DELTA AIR LINES INC /DE/
Form 10-K
March 02, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-5424

DELTA AIR LINES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**58-0218548**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
Post Office Box 20706	
Atlanta, Georgia	**30320-6001**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (404) 715-2600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.0001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2008 was approximately $1.7 billion.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No ¨

On January 31, 2009, there were outstanding 698,464,807 shares of the registrant s common stock.

This document is also available on our website at http://www.delta.com/about_delta/investor_relations.

Documents Incorporated By Reference

Part III of this Form 10-K incorporates by reference certain information from the registrant s definitive Proxy Statement for its Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission.

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Unless otherwise indicated, the terms Delta, we, us, and our refer to Delta Air Lines, Inc. and its subsidiaries.

Forward-Looking Information

Statements in this Form 10-K (or otherwise made by us or on our behalf) that are not historical facts, including statements about our estimates, expectations, beliefs, intentions, projections or strategies for the future, may be forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations. For examples of such risks and uncertainties, please see the cautionary statements contained in Risk Factors Relating to Delta and Risk Factors Relating to the Airline Industry in Item 1A. Risk Factors of this Form 10-K. All forward-looking statements speak only as of the date made, and we undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

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PART I

ITEM 1. BUSINESS

General Description

We are the world s largest airline, providing scheduled air transportation for passengers and cargo throughout the United States and around the world. On October 29, 2008, a subsidiary of ours merged with and into Northwest Airlines Corporation (Northwest). As a result of this merger, Northwest and its subsidiaries, including Northwest Airlines, Inc. (NWA), became wholly-owned subsidiaries of Delta. We plan to fully integrate the operations of NWA into Delta as promptly as is feasible, which we anticipate we will substantially complete in 2010.

The merger better positions us to manage through economic cycles and volatile fuel prices, invest in our fleet, improve services for customers and achieve our strategic objectives. We believe the merger will generate approximately $2 billion in annual revenue and cost synergies by 2012 from more effective aircraft utilization, a more comprehensive and diversified route system and cost synergies from reduced overhead and improved operational efficiency. We expect to incur one-time cash costs of approximately $500 million over approximately three years to integrate the two airlines.

We have developed the following strategy that is intended to make Delta the premier global airline:

- build a financially viable airline by achieving consistent profitability, top-tier industry pre-tax margins and an industry-leading balance sheet, including diversifying our revenues from sources such as our SkyMiles® frequent flyer program, cargo transportation and our aircraft maintenance, repair and overhaul business;
- create a comprehensive worldwide network that is structurally sustainable, drives unit revenue premiums relative to the industry average and generates long-term profits;
- maintain responsible and disciplined capital management, including making investments in our aircraft fleet based on demonstrated returns;
- pursue strategic options to broaden our network scope and long-term viability, including through our merger with Northwest and our expanded marketing alliance with Alaska Airlines and Horizon Air;
- build the leading global airline alliance in terms of market presence, distribution, customer experience and financial contribution;
- deliver industry-leading safety and operational performance coupled with a strong commitment to customer service; and
- sustain a competitive advantage by building a world-class employee-friendly airline that is productive, diverse, accountable, results-driven and known as a great place to work.

We are incorporated under the laws of the State of Delaware. Our principal executive offices are located at Hartsfield-Jackson Atlanta International Airport in Atlanta, Georgia (the Atlanta Airport). Our telephone number is (404) 715-2600 and our Internet address is www.delta.com. Information contained on this website is not part of, and is not incorporated by reference in, this Form 10-K.

Airline Operations

Our global route network is centered around the hub system we operate at airports in Atlanta, Cincinnati, Detroit, Memphis, Minneapolis/St. Paul, New York-JFK, Salt Lake City, Amsterdam and Tokyo-Narita. Each of these hub operations includes flights that gather and distribute traffic from markets in the geographic region surrounding the hub to domestic and international cities and to other hubs. The combination of Delta s strengths in the south, mountain west and northeast United States, Europe and Latin America and NWA s strengths in the

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midwest and northwest United States and Asia gives the combined company a diversified global network with a presence in every major domestic and international market. The network is supported by a fleet of aircraft that is varied in terms of size and capabilities, giving us flexibility to adjust aircraft to the network.

Other key characteristics of our route network include:

- our alliances with foreign airlines, including our membership in SkyTeam, a global airline alliance;
- Delta s transatlantic joint venture with Air France and NWA s transatlantic joint venture with KLM;
- our domestic alliances, including our marketing alliance with Alaska and Horizon, which we are enhancing to expand our west coast service; and
- agreements with multiple domestic regional carriers, which operate either as Delta Connection or Northwest Airlink, including our wholly-owned subsidiaries, Comair, Inc. (Comair), Compass Airlines, Inc. (Compass) and Mesaba Aviation, Inc. (Mesaba).

International Alliances

We have bilateral and multilateral marketing alliances with foreign airlines to improve our access to international markets. These arrangements can include codesharing, reciprocal frequent flyer program benefits, shared or reciprocal access to passenger lounges, joint promotions, common use of airport gates and ticket counters, ticket office co-location and other marketing agreements. These alliances often present opportunities in other areas, such as airport ground handling arrangements and aircraft maintenance insourcing.

Our international codesharing agreements enable us to market and sell seats to an expanded number of international destinations. Under international codesharing arrangements, we and a foreign carrier each publish our respective airline designator codes on a single flight operation, thereby allowing us and the foreign carrier to offer joint service with one aircraft, rather than operating separate services with two aircraft. These arrangements typically allow us to sell seats on a foreign carrier s aircraft that are marketed under our designator codes and permit the foreign airline to sell seats on our aircraft that are marketed under the foreign carrier s designator code.

Delta has international codeshare arrangements with Aeromexico, Air France, Alitalia, China Airlines, China Southern, CSA Czech Airlines, KLM Royal Dutch Airlines, Korean Air and Royal Air Maroc (and some affiliated carriers operating in conjunction with these airlines). In addition to its transatlantic joint venture with KLM discussed below, NWA has international codeshare arrangements with Air France, Korean Air, and Malev Hungarian Airlines.

SkyTeam. In addition to our marketing alliance agreements with individual foreign airlines, Delta and NWA are members of the SkyTeam global airline alliance. The other full members of SkyTeam are Aeroflot, Aeromexico, Air France, Alitalia, China Southern, Continental, CSA Czech Airlines, KLM and Korean Air. One goal of SkyTeam is to link the route networks of the member airlines, providing opportunities for increased connecting traffic while offering enhanced customer service through mutual codesharing arrangements, reciprocal frequent flyer and lounge programs and coordinated cargo operations. Continental has provided written notice of the termination of its membership in SkyTeam effective October 24, 2009.

In 2002, Delta, Air France, Alitalia, CSA Czech Airlines and Korean Air received limited antitrust immunity from the U.S. Department of Transportation (DOT) that enables us and our immunized partners to offer a more integrated route network and develop common sales, marketing and discount programs for customers.

Air France and KLM Joint Ventures. In addition to being members in SkyTeam with Air France and KLM, both of which are subsidiaries of the same holding company, Delta has a transatlantic joint venture agreement

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with Air France and NWA has a transatlantic joint venture agreement with KLM. These agreements provide for the sharing of revenues and costs on transatlantic routes, as well as coordinated pricing, scheduling, and product development on included routes.

In 2007, Delta entered into its joint venture agreement with Air France to share decision making, revenues and costs on transatlantic routes. The initial implementation of the joint venture in April 2008 included flights operated by both carriers between Air France s Paris-Charles de Gaulle, Paris-Orly and Lyon hubs and our Atlanta, Cincinnati, NewYork-JFK and Salt Lake City hubs, as well as all flights between London Heathrow Airport and the U.S., with plans for the joint venture to be extended to all transatlantic flights operated by Air France and Delta between North America and Europe and the Mediterranean, as well as all flights between Los Angeles and Tahiti by 2010.

In 1992, NWA entered into its joint venture agreement with KLM to share decision making, revenues and costs on transatlantic routes. Pursuant to this joint venture, NWA and KLM operate an extensive transatlantic network, including operating joint service between Amsterdam and cities in the U.S., Canada and Mexico, as well as between Amsterdam and India.

Delta, NWA, Air France and KLM are currently negotiating the terms for implementing a combined transatlantic joint venture, which is expected to be implemented no later than November 2009 and would replace the separate joint ventures described above.

In May 2008, we, NWA, Air France, Alitalia, CSA Czech Airlines and KLM received limited antitrust immunity from the DOT that enables us and our immunized partners to offer a more integrated route network and develop common sales, marketing and discount programs for customers. The DOT conditioned the continued effectiveness of this antitrust immunity on the implementation within 18 months of a joint venture agreement among us, NWA, Air France and KLM. A more integrated joint venture would offer significant advantages to consumers, including more choice in flight schedules, travel times, services and fares. In light of the recent reorganization of Alitalia and its subsidiaries under a new structure with C.A.I. Compagnia Aerea Italiana S.p.A., Delta and NWA have suspended immunized activities with Alitalia (but not codesharing, reciprocal frequent flyer program benefits, shared or reciprocal access to passenger lounges or other alliance marketing activities) while we seek to transfer the above-described antitrust immunity to the new Alitalia.

