STATEMENT OF DOUGLAS M. STEENLAND,
CEO OF NORTHWEST AIR LINES, INC.
BEFORE THE SENATE JUDICIARY COMMITTEE
SUBCOMMITTEE ON ANTITRUST, COMPETITION POLICY &
CONSUMER RIGHTS
APRIL 24, 2008

INTRODUCTION

I am Doug Steenland, the Chief Executive Officer of Northwest Airlines. I appreciate the opportunity to appear here today to explain the benefits of the recently announced merger between Northwest Airlines and Delta Air Lines.

The U.S. airline industry is at a crossroads, creating two choices for Northwest. One choice is to continue on the road now traveled: being whipsawed by the high price of oil; facing nationwide competition from discount carriers while unable unilaterally to achieve the cost and revenue synergies that the merger will produce; and struggling to remain competitive in the face of heightened competition from large, well-funded foreign airlines that are increasing service to the United States following implementation of Open Skies agreements that have liberalized aviation markets around the world.

The other choice is to merge with Delta to create a single global network by combining the complementary end-to-end networks of two great airlines. By achieving substantial cost savings and building a more comprehensive and balanced network, the combined company will be more financially resilient, better positioned to satisfy customers' demands, and better able to meet the challenges of the future at home and abroad.

From the outset, we have promised that we would consider a transaction only if it benefits all of our key stakeholders. We are confident that we have met this objective. Our customers and the communities we serve will benefit because this is a merger of addition, not subtraction. Combining the end-to-end networks of two great airlines means that Delta/Northwest will serve more U.S. communities and connect to more worldwide destinations than any global airline. Our passengers will benefit from direct service from the United States to all of the world's major business centers in Asia, Latin America, Europe, Africa, and North America. Because the networks of the carriers are complementary, no hubs will be closed. All stakeholders, and our employees in particular, will benefit from the improved financial resiliency and better competitive positioning of the combined carrier. The merger will create over $1 billion in annual synergies that will help the new carrier withstand volatile fuel prices and cyclical downturns. The proposed combination also will allow us better to use Northwest's valuable Pacific franchise, better develop both carriers' domestic hubs, and better match the right planes with the right routes. Northwest has already integrated many aspects of its technology with Delta through the SkyTeam alliance, paving the way for a smooth integration process.

All of these benefits will be achieved without a substantial lessening of competition. The existing domestic and international route networks of Northwest and Delta are complementary, so the two carriers compete only to a minimal extent today. Of the more than 800 domestic non-stop routes that NW and DL collectively fly, there are only 12 non-stop city-pair overlaps. The vast majority of these non-stop overlaps enjoy substantial competition from other carriers, and all consumers will benefit from the significant cost savings that the transaction will create.

We did not come easily to the decision to merge with Delta. Northwest is proud of its long and distinguished history as a stand-alone carrier, and the company has made Herculean efforts in recent years to preserve its ability to continue operating independently. As you know, Northwest filed for Chapter 11 protection in September of 2005. As part of the Chapter 11 reorganization process, employees at every level of the organization made substantial sacrifices to insure that Northwest could emerge successfully from bankruptcy. We saw the success of this reorganization effort in 2007 when Northwest earned $760 million in profit, $125 million of which went to our employees as profit sharing and incentive payments. Yet, with fuel prices at record highs and amidst an economic slowdown, we remain financially challenged. The bottom line is that we have achieved our goal of crafting a transaction that creates significant value for all stakeholders. The combined company will be more stable and better positioned to meet the challenges of the future, both at home and abroad.

For Wisconsin and Minnesota, this merger has particular interest. It also has a particular history, one worth recounting briefly because it helps explain Northwest's strength today. Thirty years ago, in one of the first noteworthy airline mergers, North Central and Southern combined to form Republic Airlines, becoming the largest airline in the country measured by domestic destinations served. In 1986, Northwest − then primarily known for its international service − acquired Republic. They both had hubs and headquarters in Minneapolis/St. Paul. The U.S. Department of Justice initially opposed the merger, but the U.S. Department of Transportation supported it.

Senator Kohl, you may recall the controversy because it focused attention on the economic challenges facing the upper Midwest, and the role of the airline industry in critical regions like Milwaukee, Minneapolis, and Detroit. The Northwest-Republic merger encountered some initial difficulties, to be sure, but it is now seen as a "masterful solution" to the pressures on the airline industry at that time. The facts that created those initial difficulties − overlapping hubs and headquarters − are absent in this merger, so only the upside remains. You know better than most the potential that is locked inside smaller businesses, Senator Kohl. With innovation and vision, they can become national and international, providing jobs and service that make the world smaller and this country stronger.

One final historical note that you might find of interest: North Central Airlines, which became Republic, which became Northwest, and which we hope will soon become Delta, began with a truck company's biplane in Clintonville, Wisconsin. Another proud Wisconsin company, Midwest Express, began as a corporate airline as well. As the president of Midwest, Tim Hoeksema, confirmed this weekend on a television program in Milwaukee, this merger will not adversely affect his company. Observing the challenges facing the airline industry today, Mr. Hoeksema rightly observed that maintaining the status quo is not the way to overcome the industry’s current difficulties.

The testimony proceeds as follows. Section I of the testimony discusses why the merger of Delta and Northwest is procompetitive and consistent with regulatory requirements. The domestic airline market today is highly fragmented and will remain so post-merger. Furthermore, because this merger will combine complementary end-to-end networks, it will result in only 12 domestic non-stop overlaps, none of which will cause competitive problems. In addition, the merger presents no international competitive issues. Section I also examines how competition in the airline industry has been transformed since 2000. Low-cost carriers have changed the industry, and technology has created a transparency revolution that enables customers to compare airline fares quickly and easily. These factors will assure that a combination between Delta and Northwest will not reduce competition or harm consumers.

Section II of the testimony discusses market conditions in the airline industry, particularly the effect on network carriers of the dramatic increase in oil prices, the slowdown in the economy, the Open Skies treaty, and the consolidation of foreign flag carriers. These conditions require that Delta and Northwest respond proactively, and the merger accomplishes that goal.

