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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. . Wednesday, December 7, 2005  
1:48 p.m.  
.....

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

APPEARANCES: (On the record)

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(Appearances continued)

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1 (Proceedings resume at 1:48 p.m.)

2 THE COURT: You may be seated.

3 MR. HUEBNER: Thank you, Your Honor.

4 THE COURT: I see you're still here.

5 MR. HUEBNER: You haven't killed us yet, Your Honor.  
6 We're still here.

7 THE COURT: Well, I did look at the Northwestern  
8 tentative, put-off-1113-until-next-year changes, and they must  
9 be in deep trouble because one of the changes is that they're  
10 not going to feed the pilots during any domestic flight. Now  
11 that's -- I mean, I just have this image of the pilots, instead  
12 of waiting until the end when everybody gets off, rushing off  
13 the plane to get in line for McDonald's first.

14 MR. HUEBNER: Your Honor, one hopes that their  
15 husbands will pack them lunch.

16 THE COURT: Well, and then I thought about, you know,  
17 how it's going to look for them to carry the little Strawberry  
18 Girl tin, you know, with their big bags.

19 MR. HUEBNER: Yes, that's -- because Captain Moak and  
20 I just the other day were talking about that and, in fact,  
21 while, of course I'm nowhere near a pilot, I actually never get  
22 on a plane without a sandwich, fruit, and a one-liter bottle of  
23 either water or seltzer.

24 THE COURT: Well, I can understand that. But, I mean,  
25 they don't have bags. Their bags are already full up.

1           MR. HUEBNER: I think a lot them probably -- I mean,  
2 you could ask when he's on the stand, but my guess is a lot of  
3 pilots probably pack food and drink as well. Is that right?

4           CAPTAIN MOAK: (Unidentified) Your Honor, I never  
5 carry a strawberry tin.

6           MR. HUEBNER: Your Honor, before we proceed with our  
7 witness, I wanted to take just a minute or two because you have  
8 asked several times both for context as well as occasionally  
9 for sort of a view of what the law is. And in light of a  
10 couple things that happened --

11          MR. SIMON: Your Honor, are we going to have oral  
12 argument?

13          MR. HUEBNER: No.

14          MR. SIMON: With all due respect --

15          THE COURT: I just want to hear what he has to say.

16          MR. HUEBNER: Thank you.

17          THE COURT: And he hasn't said anything yet. So --

18          MR. HUEBNER: It's not -- I think --

19          THE COURT: -- wait until he starts to say something  
20 substantive and then we can figure out whether it's --

21          MR. HUEBNER: Yeah. I mean, Your Honor, as you know,  
22 Mr. Simon has been given fair leeway in the middle of our  
23 witnesses to stand up --

24          THE COURT: Well, let's not argue about that sort of  
25 thing. Let's just find out what it is you want to say.

1           MR. HUEBNER: We agree. Your Honor, as we prepared  
2 for this trial, we did what I think any counsel, including  
3 ALPA's counsel, would do, which is we read the 1113 cases in  
4 the Second Circuit and we read your cases. Those cases  
5 suggested to us very strongly that your prior rulings, as well  
6 as the rulings of the Second Circuit, looked very hard at what  
7 other industry players were paying their similar employees.

8           And, Your Honor, when --

9           MR. SIMON: Your Honor, I'm sorry. I --

10          THE COURT: Wait, wait, wait.

11          MR. SIMON: I don't think I've objected twice.

12          THE COURT: I don't think -- I think that that is a  
13 mistaken interpretation of my decision because the difference  
14 between the unionized employees and the non-unionized employees  
15 was so dramatic.

16                 Here, we're not talking about other -- we're not  
17 talking about a subject where the group of people have just as  
18 a matter of course switched between the unionized and non-  
19 unionized.

20          MR. HUEBNER: I agree, and I was actually --

21          MR. SIMON: Your Honor, here is my -- if I may state a  
22 concern. We've had a number of days of company witnesses. We  
23 know we still haven't finished with the company's case. We  
24 know we have limited hearing dates to go. And while Your Honor  
25 has been I think very open to a dialogue with counsel on both

1 sides regarding issues of the case as we go forward, with all  
2 due respect, I would like to suggest that oral argument and a  
3 parsing of your decision and the Second Circuit decisions is  
4 something --

5 THE COURT: He should wait to the end.

6 MR. HUEBNER: Your Honor --

7 MR. SIMON: And if we could get to a witness on the  
8 witness stand, especially since --

9 THE COURT: Yeah. I think that would be a good idea.

10 MR. HUEBNER: Your Honor --

11 MR. SIMON: In Mr. Gallagher's case, it would be nice  
12 to do that.

13 MR. HUEBNER: Your Honor, we have less than four  
14 minutes that I wanted to talk to you about. We would have been  
15 done by now but for Mr. Simon. Most of it is not --

16 THE COURT: Okay. Well, that's -- that was minute  
17 number one.

18 MR. HUEBNER: Okay. May I use the other three since  
19 most of it is not about the cases?

20 THE COURT: Well, why don't I just find out what you  
21 want to say and then he can get up and say what he wants to  
22 say? But I don't know what you want to say.

23 MR. HUEBNER: I agree, Your Honor. There --

24 THE COURT: What, that you don't know what you want to  
25 say?

1 MR. HUEBNER: No, Your Honor. I agree that you do not  
2 yet know what I would like to say --

3 THE COURT: Okay.

4 MR. HUEBNER: -- because of Mr. Simon's excellent  
5 efforts to prevent me from finishing a sentence.

6 Your Honor, we think it's very important when you  
7 continue to hear the testimony of Miss Carolan because what we  
8 have tried to bring you is what we think you and the other  
9 relevant courts have asked for, which is how do the wages of  
10 this group compare to the wages of people who do the same  
11 function and people who compete every day with this company in  
12 the same market.

13 Your Honor, your decision in Royal Composing up on the  
14 Second Circuit, as well as Carey are cited all over the country  
15 for that proposition. Last night, Your Honor --

16 MR. SIMON: Your Honor, this is clearly --

17 THE COURT: Could we just be quiet for a minute?

18 MR. HUEBNER: I'm done with the law, Mr. Simon. I  
19 asked for three minutes. Please sit down now.

20 MR. SIMON: There's too many oral arguments.

21 MR. HUEBNER: You're not the judge. Sit down.

22 THE COURT: Could we just please?

23 MR. HUEBNER: I asked and was given three minutes.

24 Thank you.

25 MR. SIMON: Not to make an oral argument as I

1 understood it.

2 MR. HUEBNER: Your Honor --

3 THE COURT: Wait, wait, wait, wait. So far, he hasn't  
4 said anything very much. So let's figure out what he's going  
5 to say for the end and then you can get up and say something,  
6 too.

7 MR. HUEBNER: Your Honor, last night one of the things  
8 you said is that we may end up having to pay more to our pilots  
9 than competitors pay to their pilots because our pilots are --

10 THE COURT: I don't think that that's the sort of  
11 thing that you are free to argue now. Okay?

12 MR. HUEBNER: No. I just wanted --

13 THE COURT: I don't think you're free to argue that  
14 now. I think that that's -- that moves into the area of  
15 argument as opposed to, you know, putting off an objection.

16 MR. HUEBNER: Okay. Your Honor, the fact I was just  
17 trying to add since last night --

18 THE COURT: Well, but, I mean, we haven't finished the  
19 testimony. All I said that you may end up having to do that,  
20 okay?

21 MR. HUEBNER: No, but --

22 THE COURT: I didn't say you would.

23 MR. HUEBNER: No, no. The important part is the  
24 second half of your sentence, which is, "because your pilots  
25 have a union."

1           And what we went back and double-checked last night,  
2 I'm just giving the Court information --

3           THE COURT: Look. I don't really need you to correct  
4 my language. It is unfortunate that reporters can distort what  
5 I say. But, unfortunately, that's their problem. I think I'm  
6 reasonably careful about what I say.

7           I believe that I have said what it is. You see,  
8 you're the opposite position of my decision in the sense that  
9 it was the union that was trying to preserve things totally and  
10 completely unchanged. Okay? The pilots here haven't tried to  
11 do that. They've just disagreed with you what the number is.

12           MR. HUEBNER: Your Honor, we agree. And the only  
13 thing I was hoping to do in my remaining minute was to set some  
14 of the context and to respond to some of the facts that Your  
15 Honor stated last night.

16           THE COURT: Well, I don't need you to set the context.  
17 If your attorney can't figure out how to do it when he's asking  
18 the questions, that's his problem.

19           MR. HUEBNER: Your Honor --

20           THE COURT: I mean, he's been asking questions and  
21 asking questions and asking questions and asking questions. I  
22 mean, we're going to get to the 16th and you know what? I'm  
23 going to rule on this on the basis of the record I have and it  
24 may not be -- you know, it may be that your record doesn't  
25 support your position because I haven't gotten to hear the

1 other side.

2 MR. HUEBNER: Your Honor, one of the questions I have,  
3 and maybe I should just ask instead of trying to say it, last  
4 night, for example, and on prior occasions you referred to your  
5 understanding and belief as to USAir's size, airplane size and  
6 structure. Is that something that you would prefer to have  
7 come out through our witnesses? Or to save time, one of the  
8 things I did last night, Your Honor --

9 THE COURT: Look, I don't -- all I'm saying to you is  
10 that I know for an absolute fact that USAir flies smaller  
11 planes. How many they fly, I don't care. But as far as I can  
12 tell, pilot prices range based on the size of the plane.

13 MR. HUEBNER: Your Honor, that's exactly -- that's  
14 exactly the point. We've heard you several times refer to your  
15 experiences flying. But what you may not know is that these  
16 days, USAir flies to twenty-six countries and 233 places --

17 THE COURT: I didn't say anything at all about those  
18 planes.

19 MR. HUEBNER: Understood, Your Honor.

20 THE COURT: I said that, you know, you haven't given  
21 me enough information about other companies to really cause me  
22 to take a great deal of consideration about what they pay.

23 MR. HUEBNER: And, Your Honor, the good news is that  
24 that's what today's witness is for and we hope to do that in  
25 great detail.

1           THE COURT: Well, I don't know why this witness is  
2 necessarily going to be -- have the ability to testify without  
3 objection.

4           MR. HUEBNER: Because, Your Honor, as you may  
5 remember, you asked a few days ago, I think last week --

6           THE COURT: Well, I mean, the fact that I asked a  
7 question doesn't mean that she's the person who has any  
8 knowledge, personal knowledge, from which she can answer it.

9           MR. HUEBNER: Your Honor, what I was -- if I might  
10 finish, and I apologize. You had asked last week, how do you  
11 know what other carriers pay. And, as I think one of our --

12           THE COURT: And you told me that it was very simple.  
13 You went to the FAA and you looked at Form No. 110 or  
14 something, and you knew. Okay? That was the end of the  
15 question.

16           MR. HUEBNER: Right. And so --

17           THE COURT: Gone, finished, all over.

18           MR. HUEBNER: So our belief is that this witness will  
19 have personal knowledge.

20           THE COURT: But -- but why are you arguing with me  
21 about a case that you're in the middle of putting on where I  
22 asked a question which was, how did you know, how could you  
23 find out, okay? And I was told how you could find out and how  
24 -- and you told me a method of finding it out that isn't  
25 calling up John to ask him whether he heard what Joe told

1 Steven. Okay? You told me a method which gives, according to  
2 the testimony, an accurate answer period. That's all I asked.

3 How did -- you know, is this -- it's this telephone.  
4 You know?

5 MR. HUEBNER: And --

6 THE COURT: I mean, is this, you know, you just call  
7 people up and you hope you get the right answer?

8 MR. HUEBNER: Your Honor, we agree. And that's why we  
9 hope that you will be confident that this witness does have  
10 personal knowledge --

11 THE COURT: I didn't need any more answers than the  
12 one I already got.

13 MR. HUEBNER: Okay.

14 THE COURT: I got an answer, which is how would you  
15 know, okay? What was the -- what would be the source of your  
16 information?

17 MR. HUEBNER: Understood.

18 THE COURT: Would it be just, you know, well,  
19 everybody knows, you know they sit down at lunch or whatever.  
20 And you told me something else which gave a very --

21 MR. HUEBNER: Your Honor, if I can ask one more  
22 question. I know that I am not pleasing you, but I just want  
23 to -- we want to understand how to best give you the facts we  
24 need to say --

25 THE COURT: You don't -- you know what?

1           MR. HUEBNER:  Yes, Your Honor.  Last night when you  
2 addressed --

3           THE COURT:  You know something?  I think that you just  
4 have to go with it.

5           MR. HUEBNER:  That's what we're trying --

6           THE COURT:  I mean, I can't sit here and tell you how  
7 to litigate in front of me.

8           MR. HUEBNER:  Your Honor --

9           THE COURT:  I can only tell you that I put -- you put  
10 witnesses on and they say things and then they move on.  And I  
11 didn't hear -- I mean, I -- it was like I didn't -- they didn't  
12 finish the answer.

13           MR. HUEBNER:  Your Honor, we agree.  But, for example,  
14 last night there was a long --

15           THE COURT:  You know something?  As far as I can tell,  
16 all you're doing is correcting something that you think the  
17 reporters picked up that you didn't like.

18           MR. HUEBNER:  No, that's actually not what I'm trying  
19 to ask you.  I'm actually trying to say something a little bit  
20 different.  And I apologize.  This is not a -- I wish I were  
21 not standing here right now, but I --

22           THE COURT:  I can't tell you how to litigate in front  
23 of me.

24           MR. HUEBNER:  And I'm not asking for advice.  I'm  
25 asking one question.

1           Last night when we were talking about the length of  
2 flights, Your Honor went on about Lima and Bolivia. And so,  
3 for example, when I went back last night --

4           THE COURT: What -- what -- I did not go on about  
5 Bolivia. I went on about --

6           MR. HUEBNER: And it was cool.

7           THE COURT: -- about Argentina because you had -- the  
8 testimony was that they only went to northern South America.  
9 And I said that flights to southern South America are a  
10 different ball of wax. They're much longer flights.

11          MR. HUEBNER: Right. And, Your Honor, that's exactly  
12 what I was about to ask you, which is, for example --

13          THE COURT: I have flown to Rio. It's a non-stop  
14 flight from New York, okay? If you want to go from Rio to  
15 Lima, you have to stop in Bolivia. Okay?

16          And I discussed -- the reason I discussed Bolivia is  
17 I'm not interested in how much cocoa they grow. But this  
18 airport there is stunning. I mean, it is amazing to come into  
19 an airport that's a thousand feet -- it's on, you know, the  
20 Altiplano and it's a thousand feet above the city. It was just  
21 -- I don't need you to tell me whether you fly to Bolivia. I  
22 was telling a funny story about the fact that the little signs,  
23 international signs that tell you --

24          MR. HUEBNER: Right.

25          THE COURT: -- you know, boys and girls, that they all

1 wear dresses and so they think that's for them. Now, I mean, I  
2 think, you know, because what I'm saying is you were saying,  
3 well, they fly to Lima. And I'm saying to you, if you fly to  
4 Lima, you're not flying to the east coast of South America --

5 MR. HUEBNER: But, Your Honor --

6 THE COURT: -- because it is a large trip to go from  
7 one side to the other. You fly down from the north.

8 MR. HUEBNER: But, Your Honor, in that context, and  
9 the only thing I was going to ask about, was you also you said  
10 that Delta flights are much longer than other people's, which  
11 is maybe why your pilots deserve more pay.

12 In fact, Your Honor, Delta's flights are much shorter  
13 than most other people's.

14 THE COURT: That's not what I said.

15 MR. SIMON: Your Honor, he can't testify.

16 MR. HUEBNER: I'm not trying to.

17 THE COURT: It's not -- you misunderstood what I said.

18 MR. HUEBNER: Then I apologize.

19 THE COURT: I said that the Delta flights that I was  
20 talking about were much longer than the U.S. flights that you  
21 had been talking about, period, end of discussion.

22 MR. HUEBNER: Okay.

23 THE COURT: We were talking about flights to South  
24 America. Okay?

25 MR. HUEBNER: In this case, the misunderstanding was

1 mine and I apologize.

2 THE COURT: I mean, we weren't talking about flights  
3 to Europe. We were talking about flights to South America, to  
4 which I said that the flights that Delta was making -- I mean,  
5 they go to Santiago. I mean, that's way, way down. Go to  
6 Chile.

7 MR. HUEBNER: And to give Mr. Simon comfort, we will  
8 through our witness get in those facts which, again, Your  
9 Honor, it seems like they're very important to you, which is --

10 THE COURT: What facts are there to get in? You want  
11 me to put a map on the wall because people don't know where the  
12 geography is? I mean, I don't really think that the fact that  
13 I might know where a country is is really, you know -- I mean,  
14 you probably don't know that the country with the name N-i-g-e-  
15 r is not pronounced "Niger;" it's pronounced "Niger," okay?  
16 And it is one of the countries that's just north of Nigeria,  
17 and it is a country which you can go to and see the Sahara in  
18 the form you see it in the pictures with just sand everywhere  
19 and dunes.

20 But what difference does it make what I know about  
21 where countries are in Africa? We've had no discussion of  
22 Africa. We've had very little discussion of Europe. But I  
23 think I know where all the countries in Europe are.

24 And we were having a discussion about South America.  
25 And, you know, I've been to a number of countries in South

1 America. So I know where they are. What difference does it  
2 make?

3 I mean, I -- if somebody doesn't know that the three  
4 countries -- four countries that USAir is flying to in South  
5 America are very considerably north, and the ones that your  
6 airline is flying, I mean, what can I do, post a map?

7 MR. HUEBNER: Your Honor, seemingly, we misconstrued  
8 some of what Your Honor was saying late yesterday afternoon and  
9 I apologize. This was not a --

10 THE COURT: I mean, I was having a conversation about  
11 -- you were telling me, well, USAir also flies -- you weren't  
12 but your colleague, USAir also flies to South America. And I  
13 asked you where they flew to.

14 MR. HUEBNER: Your Honor, what we were trying to do  
15 and what our exhibits will show is that each time we compare  
16 ourselves to another airline, all of the charts in Exhibit 53  
17 are for same size aircraft. We never compare a big jet of ours  
18 to a little jet of someone else's. And that is --

19 THE COURT: I'm not comparing the size of the  
20 airplanes. I'm comparing how far they can fly and where you  
21 choose to fly them to.

22 MR. HUEBNER: And, Your Honor, that's exactly the  
23 point. That's what I was hoping to help set context for.

24 THE COURT: But, you know, it really doesn't make any  
25 difference how far they fly. I mean, it only makes a

1 difference how far you fly them because some of them you're not  
2 flying to the maximum distance. Okay? Some you're flying to  
3 the point where if they land right away they wouldn't have any  
4 more fuel, and some of them you're using to fly shorter routes  
5 on.

6 MR. HUEBNER: All of those things are true, Your  
7 Honor.

8 THE COURT: Okay? And that's all the discussion was  
9 about was an attempt by your side to pass off USAir as flying  
10 to South America in the same way you did. And it doesn't.

11 MR. HUEBNER: All right. I think what we will try to  
12 do with the rest of today, and I will soon sit down and shut up  
13 for the good of Delta, is show you that USAir and many others  
14 have indeed grown into serious international competitors for us  
15 that have lots of big planes and fly to lots of places just  
16 like we do.

17 MR. SIMON: Your Honor, if Mr. Gallagher wants to call  
18 Mr. Huebner as a witness and Mr. Huebner can then be cross-  
19 examined, I will sit down and shut up. But Mr. Huebner  
20 continues to persist in making oral --

21 THE COURT: Yeah. It's what I'm saying -- I mean,  
22 it's not -- it's not -- you know, I don't even understand how  
23 you could have misunderstood what the point of the conversation  
24 we were having about South America was. I mean, I don't know.  
25 Maybe the pilots misunderstood it. I don't think so.

1 I think everybody understood what the point of the  
2 conversation was. And if you read it to me, I'm going to tell  
3 you to sit down before you start.

