

## Delta Moves to Avoid Pilot Shortage

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Delta Air Lines said it signed an agreement with its pilots union to relax certain contract rules in order to avoid a potential pilot shortage during the upcoming summer and fall travel season.

The potential problem arises from the possibility of a higher-than-normal number of pilot retirements this month and in June, which could cause a shortage of pilots needed to fly certain high-paying categories of aircraft, such as the Boeing 777 and 767. The agreement allows the company more leeway to cancel vacations and adjust training schedules in order to keep its cockpit seats filled. The company and union, however, still remain far apart in talks over wage cuts the company says it needs in order to survive.

A Wall Street analyst raised concerns this week that up to 200 pilots may be opting for early retirement at the No. 3 U.S. carrier company, after AMR Corp.'s American Airlines and UAL Corp.'s United Airlines. "In a worst-case scenario, Delta may be forced to ground a large portion of its 777 fleet this summer," William Greene, analyst for Morgan Stanley, wrote in a research note.

Delta and the pilots union said there was no cause for alarm. "The union identified it as a potential problem months ago and recently ratified an agreement with the company to prevent any disruptions to the company's revenue stream due to a pilot shortage," said Chris Renkel, a spokesman for Delta's Air Line Pilots Association unit.

Delta uses its eight 777 aircraft mostly to fly international routes, on which Delta is anticipating badly-needed heavy traffic this summer to help its precarious cash flow. "We don't foresee any disruptions for our customers at this time," Catherine Stengel, a spokeswoman for Delta said.

Delta's pilots may retire early to take advantage of attractive retirement packages that are partly determined by interest rates. The lower the interest rates, the higher the potential lump-sum payment pilots can receive for their retirement benefits. With interest rates trending higher recently, some pilots may opt to go now since higher rates mean a smaller lump-sum.

Last summer, Delta had to scramble to train replacements when hundreds more senior pilots retired early. The union and the company made a similar agreement then, too.

Delta and the union have been in slow-moving wage-cut talks since last summer. The company is requesting a 30% wage cut, plus significant work rules concessions to boost productivity, and has warned it may have to file for bankruptcy court protection if it can't reach an agreement with the union. The union has countered with a 13.5% wage cut, plus productivity improvements, and says the company's demands exceed what it really needs.

Separately, the company announced it had retained Scott Kruse, a partner with Gibson, Dunn & Krutcher, a Los Angeles law firm with expertise in labor negotiations, to lead the negotiations with the pilots. Last month, the company's longtime negotiator, Terry Erskine, announced his retirement.

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