Section III of the testimony explains how the Delta/Northwest merger benefits U.S. customers. The combined carrier will offer access to more worldwide destinations, accelerate investments to enhance the flying experience, and create the world's largest frequent flyer program. Section II also discusses how Delta and Northwest are uniquely positioned for a smooth integration process given their past coordination as part of the SkyTeam alliance.

Finally, Section IV explains how the combined carrier will continue to deliver exceptional service to U.S. communities by bringing increased single-carrier connectivity to smaller communities across the nation. In addition, this section discusses our commitment to maintaining all current hubs.

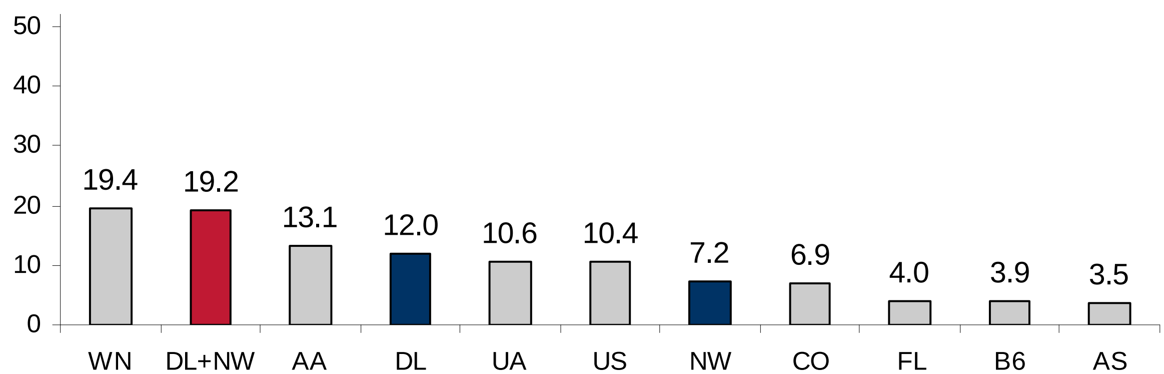
I. THIS MERGER IS PROCOMPETITIVE AND CONSISTENT WITH REGULATORY REQUIREMENTS

The domestic airline market is highly fragmented and there is little overlap between the networks of Delta and Northwest, proving that a merger of the two carriers will not substantially lessen competition. The fundamental characteristics of the airline business will continue to constrain any hypothetical anticompetitive effects of the merger. Most notably, low-cost carriers have achieved rapid growth in this decade, changing the competitive dynamics of the industry. In addition, new Internet search tools have created a transparency revolution in airline fares to enable customers to access low fares easily. Finally, customers will benefit from enhanced competition in the industry as the combined company becomes a stronger airline, better able to compete with discount carriers and growing international airlines that are now serving more markets in the United States.

The Domestic Airline Market Is Highly Fragmented.

The domestic airline market is not concentrated; no airline currently has greater than a 20 percent domestic passenger share. Even post-merger, a combined Delta/Northwest would capture less than 20 percent of the domestic passenger share, and Southwest would continue to have the highest domestic passenger share. (See Figure 1).

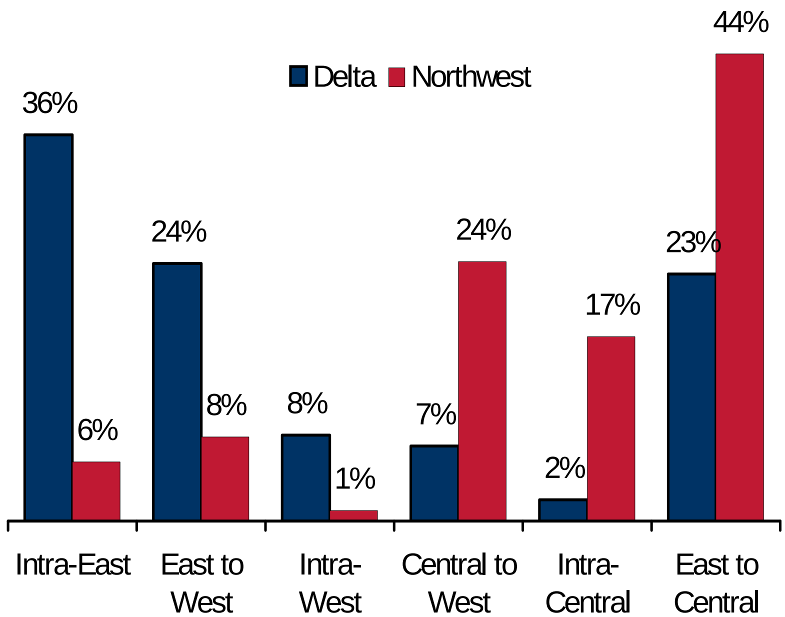
FIGURE 1: DOMESTIC PASSENGER SHARE (3RD QUARTER 2007)



There Is Very Little Domestic Overlap Between Delta's and Northwest's Networks.

There is very little overlap between the route systems of Delta and Northwest. Delta has a strong presence in the East and Mountain West, whereas Northwest's domestic route network is focused in the Midwest. As Figure 2 demonstrates, Delta and Northwest operate very different domestic route structures.

FIGURE 2: DELTA AND NORTHWEST CARRY DISTINCT PASSENGER BASES



The domestic overlap between the two airlines that exists is minimal and raises no competitive concerns. Because Delta and Northwest have complementary networks, the two carriers provide overlapping non-stop service on only 12 of the more than 800 domestic non-stop city-pairs that they collectively fly.

