurance. The government pays part of it and I pay part of

1 it. And when I get older, I pay more.

2 THE WITNESS: Well, our proposal to the pilot is that  
3 the company will pay 100 percent of attaining that term life  
4 insurance.

5 THE COURT: Okay. Now, of course, one issue with  
6 respect to life insurance is always from -- if you go to a  
7 third party is always: Is the person insurable? And I assume  
8 that if you did it in-house, you would make -- you would have  
9 to make the assumption that all pilots were insurable or all  
10 your employees are insurable.

11 Do you have with you the retiree medical -- or the  
12 survivorship plan?

13 THE WITNESS: The plan itself?

14 THE COURT: Yeah.

15 THE WITNESS: I have it electronically on my computer.  
16 It's several hundred pages, I believe.

17 MR. GALLAGHER: We'd certainly be happy to provide if  
18 the Court would like it.

19 THE COURT: Well, I would like to see it. It is  
20 probably -- I don't want to see all several hundred pages of  
21 it, but I would like to see something about what it covers.

22 BY MR. GALLAGHER:

23 Q Ms. Carolán, what is the amount of life insurance that the  
24 company has provided to ground employees and flight attendants?

25 A A minimum of \$50,000 and a maximum of one-time yearly

1 earnings. It is a less generous benefit than we are offering  
2 to the association.

3 Q And the life insurance for the ground employees and flight  
4 attendants is also company-paid?

5 A Yes, it is.

6 Q And it also has this -- a phase-in period?

7 A Yes, it did.

8 Q Okay. If I may, I'd like to ask you to turn to Exhibit 53,  
9 which is in another book.

10 A Yes, I'm there.

11 Q And can you tell the Court what is contained in Exhibit 53?

12 THE COURT: I can read it.

13 MR. GALLAGHER: Okay.

14 THE COURT: And I still don't know that it really  
15 matters what other people are paying. I mean, it's useful just  
16 in showing me where you want to go from to. But, beyond that -  
17 -

18 MR. GALLAGHER: All right.

19 BY MR. GALLAGHER:

20 Q Well, Miss Carolán, why -- what was the basis upon which  
21 the company determined what pay rates it would propose to ALPA?

22 THE COURT: They threw a stick up in the air and it  
23 landed on one seventy-five.

24 THE WITNESS: No, Your Honor, it wasn't quite that  
25 way.

1           THE COURT: It seems to have been close. I mean, you  
2 know, it -- you don't get from two sixteen to one seventy-five  
3 unless you decide you want to bypass four airlines and be above  
4 the last two. Now, I mean, it is certainly at the very low end  
5 of where you're going.

6           THE WITNESS: Yes, Your Honor. What we did is we  
7 looked at the other -- what the other carriers --

8           THE COURT: I know. And then you multiplied and  
9 divided and you decided one seventy-five was better than one  
10 eighty.

11          THE WITNESS: Well, frankly, we looked at what our  
12 competitors were paying their pilots --

13          THE COURT: And I'm saying I -- you know, you may be  
14 stuck with having to pay more. You may be stuck with any  
15 number of things because they have a union contract. And, so -  
16 -

17          THE WITNESS: These other airlines, most of their  
18 pilots are union. But, Your Honor, unfortunately, we just  
19 simply cannot afford to pay our pilots more than other  
20 airlines.

21          THE COURT: You know something? You just gave me \$42  
22 million, not quite but close, in savings. Twenty-one million  
23 dollars a year on your survivorship. Now how much is that  
24 going to come down? To maybe five, \$6 million on your  
25 insurance policies?

1 THE WITNESS: No, Your Honor, I'm sorry. I've  
2 miscommunicated with you.

3 The amount that is on here is the savings. So the  
4 survivorship changes are going to save the company \$20 million  
5 per year. That is not our total cost. This is the savings by  
6 making the changes that we proposed to the association.

7 I'm sorry I miscommunicated with you.

8 THE COURT: Well, I know. But I'd like to have all of  
9 the numbers so I could sort of get -- I don't know whether  
10 counsel has them or not but, you know. I see -- I don't even  
11 know what a 777 or an A330 is. I don't know how many people  
12 they even put in them. I don't know where you fly them to.

13 THE WITNESS: Your Honor, the --

14 THE COURT: So, I mean, I look at this and I say, you  
15 know, you want to go down to just above U.S. Airways and  
16 Northwest. Now I fly U.S. Airways fairly frequently. And  
17 they're little dinky planes. I mean, they've got three seats  
18 across. And, you know, a pilot flying a three-seat-across  
19 plane just doesn't need the same level of skill that one that's  
20 flying a big plane across the ocean.

