

Delta CEO Again Warns Survival Depends on Concessions by Pilots

By a WALL STREET JOURNAL Staff Reporter
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The chief executive of **Delta Air Lines** reiterated his warning that the No. 3 U.S. carrier's survival will require a full slate of concessions from its pilots union.

"There's no reason to belabor the need for the concessions," Gerald Grinstein, Delta's CEO, said at an investor conference in New York. "What we will not accept is an agreement that provides only a partial or temporary solution."

Mr. Grinstein's comments represented the latest warning from the Atlanta carrier in recent months that it may be forced to seek bankruptcy-court protection unless it can drastically cut expenses, including its pilot costs, which are the highest in the industry. Wall Street analysts have suggested that Delta's labor costs, high fuel expenses and weak pricing power could push the carrier to the brink of bankruptcy by year's end. Delta's fuel costs alone will be \$670 million higher this year than in 2003, Mr. Grinstein said, mostly because of high oil prices.



Gerald Grinstein

Once one of the strongest U.S. airlines financially, Delta has piled up more than \$3.6 billion in losses during the past three years, while rivals such as **AMR Corp.**'s American Airlines and UAL Corp.'s United Airlines have won steep wage concessions from employees. "It is unquestionably clear that Delta as it is now structured cannot survive in the marketplace," Mr. Grinstein said.

Pilot costs aren't the only area where Delta must find a way to make substantial cuts. Mr. Grinstein said a companywide strategic review, expected to be completed by late August, will focus on establishing a new cost structure that would make it possible for Delta to generate double-digit operational margins during good times and still come at least close to profitability during slumps.

Mr. Grinstein also noted that pilot wage-cut talks largely have been stalled since January, even as Delta's financial condition has grown more precarious. The carrier has asked for pay cuts and productivity enhancements valued at more than \$800 million a year.

The Air Line Pilots Association unit at Delta counters that the airline needs only smaller cuts, offering concessions valued at roughly \$300 million a year, according to people familiar with the situation. "ALPA has been attempting to negotiate with management for over a year to lower pilots' costs as part of an overall corporate-recovery plan," said Karen Miller, a union spokeswoman.

Delta shares fell 24 cents, or 4%, to \$5.71 in 4 p.m. New York Stock Exchange composite trading.