TABLE 1: DELTA/NORTHWEST NON-STOP OVERLAPS

Route	Other Competitors (non-stop competitors in bold)
Atlanta-Detroit	**AirTran** offers 8 daily non-stop round trips and has a 32% share
Atlanta-Memphis	**AirTran** offers 5 daily non-stop round trips and has a 36% share, with one-year growth of 9%
Atlanta-Minneapolis	**AirTran** offers 4 daily non-stop round trips and has a 22% share, with one-year growth of 10%
Cincinnati- Minneapolis/St. Paul	American and United offer connecting service; Midwest and AirTran both serve Dayton (only 57 miles from downtown Cincinnati) and Minneapolis
Cincinnati-Detroit	Competitors offer connecting service through Chicago and Cleveland; AirTran already serves both Detroit and Dayton (only 57 miles from downtown Cincinnati), and Southwest already serves Detroit; driving is an option, as the trip takes little more than four hours by car; non-stop entry can easily occur on this route with gate availability at both airports
Detroit-New York	**American, Continental, Spirit**
Detroit-Salt Lake City[1]	American, Frontier, Southwest, United, and US Airways offer connecting service with a collective share of 40%
Honolulu-Los Angeles	**United, American, Continental,** and **Hawaiian**
Indianapolis-New York	**Continental** and **US Airways**
Los Angeles-Las Vegas	**United, American, Southwest, US Airways**, and **JetBlue**
Minneapolis/St. Paul-New York[2]	**Continental** and **SunCountry**
Minneapolis/St. Paul-Salt Lake City	American, Frontier, United, and US Airways offer connecting service; Southwest and JetBlue serve SLC and AirTran serves MSP

Notes: 1) Northwest will launch service on Detroit-Salt Lake City in June 2008; 2) Delta will launch non-stop service on New York-Minneapolis in June 2008

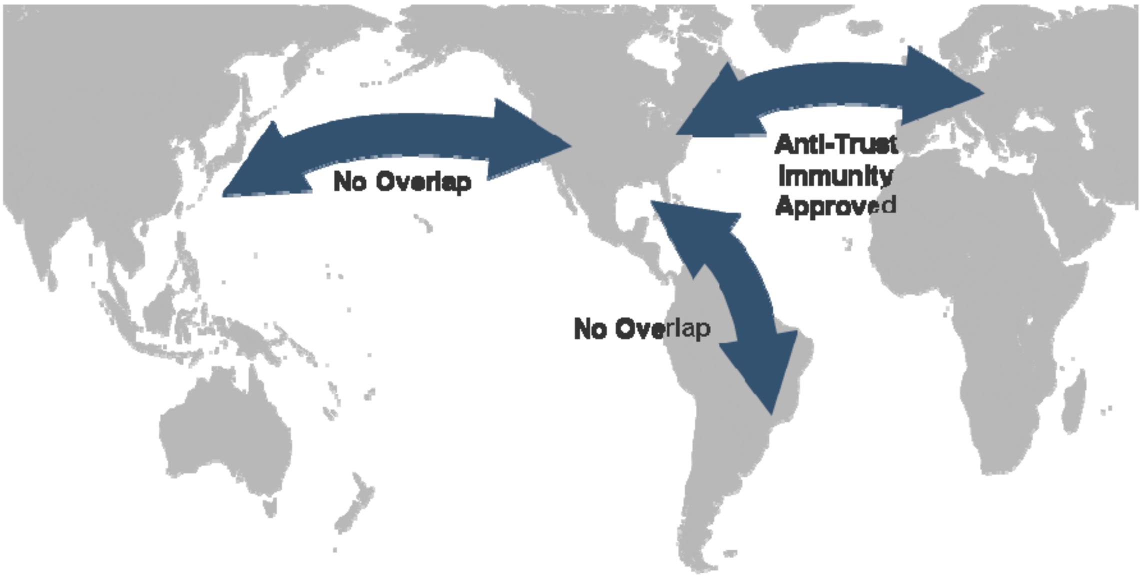
As Table 1 demonstrates, Northwest and Delta currently face significant competition from other non-stop and connecting competitors on most of these routes. In addition, other factors lessen potential antitrust concerns. Both discount carriers and legacy carriers can easily enter routes and provide competing service, and nearby airports provide competitive alternatives. Moreover, relatively few passengers travel on these non-stop routes; overall, passengers will derive benefits from the merger far greater than any potential competitive concerns raised by these few overlaps.

Delta/Northwest Presents No International Competitive Issues.

Finally, in the international markets, there are no significant competitive concerns. In fact, the U.S. Department of Transportation, in tentatively approving the joint application from Air France, Alitalia, Czech, Delta KLM, and Northwest for authority to operate an immunized alliance in transatlantic markets, found no basis to deny the request on competition grounds. In issuing its Show Cause Order on April 9, 2008, the Department stated "that the proposed alliance will not substantially reduce or eliminate competition, provided that transatlantic markets remain governed by a regional open skies agreement that promotes new entry regardless of national borders." The Department further noted, "We see no basis upon which the Joint Applicants could, as a result of this transaction, impose and sustain supra competitive prices or reduce service levels below competitive levels." (U.S. Department of Transportation, Show Cause Order, Docket OST-2007-28644, Apr. 9, 2008, at 13.)

Indeed, on an operating carrier basis, New York-Amsterdam is the only international non-stop overlap, and recently granted antitrust immunity permits Northwest and Delta to coordinate their service on this route even in the absence of a merger. Post-merger, the global aviation marketplace will remain intensely competitive; no global carrier – including Delta/Northwest – will have more than a 7 percent share of available seat miles.

FIGURE 3: NO SIGNIFICANT CONCERNS IN INTERNATIONAL MARKETS



The combination of Delta and Northwest increases competition in all international regions. The combined carrier will have a broader network closer in scope and depth to that which foreign flag carriers already possess, as well as a significant presence in all key international business markets, making it a stronger competitor against the foreign flag airlines.