21 MR. GALLAGHER: Well, Your Honor, may I explain what  
22 the aircraft are? I can ask the witness, but it might be more  
23 efficient for me to --

24 THE COURT: Well, I got a lot of aircraft people in  
25 here. Some one of them can tell me that you're wrong.

1 MR. GALLAGHER: Absolutely, Your Honor. The triple-  
2 seven, the Boeing 777 is the largest and newest aircraft in  
3 Delta's fleet. It flies international routes. It is  
4 approximately 300 passengers' capacity.

5 The A330 is the Airbus 330 which is a comparably-sized  
6 aircraft flown by other carriers which is usually used for  
7 comparison purposes for comparing pay rates. And Delta, as you  
8 can see, is the highest current pay rate, that Northwest --

9 THE COURT: Well, I understand something, but I don't  
10 think USAir is flying a lot of these planes, because I think  
11 they fly a lot of planes up and down the coast. I mean, it is  
12 USAir that, you know, the stewardesses will tell me, well, they  
13 were in Syracuse this morning and they're going to be in  
14 Charlotte and they're going to be back up to Syracuse.

15 Now, I'm saying to you this is not really useful  
16 unless I know that these are the rates that people are paying  
17 for these particular planes.

18 MR. GALLAGHER: Your Honor, they are. U.S. Airways  
19 has just about as many triple sevens as Delta Air Lines does --

20 THE COURT: Yeah, but you don't know that this is -- I  
21 mean, have you got a piece of paper in which they've said this  
22 is what we're paying --

23 MR. GALLAGHER: We do, Your Honor. I don't think ALPA  
24 will dispute these numbers.

25 THE WITNESS: And, Your Honor, the first page is for

1 the triple 7. Then he goes to the next page, that's for the  
2 767-400 --

3 THE COURT: Which I don't know what a 767-400 is  
4 either.

5 MR. GALLAGHER: These are graduated downward, Your  
6 Honor. The --

7 THE COURT: Well, that's nice to know.

8 MR. GALLAGHER: The next -- the 767 is the next  
9 largest airplane --

10 THE COURT: Okay. And what does it do?

11 MR. GALLAGHER: Currently, Your Honor --

12 THE COURT: Just wait a minute.

13 MR. GALLAGHER: -- flies -- flies both domestic and  
14 international.

15 THE COURT: Well, just wait a minute.

16 (Court and clerk confer.)

17 THE COURT: Okay. What is it that you -- what is a  
18 747?

19 MR. GALLAGHER: This is 767, Your Honor

20 THE COURT: 767.

21 MR. GALLAGHER: This is the next largest aircraft.  
22 What I will do overnight, Your Honor, is --

23 THE COURT: Well, could you just tell me how many  
24 people it seats?

25 THE WITNESS: It seats over 200 people, and Delta this

1 airplane today primarily to fly between the mainland and  
2 Hawaii. It is the aircraft that we are going to start  
3 redeploying to fly internationally, because it has a long  
4 range, and we can start to fly these planes internationally --

5 THE COURT: Okay.

6 THE WITNESS: -- and we will do so next year.

7 THE COURT: Okay. Is the 400 somehow related to the  
8 767 or is it part of the same name?

9 THE WITNESS: It is also a Boeing product. It is a  
10 different version of the 767. This is the version that can be  
11 flown further than the domestic 767 which is the next -- on the  
12 next page.

13 MR. GALLAGHER: And the model number -- the 400 or the  
14 300 is a model number where the 767 --

15 THE COURT: Well, no, I understand that these are  
16 model numbers. It's just that I don't know whether the model  
17 number is 767-200 or not, and you're saying to me it's not.

18 THE WITNESS: Yes, it is. The 767-200 and three --  
19 there's the 767-200 and then the 767-300 and those are model  
20 numbers.

21 THE COURT: Okay. Okay.

22 MR. GALLAGHER: So the 767 --

23 THE COURT: And where do you go with these?

24 THE WITNESS: The 767-200 I believe today are used for  
25 long-haul service, and --

1 THE COURT: How many seats?

2 THE WITNESS: Over 200, 225-ish, 240.

3 THE COURT: Okay. And what about the 767-300?

4 THE WITNESS: The 767-300 is our primary international  
5 aircraft, and that is used to fly both from Atlanta and New  
6 York to all of our European destinations.

7 THE COURT: And that has how many seats?

8 THE WITNESS: Two -- two fifty.

9 MR. GALLAGHER: We'll get --

10 THE COURT: Well, I mean, I take it, two -- it's  
11 closer to 250 than to 500.

12 THE WITNESS: I think it's 270. It is not 500, Your  
13 Honor.

14 THE COURT: No, that's all I'm saying when I'm -- you  
15 know, hearing their buzz buzz, I'm saying, you know, you're not  
16 misstating it by a multiple of two.

17 THE WITNESS: No.

18 MR. GALLAGHER: And, Your Honor, overnight we'll get a  
19 list of the capacity of each aircraft type and its primary use  
20 in the fleet. The point of these exhibits is that these -- on  
21 each page, we list the carriers that are flying that type of  
22 aircraft and what their current pay rates are for the pilots  
23 flying that type of aircraft.