4 MR. HUEBNER: I will make both you and Mr. Simon very  
5 happy and sit down before I start.

6 THE COURT: Good.

7 MR. GALLAGHER: Your Honor, the debtor would like to  
8 recall Miss Carolán to the witness stand.

9 THE COURT: You may.

10 **GERALDINE CAROLAN, DEBTORS' WITNESS, PREVIOUSLY SWORN**

11 MR. GALLAGHER: And we're going to first turn to  
12 Exhibit 98, Your Honor, if --

13 THE COURT: Somewhere we have it.

14 MR. GALLAGHER: Does Your Honor have 98? It is in the  
15 book, Your Honor, marked 98 through 124.

16 THE COURT: I do.

17 **DIRECT EXAMINATION**

18 **BY MR. GALLAGHER: (Continued)**

19 Q Miss Carolán, do you have Exhibit 128 -- or, excuse me,  
20 Exhibit 98 in front of you?

21 A I do.

22 Q Can you tell the Court what this represents?

23 THE COURT: How much extra money the pilots made  
24 between May 2000 and May '04, at 4.5 percent per year, and then  
25 at 12.8 percent, and which you say is a cumulative increase of

1 34.5 percent.

2 But the question is whether the 34.5 percent takes  
3 account of the thirty-two-plus that was altered last year.

4 MR. GALLAGHER: No. The subsequent decrease is not  
5 shown on this, Your Honor. We're --

6 THE COURT: Oh, well, then, what's this to me?

7 MR. GALLAGHER: This is -- Your Honor, that's a very  
8 good question and that is what we do want to show you.

9 This is the starting point.

10 BY MR. GALLAGHER:

11 Q So, Miss Carolán, you were part of these negotiations. Is  
12 that right?

13 THE COURT: Okay. And what was this thirty-two what?

14 MR. GALLAGHER: 32.5 percent, Your Honor, in rates.

15 THE WITNESS: But, Your Honor, that --

16 THE COURT: That means that it's gone up all of two  
17 percent.

18 MR. GALLAGHER: No. Actually, Your Honor, it doesn't.  
19 We'll get to that and explain it to you fully, I hope.

20 BY MR. GALLAGHER:

21 Q Miss Carolán, can you -- is this type of an increase in a  
22 pilot labor contract typical in your experience --

23 THE COURT: I'm asking you -- I mean, I don't see how  
24 you can look at this without taking account of the fact there  
25 was a 32.5 percent give-back last year.

1 MR. GALLAGHER: Your Honor, this is -- what we're  
2 trying to do is to start ahead of that and show Your Honor that  
3 this increase was the biggest single increase in the history of  
4 airline labor contracts. This was a huge, huge, unprecedented  
5 increase. And we agreed to it, Your Honor. We're not in any  
6 way --

7 THE COURT: Well, okay. That's great. Your friend  
8 that's suing you so she can have her lifetime pass, even though  
9 she went on to Marrant, yeah, she's the one that fixed up the  
10 ten trusts with the \$1 million in each one.

11 I mean, you know, you guys were spending money like it  
12 was going out of style in this period of time. And so, if the  
13 pilots were able to get you to sign it, so? That's your  
14 problem.

15 MR. GALLAGHER: That is certainly true, Your Honor.  
16 And that's one of the reasons we're here.

17 But what we're trying to show Your Honor is context  
18 because was -- as these pilots were going up and up and up from  
19 year 2000 to year 2004, other pilots in the industry were  
20 coming down and down and down, and the other workers at Delta  
21 were coming down and down and down.

22 THE COURT: And I'm saying to you this is why I really  
23 don't find this so interesting is if Delta couldn't do the math  
24 any better, didn't want to make any other changes, they could  
25 have just sat it out. I mean, it's what I said to you about

1 the basically eight hundred to \$1 million that they could get  
2 when they retired. If you guys didn't do the math, well, who  
3 are they to complain?

4 THE WITNESS: Well, Your Honor, we wanted to give you  
5 some context because, frankly, Delta was the victim of very  
6 poor timing because this collective --

7 THE COURT: But Delta was the victim of very poor  
8 calculations about what would be a good idea --

9 (Off the record at 2:13 p.m. Session interrupted.)

10 (Proceedings resume at 2:14 p.m. after interruption.)

11 THE WITNESS: I explained to you how that happened.  
12 How that happened was that we reached an agreement with the  
13 Airline Pilots Association in the middle of 2001, and in that  
14 agreement, we agreed for wages for the pilots for the next five  
15 years. So the waves --

16 THE COURT: Okay. And I'm saying to you, you didn't  
17 have to agree to that. It's what you did agree to and we have  
18 to start with the fact that that was what they're entitled to,  
19 because that's what their contract provides.

20 THE WITNESS: Exactly. And we're not arguing that.  
21 We do agree that that is what they are absolutely entitled to  
22 because that is what they negotiated, but I was hoping to give  
23 some color to the situation, was to show that immediately after  
24 we signed this very lucrative agreement that, no doubt, the  
25 pilots deserved, that the world changed after that.

1 THE COURT: I'm not saying that whether they deserved  
2 it or they don't deserve it, but what I'm saying is, for you to  
3 come in now and tell me oh, it was all really a big mistake and  
4 they didn't deserve it is really, to me, fails to take  
5 responsibility for the choices you made.

6 THE WITNESS: Your Honor, we --

7 MR. GALLAGHER: Your Honor, we are not saying that.  
8 We are absolutely not saying that. We would love not to be in  
9 bankruptcy. We would love to be able to pay them, but what we  
10 are saying --

11 THE COURT: That's not what I'm hearing. I mean,  
12 after --

13 THE WITNESS: Your Honor, I take --

14 THE COURT: -- all, I mean --

15 THE WITNESS: Your Honor, we take full responsibility  
16 for the commitments that we make and absolutely, yes, in  
17 retrospect, we should not have agreed in 2001 to these type of  
18 huge increases. A seventeen-and-a-half percent increase to  
19 start and then three additional four-and-a-half percent  
20 increases.

21 THE COURT: Okay. But now, you've gotten back to the  
22 two percent increase for the whole period. So what do we need  
23 to talk about?

24 MR. GALLAGHER: Well, Your Honor, may we make a record  
25 about why the company agreed to these agreements?

1 THE COURT: The company had no understanding that  
2 September 11 would happen.

3 THE WITNESS: And in addition --

4 THE COURT: The company believed that airlines were  
5 going to go up and they didn't realize that the prices would go  
6 -- that ridership would be seriously affected by 9/11 and they  
7 didn't realize that the low-cost carriers would make such an  
8 intrusion into the market.

9 THE WITNESS: Absolutely, Your Honor. All those  
10 things are true and --

11 BY MR. GALLAGHER:

12 Q Ms. Carolán, what -- what is pattern bargaining?

13 A And in addition, there has been a history in the airline  
14 industry with pilots and with other employees to pattern  
15 bargain and that pattern bargaining, as I'm sure you're aware,  
16 is that one company reaches agreement with one group of  
17 employees, in this case, let's talk pilots, and the next  
18 negotiation that happens at the next airline after that, they  
19 up it just a little bit. All the --

20 THE COURT: You want to know something? If you're  
21 careful, it's not a violation of the anti-trust laws. If  
22 you're not careful, it is.

23 THE WITNESS: And because the airline industry, the  
24 wages for all employees in each group are generally very, very  
25 close together, pretty much all the airlines pay their pilots

1 the same amount of money, they pay their flight attendants the  
2 same amount of money, within a very, very small margin and  
3 because, just prior to Delta reaching agreement, United  
4 Airlines had reached agreement with its pilots, our pilots'  
5 slogan was "United-plus."

6 THE COURT: Okay. But it really doesn't make any  
7 difference how we got there, okay? I mean, you agree,  
8 basically, for 6,000 pilots to allow them to get one million  
9 in, \$6 billion off of that \$1 billion, \$1 million per pilot.  
10 Now, I don't think anything is really relevant before 2004. I  
11 mean, otherwise I'm going to go back to 1998, 1997, 1996 and,  
12 you know, the fairness issue in this case relates very much to  
13 what was done last year, as well as what you want this year.

14 THE WITNESS: Exactly.

15 THE COURT: You can't take what you've asked for this  
16 year without looking at what you asked for and got last year.

17 MR. GALLAGHER: Your Honor, we agree with that and  
18 what we're trying to show you is that while pilots were going  
19 up in the three preceding years, the non-union employees were  
20 going down.

21 THE COURT: I'm telling you that on your chart, when  
22 you go back to how much you've gone up, cumulative increase of  
23 34.5 percent after you take the 32.5 that was taken away last  
24 year, that from May of '00 to May of '04, they got a two  
25 percent increase.

1 THE COURT: And during that same time, Your Honor, our  
2 whole point is the non-union employees went down and pilots at  
3 all other airlines went down. So relatively speaking, the  
4 Delta pilots are still --

5 THE COURT: They couldn't have gone down because you  
6 said that United went up.

7 MR. GALLAGHER: United went up in the year 2000.

8 THE COURT: I mean, I'm not going to argue. I don't  
9 think a two percent wage increase over four or five years is  
10 much of a wage increase.

11 MR. GALLAGHER: Well, we'll try to show you, Your  
12 Honor, how it exactly did play out.

13 BY MR. GALLAGHER:

14 Q When was United's pilot contract signed, Ms. Carolán? Was  
15 that around September of 2000?

16 A Yes, it was.

17 Q And what happened in the winter of 2000 to 2001?

18 A The United pilots staged a slow-down.

19 Q I'm sorry. Which -- whose --

20 A The winter of 2000 at United.

21 Q I'm sorry. That was summer of 2000 at United?

22 A It was sometime in 2000. Right --

23 Q Prior to United reaching an agreement?

24 A That's correct.

25 Q All right. And then United signed a contract while Delta

1 was in bargaining with ALPA?

2 A That's correct.

3 Q And what happened next at Delta?

4 A After the United pilots signed their contract that called  
5 for very big increases, the Delta pilots also demanded big  
6 increases from the company and again, because of the fact of  
7 pattern bargaining in the industry, the --

8 THE COURT: You know, I don't -- I'm sorry to tell  
9 you, it seems to me that management has a responsibility to  
10 decide how much it can pay its labor and the fact that one --  
11 we're not talking about minimum wage people that are, you know,  
12 you're going to go up fifty cents, you're going to go up two  
13 dollars. You know, it's not that kind of a contract.

14 THE WITNESS: And you're right, Your Honor. We are  
15 responsible for how much we pay our pilots and how much we have  
16 committed to pay our pilots. Again, we just wanted to put the  
17 billion dollars in context, because we don't believe that the  
18 billion dollars can be looked at in isolation. The billion  
19 dollars was --

20 THE COURT: Oh, I don't think it can be, either.

21 THE WITNESS: -- a huge -- the billion dollars was an  
22 absolutely huge and painful concession by the Airline Pilots  
23 Association, but we would just like to point out and to  
24 emphasize that while the pilots were going up and up and up,  
25 the other employees were going down, because we've heard a lot

1 about --

2 THE COURT: Well, I don't see anything on this page  
3 that says that.

4 MR. GALLAGHER: Well, we're going to get there, Your  
5 Honor, as soon as we get through this subject.

6 THE COURT: But, you know something? You know, as  
7 I've said before, you have to remember that your other  
8 employees have no pay protection because they're not union  
9 people.

10 MR. GALLAGHER: They have the -- we hope, Your Honor,  
11 that they will have the protection of this Court in Section  
12 1113, in its requirement that all employees be treated fairly  
13 and equitably.

14 THE COURT: I'm not saying that that's not there, but  
15 I am saying to you that your other employees don't have any  
16 power to insist on their wages remaining the same.

17 MR. GALLAGHER: We certainly agree with that, Your  
18 Honor.

19 THE COURT: And you could have cut their wages because  
20 you didn't think -- you thought you had too many of them and  
21 you preferred to cut wages than to cut people.

22 MR. GALLAGHER: Well, we did both, Your Honor.

23 BY MR. GALLAGHER:

24 Q Ms. Carolán, what the current ALPA agreement -- it became  
25 effective July of 2001, correct?

1 A Well, the current agreement became effective December of  
2 '04, but the one prior to that became effective in May of '01.

3 Q It was signed in May of '01 and the effective day on the  
4 front cover says July 1 of 2001, correct?

5 A I don't recall exactly when we signed it. I think it was  
6 in June, but it did become effective in July.

7 Q All right. And this chart shows a wage increase in May of  
8 2000. Did that wage increase actually happen in May of 2000?

9 A No. The agreement that we reached in 2001 provided for  
10 retroactive pay to each pilot of the thirteen percent that was  
11 due in May of '00 and then it was already past the May 1 date  
12 of the 4.5 percent increase, so on the date of signing --

13 THE COURT: I honestly -- I really don't understand  
14 why you think this is relevant.

15 MR. GALLAGHER: Well, Your Honor, we would like to  
16 make a record of when and how the company got to be where it  
17 is, that --

18 THE COURT: Well, when and how the company got to be  
19 where it is would be -- take us so much time, we would never  
20 have any time for the other side. Okay? I mean, you have a  
21 retired CEO that got \$8 million of severance. He's got a  
22 seven-hundred-and-eighty-two-thousand-dollar-a-year pension  
23 that's protected under the defined pension plan. I think you  
24 might want to ask him for a million dollars back. I mean, he  
25 should have plenty of money. You've got ten high-level

1 employees that were given a million dollars. I mean, I'm  
2 saying to you that we can look at all of these things and  
3 realize that they're all relevant.

4 MR. GALLAGHER: May I make a proffer and then move on,  
5 Your Honor?

6 THE COURT: Certainly.

7 MR. GALLAGHER: The point of this testimony and what  
8 Ms. Carolán, I believe, would testify if we were allowed to  
9 have the time to do so, would be that the company executed this  
10 agreement in the summer of 2001 --

11 THE COURT: And it didn't know that September 11th,  
12 whatever it was, was going to happen?

13 MR. GALLAGHER: Yes, Your Honor. That's a big part of  
14 it. And since that time, as Mr. Kasper has testified, there  
15 has been a radical change in the airline industry.

16 THE COURT: We heard that once or twice or three times  
17 already.

18 MR. GALLAGHER: Well, now --

19 THE COURT: I mean, what did we -- we talked for a  
20 whole day about low-cost carriers.

21 BY MR. GALLAGHER:

22 Q All right. Since 2000, Ms. Carolán, in your declaration,  
23 your first declaration, at Page 23, Paragraph 34, you testify  
24 that there were no general wage increases for Delta's non-  
25 pilots, except that the mechanics were brought up to market in

1 2002 with a sixteen percent wage increase. Is that still  
2 correct?

3 A I'm sorry, Jack.

4 Q Your first declaration --

5 THE COURT: What page?

6 MR. GALLAGHER: Page 23, Paragraph 34.

7 THE COURT: Paragraph 34 starts on 22.

8 A Yes. There were no general increases. Starting in 2000,  
9 there was one increase for mechanics and another increase for  
10 another small group. Other than that, there were no increases  
11 for other Delta employees.

12 Q And it has been Delta's historic practice to give wage  
13 adjustments for all employees in all groups at the same time in  
14 the past, has it not?

15 A Yes. In the past, that was the case.

16 Q And that -- that's what we mean by general wage increase?

17 A That is what we call a general wage increase.

18 Q So while the pilots were going up, as shown on Exhibit 98,  
19 the wage rates for the other employees, except for the  
20 mechanics, their wages remain flat lined. Is that correct?

21 A That's correct.

22 Q Now --

23 THE COURT: Except that in January 1 of 2005, you gave  
24 them an across-the-board. Wait. No, that's another reduction.  
25 Okay.

1 THE WITNESS: It's a ten percent wage cut in January  
2 of last year -- of this year.

3 BY MR. GALLAGHER:

4 Q Now, if you would, Ms. Carolán, I want to turn to page -- a  
5 new exhibit and we're going to pass out a new exhibit book.

6 (Exhibits distributed. Counsel confer.)

7 BY MR. GALLAGHER:

8 Q Would you turn to Exhibit 125?

9 A I have one page. Is that a one-page exhibit?

10 Q Yes. Yes, it is. And there is backup detail for Exhibit  
11 125 in Exhibits 126 and 127, which I don't plan to dwell on,  
12 but the supporting information is there about the nature of the  
13 changes we're discussing. Would you tell the Court briefly  
14 what is represented in Exhibit 125?

15 A 125 shows the value of the cost reductions that other  
16 employees have taken in terms of base pay, in terms of benefits  
17 and in terms of head count for the period 2002 to 2005. The  
18 first --

19 THE COURT: Okay. Let's be clear about something.  
20 The healthcare benefits, the pilots have taken that same thing?

21 THE WITNESS: Not exactly, Your Honor.

22 THE COURT: Well, they've taken something similar?

23 THE WITNESS: Not exactly, Your Honor.

24 THE COURT: Well, I --

25 THE WITNESS: Would you like me to --

1 THE COURT: No. But I'm just saying, I don't -- I  
2 think that some of these things also cross-over.

3 MR. GALLAGHER: Well, we're happy to say, Your Honor,  
4 that what we've done -- what we did to the non-union employees  
5 was we did it piecemeal. It got --

6 THE COURT: Look, it doesn't matter.

7 BY MR. GALLAGHER:

8 A The first breakdown shows the head count reductions from  
9 2000 --

10 THE COURT: Okay. What are those numbers, like inside  
11 of maintenance with a dollar?

12 THE WITNESS: That shows the amount of money that  
13 maintenance reduced its costs due to efficiencies from having  
14 less mechanics. This is not as a result of a volume reduction  
15 of Delta flying less. This is a result of Delta becoming more  
16 efficient.

17 THE COURT: Okay.

18 BY MR. GALLAGHER:

19 Q And do the totals -- the totals --

20 THE COURT: One of the efficiency charts I saw struck  
21 me as being somewhere between ludicrous and ridiculous, in  
22 which the reservation clerks went from doing four transactions  
23 an hour to doing close to five. That struck me that perhaps  
24 they just didn't have enough work to do.

25 MR. GALLAGHER: Well, Your Honor, this -- hopefully

1 this shows that whatever inefficiencies were there have been  
2 weeded out.

3 BY MR. GALLAGHER:

4 Q Do the total dollars behind each division of the company  
5 add up to the 969 million?

6 A Yes, they do. So it shows, for example, flight attendants  
7 were down two-hundred and twenty-four. Overhead and  
8 reservations --

9 Q That's \$224 million per year in employment cost reductions  
10 due to decreased number of employees?

11 A That's correct. For example, in in-flight service, we  
12 reduced the number of flight attendants that are on board the  
13 airplane. Delta -- there is -- the FAA requires a minimum  
14 number of flight attendants to be on the airplane, but  
15 previously, Delta put more flight attendants than the safety  
16 minimum, so that we could provide excellent customer service to  
17 our passengers. We have now come up with different methods of  
18 delivering that customer service and doing it with fewer flight  
19 attendants.

20 THE COURT: Now, I suggested one, but I didn't think  
21 anybody enjoyed it.

22 THE WITNESS: Which one was that?

23 THE COURT: That was the Airatocca (phonetic), the  
24 delivery of alcohol.

25 THE WITNESS: The open liquor. Yes, I've seen that

1 done, as well. We'll make sure to suggest it to in-flight  
2 service when we go back.

3 THE COURT: I mean, you know, it's a fast -- it would  
4 be the fastest way, on a short flight, to do it.

5 THE WITNESS: It would.

6 BY MR. GALLAGHER:

7 Q So using flight attendants as an example, Ms. Carolán, if  
8 we're flying the same size airplane, let's say 149 seats, it  
9 perhaps had four flight attendants in the past, but today we  
10 can operate the same airplane with the same number of seats,  
11 but we only use three, which is the FAA minimum, correct?

12 A That is correct.

13 Q So hopefully, we generate more revenue, but less flight  
14 attendant costs?

15 A That's correct.

16 THE COURT: Well, but, you know, it depends. I mean,  
17 one of the reasons why you can use fewer flight attendants is  
18 because you're not serving the same amount of food as you were  
19 serving before.

20 THE WITNESS: You're absolutely right. That was a big  
21 part of it, that they were doing less service of food, although  
22 we did try things like selling food on the airplane and things  
23 like that. But mainly, it is that our existing flight  
24 attendants are working harder.

25 THE COURT: Let me just say to you, as an air

1 passenger, if you think I'm going to buy your food when I pay  
2 for my ticket, I don't think so. It's just sort of one of  
3 those things we don't do.

4 MR. GALLAGHER: That's certainly everyone's  
5 prerogative, Your Honor and I agree with you.

6 BY MR. GALLAGHER:

7 A The next entry shows the changes to healthcare benefits  
8 that were announced in September of '02 and these changes to  
9 healthcare benefits meant that the employees were participating  
10 more in the cost of healthcare. For instance, we started  
11 paying a higher copayment every time that we went to visit the  
12 doctor. We started paying more for prescription drugs, that  
13 type of thing. Now, that --

14 Q Now, was this a gradual thing, Ms. Carolán, that health  
15 benefits shows up on here in several places. Did we keep  
16 wratcheting up the cost sharing for the employees over time?