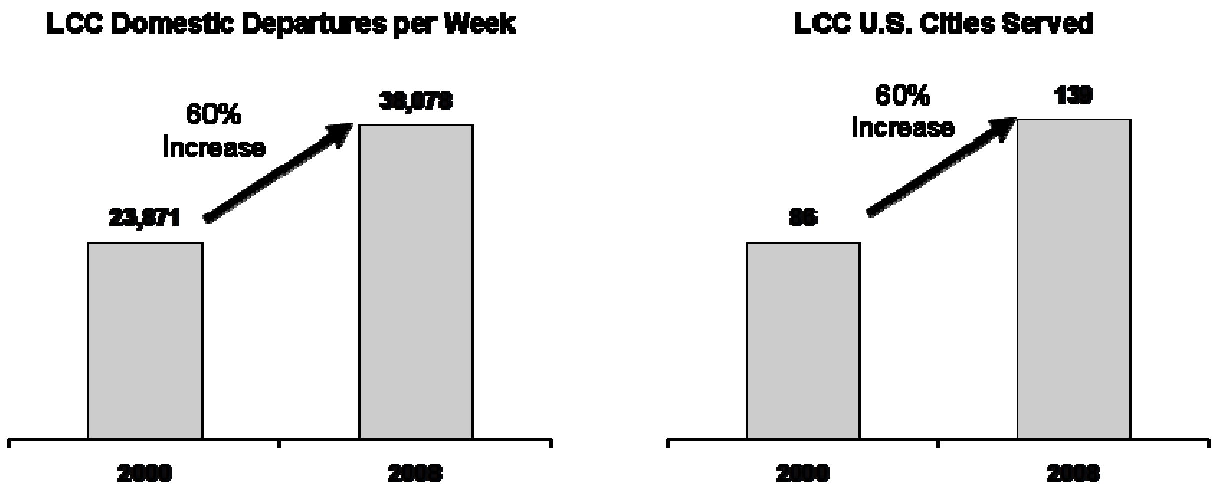
Competition in the Airline Industry Has Been Transformed Since 2000.

Since 2000, low-cost carriers (LCCs) have grown at a rate of more than 10 percent annually. Southwest Airlines, an LCC, now carries the largest number of domestic passengers. At the same time, Internet pricing engines and online travel agencies have created unprecedented price transparency, enabling passengers easily to find the lowest fares for a given itinerary. Compounding this phenomenon, LCC advertising has conditioned passengers to expect ultra-low fares.

Low-Cost Carriers Have Changed the Industry.

In July 2005, the General Accounting Office reported that "[t]he low cost carriers are really the price setters and have transformed the competitive environment in the airline industry." LCCs are strong competitors and have experienced explosive growth. Since 2000, LCC weekly departures and the number of cities served by LCCs have increased by 60 percent. (See Figure 4.)

FIGURE 4: THE RAPID GROWTH OF LCCS



LCCs have grown at an average annual rate of 11 percent since 2000 and in 2007 carried one-third of domestic passengers. The rapid growth of low-cost carriers domestically has created new competition that offsets historical regulatory concerns. Furthermore, LCCs are increasingly targeting business passengers: "Faced with slowing growth and higher costs, discount carriers like Southwest and JetBlue Airways Corp. are making a new push for business travelers, adding flights in heavily traveled business routes and even quietly offering companies special deals." ("Discount Airlines Woo Business Set," *Wall Street Journal*, February 19, 2008.). Led by Southwest, LCCs will continue exerting pricing pressure on legacy carriers.

Over the past several years, the major LCCs have been more financially stable than their legacy peers. Indeed, Southwest is the only domestic airline whose corporate debt is rated as "investment grade" by Standard and Poors, a fact that speaks both to the financial challenges facing the domestic airline industry generally and to the viability of the large LCCs. During the last decade, substantial discount carrier growth has resulted in a more competitive and fragmented industry. Today, LCCs serve all major cities, including all legacy carrier hubs, and are expanding into smaller cities.

Southwest Airlines has continued to experience dramatic growth over the past several years. Since 2000, Southwest has grown at an average annual rate of 9 percent. Today, Southwest carries more domestic passengers than any other airline. Southwest also has been the most successful domestic airline at hedging against rising fuel prices and will continue to benefit from its 70 percent fuel hedge for 2008, and its 55 percent fuel hedge for 2009.

Southwest and other LCCs also command significant market share as a result of recent competitive successes:

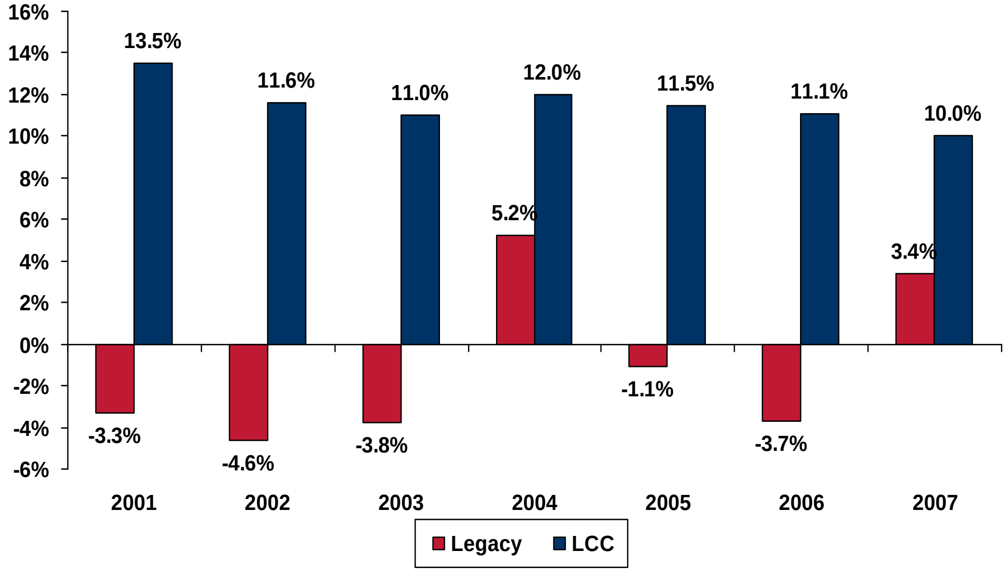
- **Southwest:** continues to have the strongest balance sheet in the industry, with a business model built on growth and expansion; added new non-stop service on 23 routes in 2007; initiated service at San Francisco International and now offers 25 daily non-stop flights to four cities and connecting flights to 49 other destinations.

- **JetBlue:** added new non-stop service on 24 routes in 2007; experienced a 15 percent increase in passengers; and received a $300 million cash infusion from Lufthansa.