24 THE COURT: Okay. And so you want there to be a six-  
25 dollar difference -- no, I'm sorry -- a -- you want to fly

1 these 777s and the A330s for \$175 an hour and you want to fly  
2 these 767-200s and 300s for \$146 an hour --

3 THE WITNESS: Yes, Your Honor.

4 MR. GALLAGHER: Correct.

5 THE COURT: -- even though they're being flown abroad.

6 THE WITNESS: That's correct, Your Honor.

7 MR. GALLAGHER: And, Your Honor, in each instance, the  
8 Delta proposed rate is close to or always above U.S. Airways  
9 and sometimes above --

10 THE COURT: U.S. Airways has to be the lowest in the  
11 industry.

12 MR. GALLAGHER: No, Your Honor --

13 THE COURT: I mean, what I'm saying to you is they  
14 flight a lot of little planes.

15 MR. GALLAGHER: Well, Your Honor, these are big  
16 planes.

17 THE COURT: Well, I know, and when you fly little  
18 planes you get paid little money. When you fly big planes, you  
19 get paid big money.

20 THE WITNESS: But U.S. Airways does also pay more in I  
21 believe in every instance than AirTran and Jet Blue who are  
22 some of our primary competition.

23 THE COURT: No, I understand that. All I'm saying is  
24 that where you sought to put the Delta pilots is at the very  
25 lowest in just about --

1           THE WITNESS: Well, Your Honor, I think the chart is a  
2 little bit misleading because it shows Delta's current rate and  
3 Northwest's current rate on each of these charts, but those no  
4 longer exist. So, if you kind of block out the two on the left  
5 which are generally Delta and Northwest, you'll see that Delta  
6 is really more in the middle of the pack than on the right end.  
7 It's a little bit misleading.

8           THE COURT: Well, I know, but let's look at the 757.  
9 What do you do with the 757?

10          THE WITNESS: 757. The 757 has a 182 seats, and we're  
11 proposed to pay \$146 --

12          THE COURT: Okay. But where do you fly it?

13          THE WITNESS: The 757 is flown domestically. Their --  
14 the 757 is what the Song operation flies, and I believe --

15          THE COURT: No. I mean, how far can you fly it?

16          MR. GALLAGHER: New York to Florida.

17          THE WITNESS: Coast -- coast to coast. From New York  
18 to L.A.

19          THE COURT: Okay. But you get Delta down here at 146,  
20 and you've got then 142, 142 -- 144, 142 and American West down  
21 at 124.

22          MR. GALLAGHER: Your Honor, if we may go down that  
23 chart from the left column, Ms. Carolán, the 757 rate at  
24 Northwest was 187. Is that right?

25          THE WITNESS: Yes.

1 THE COURT: Look, I understand where you're going.  
2 The question is not where are we. The question is where should  
3 we go.

4 THE WITNESS: Yes, Your Honor.

5 THE COURT: I mean, you're saying that -- I mean,  
6 these numbers are the numbers that were already reduced by the  
7 32 percent reduction last year.

8

9 THE WITNESS: Absolutely.

10 THE COURT: And so the question is do you go to  
11 Continental at 163. I mean, the question is where along this  
12 scale do you go. Now, they have offered 9 percent. I can't do  
13 10 percent. I can do 10 percent more easily. That would take  
14 \$18 off that. So, you know, it's -- it's marginally above  
15 American.

16 MR. GALLAGHER: And, Your Honor, we'll take any  
17 combination of pay rates that generate the savings that we  
18 need, and what Delta has done is simply have taken a uniform 19  
19 percent cut to its former rates, its book rates in the current  
20 contract, but if ALPA wants to have higher rates closer to some  
21 other carrier, we're open --

22 THE COURT: I don't -- I'm not trying to talk about  
23 that. I'm just trying to point out that where you've chosen to  
24 put them in some places puts them in the very lower -- the very  
25 lowest end rather than in the middle and rather than dealing

1 with the fact that you already got a very substantial cut last  
2 year.

3 MR. GALLAGHER: Well, Your Honor, if you look at the  
4 next page, the 737s --

5 THE COURT: Yeah.

6 MR. GALLAGHER: -- those rates show you that the Delta  
7 is not being down enough -- put down to the lowest. It shows  
8 you where Jet Blue is and that's where Delta proposes to be,  
9 but the other carriers including U.S. Airways are further --  
10 much further to the right.