17 A Yes, Your Honor. Every year we made changes to the health  
18 plans for the ground employees and flight attendants that  
19 shifted more of the cost of the employee healthcare to the  
20 employee and less cost to the company, which obviously was a  
21 reduction, a cost reduction to the company.

22 Q Now that type of a change has become commonplace for all  
23 employers because of the rapid increase in healthcare costs,  
24 but in addition to that, Delta was in increasing financial  
25 distress over these years, was it not?

1 A That's correct. And Delta was following the industry  
2 trend, shifting more of the healthcare costs.

3 Q Now --

4 THE COURT: Yeah, but now let me ask you a question.  
5 As I understand it, Delta self insures the actual benefits, but  
6 has an outside provider run the system.

7 THE WITNESS: We have an outside provider administer  
8 it, but we do pay for the health benefits ourselves, for our  
9 employees.

10 THE COURT: Have you investigated whether it would be  
11 cheaper to find somebody else?

12 THE WITNESS: I'm certain that that has been done  
13 because this is an area that is so costly, I know we have had  
14 several people join the company recently that are experts in  
15 this area, to make sure that we are getting all the bang that  
16 we can for our buck. I'm confident that we have done that.

17 THE COURT: Well, I mean, because to some people, you  
18 know, the fact that they could buy it is at least just as  
19 relevant as the fact that you pay for it.

20 THE WITNESS: Yes. But at Delta, we still have a very  
21 generous healthcare benefit. Even today, with all these  
22 changes, the employee only pays about a quarter of the cost of  
23 the healthcare benefit and the company pays the other seventy-  
24 five percent, so that is still a very generous benefit,  
25 compared to the industry. As you pointed out, in a lot of

1 industries, it's access only and employees are paying hundreds  
2 and hundreds of dollars a month for mediocre healthcare. That  
3 is not the case at Delta today.

4 Maintaining good healthcare for employees has been a  
5 priority for the company because we think that that's  
6 synergistic. If our employees are healthy, they're going to  
7 come to work more often, cut down on -- reduce absenteeism and  
8 that they will be better employees if they're healthy. The  
9 next --

10 BY MR. GALLAGHER:

11 Q The next entry, Ms. Carolán, is about retirement benefits  
12 and as I recall, at an earlier point in time when we were  
13 talking about pensions and retirement benefits, the Court  
14 raised the possibility that perhaps Delta should have started  
15 to lower the pension benefits for the non-union employees,  
16 where we could do that, we should have started earlier. What  
17 does this entry reflect?

18 A Your Honor, all of the non-pilot employees have had our  
19 retirement benefits reduced and first of all, reduced and then  
20 frozen over the years. The entry marked November -- date  
21 announced November 18th, 2002, shows that we did several things  
22 at that time to reduce the company's retirement costs for non-  
23 pilot employees.

24 The first thing that we did is we shifted from the FAE, the  
25 final average earnings plan, to a cash balance plan. That was

1 a plan that was much less costly to the company and we had a --

2 THE COURT: Can you give me any idea of how much less  
3 costly it is? I mean, is it less costly in the long run or  
4 less costly in the short run or both?

5 THE WITNESS: I believe, Your Honor, that it is both.  
6 That it's less costly both in the short run and in the long  
7 run. A cash balance plan, even though it is a defined benefit  
8 plan, it looks and feels to me more like a defined contribution  
9 plan. It gives you more predictability as to the company's  
10 contributions. We --

11 THE COURT: Okay. Now, are these plans ones where the  
12 employee can choose how it's to be invested?

13 THE WITNESS: Not in this plan. That is true in the  
14 401(k) plan. That is a separate plan.

15 THE COURT: Okay. And how is this plan invested?

16 THE WITNESS: The company makes the investment in this  
17 plan and the company has an excellent track record of getting  
18 terrific returns on the money that was invested.

19 THE COURT: Okay. So they're not -- they've been  
20 invested all in Delta stock?

21 THE WITNESS: It is not invested in Delta stock.

22 THE COURT: Good.

23 BY MR. GALLAGHER:

24 Q And the company is responsible for paying the benefits,  
25 too?

1 A That's correct. We also -- the next one, early retirement  
2 subsidies, as you recall in discussions when I was in court a  
3 few weeks ago, talking about the -- how if an employee retires  
4 early, that their benefit is reduced. The benefit -- the  
5 amount that the benefit is reduced per year used to be  
6 subsidized by the company, a true actuarial reduction.

7 THE COURT: What do you mean? How could you subsidize  
8 it?

9 THE WITNESS: Well, a true actual --

10 THE COURT: I mean, it was two percent per year, so if  
11 you -- the -- you retired at fifty-five instead of sixty-five,  
12 you lost twenty percent of your pension.

13 THE WITNESS: It's actually three percent per year and  
14 that is subsidized because actuaries will tell you that the  
15 true reduction should be almost seven percent per year, not  
16 three percent per year. So if we made the deduction at the  
17 true actuarial rate, it would have resulted in -- and it did  
18 result in a much higher benefit to the employee. We realized,  
19 in 2002, that we could not continue to subsidize this early  
20 retirement benefit and, therefore, we eliminated it.

21 THE COURT: Okay, but now, as I understand your early  
22 retirement, they were able to get paid retirement benefits at  
23 that point?

24 THE WITNESS: Well, it depends. As a ground employee,  
25 we can retire as early as age fifty-two. Pilots can retire as

1 early as age fifty.

2 THE COURT: Okay. But what I'm asking is, during that  
3 period of time, are you getting retirement benefits?

4 THE WITNESS: Yes, Your Honor. Once you retire, you -  
5 - I believe that ninety-nine or a hundred percent of people  
6 elect to receive the benefit at that time. You don't have to.  
7 You can retire and say I don't want it right now, but  
8 because --

9 THE COURT: And if you didn't want it, then the --

10 THE WITNESS: Then you would get a higher amount. If  
11 you waited, you would get a higher amount later. But because  
12 this company subsidized the early retirement, it would have  
13 been a foolish financial decision not to take it right away and  
14 virtually every employee realized that. I don't know of any  
15 employee who did not take their monthly annuity immediately  
16 upon their retirement.

17 THE COURT: It's a lot more generous than the federal  
18 government.

19 THE WITNESS: How old do you have to be? What's the  
20 earliest?

21 THE COURT: In order for me to get my pension, I have  
22 to be sixty-five.

23 THE WITNESS: That's it?

24 THE COURT: That's it.

25 BY MR. GALLAGHER:

1 Q What was the next item of cost reduction, Ms. Carolán?

2 A The final item under retirement benefits is the phase-out  
3 of survivor benefits. This is something we talked about  
4 yesterday for pilots, but we also phased out the generous  
5 survivor benefit for ground employees, as well.

6 THE COURT: Okay. Now let me ask you a question.  
7 Okay. Let's say you retired and you're eighty years old and  
8 you were married and the one that worked for Delta died. What  
9 provision does the other one have?

10 THE WITNESS: I believe that they would have about a  
11 ten-thousand-dollar term life insurance policy.

12 THE COURT: Okay. So that the insurance is tied to  
13 the employee? It's not available to the spouse?

14 THE WITNESS: It is paid on the death of the employee,  
15 but the employee would -- excuse me. The spouse of the  
16 deceased employee would also get a percentage of the deceased  
17 employee's retirement benefit.

18 THE COURT: But actuarially, since he's deceased, he  
19 has no more actuarial life.

20 THE WITNESS: No, he has no actuarial or real life,  
21 but the spouse still gets, I believe, fifty percent of the  
22 person's retirement benefit. So if I die when I'm age seventy  
23 and my retirement is a thousand dollars a month, if I die, I  
24 believe that my spouse gets \$500 a month of that.

25 THE COURT: Okay.

1 THE WITNESS: Even after I die.

2 BY MR. GALLAGHER:

3 A The next area is also changes to healthcare benefits in  
4 2003 and this, again, was more of the same, the increased  
5 copay. We also -- Delta employees used to not have to pay any  
6 percentage of the premium and we also started paying some  
7 amount per month, as well as increased copays and deductibles.

8 We also made some other changes for ground employees and  
9 flight attendants in 2003 and we made some very significant  
10 changes to the sick leave benefits. I think you've heard  
11 before, employees could have many months of sick leave and we  
12 changed the way employees -- ground employees and flight  
13 attendants are paid sick leave and those changes resulted in a  
14 significant diminution of the benefit. We also --

15 THE COURT: Well, but see, now that only saved \$17  
16 million and that's why I'm a little -- wonder why that was  
17 undertaken, because in order for it to only have been \$17  
18 million, there must be relatively few people in short-term or  
19 long-term disability.

20 THE WITNESS: I believe that the majority of savings  
21 here is the changes due to the sick leave plan and less due to  
22 the long-term disability plan. And the worker's compensation  
23 savings was the modification of accident leave. First of all,  
24 we modified it in -- effective '04 and now we are terminating  
25 it.

1 BY MR. GALLAGHER:

2 Q Well, why bother with it at all, Ms. Carolán, if it's  
3 only --

4 THE COURT: Wait, wait, wait, wait. You have to have  
5 workers' compensation.

6 THE WITNESS: Right. We had something at Delta that  
7 was unique of any company I've heard of.

8 THE COURT: Well, what I heard yesterday or the day  
9 before, or the day before or the day before was that what Delta  
10 did was to take workers' compensation, which is less than most  
11 people are paid, and to pay the difference between that and the  
12 person's salary.

13 THE WITNESS: I believe that's generally true. We  
14 kind of subsidized it with our generous sick leave program, but  
15 you didn't have to use your own sick leave. There was this  
16 special kind of sick leave that you could use if it was an on-  
17 the-job injury and we changed that. First of all, before you  
18 could use it every, single year. We changed it to be a once-  
19 in-a-lifetime opportunity to use this accident leave and now we  
20 have eliminated it. Then, in the --

21 BY MR. GALLAGHER:

22 Q Well, why would you bother doing that and aggravating the  
23 employees if it's only \$17 million a year in savings?

24 THE COURT: Because she said it's basically the sick  
25 leave changes that make the difference.

1 A And that simply that could not afford the level of benefits  
2 that we were paying, and also because of the fundamental change  
3 in the industry, especially vis-a-vis employment costs; our  
4 competitors were not providing these rich benefits for their  
5 employees, and our employees were getting very good wages, but  
6 then getting tremendous benefits on top of that that added very  
7 much to our employment costs. And we simply could not afford  
8 to have our employment costs for our ground employees and  
9 flight attendants that much out of whack with the industry,  
10 with the newly evolving industry.

11 THE COURT: Okay. Let me ask you a question. How  
12 many days a month do flight attendants have to work?

13 THE WITNESS: Oh, I believe maybe on average -- and I  
14 don't work with in-flight service -- I believe it would be  
15 virtually the same as pilots, maybe a little bit more;  
16 seventeen, eighteen, nineteen days a month.

17 THE COURT: Okay.

18 BY MR. GALLAGHER:

19 Q And what did you do in 2004, Ms. Carolán, with regard to  
20 non-pilot employment costs?

21 A In 2004, we made additional changes to the healthcare  
22 benefits, again, increased the premiums rather dramatically.  
23 And we also eliminated a benefit that had long been available  
24 to Delta employees.

25 When a Delta employee -- after a Delta employee retired and

1 turned sixty-five, the company would subsidize, to a small  
2 extent, their healthcare costs. We --

3 Q That's in addition to Medicare?

4 A That's correct. I believe it was like a Medigap policy.

5 THE COURT: Wait, wait, wait. I want to ask about  
6 this one again. Are you eliminating the subsidy or are you  
7 eliminating the availability to the retirees of medical  
8 coverage through Delta?

9 THE WITNESS: I'm sorry. I misspoke. I want to  
10 reassure you, we are certainly continuing the group plans that  
11 have the low group rate, so all of our retirees will have  
12 access to our plan. But Delta simply cannot afford any longer  
13 to help pay for it. So I would like to assure you, we are  
14 still --

15 THE COURT: All right. Because some of those people  
16 wouldn't be insurance, and obviously group-buying --

17 THE WITNESS: Yes.

18 THE COURT: -- is considerably cheaper than non-group-  
19 buying.

20 THE WITNESS: Yes, and we are certainly offering that.  
21 In addition, in the end of 2004, we --

22 THE COURT: So that none of your employees -- your  
23 poor retired people have to get out their little violin and  
24 complain that they can't pay for the medication, and they stop  
25 eating instead.

1 THE WITNESS: I've heard those stories, read them in  
2 the newspaper; not about Delta employees, and it's certainly a  
3 tragedy.

4 THE COURT: Well, in some instances, I think they have  
5 not done what they should do to take lower-cost medications,  
6 but that's neither here, nor there.

7 A And then again, as you noticed on one of the charts  
8 earlier, all of our ground employees were subject to a ten  
9 percent -- had a ten percent base pay rate reduction starting  
10 January 1st of this year.

11 Q Now I think you skipped over the last entry from the prior  
12 box, Ms. Carolán, on "Vacation." There's been some prior  
13 discussion of vacation?

14 A Yes. We did last -- at the end of '04, effective in '05,  
15 we did eliminate the sixth week of vacation; so that, for last  
16 year, no employee had more than five weeks. And then, as we  
17 talked about yesterday, next year, the only employees who  
18 currently have five weeks will be able to enjoy those five  
19 weeks. If you had not gotten to that benchmark, that level of  
20 service, the cap will be four weeks' vacation.

21 Q All right. Now --

22 THE COURT: Now is this because you don't want to pay  
23 them for the vacation, or is it because it is inconvenient for  
24 them to take the vacation?

25 THE WITNESS: Your Honor, it's simply a matter of

1 money. We don't have the money to pay them. But we frequently  
2 have programs that we talked about yesterday, that employees  
3 have the opportunity to take time off without pay.

4 THE COURT: Yeah. I mean, I'm sure that some of them  
5 would do that.

6 THE WITNESS: Yes, many employees do that; very many  
7 employees do that.

8 MR. GALLAGHER: Now for the Court's information,  
9 Exhibits 126 and 127 contain the supporting detail -- some of  
10 the supporting detail about these items. We also had  
11 previously submitted to the Court Exhibits 10 to 14, which are  
12 the announcements which detail in great detail in questions and  
13 answers for employees the nature of these changes as they were  
14 announced over time. But unless the Court has a specific  
15 concern, I will not dwell on those individual exhibits.

16 THE COURT: Okay. Which individual exhibits?

17 MR. GALLAGHER: The next two following, Your Honor --

18 THE COURT: Oh, okay, okay.

19 MR. GALLAGHER: -- 126 and 127; and then, earlier,  
20 with Ms. Carolán's declarations, Exhibits 10 to 14.

21 THE COURT: Okay.

22 BY MR. GALLAGHER:

23 Q Now, Ms. Carolán, would you turn to Exhibit 128.

24 A Yes, I'm there.

25 Q Okay. Can you tell the Court what this shows?

1 A Yes. Your Honor, this simply totals up all of the changes  
2 that we talked about recently. I think that you have the one-  
3 billion-dollar figure on the tip of your tongue because it's so  
4 talked about, that the pilots gave last year. But we also  
5 wanted to make sure that you were aware of the \$1.8 billion  
6 that the non-pilot employees gave during that same period of  
7 time. So when you think of the 1 billion that the pilots gave,  
8 you can also think of the 1.8 billion that the other employees  
9 gave from 2002 to 2005.

10 Q And are those ongoing? Both the pilots and the non-pilots,  
11 those are ongoing cost reductions per year, correct?

12 A Yes, they are.

13 And you will also notice that the non-pilot portion versus  
14 the pilot portion is approximately a sixty-four/thirty-six  
15 split, which I think that --

16 THE COURT: Which everybody has been denying when I  
17 pointed that out; everybody had denied that that was the case.  
18 Judge, oh, no, we just picked the three twenty-five just random  
19 out of the air, not a two-third/one-third.

20 MR. GALLAGHER: I'm sorry, Your Honor, if that's a  
21 perception. That certainly hasn't been something we intended  
22 to suggest. Indeed, the parallel --

23 THE COURT: It's two-third/one third; no matter what  
24 you say, it's two-third/one-third.

25 BY MR. GALLAGHER:

1 Q Ms. Carolán, sticking with the period before the current  
2 year, the 2002 to 2005 part of the page. Okay. Last year,  
3 before ALPA agreed to negotiate a billion dollars in cost  
4 reductions, did they tell you across the negotiating table that  
5 they would not?

6 THE COURT: Do you know something? I don't think that  
7 it's appropriate for you to discuss what went on during the  
8 negotiations. I think it's just like any kind of litigation:  
9 You just don't tell me what your settlement discussions were  
10 about.

11 MR. GALLAGHER: Well, Your Honor, the bargaining  
12 history is frequently discussed.

13 THE COURT: I don't think the bargaining history is  
14 relevant. They ended up signing it, that's what happened.

15 BY MR. GALLAGHER:

16 Q Apart from the bargaining table, Ms. Carolán, did ALPA make  
17 public statements to the public --

18 THE COURT: I'm positive they did. But I still --  
19 again, that's what they signed. They didn't like it, they  
20 didn't want to do it, they thought it was unreasonable. Any  
21 word you want to describe, they didn't do it, you know, they  
22 got led to it kicking and screaming.

23 THE WITNESS: We agree, Your Honor. They certainly  
24 were not happy about it at all.

25 THE COURT: I mean --

1 THE WITNESS: Understood --

2 THE COURT: -- how could they be happy about it?

3 THE WITNESS: Understood the sacrifice that this would  
4 cost their individual members. Almost all the pilots that I  
5 know have families, and this was certainly a significant  
6 reduction, but --

7 THE COURT: This is what I'm saying. I mean, you  
8 know, but I really don't think that it's any more appropriate  
9 for you to discuss with me the interstices of your labor  
10 negotiations than the interstices of any other settlement  
11 discussions. You went back and forth, and this is what was  
12 finally agreed upon.

13 MR. GALLAGHER: And --

14 THE WITNESS: And the pilots were very up-front in --

15 THE COURT: In being disagreeable about this and  
16 saying they were really worth what they had been provided for  
17 under the contract.

18 MR. GALLAGHER: Did they also --

19 THE WITNESS: Well, I wouldn't agree that they were  
20 "disagreeable" about this, Your Honor. I think that they were  
21 very professional about this in how they gave the \$1 billion.  
22 And they also acknowledged that, while they were hurting and  
23 their families were hurting, that all Delta families were  
24 hurting. And they recognized that all Delta employees have to  
25 pay their fair share, and that this was what we all needed to

1 do together. They were very professional about that, Your  
2 Honor.

3 THE COURT: Okay.

4 BY MR. GALLAGHER:

5 Q And when ALPA acknowledged that the 1 billion was their  
6 fair share last year, that -- it was not a coincidence, at  
7 least by my impression -- you tell me if I'm correct -- that it  
8 turned out that they were carrying approximately thirty-six  
9 percent of the employment cost reductions that had been arrived  
10 at by Delta up to that point in time, correct?

11 MR. SIMON: Objection, Your Honor. There's no  
12 evidence that ALPA acknowledged that it was their fair share.

13 MR. GALLAGHER: Well, I've tried to get that evidence  
14 out of the witness --

15 THE COURT: I think that --

16 MR. SIMON: You've mischaracterized the witness's  
17 testimony.

18 THE COURT: I think that what ALPA did was what  
19 anybody does when they're stuck: Oh, yes, I'm so happy that we  
20 were able to reach an agreement, yes, it was so nice. And, you  
21 know, you go on about how you really were good guys and stuff,  
22 and that's the end of it. I mean, and it doesn't matter  
23 whether that's exactly the case or not.

24 THE WITNESS: Your Honor, I'd like to tell you just  
25 for a moment about the exchange that we had with the lead

1 negotiator for ALPA --

2 THE COURT: I don't really want to know because I  
3 don't really think it's any -- I really don't think it's for me  
4 to know what those negotiations were.

5 THE WITNESS: Your Honor, it was --

6 THE COURT: It came to -- they came to a particular  
7 conclusion.

8 THE WITNESS: Your Honor, absolutely. And I just  
9 would not want to leave the Court with the impression that ALPA  
10 was begrudging when they gave their billion dollars last year.  
11 Their lead negotiator, after we signed, he said, go kick some  
12 ass.

13 MR. SIMON: Your Honor, just for the -- for the future  
14 course of the proceeding, because I think this affects the  
15 cases that both sides are going to put on, either we're going  
16 to have testimony about conversations between the negotiators,  
17 or we're not.