- **AirTran:** set record traffic levels in 2007, and enjoyed increased load factors and enplanements; added new non-stop service on 35 routes; ordered 15 new Boeing 737s; has added four new domestic destinations since May 2007.

As Figure 5 shows, LCCs have accomplished this dramatic growth during the same period in which legacy carriers have shrunk.

FIGURE 5: YEAR-OVER-YEAR CHANGE IN DOMESTIC SCHEDULED ASMS



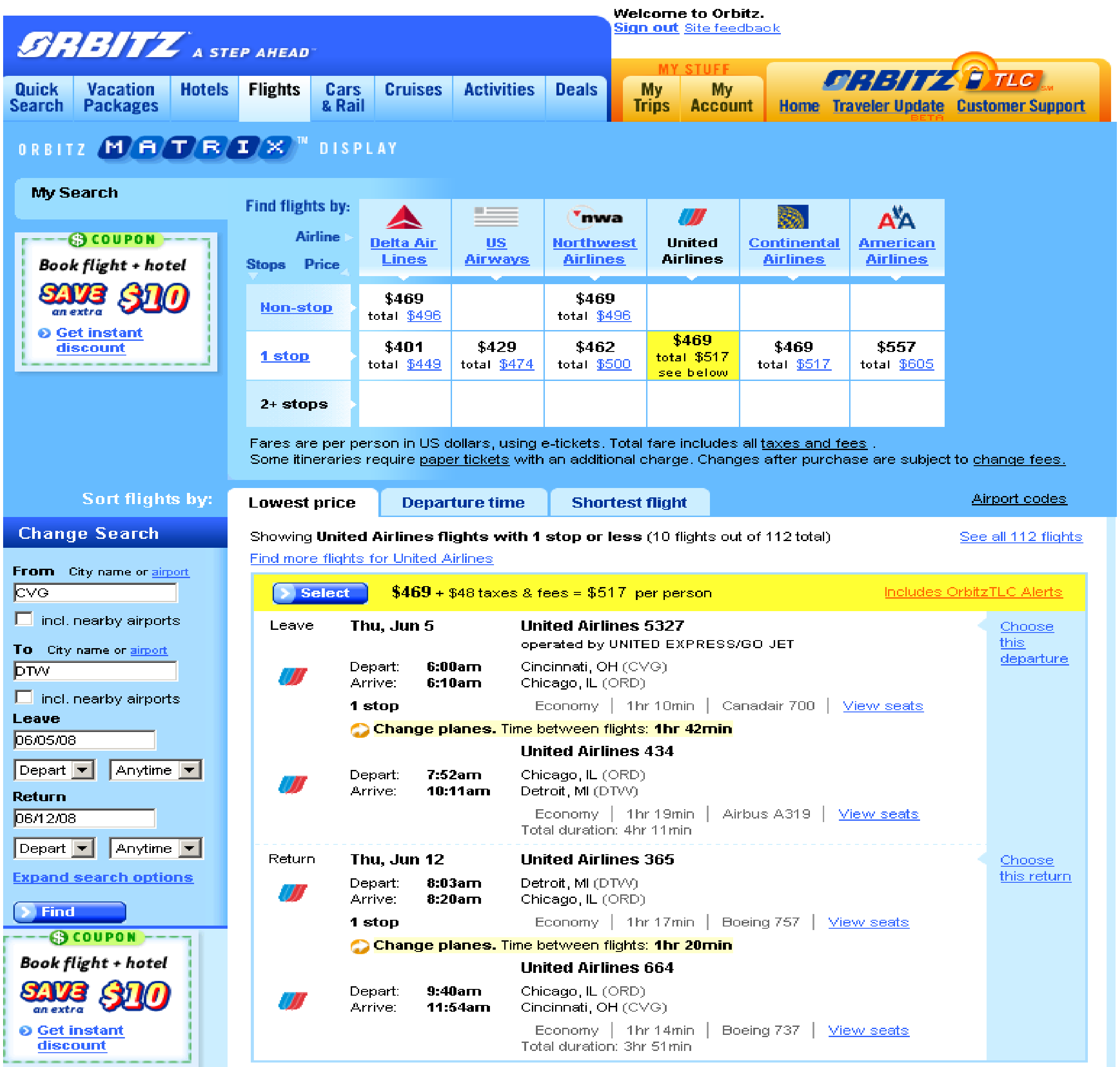
LCCs will continue to provide pricing discipline across the board. Entry in this business is wide open. There are plenty of airport gates available, and airplane manufacturers have always been ready to finance airplane deliveries.

In recent weeks, some smaller LCCs have gone out of business and Frontier Airlines recently filed for Chapter 11 protection. Nonetheless, competition from the large LCCs remains strong. In an April 11, 2008 report, Credit Suisse rated AirTran, JetBlue, and Southwest as "outperform."

Technology Has Created a Transparency Revolution.

Over the past several years, online sites such as Orbitz, Expedia, and Travelocity have been created to enable customers to compare airline offerings directly. (See Figure 6, depicting flight options from Cincinnati to Detroit as listed on Orbitz.com). These tools have provided enormous benefits to consumers and have increased the price-competitiveness of the airline industry. In fact, there are few businesses in which there is as much pricing transparency.

FIGURE 6: ORBITZ.COM SEARCH SCREEN



A consumer can log on to the Internet and, at the push of a button, review choices available across a wide variety of carriers. That same customer easily can sort those choices to find the lowest available fare and view extraordinarily competitive prices for both non-stop and connecting flights. For example, the Orbitz.com screen in Figure 6 displays competing one-stop connections on US Airways, Continental, United Airlines, and American for the Cincinnati-Detroit route.

Over the last several years, online travel sites have developed advanced search functions such as flexible-date airfare searching and route-specific e-mail fare alerts. Furthermore, sites such as Expedia, Orbitz, Travelocity, and numerous others provide their advanced pricing information and functionality to customers free of charge. Even business travelers now seek discount fares and travel sites such as Expedia Corporate Travel and Travelocity Business have evolved to target business customers.

