

The following is an article written by Captain Mark Halsor. Mark served the Delta pilots for 5 years as the Pilot member of the Delta Board of Directors.

Good Jobs Manifesto

The annual shareholder's meeting is over, Leo is gone, and another pay raise is in the offing. Cash on hand is decreasing, losses are continuing, pressure from low cost carriers are rising, and preparations for section 6 negotiations are beginning. The new CEO feels that bankruptcy is inevitable if Delta's cost structure is not re-set. ALPA also believes that bankruptcy is inevitable if Delta management does not negotiate. In short, it appears very possible that two huge ships, Delta and ALPA will simply pass in the night and the legacy of another great airline will crash on the shores of bankruptcy.

What is most disconcerting about the above scenario is the "casualness" of it all. Both ALPA and management seem to feel that we have a lot of time to deal with our problems and the "system" is the answer i.e. "We'll do a survey, you get a new negotiator, we'll do a study, you do a menu, we'll drag this out, you'll get what you need etc, etc. In the meantime, the marketplace, the arena where we compete, is not being "casual" at all. Delta is in worst financial shape of our 75-year history, each day it is getting worse, and the trends are for accelerated deterioration, not for some miraculous "revenue recovery".

ALPA versus Grinstein At the helm of this slow-motion train wreck is Jerry Grinstein. A man whose unquestioned transportation industry credentials lead to one, great, quandary: "Why would he would ever take such a job?" There is no dispute that Grinstein is smart, savvy, and rich enough to weather any Delta liquidation. Across the ring is ALPA, well organized, steeped in industry knowledge, and whose membership's jobs and wages would be devastated in any bankruptcy scenario. Advantage: Grinstein.

Grinstein inherits contract 2001, an undisputed ALPA victory which has Delta pilots earning at least 30% above our industry peers in wages and benefits. By agreeing to open talks within our current contract, ALPA seeks to trade concessions for a chance to preserve the contract 2001 framework while avoiding the certain debacle of contract 2005. Management seeks 30% now (35% after the next pay raise) in some sort of wage and benefit combination. ALPA has 13% in concessions on the table and demands negotiations. Advantage: ALPA.

Grinstein, a Seattle native, spearheaded the Delta Board's approach to the Boeing 777 negotiations with ALPA. Management opened at American plus a little. We countered with \$350 an hour. Management responded with \$238. We countered with \$335 and management began to defer delivery of 777's. Management stated "We are not going to 'split the difference' in protracted negotiations over this issue". As 777 orders were being converted to smaller aircraft (never to re-appear), ALPA wisely dropped into the "zone of an agreement", \$265 an hour. The deal was done at \$246 an hour; ALPA got the 777 on the property plus another bite at the apple in contract 2001. Management also got the 777 and what they considered (at the time) to be a competitive 777 rate. Advantage: Grinstein.

The pattern of the 777 negotiations does much to explain Grinstein's approach to

ALPA today. Management opened for 30%, ALPA countered with 13%. Management countered with 29.5% (if that) and stated "We are not going to 'split the difference' in protracted negotiations over this issue". To get a deal done that preserves the contract 2001 framework, ALPA will have to get into the "zone of an agreement" of around 25% and negotiate from there. The alternative is death by a thousand cuts on the road to bankruptcy. Advantage: Grinstein.

As Grinstein settles in, the SERP-powered rush to the door of current management accelerates. Management is focused on the only thing that a management team can do when in turmoil and in fear of losing their jobs: cutting costs. By not coming to an agreement, ALPA inadvertently provides management cover: "We are powerless in the marketplace with our costs so out of whack" is the management answer to every strategic question. ALPA could quickly put the focus back onto management and force Grinstein to assemble a team that would have to compete in the industry. With costs off the table, an agreement to hold management accountable for performance could easily be part of any contract 2001 agreement. Advantage: ALPA

The most shocking development of Delta's post 9/11 experience is our exploding level of debt. This debt load insures that operating profits will be plowed into debt reduction for the foreseeable future. Our stock price reflects this outlook and an agreement containing stock, stock options, or profit sharing would be just another cruel joke on the membership within any contract 2001 extension. While crushing debt certainly limits management's options in the marketplace, nothing limits a union more than a bankruptcy judge. Even so, we could actually hear again from the "let's go to a P.E.B" crowd that "Bankruptcy ain't so bad" or that "We could void our debt in Bankruptcy" so hey, "Bring it on!" Just like John Kerry does not care about partial month move-ups, a bankruptcy judge will not care about "preserving the profession" or about how bad we were "shafted in contract '96". No, the bankruptcy judge will work with current management, to get as many assets that are left into the hands of Delta creditors. Union concerns are way down the list. As the pilots at UAL and US Airways know, in bankruptcy "The giving never stops". Advantage: Grinstein.