18 THE COURT: I don't think they're appropriate. I  
19 mean, I --

20 MR. SIMON: And if we're not, then I think the witness  
21 should not continue; if we are, we're perfectly content to  
22 continue in that vein, but we respect Your Honor's ruling  
23 either way you rule.

24 THE COURT: I mean, I really don't think that they're  
25 particularly pertinent to whether or not I should or shouldn't

1 find the request that's been made of them an appropriate one.

2 MR. GALLAGHER: Well, Your Honor, under 1113, both  
3 parties are expressly required to bargain in good faith.

4 THE COURT: I didn't say they weren't.

5 MR. GALLAGHER: And we will be offering --

6 THE COURT: You haven't, so far, reached any issue  
7 that relates to bargaining with respect to the present offer.

8 MR. GALLAGHER: That is correct. That's correct, Your  
9 Honor. But we have been accused repeatedly in Mr. Simon's  
10 rhetoric of stonewalling, when in our view exactly the opposite  
11 is the case.

12 THE COURT: Well, why do you think, as you apparently  
13 do, that when he says things like that, that they just somehow  
14 stick in my mind --

15 MR. GALLAGHER: Well --

16 THE COURT: -- as opposed to rolling off my back?

17 MR. GALLAGHER: No, I'm hopeful that they do roll off,  
18 Your Honor, but I --

19 THE COURT: I mean, you know, look, that's part of the  
20 deal. I mean, you say, I'm so reasonable, I'm so ready to  
21 negotiate, look at all the information I've given them, look,  
22 it's three, four, five, ten boxes, I mean, anybody in my  
23 organization is open to them, we can have anything you want;  
24 and he says, never gave me a thing, they were so rude to me  
25 when I went, they forgot to even offer me coffee.

1 (Laughter.)

2 THE COURT: I mean, you know, and let alone peanuts,  
3 mean, they said they just discontinued peanuts all together. I  
4 mean, those statements are just --

5 MR. GALLAGHER: We --

6 THE COURT: I mean, if you -- you know, I think, as  
7 I've indicated, it's always better if you can make a deal than  
8 if you can't, but if you can't, you can't. But, you know,  
9 they'll say their side; you'll say your side. And what  
10 difference does it make? I mean, so far, you don't have a  
11 person that's been participating in those negotiations that can  
12 say to me what they're about.

13 MR. GALLAGHER: Well, Ms. Carolán will be getting to  
14 that, Your Honor; in fact --

15 THE COURT: Yes. But has she been participating in  
16 the negotiations?

17 MR. GALLAGHER: Yes, Your Honor.

18 THE WITNESS: Yes, Your Honor.

19 THE COURT: Okay.

20 BY MR. GALLAGHER:

21 Q Now, Ms. Carolán, on the bottom third of that page, Exhibit  
22 128, if the company's proposal is granted, what will the  
23 relative share be; ALPA's share of the total cost reductions?

24 THE COURT: Thirty-four/sixty -- sixty-four/thirty-six  
25 percent.

1 Q And that, not coincidentally, happens to match the  
2 percentage share they agreed to last year, correct?

3 THE COURT: Two-thirds/one-third.

4 THE WITNESS: Yes, Your Honor.

5 BY MR. GALLAGHER:

6 Q Okay. Now, Ms. Carolán, would you turn to Exhibit 117,  
7 which I believe is in an earlier book.

8 A (Witness reviews exhibits.)

9 MR. GALLAGHER: Your Honor, there was a similar  
10 exhibit introduced by Mr. Bastian at Exhibits 85, and I believe  
11 86.

12 THE COURT: In what book? This book?

13 MR. GALLAGHER: No, it's an earlier -- I'm not sure,  
14 Your Honor. We'll provide the Court an extra copy right now.

15 THE COURT: Okay. Now what am I looking for?

16 MR. GALLAGHER: 85 and 86, Your Honor. And just to  
17 recap, since it's been --

18 THE COURT: Now I want to ask you a question.

19 THE WITNESS: Yes.

20 THE COURT: You tell me why the year 1990 is relevant,  
21 unless you change those amounts for cost-of-living increases.

22 THE WITNESS: Your Honor, the reason that we thought  
23 that 1990 was relevant was that the association at one point  
24 argued through its attorney that we were -- when we looked from  
25 2000 to 2004, we were looking at too narrow a period of time.

1 THE COURT: Well, I understand that, but --

2 THE WITNESS: So nineteen --

3 THE COURT: -- by the year 2000 -- I mean, the year  
4 1990 is so far back that the -- you would have to --

5 THE WITNESS: Yes. We gave it to you for historical  
6 perspective, and 1990 is, as I understand it, the earliest year  
7 that we can go back and give you specific information. So we  
8 just wanted you to have a historical perspective of the  
9 difference between pilots and non-pilots for a very long period  
10 of time to convince you that we were not just looking at one  
11 period of time that was an anomaly.

12 MR. GALLAGHER: Ms. Carolán's first declaration, Your  
13 Honor, focused on the period from 2000 forward, and ALPA's  
14 reply brief said that we were somehow slanting the information  
15 by leaving out some period of time in the '90s, so we went back  
16 in --

17 THE COURT: Well, I think the period of time in the  
18 '90s that would be relevant would probably be '97, '98, '99. I  
19 mean --

20 THE WITNESS: When we were making a lot of money.  
21 Your Honor, I think you can choose to look at --

22 THE COURT: I mean, you had a stock market crash in  
23 there, but I can't remember what year it was. Okay.

24 MR. GALLAGHER: Now, Your Honor, just to bring you  
25 back in terms of what Mr. Bastian testified. His two exhibits

1 deal with the total, total dollars of employment costs for  
2 pilots and non-pilots throughout each of those time periods.  
3 And when we offered that exhibits, one of the questions Your  
4 Honor had was, well, what about the number of employees and the  
5 cost per employee. And this exhibit, Exhibit 117, is the same  
6 data looked at on a cost-per-employee basis. If you --

7 THE COURT: Well, we've gone way down in the number of  
8 pilots.

9 MR. GALLAGHER: We've gone way down on both sides,  
10 Your Honor. And the data on the first page, Your Honor, if you  
11 multiply the number of employees times the average cost, you  
12 will get the total employment costs, which correlate to the  
13 data on Mr. Bastian's document. So the underlying data is the  
14 same, it's looked at in a different way; here, it's looked at  
15 per employee.

16 And like Mr. Bastian's exhibit, 85 and 86, the first  
17 page assumes for the prospective years 2006 and 2007 that the  
18 company's proposal is adopted at \$325 million per year.

19 THE COURT: Which one does?

20 MR. GALLAGHER: Page No. 1 of Exhibit 117.

21 THE WITNESS: And Page 1 of Exhibit 86.

22 MR. GALLAGHER: Yes.

23 THE COURT: Okay. Both of them -- both of them do  
24 that.

25 MR. GALLAGHER: Yes, Your Honor.

1 BY MR. GALLAGHER:

2 Q And looking at Page 2 of Exhibit 117, Ms. Carolán, can you  
3 tell us what's reflected here?

4 A Yes. The black bar shows the pilots' average cost per  
5 employee and shows that, over a period of many years, from 1990  
6 to -- through 2007, that pilots will be thirty-seven percent,  
7 37.6 percent above where they were in 1990, and that the non-  
8 pilots, shown below in the blue bar, will be 21.6 percent above  
9 where they were in 1990.

10 It also shows rather dramatically the effect of the 2001  
11 agreement that we talked about when we began testimony today,  
12 how the pilots went up very, very high, but then came down  
13 very, very dramatically last year.

14 THE COURT: Okay. I can't figure out which one of  
15 these lines is associated with 2004. Is it the one with the  
16 very top?

17 THE WITNESS: I'm sorry, Your Honor. I don't  
18 understand.

19 MR. GALLAGHER: 2004 is the peak, Your Honor.

20 THE COURT: Okay.

21 THE WITNESS: Right. The very, very top black line is  
22 the pilots at 2004; and, at that point, they were 120 percent  
23 above where they were in 1990. And at that point, the other  
24 employees --

25 THE COURT: Well, I wouldn't -- I certainly would have

1 thought they would be at least a hundred and -- you know,  
2 something like -- I mean, you know, I look at what I was  
3 getting paid then, I mean, it was certainly considerably less.  
4 I mean, and the associates weren't getting paid the \$165,000  
5 that they're getting paid now.

6 MR. GALLAGHER: Uh-huh. Yeah, and the focus, Your  
7 Honor, is not on the absolute number, but on the relative  
8 position; that the gap between the non-pilots and the pilots  
9 was relatively close throughout the '90s, but it obviously  
10 expanded dramatically from 2000. After the 2001 pilot  
11 agreement was signed, that gap enlarged tremendously.

12 And if you go back to Page 1, the ratio of cost per  
13 pilot to cost per non-pilot -- and you can start at any year  
14 you choose, Your Honor, and see what the historic ratio has  
15 been: A few years below three, meaning that pilots cost three  
16 times as much as another employee, but peaking in 2004 at above  
17 four, four times as much as any other employee.

18 And more significantly, Your Honor, in terms of what  
19 might be perceived as fair and equitable, going out next year,  
20 '06 and '07, the pilots' ratio, the ratio of cost per pilot to  
21 the cost per non-pilot, goes down to three oh seven and three  
22 twenty-six. But that still, Your Honor, keeps it ahead of  
23 where it was many, many years in the past.

24 So, yes, we understand and it's certainly true, the  
25 pilots are being asked to take another hit. But we hope that

1 this data shows, Your Honor, that what --

2 THE COURT: Well, I mean, if you were to compare 1994  
3 with 2007, which is -- which is at one sixty-one nine versus  
4 one seventy-one four, I think if you adjusted that for  
5 inflation, the 2007 number is actually less than the 1994  
6 number.

7 MR. GALLAGHER: And that would be true for both sides,  
8 Your Honor, for the pilots and the non-pilots. And that's  
9 really the point of all of this.

10 THE COURT: I don't think the point of all of this is  
11 because you think that it's not fair to take away from your  
12 other employees and leave the pilots where they are. If I  
13 understand what you're saying, it's that the pilots ought to  
14 contribute \$325,000 because there's not any other rocks you can  
15 unturn to get that money from.

16 THE WITNESS: Exactly.

17 MR. GALLAGHER: That's correct, Your Honor.

18 THE WITNESS: And that we cannot survive with  
19 noncompetitive pilot labor costs. All of our labor costs have  
20 to be in line, not just non-pilots.

21 MR. GALLAGHER: And with regard to the subject of the  
22 statutory standard for 1113, fair and equitable, Your Honor --

23 THE COURT: It does not mean that I have to bring the  
24 other employees up. I mean, it means I just have to take  
25 account of, you know, what -- all creditors, the debtor and all

1 of the affected parties. It doesn't say anything, you know,  
2 about the other employees; they could be viewed as affected  
3 parties. But they've already been affected.

4 THE WITNESS: Absolutely, Your Honor. And they will  
5 also continue to be affected going forward.

6 THE COURT: Okay. I want to take a break in a minute,  
7 but I want you to tell me something else.

8 I still don't understand what this new card you're  
9 going to issue to everybody is. I don't understand why you  
10 need a new card, and I don't understand what this new card  
11 does.

12 THE COURT: Okay. It's not a new card. We already  
13 have the card today. And all we are doing is charging each  
14 employee \$50 for their entire family, for all the people that  
15 travel on their card, and that will raise about three to \$4  
16 million per year. And that will allow us to have employees  
17 keep using kiosks and their home computers to process their  
18 travel requests, rather than an airport customer service agent,  
19 who should be spending their time with paying passengers.

20 MR. GALLAGHER: And will that three to four --

21 THE COURT: And with passengers who decide to get off  
22 at LaGuardia could easily check their bags with the man that's  
23 standing outdoors and hand him two dollars and walk off in  
24 about two minutes --

25 THE WITNESS: It's been a mystery to me that more

1 people don't use that. It is so worth not lugging your  
2 luggage.

3 THE COURT: I mean, they go in there and they stand on  
4 line for twenty minutes, oh, I'm afraid my bag won't get on the  
5 plane.

6 THE WITNESS: I think it is worth every dollar of not  
7 having to lug your luggage through the airport.

8 THE COURT: That's my view, that's my view. You know,  
9 there may be a union; I think they are, in fact, unionized.

10 THE WITNESS: Ours are not, Your Honor; ours are  
11 subcontracted. They used to be Delta employees, but that was  
12 one of the cost-savings initiatives that we took several years  
13 ago.

14 THE COURT: Well, they make good money.

15 THE WITNESS: I've heard they make excellent money,  
16 but I don't think they want the IRS to know that.

17 (Laughter.)

18 THE COURT: Oh, I'm sure they tell the IRS they never  
19 get more than a dollar a person.

20 THE WITNESS: If that.

21 THE COURT: Yeah. At any rate, well, I'm going to  
22 take about a ten-minute recess, and then we can keep going.

23 But you're trying to do that with your kiosk lady,  
24 right? The kiosk lady, who stands behind the kiosk and says --

25 THE WITNESS: Oh, yes.

1 THE COURT: -- I'll take your -- I'll take your bag.

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

3 (Proceedings resume at 3:45 p.m.)

4 (Witness resumes stand)

5 THE COURT: You may be seated. I hear you only have  
6 an hour left.

7 MR. GALLAGHER: I hope so, Your Honor.

8 THE COURT: Well, that will be good. Then I'll get to  
9 hear the other side on Friday. Yes?

10 MR. SIMON: With cross, modest cross we would hope,  
11 and we're ready to proceed on Friday with our case, Your Honor.

12 THE COURT: Good. I mean, I -- and I wasn't trying to  
13 say you couldn't have cross. I mean, it just was -- it was  
14 then your official turn.

15 THE WITNESS: I vote for no cross.

16 BY MR. GALLAGHER:

17 Q Ms. Carolán, may I call you back to Exhibit 117? Before we  
18 left, we looked at Page 1 and 2, but we hadn't yet looked at  
19 Page 3 of Exhibit 117. And I want to take a moment until  
20 everybody has it in hand.

21 A Yes. The third page of Exhibit 117 -- wait. I think you  
22 took it back to chambers with you.

23 THE COURT: I think that's what I did.

24 THE WITNESS: It's a thick one. We have another copy.

25 THE COURT: Oh, it's so wonderful to have so many

1 copies of everything. Good thing my daughter is not home. She  
2 throws away any piece of paper that I have, doesn't matter what  
3 it is. She says, you left it there.

4 BY MR. GALLAGHER:

5 Q Okay. Exhibit 117, Page 3, Ms. Carolán. What does this  
6 show?

7 A If you recall, the previous page showed where the pilots  
8 would be versus non-pilots from 1990 to present if the  
9 company's proposal of 325 million was accepted.

10 Page 3 shows if the association's proposal of approximately  
11 \$100 million per year was accepted, this shows that the pilots  
12 would end up almost sixty-nine percent above where they were in  
13 1990, whereas the non-pilots would be almost twenty-two percent  
14 above where they were in 1990.

15 Q And let me just make sure I understand. The non-pilots'  
16 line on this Page 3 is --

17 THE COURT: It's blue.

18 MR. GALLAGHER: I'm sorry, Your Honor?

19 THE COURT: It's blue.

20 BY MR. GALLAGHER:

21 Q It's blue and it's no different than it was on the prior  
22 page, correct?

23 THE COURT: Yes, it is, because this one --

24 THE WITNESS: No. That's correct. Because the -- we  
25 have assumed, as we continue to assume --

1 THE COURT: Wait, wait. When you say it's index of  
2 average costs per employee versus base year, you're not taking  
3 -- you haven't, you know, indexed this to the cost of living or  
4 anything?

5 MR. GALLAGHER: No.

6 THE WITNESS: No. It's a simple division. But the  
7 blue line doesn't change because whether or not we achieve the  
8 325 million per year from ALPA, the 605 million is assumed that  
9 we will get from the non-pilot employees in both Exhibit 2 and  
10 in Exhibit 3.

11 BY MR. GALLAGHER:

12 Q That's Page 2 and 3 of Exhibit 117, correct?

13 A Yes.

14 Q And -- but the pilot line, the black line --

15 THE COURT: Wait, wait. I don't even see any  
16 difference in the two.

17 THE WITNESS: In Exhibit 2, it assumes 325 million,  
18 the company's proposal --

19 THE COURT: No. I mean the spikes look about the same  
20 to me.

21 THE WITNESS: They are until the very end --

22 THE COURT: Oh, okay.

23 THE WITNESS: -- at 2006 and '7.

24 THE COURT: Okay. I see that.

25 MR. GALLAGHER: The only thing that changes --

1 THE COURT: No. She just explained it to me.

2 MR. GALLAGHER: Okay. All right.

3 BY MR. GALLAGHER:

4 Q And in the consequence under ALPA's proposal, Ms. Carolán -  
5 -

6 A Is that the pilots will end up 68.6 percent above 1990 as  
7 opposed to under the company's proposal of 37.6 above 1990.

8 Q And these charts, like Mr. Bastian's charts, are charts of  
9 the company's total cost, correct? All wages and benefits and  
10 related costs.

11 THE COURT: Wait, wait, wait. I don't think so.

12 THE WITNESS: Yes. This is the total -- this is what  
13 each employee costs the company.

14 THE COURT: They have nothing to do with rent, plane  
15 costs --

16 THE WITNESS: No. This is just employment.

17 MR. GALLAGHER: No. This is employment costs, Your  
18 Honor.

19 THE COURT: That's what I'm saying.

20 THE WITNESS: And this is not the wage that the  
21 employee receives, because this is an all-end cost, their wages  
22 and their benefits.

23 THE COURT: Oh, okay. I thought you had said that it  
24 was a --

25 THE WITNESS: No. It's their wages and their health

1 insurance benefit and their retirement benefits, those kind of  
2 benefits.

3 THE COURT: Okay.

4 BY MR. GALLAGHER:

5 Q And the taxes related thereto?

6 A I would assume so, but I don't know that for sure.

7 Q Now going back to the first page of this exhibit, Ms.  
8 Carolán, the ratio in the right-hand column of cost-per-pilot  
9 to cost-per-non-pilot, do you see that column?

10 A I do.

11 Q In the year 2007 the ratio is 3.26. Does that mean that in  
12 that year each pilot cost 3.26 times as much to the company as  
13 each non-pilot --

14 THE COURT: Well, that year hasn't come, but that's  
15 the hypothetical.

16 BY MR. GALLAGHER:

17 Q Under the company's business plan, is that what the ratio -  
18 - the cost would be?

19 A That is -- yes, if we achieve the 325 million per year in  
20 pilot cost reductions that will be the case.

21 Q And prior to the year 2000, in the eleven years shown on  
22 this chart prior to the year 2000, in how many years did the  
23 ratio exceed 3.26?

24 A I just see one time, 1992.

25 Q All right. And look at --

1 A I'm sorry. And 1995.

2 Q And, so in 1992 it was 3.29 and in 1995 it was 3.7,  
3 correct?

4 A I'm sorry. Can you say that again? I need a piece of  
5 paper.

6 Q In 1992 it was 3.29.

7 A Yes.

8 Q And in 1995 it was 3.7.

9 A That's correct.

10 Q And in both of those years, did the company experience a  
11 significant reduction in the non-pilot work force?

12 A Yes, we did. The first time is the early '90s as a program  
13 that -- cost reduction program we called 7.5. And very many  
14 employees left the payroll and there was also a five percent  
15 wage reduction for non-pilot employees.

16 Q So, from '92 to '93, the number of non-pilots declined and  
17 from '95 to '96 --

18 THE COURT: Well, actually, that's not true. In '92  
19 you have 69,900 employees, so -- and your ratio is 3.29, and  
20 that's, you know, higher than the year before.

21 MR. GALLAGHER: Yes, Your Honor.

22 BY MR. GALLAGHER:

23 Q And what head-count data is used in the Form 41 reports  
24 from which this data is taken, Ms. Carolán?

25 A What head-count data is used?

1 Q Yes. Was it at a fixed point in time?

2 A Yes. It is not a yearly average. They just take a  
3 snapshot I think on December -- actually, Form 41 does use an  
4 average through the year. It is not a snapshot at one period  
5 at a time.

6 Q All right. So the sixty-nine is the weighted average of  
7 the employment for that full year of '92?

8 A Yes, it is.

9 Q And sixty is the weighted average for -- sixty-six ninety-  
10 three is the weighted average for the full year of '93?

11 A That's correct.

12 Q But at some point in there between the beginning of '92 and  
13 the end of '93, there was a significant work force reduction,  
14 correct?