Domestic Alliances

We and NWA have entered into marketing alliances with (1) Continental (including regional carriers affiliated with Continental) and (2) Alaska and Horizon, each of which includes mutual codesharing and reciprocal frequent flyer and airport lounge access arrangements. Delta also has frequent flyer and reciprocal lounge agreements with Hawaiian Airlines, and a codesharing agreement with American Eagle Airlines (American Eagle). NWA also has frequent flyer and codesharing agreements with several other airlines, including American Eagle, Gulfstream International Airlines, Hawaiian, and Midwest Airlines. These marketing relationships are designed to permit the carriers to retain their separate identities and route networks while increasing the number of domestic and international connecting passengers using the carriers route networks. Continental has provided written notice to Delta and NWA of the termination of its participation in marketing alliances with Delta and NWA effective July 31, 2009 and April 14, 2009, respectively. We plan to wind down the relationships with Continental in an orderly manner and do not expect the termination of the alliances to have any significant impact.

Regional Carriers

Delta and NWA have air service agreements with multiple domestic regional air carriers that feed traffic to our route system by serving passengers primarily in small- and medium-sized cities. These arrangements enable us to increase the number of flights we have available in certain locations, to better match capacity with demand and to preserve our presence in smaller markets. Approximately 23% of our passenger revenue in 2008 related to flying by regional air carriers.

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Through our regional carrier program, we have contractual arrangements with ten regional carriers to operate regional jet and, in certain cases, turbo-prop aircraft using our DL and NW designator codes. In addition to our wholly-owned subsidiaries, Comair, Compass and Mesaba, we have contractual arrangements with Atlantic Southeast Airlines, Inc., a subsidiary of SkyWest, Inc. (SkyWest); SkyWest Airlines, Inc., a subsidiary of SkyWest; Chautauqua Airlines, Inc., a subsidiary of Republic Airways Holdings, Inc. (Republic Holdings); Shuttle America Corporation, a subsidiary of Republic Holdings; Freedom Airlines, Inc., a subsidiary of Mesa Air Group, Inc.; Pinnacle Airlines, Inc.; and American Eagle.

With the exception of Eagle and a portion of SkyWest Airlines as described below, these agreements are capacity purchase arrangements, under which Delta and NWA control the scheduling, pricing, reservations, ticketing and seat inventories for the regional carrier s flights operating under our DL and NW designator codes, and we are entitled to all ticket, cargo and mail revenues associated with these flights. We pay those airlines an amount, as defined in the applicable agreement, which is based on a determination of their cost of operating those flights and other factors intended to approximate market rates for those services. These capacity purchase agreements are long-term agreements, usually with initial terms of at least ten years, which grant us the option to extend the initial term and provide us the right to terminate the entire agreement, or in some cases remove some of the aircraft from the scope of the agreement, for convenience at certain future dates. Our arrangements with Eagle, limited to certain flights operated to and from the Los Angeles International Airport, as well as a portion of the flights operated for us by SkyWest Airlines, are structured as revenue proration agreements. These proration agreements establish a fixed dollar or percentage division of revenues for tickets sold to passengers traveling on connecting flight itineraries.

Frequent Flyer Programs

Delta and NWA both have frequent flyer programs, which are designed to retain and increase traveler loyalty by offering incentives to customers to increase travel on each airline. We are in the process of integrating these programs with a goal of combining the programs by the beginning of 2010.

Delta s SkyMiles® program allows program members to earn mileage for travel awards by flying on Delta, Delta s regional carriers and other participating airlines. Mileage credit may also be earned by using certain services offered by program participants, such as credit card companies, hotels, car rental agencies, telecommunication services and internet services. In addition, individuals and companies may purchase mileage credits. We reserve the right to terminate the program with six months advance notice, and to change the program s terms and conditions at any time without notice.

SkyMiles mileage credits can be redeemed for free or upgraded air travel on Delta and participating airlines, for membership in our Crown Room Club and for other program participant awards. Travel awards are subject to certain transfer restrictions and capacity-controlled seating. In some cases, blackout dates may apply. Program accounts with no activity for 12 consecutive months after enrollment are deleted. Miles will not expire so long as, at least once every two years, the participant (1) takes a qualifying flight on Delta or a Delta Connection carrier, (2) earns miles through one of our program participants, (3) buys miles from Delta or (4) redeems miles for any program award.

NWA s frequent flyer program is known as WorldPerks. Under the WorldPerks program, miles are earned by flying on NWA or its alliance partners and by using the services of program participants for such things as credit card use, hotel stays, car rentals and other activities. NWA sells mileage credits to alliance and non-airline program participants. WorldPerks members accumulate mileage in their accounts and later redeem mileage for free or upgraded travel on NWA and alliance participants. WorldPerks members that achieve certain mileage thresholds also receive enhanced service benefits from NWA such as special service lines, advance flight boarding and upgrades.

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Cargo

Delta Cargo is the largest cargo carrier among the U.S. passenger airlines, based on revenue. Through the strength of our global network, we are able to connect all of the world s major freight gateways. We generate cargo revenues in domestic and international markets primarily through the use of cargo space on regularly scheduled passenger aircraft. Additionally, we have a limited, focused network of freighters that tie together the key freight markets in Asia and connect to three gateways in the U.S.

Delta Cargo is a member of SkyTeam Cargo, the world s largest global airline cargo alliance. The alliance, whose other members are Aeromexico Cargo, Air France Cargo, Alitalia Cargo, CSA Czech Airlines Cargo, KLM Cargo and Korean Air Cargo, offers a global network with over 16,000 daily flights spanning 6 continents. This alliance offers cargo customers a consistent international product line, and the partners work to jointly improve their efficiency and effectiveness in the marketplace.

MRO

Our maintenance, repair and overhaul (MRO) operations known as Delta TechOps is the largest airline MRO in North America with state-of-the-art facilities worldwide. In addition to providing maintenance and engineering support for the combined Delta and NWA fleets of nearly 800 aircraft, Delta TechOps serves more than 125 aviation and airline customers from around the world. Delta TechOps employs approximately 8,500 maintenance professionals and is one of the most experienced MRO providers in the world.

Among the key services we offer are:

- Airframe Maintenance aircraft overhaul for both widebody and narrowbody craft;
- Component Maintenance repair, overhaul, and test facilities for electromechanical components and avionics;
- Engine Maintenance full overhaul, repair, and support capabilities for engine parts and components;
- Line Maintenance a full range of ground services including deicing and aircraft parking;
- Support Services logistics, fleet engineering, engine leasing, and more; and
- Technical Operations Training technical training for a wide variety of aircraft types.

Fuel

Our results of operations are significantly impacted by changes in the price and availability of aircraft fuel. The following table shows our aircraft fuel consumption and costs for 2006 through 2008.

Year	Gallons Consumed[2] (Millions)	Cost[2] [3] (Millions)	Average Price Per Gallon[2] [3]	Percentage of Total Operating Expense[2]
2008[1]	2,740	$ 8,686	$ 3.16	38%[4]
2007	2,534	5,676	2.24	31%

2006	2,480	5,250	2.12	30%

(1) Includes Northwest operations for the period from October 30 to December 31, 2008.
(2) Includes the operations under contract carrier agreements with regional air carriers.
(3) Net of fuel hedge (losses) gains under our fuel hedging program of ($65) million, $51 million and ($108) million for 2008, 2007 and 2006,
(4) Total operating expense for 2008 reflects a $7.3 billion non-cash charge from an impairment of goodwill and other intangible assets and $1.1 billion in primarily non-cash merger-related charges. Including these charges, fuel costs accounted for 28% of total operating expense.

Our aircraft fuel purchase contracts do not provide material protection against price increases or assure the availability of our fuel supplies. We purchase most of our aircraft fuel under contracts that establish the price based on various market indices. We also purchase aircraft fuel on the spot market, from off-shore sources and under contracts that permit the refiners to set the price.

We use derivative instruments, which are comprised of crude oil, heating oil and jet fuel swap, collar and call option contracts, in an effort to manage our exposure to changes in aircraft fuel prices.

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We are currently able to obtain adequate supplies of aircraft fuel, but it is impossible to predict the future availability or price of aircraft fuel. Weather-related events, natural disasters, political disruptions or wars involving oil-producing countries, changes in government policy concerning aircraft fuel production, transportation or marketing, changes in aircraft fuel production capacity, environmental concerns, and other unpredictable events may result in fuel supply shortages and fuel price increases in the future.

