

Delta CEO Asks Pilots For \$1 Billion in Concessions

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July 30, 2004 5:44 p.m.

Delta Air Lines responded to its pilots union's recently improved concessions offer by increasing its wage-cut request by nearly 20% and asking for new pension-plan changes, essentially moving the goalpost in thorny yearlong talks.

In a letter to pilots, Gerald Grinstein, Delta's chief executive, said the third-largest U.S. airline was now asking for wage cuts, benefits and work-rules changes valued at about \$1 billion in annual savings. He said Delta wasn't in a position to negotiate, and that the figure represented a minimum needed for the company to regain long-term viability. "So, unlike traditional talks where a company's opening proposal represents a ceiling from which it can afford to lower its target, this level of savings must be achieved," he said in his letter.

Delta previously had sought concessions valued at more than \$800 million a year. The pilots, represented by the Air Line Pilots Union, last week roughly doubled their concessions offer, which they now value at up to \$705 million a year in savings.

Mr. Grinstein also said that the company had presented "certain pension plan changes for ALPA's consideration and input which, unlike United [Airlines], are designed to achieve viability, preserve accrued benefits and provide a sustainable pension plan going forward." He didn't provide specifics of the changes, but said Delta's objective was to maintain its ability to fund the pilots pension plan.

UAL Corp.'s United Airlines last week announced that it wouldn't make required contributions to its underfunded pension plans for the duration of its stay in Chapter 11 bankruptcy court protection. One of United's unions has sued the airline to force the company to administer its pension plans.

Delta's pilots union quickly responded to Mr. Grinstein's letter, telling its members that Delta's new proposal contained "no specifics" on the union's request for an equity stake in the airline, future profit-sharing, or a restructuring of Delta's debt and other costs. "These items must be addressed in a meaningful manner before the Delta pilots can respond to management's latest proposal," the union said.

The union told its members that it was still studying management's latest proposal, which it said included a 35% wage cut, up from a 30% cut. The union earlier this month offered a 23% wage cut, up from a 13.5% cut.

Since 2001, Delta has accumulated more than \$5.6 billion in losses, including a second-quarter net loss of nearly \$2 billion it reported last week. Delta said it would study the new offer to determine what the value is.

Reaching an agreement with Delta's only major union is key to the carrier's efforts to avoid filing for bankruptcy court protection. Delta is under growing pressure to keep pace with huge cost cuts made by its larger rivals, AMR Corp.'s American Airlines and United. It's also facing intense competition from low-cost carriers such as AirTran Holdings Inc.'s AirTran Airways, which are expanding into Delta's East coast turf.

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