15 A That's correct. And I believe it also extended into '94.

16 Q And the Court noted the difference between the pilot costs  
17 in 2000 and the pilot costs in 2007. Do you see those two  
18 numbers?

19 THE COURT: I don't remember noting it, but I remember  
20 pointing out that 2007 hadn't come yet.

21 MR. GALLAGHER: Yes, Your Honor. Well --

22 A Right. This would show that the pilot cost to the company  
23 in 2000 was approximately 171,000 and under the company's  
24 proposal, that will also be the same cost to the company in  
25 2007.

1 Q So -- but the pilots, at least nominally, are still a few  
2 dollars ahead, although as the Court has noted in terms of  
3 inflation and real dollars, they are probably behind, correct?

4 A That's correct. And if you also look at that same  
5 comparison for non-pilots, it shows that non-pilots, Your  
6 Honor, are down in real dollars even before cost of living. So  
7 the non-pilots made -- not "made" -- their cost to the company  
8 was 58,000 in 2000, and their cost to the company is only  
9 52,000 in 2007. So that's when all of the initiatives that we  
10 talk about that make up this 605 million labor cost reduction  
11 for non-pilots kicks in.

12 Q Now, Ms. Carolán, if you would turn to Exhibit 120 which is  
13 in the same book, thank God. And the first part of this chart  
14 is already in your declaration. And the right-hand two columns  
15 are new.

16 A Can you give me just one second? Let me just put one of  
17 these on the floor. Okay.

18 Q Exhibit 120?

19 A Yes. I have that in front of me.

20 Q All right. Now the right-hand two columns are not in your  
21 declaration.

22 A That's right.

23 Q But the other columns are, correct?

24 A Yes.

25 Q Sticking to --

1 THE COURT: Wait. What are we looking at?

2 MR. GALLAGHER: Exhibit 120, Your Honor --

3 THE COURT: Okay. Never mind. I got it.

4 BY MR. GALLAGHER:

5 Q Head count reductions. Can you explain to the Court what  
6 is reflected here?

7 THE COURT: It's obvious what's reflected here.

8 THE WITNESS: Pardon me?

9 THE COURT: Each of the columns has a caption --

10 MR. GALLAGHER: Yes, Your Honor.

11 A Right. This shows the different Delta employees by job  
12 grouping. It shows their actual numbers on September 1, 2001  
13 and their actual numbers on September 1, 2005, and it shows  
14 both the numerical variance and the percentage variance.

15 Then we also -- the --

16 Q In the shaded boxes, what does that show?

17 A The shaded boxes under "Percent Variance" shows that the  
18 pilot head count has been reduced --

19 THE COURT: No, no. The first one, the 32.9 is  
20 presumably an average.

21 THE WITNESS: The 32.9 is the average of all of the  
22 non-pilots, their head count reduction.

23 THE COURT: Right. Right.

24 THE WITNESS: And the 36.3 -- thank you, Your Honor --  
25 is the percent variance for the pilot employees.

1 BY MR. GALLAGHER:

2 Q Now the pilot employees who left, the thirty-four-hundred-  
3 and-eighty-seven difference, were the vast majority of them  
4 voluntary or involuntary?

5 A The vast majority were voluntary. We only have roughly 500  
6 pilots on furlough, so all but 500. We did furlough more  
7 pilots. We furloughed approximately a thousand. But all but  
8 500 have been called back.

9 Q And normal retirements would be in there?

10 A Normal and early retirements.

11 Q All right. And then, so the total work force reduction  
12 across the company has been 33.3 percent, correct? Twenty-five  
13 thousand jobs, the bottom line?

14 A That's correct.

15 Q And that's over -- and this is actual head count of active  
16 employees, correct?

17 A That's right, from '01, right after 9/11, until September  
18 of this year.

19 Q September 1, '01 is right before 9/11, correct?

20 A Right. I'm sorry. I must have misspoke.

21 Q And these -- that is a snapshot as of that date in each  
22 year, correct?

23 A It is.

24 Q It's not a weighted average?

25 A It is not.

1 Q All right. Now our friends the --

2 THE COURT: Okay. What's this column, "Projected  
3 Business Plan Reductions?"

4 THE WITNESS: Well, Your Honor, remember we spoke the  
5 other day that as part of the 605 million that we were going to  
6 get from other employees --

7 THE COURT: Right.

8 THE WITNESS: -- that there were going to be head-  
9 count reductions associated with that --

10 THE COURT: Right.

11 THE WITNESS: -- that we have announced we're going to  
12 do it, but we haven't done it. If you include those head-count  
13 reductions of seven to 9,000, that means all non-pilot  
14 employees would have been reduced since right before 9/11 by  
15 forty-three to forty-six percent, whereas pilots would have  
16 been -- their head-count numbers would have been reduced by  
17 thirty-nine percent.

18 BY MR. GALLAGHER:

19 Q And just so the record is clear, Ms. Carolán, those  
20 reductions, the seven to 9,000, were just announced and are  
21 just starting now and going into the future over the next two  
22 years of the business plan, correct?

23 A Yes. They were announced about a week after we declared  
24 bankruptcy. And they are to be effective throughout 2006, with  
25 I believe at -- more heavily weighted toward the beginning of

1 2006.

2 Q And what are the 300 pilot reductions reflected here?

3 A The 300 pilot reductions are comprised of two groups of  
4 pilots. One are pilots who are projected to turn age sixty --

5 Q Those would be normal retirements?

6 A Right. Age sixty normal retirements during -- between now  
7 and 2007, and the others --

8 Q Approximately how many are those?

9 A About sixty. And the others, Your Honor, are the PRPs  
10 which you asked about our very first day in court, the post-  
11 retirement pilots, the pilots who retire and agree to come back  
12 for a short period of time until we can train their  
13 replacements.

14 The 300 is all voluntary -- well, it's the PRPs, the pilots  
15 who have come back, and it is the normal age sixty retirements.

16 Q And so -- other witnesses have been asked. Does Delta  
17 contemplate any pilot furloughs over the next two years under  
18 its business plan?

19 A No, we have none planned at this time.

20 Q Okay. Now I would like, Ms. Carolán, to turn to Exhibit  
21 141, if we may.

22 A 141?

23 Q 141 in the new small binder.

24 THE COURT: That's not it.

25 MR. GALLAGHER: Now, yesterday --

1 THE COURT: Wait, wait, wait. I don't know where 141  
2 is.

3 MR. GALLAGHER: It's in the new -- the smallest  
4 binder, Your Honor.

5 THE COURT: Maybe somebody else has one? Wait -- oh,  
6 I think -- is this it?

7 MR. GALLAGHER: Yes.

8 THE COURT: Okay. Okay. 141.

9 BY MR. GALLAGHER:

10 Q Can you tell the Court, Ms. Carolán, what's reflected here?

11 A Yes, Your Honor. This exhibit is in response to the  
12 question that you asked yesterday evening. And we have  
13 prepared an exhibit that compares the Delta proposal and the  
14 cost savings and revenue generation from the Delta proposal  
15 versus the ALPA proposal.

16 And, Your Honor, unfortunately, this is not going to be as  
17 easy an exercise in comparison as we had hoped and as I know  
18 you had hoped because, as an initial matter, the company's  
19 proposal is for a five-year period and the association's  
20 proposal is for a four-year period.

21 THE COURT: Well, okay. But I'm more -- I'm more  
22 interested in the different items.

23 THE WITNESS: All right.

24 THE COURT: Okay? So I mean, we have right now, we've  
25 got a basic difference in -- the largest item is in base pay

1 rates.

2 THE WITNESS: Right. The company's current position  
3 is that we need a nineteen percent reduction from now for the  
4 next five years. And what the association has offered is a  
5 nine percent reduction for seven months, then a seven percent  
6 reduction off today's rates from July of '06 until December of  
7 '06.

8 BY MR. GALLAGHER:

9 Q So is that an additional seven percent?

10 THE COURT: Wait, wait, wait. Don't worry about it  
11 right this minute.

12 THE WITNESS: Okay.

13 THE COURT: Okay. This is for four years. And I  
14 think that it's actually a reduction, nine, seven, five.

15 THE WITNESS: Right. But it is important to note that  
16 the nine percent is off today's rates, the seven percent off  
17 today's rates, and the five percent off today's rates.

18 BY MR. GALLAGHER:

19 Q So does that -- that means a pay raise of two percent on  
20 7/1/06 and 1/1/07?

21 THE COURT: Wait, wait, wait.

22 THE WITNESS: That's correct.

23 THE COURT: Wait, wait. Can I just go through this  
24 one more time?

25 THE WITNESS: Sure.

1 THE COURT: Okay. Reduce nine percent the first time.  
2 THE WITNESS: This is the association's proposal.  
3 THE COURT: Just let me ask what I need to know.  
4 THE WITNESS: Okay. I'm sorry.  
5 THE COURT: We reduce nine percent for this first  
6 half-year.  
7 THE WITNESS: That's the association's proposal, yes.  
8 THE COURT: Well, that's all I'm trying to talk about.  
9 THE WITNESS: Okay.  
10 THE COURT: Now the next year the reduction is not  
11 nine plus seven or sixteen percent, it in fact goes back up two  
12 percent.  
13 THE WITNESS: That's exactly right.  
14 THE COURT: And the final proposal at five percent is  
15 not additive. It again -- it goes back up two percent.  
16 THE WITNESS: That's correct.  
17 THE COURT: So this proposal goes up -- varies between  
18 nine percent to five percent in inverse order.  
19 THE WITNESS: That's correct.  
20 THE COURT: Okay.  
21 THE WITNESS: And that proposal from the association  
22 by both the company's and the association's costing methodology  
23 achieves almost \$57 million in annual savings.  
24 THE COURT: No, no, I understand that. I'm not  
25 interested in that.

1 THE WITNESS: Okay.

2 THE COURT: What's "TA"?

3 THE WITNESS: "TA" means tentative agreement. The --

4 THE COURT: Okay. Now here is -- there's a question  
5 about the costing on this item where ALPA thinks that the  
6 costing should be 2.1 instead of 1.7.

7 THE WITNESS: Yes, Your Honor. That results from the  
8 different assumptions that the different parties make. In  
9 ALPA's assumption, the company is going to operate more flights  
10 with -- that operate during hours when night pay is applicable  
11 than the company assumes. But this is --

12 THE COURT: Okay. Now on the international premium  
13 pay, you're eliminating it and they're reducing it --

14 THE WITNESS: Reducing it.

15 THE COURT: -- they're reducing it.

16 THE WITNESS: Yes, Your Honor.

17 THE COURT: The per diem hourly expense --

18 THE WITNESS: We've come to agreement on that.

19 THE COURT: Okay. Now I don't understand what "Reduce  
20 amount of pay pilots receive for time not on board the  
21 aircraft" means.

22 THE WITNESS: Okay. Let me do my best to explain it  
23 to you.

24 If you recall the very first day of this hearing, we  
25 had a gentleman, David Watson, explain to you the pilots'

1 schedules. And you'll recall we had the big boards that had  
2 basically a pilot flying four times a month a three-day trip.  
3 And we looked at what the different -- how the different pay  
4 guarantees worked to achieve the pilots' final pay.

5 And there are ratios for how long the pilot is away  
6 from his base and things like this that add pay beyond the time  
7 that the pilot is actually flying the airplane, the block time.

8 And what we are asking is to change some of those pay  
9 guarantees so that a pilot will now be paid, instead of a  
10 number of these guarantees, at the end of each rotation we'll  
11 look at three things. We'll look at the block time, how much  
12 time he or she actually flew; we'll look at the scheduled time,  
13 how much time the flight was scheduled to be, and we pay the  
14 pilot the greater of those.

15 We then also look at what we call a "duty period  
16 minimum." A pilot is guaranteed a minimum amount per day. So  
17 we compared the greater of scheduled or actual to --

18 THE COURT: So, wait. On that -- on the first one,  
19 the one where it's set up real nice and the guy took like a  
20 fourth day and he took a half-day flight, would he be paid for  
21 like having flown for eight hours?

22 THE WITNESS: Well, Your Honor, it depends on what he  
23 flew that day. Let's just say that we were desperate for a  
24 pilot to fly from Atlanta to Savannah, a forty-five minute  
25 flight that, frankly, Delta doesn't fly anymore, but just say

1 we're flying him from Atlanta to Savannah.

2 THE COURT: Well, he showed approximately four hours  
3 or four and a half hours.

4 THE WITNESS: Okay. Let me use -- and I'm sorry, we  
5 do fly to Savannah. Let me use an example where he might be  
6 paid more than he actually flew.

7 Say again we desperately needed this pilot to fly from  
8 Atlanta to Savannah, which is maybe a forty-five -- thirty,  
9 forty-five minute trip, and that's all he did that day. Then  
10 he just dead-headed home. We pay the pilot a minimum number of  
11 hours per day. And at the end of the rotation, we add up all  
12 those minimums.

13 THE COURT: Okay. But how many -- what's the minimum?

14 THE WITNESS: I believe we have proposed to change  
15 that. Just a minute and let me give you -- I believe that --  
16 where is our last proposal, Jack?

17 MR. GALLAGHER: I believe it's around 111.

18 THE WITNESS: The new duty period minimum that we  
19 proposed is three hours? Yeah. It's three hours. So we have  
20 proposed to increase the minimum that a pilot will receive per  
21 day to three hours.

22 THE COURT: So that even if he flew only one and a  
23 half hours, he'd be paid for three?

24 THE WITNESS: Absolutely.

25 THE COURT: Okay. Hawaii we don't have a problem

1 with.

2 MR. GALLAGHER: The gray bar -- the gray line each --  
3 where there's a highlighting or gray, that's where there's a  
4 tentative agreement on that particular item.

5 THE COURT: Okay. What is relief crew composition?

6 THE WITNESS: Okay. Delta flies one of its 777s every  
7 day from Atlanta to the Narita Airport in Tokyo. The FAA  
8 requires that Delta have two full crews on board that airplane  
9 because it is such a long flight.

10 The FAA -- according to the FAA, we could have one  
11 captain and three first officers, and that would be two full  
12 crews. The contracts, the collective bargaining agreement that  
13 we have agreed to with the association, requires that we have  
14 two captains and two first officers. And, as you know,  
15 captains are paid more than first officers.

16 THE COURT: No.

17 THE WITNESS: So what we are --

18 THE COURT: I can't imagine why.

19 THE WITNESS: So what we are proposing is to allow one  
20 captain and three first officers to fly, instead of two  
21 captains and two first officers.

22 THE COURT: Wait, wait. No, you would need three  
23 first officers.

24 THE WITNESS: I'm sorry. Did I not say that? I'm  
25 sorry. Let me be clear. We would need one captain and three

1 first officers.

2 BY MR. GALLAGHER:

3 Q Under the company's proposal?

4 A Under our proposal. The reason it's -- I'm sorry. It is -  
5 -

6 THE COURT: It says two, but it should be three.

7 THE WITNESS: Well, yes. That's another way of  
8 looking at it, exactly.

9 THE COURT: I mean, if you've got four and you take  
10 away --

11 THE WITNESS: Right. We usually call a relief crew a  
12 captain and a first officer. They're the second crew. And the  
13 way that this is worded, we're asking for that second crew to  
14 be composed of two first officers.

15 THE COURT: Oh, okay.

16 THE WITNESS: It's just the same thing, just a  
17 different way of looking at it.

18 BY MR. GALLAGHER:

19 Q There will still be four pilots on board, correct, Ms.  
20 Carolán?

21 A All the time.

22 THE COURT: No. There will be three first officers  
23 and one captain.

24 THE WITNESS: But all of the first -- all of the guys  
25 and gals up there are all pilots.

1           THE COURT: I'm really not suggesting anything, all  
2 right? But I am suggesting that one could take the view that  
3 those who are pilots on a plane of that length -- a trip of  
4 that length are potentially more skilled or have more  
5 experience than first officers.

6           THE WITNESS: Right. I was just letting you in on our  
7 jargon. In our jargon, a first officer is a pilot. All four  
8 of them are pilots.

9           THE COURT: Oh, I know a first officer is a pilot.

10          THE WITNESS: Okay.

11          THE COURT: Okay. I mean, he's not just the person  
12 that gets the coffee.

13          THE WITNESS: I think they do that, too.

14 BY MR. GALLAGHER:

15 Q Along that line, Ms. Carolan, is it the general practice  
16 that captains and first officers alternate --

17          THE COURT: Certainly, they alternate. When they're  
18 flying to Europe and they have one and one, they are certainly  
19 going to get up and walk around and have the other one fly it.

20 BY MR. GALLAGHER:

21 Q But my question, Your Honor, was do they alternate who's  
22 flying the airplane and who does take-offs and landings?

23 A Yes. They do on each leg, each flight segment. One time  
24 the first officer takes off and lands, the next one the captain  
25 does.

1 Q So if the --

2 THE COURT: But, in this situation, instead of having  
3 the captain and a first officer at the wheel so that the  
4 captain could take over in the event there was a problem, you  
5 would have two first officers or you would have the captain  
6 have to do that all the time?

7 THE WITNESS: Well, the time that the captain would  
8 take his or her rest break, Your Honor, would be while the  
9 plane is at altitude. The captain would be in the cockpit for  
10 takeoff and for landing.

11 BY MR. GALLAGHER:

12 Q All right. What's the management pilots item, Ms. Carolán?

13 A I think Your Honor has that down now.

14 Q But it looks like we're close. What's the difference?

15 A The difference here is the pay rate. The -- we cost and  
16 ALPA costs its proposal based on its pay rate. So when the  
17 company is required to pay-protect another pilot when a --

18 Q What does that mean?

19 THE COURT: It means that you have to pay the pilot  
20 who should have been able to take the trip, but couldn't take  
21 the trip because a management pilot signed up for it.

22 THE WITNESS: Well, not exactly. In most cases,  
23 that's the way it is. But in this case, there is a trip out  
24 there that nobody has signed up for and nobody wants.

25 THE COURT: No. I understand. But the old way, it

1 was a longer period of time before the flight was to take off  
2 that the management pilot could sign up for it. And now they  
3 want to reduce the period of time so that it makes -- it leaves  
4 less openings for management pilots.

5 THE WITNESS: Yeah. The management pilot under the  
6 association's proposal would have less time to plan a schedule  
7 because they want it to stay kind of in the bucket ready for  
8 anybody else to pick up until sixty hours prior to report. We  
9 would like to give the management pilots a little bit more  
10 opportunity than that to plan their schedule.

11 THE COURT: Well, but, they only have to fly once a  
12 month.

13 THE WITNESS: They do, Your Honor. But they also do  
14 many other things other than fly the line.

15 THE COURT: Well, then, somebody else can pick it up.

16 BY MR. GALLAGHER:

17 Q But if -- is it common that when there's a shortage of  
18 pilots due to bad weather --

19 THE COURT: I understand it. I don't need to go into  
20 that. It's not helpful. It's not going over this thing.

21 THE WITNESS: Okay.

22 THE COURT: Now, premium pay, two and a half times to  
23 one and a half times, or from two times -- one and a half times  
24 pay where pilots assign open time for which they did not  
25 volunteer. I do not know what open time is and I don't know

1 what it means to say they did not volunteer.

2 THE WITNESS: Well, let me see if I can explain it.

3 Open time is this time, as we call it, in the bucket,  
4 time that nobody has picked up. Maybe you were assigned the  
5 trip and then you called in sick. So we have to find somebody  
6 else to fly that trip. So that trip is in the bucket.

7 Or maybe the trip was assigned to you and now you have  
8 to go to training because it's your normal time of the year  
9 that you have to go to training. So now we have a trip that a  
10 pilot is not assigned to. That is what open time is.

11 And, normally, pilots are -- have indicated that they  
12 are willing to fly these trips and they indicate electronically  
13 to the company, you know, I'm on my day off, if you want to use  
14 me, call me. And they -- we call them in seniority order.

15 BY MR. GALLAGHER:

16 Q Is that like an overtime sign-up sheet, in effect?

17 A Yes, except that it's not really overtime. It's extra  
18 time.

19 And then what --

20 THE COURT: But, I mean, and it counts against how  
21 much time they can fly in a given month, too.

22 THE WITNESS: Oh, it certainly does. It certainly  
23 does.

24 And then there are a few cases where we don't have  
25 enough pilots that volunteer. Let me just use an example of

1 Christmas Day. Christmas Day somebody calls in sick and nobody  
2 volunteers --

3 THE COURT: What a surprise.

4 THE WITNESS: Nobody has volunteered to fly.

5 THE COURT: It's amazing how many people can get sick  
6 on Christmas.

7 THE WITNESS: So, in that case, we have to start with  
8 the junior pilot that flies that type of equipment and call him  
9 or her and say, I need you to take this trip. So we're kind of  
10 forcing them to take the trip. They did not volunteer for this  
11 trip and we are forcing them to take it.