11 THE COURT: But -- but, you know, tell me what you do  
12 with the 737-800 or an A320 -- 321 --

13 MR. GALLAGHER: That's a domestic workhorse, Your  
14 Honor. It flies --

15 THE COURT: Well, I don't know anything about these  
16 things, and so --

17 THE WITNESS: The 737 --

18 THE COURT: I didn't buy Janes. Okay. I wasn't even  
19 ever interested in buying Janes.

20 THE WITNESS: The 737-800 we use to fly to many of our  
21 Central and South American cities and also to fly to the  
22 Caribbean and the A --

23 THE COURT: From where?

24 THE WITNESS: From Atlanta and Cincinnati and New  
25 York. Just to be clear, the A-320, 321 is a comparable

1 aircraft. It's an airbus product. It's comparable to the 737  
2 that Delta flies. Delta does not fly the airbus.

3 THE COURT: Okay. Now, how many people can you put in  
4 one of these?

5 THE WITNESS: Hundred and thirty-ish on an 800, 150.

6 THE COURT: How long does it take to fly from Atlanta  
7 down to the Caribbean?

8 THE WITNESS: Three -- three hours roughly.

9 THE COURT: Not a bad turnaround. Fly down, stay  
10 overnight, fly back in the afternoon next day wouldn't be too  
11 bad.

12 MR. GALLAGHER: Ms. Carolán --

13 THE COURT: But I doubt that's the way it's flown.

14 THE WITNESS: I think that there are many cities in  
15 the Caribbean that the pilot flies out and back in the same  
16 day.

17 BY MR. GALLAGHER:

18 Q Ms. Carolán, were you involved in the development of  
19 Delta's pilot --

20 THE COURT: Okay. Can you I ask you another question.  
21 Where do you fly in South America?

22 THE WITNESS: To Santiago, to Buenos Aires, to Rio de  
23 Janeiro, what am I forgetting.

24 MR. GALLAGHER: Bolivia.

25 THE WITNESS: San Paolo, Lima, Peru.

1 THE COURT: Lima is on the other side.

2 THE WITNESS: They fly from Atlanta, back and forth to  
3 Atlanta.

4 THE COURT: You wouldn't be flying -- if you want to  
5 fly from Rio to Lima, you have to fly through Bolivia.

6 THE WITNESS: Yes. We don't fly that route, Your  
7 Honor. We don't have authority to fly that route.

8 THE COURT: I've been told that flying -- if you fly  
9 from Buenos Aires so that you get to the Amazon at night, that  
10 it's really wonderful because it's so absolutely pitch black.  
11 Just pitch black, mile after mile after mile.

12 MR. SIMON: Captain Moak confirms.

13 THE COURT: Okay. Glad to know that we have had  
14 another confirmed sighting.

15 BY MR. GALLAGHER:

16 Q Ms. Carolán, would you turn to Exhibit 116.

17 THE COURT: Color copies. Just think of the cost.

18 A Yes. I'm at Page 116.

19 Q Can you tell the Court what's reflected here?

20 A Exhibit 116 shows the current rate for a Delta 737-800  
21 captain at top-of-scale and also a Delta fifth-year captain --

22 Q Let me stop you and make sure I have it right. A twelfth-  
23 year captain at Delta currently flying a 737-800 earns on  
24 average \$166,000 a year.

25 A He earns \$166,000 a year based on flying eighty hours per

1 month and the fifth-year captain, this chart shows would earn  
2 \$157,000 based on eighty hours a month. This is his W-2 wages,  
3 not his benefits.

4 THE COURT: Okay. So that basically eighty hours a  
5 month is the maximum they're allowed to fly?

6 THE WITNESS: No. They can fly over eighty a month  
7 but eighty is a good --

8 THE COURT: Well, what's the FAA limit?

9 THE WITNESS: They can fly a thousand hours a year  
10 which is 83.3 hours in a month, but they can actually fly a  
11 hundred hours in a month, but obviously we don't want all our  
12 pilots not able to fly the last month of the year.

13 THE COURT: That's 83 point what?

14 THE WITNESS: I think it's 83.3.

15 THE COURT: Okay. So, basically, eighty hours is  
16 really as close as you can get if you're going to go for round  
17 numbers.

18 THE WITNESS: Yes, Your Honor. That's correct.

19 BY MR. GALLAGHER:

20 Q But these are credit hours, correct, Ms. Carolán, not --  
21 not --

22 A They're not all hard hours. That's correct.

23 THE COURT: I understand that, but you know, let's not  
24 get into that right this minute.

25 A Then the chart also shows at Delta's proposed rates with

1 the 19 percent reduction that the same Delta captain will make  
2 135,000 a year and the top-scale captain would make 135,000 a  
3 year and the fifth-year captain would make 128,000 per year.

4 THE COURT: Okay. But now let me ask a question. Are  
5 these Jet Blue planes going to Central, South America and the  
6 Caribbean?

7 THE WITNESS: I believe that Jet Blue has one or two  
8 routes to the Caribbean. I don't believe that they fly to  
9 South America.