In sum, customers have become far more sophisticated at comparing the offerings of competing carriers, and airline consumers have more tools at their disposal than do consumers in the vast majority of industries in the United States. As the *Economist* stated in June 2007, "[t]he web has made it possible for passengers to be their own travel agents by comparing fares and schedules and booking flights – and at prices much lower than a decade ago." ("Fear of Flying," *Economist*, June 14, 2007.) As online technology continues to evolve, airfare transparency will continue to be enhanced.

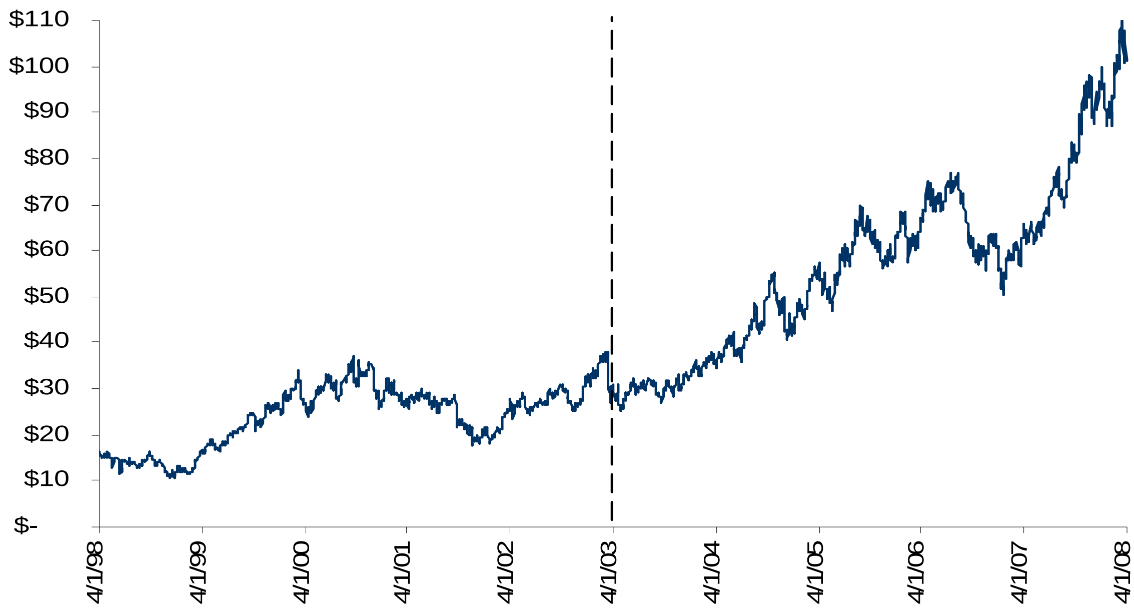
II. MARKET CONDITIONS REQUIRE CHANGE IN THE AIRLINE INDUSTRY

Significant economic pressures from record fuel prices and intense competition, particularly from discount carriers and foreign airlines based in Europe, the Middle East, and Asia, have fundamentally changed the airline industry. This new environment has resulted in diminished profits, restructurings, more than 150,000 lost jobs, and financial losses of over $29 billion among U.S. network carriers since 2001.

Oil Prices Have Increased Dramatically And Continue to Rise.

Record fuel prices have fundamentally changed our economics, forcing airlines to cut routes and reduce capacity and jobs. Over the last five years, the price of oil has increased at an annualized rate of 28 percent, now exceeding $115/barrel. (See Figure 7.) And the price of crude oil has risen by nearly 75 percent over the past 12 months alone. In addition, the crack spread for jet fuel has risen to $29.06 in April 2008 — the highest level ever, even compared to the post-Katrina crack spread spike.

FIGURE 7: DAILY OIL PRICES ($ PER BARREL)



Through the restructuring efforts of the past few years, Delta and Northwest have achieved the lowest mainline non-fuel cost of the full-service network carriers. Restructuring required substantial sacrifices by our employees in terms of lost positions, reduced pay, and reduced benefits. Our employees have made those sacrifices to give Northwest a chance to survive and grow.

Yet, given the rapid fuel increases over the past few years, we remain financially challenged. During the first quarter of 2008 alone, we spent $445 million more on fuel to operate virtually the same planes flying the same routes. We anticipate having to spend over $1.4 billion more for fuel this fiscal year than we did during the previous fiscal year due to price effects alone. And while it may seem that airlines are continuously raising fares to share these increased costs with consumers, the reality is that, thus far, consumers have covered significantly less than our incremental fuel cost increases. Today, fuel is the single highest expense of Delta and Northwest, significantly eroding the benefits of restructuring. Northwest recently reported a net first quarter 2008 loss of $191 million (excluding impairment charges and losses related to marking-to-market fuel contracts that settle in future periods) compared to a $73 million profit for the quarter last year. This difference represents a swing of $264 million from a year ago.

Because Delta and Northwest have already gone through bankruptcy and dramatically lowered costs, both carriers face fewer opportunities for further cost-cutting on a stand-alone basis. For example, we have assured our employees that we will not ask them for any additional pay cuts. The significant synergies of this transaction enable Delta and Northwest to offset more effectively the dramatic increase in fuel costs in a way we could not achieve individually. In short, the combination of Delta and Northwest creates a company with a more resilient business model that can withstand volatile fuel prices more effectively than either could on a stand-alone basis.

Open Skies and Consolidation in the Global Market Have Substantially Strengthened the Competitive Position of Foreign Flag Carriers.

Competition is growing from foreign airlines based in Europe, the Middle East, and Asia as Open Skies agreements and mergers are making foreign airlines stronger competitors. The Open Skies agreement between the United States and the European Union, effective last month, has expanded aviation markets around the world. Now any European or U.S. airline can fly between any city in the European Union and any city in the United States, giving European carriers greater access to U.S. markets. Open Skies increases competition between European carriers and highly fragmented U.S. legacy carriers. Foreign flag carriers have been able to invest in new aircraft and improved service offerings and amenities because they have not been confronted with the same economic challenges facing U.S. carriers and because they pay their fuel bills with stronger currencies.