12 And, right now, we pay those pilots one -- double pay.  
13 We are asking to pay them one and a half times pay instead of  
14 double pay. It doesn't happen very often --

15 THE COURT: Why don't we provide that you would pay  
16 them double pay on any of your eleven holidays and then they  
17 would get one and a half times pay on the other days?

18 THE WITNESS: That would certainly be something we'd  
19 be willing to talk about and we have in the past.

20 THE COURT: I mean, because that means, you know, if  
21 you're being knocked off to a really unpleasant date, that's,  
22 you know --

23 THE WITNESS: Yeah. Actually, I used Christmas as an  
24 example. But --

25 THE COURT: New Year's Day is worse.

1 THE WITNESS: Well, to the best of my recollection, we  
2 really don't have problems getting people to fly on those days.

3 THE COURT: Well, okay. Now then we've got these next  
4 ones.

5 THE WITNESS: Okay. The next one is called "reserve  
6 payback day." Now you'll recall that the reserve pilot is a  
7 pilot who doesn't have a schedule for the month of specific  
8 flights, that he or she is available and is called and assigned  
9 flights that other people dropped due to sick or training,  
10 whatever.

11 THE COURT: Okay, forget it. I don't want to listen  
12 to this one.

13 THE WITNESS: Okay.

14 THE COURT: You aren't very far apart on that.  
15 Assigning trips. What is this, "Change the order in which open  
16 time is assigned to increase reserve utilization"?

17 THE WITNESS: Okay. Remember I told you that we have  
18 pilots that are willing to sign up and say, if you have a trip  
19 that you can't cover give me a call? Well, we also have  
20 reserve pilots who are interested in taking that flying and we  
21 have some pilots who say, well, I'm willing to take that trip  
22 if you pay me single pay for it, and we have other pilots who  
23 say, well, I'm willing to take that trip, but only if you pay  
24 me time and a half for it. And believe it or not, there's  
25 about a fifty-step process that we have to go to when we assign

1 open time as to who gets it first.

2 THE COURT: Well. I'm going to go take another little  
3 -- another little rest in listening to this so that I can  
4 figure out what conceivably you could do for fifty steps. I  
5 mean, it seems a little excessive.

6 (Recess taken at 4:19 p.m.)

7 (Proceedings resume at 4:32 p.m.)

8 THE COURT: You're good. They're only for people at  
9 the front table, right? Thank you.

10 MR. GALLAGHER: And we will make it a joint  
11 contribution, Your Honor, so there's no suggestion of  
12 impropriety.

13 (Counsel confer.)

14 MR. GALLAGHER: Is the reporter ready? May we  
15 proceed, Your Honor?

16 THE COURT: You may.

17 BY MR. GALLAGHER:

18 Q Ms. Carolán, when we broke, you were reviewing Exhibit 141  
19 with the Court. And I notice it's divided into subcategories  
20 for compensation, work rules, and then for benefits, and then  
21 for scope; different sections. Is that right? And there's a  
22 subtotal for each section?

23 A There is.

24 Q Compensation --

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

1 something. You're looking at 141?

2 MR. GALLAGHER: Yes, Your Honor.

3 THE COURT: What page?

4 MR. GALLAGHER: Page 1.

5 THE COURT: Item "Delta Proposal, Estimated Annual  
6 Cost"?

7 THE WITNESS: In the upper-left-hand corner, Your  
8 Honor, right under where it says "Item," there's a sub that  
9 says "Compensation." So the first down to "Per Diem" --

10 THE COURT: Okay.

11 THE WITNESS: -- was all compensation. And now we're  
12 on work rules.

13 BY MR. GALLAGHER:

14 Q But sticking with that subtotal for "Compensation," that's  
15 the biggest single area of difference, is it not?

16 A Yes, absolutely, almost a hundred -- over \$130 million  
17 apart.

18 Q And the valuation of the ALPA proposal, the parties know  
19 how to cost pay raise; that's relatively hard dollars, correct?  
20 We agree on the pricing of that.

21 A We do.

22 Q And that's also true on most of the compensation issues,  
23 we're pretty close. Is that right?

24 A That's right.

25 Q And is it your experience that the company and ALPA in past

1 negotiations, when they reach agreement in principle on an  
2 item, are able to work out the costing or the valuation?

3 A Yes. Your Honor, generally what happens is each of us has  
4 on our negotiating team a person who's responsible for the  
5 costing, and those people frequently talk and have always come  
6 to agreement on the value of items, the costing of the items.

7 Q So each side knows the other --

8 THE COURT: We're right there in disagreement on this  
9 Hawaii one-hour issue.

10 THE WITNESS: Well, the reason that we're in  
11 disagreement on the Hawaii one-hour issue is only the effect of  
12 the different pay proposals that the company has, versus the  
13 association. We are not apart on methodology.

14 THE COURT: Okay.

15 BY MR. GALLAGHER:

16 Q And the asterisk --

17 THE COURT: And explain to me again this, "Pay  
18 Guarantee: Reduce amount of pay pilots receive for time not on  
19 board the aircraft."

20 THE WITNESS: Yes.

21 MR. GALLAGHER: I believe -- I'm not sure if the  
22 witness was here, Your Honor, when the dialogue with the Court  
23 occurred about whether any of the proposals relate to block  
24 hours versus credit hours.

25 THE COURT: I have asked a question. Do you think we

1 could try to stay on the topic of what I asked her, which is  
2 the item right above "Hawaii time"? I just want to make sure I  
3 understand what, "Pay Guarantees: Reduce amount of pay pilots  
4 receive for time not on board."

5 THE WITNESS: All right. Do you want me to give you  
6 more explanation, or are you going to ask me a question?

7 THE COURT: Well, I don't know what -- I don't know  
8 what a "guarantee" is -- I mean, I don't know what it is  
9 they're guaranteed to receive for time not on board, and I  
10 don't know whether the time not on board is time in between  
11 flights or time after the flight arrives.

12 THE WITNESS: Well, it's a little bit of all of those,  
13 and it's also a little bit of the time when the pilot is in a  
14 hotel room sleeping; say it's a three-day trip, they might  
15 spend two nights in a hotel. There are different guarantees  
16 for all of those things. And what the company is proposing --

17 THE COURT: So do you get a different pay rate if you  
18 actually are able to sleep than if you have insomnia?

19 (Laughter.)

20 THE WITNESS: Nope, absolutely not.

21 So what we are proposing is to simplify this process  
22 by having basically three different pay guarantees, and you --  
23 a pilot receives the greater of the three guarantees. But  
24 today there are many more guarantees than that, and this is one  
25 way that we can drive efficiency, because then we'll need less

1 pilots and -- or more pilots -- the pilots will have to fly  
2 more days per month to achieve the --

3 THE COURT: To make the same amount of money.

4 THE WITNESS: To achieve the same number of pay hours,  
5 yes.

6 THE COURT: Okay. But how much -- I mean, what is it  
7 you're reducing to get to the \$20 million of savings?

8 THE WITNESS: We are reducing the number of occasions  
9 that a pilot is paid for what's called "credit time," time that  
10 he's not actually flying the airplane, time created by one of  
11 these pay formulas, rather than by time actually spend behind  
12 the yoke of the aircraft.

13 THE COURT: Okay. Are there any pay guarantees that  
14 are being left in place?

15 THE WITNESS: Yes. There will be -- three pay  
16 guarantees will be left in place:

17 Time away from base, which is the pilot will be  
18 guaranteed one hour of pay for every four hours that he or she  
19 is away from base. So from the first day that the pilot checks  
20 in, say it's a three-day trip, until he or she returns home,  
21 they are guaranteed one hour of flight pay for each four hours  
22 that they're away.

23 BY MR. GALLAGHER:

24 Q Does that include sleep time in the hotel?

25 A It does.

1           Then the second pay guarantee --

2           THE COURT:  Now does that include the time that  
3 they're actually on the plane, flying?

4           THE WITNESS:  Oh, yes.  It includes all of that.  So  
5 it's -- say if it's a trip that leaves at nine o'clock one  
6 morning and returns nine o'clock three days later, that would  
7 be seventy-two hours of time away from base.  So they would  
8 receive one for four on that:  For every four hours they are  
9 away --

10          THE COURT:  Okay.

11          THE WITNESS:  -- they're guaranteed one hour of pay.

12 BY MR. GALLAGHER:

13 Q   That would be eighteen hours of pay and credit for that  
14 trip?

15 A   I'll trust your math on that.

16          THE COURT:  Okay.  Now what's the second one that they  
17 would still have?

18          THE WITNESS:  Okay.  The second one is they will  
19 always receive the greater of the scheduled time of the trip or  
20 the actual time that it takes to fly the trip.  So if the  
21 schedule says it takes them five hours, but they actually fly  
22 it in four and a half, they'll still get the five hours.

23          THE COURT:  But they have to sit on the ground for  
24 three hours because of the snow --

25          THE WITNESS:  Well, it depends whether if they have

1 already pulled back from the jetway and they're lined up ready  
2 to take off, then that is counted as flight pay. It's the time  
3 when the blocks are removed, when the airplane pushes back,  
4 until it pushes back in at its next destination. So that's the  
5 second pay guarantee.

6 And the third pay guarantee is this duty period  
7 minimum that we talked about. They're guaranteed the minimum  
8 of three hours' pay per day. So you basically calculate their  
9 pay these three different ways, and then they get the greater  
10 of each of those three methods.

11 BY MR. GALLAGHER:

12 Q Is that three -- the duty period minimum is three hours per  
13 day?

14 A Three hours -- the company's proposal is to increase that  
15 to three hours per day.

16 THE COURT: What's the minimum duty period now?

17 THE WITNESS: I think it's two and a half.

18 UNIDENTIFIED: Two.

19 THE WITNESS: Two.

20 BY MR. GALLAGHER:

21 Q So let's take your three-day trip again; your seventy-two-  
22 hour, three-day trip, Ms. Carolán, because it's a nice, easy  
23 example.

24 If we applied the three formulas, and let's say there was  
25 five hours of flying each day, in the three-day trip --

1 THE COURT: Well, you calculate it as twenty million  
2 point four.

3 MR. GALLAGHER: Yes. Well, that's the total value of  
4 savings, Your Honor, for all the pilots --

5 THE COURT: I understand that. That's what I'm  
6 saying. I'm saying that this is a fairly large-ticket item.

7 THE WITNESS: Absolutely. It's about a third of the  
8 savings for the work rules. That is a very significant item.

9 BY MR. GALLAGHER:

10 Q And just illustrate how it works, Ms. Carolán, on that  
11 seventy-two-hour trip. The trip RG, the ratio guarantee for  
12 the trip at one-to-four would generate eighteen hours of pay  
13 for that seventy --

14 THE COURT: I don't understand what you just said.

15 THE WITNESS: Okay. Let's walk through the three --

16 THE COURT: Okay. We're going to go to Europe. Okay?  
17 So you have to be here what, an hour and a half, two hours  
18 before the flight takes off?

19 THE WITNESS: An hour and a half. You have to report  
20 an hour and a half before the flight takes off.

21 THE COURT: Okay. I take it that that's covered time?

22 MR. GALLAGHER: Yes.

23 THE WITNESS: You are paid from report to release,  
24 yes.

25 THE COURT: Okay. So --

1 THE WITNESS: But you're not paid flight pay for that  
2 hour and a half before you depart.

3 THE COURT: Okay. So then we take -- it takes us  
4 eight hours to fly. Now that's flight time.

5 THE WITNESS: Yes.

6 THE COURT: And since we didn't go around in a circle,  
7 we --

8 THE WITNESS: I'm sorry.

9 THE COURT: -- end up not leaving again for ten hours.  
10 And then we take it back for eight hours. And then how long  
11 after they return do they have to stay?

12 THE WITNESS: How long after they return to the United  
13 States --

14 THE COURT: Yeah.

15 THE WITNESS: -- before they can take another trip?

16 THE COURT: No, just -- let's just give mine.

17 MR. GALLAGHER: Release.

18 THE COURT: One eight --

19 THE WITNESS: Oh, after they check back in? I'm  
20 sorry, after they land? Thirty minutes before they're  
21 released. Although the company has proposed to change that to  
22 fifteen minutes, and that change is incorporated in these  
23 guarantees.

24 THE COURT: Okay. So the whole eight hours they would  
25 be getting one-to-four, so they'd get two extra hours.

1 THE WITNESS: No, not exactly. We don't do anything  
2 simply, Your Honor.

3 In the example that you used, you would start counting  
4 the hours when they report, an hour and a half before flight  
5 time, so that would be your start time. And then you would  
6 keep that clock running until fifteen minutes after they land.  
7 And however many hours that accumulated, they would be  
8 guaranteed one hour of flight pay for each of those elapsed  
9 hours.

10 THE COURT: Wait. I'm trying to deal with this extra  
11 hour for the four.

12 THE WITNESS: Could you explain that some more? The  
13 "extra hour"?

14 THE COURT: Didn't we just have a discussion about  
15 that?

16 THE WITNESS: I'm sorry. I must have missed the  
17 reference.

18 THE COURT: Maybe I missed it.

19 (Counsel confer.)

20 MR. GALLAGHER: Your Honor, I think the short answer  
21 is that these ratios are tricky for even pilots and schedulers.

22 THE COURT: No. I thought that she said to me  
23 something about there was an extra pay rate per four hours.

24 THE WITNESS: No, what I'm doing a very inartful job  
25 of explaining is that you just look at all the time that has

1 elapsed, from the time that the pilot reports at the airport in  
2 which he's based until the time he returns. So on a European  
3 trip, he might report in Atlanta at seven o'clock at night,  
4 take an eight-hour flight across the Atlantic; he'd be on the  
5 ground generally for twenty-four hours, and then he'd come  
6 back. So say all that time adds up to, I don't know, thirty  
7 hours.

8 He or she -- well, it wouldn't add up to thirty hours.  
9 Forty hours. He or she would be guaranteed one hour of flight  
10 pay for each four hours that he or she was away from their  
11 base.

12 THE COURT: Okay. But that basically covers the  
13 twenty-four hours when they weren't working.

14 THE WITNESS: The twenty-four hours when they are at  
15 their hotel in Europe is included in that calculation.

16 THE COURT: I know. But I'm saying that they get one  
17 hour for every four hours there, and they also get one hour for  
18 every four hours on the flight itself.

19 THE WITNESS: Yes. We, frankly, don't chop it off  
20 when they land and whatever. The -- just kind of -- it's like  
21 starting a stopwatch when they leave their base and not  
22 stopping it until they get back to their base. For all of that  
23 elapsed time, they're guaranteed one hour of flight pay for  
24 each four hours of flight.

25 MR. GALLAGHER: Now suppose --

1 THE WITNESS: Excuse me. Each four hours of elapsed  
2 time.

3 BY MR. GALLAGHER:

4 Q Suppose the actual flight hours turn out to pay more.

5 A Then --

6 THE COURT: Oh, no, it's in addition to --

7 MR. HUEBNER: No, it's not, Your Honor.

8 MR. GALLAGHER: No, Your Honor.

9 MR. SIMON: No, no.

10 THE WITNESS: It's not in addition. You basically  
11 make these three calculations, so you'd put up on the board the  
12 first calculations -- let's use a different trip, a domestic  
13 trip. The one-for-four guaranteed the pilot say twelve hours,  
14 so you'd put up the twelve hours. Then you do the next  
15 calculation, and that yields fifteen hours, so you put up the  
16 fifteen. And then say the next calculation yields sixteen  
17 hours. You pay the greater of those three numbers. They're  
18 not cumulative. So you'd look at those three guarantees, and -  
19 - or guarantees versus flight time, and you'd pay the greater  
20 of those.

21 So what we do is at the end of each trip, we figure  
22 out how much pay we owe the pilot based on the greater of these  
23 guarantees or their flight time or the minimum. That's why  
24 it's called a "guarantee." It's you get no less than this  
25 amount.

1 MR. GALLAGHER: Now is the --

2 THE COURT: It sounds to me like a guarantee of  
3 bookkeeping nightmare.

4 MR. WATSON: Absolutely.

5 THE WITNESS: I agree with that a hundred percent.

6 MR. GALLAGHER: Mr. Watson is in the background, and I  
7 heard him say "absolutely."

8 BY MR. GALLAGHER:

9 Q Ms. Carolán, is the company locked into its proposal on any  
10 one of these work rules?

11 A No, Your Honor. We have advised the association virtually  
12 every time that we have met with them that the company's  
13 proposal is a road map to achieve the 325 million, but that we  
14 are certainly willing to discuss other ways to achieve the 325  
15 million in cost reductions. And our history has been that  
16 there is a lot of give-and-take and back-and-forth on what is  
17 the least painful way to achieve in this case the cost  
18 reductions.

19 Q So on any particular item, if they have a bright idea or a  
20 different way to achieve the same amount of savings, the  
21 company is open to it. Is that right?

22 A Yes, we certainly are.

23 MR. GALLAGHER: Okay. Your Honor, we can walk through  
24 each item or --

25 THE COURT: I might die.

1 (Laughter.)

2 (Counsel confer.)

3 BY MR. GALLAGHER:

4 Q One item -- what I will do, Ms. Carolán, is call your  
5 attention only to those where there is a significant variance  
6 between the parties. And the first one, I think, that I come  
7 to after what we've already covered is sick pay. Can you --

8 THE COURT: But the sick pay issues are the same types  
9 of issues as exist with respect to the -- they're different,  
10 but they're the same type of issues as she dealt with earlier  
11 with respect to the non-pilots. The same thing is true with  
12 respect to the survivorship benefits.

13 Now I think it's really up to your adversary to  
14 explain to me why those things are not acceptable to the  
15 pilots. I mean --

16 MR. SIMON: We will, Your Honor. And among the  
17 reasons is because the pilots are subject to health  
18 considerations, health requirements, and medical examinations,  
19 far different from those of the non-pilot employees; and,  
20 therefore, sick leave, and the manner in which it's  
21 administered and the manner in which it's paid, has far more  
22 significance to a pilot for all of those reasons. And we will  
23 go into that --

24 THE COURT: I know, but I think that some of these  
25 things you really have -- they're really more their things than

1 your things. I mean, you don't really care if they get sick  
2 pay; you just don't want to have to pay for it.

3 THE WITNESS: Well, Your Honor, we are certainly  
4 willing to --

5 THE COURT: No, no. But wait, wait. Whereas, with  
6 respect to some of these work rule guarantees, they more  
7 directly affect how you run something.

8 MR. SIMON: Your Honor -- Your Honor, you probably  
9 don't care too much what the level of health on a given day is  
10 of the ramp attendant who takes your bag. But trust me, you'll  
11 care a lot more about how the health is of the pilot who --

12 THE COURT: I only care if he breathes on me and he  
13 has --

14 MR. SIMON: I understand -- I understand, but --

15 THE COURT: -- Avian Flu.

16 MR. SIMON: But that's a brief moment, that's a brief  
17 moment. During the eight hours over the Atlantic, I think  
18 you'll want your captain and first officer --

19 THE COURT: I don't disagree with you. I don't  
20 disagree with you, but --

21 THE WITNESS: And, Your Honor, we certainly are  
22 cognizant that pilots have --

23 THE COURT: No. All I'm saying is that there are some  
24 which give you money, and where you are also concerned with the  
25 change; and there are some that give you money, and you

1 couldn't care less about the change.

2 THE WITNESS: I'm not sure I understand exactly what  
3 you're saying. Could you --

4 THE COURT: See, I think these pay guarantees, which  
5 haven't been agreed on, which are \$20 million, you know,  
6 they're one more complication in your bookkeeping department,  
7 and they're a large amount of money.

8 THE WITNESS: Yes.

9 THE COURT: On the other hand, relief through  
10 composition is maybe less significant to you, and --

11 THE WITNESS: Certainly less money, yes.

12 THE COURT: -- you know, and reserved payback days and  
13 sick pay and accident leave, some of these things are just less  
14 significant to your company than they are -- I mean, take the  
15 parking. Now, you know, "Clarified: Pilots are not allowed to  
16 park in flight attendant satellite bases."

17 (Laughter.)

18 THE WITNESS: There's a story behind that, as usual.

19 THE COURT: I know there's a story behind it. The  
20 story behind it is you don't want pilots mixing with flight  
21 attendants because it's not good.