10 THE COURT: Well, great. No comparison.

11 MR. GALLAGHER: Well, Your Honor, it's -- for the  
12 pilot, it's not where they fly, it's what they fly, and  
13 aircraft --

14 THE COURT: See, I disagree with you. I mean, if you  
15 fly from Rio, that's a seven to eight-hour trip, and you don't  
16 take a stop in the middle of it. Okay. So it does make a  
17 difference how long you fly. It's a lot harder to keep your  
18 attention up, everything than -- on a seven or eight-hour  
19 flight than it is on a three-hour flight, in addition to which  
20 you're running different -- I mean, you're crossing the  
21 equator. You're running into potentially different wind and  
22 other circumstances, and I don't think it's comparable.

23 THE WITNESS: I think, Your Honor, that's one of the  
24 reasons that if the flight is over eight hours that the FAA  
25 requires us to put a third pilot on board the aircraft so that

1 the pilot will have -- all of the pilots will have an  
2 opportunity to rest, and Delta on those flights does pay for a  
3 third pilot to be on board the aircraft.

4 THE COURT: All I'm saying is that I don't think that  
5 that Jet Blue fifth-year captain is necessarily flying the same  
6 degree of time per flight and, you know, it just -- there are  
7 some differences.

8 MR. GALLAGHER: Well, Your Honor, let's -- let me try  
9 it this way.

10 BY MR. GALLAGHER:

11 Q Ms. Carolán, do you recall the runway incident where Jet  
12 Blue aircraft --

13 THE COURT: Okay. Okay. And tell me how -- what year  
14 was that guy?

15 THE WITNESS: That was a fifth-year captain. The  
16 flight that was on television where the nose gear was sideways  
17 --

18 THE COURT: And what kind of plane was it? And what  
19 kind of plane was it?

20 THE WITNESS: He was flying an Airbus 320 which is  
21 comparable to a 737-800, and that captain was being paid  
22 \$120,000 a year, which is less --

23 THE COURT: He was until after he did that.

24 THE WITNESS: I believe he's still being paid the same  
25 amount, Your Honor.

1           THE COURT:  If they didn't offer him a twenty or  
2 thirty-thousand-dollar bonus, they were really not doing what  
3 they should because if he hadn't landed that thing the way he  
4 landed it, they would have been short one plane, and their  
5 insurance would have been right in there.

6           I mean, yes, he did a wonderful job, but --

7           THE WITNESS:  Absolutely.  He did a great job.

8           THE COURT:  -- I'm also saying that, you know, I don't  
9 know where he flew -- what he flew beforehand, and --

10          THE WITNESS:  The FAA also has rules about how long  
11 you can fly in a day, how long you can fly in a week --

12          THE COURT:  No, I know.  I'm just--

13          THE WITNESS:  -- and how long in a month.

14          THE COURT:  I'm just saying, you know, I've flown a  
15 lot of places in the world, none of them in the Far East, and  
16 you know, I've had good flights, I've had bad flights.  I mean,  
17 I know, this is another one of Judge Beatty's horrible stories,  
18 but Bolivia is one of the most interesting places to fly into,  
19 if you would ever want, because the airport is a thousand feet  
20 above the city.  Okay.

21                 It is so high that when you get off the plane, you  
22 have altitude problems.  Now, you go into the ladies' room,  
23 men's room, and they have those little pictures, you know,  
24 women are wearing dresses.  Well, the Indians, men wear little  
25 dresses that look like that and they wear a hat, and they think

1 that's their room.

2 (Laughter.)

3 MR. GALLAGHER: Your Honor, I've checked and it's my  
4 understanding that that Jet Blue pilot who had the landing gear  
5 problem at the Los Angeles airport had just taken off on the  
6 A320. He returned --

7 THE COURT: No, I know he hadn't taken off. He wasn't  
8 very far from where he started.

9 MR. GALLAGHER: And he was on his way on a  
10 transcontinental run to New York.

11 THE COURT: I know that. I know that. He had taken  
12 off like from L.A. and he was in San Francisco. It was very  
13 short.

14 MR. GALLAGHER: And --

15 THE WITNESS: But the flight he was going to fly would  
16 have been approximately five hours.

17 THE COURT: I don't disagree with you, but I mean,  
18 what we were talking about and this is the second time we've  
19 talked about it was really that it was remarkably well done.

20 THE WITNESS: We all agree.

21 THE COURT: I mean, comes right down that orange line  
22 on his back wheels, waits until he slows down and he just cuts  
23 them down.

24 BY MR. GALLAGHER:

25 Q Ms. Carolán, we agree with the Court that that -- landing

1 that airplane with that malfunction is an act of great skill  
2 and courage on the part of that pilot, do we not?