Delta/Northwest creates a global carrier with a first-rate international network, positioning the new carrier to compete effectively against foreign airlines. This international expansion could not be undertaken organically. Northwest could not establish a European and Latin American presence to rival Delta's without substantial fleet expenditures and the renegotiation of restrictive bilateral agreements in Latin America. A Delta/Northwest merger permits Northwest customers to access Delta's extensive European and Latin American networks in a cost-efficient way.

Similarly, Delta could not unilaterally recreate Northwest's significant Asian presence because of restrictive bilateral agreements, slot constraints, and the need for substantial fleet expansions. Northwest and United, alone among U.S. carriers, possess grandfathered rights under the 1952 U.S.-Japan bilateral that afford extensive access to Japanese markets and the ability to connect passengers through Japan to other markets in Asia. A Delta/Northwest merger will allow Delta's customers to benefit from greater access to Northwest's three Japanese markets and eleven other Asia/Pacific markets.

Combining the complementary international networks of Delta and Northwest creates the comprehensive global network that customers value. By consolidating, Delta and Northwest will be able to compete more vigorously and effectively with foreign competition.

III. DELTA/NORTHWEST: A WIN FOR AMERICAN CUSTOMERS

Combining Delta and Northwest will offer customers greater choice, more competitive fares, and a superior travel experience. The combined airline will provide convenient connections between more destinations in the United States and around the world than any other airline. As a stronger, more financially stable company, the combined airline will be more able to reinvest in upgrading its fleet and enhancing the services that make flying more convenient and enjoyable for customers.

The Combined Carrier Will Offer More Choices Worldwide Than Ever Before.

The combined carrier will offer a true global network. The new carrier will offer service to over 390 worldwide destinations in 67 countries, including more than 140 small communities across America. Customers also will have access to 840 destinations in 162 countries through the SkyTeam Alliance.

Combining the networks of Delta and Northwest also paves the way for new route offerings. For example, Northwest Airlines is the preeminent U.S. airline serving routes between the United States and Asia, particularly Japan. However, our Asian network would be better utilized if it were connected to a domestic network of larger scale. For example, several years ago, Northwest discontinued service from Tokyo to New York because we did not have enough of a presence in New York to sustain that route. Delta, in contrast, has a strong presence in New York. The combined passenger volume of the two carriers will support re-entering the non-stop JFK-Tokyo route.

Delta/Northwest Will Create the World's Largest Frequent Flyer Program.

The merger will create the world's largest frequent flyer program. Because customers will be able to fly to more destinations and enjoy enhanced schedule options, they will have more opportunities to earn and redeem frequent flyer miles. Members of the existing frequent flyer programs of both Delta and Northwest will keep their current mileage and customer status post-merger.

Delta and Northwest Are Uniquely Positioned for a Smooth Integration Process.

Delta's and Northwest's complementary networks and common membership in the SkyTeam alliance will minimize the integration risk that has complicated some airline mergers. The carriers' frequent flyer programs, customer lounges, airline partner networks, and IT platforms already have been partially integrated through the SkyTeam alliance in which both Delta and Northwest participate. Thus, the carriers' previous investments in integration will allow for a more efficient and seamless integration process.

Heightened cooperation scheduled to occur in the transatlantic will further enhance the integration process. Last week, the Department of Transportation preliminarily granted antitrust immunity for a four-way joint venture among Northwest, Delta, Air France, and KLM. The combination of Delta and Northwest will facilitate an accelerated implementation of this joint venture, creating significant benefits for consumers.

IV. DELTA/NORTHWEST WILL CONTINUE TO DELIVER EXCEPTIONAL SERVICE TO AMERICAN COMMUNITIES

Because Delta and Northwest bring together complementary route networks with only minimal service overlaps, the combined company will preserve all of its hubs and serve more domestic and international destinations than any other airline. The new carrier will continue Delta's and Northwest's proud traditions of providing extensive service to small and rural destinations across the country. By combining, we will build on this decades-long history by providing small communities with service to hubs from which they will be able to directly connect to an even wider array of destinations on a single airline.

In the first half of 2008 alone, record fuel prices have forced the industry to reduce by more than 1.6 million the number of seats available to passengers. By the end of the year, Delta will have cut capacity by 10 percent, and Northwest by 5 percent. The merger, by producing a stronger competitor, will make service cutbacks less likely than if Delta and Northwest were to remain separate.

The Combined Carrier Will Make Service to Smaller Communities More Secure.

We take our commitment to serve customers in small communities very seriously. Together, Delta and Northwest will serve over 140 small communities, nearly double the amount of our next largest competitor.

By aligning our network strengths, we can enhance service from small communities to new international destinations. Indeed, 48 Northwest small communities will gain better access to 83 Delta international destinations. Post-merger, over 390 global destinations will be available on a single airline to each small community we serve, up from 250 on Northwest alone and 327 on Delta alone. Businesses in the upper Midwest will gain access to South America and expanded access to Europe, while businesses in the Southeast will gain better connectivity to Asian markets. Potential new economic development, trade, and tourism benefits from enhanced global access to and from cities and towns across the United States will arise due to the merged company's unprecedented international network.