22 (Laughter.)

23 THE WITNESS: Well, that's not the story we were going  
24 to tell the Court today. The story about --

25 THE COURT: The story also has to do with the fact

1 that usually the flight attendants come back sooner.

2 THE WITNESS: No, not even that.

3 THE COURT: What?

4 THE WITNESS: The story is that we have some different  
5 types of bases, or in the future we hope to have some different  
6 types of bases for flight attendants than we do for pilots. We  
7 are contemplating establishing what's called a "satellite  
8 base," where we wouldn't have an in-flight service officer and  
9 a manager, but if -- for instance, San Francisco. We have a  
10 large group of flight attendants that live in San Francisco; we  
11 don't have a base there. We are planning on constructing some  
12 trips that start in San Francisco.

13 Parking at San Francisco is an absolute premium.  
14 There's no parking, so we pay through the nose for it. The  
15 contract today gives the pilots the right to free parking if --  
16 at any place that is a company -- a flight attendant base or a  
17 pilot base. And we just want to ensure that it's clear, so we  
18 don't have a grievance later --

19 THE COURT: Well, but I mean --

20 THE WITNESS: -- that they can't park at these  
21 satellite bases for free because --

22 THE COURT: Well, wait. But you don't have a  
23 satellite base there; all you have is a parking lot.

24 THE WITNESS: No. Unfortunately, we don't have a  
25 parking lot. We'd probably make more money on the parking lot.

1 THE COURT: No, but I mean all that is, is the parking  
2 lot for the airport.

3 THE WITNESS: Well, because parking is so tight in San  
4 Francisco, most of the parking is way off-airport, and then  
5 they bus the people in. The parking near the airport is at  
6 such a premium that the airlines can't afford it.

7 THE COURT: Okay. But why can't you bus air -- why  
8 can't you bus pilots in the same way you bus attendants in?

9 THE WITNESS: Well, Your Honor, we are not going to be  
10 busing very many flight attendants in, but we also have a  
11 number of pilots who live in San Francisco. And we say, we'll  
12 pay for you to park at any base where we have this group  
13 parking for pilots and flight attendants. But at these  
14 satellite bases, we won't have this group parking.

15 THE COURT: Okay. How many of your pilots live and  
16 fly out of Salt Lake City?

17 THE WITNESS: I don't know the answer, but somebody  
18 does and is looking it up.

19 THE COURT: I wouldn't think it was a lot.

20 (Counsel confer.)

21 THE WITNESS: Six to 800.

22 THE COURT: Six to 800? Okay. Well, how many do you  
23 have in Atlanta?

24 (Counsel confer.)

25 THE WITNESS: Close to 4,000.

1 THE COURT: Okay. And what's the other place you  
2 have, it begins with a C? Cincinnati?

3 THE WITNESS: Cincinnati.

4 THE COURT: Yeah, Cincinnati.

5 (Counsel confer.)

6 THE WITNESS: We'll get it for you. It's much smaller  
7 than Atlanta.

8 THE COURT: Well, I mean, if I add four and eight, I  
9 get 1,200, but --

10 THE WITNESS: No, it's 4,000 in Atlanta, Your Honor.  
11 I'm sorry.

12 THE COURT: Well, I know, that's what I -- I mean, you  
13 know ...

14 THE WITNESS: But it was 800 in Salt Lake.

15 THE COURT: It would be 4,800; and, if you want to get  
16 up to six, you need 1,200.

17 THE WITNESS: Right. We have pilots also in  
18 Cincinnati, and we have a small base in Los Angeles, and we  
19 have pilots in New York.

20 THE COURT: Pilots can live anywhere they want, as  
21 long as they can get to the airport, as far as I understand.

22 THE WITNESS: That's correct. We have many pilots who  
23 commute. In fact, in New York, I believe more than half the  
24 pilots live outside of the New York airport (sic) and commute.

25 THE COURT: But see, then they have a problem. Then

1 they have to ride jumpseat or one of those other things.

2 THE WITNESS: They can ride jumpseat or they can use  
3 their pass privileges.

4 THE COURT: Okay.

5 BY MR. GALLAGHER:

6 Q Ms. Carolán, would you turn to Page 132, or Exhibit 132?

7 It's in the new, small book.

8 A (Witness reviews exhibits.)

9 Q Before we get to the exhibit, the 3000 most senior pilots  
10 or roughly most senior pilots in the work force have taken  
11 early retirement in the past few years. Is that right?

12 A Yes, they have.

13 Q So --

14 THE COURT: Wait, wait, wait. I'm sorry. The 3,000?

15 MR. GALLAGHER: Yes, Your Honor. There have been  
16 roughly 3,000 early retirements in the past three, four years.

17 BY MR. GALLAGHER:

18 Q So the current pilot work force is younger than the pilot  
19 work force has been in earlier years.

20 A That's --

21 THE COURT: Well, you can take early retirement at  
22 fifty-five.

23 THE WITNESS: Fifty.

24 MR. GALLAGHER: That's correct, Your Honor.

25 THE WITNESS: Age fifty for a pilot.

1 MR. HUEBNER: Fifty.

2 THE COURT: Fifty?

3 THE WITNESS: Fifty.

4 THE COURT: Now, see, this is where I think the money  
5 starts coming in, except that you aren't paying it, so it  
6 doesn't come in, which is I've never heard of a pension plan  
7 where, if you retire at fifty and the plan age is sixty, you  
8 get paid your pension between fifty and sixty.

9 THE WITNESS: Well, you get paid your pension, but it  
10 is -- it is reduced by three percent per year, so you get  
11 thirty percent less at age fifty than if you had stayed for the  
12 additional ten years.

13 THE COURT: Okay.

14 BY MR. GALLAGHER:

15 Q Ms. Carolan, what does Exhibit 132 show?

16 A Exhibit 132 shows pilots' sick leave usage from 1995 to  
17 2005, and it does show that there has been a steady increase in  
18 the total sick leave percentage for pilots. For 2005, we  
19 estimate that, of the total pay hours paid to pilots, seven  
20 percent of those will be for sick leave, and the dollars that  
21 we spend on that is roughly \$61 million per year we pay today  
22 for pilots' sick leave.

23 Q Well, now the estimate is simply -- that is actual year --

24 A I'm sorry, I misstated. We paid sixty-one year to date.  
25 Yearly rate in the last two years, 2003 and 2004, was over \$90

1 million.

2 Q And why is the dollar amount down this year; is that due to  
3 the pilot pay rate reductions resulting from last year's  
4 agreement?

5 A It's due to the thirty-two percent pay rate reduction. It  
6 is not due to a decrease in the percent of usage.

7 Q And the usage is up. Is that right?

8 A Yes, it's up about a half a percent.

9 Q Now is there any objective reason that the company is aware  
10 of why pilots are sicker today than they were --

11 THE COURT: It's such a fractional percentage. It's  
12 impossible to say that they're "sicker."

13 THE WITNESS: Well, if you --

14 THE COURT: 6.5 percent, 6.6 percent.

15 THE WITNESS: If you look from 2000 to 2005, that may  
16 be true. But if you start at two -- in 1995, sick leave has  
17 gone from five percent to seven percent, which is a huge  
18 increase in cost.

19 THE COURT: I mean, and there was an uptick in 2002,  
20 but that -- that, I think, was experienced by a lot of people  
21 after 9/11.

22 BY MR. GALLAGHER:

23 Q But up until the pay rate reductions, the cost of sick  
24 leave is on track to double from 1995 to 2005, is it not?

25 A Yes, it was.

1 Q Is that one of the reason why the company is concerned  
2 about sick leave?

3 A Yes. The company's proposal for sick leave is simply a  
4 cost reduction. We can no longer afford to pay this amount of  
5 money per year for sick leave, so the program that we have  
6 developed will pay the pilot for a certain number of hours  
7 every year when he or she is sick at full pay, and then pay at  
8 a percentage of pay.

9 But because the company is aware that there are occasions  
10 when a pilot has a malady, that other people could come to work  
11 and the pilot cannot, in addition to these fully paid hours  
12 every year, we are also proposing a one-time, what we call a  
13 "catastrophic bank." So if the pilot has a malady that  
14 prevents him from coming to work for a long period of time, one  
15 time in his career he could use his catastrophic care bank to  
16 provide full pay protection for a number of months.

17 Q So that would take care of serious illnesses or --

18 THE COURT: Only one.

19 THE WITNESS: One in a lifetime. They would --

20 THE COURT: I'm not so into this "one-in-a-lifetime  
21 bit," but --

22 THE WITNESS: Every year, Your Honor, the pilot would  
23 have thirty hours of fully paid sick leave, which is basically  
24 two trips. So they could call in sick two times every year or  
25 for half -- two weeks every year, and still be fully paid, on

1 average.

2 MR. SIMON: Well, then --

3 THE COURT: No. But I'm just saying this "once-in-a-  
4 lifetime stuff," you know, maybe you're really, really well,  
5 and maybe, you know, you have problems, and they're not  
6 necessarily serious, but they're not once in a lifetime.

7 THE WITNESS: Well, we also have --

8 MR. SIMON: And, Your Honor, for example --

9 THE WITNESS: -- disability benefits that are  
10 available.

11 MR. SIMON: -- a pilot cannot fly if he's taking  
12 antihistamines.

13 MR. HUEBNER: Your Honor, there was a long speech --

14 MR. SIMON: Just to give you -- just to give you one  
15 example.

16 MR. HUEBNER: There was a long speech this morning  
17 about lawyers testifying. I would ask that he abide by his own  
18 requests.

19 THE COURT: Well, he did make a comment that was  
20 useful.

21 MR. HUEBNER: And this is his second.

22 THE COURT: Well, I mean, he's basically saying that,  
23 if you have asthma, you have to be using something other than  
24 an antihistamine to deal with it.

25 THE WITNESS: Your Honor, that's exactly right. And

1 that's why we have given a much more generous -- we have  
2 proposed a much more generous sick leave program to the pilots  
3 than we have implemented for ground employees. If you recall,  
4 ground employees get five days, one week per year, and we have  
5 doubled that for pilots, in recognition of the fact that there  
6 are times when they take NyQuil or something like that, that  
7 they cannot fly.

8 THE COURT: Okay.

9 BY MR. GALLAGHER:

10 Q Ms. Carolán, the next significant item I want to ask you  
11 about is vacation, because there does seem to be a significant  
12 dollar difference between the parties on that.

13 THE COURT: Okay. And where is that page?

14 MR. GALLAGHER: It's on the bottom of Page 3, Your  
15 Honor.

16 THE COURT: The bottom of Page 3 of what?

17 MR. GALLAGHER: Exhibit 141.

18 (Counsel confer.)

19 A All right, Your Honor. If I could start with the one  
20 titled "Vacation Accrual" first.

21 MR. SIMON: Excuse me. Jack, where are you?

22 MR. GALLAGHER: Exhibit 141, Page 3.

23 MR. SIMON: Thank you.

24 A The item -- under item it says "Vacation Accrual." I think  
25 that you have heard that, for ground employees, we have

1 proposed for the most part to -- well, we have eliminated the  
2 six-week for everybody, and we have proposed to eliminate the  
3 fifth week for those employees --

4 THE COURT: Wait, wait, wait. Okay. But let's go  
5 with the first one before it. "Vacation Rate of Pay: Reduce  
6 vacation pay per day."

7 THE WITNESS: Okay. Right now, Your Honor, for each  
8 day that a pilot is on vacation, we pay that pilot flight pay  
9 of three hours and fifteen minutes. What we are proposing is,  
10 in the future, to pay the pilot three hours, which is the same  
11 duty period minimum that we talked about previously, the same  
12 amount; so that, for every day they're on vacation, they would  
13 receive three hours of flight pay. Today we pay them three and  
14 a quarter hours.

15 BY MR. GALLAGHER:

16 Q And that change alone is worth \$3.9 million a year?

17 A It is.

18 THE COURT: Okay. Now you can explain to me this --

19 THE WITNESS: Okay. The --

20 THE COURT: -- "Reduced vacation accrual will  
21 eliminate fifth and sixth weeks of vacation."

22 THE WITNESS: All right. What we have proposed to the  
23 association is that we eliminate the fifth and sixth week of  
24 pilot vacation, which is very similar to what we have done for  
25 ground employees. For all ground employees, we have eliminated

1 the sixth week, and we have proposed to eliminate both the  
2 fifth and the sixth week for pilots. And that reduction will  
3 yield \$14 million per year.

4 And, Your Honor, the reason that we have not proposed  
5 to also grandfather the pilots with five weeks, as we did with  
6 ground employees, is that pilots have more days off per month  
7 than ground employees, so they already have more free time.  
8 However, if that is something that the association would like  
9 to incorporate into their proposal, we could do so, as long as  
10 we achieve the cost reductions elsewhere in the proposal.

11 ALPA has agreed with us to reduce -- to eliminate the  
12 sixth week, but as you can see, that's a relatively small  
13 amount because most of the pilots who were receiving their  
14 sixth week have recently retired, because we had so many high-  
15 seniority people leave.

16 THE COURT: Well, okay. Well, how much time do you  
17 have to have to get the sixth week?

18 THE WITNESS: I think twenty-five years. Let me just  
19 look at that.

20 THE COURT: No, that's okay. That's close enough.

21 BY MR. GALLAGHER:

22 Q The next big items, Ms. Carolán, are retiree medical  
23 coverage at the bottom of Page 4.

24 A Yes, Your Honor. We have proposed that pilots who have not  
25 yet retired that when they do retire in the future that they

1 will have access to continued healthcare on a group rate, but  
2 that the company will no longer subsidize the cost of that  
3 healthcare the way we do now for pilots.

4 This is one of the big differences between ground employees  
5 and pilots. The company today subsidizes healthcare for pilots  
6 retirees. It only offers that small subsidy for ground  
7 employees over sixty-five. Now --

8 Q And these are the pilot retirees who got the lump sums?

9 A No. These are pilots who have not -- this is not for  
10 existing retirees. Our proposal is for pilots who have not yet  
11 retired.

12 THE COURT: This is for future retirees.

13 A That when they do retire, they will have to pay the full  
14 cost --

15 THE COURT: What about if they have to pay the full  
16 cost during the years before -- before age sixty?

17 THE WITNESS: They will have access as do other  
18 employees to a group plan which is at a competitive rate, but  
19 it will not be subsidized the way this is subsidized.

20 THE COURT: I know, but I'm asking you how much of the  
21 seventeen one is due to medical coverage would be --  
22 theoretically due to medical coverage for early retirees?

23 THE WITNESS: Your Honor, I don't know that number. I  
24 can find out for you this evening, but I don't know the number,  
25 but Your Honor, I don't believe there is a price break between

1 fifty and fifty-five and fifty-five and sixty. I think that  
2 the price break is at sixty-five when you become eligible for  
3 Medicaid.

4 THE COURT: They become eligible for retirement at age  
5 sixty --

6 THE WITNESS: At age fifty.

7 THE COURT: Wait, listen to me. They can retire at  
8 age fifty, but they take a reduced retirement.

9 THE WITNESS: Yes.

10 THE COURT: They have the right to a full retirement  
11 at age sixty.

12 THE WITNESS: Yes.

13 THE COURT: One could provide that anyone who takes  
14 retirement before age sixty has to pay the full cost of their  
15 retiree medical coverage and enter into a different situation  
16 for those who are age sixty. I mean --

17 THE WITNESS: Yes. That would certainly be something  
18 that we could discuss with the association.

19 THE COURT: Because people who retire early frequently  
20 get another job.

21 THE WITNESS: Yes.

22 THE COURT: I mean, I'm not saying that all of these  
23 pilots, but I mean, a lot of people, you know, decide hitting  
24 that little white ball into the hole gets a little boring after  
25 --

1 MR. GALLAGHER: Your Honor, I'm advised that pilots do  
2 pay 100 percent of the medical if they retire between age fifty  
3 and age sixty. This is only --

4 THE WITNESS: Did I say something different?

5 MR. GALLAGHER: I think the Court's question was --

6 THE COURT: Well, okay --

7 THE WITNESS: I'm sorry, it --

8 THE COURT: -- never mind.

9 THE WITNESS: All Delta employees if they retire early  
10 pay the full cost until normal retirement, but normal  
11 retirement for pilots is at age sixty. Normal retirement for  
12 ground employees and flight attendants is age sixty-two. So  
13 that's where the difference is between --

14 THE COURT: Well, okay, somebody needs to -- I can't  
15 comment on this anymore than I've already commented. So let's  
16 move on.

17 BY MR. GALLAGHER:

18 Q So the other --

19 THE COURT: Okay. What about this obligation to  
20 recall furloughed pilots?

21 THE WITNESS: Your Honor, right now, in the collective  
22 bargaining agreement, the company has the obligation to recall  
23 all pilots who are on furlough by August of 2008, whether or  
24 not we need them. Our best --

25 THE COURT: How many pilots are on furlough?

1           THE WITNESS: About five hundred. So, again, that  
2 obligation is whether or not we need them. Our best estimates  
3 now are that we will not need those pilots, and so we are  
4 asking to be relieved of the obligation to recall them in  
5 August of '08, and we are giving out the credit for -- towards  
6 the cost reduction because we will then not incur the cost of  
7 recalling these pilots that we don't need.

8           And the difference is, again, only the pay rate  
9 difference.

10          THE COURT: Okay. Is only the what, the pay rate  
11 difference?

12          THE WITNESS: The pay rate difference.

13 BY MR. GALLAGHER:

14 Q Has ALPA in effect agreed to that or tentatively agreed to  
15 that proposition?

16 A They have agreed to it contingent on if we agree to their  
17 proposal on flying seventy-nine-seaters at mainline. So, no,  
18 there is not general agreement yet on that item.

19 Q And there's not general --

20          THE COURT: I mean, I assume that we could eliminate  
21 your absolute obligation to recall furloughed pilots provided  
22 they would maintain their number in order.

23          THE WITNESS: They do that today, Your Honor. We do  
24 need to recall them in seniority order.

25 BY MR. GALLAGHER:

1 Q They have contractual recall rights --

2 THE COURT: Okay. So that would remain; it's just  
3 that you wouldn't have to -- what would be eliminated is this  
4 500 recall in --

5 THE WITNESS: In a certain time. We'd only have to  
6 recall them as we actually need them to fly the operation.

7 THE COURT: Okay. Okay.

8 BY MR. GALLAGHER:

9 Q The other benefit items look like big-ticket items, Ms.  
10 Carolan. Can you briefly address --

11 THE COURT: Which benefit items?

12 BY MR. GALLAGHER:

13 Q -- the benefits in the 401(k) --

14 A On Page 5, the survivor benefits. Can I have the cheat  
15 sheet that I --

16 THE COURT: Well, I understand that. I mean, you know  
17 --

18 MR. GALLAGHER: We talked about this --

19 THE COURT: We talked about that to death.

20 THE WITNESS: Okay.

21 THE COURT: Okay?

22 THE WITNESS: The 401(k), have we talked about that?

23 THE COURT: We've talked about the fact there would be  
24 a 401(k), but you wouldn't be putting anything in it.

25 THE WITNESS: Right.

1 BY MR. GALLAGHER:

2 Q What about the defined benefit plan, Ms. Carolán?

3 A I'm sorry, let me finish --

4 THE COURT: Defined benefit plan is right where it is  
5 because you didn't put any money in it when you should have,  
6 and you don't have the money to put it in now --

7 MR. GALLAGHER: Right, and --

8 THE COURT: -- and until you have the money to put in  
9 it, you hard froze it.

10 MR. GALLAGHER: And there's a tentative agreement on  
11 that hard freeze, Your Honor. That's no longer an issue  
12 between the parties as to whether there will be a hard freeze.

13 THE WITNESS: Right. The parties have agreed -- have  
14 tentatively agreed to hard freeze the defined benefit pension  
15 plan, and again -- I'm trying to think what the difference in  
16 costing is here --

17 THE COURT: I mean, I think we've been over that one  
18 pretty much and you know there's a -- I assume you assume you  
19 saw that there was an application filed by the committee  
20 appointed under 1114 that runs to this subject?

21 THE WITNESS: I heard about it. I haven't seen it.

22 MR. SIMON: Your Honor, just to be clear, that's a  
23 different trust. What they're talking about is not --

24 THE COURT: I understand it's a different trust, but  
25 the idea that they put forward was not exactly one I would

1 think you would like.

