

Delta aims to scrap pilot pension plan 'fairly soon'

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PARIS — Delta Air Lines will file a request to terminate its pilots' defined benefit pension plan "fairly soon," the airline's chief executive officer said.

Gerald Grinstein, in an interview Friday, also discussed employee pay cuts, his future and whether a merger is a good idea.

Grinstein, in Paris for a meeting with other industry executives, told The Associated Press that the Atlanta-based airline is in talks with the federal pension insurer about the pilots' pension.

Asked when the company planned to seek termination of the pension, Grinstein said, "It'll be probably fairly soon."

He said the third-largest airline in the U.S. is keeping the pilots' union informed about the discussions with the Pension Benefit Guaranty Corp.

Delta executives had previously said a termination of the pilot plan was likely, but they had not put a timetable on it.

"We've got a judicial schedule to conform to," Grinstein said. "All of those are pieces in motion, but it'll be fairly soon."

Termination saves Delta the cash required to keep the plan funded. The PBGC would continue benefits payments, but only up to certain levels. The pilots' new concessionary contract, ratified this week, includes a \$650 million note their union can use to offset benefits cuts.

A union spokeswoman, Kelly Collins, had no immediate comment when reached by phone Friday.

Delta has a separate defined benefit pension plan for workers other than pilots, but executives say they still haven't decided whether to also seek its termination while in Chapter 11.

Grinstein also said Delta has no plans to ask pilots for a third pay cut, and he dismissed the idea, at least for now, that the bankrupt company could merge with another carrier.

Grinstein said the new \$280-million-a-year concessions agreement with pilots gives the airline the cost cuts it needs.

"I don't expect to go back to the pilots," Grinstein said. "We have all our people at the market rate. We are going to have to be more efficient both in the way we operate the airline but also in

what can be recouped in revenue management, handling the network and utilization of our equipment."

The concessions package, which includes an extended 14 percent pay cut and assurances the pilots union won't fight any company effort to terminate the pilots' pension, was the second the pilots agreed to in two years.

In 2004, the pilots gave up \$1 billion in annual concessions in a five-year deal.

'Mergers ... are very difficult'

Delta has said previously it expects to emerge from Chapter 11 in the first half of next year. On Friday, Grinstein said Delta's goal is to emerge as an independent standalone company. Mergers are not an option, at least not now, he said.

"Mergers in our industry are very difficult. You'd be hard-pressed to name a lot of them that have worked in the long-term sense," Grinstein said.

He added, "Merging work forces particularly when they have different unions and getting the seniority straight in an industry that is so affected by attitude, when your service quality is a derivative of attitude — it can give you a pause, and in this market place you don't need a pause."

Separately, Delta has said it supports making it easier for a foreign investor to invest in a U.S. airline within statutory limits.

Asked about his future at the airline, Grinstein said he'll "stay until at least we know we're coming out" of bankruptcy. He wasn't more specific.

He said Delta fought long and hard to avoid filing for bankruptcy protection last September, saying it was a very difficult "extremely costly" process that had drained time and energy when the airline needed to turn itself around.

"Obviously I didn't want to file Chapter 11," he said. "It's taken more time than I'd like to have spent doing it. ... It's a diversion. You'd like to be doing or thinking about different things and you have to spend a significant part of your energy on that."

'Remarkable progress'

If there was a silver lining to bankruptcy, it was putting in place a team of people that were capable of running the airline, he said.

Grinstein was upbeat about the airline's prospects, saying Delta had managed to wrestle revenue costs plus the soaring cost of oil and still post a profit in April.

"I think that we've made remarkable progress," he said.

"In the light of fuel at the levels that it's at, the company was still profitable in April. When the final numbers are out, I think you'll see a remarkable change in where Delta is in relation to the rest of the industry," he said.

Delta this week posted its best monthly financial report, for April, since going into Chapter 11. Its \$27 million net loss for the month was far less than in any of the previous monthly reports to its bankruptcy judge, and it had an operating profit.