

CEO Grinstein: Delta is on target

Plan calls for bankruptcy exit in middle of '07

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Delta Air Lines has achieved about 70 percent of the financial goals in its Chapter 11 recovery plan and could emerge from bankruptcy court a little over a year from now, the company's chief executive says.

"My aspiration would be to come out in the spring or summer of '07," CEO Gerald Grinstein said Wednesday in an interview at Delta headquarters.

Grinstein said 2006 will be a "critical year" for the carrier, which continues to lose money amid high fuel costs and brutal competition. "In '06 we have got to stabilize the company," he said.

It was Grinstein's first extended interview since Delta filed for Chapter 11 protection from creditors on Sept. 14. The 73-year-old CEO — who joked that his ears were still ringing after attending a Bon Jovi concert the night before at Philips Arena — touched on a number of areas:

- Grinstein said Delta is not in merger talks with Northwest Airlines, as has been speculated since the two carriers retreated to bankruptcy court on the same day.

- He said the airline should show positive cash flow and other bottom-line benefits from its recovery moves — which include new job and pay cuts as well as route changes and debt restructuring — by late this year.

- The airline still wants a permanent cost-cutting deal with pilots worth \$325 million a year, he said, substantially higher than the value of a tentative pact reached last month.

- Grinstein said he thinks Delta's service is improving despite the hard times, based on feedback he sees from customer surveys.

Grinstein, a longtime board member who took the CEO post in a shake-up at the end of 2003, initially said he expected to do it for two or three years. But he said Wednesday he has no timetable for stepping aside.

"It's a source of domestic friction," said Grinstein, who previously lived in Seattle and still has a home there. "But I want to make sure that we get to a point where this company is very stable in its outlook. Then I will be comfortable."

Grinstein said he expects Delta to go from bleeding cash to generating cash by this fall. The carrier has gotten concessions on pay, aircraft leases and other costs, he added, to account for 70 percent of its \$3 billion in cost reductions or revenue boosts targeted under its court-supervised restructuring.

"We're right on the plan we laid out," he said. "I would expect us to be better than break even by the fourth quarter."

Grinstein said he expects consolidation in the airline industry after 2007 but discounted rumors Delta might merge with Northwest or another carrier.

"We are not in merger discussions with anybody. Our aim is to remain a stand-alone, independent airline," he said. Last week, U.S. Transportation Secretary Norman Mineta heated up such speculation with off-the-cuff musings about whether Delta and Northwest might combine.

Grinstein said Delta still faces big challenges in its restructuring plan, including further retooling of its flight network and keeping or recruiting talented managers. And the airline must reach a final deal with pilots.

Last month, the pilots union agreed in an interim deal to a 14 percent pay cut and other concessions to cut labor costs about 1 percent. The pay cut, which saves Delta \$143 million a year, comes on top of a 32.5 percent pay cut and other concessions in 2004. The short-term pact headed off a showdown last month in bankruptcy court, where Delta had asked to void the Air Line Pilots Association's contract and impose \$325 million in concessions.

Grinstein said Delta will seek the same level of concessions and salary cuts in pending talks toward a broader cost-cutting pact. "The number hasn't changed," he said.

If the two sides can't reach an agreement by March 1, the issue would go to a three-member arbitration panel. Union leaders have said the pilots will refuse to work without a contract and threatened a strike that could kill the venerable carrier. Delta has said such a strike would be illegal.

Grinstein explained his attendance at the Bon Jovi concert by saying simply, "I like concerts." He added that he liked the show but is more likely to listen to Paul Simon on his iPod.