3 A Yes.

4 THE COURT: (Indiscernible - laughter.) Well, it  
5 wouldn't have required more courage.

6 BY MR. GALLAGHER:

7 Q And we expect and get that kind of skill and courage and  
8 dedication from Delta pilots every day, do we not?

9 A Every day.

10 Q In today's airline marketplace for pilots, is Jet Blue able  
11 to attract and retain qualified airline pilots for a hundred-  
12 and-twenty-three-thousand-dollar captain rate for an A320?

13 A Absolutely. Both Jet Blue and AirTran as I understand it  
14 have many more applications than they have pilot positions  
15 available.

16 THE COURT: That's because there are many more pilots  
17 than there are positions to be had in some respects.

18 BY MR. GALLAGHER:

19 Q Our problem in today's market, Ms. Carolán, how long can  
20 Delta Air Lines continue to exist if it's paying its captain  
21 \$166,000 while Jet Blue is paying 123,000?

22 THE COURT: I don't think that you have qualified this  
23 witness to make that -- to state that conclusion.

24 MR. GALLAGHER: That's probably true, Your Honor. I  
25 withdraw the question.

1 THE COURT: Thank you.

2 BY MR. GALLAGHER:

3 Q Ms. Carolyn, why has Delta proposed to reduce the pilot pay  
4 rates as indicated on this exhibit?

5 A Because Delta right now is a company at -- in grave  
6 financial risk, and we cannot afford to have uncompetitive  
7 labor costs for any of our employees. We have already reduced  
8 the labor costs of all other employee groups down to the market  
9 rate -- to the new market rate except for pilots, and we are  
10 asking pilots to pay their fair share, to participate with the  
11 other employees --

12 THE COURT: I think that the question that irks the  
13 pilots the most is when you use the word "fair." Okay.  
14 Because they feel they made a big share contribution last year,  
15 and so the question isn't whether this is fair. The question  
16 is whether it's something that needs to be done or has to be  
17 done or needs to be done on your terms, because with what they  
18 already gave, they -- they don't feel that they're talking --  
19 they don't believe that the proposal is "fair" because of what  
20 they already gave.

21 THE WITNESS: I understand that, Your Honor. I can  
22 tell you that the pilots gave a very substantial contribution -  
23 - reduction contribution last year that has been recognized.  
24 At the same time, however, Your Honor, the other employees had  
25 been giving very substantial sacrifices over the last several

1 years.

2           So, in fact, at the end of last year for the first  
3 time in many years, all of the Delta employees were at market  
4 rates including the pilots, but for the four years prior to  
5 that, the Delta pilots had been very, very substantially over  
6 the market where the other employees had not, and when I talked  
7 to other employees, what they tell me is well, the Delta pilots  
8 had use of that money for that four years when they were being  
9 paid so far over the market and we did not.

10           So I absolutely understand the pilots' perspective and  
11 from a personal perspective to take a third cut in compensation  
12 --

13           THE COURT: Okay. All I'm saying to you is I don't  
14 think that when you use the word "fair" as if it's something  
15 that they will agree on, it's not really a very useful thing.  
16 It's what the company thinks would be fair. That's -- that's  
17 true, but it's not necessarily what somebody else might think  
18 was fair including the pilots.

19           THE WITNESS: I agree with you there. I think there  
20 is very much an individual assessment and it varies quite  
21 dramatically depending on who is being asked to contribute.

22 BY MR. GALLAGHER:

23 Q Ms. Carolán, would you turn to Exhibit 118.

24 A Yes, I'm there.

25 Q What does -- what is contained in Exhibit 118?

1 A 118 is six pages, and the first -- it shows the comparison  
2 as to where the other employees are vis-a-vis -- other employee  
3 groups vis-s-vis their peers. So, for example, the first chart  
4 shows the ticket agent, the gate agent at Delta. The new rate  
5 is the red rate --

6 THE COURT: Wait, wait. I don't understand this.

7 THE WITNESS: This shows --

8 THE COURT: The blue rate says 1/1/05. Okay. I'm  
9 sorry. Okay.

10 A So January 1 of this year, all Delta employees took a 10  
11 percent pay cut. That brought them to nineteen fifty-nine.

12 THE COURT: Okay. And, on this particular chart,  
13 Southwest is the highest.

14 THE WITNESS: Yes. Southwest is the highest I believe  
15 on every single one of these charts.

16 THE COURT: And Jet Blue is right in the middle.

17 THE WITNESS: Yes. Jet Blue there is depending on  
18 which group -- employee group you're looking at, but in the  
19 group that you're looking at, the ticket agent and the gate  
20 agent, Jet Blue in this case, their top rate is more than the  
21 Delta top rate, but as Your Honor knows, Jet Blue has only been  
22 around for five years. So they're not paying anybody that top  
23 rate. They're paying their people substantially less because  
24 they don't have anybody that's been around for twelve years for  
25 their top-of-scale or whatever their top-of-scale is.

1           So the first page shows ticket agents and where  
2 they'll fall vis-a-vis the industry. The second is ramp  
3 agents, the people that load and unload the bags.