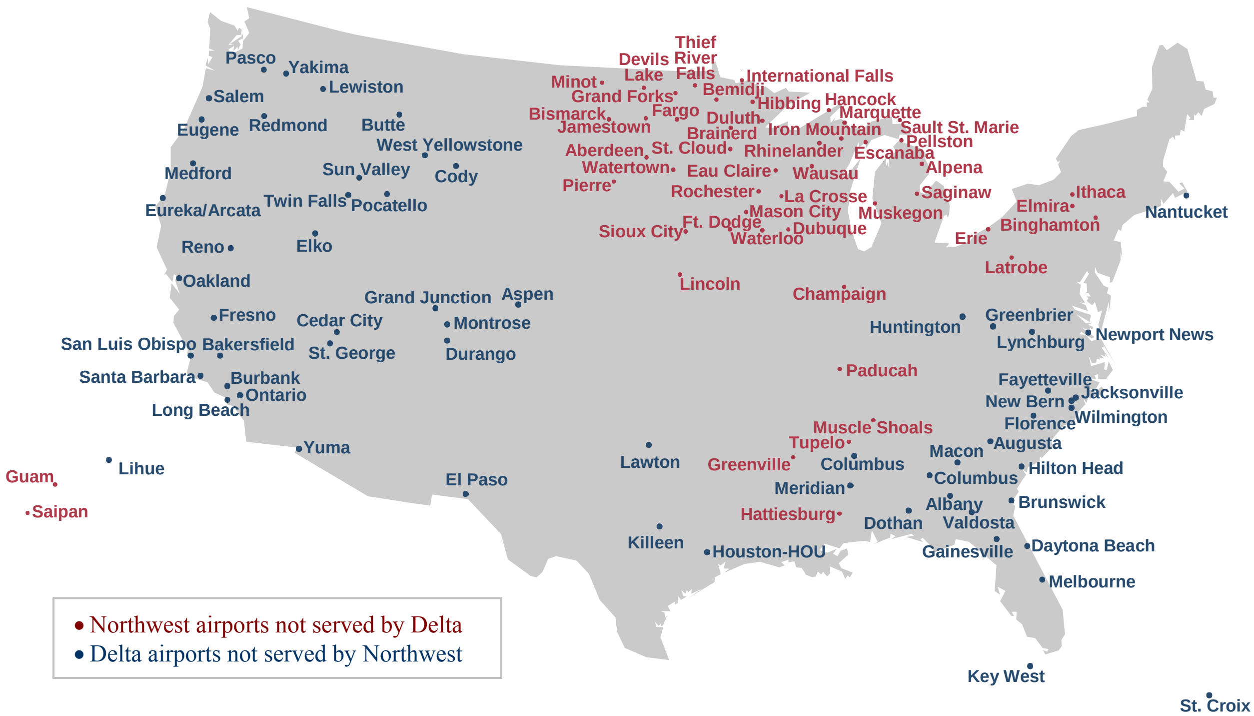
Furthermore, the cost savings achieved by the merger will enable the new carrier to continue serving routes that the stand-alone carriers would have had to cut. Thus, the merger creates a more stable and secure platform for service in an airline environment plagued by volatility. By combining, Delta and Northwest will make existing service to small communities more secure.

All Hubs Will Be Maintained

The Delta/Northwest network formed by our seven geographically balanced U.S. hubs is the combined carrier's greatest asset. We have no intention of dismantling any hubs, and have committed to maintaining Atlanta, Cincinnati, Detroit, Memphis, Minneapolis/St. Paul, New York-JFK, and Salt Lake City. These hubs do not exist because they were selected at random by an airline planner throwing darts at a map. They exist because there was a strong local market that justified the development of hub service, and an air carrier with the resources to develop it.

Delta and Northwest made different – but sound – business decisions in developing hubs in the cities where they exist today. Furthermore, each hub has unique service points, which add value to the hub and to the network. (See Figure 8).

FIGURE 8: UNIQUE REGIONAL SERVICE POINTS



The merger provides the opportunity for Delta and Northwest to make better use of their hub infrastructure investments by generating additional traffic flows throughout the broader combined network. Because this is an end-to-end merger and because sound economics underlie our hub operations today, there is no need for hub closures.

Detroit (DTW)

Detroit is Northwest's largest hub and will continue to serve as Delta's premier hub in the Great Lakes region with connections across the globe. The state-of-the-art McNamara terminal, combined with vast airside capacity, provides an efficient connecting complex that has won high acclaim with consumers. Detroit's northern tier geography (which is shared by Minneapolis) places it along the optimal great circle path for service from many U.S. cities to points in both Asia and Europe.

Even though Detroit is a large hub with extensive service throughout the heartland region, Detroit has relatively few flights to the Southeastern United States, where Delta provides comprehensive network coverage, and Detroit has no service to South America, where Delta is a major player. Customers in Detroit, and especially the unique cities served in Detroit's large Midwest catchment area, will benefit from access to the Delta network. In terms of domestic ASM's, Northwest devotes 49 percent of its capacity to the North Central region, and just 17 percent to the Southeast. Conversely, Delta offers only 10 percent of its capacity in the North Central region, and 39 percent in the Southeast. Combined, the respective hubs of Delta and Northwest form a better balanced nation-wide network.

Minneapolis/St. Paul (MSP)

The added traffic from Delta's larger U.S. domestic network will help to strengthen and promote the development of Northwest's Minneapolis/St. Paul hub, including its international services. Northwest recently added non-stop service from MSP to London Heathrow and Paris. Delta is a major player in Europe, and the deepening partnership with our common SkyTeam partners Air France and KLM will contribute to the long-term success and development of non-stop international services from MSP. We are committed to retaining significant airline jobs, operations, and facilities in the Twin Cities, and the combined carrier will continue to be an important part of the Minneapolis/St. Paul community.

Memphis (MEM)

Memphis will continue to play an important role for the combined carrier. Memphis is a smaller but efficient and well-performing hub. The demand for air travel to and from Memphis – which has sustained a major airline hub for more than three decades – is not going to disappear simply because there is a neighboring Delta hub 330 miles to the East at Atlanta (ATL). Northwest's Memphis hub has existed alongside Delta's Atlanta hub since its inception, and the merger is not cause for its elimination. By coordinating and optimizing schedules across the complementary multi-hub network, the new carrier can improve operating results and offer greater frequency and better routing choices for its customers. Memphis provides an important opportunity for future growth when economic circumstances permit. Even with its fifth runway, Atlanta is operating at capacity. Memphis is a flexible and less congested alternative hub.

CONCLUSION

Northwest Airlines has carefully considered the effect of this transaction on our shareholders, our employees, our customers, and the communities we serve. We have concluded that the merger is a win for each of these stakeholders in our company. This merger is about paying employees fair wages, reinvesting in new products and services for customers, earning a return for shareholders who have committed their capital, and being a good corporate citizen. An unprofitable airline cannot do any of these things.

The combination of Delta and Northwest will offer customers greater choice, competitive fares, and a superior travel experience. It will maintain all of Delta's and Northwest's hubs and serve more domestic and international destinations than any other airline, including service to more than 140 small communities in the United States.

At this time, I would be pleased to answer any questions you may have.