Competition

We face significant competition with respect to routes, services and fares. Our domestic routes are subject to competition from both new and existing carriers, some of which have lower costs than we do and provide service at low fares to destinations served by us. In particular, we face significant competition at our hub airports in Atlanta, Cincinnati, Detroit, Memphis, Minneapolis/St. Paul, New York-JFK, Salt Lake City, Amsterdam and Tokyo-Narita either directly at those airports or at the hubs of other airlines that are located in close proximity to our hubs. We also face competition in smaller to medium-sized markets from regional jet operators. Our ability to compete effectively depends, in significant part, on our ability to maintain a cost structure that is competitive with other carriers.

In addition, we compete with foreign carriers, both on interior U.S. routes and in international markets. International marketing alliances formed by domestic and foreign carriers, including the Star Alliance (among United Airlines, Lufthansa German Airlines and others and which Continental has announced its intention to join in October 2009) and the oneworld Alliance (among American Airlines, British Airways and others) have significantly increased competition in international markets. The adoption of liberalized Open Skies Aviation Agreements with an increasing number of countries around the world, including in particular the Open Skies Treaty with the Member States of the European Union, has accelerated this trend. Through marketing and codesharing arrangements with U.S. carriers, foreign carriers have obtained access to interior U.S. passenger traffic. Similarly, U.S. carriers have increased their ability to sell international transportation, such as transatlantic services to and beyond European cities, through alliances with international carriers.

Regulatory Matters

The DOT and the Federal Aviation Administration (FAA) exercise regulatory authority over air transportation in the U.S. The DOT has authority to issue certificates of public convenience and necessity required for airlines to provide domestic air transportation. An air carrier that the DOT finds fit to operate is given unrestricted authority to operate domestic air transportation (including the carriage of passengers and cargo). Except for constraints imposed by regulations regarding Essential Air Services, which are applicable to certain small communities, airlines may terminate service to a city without restriction.

The DOT has jurisdiction over certain economic and consumer protection matters, such as unfair or deceptive practices and methods of competition, advertising, denied boarding compensation, baggage liability and disabled passenger transportation. The DOT also has authority to review certain joint venture agreements between major carriers. The FAA has primary responsibility for matters relating to air carrier flight operations, including airline operating certificates, control of navigable air space, flight personnel, aircraft certification and maintenance and other matters affecting air safety.

Authority to operate international routes and international codesharing arrangements is regulated by the DOT and by the governments of the foreign countries involved. International route awards are also subject to the approval of the President of the U.S. for conformance with national defense and foreign policy objectives.

The Transportation Security Administration and the U.S. Customs and Border Protection, each a division of the Department of Homeland Security, are responsible for certain civil aviation security matters, including passenger and baggage screening at U.S. airports and international passenger prescreening prior to entry into or departure from the U.S.

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Airlines are also subject to various other federal, state, local and foreign laws and regulations. For example, the U.S. Department of Justice has jurisdiction over airline competition matters. The U.S. Postal Service has authority over certain aspects of the transportation of mail. Labor relations in the airline industry, as discussed below, are generally governed by the Railway Labor Act. Environmental matters are regulated by various federal, state, local and foreign governmental entities. Privacy of passenger and employee data is regulated by domestic and foreign laws and regulations.

Fares and Rates

Airlines set ticket prices in most domestic and international city pairs without governmental regulation, and the industry is characterized by significant price competition. Certain international fares and rates are subject to the jurisdiction of the DOT and the governments of the foreign countries involved. Many of our tickets are sold by travel agents, and fares are subject to commissions, overrides and discounts paid to travel agents, brokers and wholesalers.

Route Authority

Our flight operations are authorized by certificates of public convenience and necessity and also by exemptions issued by the DOT. The requisite approvals of other governments for international operations are controlled by bilateral agreements with, or permits or approvals issued by, foreign countries. Because international air transportation is governed by bilateral or other agreements between the U.S. and the foreign country or countries involved, changes in U.S. or foreign government aviation policies could result in the alteration or termination of such agreements, diminish the value of our international route authorities or otherwise affect our international operations. Bilateral agreements between the U.S. and various foreign countries served by us are subject to renegotiation from time to time.

Certain of our international route authorities are subject to periodic renewal requirements. We request extension of these authorities when and as appropriate. While the DOT usually renews temporary authorities on routes where the authorized carrier is providing a reasonable level of service, there is no assurance this practice will continue in general or with respect to a specific renewal. Dormant route authority may not be renewed in some cases, especially where another U.S. carrier indicates a willingness to provide service.

Airport Access

Operations at four major domestic airports and certain foreign airports served by us are regulated by governmental entities through allocations of slots or similar regulatory mechanisms which limit the rights of carriers to conduct operations at those airports. Each slot represents the authorization to land at or take off from the particular airport during a specified time period.

In the U.S., the FAA currently regulates the allocation of slots, slot exemptions, operating authorizations, or similar capacity allocation mechanisms at Reagan in Washington, D.C., LaGuardia and JFK in New York, and Newark. Our operations at these airports generally require the allocation of slots or analogous regulatory authorities. Similarly, our operations at Tokyo s Narita Airport, London s Gatwick and Heathrow airports and other international airports are regulated by local slot coordinators pursuant to the International Air Transport Association s Worldwide Scheduling Guidelines and applicable local law. We currently have sufficient slots or analogous authorizations to operate our existing flights, and we have generally been able to obtain the rights to expand our operations and to change our schedules. There is no assurance, however, that we will be able to do so in the future because, among other reasons, such allocations are subject to changes in governmental policies.

Environmental Matters

The Airport Noise and Capacity Act of 1990 recognizes the rights of operators of airports with noise problems to implement local noise abatement programs so long as such programs do not interfere unreasonably with interstate or foreign commerce or the national air transportation system. This statute generally provides that

local noise restrictions on Stage 3 aircraft first effective after October 1, 1990, require FAA approval. While we have had sufficient scheduling flexibility to accommodate local noise restrictions in the past, our operations could be adversely impacted if locally-imposed regulations become more restrictive or widespread.

The U.S. Environmental Protection Agency (the EPA) is authorized to regulate aircraft emissions and has historically implemented emissions control standards previously adopted by the International Civil Aviation Organization (ICAO). Our aircraft comply with the existing EPA standards as applicable by engine design date. ICAO has adopted additional aircraft engine emissions standards applicable to engines certified after December 31, 2007, but the EPA has not yet proposed a rule that incorporates these new ICAO standards.

Concern about climate change and greenhouse gases may result in additional regulation of aircraft emissions in the U.S. and abroad. We may become subject to taxes, charges or additional requirements to obtain permits for greenhouse gas emissions. In July 2008, the European Union approved legislation to include aviation in their emissions trading system (ETS). Beginning in 2012, any airline with flights originating or landing in the European Union will be subject to the ETS and will be required to buy a permit for its greenhouse gas emissions. We expect that such a system will impose significant costs on our operations in the European Union. Similar cap and trade restrictions are being proposed in the United States. In the event that U.S. legislation or regulation is enacted or in the event similar legislation or regulation is enacted in other jurisdictions where we operate or where we may operate in the future, it could result in significant costs for us and the airline industry. At this time, we cannot predict whether any such legislation or regulation would apportion costs between one or more jurisdictions in which we operate flights, which could result in multiple taxation or permitting requirements from multiple jurisdictions. Certain credits may be available to reduce the costs of permits in order to mitigate the impact of such regulations on consumers. At this time, we cannot predict whether we or the aviation industry in general will have access to offsets or credits. We are carefully monitoring and evaluating the potential impact of such legislative and regulatory developments.

We have been identified by the EPA as a potentially responsible party (a PRP) with respect to certain Superfund Sites, and have entered into consent decrees regarding some of these sites. Our alleged disposal volume at each of these sites is small when compared to the total contributions of all PRPs at each site and liability at many of these sites has been resolved through our Chapter 11 proceedings. We are aware of soil and/or ground water contamination present on our current or former leaseholds at several domestic airports. To address this contamination, we have a program in place to investigate and, if appropriate, remediate these sites. Although the ultimate outcome of these matters cannot be predicted with certainty, management believes that the resolution of these matters will not have a material adverse effect on our consolidated financial statements.

We are also subject to various other federal, state and local laws governing environmental matters, including the management and disposal of chemicals, waste and hazardous materials, protection of surface and subsurface waters, and regulation of air emissions and drinking water.

Civil Reserve Air Fleet Program

We participate in the Civil Reserve Air Fleet program (the CRAF Program), which permits the U.S. military to use the aircraft and crew resources of participating U.S. airlines during airlift emergencies, national emergencies or times of war. We have agreed to make available under the CRAF Program a portion of our international range aircraft from October 1, 2008 until September 30, 2009. As of October 1, 2008, the following numbers of our international range aircraft are available for CRAF activation:

Stage	Description of Event Leading to Activation	International Passenger Aircraft Allocated	Number of Aeromedical Aircraft Allocated	Total Aircraft by Stage
I	Minor Crisis	15	N/A	15
II	Major Theater Conflict	37	22	59
III	Total National Mobilization	139	35	174

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The CRAF Program has only been activated twice, both times at the Stage I level, since it was created in 1951.