4 BY MR. GALLAGHER:

5 Q   And, at Delta, they're paid the same, correct?

6 A   Yes.

7           THE COURT: No, they were until they took another hit.

8           THE WITNESS: Well, they are paid the same -- the  
9 people who work what we call above the wing and below the wing  
10 are paid the same amount. So the people who work on --

11          THE COURT: I don't understand what that means --

12          THE WITNESS: Okay.

13          THE COURT: -- because as far as I can tell when I see  
14 a big plane sitting on the ground, I don't see how anybody can  
15 be above the wing.

16          THE WITNESS: It's an industry term or at least a  
17 Delta term. The people who work at the ticket counter, who  
18 board the planes and work at the ticket counter, they receive  
19 the same pay as the people who work out on the ramp loading and  
20 unloading the bags. They're all airport customer service  
21 agents, and they're all paid the same.

22          THE COURT: Okay.

23 A   And the third chart is for a reservations agent. The  
24 fourth chart --

25          THE COURT: Wait, wait. I'm just trying to look at

1 this. Jet Blue has got the lowest rate for reservation agents.

2 THE WITNESS: In this case, they do.

3 THE COURT: They must do a lot of on-web booking.

4 Okay. Now, I'm looking at the flight attendants.

5 THE WITNESS: Next is flight attendants. So, again,  
6 in this case, the Jet Blue top-of-scale is just a few cents  
7 higher than the Delta's, but again, Jet Blue is not paying any  
8 individual flight attendant that much because they don't have  
9 anybody at the top of their scale.

10 BY MR. GALLAGHER:

11 Q What does "Northwest interim" mean?

12 A That is the agreement that Northwest just reached with  
13 PFAA, its flight attendant union and that calls for flight  
14 attendant wages of almost \$39 an hour, very close to the Delta  
15 rate, but just underneath it.

16 Q So, on an interim basis, Northwest, which is also in  
17 bankruptcy in this court, is now today --

18 THE COURT: They aren't really -- you know something.  
19 When all is said and done, I don't really care about any  
20 individual airline. It's more kind of like, you know, where  
21 does the line go or whatever because as I've said before, you  
22 know, you start from one place, and you can't magically make  
23 that place some other place.

24 MR. GALLAGHER: We -- we agree with that, Your Honor.  
25 What we're trying to say --

1 THE COURT: And I don't really care what they did when  
2 they rejected the labor agreement in Northwest because I don't  
3 really care what the problems they had were. Okay. They did  
4 have a problem with the strike. Now, once you've got a strike,  
5 that causes you a lot of different problems like it's hard to  
6 fly when you don't have mechanics although they apparently  
7 hired in --

8 THE WITNESS: Several thousand mechanics.

9 THE COURT: They hired in people who were willing to  
10 cross the picket line. Okay. And I don't know what -- I do  
11 not know what interim solution was made to that because  
12 Northwest said that they were going to hire them permanently.  
13 I don't know whether that's what happened.

14 THE WITNESS: They have, to date.

15 A Page 5 shows mechanics and we have -- excuse me, mechanics  
16 hold different licenses, and a mechanic two, a line mechanic  
17 who works at the airport as the plane comes in, make sure that  
18 everything is okay is Page 5 and the hangar mechanic who is --

19 THE COURT: Well, okay. And there we've got Jet Blue  
20 up there right at the top.

21 THE WITNESS: Yes, Your Honor. Again, they're top-of-  
22 scale rate is at the top, but they are not paying any mechanics  
23 at top-of-scale because they don't have any mechanics at top-  
24 of-scale.

25 THE COURT: Okay. What would you have to do to be a

1 top-of-scale mechanic at Jet Blue?

2 THE WITNESS: I believe it's either ten or twelve  
3 years. I'll find out for sure.

4 THE COURT: No, I know, but you're -- you know, I'm  
5 being given things that you say to me don't really mean  
6 anything because nobody gets there.

7 THE WITNESS: I'm not inferring that they don't mean  
8 anything. I'm just --

9 THE COURT: No, but I'm saying you're saying to me  
10 that they're not paying these people that. So, you know, we  
11 could just, you know, cross them off.

12 THE WITNESS: No. I just think it would be an unfair  
13 comparison to look at the top-of-scale of Delta which the  
14 majority of our people are and to look at the top-of-scale for  
15 Jet Blue and some of the other low-cost carriers without noting  
16 to you or reminding you what you already know that those  
17 carriers are very new and are not paying people at top of  
18 scale.

19 BY MR. GALLAGHER:

20 Q Is that simply a matter of longevity? Those employees will  
21 grow into that top-of-scale --

22 A Yes.

23 THE COURT: Well, one can argue that a two-year  
24 mechanic doesn't have the skill of a five-year mechanic.

25 THE WITNESS: Absolutely.

1 BY MR. GALLAGHER:

2 Q Now, Ms. Carolan, it seems that in every instance, the  
3 Delta red line is to the right of center on these charts. Is  
4 that right?

