



Thursday, August 12, 2004

**"Big Stick - No Carrot"**

Dear All,

*All truth passes through three stages.*

*First, it is ridiculed.*

*Second, it is violently opposed.*

*Third, it is accepted as being self-evident.*

-- Arthur Schopenhauer (1788-1860)

Sometimes a leader needs to say, "We made a mistake. Now let's fix it." Those simple words can go along way towards healing.

Having followed our plight closely since 9/11, I now ask, how is it possible we don't have a deal yet? It felt like we were finally getting close. Why chance alienating the entire pilot group when the pump was finally primed for action? Folks who I've watched remain calm over the past three years were truly upset and disappointed by the latest turn of the screw.

How many family's lives do we continue to adversely affect with each day that passes?

Everything written in this space has been to help provide information to those who refuse to believe Delta Air Lines could fail or file for Chapter 11 protection. And in particular, many of the good people we serve as clients have appreciated a balanced voice on their behalf.

Again, I am not pro-ALPA. I am not pro-management. I am **pro-Delta** like most of us.

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## **What Happened Last Week?**

If Flip Wilson were still alive today he might suggest, "the devil made me do it".

Last week we all witnessed a crescendo of frustration by both ALPA and the company. Captain John Malone's letter to the pilots was strewn with anger from beginning to end and rightfully so. The company was suddenly piling on, thereby derailing the fragile process of good faith efforts. The response from management was equally pained with pent up frustration as Captain Joe Kolshak's memo tried to soften the angst with some quick damage control.

You can couch this any number of ways and point fingers at different folks, but the truth is, ALPA and those in positions of power - have squandered the opportunity of time. There is no one else to blame except ourselves. We rolled the dice and lost. It's gotten worse, not better - with the high price of fuel, decreasing yields, tougher competition, and greater cash outlays than anticipated.

Between January of 2002 and January of 2004, the pilots and the company had ample opportunities to reach an agreement and enable us to remain a serious competitor. The concessions would have been less, bankruptcy wouldn't be an issue, and we would have been focusing on our customers and the competitive marketplace vs. infighting on the inside. But there is no sense in dwelling on the past. We must look forward to solve our issues.

Now the pain will be greater or suffer the dire consequences of even higher concessions in bankruptcy - on the order of \$1.2 billion+ -- if the industry analysts' assessments are close and United, USAir and AMR are any indicator. Like Evita; the creditors, investment bankers, lawyers, and debtors-in-possession will cry not - for the pilots. Nor will Congress, the White House, or most American households.

## **The Tipping Point**

We are at the tipping point. We lose if we file Chapter 11. Every one of us. Not because of events and issues we didn't see coming. We will be losers because we waited so long to take positive action - choosing instead to play the usual, age-old politics of labor vs. management while Atlanta was burning - for the 2nd time in its history.

Neither side should expect to get everything they want. Otherwise, we lose far more of the intangibles - spirit, dedication, camaraderie, respect, and determination. What have we learned from United, USAir, American, Eastern, Braniff, TWA, and PanAm and 150 others who have tanked since Southwest started flying in 1971? Nothing? Anything?

Our competitors love the fact we can't get our act together. Every week that passes provides the opportunity to get the noses of their aircraft a little further under the tent. At a time when we should be motivated to work together against our competitors, we are competing against ourselves -- and stumbling miserably.

Our cash position is precarious and dwindling. We now cannot weather another terrorist attack, higher oil prices, increasing competition, or a downturn in the business cycle. We need deals with everyone and we need them yesterday. The pilots' contribution remains the biggest chunk. Others must join the effort but the pilots clearly should lead the way. The right stuff means little if we can't do it when needed most.

## **Clarity**

We need clarity and definitive leadership from Jerry and ALPA and we need it now.

Jerry came to us and said point blank, "I'm your last, best hope." Guys like myself have laid it on the line and supported Jerry's position in the hopes of getting a deal sooner than later. Now we discover some of the company's shenanigans at the bargaining table and look like fools for trying to afford Jerry the trust and support he needed.

The company must stop the perceived gamesmanship. I realize they hired a tough negotiating firm and you can't fault them for that - but maybe it was a mistake in this environment. Maybe we just needed Jerry himself to make the calls, re-build the trust, and follow his gut instincts with some help on the inside from folks who understand the airline business and the pilots.

In the same breath, ALPA has to be straight forward with the pilots about what's required to survive -- in terms of both dollars and bodies. Are we negotiating the whole contract or just trying to concede the cash to avoid a crisis? Are we truly trying to get a deal done or not?

No more games. No more posturing. No more rice bowls. No more egos. No more slick negotiating tactics. No more psychological warfare. We understand the problem.