Regulatory and Legislative Proposals

Concerns about airport congestion issues have caused the DOT and FAA to consider various proposals for access to certain airports, including congestion-based landing fees and programs that would withdraw slots from existing carriers and reallocate those slots (either by lottery to carriers with little or no current presence at such airports or by auction to the highest bidder). These proposals, if enacted, could negatively impact our existing services and our ability to respond to competitive actions by other airlines.

Employee Matters

Railway Labor Act

Our relations with labor unions in the U.S. are governed by the Railway Labor Act. Under the Railway Labor Act, a labor union seeking to represent an unrepresented craft or class of employees is required to file with the National Mediation Board (the NMB) an application alleging a representation dispute, along with authorization cards signed by at least 35% of the employees in that craft or class. The NMB then investigates the dispute and, if it finds the labor union has obtained a sufficient number of authorization cards, conducts an election to determine whether to certify the labor union as the collective bargaining representative of that craft or class. Under the NMB s usual rules, a labor union will be certified as the representative of the employees in a craft or class only if more than 50% of those employees vote for union representation. A certified labor union then enters into negotiations toward a collective bargaining agreement with the employer.

Under the Railway Labor Act, a collective bargaining agreement between an airline and a labor union does not expire, but instead becomes amendable as of a stated date. Either party may request that the NMB appoint a federal mediator to participate in the negotiations for a new or amended agreement. If no agreement is reached in mediation, the NMB may determine, at any time, that an impasse exists and offer binding arbitration. If either party rejects binding arbitration, a 30-day cooling off period begins. At the end of this 30-day period, the parties may engage in self help, unless the President of the U.S. appoints a Presidential Emergency Board (PEB) to investigate and report on the dispute. The appointment of a PEB maintains the status quo for an additional 60 days. If the parties do not reach agreement during this period, the parties may then engage in self help. Self help includes, among other things, a strike by the union or the imposition of proposed changes to the collective bargaining agreement by the airline. Congress and the President have the authority to prevent self help by enacting legislation that, among other things, imposes a settlement on the parties.

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Collective Bargaining

As of December 31, 2008, we had a total of 84,306 full-time equivalent employees. Approximately 42% of these employees were represented by unions, including the following domestic employee groups.

Employee Group	Approximate Number of Employees Represented	Union	Date on which Collective Bargaining Agreement Becomes Amendable
Delta Pilots (including pre-merger NWA pilots)	11,040	ALPA	December 31, 2012
Delta Flight Superintendents (Dispatchers)	180	PAFCA	December 31, 2013
NWA Dispatchers	150	TWU	December 31, 2013
NWA Fleet Service, Passenger Service, and Office/Clerical	11,030	IAM	December 31, 2010
NWA Simulator Technicians	40	IAM	December 31, 2010
NWA Stock Clerks	270	IAM	December 31, 2010
NWA Flight Attendants	6,290	AFA-CWA	December 31, 2011
NWA Mechanics and Related Employees	900	AMFA[1]	None
NWA Plant Protection Employees	10	IAM	December 31, 2010
NWA Technical Operations Trainers, Planners, Writers and Analysts	170	ATSA	December 31, 2011
NWA Meteorologists	20	NAMA	December 31, 2011
Comair Pilots	1,190	ALPA	March 2, 2011
Comair Maintenance Employees	500	IAM	December 31, 2010
Comair Flight Attendants	790	IBT	December 31, 2010
Compass Pilots	320	ALPA	April 1, 2013
Mesaba Pilots	1,090	ALPA	December 1, 2010
Mesaba Flight Attendants	650	AFA-CWA	December 1, 2010
Mesaba Mechanics and Related Employees	310	AMFA	December 1, 2010
Mesaba Dispatchers	25	TWU	May 31, 2012

(1) On February 26, 2009, the NMB accepted a request by AMFA to terminate its certification to represent pre-merger NWA aircraft maintenance technicians and related employees.

Labor unions periodically engage in organizing efforts to represent various groups of our employees, including at our airline subsidiaries, that are not represented for collective bargaining purposes.

The successful integration of NWA into Delta and achievement of the anticipated benefits of the merger depend significantly on integrating Delta s and NWA s employee groups and on maintaining productive employee relations. The integration of Delta and NWA workforces will be challenging in part because approximately 80% of the pre-merger Northwest employees are represented by labor unions while, among U.S. based pre-merger Delta employees, only the Delta pilots and flight dispatchers (who combined constitute approximately 17% of the total pre-merger Delta employees) are represented by labor unions. Completing the integration of the workforces of the two airlines will require the resolution of potentially difficult issues relating to representation of various work groups and the relative seniority of the work groups at each carrier. Unexpected delay, expense or other challenges to integrating the workforces could impact the expected synergies from the combination of Delta and NWA and affect our financial performance.

Under procedures that have been utilized by the NMB, each labor union that currently represents U.S.-based employees at Delta or NWA, as well as other groups of employees with a sufficient showing of interest, will have an opportunity to invoke the NMB s jurisdiction to address representation issues arising from the merger. Once its jurisdiction is invoked, the NMB s rules call for it to first determine whether Delta and NWA have combined or will combine to form a single carrier. On January 7, 2009, the NMB ruled that Delta and NWA now constitute a single transportation system for representation purposes under the Railway Labor Act.

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The NMB has utilized certain procedures to address and resolve representation issues arising from airline mergers which generally have included the following:

- Where employees in the same craft or class at the two carriers are represented by the same union, that union will be certified to represent the combined group, without an election.

- Where employees in the same craft or class at the two carriers have different representation status either they are represented by different unions or one group is represented by a union and the other is not the NMB s rules provide for a representation election among the combined employee groups if the groups are comparable in size. In general, the NMB has considered two groups to be comparable in size if the smaller group is at least 35% of the combined group. If the representation election results in the combined group not being represented by a union, the collective bargaining agreement covering the group that had previously been unionized will terminate.

- If the two groups are not comparable in size, the smaller group will be folded into and have the same representation status as the larger group. Even where the two groups are not comparable in size, the smaller group can still obtain an election if, within 14 days after the NMB s single carrier determination with respect to that group, the smaller group submits a showing of interest from at least 35% of the combined group. The showing of interest can consist of authorization cards as well as the seniority list of the smaller group, if the smaller group had been represented by a union.

In view of these procedures, we believe that a representation election may occur in one or more combined employee groups. Under the NMB s rules, a labor union generally will be certified as the representative of the employees in a craft or class only if more than 50% of those employees vote for union representation. If a labor union is certified to represent a combined group, the terms and conditions of employment of the combined work group ultimately will be subject to negotiations toward a joint collective bargaining agreement. Completing joint collective bargaining agreements covering combined work groups that choose to be represented by a labor union could take significant time, which could delay or impede our ability to achieve targeted synergies from the merger.

With respect to integration of seniority lists, where the two employee groups in a craft or class have different representation status, federal law requires that seniority integration be governed by the procedures first issued by the Civil Aeronautics Board in the Allegheny-Mohawk merger known as the Allegheny-Mohawk Labor Protective Provisions. In general, Allegheny-Mohawk Labor Protective Provisions require that seniority be integrated in a fair and equitable manner and that any disputes not resolved by negotiations may be submitted to binding arbitration by a neutral arbitrator. This requirement is consistent with the seniority protection policy that has been adopted by the Delta board of directors. Where both groups are represented by the same union prior to the merger, seniority integration is governed by the union s bylaws and policies. The integration of the seniority lists of the pilots of Delta and NWA as well as flight dispatchers, meteorologists, and technicians and related Technical Operations employees have been resolved.

Executive Officers

Richard H. Anderson, Age 53: Chief Executive Officer of Delta since September 1, 2007. Executive Vice President of UnitedHealth Group and President of its Commercial Services Group (December 2006 to August 2007); Executive Vice President of UnitedHealth Group (November 2004 to December 2006); Chief Executive Officer of Northwest (2001 to November 2004).

Edward H. Bastian, Age 51: President of Delta and Chief Executive Officer of NWA since October 2008; President and Chief Financial Officer of Delta (September 2007 October 2008); Executive Vice President and Chief Financial Officer of Delta (July 2005 September 2007); Chief Financial Officer, Acuity Brands (June 2005 July 2005); Senior Vice President Finance and Controller of Delta (2000 April 2005); Vice President and Controller of Delta (1998 2000).

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Michael J. Becker, Age 47: Executive Vice President and Chief Operating Officer NWA since October 2008; Senior Vice President of Human Resources and Labor Relations of Northwest (May 2005 October 2008); Senior Vice President Human Resouces of Northwest (August 2001 to May 2005); Vice President International of Northwest (2000 August 2001).

