

DAILY REPORT

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DAILY REPORT
BUSINESS MATTERS

Wal-Mart's proposal to expand into banking prompted the FDIC to hold its first-ever public hearings. And they're drawing a wave of opposition. **Page 8.**

Newsreel

McKinney lawyer stokes controversy

When she apologized on the floor of the U.S. House of Representatives last week, it seemed that Rep. Cynthia McKinney, D-Ga., was trying to quiet the controversy over her scrap with a U.S. Capitol Police officer. But one of the DeKalb County Democrat's attorneys apparently didn't get the memo.

"This was an absolute case of excessive force and an absolute case of race," said lawyer James Myart Jr. the day after McKinney expressed regret for the incident. McKinney is accused of poking an officer in the chest with a cell phone after he tried to stop her at a police checkpoint. A grand jury is considering charging McKinney with simple assault.

According to Myart, several hours after the March 29 run-in, Capitol Police visited McKinney's office. "Not only did they apologize, they said, 'Our officer should never have grabbed you,'" Myart says. Capitol Police spokeswoman Sgt. Kimberly Schneider said she had not heard that any member of the force visited McKinney's office that day. Coz Carson, spokesman for McKinney, also could not confirm the visit, saying he had only been on the job for a week and that only McKinney and her lawyers had been in contact with Capitol Police.

During a recent interview on CNN, Myart suggested a lawsuit might be in order. McKinney's other attorney—Michael Raffauf of Atlanta—discounted the possibility of such a suit.

Myart, a civil rights attorney from San Antonio, is known for handling discrimination suits against the police. He's also had a series of personal controversies. The State Bar of Texas reprimanded Myart twice. In 1999, the bar suspended him for one year, citing a long list of infractions, including "deceit and misrepresentation."

—Legal Times

GROUNDUP

SPECIAL REPORT: A SKY WITHOUT DELTA



RIC FRANCIS/AP

By Saturday, an arbitration panel will decide if Delta can void its pilots' contract—clearing the way for a crippling strike and sweeping effects industrywide.

A post-Delta world

EXPECT HIGHER FARES short term, more competition in long term

MEREDITH HOBBS | mhobbs@alm.com

JIM SANDERS has logged 1.98 million miles in a lifetime of flying with Delta Air Lines Inc.

Sanders, 64, a sales manager for Boise Cascade, is on a Delta plane just about every week. He's been a platinum medallion member, logging more than 75,000 miles annually, for more years than he can remember.

But the prospect of Delta ceasing operations—temporarily or permanently—doesn't worry him.

"I'd find some way to get where I have to go. It would be an inconvenience, but I would sort it out," he said.

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➔ For complete coverage of the Delta story, including court documents, please visit dailyreportonline.com

AIRTRAN would pick up routes but the little airline can't fill the gap

AISHA I. JEFFERSON | ajefferson@alm.com

AIRTRAN AIRWAYS' Kevin Healy won't comment on Delta Air Lines' troubles, but he can't hide how he views the situation.

"In 1999, most people expected AirTran to fail and believed there was no way we could compete with Delta's hub," says Healy, AirTran's vice president of planning.

"In the past seven years, AirTran has refinanced the company, brought in all new aircraft, expanded and diversified the route network and is now considered an industry leader—one of only two consistently profitable carriers over that time span."

If Delta Air Lines Inc. were to fold, AirTran would be tempted to deviate from its successful

See *AirTran*, page 6

Delta and pilots offer us show of brinkmanship

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THIS WEEK MIGHT BE thought of as the Countdown to the Unthinkable.

By Saturday, an arbitration panel will decide if Delta Air Lines can void its contract with pilots, clearing the way for a wholesale reduction in salaries for the men and women who keep the airlines' planes in the air.

Both sides seem to have drawn a line in the sand. Delta says it can't survive without \$325 million in pay

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Who will blink first—Delta or its pilots?

Brinkmanship, from page 1
and benefit cuts, including wage reductions of at least 18 percent.

The pilots, who gave the airline \$1 billion in concessions in 2004, including a 32.5 percent pay cut, say enough is enough. Void our contract and we walk, the pilots have said, overwhelmingly authorizing their leaders to call a strike.

"If our contract is rejected, we will strike," union chairman Lee Moak told the Associated Press last week. "I can't be more direct than that."

Delta, in hock for every plane, spare part and paper clip it owns following its September filing for Chapter 11 bankruptcy protection, already is teetering on insolvency. Most observers believe a strike of more than a few days' duration would push the airline into liquidation.

And so it's come to this, the unthinkable—Atlanta without Delta Air Lines.

Over the next three days, the Daily Report examines the potential aftermath of life after Delta.

We begin today with a look at the logistics for Atlanta travelers in the days, weeks and months after Delta parks its planes, should it come to that.

Another story today looks at the prospects of the other airline in town, AirTran.