Grinstein faces the daunting task of rebuilding employee confidence in management. First, he has to assemble a credible management team and anoint a successor. Then he must channel the results of his strategic review into a strategy that Delta employees will support. Employees being employees, we place way too much emphasis on management compensation and so-called "trust" issues. We should never forget that any company is only as good as its management team. Managers are just agents with no more claim on the corporation than we have. After a team is assembled, it does no good to ridicule their every action or to question their every move. If management fails, we fail. Grinstein has to assemble a winning team, while ALPA can beat the trust issue to a fare-thee-well. Advantage: ALPA

The APA experience Those of us who have been around long enough know it's just a matter of time before our friends at American gut the industry again with some new "B-scale" type of epiphany. True to form, their latest agreement hangs us out there at about a 35% premium over their pay and benefits while they extol us to hold the line. Through this, they try to win both ways by hoping Delta either exits the market place or lives long enough to give them something to peg their wage demands on in 2008 (where they will still be 20% below our current rates).

APA now knows the danger in waiting to conclude an agreement on the "Bankruptcy Court steps". These type of agreements, rather than preserving leverage, often, as

theirs did, dissolve into a "concessions-fest" that would have been much less onerous if it had been negotiated under a less time-compressed process. Even so, the APA did a couple of things right. 1. They avoided bankruptcy which preserved their bargaining power (such as it is) enough to craft an agreement that actually recoups their concessions over (an excruciatingly long) period of time. Again, this is in contrast to our ALPA brethren at UAL and US Airways who have seen no end to the givebacks and business plan uncertainty. 2. They put the focus back onto their management team. At American, the cost cutting excuses are no longer there and their management team, not the APA, is under the microscope to perform. This is how it should be at Delta.

Until APA gets back into ALPA, they will continue to harm the industry and under-serve their membership. However, it can be said that American is "through the eye of the needle" on cost cutting and is busy crafting a business plan that will pay their debt down enough so they can weather the next recession, something that Delta is not doing. With the average recovery in our industry lasting 3 to 5 years, we need to get busy fast or bankruptcy will be inevitable during the next industry down turn.

The Courage of an Agreement There are several issues that ALPA must deal with internally while not losing focus on ALPA's overall mandate: preserving and protecting good airline jobs. Some will misconstrue this into trying to protect all current jobs, which in the current nature of our industry, is impossible to do. Any agreement with management will cost jobs in the short-run while preserving the opportunity to work at Delta in the long run. It is as simple as that. Again, nothing eats jobs quicker than bankruptcy, and as our friends at CAL know, the levels of pay and benefits are set back at least 20 years.

Under the above analysis, we could try to leverage our advantages over CEO Grinstein, try to force him to negotiate, try to get him to take "half-a-loaf", try to preserve the "system" of negotiations. We had an opportunity to do this over the last year and a half and things just didn't work out. Now, the reason management insists on "all or nothing" is because they do not have the time to do anything else. If they take half now and try to get half later, the first half takes them into chapter 11 before section 6 negotiations get off the mark. This is their message and we have to deal with it because we simply do not manage the airline. Again, the only way to call them on this is to get into a zone of an agreement, complete a deal, and hope they have enough time to get us through the eye of the debt needle before the next industry shock is upon us.

There is no doubt that these actions will take courage from ALPA leadership, courage I think, our ALPA leadership has. It is also clear that the membership will respond to leadership in a well-thought out strategic plan. The plan is simple: conclude an agreement (the membership knows we're at about 30% over the industry), put the focus back on management, pay down debt, and live to fight another day. But no matter what, we must act quickly; taking no action is indeed, a decision. Taking no action is opting for bankruptcy.

Capt. Mark Halsor