Michael H. Campbell, Age 60: Executive Vice President HR & Labor Relations of Delta since October 2008; Executive Vice President HR, Labor & Communications of Delta (December 2007-October 2008); Executive Vice President Human Resources and Labor Relations of Delta (July 2006 December 2007); Of Counsel, Ford & Harrison (January 2005 July 2006); Senior Vice President Human Resources and Labor Relations, Continental Airlines, Inc. (1997 2004); Partner, Ford & Harrison (1978 1996).

Stephen E. Gorman, Age 53: Executive Vice President and Chief Operating Officer of Delta since October 2008; Executive Vice President Operations of Delta (December 2007-October 2008); President and Chief Executive Officer of Greyhound Lines, Inc. (June 2003 October 2007); President, North America and Executive Vice President Operations Support at Krispy Kreme Doughnuts, Inc. (August 2001 June 2003); Executive Vice President, Technical Operations and Flight Operations of Northwest (February 2001 August 2001), Senior Vice President, Technical Operations of Northwest (January 1999 February 2001), and Vice President, Engine Maintenance Operations of Northwest (April 1996 to January 1999).

Glen W. Hauenstein, Age 48: Executive Vice President Network Planning and Revenue Management of Delta since April 2006; Executive Vice President and Chief of Network and Revenue Management of Delta (August 2005 April 2006); Vice General Director Chief Commercial Officer and Chief Operating Officer of Alitalia (2003 2005); Senior Vice President Network of Continental Airlines (2003); Senior Vice President Scheduling of Continental Airlines (2001 2003); Vice President Scheduling of Continental Airlines (1998 2001).

Hank Halter, Age 44: Senior Vice President and Chief Financial Officer of Delta since October 2008; Senior Vice President Finance and Controller of Delta (May 2005 October 2008); Vice President Controller of Delta (March 2005 May 2005); Vice President Assistant Controller of Delta (January 2002 March 2005); and Vice President Finance Operations of Delta (February 2000 December 2001); various finance leadership positions at Delta and American Airlines, Inc. (June 1993 February 2000).

Richard B. Hirst, Age 64: Senior Vice President and General Counsel of Delta since October 2008; Senior Vice President Corporate Affairs and General Counsel of Northwest (March 2008 October 2008); Executive Vice President and Chief Legal Officer of KB Home (March 2004 November 2006); Executive Vice President and General Counsel of Burger King Corporation (March 2001 June 2003); General Counsel of the Minnesota Twins (1999 2000); Senior Vice President Corporate Affairs of Northwest (1994 1999); Senior Vice President General Counsel of Northwest (1990 1994); Vice President General Counsel and Secretary of Continental Airlines (1986 1990).

Additional Information

We make available free of charge on our website our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after these reports are filed with or furnished to the Securities and Exchange Commission. Information on our website is not incorporated into this Form 10-K or our other securities filings and is not a part of those filings.

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ITEM 1A. RISK FACTORS

Risk Factors Relating to Delta

Our business and results of operations are dependent on the price and availability of aircraft fuel. High fuel costs or cost increases could have a materially adverse effect on our operating results. Likewise, significant disruptions in the supply of aircraft fuel would materially adversely affect our operations and operating results.

Our operating results are significantly impacted by changes in the price and availability of aircraft fuel. Fuel prices have increased substantially in the last five years and spiked at record high levels in 2008 before falling dramatically during the latter part of the year. In 2008, our average fuel price per gallon rose 41% to $3.16, as compared to an average price of $2.24 in 2007, which was 6% higher than our average price of $2.12 in 2006 and significantly higher than fuel prices in the earlier part of this decade. The fuel costs represented 38%, 31% and 30% of our operating expense in 2008, 2007 and 2006, respectively. Total operating expense for 2008 reflects a $7.3 billion non-cash charge from an impairment of goodwill and other intangible assets and $1.1 billion in primarily non-cash merger-related charges. Including these charges, fuel costs accounted for 28% of total operating expense. These increasing costs have had a significant negative effect on our results of operations and financial condition.

Our ability to pass along the increased costs of fuel to our customers is limited by the competitive nature of the airline industry. We often have not been able to increase our fares to offset the effect of increased fuel costs in the past and we may not be able to do so in the future.

In addition, our aircraft fuel purchase contracts do not provide material protection against price increases or assure the availability of our fuel supplies. We purchase most of our aircraft fuel under contracts that establish the price based on various market indices. We also purchase aircraft fuel on the spot market, from offshore sources and under contracts that permit the refiners to set the price. In an effort to manage our exposure to changes in fuel prices, we use derivative instruments, which are comprised of crude oil, heating oil and jet fuel swap, collar and call option contracts, though we may not be able to successfully manage this exposure. Depending on the type of hedging instrument used, our ability to benefit from declines in fuel prices may be limited.

We are currently able to obtain adequate supplies of aircraft fuel, but it is impossible to predict the future availability or price of aircraft fuel. Weather-related events, natural disasters, political disruptions or wars involving oil-producing countries, changes in governmental policy concerning aircraft fuel production, transportation or marketing, changes in aircraft fuel production capacity, environmental concerns and other unpredictable events may result in additional fuel supply shortages and fuel price increases in the future. Additional increases in fuel costs or disruptions in fuel supplies could have additional negative effects on us.

The global economic recession has resulted in weaker demand for air travel and may create challenges for us that could have a material adverse effect on our business and results of operations.

As the effects of the global economic recession have been felt in our domestic and international markets, we are experiencing weaker demand for air travel. Our demand began to slow during the December 2008 quarter and we believe worsening global economic conditions in 2009 will substantially reduce U.S. airline industry revenues in 2009 compared to 2008. As a result, we have announced plans to further reduce our consolidated capacity by 6-8% in 2009 compared to 2008 (which reflects planned domestic capacity reductions of 8-10% and international capacity reductions of 3-5%), and have offered voluntary workforce reduction programs for eligible employees. Demand for air travel could continue to fall if the global economic recession continues, and overall demand may fall much lower than we are able prudently to reduce capacity. The weakness in the United States and international economies could have a significant negative impact on our future results of operations.

The global financial crisis may have an impact on our business and financial condition in ways that we currently cannot predict.

The continued credit crisis and related turmoil in the global financial system has had and may continue to have an impact on our business and our financial condition. For example, our ability to access the capital markets

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may be severely restricted at a time when we would like, or need, to do so, which could have an impact on our flexibility to react to changing economic and business conditions. In addition, the credit crisis could have an impact on our remaining fuel hedging contracts or our interest hedging contracts if counterparties are forced to file for bankruptcy or are otherwise unable to perform their obligations.

The financial crisis and economic downturn have also resulted in broadly lower investment asset returns and values, including in the defined benefit pension plans that we sponsor for eligible employees and retirees. Our funding obligations for these plans, which have been frozen for future benefit accruals, are governed by the Employee Retirement Income Security Act (ERISA). Estimates of pension plan funding requirements can vary materially from actual funding requirements because the estimates are based on various assumptions concerning factors outside our control, including, among other things, the market performance of assets; statutory requirements; and demographic data for participants, including the number of participants and the rate of participant attrition. Due primarily to the recent decline in the investment markets, we currently expect our contributions to these plans to significantly increase for 2010 and thereafter, which could have a material adverse effect on our financial condition.

The financial crisis also resulted in us being unable to access $139 million invested with the Reserve Primary Fund as of February 28, 2009. The Reserve Primary Fund is a money market fund that has suspended redemptions and is being liquidated. We had invested approximately $1.1 billion in this fund, have received distributions of $925 million and have recorded a $13 million loss to the cost basis of our pro rata share of the estimated loss in the fund. While we expect to receive substantially all of our current holdings in this fund, we cannot predict when this will occur or the amount we will receive.

Our obligation to post collateral in connection with our fuel hedge contracts may have a substantial impact on our short-term liquidity.

Under fuel hedge contracts that we may enter into from time to time, counterparties to those contracts may require us to fund the margin associated with any loss position on the contracts. At December 31, 2008, our counterparties required us to fund $1.2 billion of fuel hedge margin. If fuel prices continue to fall, we may be required to post a significant amount of additional collateral, which could have an impact on the level of our unrestricted cash and cash equivalents and short-term investments until those contracts are settled.

Our substantial indebtedness may limit our financial and operating activities and may adversely affect our ability to incur additional debt to fund future needs.

We have substantial indebtedness, which could:

- require us to dedicate a substantial portion of cash flow from operations to the payment of principal, and interest on, indebtedness, thereby reducing the funds available for other purposes;
- make us more vulnerable to economic downturns, adverse industry conditions or catastrophic external events;
- limit our ability to withstand competitive pressures;
- reduce our flexibility in planning for or responding to changing business and economic conditions; and/or
- place us at a competitive disadvantage to competitors that have relatively less debt than we have.

In addition, a substantial level of indebtedness, particularly because substantially all of our assets are currently subject to liens, could limit our ability to obtain additional financing on acceptable terms or at all for working capital, capital expenditures and general corporate purposes. We have historically had substantial liquidity needs in the operation of our business. These liquidity needs could vary significantly and may be affected by general economic conditions, industry trends, performance and many other factors not within our control.