Subsequent stories this week review the 1991 demise of Eastern Airlines, the legal transactions that would follow a Delta shutdown and the broad economic impact of a Delta shutdown on Atlanta.

FINANCIAL SNAPSHOT

DELTA VS. AIRTRAN			
DELTA AIR LINES			
	2003	2004	2005
TOTAL REVENUE	\$13.3 B	\$15.0 B	\$16.2 B
NET INCOME	\$773 M	\$5.2 B	\$3.8 B
LONG TERM DEBT	\$11.5 B	\$13.0 B	\$6.6 B
AIRTRAN AIRWAYS			
TOTAL REVENUE	\$918 M	\$1.0 B	\$1.5 B
NET INCOME	\$100.5 M	\$12.3 M	\$1.7 M
LONG TERM DEBT	\$421.8 M	\$300.1 M	\$401.4 M

SOURCE: YAHOO! FINANCE



If Delta is grounded, AirTran faces temptation

AirTran, from page 1

plan of flying modest domestic aircraft and might start competing for Delta's most popular Atlanta routes to Hawaii, Europe and the Caribbean.

"They have to weigh the risks," says Mike Mooney, senior vice president of The Boyd Group, an Evergreen, Colo.-based aviation air service consulting firm.

AirTran's niche is flying Boeing 717s and 737s, adds Mooney, who like many contacted for this series, says he does not believe Delta will go under. Acquiring and operating jumbo jets—usually used for overseas travel—could jeopardize AirTran's strategy of working short-haul markets, principally in the eastern part of the country.

"AirTran is certainly in the position to expand significantly at Atlanta should the opportunity present itself," Mooney says. "But we would be measuring that in dozens of airplanes instead of hundreds of airplanes."

Indeed, almost any measurement shows AirTran would have trouble doing more than cherry-picking choice routes from a Delta carcass.

Delta has 986 daily departures from Atlanta to 244 destinations. AirTran has 225 daily flights from Atlanta to 49 destinations, all in the United States, except one to the Bahamas.

Delta has more than four times as many pilots as AirTran—5,930 to 1,304. It has 55,700 full-time employees; AirTran has roughly 7,000 workers, according to both airlines' 2005 proxies.

See *AirTran*, page 10





AirTran's rise from a humble holding company for Mesaba Airlines to Delta's biggest competitor has surprised some.

If Delta is grounded, AirTran faces temptation

Airtran, from page 6

Delta leases 100 gates at Hartsfield-Jackson Atlanta International Airport. AirTran leases 22.

AirTran's success has surprised some, given its humble beginning in 1988 as a holding company for Mesaba Airlines.

In 1994, AirTran acquired Orlando, Fla.-based Conquest Sun Airlines and renamed it AirTran Airways. In 1997, Atlanta-based ValuJet, a year after a tragic crash that prompted much criticism, acquired AirTran and adopted the AirTran name.

By August of 1998, AirTran had moved its headquarters from Atlanta to Orlando, but its hub remained in Atlanta.

Eight years later, AirTran's stock price is up 273 percent from \$4.63 per share in April 1999 (adjusted for stock splits and dividends) to \$17.25 at the end of last week.

Michael Miller, an aviation analyst with the Velocity Group, says there is no model for success or failure in the airline industry, so it's hard to tell what would work for AirTran, with or without the opportunities from a crippled Delta.

"So many succeed with terrible business plans and so many failed with good business plans," Miller says.

"Ten years ago, Delta didn't face AirTran. They had a virtual monopoly on major routes in Atlanta and then AirTran came in," Miller says. "Wherever there are high prices, airlines will attack them because low-cost airlines are

“Nobody can replace 1,000 flights [a day]. It won't be pretty but it's not avian flu or a hurricane.

—Joe Brancatelli

there to attack them.”

Miller says one constant in the airline business is that where there is passenger demand, airlines will follow. “If AirTran is in a situation where they have a monopoly in Atlanta—I don't think that will happen—other airlines will step up to compete,” Miller says.

Cincinnati, another Delta hub, is one place AirTran doesn't have service that it could consider adding to its roster in the future, Mooney says.

Mike Boyd, president of The Boyd Group, says AirTran more than likely wouldn't take over any international or regional destinations.

Any expansion will require new planes, and AirTran is getting a handful of new ones each month as part of a 2003 purchase it made for 100 planes by 2010.

Planes cost \$35 million to \$40 million each, or a lease of about \$400,000 a month, said Boyd. Once the new aircraft arrives, it generally takes 90 to 100 days to create a new schedule and train a new crew before it is flown, said Healy.

AirTran's Healy would not discuss how the airline would expand, regardless of Delta's position.

He maintains, however, that Hartsfield-Jackson “will always be the busiest airport in the world, and the Atlanta community will continue to benefit from the competition provided by a large carrier hub and the most successful low-fare carrier hub in America.”

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