



Friday, September 3, 2004

Reality Check

Dear All,

"A man's got to know his limitations."

-- Clint Eastwood, aka Dirty Harry

"It might prove smarter to be the longest, vs. the highest paid, airline pilot."

-- Delta Captain, 1987, FL 360, ATL-LAX

Is it possible the celebration of Labor Day - for the laborer in all of us - might foster forward thinking and potential resolution? Is it possible Delta management will show they care about and trust their labor force and vice versa? Is it possible two opposing sides can work things out in a reasonable and fair manner to benefit all concerned?

Yes, it is possible. But it takes surefooted leadership and humility on both sides for success.

This is not the kind of article I enjoy writing, but someone should - otherwise we allow our morale and spirit to descend deeper into the abyss and never fully recover - usually due to a lack of good communication and too much misinformation.

Like a cancer, negative attitudes - fueled by questionable decisions on both sides - eat away at our daily resolve. Over the past year, beginning with the retiring pilots last September in 2003, we've watched the most loyal and dedicated Delta employees of 20-30 years shake their heads all the way to the Employee Service Center to turn in retirement papers they never wanted to submit -- especially not before their tour of duty was complete. It's akin to a sort of premature ejection. (Check the spelling closely if you're a fast reader).

There is something wrong if a company doesn't appear to care that it is losing its best, most experienced people.

Delta management and the pilot's union leadership can stop this downward spiral before it truly is too late. Both sides are playing a dangerous game of chicken with people's lives.

It isn't just about the senior guys in the twilight of their careers who anguish each month about

losing their well-deserved lump sum. It isn't just the pilots in their late 30's and 40's -- in the dead zone -- who have no where else to start over. It isn't just the furlougees who would give up a lot on the outside to come back.

And it isn't about every other Delta employee -- who comes to work each day -- hoping the news gets better surrounding the issues they have absolutely no control over.

No, it isn't just about the employees. It's about the families of our employees. The people you are closest to and going to spend this Labor Day weekend with (except those junior flyers). It's the family members whom we are letting down with every day that passes while we painfully slog our way towards the potential unknown, irreparable damage of bankruptcy -- a drastically different Delta than today.

It's the wives, husbands, and children of our Delta employees who have supported every sacrifice made in the name of Delta whenever necessary. They now find it increasingly difficult to understand why smart, adult leaders can't come to an agreement that saves and heals one of the greatest companies ever built - employee by employee - in America.

Why? Because it's our family members who witnessed our sheer joy the day we got hired. It's our families who hear us sing the praises of working with fellow employees we truly respect and admire. It's our families who know how many times we've gone to work "sick" out of a sense of duty. It's our family members who have had the luxury of traveling the world over and appreciated why.

It's our families who have watched us study for weeks on end - simply because of the pride and obligation it takes to be professional and safe. It's our families who have watched us volunteer untold hours in the community in the name of Delta Air Lines. It's our families who are watching us become more distracted and distraught by events beyond our reach.

And thus, it's our family members who understand how much we have appreciated the privilege to work for a company we love and how much that company has provided to us over the years in terms of prosperity, opportunity, and security. Think about what each of those three words have meant to each of us and what the alternatives could have been.

We are in the 11th hour, maybe later. Maybe Cinderella doesn't make it this time. The employees - from oldest to youngest - have been disappointed - but painfully patient - with our management team and union representatives. It is time to get it done. The word behind closed doors is they are making progress - slowly. Hopefully not too slowly -- before we run out of time and cash.

It should have been done two pay raises ago or 9 months earlier when we - the pilots of Delta Air Lines - via our union reps - could have made a necessary and meaningful contribution to our realistic survival with \$700-800 million in concessions. The initial \$300 million offer from ALPA was never enough to be serious about our survival and both sides knew it. Our competitors continue to eat our lunch while we battle and bleed internally.

Now - if we are foolish enough to let a judge decide our fate - bet on \$500 million more - or \$1.2 to 1.3 billion in total concessions - between reductions in pay rates, work rules, vacation, medical benefits, and future pension contributions/valuations.

That is, unless we believe the legacy cost structure at American, United, or USAir are somehow drastically different than Delta. Or that Southwest, JetBlue and AirTran don't know what they're doing and will substantially raise their costs in the next 30-90 days - to help us out as good neighbors across the ramp.

Or that the uncontrollable price of fuel won't remain a factor. Or that our steep pension obligations will go away. Or that \$12-20 billion (pick a billion, any billion) of various incurred debts isn't weighing us down. Or that the consumer "loves to fly" and wants to pay more for a ticket on Delta.

Dose of reality?

United has shed 42,000 employees since 9/11 - from 104,000 down to 62,000. The headline in Wednesday's (9/1/04) Financial Times says UAL plans to let another 6,000 go - a further 10% reduction of the workforce. Delta may be forced to do the same.