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Certain of our credit facilities include financial and other covenants that impose restrictions on our financial and business operations.

The exit facility financing credit agreements of Delta and NWA and the liquidity facility credit agreement of NWA each contain financial covenants that require Delta or NWA, respectively, to maintain a minimum fixed charge coverage ratio, minimum unrestricted cash reserves and minimum collateral coverage ratios. In addition, each of the credit facilities contains other negative covenants customary for such financings. These covenants may have a material adverse impact on our operations. In addition, if we fail to comply with the covenants in any credit facility and are unable to obtain a waiver or amendment, an event of default would result under that facility.

Each of the credit facilities also contains other events of default customary for such financings. If an event of default were to occur, the lenders could, among other things, declare outstanding borrowings under the respective credit facilities immediately due and payable, and our cash may become restricted. We cannot provide assurance that we would have sufficient liquidity to repay or refinance borrowings under any of the credit facilities if such borrowings were accelerated upon an event of default. In addition, an event of default or declaration of acceleration under any of the credit facilities could also result in an event of default under other financing agreements of Delta and NWA.

Employee strikes and other labor-related disruptions may adversely affect our operations.

Our business is labor intensive, utilizing large numbers of pilots, flight attendants and other personnel. Approximately 42% of our workforce is unionized. Strikes or labor disputes with our unionized employees may adversely affect our ability to conduct business. Relations between air carriers and labor unions in the U.S. are governed by the Railway Labor Act, which provides that a collective bargaining agreement between an airline and a labor union does not expire, but instead becomes amendable as of a stated date. The Railway Labor Act generally prohibits strikes or other types of self-help actions both before and after a collective bargaining agreement becomes amendable, unless and until the collective bargaining processes required by the Railway Labor Act have been exhausted.

In addition, if we or our affiliates are unable to reach agreement with any of our unionized work groups on future negotiations regarding the terms of their collective bargaining agreements or if additional segments of our workforce become unionized, we may be subject to work interruptions or stoppages, subject to the requirements of the Railway Labor Act. Likewise, if third party regional carriers with whom we have contract carrier agreements are unable to reach agreement with their unionized work groups on current or future negotiations regarding the terms of their collective bargaining agreements, those carriers may be subject to work interruptions or stoppages, subject to the requirements of the Railway Labor Act, which could have a negative impact on our operations.

The ability to realize fully the anticipated benefits of our merger with Northwest may depend on the successful integration of the businesses of Delta and Northwest.

Our merger with Northwest involves the combination of two companies which operated as independent public companies prior to the merger. The combined company will be required to devote significant management attention and resources to integrating its business practices and operations. It is possible that the integration process could result in the loss of key employees, diversion of each company s management s attention, the disruption or interruption of, or the loss of momentum in our ongoing businesses or inconsistencies in standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers and employees or our ability to achieve the anticipated benefits of the merger, or could reduce our earnings or otherwise adversely effect our business and financial results.

The integration of the Delta and NWA workforces will present significant challenges, including the possibility of labor-related disagreements that may adversely affect our operations.

The successful integration of Delta and Northwest and achievement of the anticipated benefits of the combination depend significantly on integrating Delta s and NWA s employee groups and on maintaining productive employee relations. The integration of Delta and NWA workforces will be challenging in part because

approximately 80% of the NWA employees are represented by labor unions while, among U.S. based employees, only the pre-merger Delta pilots and flight dispatchers (who combined constitute approximately 17% of the total pre-merger Delta employees) are currently represented by labor unions. The integration of the workforces of the two airlines will require the resolution of potentially difficult issues relating to representation of various work groups and the relative seniority of the work groups at each carrier. Unexpected delay, expense or other challenges to integrating the workforces could impact the expected synergies from the combination of Delta and Northwest and affect the financial performance of the combined company.

Interruptions or disruptions in service at one of our hub airports could have a material adverse impact on our operations.

Our business is heavily dependent on our operations at the Atlanta Airport and at our other hub airports in Cincinnati, Detroit, Memphis, Minneapolis/St. Paul, New York-JFK, Salt Lake City, Amsterdam and Tokyo-Narita. Each of these hub operations includes flights that gather and distribute traffic from markets in the geographic region surrounding the hub to other major cities and to other Delta hubs. A significant interruption or disruption in service at the Atlanta airport or at one of our other hubs could have a serious impact on our business, financial condition and results of operations.

We are increasingly dependent on technology in our operations, and if our technology fails or we are unable to continue to invest in new technology, our business may be adversely affected.

We have become increasingly dependent on technology initiatives to reduce costs and to enhance customer service in order to compete in the current business environment. For example, we have made significant investments in delta.com, check-in kiosks and related initiatives. The performance and reliability of the technology are critical to our ability to attract and retain customers and our ability to compete effectively. These initiatives will continue to require significant capital investments in our technology infrastructure to deliver these expected benefits. If we are unable to make these investments, our business and operations could be negatively affected. In addition, we may face challenges associated with integrating complex systems and technologies that support the separate operations of Delta and NWA. If we are unable to manage these challenges effectively, our business and results of operation could be negatively affected.

In addition, any internal technology error or failure or large scale external interruption in technology infrastructure we depend on, such as power, telecommunications or the internet, may disrupt our technology network. Any individual, sustained or repeated failure of technology could impact our customer service and result in increased costs. Like all companies, our technology systems and related data may be vulnerable to a variety of sources of interruption due to events beyond our control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. While we have in place, and continue to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly to prevent a business disruption and its adverse financial consequences to our business.

If we experience losses of senior management personnel and other key employees, our operating results could be adversely affected.

We are dependent on the experience and industry knowledge of our officers and other key employees to execute our business plans. If we experience a substantial turnover in our leadership and other key employees, our performance could be materially adversely impacted. Furthermore, we may be unable to attract and retain additional qualified executives as needed in the future.

Our credit card processors have the ability to take significant holdbacks in certain circumstances. The initiation of such holdbacks likely would have a material adverse effect on our liquidity.

We sell a substantial number of tickets that are paid for by customers who use credit cards. Our credit card processing agreements provide that no future holdback of receivables or reserve is required except in certain

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circumstances, including in which we do not maintain a required level of unrestricted cash. If circumstances were to occur that would allow either processor to initiate a holdback, the negative impact on our liquidity likely would be significant.

We are at risk of losses and adverse publicity stemming from any accident involving our aircraft.

An aircraft crash or other accident could expose us to significant tort liability. The insurance we carry to cover damages arising from any future accidents may be inadequate. In the event that the insurance is not adequate, we may be forced to bear substantial losses from an accident. In addition, any accident involving an aircraft that we operate or an aircraft that is operated by an airline that is one of our codeshare partners could create a public perception that our aircraft are not safe or reliable, which could harm our reputation, result in air travelers being reluctant to fly on our aircraft and harm our business.

Our ability to use net operating loss carryforwards to offset future taxable income for U.S. federal income tax purposes is subject to limitation and may be further limited as a result of the merger with Northwest and the employee equity issuance, together with other equity transactions.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended (the Code), a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change net operating losses (NOLs), to offset future taxable income. In general, an ownership change occurs if the aggregate stock ownership of certain stockholders increases by more than 50 percentage points over such stockholders lowest percentage ownership during the testing period (generally three years).

As of December 31, 2008, Delta reported approximately $9.2 billion of federal and state NOL carryforwards. As of December 31, 2008, Northwest reported approximately $5.3 billion of federal and state NOL carryforwards. Both Delta and Northwest experienced an ownership change in 2007 as a result of their respective plans of reorganization under Chapter 11 of the U.S. Bankruptcy Code. Pursuant to the merger agreement, Delta and Northwest elected out of Section 382(l)(5) of the Code, in which case Section 382(l)(6) of the Code will be applicable to the ownership changes that occurred pursuant to our respective plans of reorganization. As a result of the merger, Northwest experienced a subsequent ownership change. Delta also may experience a subsequent ownership change as a result of the merger and the issuance of equity to employees in connection with the merger, together with other transactions involving the sale of our common stock within the testing period. Even if the merger and the employee equity issuance did not result in an ownership change, the merger and the employee equity issuance has significantly increased the likelihood there will be a subsequent ownership change for Delta as a result of transactions involving sale of our common stock.

The Northwest ownership change resulting from the merger and the potential occurrence of a second ownership change for Delta could limit the ability to utilize pre-change NOLs that are not currently subject to limitation, and could further limit the ability to utilize NOLs that are currently subject to limitation. The amount of the annual limitation generally is equal to the value of the stock of the corporation immediately prior to the ownership change multiplied by the adjusted federal tax-exempt rate, set by the Internal Revenue Service. Limitations imposed on the ability to use NOLs to offset future taxable income could cause U.S. federal income taxes to be paid earlier than otherwise would be paid if such limitations were not in effect and could cause such NOLs to expire unused, in each case reducing or eliminating the benefit of such NOLs. Similar rules and limitations may apply for state income tax purposes.