5 A That's correct.

6 Q And have any of the Delta non-union employees represented  
7 by these red bars complained about the fairness of their  
8 compensation?

9 A Yes. Many of them have.

10 Q Well, why is Delta being so unfair to them?

11 A Well, again --

12 THE COURT: Oh, please. Let's not -- let's not ask  
13 that question that have that kind of heady wording in them.  
14 You may be being fair to them, you may not be being fair to  
15 them. The question is why do they think that Delta is not  
16 being fair to them.

17 THE WITNESS: Well, we have explained that  
18 unfortunately that we're not in the financial situation that we  
19 were in a few years ago when virtually all Delta employees  
20 including pilots were paid the highest of anybody in the  
21 industry, five or six, seven years ago when we were making a  
22 lot of money, and we have explained to our employees that we  
23 can no longer afford to pay those wages, because we cannot be  
24 uncompetitive in any of our labor costs, or else we simply  
25 won't survive.

1 BY MR. GALLAGHER:

2 Q And all of the red bars are wages that are now in effect at  
3 Delta, effective 11/1/05, correct?

4 A That's correct.

5 Q And the Northwest rates that were shown --

6 THE COURT: I really don't want to know what the  
7 Northwest rates are because I don't really know whether the  
8 fact that they were changed on the day they came into  
9 bankruptcy is going to result in those being the rates or there  
10 will be some other change in the rates. After all, they came  
11 in when they had -- were suffering the final throes of a strike  
12 which certainly undoubtedly despite what they said caused their  
13 seat capacity to go down.

14 I mean, who wants to fly a plane when you don't know  
15 suddenly, you know, you're going to start to get in the middle  
16 of a labor confrontation. There are a lot of people who won't  
17 fly because they won't cross the picket line, and so I don't  
18 know that those rates represent what they will end up with.

19 BY MR. GALLAGHER:

20 Q How do Delta's rates compare with U.S. Airways, Ms.  
21 Carolyn?

22 THE COURT: They're way, way higher. U.S. Airways is  
23 real low on the chain, but as I say, I've never seen U.S.  
24 Airways fly a big plane. I don't know where they fly, but they  
25 have a lot of little planes, not as little as your Comair

1 planes, but they're little.

2 THE WITNESS: They also -- we have eight triple sevens  
3 and I'm told that they have a similar number of large airplanes  
4 that I assume that they use to fly in their European routes.

5 THE COURT: Well, that may be. What I've flown in is  
6 something that I don't know what it is, but it has two seats on  
7 ones side and one seat on the other side and it probably holds  
8 about thirty people, thirty to thirty-five people.

9 THE WITNESS: Some type of regional jet.

10 THE COURT: Yup. That's what they're flying.

11 BY MR. GALLAGHER:

12 Q And -- and if it's a regional jet, Ms. Carolán, is that  
13 being flown by U.S. Airways or by one of its commuter partners?

14 A Most probably, it is being flown by one of their regional  
15 partners the way that Comair and ASA and Chitaqua do Delta's  
16 regional flying.

17 Q So the Court's experience with those small USAir planes is,  
18 in fact, with U.S. Airways Express, their commuter partners?

19 A Yes. That's correct. Those are not USAir pilots if you're  
20 on a small airplane. Those are pilots of the regional partners  
21 that USAir contracts with.

22 MR. GALLAGHER: Your Honor, I don't know the Court's  
23 pleasure for a termination date for -- time for tonight, but --

24 THE COURT: Today would -- this would probably be an  
25 excellent time to take a recess, yes?

1 MR. GALLAGHER: A recess, Your Honor, or -- we can go  
2 longer, Your Honor. I just don't know what --

3 THE COURT: Well, I mean --

4 MR. GALLAGHER: -- what time the Court -- we have at  
5 least an hour to two hours more with this witness, Your Honor.

6 THE COURT: Well, then I think we should go until  
7 tomorrow and then we'll finish her up. You'll be able to  
8 presumably finish her up in the afternoon, yes?

9 MR. SIMON: Fine, Your Honor.

10 MR. GALLAGHER: Thank you, Your Honor.

11 THE COURT: Okay. We'll start at 1. We'll try to  
12 really start at 1. I don't know.

13 (Proceedings adjourned to 12/7/05 at 1 p.m.)

14 (Concluded at 5:35 p.m.)

15 CERTIFICATION

16 I certify that the foregoing is a correct transcript  
17 from the electronic sound recording of the proceedings in the  
18 above-entitled matter to the best of my knowledge and ability.

19

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December 7, 2005

21 \_\_\_\_\_  
Coleen Rand  
22 Certified Court Transcriptionist/Agency Director

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