Here's a quote from UAL's CEO Glen Tilton, "These proceedings have reached a critical crossroads at which poor decisions based on bygone paradigms cannot be afforded and tough ones can no longer be avoided." It's taken three long years for United's leadership to finally make that statement. Jerry said the same thing the day he took over, nine months ago.

Additionally, if United walks away from its four pension plans, the PBGC will pick up over \$6 billion of the \$8.5 billion tab. Who's going to lose the majority of the major shortfall in pension payments in retirement? The pilots. Can ALPA stop that from happening? No. Did ALPA stop it from happening at USAir? No. At PanAm? No. At TWA. No. At Eastern? No.

Can ALPA stop it at Delta? Yes.

And the American pilot's union - APA - which is not ALPA, did protect their retirement plans as a primary consideration with their concession package.

What's the overall situation at American -- who continues restructuring outside bankruptcy? Their cash position has been built back to over \$3.5 billion in 12 months time. They are able to compete head to head with AirTran in Dallas.

Who's caught in the crosshairs in Dallas with no flexibility? -- Delta. Who can't compete with AirTran in our own hometown backyard? - Delta. Do we see a trend here that isn't going our way?

I'm not going to rehash the major gaff the company made with their latest counterproposal to the union which upset our MEC leaders with numerous items that didn't involve cost savings. Suffice it to say the company lost a large dose of credibility and trust with the line pilots. This probably emboldened ALPA with further resolve and solidarity concerning the current negotiation process.

However - don't mistakenly believe we suddenly gained a better hand of cards. We still must craft and offer a significant amount of concessions. To make the company happy? No. To compete in this cut throat business and expect to survive. Otherwise we are going to get

buried under the weight of our own egos and continued belief "it can't happen here".

ALPA knows the numbers. ALPA also knows Jerry is serious and didn't come here to fail. This isn't ALPA against Delta management. It is labor against what the marketplace is willing to pay us and still remain in business. The business model that is currently working has changed. And labor will be the walking wounded when the dust settles. Because we were bad kids? No. Because we got greedy? No. Because the company doesn't like us? No.

It's because America rewards any entity that can do the same job for less and still provide the service and value a customer expects. The marketplace will win. Southwest, JetBlue, and AirTran are here to stay - just like Wal-Mart. Who do we believe will win the battle for the consumer's dollar?

Neither side should expect to get everything they want. Why? It sets us up for a different kind of failure later on - the loss of increased productivity you would get when your employees still care enough to be the best. If we don't show we care, why would they?

I write to each of you, as a fellow employee and pilot, who believes we are worth every penny the marketplace will pay us, but more importantly at this juncture, I'm writing from a business and financial viewpoint. If you don't believe I think we are a valuable resource, go back and read the article I wrote five years ago - carried in both the AJC and the ROAR, and on pilot bulletin boards at other airlines across the country.

The article was titled - "An Airline Pilot's Pay - A View From the Cockpit".

A couple of the key points in that article were that the average American worker doesn't worry their cubicle might dive 30,000 feet into the North Atlantic at night, or that their desk might catch on fire today. Nor are corporate executives asked to make critical decisions at 500 knots which can't be reversed or discussed at length in endless meetings. Nor does the average housewife worry her SUV will ever end up in the Florida Everglades in a million pieces - never able to return home again to say goodbye to those they love.

Most folks don't choose a profession that demands they deal with the inherent stress of flying a machine that can't just pull over to the side of a cloud to fix a problem or avoid the challenge of bad weather, high crosswinds, blowing snow, ice patches, poor braking action, and a short runway at the end of a 10-12 hour workday - while being expected to deliver 200 folks safely to their destination. We all hope Michael Jordan is at the top of his game that night.

I fully understand the intrinsic value we add and responsibilities we bear as commercial air line pilots. But I also understand and continue to try to convey -- the game has changed -- and we must either adapt or find another vocation. And with that I ask, where in the workforce are we going to find another job that pays these rates for the number of days worked and the additional benefits we are offered in the health care, vacation, and pension arenas.

A Captain's seat at Delta Air Lines is still going to be one of the best jobs you could find in America or anywhere else around the globe. Are there better deals out there? Of course. But it takes a lot of hard work - all over again - and many long hours to get there. And a couple of us might win the lottery also.

Every time I write one of these articles I run the risk of losing another friend - assuming I had any to begin with. But leadership isn't about making friends. It's about doing the right thing in the face of adversity and having the integrity and backbone to speak when others don't or won't.

We all expect the folks we have entrusted with our careers - ALPA, Jerry, John, Joe, Gary, Dean, and anyone else in positions of leadership - to break down the barriers and get it done. These are good people who need to collectively make a good decision to live and fight another day.

I'll also make a personal commitment of \$50,000 towards buying the company our next 777 from Boeing, to help support the kind of upward movement our workforce wants to see and the growth our furloughness will need to return to the property. Together, we can turn this thing around - which I still believe we will.

There's no deal if they want an RJ instead of a 777.

We are running out of time and money.

Respectfully, Mike Stark

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