Transfer restrictions on our stock issued in connection with our Plan of Reorganization may limit the liquidity of our stock.

To reduce the risk of a potential adverse effect on our ability to utilize our net operating loss carryovers, our certificate of incorporation contains certain restrictions on the transfer of our stock. These transfer restrictions will be effective until May 1, 2009, subject to extension for an additional three years. These transfer restrictions may adversely affect the ability of certain holders of our stock to dispose of or acquire shares of our stock during the period the restrictions are in place. Furthermore, while the purpose of these transfer restrictions is to prevent an ownership change from occurring within the meaning of section 382 of the Internal Revenue Code, no assurance can be given that such an ownership change will not occur.

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Risk Factors Relating to the Airline Industry

The airline industry is highly competitive and, if we cannot successfully compete in the marketplace, our business, financial condition and operating results will be materially adversely affected.

We face significant competition with respect to routes, services and fares. Our domestic routes are subject to competition from both new and established carriers, some of which have lower costs than we do and provide service at low fares to destinations served by us. In particular, we face significant competition at our hub airports in Atlanta, Cincinnati, Detroit, Memphis, Minneapolis/St. Paul, New York-JFK, Salt Lake City, Amsterdam and Tokyo-Narita either directly at those airports or at the hubs of other airlines that are located in close proximity to our hubs. We also face competition in smaller to medium-sized markets from regional jet operators.

Low-cost carriers, including Southwest, AirTran and JetBlue, in the U.S. have placed significant competitive pressure on us and other network carriers in the domestic market. In addition, other network carriers have also significantly reduced their costs over the last several years. Our ability to compete effectively depends, in part, on our ability to maintain a competitive cost structure. If we cannot maintain our costs at a competitive level, then our business, financial condition and operating results could be materially adversely affected. In light of increased jet fuel costs and other issues in recent years, we expect consolidation to occur in the airline industry. As a result of consolidation, we may face significant competition from larger carriers that may be able to generate higher amounts of revenue and compete more efficiently.

In addition, we compete with foreign carriers, both on interior U.S. routes, due to marketing and codesharing arrangements, and in international markets. International marketing alliances formed by domestic and foreign carriers, including the Star Alliance (among United Airlines, Lufthansa German Airlines and others and which Continental has announced its intention to join in October 2009) and the oneworld Alliance (among American Airlines, British Airways and others) have significantly increased competition in international markets. The adoption of liberalized Open Skies Aviation Agreements with an increasing number of countries around the world, including in particular the Open Skies agreement with the Member States of the European Union, has accelerated this trend. Through marketing and codesharing arrangements with U.S. carriers, foreign carriers have obtained access to interior U.S. passenger traffic. Similarly, U.S. carriers have increased their ability to sell international transportation, such as transatlantic services to and beyond European cities, through alliances with international carriers.

Terrorist attacks or international hostilities may adversely affect our business, financial condition and operating results.

The terrorist attacks of September 11, 2001 caused fundamental and permanent changes in the airline industry, including substantial revenue declines and cost increases, which resulted in industry-wide liquidity issues. Additional terrorist attacks or fear of such attacks, even if not made directly on the airline industry, would negatively affect us and the airline industry. The potential negative effects include increased security, insurance and other costs and lost revenue from increased ticket refunds and decreased ticket sales. Our financial resources might not be sufficient to absorb the adverse effects of any further terrorist attacks or other international hostilities involving the U.S.

The airline industry is subject to extensive government regulation, and new regulations may increase our operating costs.

Airlines are subject to extensive regulatory and legal compliance requirements that result in significant costs. For instance, the FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that necessitate significant expenditures. We expect to continue incurring expenses to comply with the FAA s regulations.

Other laws, regulations, taxes and airport rates and charges have also been imposed from time to time that significantly increase the cost of airline operations or reduce revenues. For example, the Aviation and

Transportation Security Act, which became law in November 2001, mandates the federalization of certain airport security procedures and imposes additional security requirements on airports and airlines, most of which are funded by a per ticket tax on passengers and a tax on airlines. The federal government has on several occasions proposed a significant increase in the per ticket tax. The proposed ticket tax increase, if implemented, could negatively impact our revenues.

Proposals to address congestion issues at certain airports or in certain airspace, particularly in the Northeast U.S., have included concepts such as congestion-based landing fees, slot auctions or other alternatives that could impose a significant cost on the airlines operating in those airports or airspace and impact the ability of those airlines to respond to competitive actions by other airlines. Furthermore, events related to extreme weather delays in late 2006 and early 2007 have caused Congress and the DOT to consider proposals related to airlines handling of lengthy flight delays during extreme weather conditions. The enactment of such proposals could have a significant negative impact on our operations. In addition, some states have also enacted or considered enacting such regulations.

Future regulatory action concerning climate change and aircraft emissions could have a significant effect on the airline industry. For example, the European Commission is seeking to impose an emissions trading scheme applicable to all flights operating in the European Union, including flights to and from the U.S. Laws or regulations such as this emissions trading scheme or other U.S. or foreign governmental actions may adversely affect our operations and financial results.

We and other U.S. carriers are subject to domestic and foreign laws regarding privacy of passenger and employee data that are not consistent in all countries in which we operate. In addition to the heightened level of concern regarding privacy of passenger data in the U.S., certain European government agencies are initiating inquiries into airline privacy practices. Compliance with these regulatory regimes is expected to result in additional operating costs and could impact our operations and any future expansion.

Our insurance costs have increased substantially as a result of the September 11 terrorist attacks, and further increases in insurance costs or reductions in coverage could have a material adverse impact on our business and operating results.

As a result of the terrorist attacks on September 11, 2001, aviation insurers significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons (other than employees or passengers) for claims resulting from acts of terrorism, war or similar events. At the same time, aviation insurers significantly increased the premiums for such coverage and for aviation insurance in general. Since September 24, 2001, the U.S. government has been providing U.S. airlines with war-risk insurance to cover losses, including those resulting from terrorism, to passengers, third parties (ground damage) and the aircraft hull. The coverage currently extends through March 31, 2009 and the Secretary of Transportation has discretion to extend coverage through May 31, 2009. The withdrawal of government support of airline war-risk insurance would require us to obtain war-risk insurance coverage commercially, if available. Such commercial insurance could have substantially less desirable coverage than that currently provided by the U.S. government, may not be adequate to protect our risk of loss from future acts of terrorism, may result in a material increase to our operating expenses or may not be obtainable at all, resulting in an interruption to our operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES
Flight Equipment

Our active aircraft fleet at December 31, 2008 is summarized in the following table:

	Current Fleet				
Aircraft Type	**Owned**	**Capital Lease**	**Operating Lease**	**Total**	**Average Age**
Passenger Aircraft:					
B-737-700	5			5	0.3
B-737-800	71			71	8.2
B-747-400	4		12	16	15.1
B-757-200	92	33	34	159	16.7
B-757-200ER		2	15	17	10.9
B-757-300	16			16	5.8
B-767-300	4		17	21	17.9
B-767-300ER	50		9	59	12.9
B-767-400	21			21	7.8
B-777-200ER	8			8	8.9
B-777-200LR	2			2	0.8
A319-100	55		2	57	6.8
A320-200	41		28	69	13.7
A330-200	11			11	3.7
A330-300	21			21	3.3
MD-88	63	33	21	117	18.5
MD-90	16			16	13.1
DC-9	71			71	35.2
CRJ-100	21	13	44	78	11.6
CRJ-200	5		24	29	6.3
CRJ-700	15			15	5.1
CRJ-900	49			49	1.0
Saab 340			49	49	11.1
EMB 175	36			36	0.7
Freighter Aircraft:					
B-747-200	7		3	10	24.5
Total	684	81	258	1,023	13.2

The above table:

includes three B-767-300, four DC-9, two B-767-300ER, two MD-88 and one B-757-200 aircraft which are temporarily grounded; and

excludes aircraft flown by our third party contract carriers. For additional information, see Note 8 of the Notes to the Consolidated Financial Statements.

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Our purchase commitments (firm orders) for aircraft, as well as options to purchase additional aircraft, as of December 31, 2008 are shown in the following tables:

Aircraft on Firm Order(3)	Delivery in Calendar Years Ending 2009	2010	2011	2012	After 2012	Total
B-737-700	5					5
B-737-800	11	21	1			33(1)
B-777-200LR	6	2				8
A319-100					5	5
A320-200				2		2
CRJ-900	10					10(2)
Total	32	23	1	2	5	63

(1) Includes 31 aircraft, which we have entered into definitive agreements to sell to third parties immediately following delivery of these aircraft to us by the manufacturer.

(2) Includes 2 aircraft orders we assigned to a regional air carrier.

