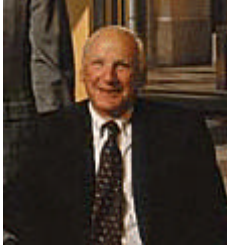


Delta Far From Pilot Deal, But Ch. 11 Is Avoidable, CEO Says

By Steve Lott

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Delta CEO Gerard Grinstein believes his airline can "easily" avert a bankruptcy filing but said he has no plans to budge from his plan to achieve at least a 30% pay cut from Delta's pilots and other concessions to get the airline's costs to a more competitive level.

Following the airline's annual shareholder meeting in Atlanta Friday, Grinstein told reporters that Chapter 11 can be avoided because there are other "areas of improvements" possible in the pilots' contract. He said there are tradeoffs among compensation and work rules, profit sharing and equity interests. "I don't think a court-supervised restructuring is absolutely an imperative."

Grinstein, however, remained firm that management's concession proposal is "truly a minimum number, and I just don't see that there is any latitude of movement from it." While there have been informal talks since the last negotiating session in January, the process has been moving slowly. Grinstein has been traveling since he took over the airline in January, meeting with pilot groups around the system.

He also said he wants a single deal with pilots that will bring labor costs in line with competition, rather than accept the pilots' current proposal. Delta does not want to end up like US Airways and be forced to win a third round of concessions in a relatively short period, he said. The pilot proposal "is so inadequate and doesn't come near enough to close the gap." Winning a smaller, intermediate deal would only land management "with a tin cup on your knees begging again."

In an address to the shareholders meeting, Delta Master Executive Council Chairman John Malone said the union "voluntarily stepped forward last spring to help our company return to profitability." The pilots' proposal has been on the table for a year, and "our offer still stands." He added that a "sound business strategy is necessary if Delta is to ultimately survive and prosper."

The shareholders meeting last week was in Atlanta for only the second time and was attended by roughly 1,100 people. While it comprised a large crowd of shareholders, employees and frequent flyers, the meeting had few fireworks and was less contentious than some executives feared. There were several comments about Delta's poor customer service, but Grinstein said the criticism was "not as bad as it might have been," as he has already gotten an earful during his four months on the job.

He said he is well aware of the service problems and how the changes in the frequent flyer program have angered loyal customers. "We're trying desperately to restore it to the level that we'd like to have," he said. Customer service is a key part of Grinstein's top-to-bottom review of the company that will likely be finished in August, when he promises significant changes. Delta "will look fundamentally different a year from now than it looks today," he said.

Grinstein expects to unveil a new top management structure within the next 14 days, following the resignations of President Fred Reid and CFO Michele Burns. Grinstein does not expect to name a president but will replace Burns. He has not yet found Burns' successor but said he will decide soon and is considering outsiders.