2 MR. SIMON: And we will have a lot to say on that  
3 topic, Your Honor.

4 BY MR. GALLAGHER:

5 Q Ms. Carolán, the last set of issues are called "management  
6 flexibility and scope." Did you -- without dwelling on the  
7 items --

8 THE COURT: Oh, I know. I already heard about this  
9 many times about how are we going to fly seventy-nine seats and  
10 we're going to fly sixty-nine seats and we're going to fly  
11 seventy seats and whatever, and these are basically job-  
12 preserving items in which --

13 THE WITNESS: Yes, Your Honor. We do believe that  
14 flying regional jets does support mainline flying because if we  
15 are not allowed to have our regional partners provide that  
16 feed, other carriers that don't have the restrictions we do,  
17 like AirTran and Jet Blue and USAir, will fly their regional  
18 partners into those cities and put the feed on those carriers  
19 instead of Delta.

20 THE COURT: Well, that's -- that's something that  
21 really I think is between you and the airline on which I don't  
22 have -- you and the union, and really, you know, I can  
23 understand both sides of that story and I just think somebody  
24 has to make a decision on where they're going to go with it,  
25 and I don't think that there's -- you know, I don't think that

1 the company's rights are so much better than the pilots' rights  
2 on this issue. It's, you know --

3 THE WITNESS: Your Honor, can I give you one example  
4 that was not mentioned in the last few days that I think best  
5 illustrates this point?

6 THE COURT: Sure.

7 THE WITNESS: Several years ago, there was a strike by  
8 the pilots at Comair Airlines, and Comair, one of our regional  
9 partners was not -- did not fly for ninety days, none of their  
10 flights flew. Comair feeds Delta's flights in Cincinnati.

11 When the Comair -- when Comair was not able to provide  
12 the feed to Delta, our number of passengers in Cincinnati went  
13 down by 30 percent.

14 THE COURT: I know that. What I'm saying is that the  
15 pilots are saying in one way or another -- maybe I'm wrong  
16 about this -- either leave enough business up here or move us  
17 down there.

18 THE WITNESS: Well, Your Honor --

19 THE COURT: I mean, it's one or the other.

20 THE WITNESS: Yeah. And, Your Honor, we do have a  
21 provision that we negotiated last year that any of our pilots  
22 who were furloughed who wished to fly for our regional partners  
23 have a right, a preferential hire --

24 THE COURT: I don't really want to get into it, but I  
25 mean, that one has a lot to do with, you know, job security and

1 what are we doing.

2 MR. SIMON: Your Honor, and that's exactly why it's  
3 tied in with the pilots' position on the obligation to recall  
4 furloughed pilots because the -- and the witness testified that  
5 the pilots have tied agreement to relaxing the requirement for  
6 the recall of 500 furloughed pilots in '08 with the companies  
7 the job opportunities now available to the working pilots on  
8 the smaller jets and have proposed a competitive pay rate to do  
9 that.

10 And that's -- Your Honor is exactly right. It's the  
11 job-protection element of it, and the pilots' acknowledgment  
12 that they would release the obligation to recall furloughed  
13 pilots if they could hold on to flying at the mainline carrier.

14 THE WITNESS: And, unfortunately, Your Honor, we just  
15 cannot --

16 THE COURT: I'm not going to argue with you. I'm not  
17 going to engage in any negotiations. I'm willing to articulate  
18 points. I'm willing to put out a few comments here and there,  
19 but you know, that's basically it. I'm not going to do it.

20 BY MR. GALLAGHER:

21 Q Ms. Carolán, would you turn to Exhibit 121 which is in  
22 another book.

23 A It might have been that one I dropped.

24 No, I have it, Jack. I'm there.

25 Q Can you tell us what is Exhibit 121?

1 A Yes.

2 THE WITNESS: Your Honor, are you there?

3 THE COURT: I'm listening.

4 THE WITNESS: No. Are you at exhibit -- I'm sorry, I  
5 didn't know if you were at the exhibit.

6 THE COURT: No. What am I supposed to be at?

7 THE WITNESS: Exhibit 121.

8 THE COURT: Well, let's see what book that one is in.

9 A This exhibit is the ALPA costing sheet. At the end of the  
10 negotiation or towards the end of the negotiation, each party  
11 exchanges their costing sheet to make sure --

12 THE COURT: No, but this is for the other one.

13 THE WITNESS: This is for the October 2004. This is  
14 last year in the billion-dollar negotiation, and the reason  
15 that I presented this to you is that this shows that the  
16 company's changes to the scope proposal similar to the changes  
17 we've just been discussing were not -- the value associated  
18 with those scope proposals was not a reduction from the one-  
19 billion need.

20 The cost reduction number -- in this negotiation, the  
21 325, the past practice between the parties has always been --

22 THE COURT: I don't know what you're looking at.

23 THE WITNESS: Okay. On this exhibit, if you look  
24 down, you'll see all the different items that we agreed to last  
25 year.

1 THE COURT: Yeah, I agree.

2 THE WITNESS: Okay. We also agreed to some scope --

3 BY MR. GALLAGHER:

4 Q Now, they total -- they total \$1 billion, correct, Ms.  
5 Carolan?

6 A Yes.

7 THE COURT: Well, I'm -- yeah, but she's talking about  
8 a particular item, and I'd like to know what it is.

9 THE WITNESS: Well, Your Honor, actually, the item  
10 that I'm talking about is noticeable by its absence. In last -  
11 -

12 THE COURT: Okay.

13 THE WITNESS: -- in 2004, last year, we also agreed to  
14 scope changes, the types of changes we've been talking about  
15 just a few minutes ago, the number of regional jets that we can  
16 fly, and this illustrates that the association has agreed with  
17 us in every past negotiation that when we establish a cost-  
18 reduction target that we get scope as well as that, that --

19 THE COURT: You want to know something? Life is  
20 different.

21 THE WITNESS: It is.

22 THE COURT: Now you're in a Chapter 11. Now you're in  
23 big trouble, okay, and life is different. Okay. And you can't  
24 go by the way we always did it before. Okay? Now, we're in  
25 Chapter 11, and we've got to go by how are we going to get the

1 job of Chapter 11 done and what is that job going to be. Okay?  
2 I mean, I have no idea how this company is going to choose to  
3 reorganize itself. It's way too early, but you know, these  
4 issues of scope and whatever in a Chapter 11 become extremely  
5 important.

6 I mean, you know, here, the Northwest pilots agreed  
7 that they wouldn't get fed. You know, for a whole eight hours,  
8 they're not going to get fed, they're going to go hungry,  
9 they're going to have a blood-sugar problem, the planes are  
10 going to fall out of the sky. I mean --

11 THE WITNESS: Well, Your Honor, I have to admit that  
12 we don't feed our pilots either. On domestic flights, I don't  
13 believe there's any airline who continues to provide catering  
14 to pilots. On long flights, those eight-hour flights, we do.  
15 We all do. On the flights where the pilot doesn't have the  
16 opportunity to get off the airplane and get something to eat,  
17 we do feed them, because we are also concerned about making  
18 sure that they're capable of landing the aircraft because  
19 they're not too hungry.

20 However, on domestic flights, there is generally  
21 enough time for one of the pilots or both of the pilots to get  
22 off and go get a sandwich or a burger, and that's why the  
23 companies fly -- pretty much no company any longer provides  
24 meals on board the airplanes.

25 BY MR. GALLAGHER:

1 Q Ms. Carolán, would you turn to --

2 THE COURT: Actually, the reason why they don't  
3 provide the pilots with meals is actually better stated as they  
4 don't provide the passengers with meals.

5 THE WITNESS: That's a big part of it.

6 THE COURT: And the reason they don't bother to  
7 provide the passengers with meals is they don't really care  
8 whether they get fed or not, and as long as they're providing  
9 the passengers with meals, it's easy enough to just put another  
10 one in the oven for the pilot.

11 THE WITNESS: Yeah. And, actually, in -- I think it  
12 was in 2001, we developed a very sophisticated crew meal  
13 program that we catered different meals for the pilots, and  
14 guess what, nobody liked them. They weren't getting eaten, and  
15 in the last negotiation, that was one of the easier things in  
16 my opinion for the association to give up. We didn't have much  
17 fight over that.

18 BY MR. GALLAGHER:

19 Q Ms. Carolán, would you turn to Exhibit 139. That's in the  
20 smallest book.

21 MR. GALLAGHER: And, Your Honor, this is a judicial  
22 record which I believe is judicially noticeable. I can proceed  
23 more quickly if I simply explain to the Court what this is.

24 THE COURT: Well, it is -- the proposal was made in  
25 UAL by ALPA, but I don't consider -- I don't consider it

1 admissible because I don't consider it relevant.

2 MR. GALLAGHER: Well, Your Honor, it's -- it's the  
3 company's proposed changes made -- United Airlines --

4 THE COURT: That's fine, and I have said to you that -  
5 -

6 MR. GALLAGHER: Well, Your Honor --

7 THE COURT: -- other airlines do whatever they want to  
8 do, but this is not relevant to me to what it is you and/or the  
9 ALPA should do on this matter.

10 MR. GALLAGHER: Well, may I make a proffer, Your  
11 Honor, simply to call your attention to the fact that under the  
12 scope clause items, restrictions on low-cost carriers, regional  
13 jets --

14 THE COURT: You know something? You know something?  
15 The fact that that's what UAL did doesn't mean that that's what  
16 you have to do.

17 MR. GALLAGHER: Well, Your Honor, if it's an industry  
18 practice and it's a practice that --

19 THE COURT: I'm sorry to say to you that I think that  
20 you and I probably have somewhat of a difference in opinion as  
21 to what 1113 requires.

22 MR. GALLAGHER: Well --

23 THE COURT: Because I do not believe it requires them  
24 to agree to something that you consider to be an industry  
25 practice when you have been flying and inside of Delta a

1 separate carrier by the name of Song. That wasn't being flown  
2 outside of Delta. It was part of Delta.

3 THE WITNESS: No, but that was the same as United did  
4 with their carrier, Ted. It wasn't a new Delta idea.

5 THE COURT: Well, all I'm saying to you is that this  
6 issue of the low-cost carriers is an issue that we have been  
7 through time and again, and I don't think there's any one way  
8 to deal with it, and I don't think that UAL's way of dealing  
9 with it is, you know, magic.

10 MR. GALLAGHER: Your Honor, at this point, I have a  
11 chronology of negotiations, Exhibit 99, which is a new subject  
12 to bring Your Honor up to date on where the parties have been  
13 and --

14 THE COURT: Okay. Well, where is it, 99? I've got  
15 125, I've got --

16 MR. GALLAGHER: It's in a book marked 98 to 124, Your  
17 Honor.

18 THE COURT: That must be the one I took into chambers  
19 because I don't have that one. Do you guys have another one?  
20 If you don't, I'll go into chambers and see if I can find it.  
21 Wait, I got it. Never mind, I got it. Okay. Now, what do you  
22 want me to look at?

23 MR. GALLAGHER: Your Honor, this is a new subject --

24 THE COURT: Just tell me what page I'm supposed to  
25 look at.

1 MR. GALLAGHER: Exhibit 99, Page --

2 THE COURT: Thank you very much.

3 BY MR. GALLAGHER:

4 Q Ms. Carolán, would you describe this exhibit for the Court?

5 THE COURT: It's your assessment of your meetings and  
6 information with ALPA to show that you believe you have  
7 sufficient meetings with ALPA to satisfy the requirement, that  
8 you met with them under reasonable circumstances under 1113,  
9 yes?

10 MR. GALLAGHER: Yes, Your Honor.

11 THE WITNESS: But, actually, Your Honor, I think that  
12 it states facts. There is no color added to this about --

13 THE COURT: I don't care. I'm just saying that this  
14 is what this exhibit is for is to satisfy one of the  
15 requirements of 1113 that there be negotiations.

16 BY MR. GALLAGHER:

17 Q Ms. Carolán, would you then turn to Exhibit 109. And we'll  
18 make --

19 A Just a second, I'm not there.

20 THE COURT: Okay. But 109 just states the tentative  
21 agreement --

22 MR. GALLAGHER: Yes, Your Honor. And we've already  
23 covered that --

24 THE COURT: Yeah, so let's move on.

25 BY MR. GALLAGHER:

1 Q Would you turn to Exhibit 114.

2 A Yes. Exhibit 114 is a log that I compiled that shows some  
3 of the information that we -- or the information that we have  
4 provided to the association between July of this year and until  
5 the day before the hearing. I have broken the information into  
6 categories.

7 If you'll see on the first page, it says "financial" -- for  
8 the first two and a half pages, there is financial information  
9 that we have provided to the association. Then there's  
10 information entitled to "work rules." It's on the costing of  
11 the company's proposal. Then, on Page 4, there is our network  
12 strategy.

13 Also, on Page 4, is a lot of the pension information that  
14 we provided to the association. The bottom of Page 5, the  
15 information on benefits. There's some general correspondence  
16 between the company and the association, and then the last page  
17 shows information regarding the disposition of our aircraft in  
18 the 1110 process.

19 And this was all information that we either gave to the  
20 association on our own or that they requested.

21 Q Ms. Carolán, would you turn to Exhibit 133.

22 A Is that in the little book?

23 Q Yes, in the smallest book.

24 A I --

25 THE COURT: That has a lot of handwriting on it.

1 THE WITNESS: That's my handwriting, Your Honor.

2 THE COURT: No, I know, but why -- what's the point?

3 THE WITNESS: This shows notes that I took when this  
4 presentation -- this is an excerpt of a presentation that was  
5 given to the Air Line Pilots Association, I believe in either  
6 December of last year or January of this year.

7 BY MR. GALLAGHER:

8 Q Does January 19th of '05 sound correct?

9 A It does.

10 Q MR. GALLAGHER: And is that --

11 THE COURT: Yeah, but what do we have -- I mean, what  
12 does that have to do with the time of day?

13 MR. GALLAGHER: It's the same meeting Mr. Bastian  
14 testified to, Your Honor, where Mr. Bastian testified that he  
15 explained to ALPA how the accounting was done for the \$1  
16 billion, and Ms. Carolán's notes reflect what Mr. Bastian --

17 THE COURT: That's fine. That's fine. But, I mean,  
18 you know, really, I don't think you could take \$200 million  
19 away by putting it in December and pretending it didn't happen,  
20 which is what I understood is exactly what happened.

21 THE WITNESS: Well --

22 MR. GALLAGHER: Well, Your Honor, that's certainly not  
23 correct, but --

24 THE COURT: I mean, I thought that that's what the  
25 testimony was that the resolution of the missing 200 million

1 was that somehow you had credited in December of '04 and that  
2 it hadn't gotten moved into '05. Am I -- am I missing  
3 something here?

4 MR. SIMON: No, ma'am.

5 THE WITNESS: Well, Your Honor, the company's  
6 testimony is that there is not a missing 200 million --

7 THE COURT: Well, I don't want to argue about it.  
8 Either -- you know, either the agreement provided that you  
9 could do that or it didn't. I mean, I don't see how you can by  
10 putting it into '04 pretend that there's -- that there's  
11 \$200,000 that they didn't -- \$200 million that they didn't give  
12 you.

13 THE WITNESS: Well, Your Honor, it is not at all a  
14 debate over whether they gave us the full value of the billion  
15 dollars. Really, the debate is over whether there is found  
16 money, and the association as I understand contends that there  
17 is 200 million less need on behalf of the company because of a  
18 misunderstanding over how the accounting of the \$1 billion that  
19 we achieved last year.

20 For instance, if you -- if you --

21 THE COURT: No, that's okay. I'll let them explain it  
22 to me.

23 THE WITNESS: Well, we would like the opportunity --

24 THE COURT: No, I don't really need to have anybody  
25 explain it to me. You can do it on rebuttal.

1 THE WITNESS: All right.

2 MR. GALLAGHER: Your Honor, I have previously shared  
3 with counsel for ALPA a packet of information on pension plan  
4 background data and explanations of the defined contribution  
5 plan, the defined benefit plan, the funding levels, and I've  
6 also shared with him the business plan documents which have --

7 THE COURT: And you've never shared it with me, and  
8 that is information that I have repeatedly asked for --

9 MR. GALLAGHER: Well, Your Honor --

10 THE COURT: -- because I don't -- I would like to know  
11 what it is not because it's particularly relevant here, but I  
12 would just like to know what it is because I don't want to be  
13 in the position of condoning something by omission.

14 MR. GALLAGHER: Well, Your Honor, that's why I  
15 mentioned it. I'm happy to tender all of those to the Court  
16 now, but if there was to be any interrogation or discussion  
17 with the witness about them, we'd be better to probably come  
18 back at our next meeting and review them more carefully, but  
19 I'd be happy to submit the copies --

20 THE COURT: Well, I always find it easier to have  
21 looked at something in advance.

22 MR. GALLAGHER: Well, I'll tender copies to the Court,  
23 Your Honor. I simply want to --

24 THE COURT: Okay.

25 MR. GALLAGHER: -- reflect that the business plan

1 documents ALPA, the creditors committee and the company have  
2 agreed are confidential and highly sensitive, and therefore, we  
3 ask that they not be filed in the public record, but the  
4 parties will treat them as confidential and as under seal  
5 without the need to burden the Court with actually sealing the  
6 documents.

7 THE COURT: Trust me, once I take them home and put  
8 them on the floor for the cat, I don't think that they'll be a  
9 public record.

10 MR. GALLAGHER: That's very well, Your Honor. I will  
11 --

12 MR. SIMON: We have the further understanding, Your  
13 Honor, that to the extent we will want to make reference to the  
14 business plan submitted to you --

15 THE COURT: We'll make everybody go away.

16 MR. SIMON: Well, we will discuss whether or not it  
17 involves any confidential information, if we disagree we'll  
18 approach the bench and you will decide how to handle it.

19 THE COURT: Okay. Or I will whisper into the record.

20 MR. GALLAGHER: And the pension packet, Your Honor,  
21 will be marked for identification as Exhibit 142. The business  
22 --

23 THE COURT: I don't know, there seem to be a lot of  
24 blanks in this particular --

25 MR. GALLAGHER: Well, that's part -- part of it is for

1 this, Your Honor. The business plan presentation to the -- the  
2 financial update to the association dated September 12th will  
3 be Exhibit 143 and the business plan presentation which was  
4 given to the creditors committee and to ALPA on or about  
5 October 20th will be Exhibit 144, and we'll share each of those  
6 documents with the Court.

7 And that would -- Your Honor, I do want to offer into  
8 evidence all of the exhibits -- Ms. Carolán's two declarations,  
9 all of the exhibits associated with them, Exhibits 3 through  
10 51, 52 through 79 and the new exhibits we have tendered today,  
11 Exhibit 98 through 144.

12 THE COURT: Okay.

13 MR. GALLAGHER: Thank you, Your Honor.

14 THE COURT: I did tell you what days I'm going to be  
15 away, yes?

16 MR. SIMON: Your Honor, just -- you have excluded 139  
17 from that, which was the United material --

18 THE COURT: Yes, I did exclude 139.

19 MR. SIMON: With that exception, we have no objection.

20 THE COURT: Okay. They will be deemed admitted.

21 (Exhibits 3 through 79, 98 through 138, and 140 through 144  
22 received into evidence.)

23 THE COURT: I'm going to be away the 22nd through the  
24 28th. Okay. There will be somebody that will be answering the  
25 phone, and they will get me within a reasonable period of time.

1 I assure you that I will be most unhappy if you go to  
2 any other judge to get an order signed. My experience has been  
3 when I have any other -- when I have an order signed by another  
4 judge all it does it mess up what I had -- what I thought was  
5 going one way and suddenly, they start going to the other way,  
6 but we can get anything that needs to be done done during that  
7 period of time.

8 Now, we're going -- we're going on -- today is  
9 Wednesday, right? Yeah. Friday. Let's try it for one o'clock  
10 again, and then we have two days next week. How long do you  
11 think --

12 MR. SIMON: I think your clerk indicated to us that  
13 she thought we had three next week, Monday, Tuesday and Friday.

14 THE COURT: Yeah, right. How many witnesses do you  
15 think you'll have?

16 MR. SIMON: We probably have fifteen witnesses, Your  
17 Honor, but at least half of them will be very brief. Some of  
18 them will be --

19 THE COURT: What is your definition of "very brief"?

20 MR. SIMON: Ten to fifteen minutes at most.

21 THE COURT: Okay. Good. Then, you know, I don't have  
22 a problem. I'll see you on Friday.

23 (Proceedings concluded at 5:34 p.m.)

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## CERTIFICATION

I certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter to the best of my knowledge and ability.

December 8, 2005

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Coleen Rand  
Certified Court Transcriptionist/Agency Director