(3) We have excluded from the table above our order of 18 B-787-8 aircraft. The Boeing Company (Boeing) has informed us that Boeing will be unable to meet the contractual delivery schedule for these aircraft. We are in discussions with Boeing regarding this situation.

Aircraft on Option(1)	Delivery in Calendar Years Ending 2010	2011	2012	2013	After 2013	Total	Rolling Options
B-737-800	10	24	22	4		60	116
B-767-300ER	1			1	4	6	
B-767-400	1	1	1	2	7	12	
B-777-200LR	2	6	6	4	9	27	10
B-787-8				6	12	18	18
CRJ-200	4					4	
CRJ-700	5					5	
CRJ-900	25	1				26	
EMB 175	4	18	14			36	64
Total	52	50	43	17	32	194	208

(1) Aircraft options have scheduled delivery slots, while rolling options replace options and are assigned delivery slots as options expire or are exercised.

Ground Facilities

We lease most of the land and buildings that we occupy. Delta s largest aircraft maintenance base, various computer, cargo, flight kitchen and training facilities and most of its principal offices are located at or near the Atlanta Airport, on land leased from the City of Atlanta generally under long-term leases. Delta owns a portion of its principal offices, its Atlanta reservations center and other real property in Atlanta. NWA owns its primary offices, which are located near the Minneapolis/St. Paul International Airport, including its corporate offices located on a 160-acre site east of the airport. Other NWA owned facilities include reservations centers in Baltimore, Maryland, Tampa, Florida, Minot, North Dakota and Chisholm, Minnesota, and a data processing center in Eagan, Minnesota. NWA also owns property in Tokyo, including a 1.3-acre site in downtown Tokyo and a 33-acre land parcel, 512-room hotel and flight kitchen located near Tokyo s Narita International Airport.

We lease ticket counter and other terminal space, operating areas and air cargo facilities in most of the airports that we serve. At most airports, we have entered into use agreements which provide for the non-exclusive use of runways, taxiways, and other improvements and facilities; landing fees under these agreements normally are based on the number of landings and weight of aircraft. These leases and use agreements generally run for

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periods of less than one year to 30 years or more, and often contain provisions for periodic adjustments of lease rates, landing fees and other charges applicable under that type of agreement. Examples of major leases and use agreements at hub or other significant airports that will expire in the next several years include, among others: (1) our Atlanta Airport central passenger terminal lease and the airport use agreement, which expire in 2010; (2) our Salt Lake City International Airport use and lease agreement, which expires in 2010; and (3) NWA s Memphis International Airport use and lease agreement, which expires in 2009. We also lease aircraft maintenance facilities and air cargo facilities at certain airports, including, among others: (1) our main Atlanta maintenance base; (2) our Atlanta air cargo facilities and our hangar and air cargo facilities at the Cincinnati/Northern Kentucky International Airport and Salt Lake City International Airport; and (3) NWA hangar and air cargo facilities at the Detroit Metropolitan International Airport, Minneapolis/St. Paul International Airport and Seattle-Tacoma International Airport. Our aircraft maintenance facility leases generally require us to pay the cost of providing, operating and maintaining such facilities, including, in some cases, amounts necessary to pay debt service on special facility bonds issued to finance their construction. We also lease marketing, ticketing and reservations offices in certain locations for varying terms.

In recent years, some airports have increased or sought to increase the rates charged to airlines to levels that we believe are unreasonable. The extent to which such charges are limited by statute or regulation and the ability of airlines to contest such charges has been subject to litigation and to administrative proceedings before the DOT. If the limitations on such charges are relaxed, or the ability of airlines to challenge such proposed rate increases is restricted, the rates charged by airports to airlines may increase substantially.

The City of Atlanta is currently implementing portions of a ten year capital improvement program (the CIP) at the Atlanta Airport. Implementation of the CIP should increase the number of flights that may operate at the airport and reduce flight delays. The CIP includes, among other things, a 9,000 foot full-service runway that opened in May 2006, related airfield improvements, additional terminal and gate capacity, new cargo and other support facilities and roadway and other infrastructure improvements. If fully implemented, the CIP is currently estimated by the City of Atlanta to cost approximately $6.8 billion, which exceeds the $5.4 billion CIP approved by the airlines in 1999. The CIP will not be complete until at least 2012, with individual projects scheduled to be constructed at different times. A combination of federal grants, passenger facility charge revenues, increased user rentals and fees, and other airport funds are expected to be used to pay CIP costs directly and through the payment of debt service on bonds. Certain elements of the CIP have been delayed, some may be eliminated and there is no assurance that the CIP will be fully implemented. Failure to implement certain portions of the CIP in a timely manner could adversely impact our operations at the Atlanta Airport.

ITEM 3. LEGAL PROCEEDINGS

Chapter 11 Proceedings

As discussed elsewhere in this Form 10-K, on September 14, 2005, we and certain of our subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. On April 25, 2007, the Bankruptcy Court entered an order approving and confirming the Plan of Reorganization and the Plan of Reorganization became effective, allowing Delta to emerge from bankruptcy on April 30, 2007. The reorganization cases were jointly administered under the caption In re Delta Air Lines, Inc., et al., Case No. 05-17923-ASH. As of the date of the Chapter 11 filing, then pending litigation was generally stayed, and absent further order of the Bankruptcy Court, most parties may not take any action to recover on pre-petition claims against Delta and our subsidiaries that were a part of the Chapter 11 proceedings.

On April 24, 2007, the Bankruptcy Court approved the Cincinnati Airport Settlement Agreement with the Kenton County Airport Board (KCAB) and UMB Bank, N.A., the trustee (the Bond Trustee) for the Series 1992 Bonds (as defined below), to restructure certain of our lease and other obligations at the Cincinnati-Northern Kentucky International Airport (the Cincinnati Airport). The Series 1992 Bonds include: (1) the $419 million Kenton County Airport Board Special Facilities Revenue Bonds, 1992 Series A (Delta Air Lines, Inc.

Project), $397 million of which were then outstanding; and (2) the $19 million Kenton County Airport Board Special Facilities Revenue Bonds, 1992 Series B (Delta Air Lines, Inc. Project), $16 million of which were then outstanding.

The Cincinnati Airport Settlement Agreement, among other things:

provides for agreements under which we will continue to use certain facilities at the Cincinnati Airport at substantially reduced costs;

settles all disputes among us, the KCAB, the Bond Trustee and the former, present and future holders of the 1992 Bonds (the 1992 Bondholders);

gives the Bond Trustee, on behalf of the 1992 Bondholders, a $260 million allowed general, unsecured pre-petition claim in our bankruptcy proceedings; and

provides for our issuance of $66 million principal amount of senior unsecured notes to the Bond Trustee on behalf of the 1992 Bondholders.

On May 3, 2007, the parties to the Cincinnati Airport Settlement Agreement implemented that agreement in accordance with its terms. A small number of 1992 Bondholders (the Objecting Bondholders) challenged the settlement in the U.S. District Court for the Southern District of New York. In August 2007, the District Court affirmed the Bankruptcy Court s order approving the settlement. The Objecting Bondholders appealed the decision of the District Court to the U.S. Court of Appeals for the Second Circuit, which in February 2009 upheld the District Court s decision. The objecting Bondholders have filed a petition with the U.S. Court of Appeals for the Second Circuit for a rehearing en banc.

Delta Family-Care Savings Plan Litigation

On March 16, 2005, a retired Delta employee filed an amended class action complaint in the U.S. District Court for the Northern District of Georgia against Delta, certain current and former Delta officers and certain current and former Delta directors on behalf of himself and other participants in the Delta Family-Care Savings Plan (Savings Plan). The amended complaint alleges that the defendants were fiduciaries of the Savings Plan and, as such, breached their fiduciary duties under ERISA to the plaintiff class by (1) allowing class members to direct their contributions under the Savings Plan to a fund invested in Delta common stock; and (2) continuing to hold Delta s contributions to the Savings Plan in Delta s common and preferred stock. The amended complaint seeks damages unspecified in amount, but equal to the total loss of value in the participants accounts from September 2000 through September 2004 from the investment in Delta stock. Defendants deny that there was any breach of fiduciary duty, and have moved to dismiss the complaint. The District Court stayed the action against Delta due to the bankruptcy filing and granted the motion to dismiss filed by the individual defendants. The plaintiffs appealed to the United States Court of Appeals for the Eleventh Circuit the District Court s decision to dismiss the complaint against the individual defendants but voluntarily dismissed this appeal, pending resolution of the automatic stay of their claim against Delta. The parties have reached an agreement in principle to resolve this matter on a class-wide basis under which the plaintiffs would receive a $4.5 million general, unsecured pre-petition claim in Delta s Chapter 11 proceedings. The settlement is subject to the completion of definitive documentation and Bankruptcy Court approval.

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For a discussion of certain environmental matters, see Business Environmental Matters in Item 1.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our security holders during the fourth quarter of the fiscal year cov