

Delta, pilots come out swinging

Union fails to get judge to step down

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New York — Delta Air Lines and its pilots union charged each other with intransigence Wednesday on the first day of a U.S. Bankruptcy Court hearing in which the company is asking a judge to void the pilots' contract and impose new cutbacks.

The five-hour session in a courtroom overflowing with almost 100 lawyers, witnesses, pilots and other spectators began with fireworks. Pilots union attorney Bruce Simon stunned onlookers by asking Judge Prudence Beatty to step down from the case, saying comments in prior hearings showed her to be biased against pilots.

Beatty refused Simon's request and denied she holds any such bias, then moved the hearing into opening arguments on the contract issue.

The hearing is set to resume today at noon, when the union and airline will begin presenting testimony from up to 21 witnesses, including Delta financial chief Ed Bastian, and the current and former chairmen of the pilots union.

Delta, which filed for Chapter 11 protection Sept. 14, wants \$325 million in annual savings from pilot concessions as part of its latest turnaround plan to cut costs or boost revenue by \$3 billion by the end of 2007.

After initial negotiations on a new pay cut deal failed, Delta exercised its option under bankruptcy law to ask its judge to impose new terms — a move the Air Line Pilots Association vehemently opposes.

Officials of the company and ALPA each said some form of negotiations continue.

"There are still talks going on," said ALPA spokeswoman Kelly Collins. "We are calling them negotiations."

Delta spokesman Dan Lewis said "informal talks" continue. "We're very early in the process, and what goes on in the courtroom does not necessarily reflect everything that's going on," he added.

One of Beatty's options is to send the two sides back to the bargaining table for up to 30 days before she rules on the motion to toss out the contract.

Delta attorney Jack Gallagher said the Atlanta carrier's survival depends on getting no less than \$325 million a year in annual savings from pilot pay cuts, including wage cuts of 19 percent.

"That's what our investment bankers tell us. That's what our financial analysis tells us," Gallagher said in opening arguments. "ALPA is fervently urging the court to say it isn't so. We're telling them it is so. We wish we didn't need \$325 million of cash. But the need is real."

ALPA, he added, is "looking for accounting entries" to offer as concessions.

ALPA has offered \$90.7 million in annual cuts over four years.

ALPA's attorney, Simon, told the judge that the union offered during negotiations to refer the issue to binding arbitration on pay cuts of up to 15 percent.

"Delta rejected the proposal," said Simon. "The company's rejection of that solid proposal justified ALPA's rejection of Delta's draconian proposal."

Beatty actively questioned both attorneys but singled out Delta for attempting to draw comparisons to other airline bankruptcies, which she said were useless in considering Delta's unique case.

"I say you're throwing darts at the pilots because they're smaller than you are and you think you can stomp on them. That may or may not be true," Beatty told Gallagher. "I don't think this matter will be resolved until I hear what the pilots have to say and what you have to say."

The hearing had started with Simon asking Beatty to remove herself, citing comments in earlier court hearings in which she said pilots wages were "hideously high."

Simon also cited a Nov. 10 Associated Press story in which Beatty was quoted as saying: "What's really weird is that anyone agreed to pay them that much money to begin with."

Beatty said her comments, made in jest, were misinterpreted. The second comment, she said, referred not to pilot wages but rather to lump sums of about \$1 million that retired pilots could take when they left the airline.

Delta pilots currently earn an average of \$169,393 a year, according to a company court filing. The company contends that, even with the new cuts it wants, a midcareer captain of a Boeing 757 would make slightly more than a counterpart at Northwest Airlines, whose pilots just agreed to cuts. Northwest filed for Chapter 11 protection the same day as Delta.

New cuts for Delta pilots would be on top of \$1 billion in annual concessions the pilots agreed to in a five-year deal reached in 2004. That deal included a 32.5 percent pay cut.

Delta has recorded losses of more than \$11 billion since January 2001, including a \$1.13 billion loss for the third quarter.

The Associated Press contributed to this article.