The company is killing every ounce of trust and hope that remains among the pilots - at every level. And the rest of the employees are feeling heavy, increasing stress from the day to day uncertainty. Who here thinks this is healthy for company morale?

It's unconscionable that we are willing to accept the destruction of our proud culture - 75 years in the making. Long term success comes from companies with a shared set of values, customs, and beliefs that have been nurtured since the company was founded.

## **An Honest Broker**

Delta's pilots can handle adversity if dealing with an honest broker. They are a resourceful group of scrappy survivors - many of whom have faced much greater life threatening challenges in military service to their country (and spouses). They do the right thing when needed. In fact, that's precisely why they were hired in the first place.

It is inconceivable what is taking so long. What are the real motivations and expectations? Why continue to joust and damage the trust with petty deal breakers?

The pilot's wages are too high. OK - we all agree - and they are going to come down dramatically, somewhere between 25-35%. It was nice while it lasted, but the market doesn't - and won't -- support those levels anymore.

But don't come out and praise the pilots for the past seven decades as the best in the business with every letter from Ops and every Chief Pilot and then say they now need to get used to being paid in the middle of the pack.

Do we also seek mediocrity in performance, productivity, and safety? We'll get it -- and more -- while dismantling the best airline in the business and the spirit of its loyal employees - in every position - not just the pilots.

We are losing excellent people we never thought would leave. And I don't mean the executive corps shown the door by Jerry. I'm talking about the folks we all know who make the machine hum from day to day with their work ethic, attitude, and knowledge. Who can blame them? Is that what we want? A company-wide drain of the best and brightest while we horse around and act like spoiled children - with an odd sense of entitlement?

Is the company also angling for union busting? I don't believe so. But ALPA may unwittingly choose that path by leading the Delta pilots to the slaughter house where we will find even higher concessions, more furloughs, gutted work rules, and a loss of key retirement benefits via Chapter 11. Maybe the pilot group will look around after it's too late and question if it could have been handled differently.

### **AMR, UAL, or USAir - Choose Your Poison, But Choose It Well**

This shouldn't be hard to assess. There are three current and very transparent models to choose from - American, United, and USAir. Which one looks best? -- while we still have a choice to control our own fate.

Consider the following items below as a minimum we can expect if ALPA and the company fight the good fight all the way into Chapter 11. It won't matter who gets to the debrief room or the whiteboard first. There will be no winner and here's why:

1. One of the largest shareholders of Delta stock is the employees via the 401k. If we file for bankruptcy the stock value goes to zero. A kick in the teeth we didn't anticipate.
2. The creditors, lawyers, and investment bankers will ask the court for over \$1.2 billion in concessions from the pilots and probably get it. No? Then USAir, United, and AMR must have completely different cost structures and business models.
3. The pilot retirement plan and work rules as we know them today -- will be gutted.
4. 500-700 more pilots will be furloughed on top of the 1060. Do the math. Explain how we raise the cap to 85 hours, double the reserve utilization and expect anything less. This should not be a secret no one is willing to acknowledge or talk about. It is the reality we face and must deal with instead of pretending it will go away. Delta is not on Santa's route this year. Get competitive, grow the airline - and it gets better sooner - but not before.
5. If another wave of senior pilots sense Chapter 11 is imminent with a potential loss of the Lump Sum they will exit the pattern swiftly, leaving the viability of the flight schedule in jeopardy. Aircraft will be parked and passengers will book away. Both Jerry and ALPA need to assure the group at the top - 55 and older - that their current planned benefit is not in danger -- with no BS or caveats -- and they need to do it very soon. September 1st is fast approaching and guys are getting increasingly nervous with each news release or rumor.
6. If the gap between the company and the pilots is a few hundred million - why are we willing to spend the same \$200-300 million on fees for attorneys and investment bankers in bankruptcy? 98% of attorneys give the rest of the profession a bad name (a little humor). Someone please help me here. As Voltaire said hundreds of years ago, "Common sense is not so common".

*"Keeping score of old scores and scars, getting even and one-upping, always makes you less than you are."*

-- Malcolm Forbes

P.S. As I was getting ready to hit send on this article, an e-mail came in from one of our pilots in Cincinnati. He included a thought I felt was appropriate for each of us to reflect upon, especially the hardliners, who may never get it:

"Mike,

A friend of mine put our situation in perspective for me recently. He said, "When we (as individuals) ask Delta for help in our personal lives (time off for funerals, family issues or other crises), Delta never asks us what we'll do in return or to provide a detailed analysis or plan. But rather, without hesitation, they tell us to take care of our affairs and come back when we're ready.

During the last 18 months, Delta has been asking us for our help."

In closing, one can't help but heed the familiar words of Monty Hall:

*"Ladies and Gentlemen.....**Let's Make a Deal**"*

Take care.

Respectfully, Mike Stark

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