

Delta Retired Pilots to have a Say In Delta Restructuring

By MICHAEL J. MARTINEZ, AP Business Writer
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NEW YORK - Retired Delta pilots will get a larger voice in Delta Air Lines Inc.'s Chapter 11 restructuring, a bankruptcy court judge said Monday in a ruling that could complicate the airline's bankruptcy proceedings.

U.S. Bankruptcy Judge Adlai Hardin said the retired pilots, who had no representation on a previously appointed retiree committee, deserved under law to have an official say in how Delta would restructure in bankruptcy — and how that could affect their retirement benefits.

Retired employees are generally represented by a single committee, called an 1114 committee after the bankruptcy code section that has a say in how a bankrupt company handles its finances, particularly when it comes to how pensions and benefits are handled.

However, the Air Line Pilots Association, in an effort to preserve benefits for current pilots, declined to represent the retired pilots. Other retired Delta employees already had representation, some of them through their unions, under an 1114 committee formed last year.

Hardin, in his first hearing since taking over the Delta case, said the statute gave him no other alternative but to appoint a second 1114 committee to represent the retired pilots. However, he warned the pilots that they would have to work closely with the other retirees committee to ensure Delta's Chapter 11 process continued as smoothly as possible.

"There needs to be no wasted duplication of effort, and there won't be if I have anything to say about it, and I actually do," Hardin said. "These two committees must work together."

Delta must now go before the two retiree committees as well as its creditors as it goes through the bankruptcy process. The committees need not agree on everything, however, as the judge overseeing the case is the final arbiter of what Delta will and won't be able to do in order to achieve solvency.

In a separate matter, Hardin ruled that Delta can continue using funds earmarked for a disability and survivors trust to meet other financial obligations as it reorganizes under Chapter 11, but only so long as it continues to make payments to retirees and other beneficiaries.

The retiree committee had sought to force Delta to seek the retirees' approval before using funds from the disability and survivors trust, stating that removing the funds, which Delta seeks to continue doing, posed an inherent risk to retirees' benefits.

Dean Gloster, an attorney for the 1114 committee, said Delta had already used \$83 million of the trust's money for severance and sick leave payments prior to filing for bankruptcy last fall, and said the embattled airline wanted to use more of the trust's money to meet its obligations going forward.

Delta attorney Marshall Huebner, however, said the committee could only intervene if payments to beneficiaries were affected. While there was some question as to the fund's long-term solvency, Delta said it would not cut its benefit payments.

Hardin agreed that the retirees' committee had no standing to control how Delta makes its payments, so long as retiree claims are paid normally. Should Delta alter its payments, then the retiree committee could return with a more suitable payments.

The judge, however, noted that there was still a question of whether Delta appropriately used the trust's money prior to bankruptcy, but that legal action for any potential misuse was not in the current purview of the bankruptcy court. Hardin also repeatedly noted that he had no stance on whether Delta had been using the disability and survivors money appropriately.

Hardin took over the case from Judge Prudence Carter Beatty, who took medical leave last month.